



Portfolio Management

The Link Between Strategy and Project Execution

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Module Objectives

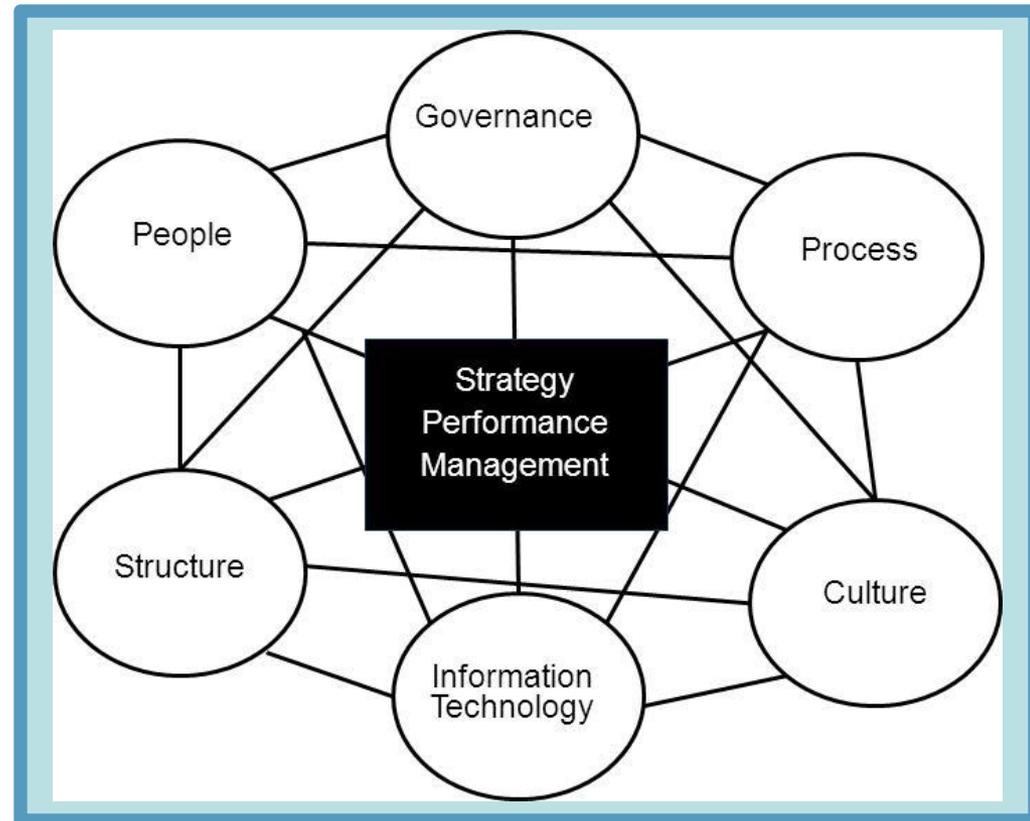
By the end of this module, you will be able to:

- **Build a best practices Portfolio Management process**
- **Describe the operations of the portfolio review board**
- **List at least 5 criteria that could be used for portfolio prioritization**
- **Address the challenges of monitoring portfolio performance**
- **Explain the Portfolio Management Lifecycle**

Portfolio Management

Portfolio Management is the key facilitating process integrating:

- **Strategy**
- **Project Management**
- **Resources**
- **Performance**



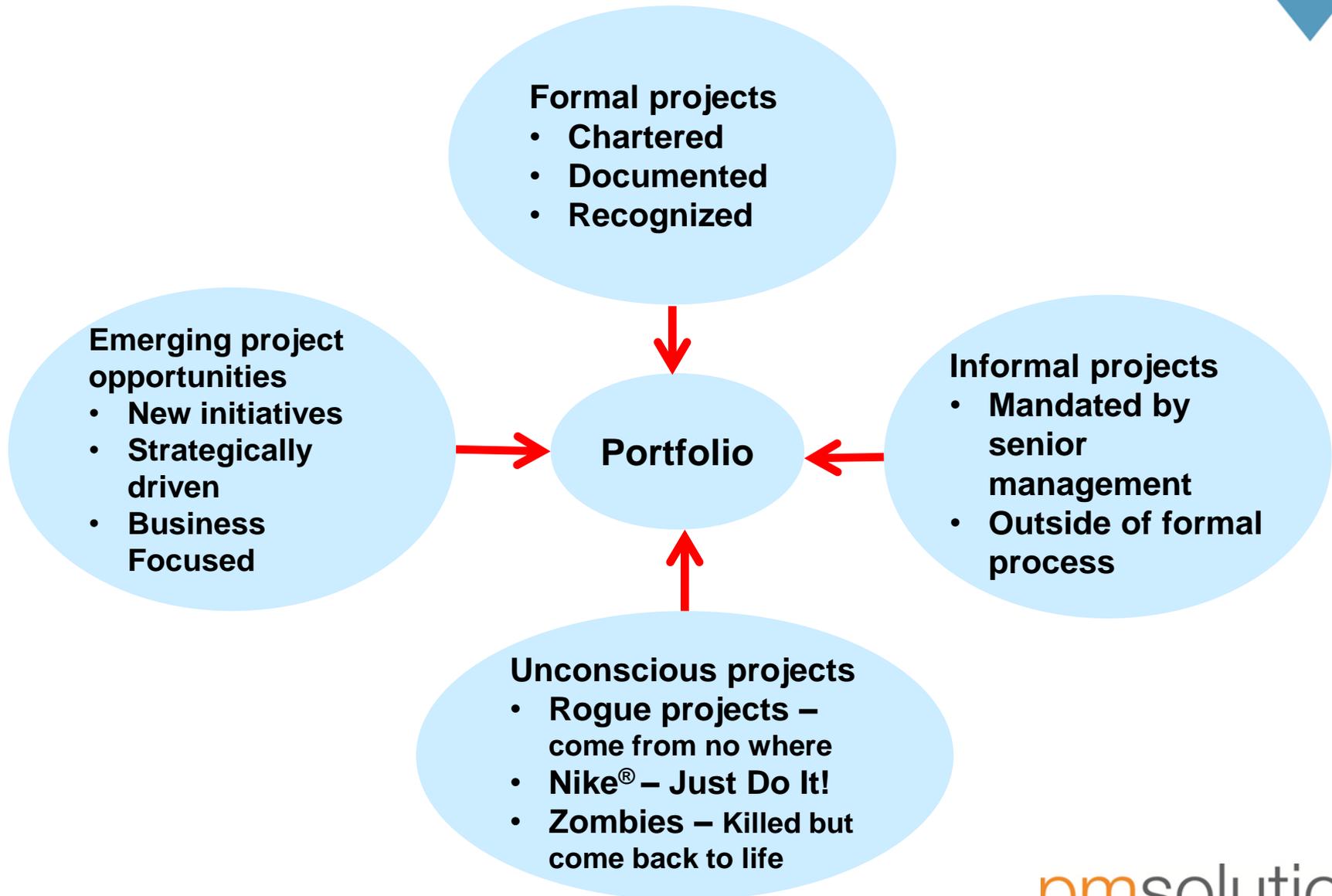
Project Portfolio Management (PPM)



Portfolio Management is the centralized management of one or more portfolios to achieve strategic objectives

This definition is taken from the Glossary of the Project Management Institute, *A Guide to the Project Management Body of Knowledge, (PMBOK® Guide)*—Fifth Edition, Project Management Institute, Inc., 2013.

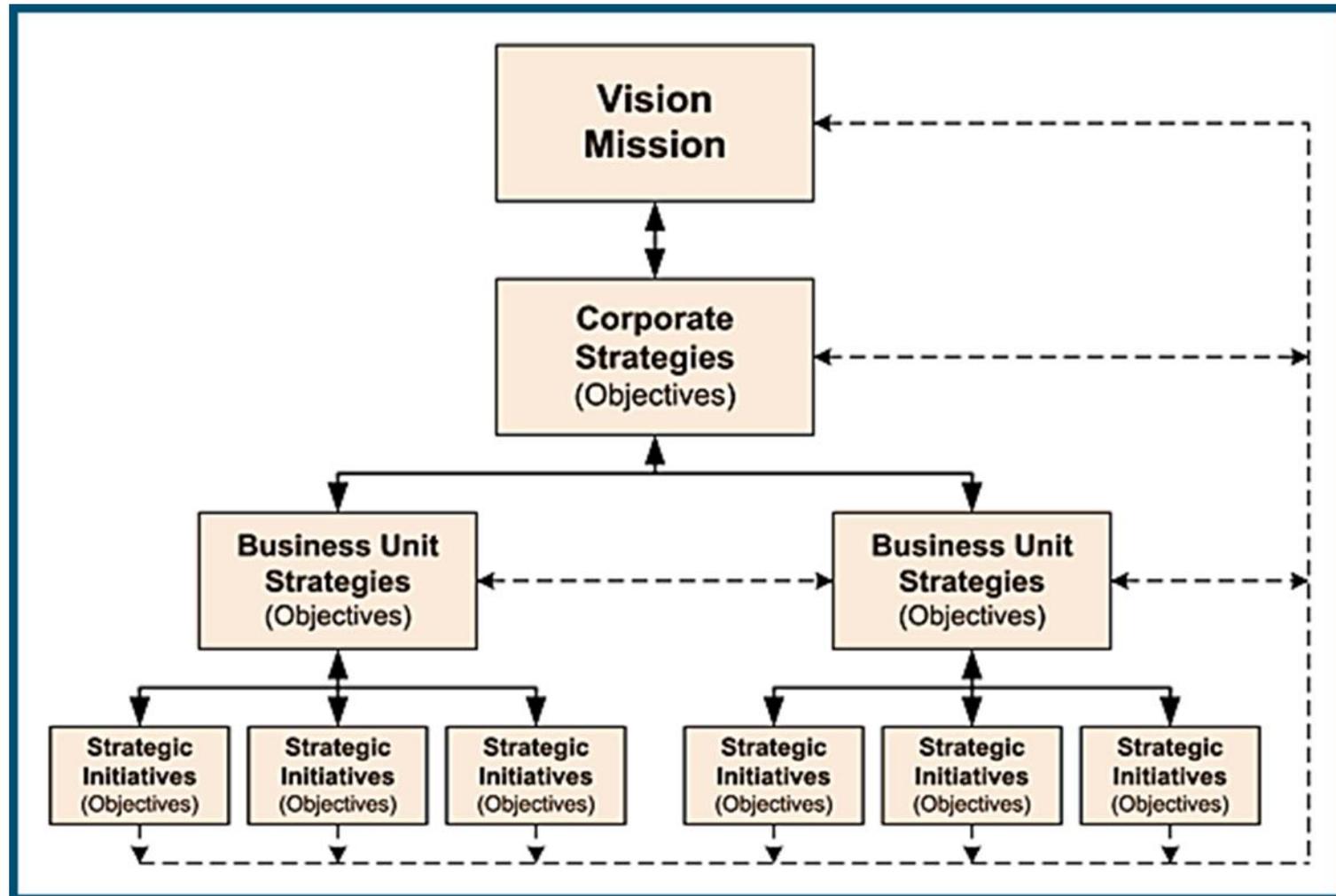
Your Project Portfolio!



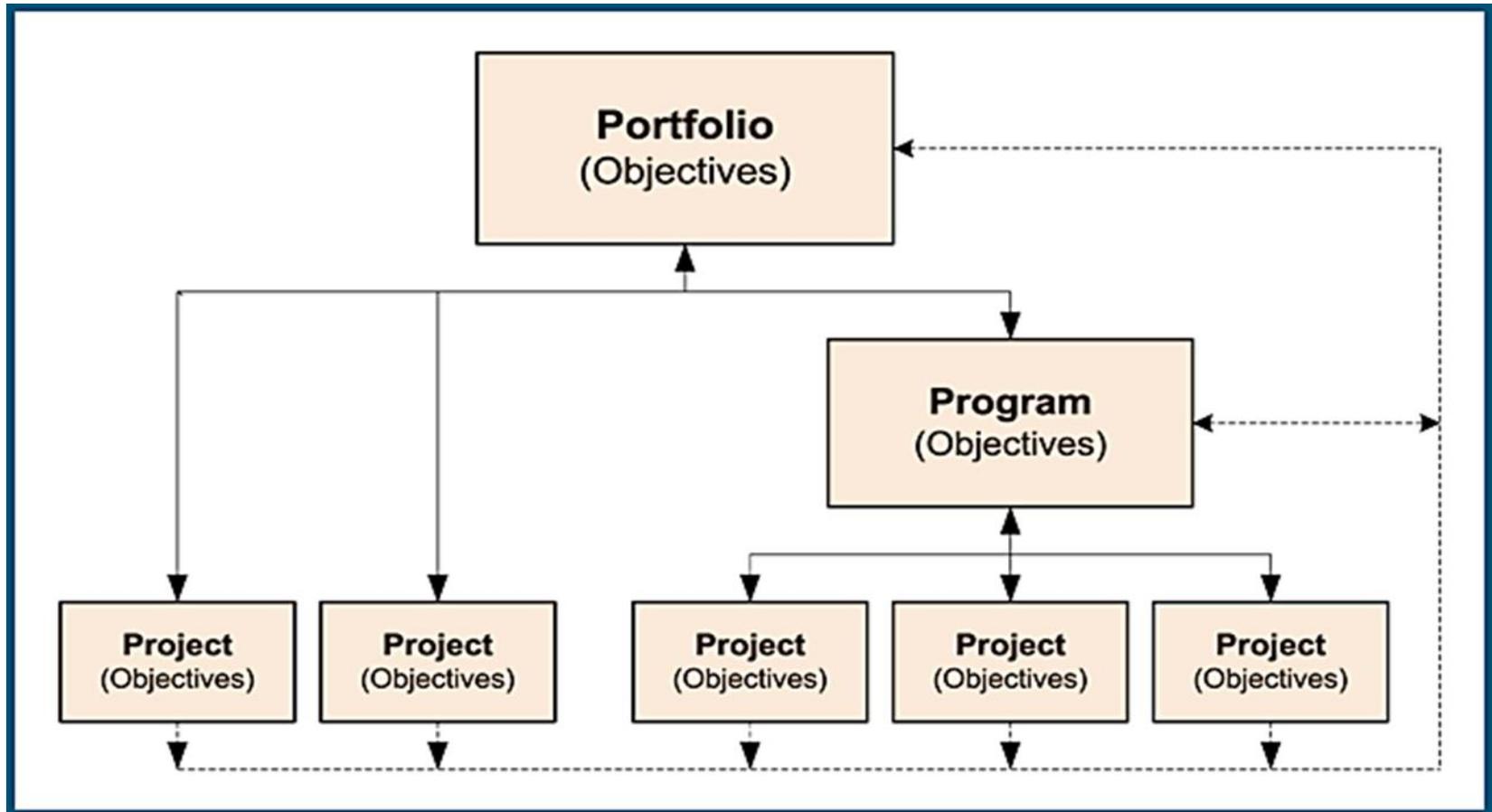
“A poor strategy executed well is always better than a great strategy executed poorly.”

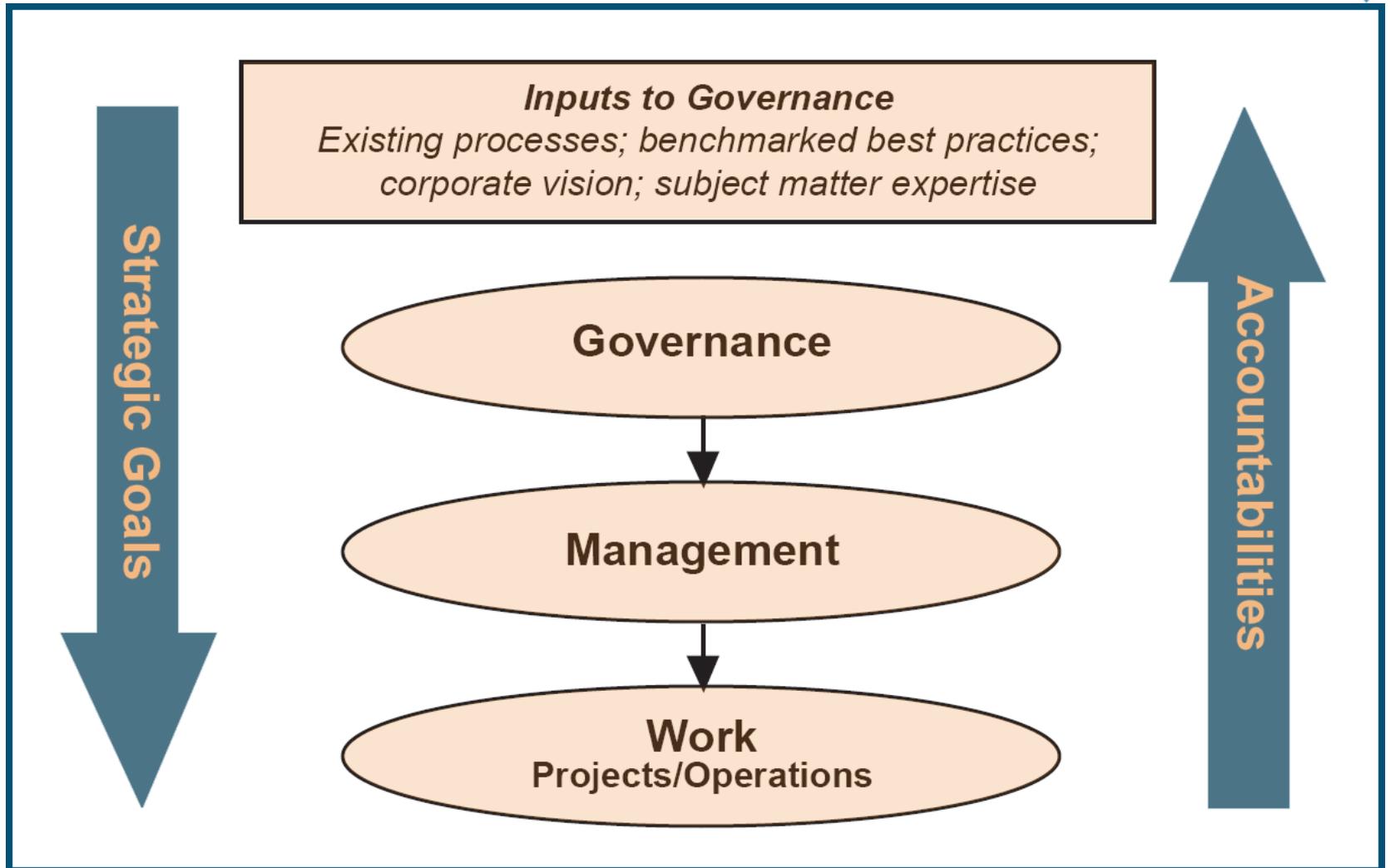
- Michael Porter

Strategy Performance Management Hierarchy of Objectives

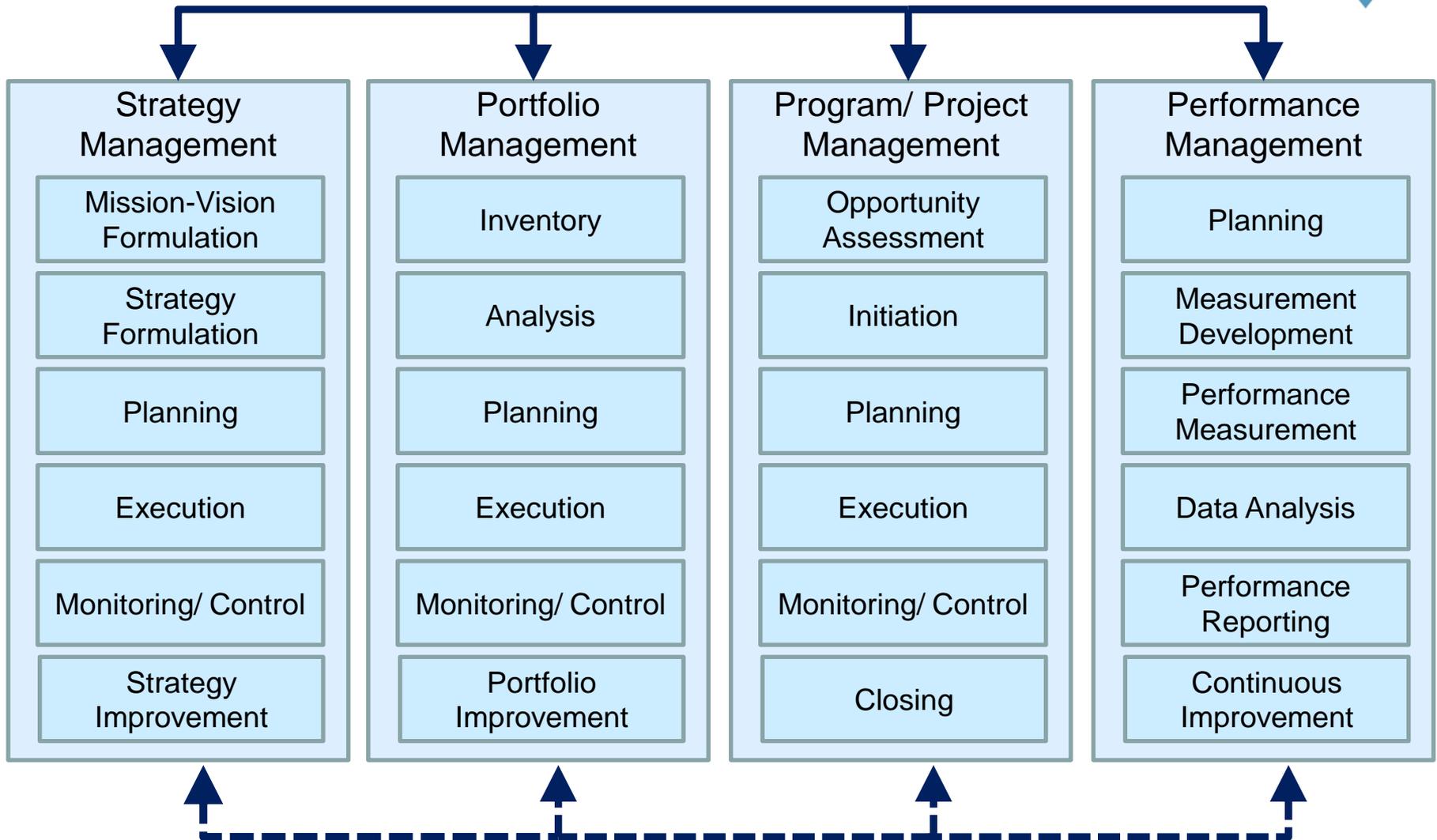


Strategic Initiatives

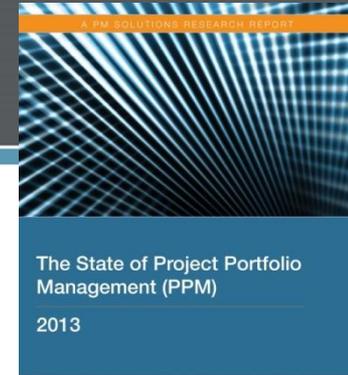




SPM Processes



The State of PPM 2013

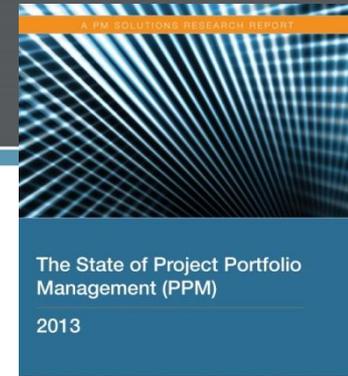


- **71% of organizations in the study have PPM in place**
- **Of those that do not, 51% plan to implement within the year**
- **Over 60% of organizations perform PPM at the enterprise level**
- **30% place responsibility for PPM within the PMO**
 - **The second largest group, 27%, place responsibility at the C-level**
- **50% of organizations self-report Level 2 Maturity (“Established”) in PPM; another 25% report at Level 3**
- **PPM is not tool dependent – majority still use spreadsheets**

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Issues and Challenges



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- **Top “pain points” of PPM**
 - Organization has “silo” mentality
 - Defined processes not consistently applied
 - Difficult to get reliable, accurate project information
 - Lack of information on resources (skills, availability, etc.)
- **59% of organizations do not know their ROI for PPM**
- **High priorities for PPM:**
 - Improve resource planning and forecasting processes
 - Implement/enhance reporting, analytics, dashboards
 - Implement/enhance PPM processes
 - Engage in PPM training and mentoring

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Prediction for PMOs

- **Strategic Planning Is A Continual, Holistic Practice**

Move portfolio management from low-level status reporting to the center of a perpetual planning exercise containing both strategic and operational elements...

- **Transition Portfolios From Alignment/Progress To Alignment/Value**

... companies are changing their mindset by aligning portfolios with corporate strategy, breaking demand into smaller chunks, and measuring value delivered in shorter, more frequent iterations.

- **Portfolio Management Is The Only Way To Effectively Manage A Hybrid Organization**

... Balance requires greater visibility into a transparent, integrated demand pipeline to remove constraints on key resources. Optimizing work cadence allows companies to start fewer, but finish more, efforts while freeing resources for innovation.

Margo Visitacion, *Next-Generation Portfolio Management: Strategic, Lean, and Delivery-Enabled*, Forrester Research

Portfolio Prioritization Criteria

- **Prioritization criteria are used to evaluate projects**
- **Consistent criteria should be defined for each category**
- **Criteria at a minimum consists of 3 parts**
 - **Condition being evaluated**
 - **Scoring method**
 - **Importance weighting**
- **The leadership team, assisted by the portfolio team, identifies the criteria**
- **The criteria may vary between portfolios and should not vary within a portfolio**
- **Ensure the criteria selected are viable measures for all projects within the portfolio**

Possible Prioritization Criteria

Possible prioritization criteria might be:

- Alignment with strategic vision
- Aggregate risk
- Return on investment
- Profit enhancement
- Revenue generation
- Time to market
- Market share capture
- Impact on customer satisfaction



Portfolio Review Board Operations

A team tasked with managing all aspects of the portfolio of projects

- **Board membership**
 - Sr. Management with decision making authority
- **Responsibilities that include:**
 - Decision-making processes (people control)
 - Project selection and prioritization
 - Portfolio monitoring and adjusting
 - Portfolio performance management
 - Killing projects



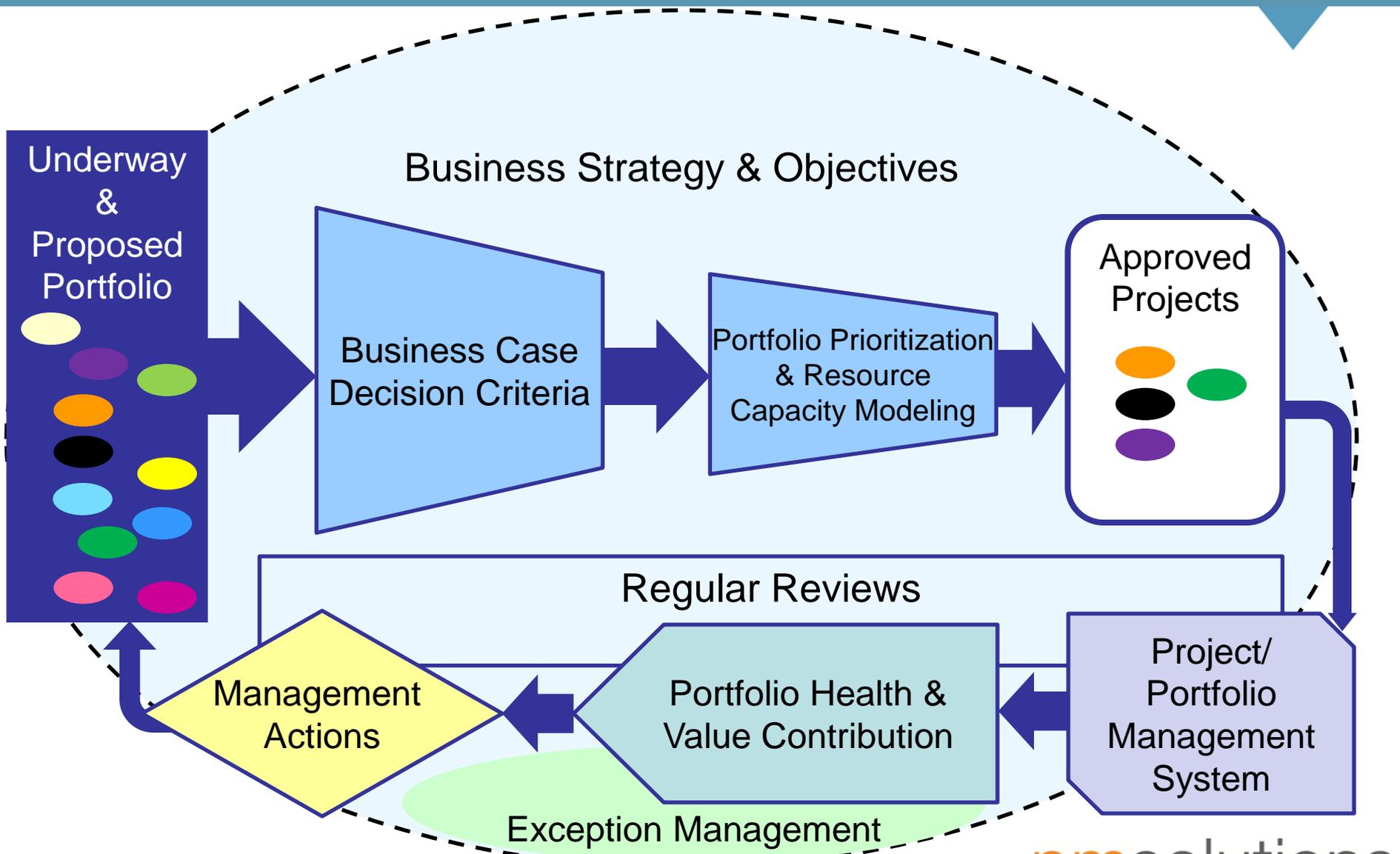
Monitoring Challenges

Common challenges to monitoring portfolios:

- Inadequate attention to key project metrics
- Attempting to achieve process “perfection”
- Too much focus on detailed project management at the cost of achieving a comprehensive project portfolio
- Lack of executive leadership
- Choosing the easy metrics instead of the right metrics
- Grouping in hierarchical classes (A, B, C) rather than numeric prioritization
- Not choosing a mix of metrics



Portfolio Management Lifecycle



Key Best Practices

- **Portfolio management integrates strategy, project management, resources, and performance**
- **To move forward, the PMO must become an enterprise function focused on business change or strategy execution**
- **Project prioritization criteria for inclusion in the portfolio must include alignment with strategic goals and objectives**
- **The Portfolio Review Board must have the authority to add, change, or cancel projects**