



portfolio management process – the what, why, and how

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Project Portfolio Management and Governance guides organizations in analyzing, selecting, and managing a collection of investments that align with strategic objectives using a data driven decision-making framework. Let's break this down a bit for better understanding.

Senior management must drive the change and remove barriers

You cannot manage what you don't measure

Make periodic course corrections to the roadmap as new concerns, trends, and issues occur

what is it?

The first aspect is Project Portfolio Management. The concept is to coordinate the activities associated with project review, approval, postponement, rejection, acceptance, or cancellation – with the goal of effectively supporting strategic organizational objectives.

Governance allows us to define rules and measures used to support strategic objective achievement including setting direction, aligning activities, providing decision-making guidance, and defining performance monitoring standards.

Using these techniques, organizations can choose projects based upon data driven analyses which align with organizational goals and ensures the approved projects continue to support those goals throughout their lifecycle using periodic performance monitoring.

why is it important?

A systematic approach enables you to make strategic choices between competing alternatives to support creative ideas, develop technologies, and build the infrastructure necessary to move forward. Through this process, project success is judged using consistently applied performance measures to determine the degree to which the project is meeting, met, or will meet organizational goals.

Portfolio Management and Governance provides the structure necessary to manage concerns, identify trends, and address issues such as

- Misaligned organizational behaviors
- Technical and enterprise debt
- Future technologies and trends

Misaligned Organizational Behaviors are often the result of too much demand in the same window of time – encouraging bad multi-tasking, poor management of conflicting priorities, resource sharing contentions, and behavior misalignment such as Student Syndrome and Parkinson’s Law, all of which are examples of how human nature, if not managed, can cripple our ability to make forward progress.

Technical and Enterprise Debt refers to the cost of maintenance and re-work due to poor execution and quality. It is the increased time and associated cost to support identification and re-work of inadequate deliverables, duplicative organizational functions, and/or bad business processes.

Technical and enterprise debt can occur during and after project completion. During the project lifecycle, this type of debt often incurs in the form of change requests that lead to increased costs to support the requirements. Post project lifecycle debt often shows up as “follow on” activities used to improve functionality associated with the original delivery.

Future technologies and trends are “in the works” all around and recognizing and anticipating them allows organizations to keep pace. For instance, using cloud computing and social media such as LinkedIn, Facebook, Twitter are important for success, while managing large volumes of data in a secure environment are paramount to organizational success on all levels.

Using portfolio management and governance techniques allow organizations to anticipate, proactively manage, and overcome misaligned organizational behaviors; and understand and limit technical and enterprise debt effects in a positive way – while keeping an eye on when and how to implement new technologies and trends that best serve strategic objectives.

how is it implemented?

Now we understand project portfolio management and governance’s value, but how do we implement it? The strategy can be summed up in four basic steps:

1. Acknowledge a need for a holistic governance approach
2. Create a repository for project and resource analysis and tracking
3. Make data-driven decisions on project investments
4. Measure progress with leading indicators

Organizations must acknowledge the need for a consistent and value-driven approach to governance. Support starts at the top; this requires decision makers to think through and define what the organization’s strategic goals and to enable a roadmap creation with follow-through to allow the organization to accomplish goals.

At the same time we gather information on the direction we wish to head, we must understand the portfolio of projects already in progress and projects in the pipeline.

You must be prepared to make periodic course corrections to your roadmap as you face new concerns, trends, and issues.

Keys to success include clearly keeping fixed on the goal, being flexible about the path to achieving it, being open to new inputs and ideas, and learning from every experience while looking for the good in every difficult situation.

did you know?

The key here is to capture these projects including their resource requirements in a centralized repository and to apply consistent metrics for expected benefits, costs, and strategic alignment values.

You can use the project repository (your portfolio) to define, analyze, and select which projects to continue to support and which projects to postpone or cancel based upon alignment to strategic goals and road map or performance.

The project portfolio is a one-stop shop that enables application of consistent data analysis for investment decisions, allows you to define what is meant by a valuable delivery, and eases the process of manipulating data to understand “what-if” scenario results. Additionally, you can develop indicators that define performance measures, identify and actively manage risks, and continuously re-evaluate resource usage and alignment requirements.

summary

You cannot manage what you don’t measure or describe. Defining a set of key performance indicators (KPIs) specific to each individual organization is imperative. For instance, resource usage costs vs. savings or return on investment (ROI); estimated benefits vs. actual or realized benefits; and alignment to short-term or long-term goals (as well as other policies, procedures, or approaches) can be measured to determine if you are meeting objectives.

Once you understand what metrics have the most meaning, you can decide how to create an approach to baselining your projects against these metrics and monitoring progress against those baselines.

Keep the following guidance in mind when determining the metrics to be gathered:

- *Inventory* – Do you currently track metrics? If so, how can you use them moving forward?
- *Actionable* – Does the metric provide actionable data?
- *Decision* – Does the metric enable you to make business decisions?
- *Predictive* – Does the metric provide directional guidance?
- *Trending* – Does the metric capture historical trend in performance?
- *Integrated* – Can the metric be integrated with other metrics to provide understanding of the “bigger” picture?
- *Timeliness* – When and how often should this metric be gathered?
- *How* – What is the process to be used when gathering and analyzing the metric against the baseline?

It is achievable, but is not a one and done proposition. It is necessary to internalize the effort and re-visit each step at predefined intervals.

take note

- Hire a tour guide; outsource to experts with experience to guide your organization to success
- Use existing architecture as a starting point and compass
- A project repository is key to increasing portfolio maturity
- Define key performance indicators (KPIs)
- Share this knowledge to increase your organization’s overall skill set and employee capabilities

extras

- Organizations that practice Portfolio Management and Governance are 20% more profitable than their competitors are. (*IT Governance*, Peter Weill)