Portfolio Management and a P3O?

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The Definition of Portfolio Management

Type Portfolio Management into Wikipedia® and you get the following description:

This disambiguation page lists articles associated with the same title (the term is, according to Wikipedia, therefore ambiguous).

Encarta has some better definitions:

- a large flat case for carrying documents such as maps, photographs, or drawings, - uhm!
- the contents of a portfolio, especially when they represent somebody's creative work, - a-ah!
- the post or responsibilities of a cabinet minister or minister of state, - hah!
- all the investments held by a person or organization, - mmm!
- the complete range of products or designs offered by a company, - ah!

Then if you "Google" Portfolio Management it returns, Primavera® at the top level (sponsored) and OGC® at the top of the un-sponsored, I am not really aware of how to get to be top of the Google list, but the cynic in me feels it might be commercial.

There is clearly not a single source of reference for Portfolio Management, however many of the Encarta descriptions above do indeed appear to help.

At first glance the Encarta definitions do not seem to relate to projects and programmes, it's certainly not **a large flat case**, but, we do need a single source of truth, we need a list of your organisation's projects and programmes? - uhm!

Somebody's creative work? A large proportion of any organisation's creative ability and capacity is likely to be working hard to change its products and services in some way. - a-ah!

Cabinet Minister's responsibilities, is analogous to a director of an organisation sponsoring a series of projects and programmes, indeed in government, elected members may be part of the sponsoring group. - hah! (maybe not quite appropriate but..)

Investments? Whilst we all understand that financial portfolio management tends to be dealing with the fluidity of stocks and shares, would not an organisation be expecting a return on their project and programme investments in term of the benefits expected? Traditionally measured against the difference a building society would offer, therefore today the returns will need to be greater than say, a very low percentage. –mmm?

Range of Products? Clearly these are what an organisation offers to its customers, many projects and programmes, are put in place to change the range of products and services offered to customers. Would there be a project or programme that didn't impact these in some way? - ah! Have we got to a definition yet?

It seems a true definition of Portfolio Management will need to be a balance all the above (and probably more).

Portfolio Overview

As a minimum an understanding of the range of Projects and Programmes and how they relate to an organisation's strategic objectives would be, at a top level, what is required of portfolio management.

In the longer term, I would expect an organisation to develop and agree a strategic vision and only then define the projects and programmes needed to deliver that vision, rather than, collect information of what's happening and align it with strategy.

What is needed?

- Determining an organisation's ability or capacity to effectively deliver change.
- Understanding and determining where additional creative resources are to be deployed.
- Ensuring an organisation leverages its internal creativity would be part of capacity planning and management.

As an organisation's portfolio management improves and matures, less would need to be spent on expensive consultants, minimising spend, maximising use of existing resources.

Governance of a Portfolio?
Currently organisations focus governance on projects and programmes, with a resultant departmental or silo, focus. Sub-optimizing the investments in projects and programmes, potentially damaging end-to-end service delivery by improving a small element, and queuing theory tells us this isn't sensible.

Maintaining a big picture view of an organisation's project and programme portfolio, with appropriate governance and control at the strategic level will help to focus activity at the lower levels. Prioritisation + Focus = Delivery

Investments should give a clear return on investment. Projects and programmes are rarely considered objectively against clear unambiguous criteria, and even if they do, they compete for the same scarce resources.

Projects and programmes go through their delivery phases, people will be working hard within them or are affected by them. Starting with such enthusiasm staff are generally less enthusiastic as a project comes to a close, than when they started.

Portfolio management should ensure that the benefits, promised, or expected during the enthusiasm phase, are not ignored during the, "thank goodness that's over" phase.

An organisation's range of products and services could be described as Business As Usual (BAU). No matter how valuable or promising the projects and programmes are, no matter how much benefit they will bring, usually the most important aspect of any business is the continuing income derived from Business As Usual (BAU).

BAU will be impacted by project and programmes, and they may be individually dealing with these via Business Change Managers and Senior Users, but what if changes cut across projects and programmes, what if one programme in one area impacts another project in another area? An easily manageable risk in one project, when combined with other programmes could put an organisation in serious financial or operational difficulty.

Out of the above list, the following should be evident:

- Strategic Planning needs to integrate with the Portfolio, Programme and Project processes.

- Change Management is crucial to success and the use of an organisation's scarce creative resources should be carefully managed.

- Programme and Project delivery is most effective when governed appropriately, delivering projects and programmes is a challenge and needs organisational support to be effective.

- There should be some clear criteria to judge the success of an organisation's portfolio of projects and programmes. This criteria needs agreeing and defining, before projects and programmes are prepared, whilst they are running, and after they finish, to ensure benefits are delivered.

- Changes to BAU need to be carefully managed and planned, portfolio management needs to ensure that change is delivered as effectively as possible and maintain the capacity to deliver business as usual.

Strategy

How does strategy get defined in an organisation?

Johnson & Scholes (2001) describes a strategy planning window through which strategy is defined in one of three ways, possibly a combination of all in reality, but it does illustrate the point.

1. Entrepreneurial, a, usually, charismatic leader defines the way forward, driving through their vision, very focussed and achievement oriented, almost dictatorial in their approach. Richard Branson or Alan Sugar might be examples.
2. Intra-preneurial, senior managers, usually directors, are bought together to determine the most appropriate way forward for their parts of the organisation, and presumably some coordination along the way.
3. Planned, strategy is a carefully planned and monitored against external threats and opportunities, typified by a group of specialist "strategists" who consider an organisation's policies and mission to prepare a carefully considered strategic way forward.

As pointed out above, this simplistic view of strategy doesn't take into account that no matter which "window" strategy is developed within, it will be influenced by the others. For example Intra-prenaurial may be the preferred approach, but directors and senior managers are often strongly influenced by the organisation's key leader. Conversely an Entrepreneur will be taking advise, however informally, from key individuals. The Strategic planners would be expected to take a dispassionate view but they would be influenced by both of the above groups.

It is useful to identify these strategic setting viewpoints, as it helps anyone attempting to implement portfolio management to understand the fact that this happens already somewhere in their organisation. They need to seek it out, understand how it works now, take the best bits and integrate their portfolio management processes and procedures into what works now.

For example a Local Authority is set targets and challenges by central government, the larger Councils will have a strategy group, possibly led by elected members. This is complicated by their need to deliver over 600 services. Services as diverse as caring for vulnerable children, to emptying bins, recycling waste, managing traffic flow and car parking charges.

Is it possible to prioritise initiatives and set strategy in this environment? It might seem difficult and challenging even impossible, but for effective portfolio management it is necessary. Is it possible for a single group of people, strategists, "entre" or intra-preneurs to achieve?

It should therefore be evident that the people responsible for an organisation's portfolio of projects must integrate with the organisation's current method for determining strategy Attempting to do this in isolation will lead to confusing messages for senior managers and directors, who will be increasingly reluctant to fund any portfolio management initiative as it will be seen to detract value rather than add.

It should also be apparent that strategic planning is a key element of managing a portfolio and the tools and skills needed to effectively set organisational strategy will form a key part of the overall picture.

Supporting Change

Analogous to the creative portfolio, I have been creative in my definition, setting strategy and aligning projects and programmes to this strategy is only the first part of the equation. Maintaining the alignment is essential to ensure changes to specifications and requirements do not jeopardise the aims and objectives of the strategy.

Assurance of projects and programmes and maintaining a restraining gateway process is therefore a useful addition to any Portfolio Manager's toolkit. Assuring senior managers and directors that change programmes are delivering, should happen at various points within the delivery lifecycle; before delivery commences and following closure.

Before delivery a Portfolio Management function would need to ensure the investment meets some clearly defined criteria for investment and strategic alignment, projects and programmes that fail to deliver strategic objectives or priorities should be stopped or re-aligned to refocus attention. Alternatively it may be beneficial to combine some projects and programmes to leverage additional value or take advantage of common or rare skill sets.

Ensuring the right people are involved in the programmes and projects is almost too obvious to state, but how do organisations ensure this happens, some achieve this with a gateway process, requiring sign-off by various department heads or departmental programme offices before being allowed to continue, this activity needs coordination and management to ensure that prioritised projects and programmes remain prioritised and any conflicts managed.

Stakeholder management and control, can get out of hand when an organisation is going through many changes, conflicting messages, or apparently conflicting messages can change a stakeholder's perception, potentially turning previously supportive groups into opponents or worse, blockers.

Communications with stakeholder groups, particularly widely dispersed groups, can be a costly business. Newsletter production, is relatively inexpensive when considered in isolation, but many programmes producing many newsletters, each with their own design and message can be extremely inefficient in the use of talented and creative people.

Combining stakeholder communication into a common specialist group activity can save an organisation's reputation in addition to the pure financial in-efficiency of many people in many programmes re-inventing the wheel, and applying their own styles and templates.

Project & Programme Delivery

In order to deliver the agreed and well communicated strategy, projects and programmes need to deliver their objectives. Once they have been selected and prioritised it is essential to proceed with a sense of urgency. John Kotter, Harvard University Professor of Organisational Change, puts this at the top of his list of reasons why change fails.

Portfolio Managers need to help projects and programmes start-up as effectively and quickly as possible, they will benefit from expert help to plan appropriately and estimate effectively, estimating metrics are often not available for new initiatives, after all many of them will be unique, and project managers may not have experience with them.

Capturing lessons learned from projects and programmes, making this information available to project and programme planners and managers will be a key task performed by a portfolio manager. Ensuring knowledge is captured and retained within the organisation, disseminated to those who need to know, when they need to know it.

Dependencies between planned activities and projects need to be maintained if an organisation's portfolio is to deliver effectively. Scarce resources, such as IT developments skills and programme management, will be most effectively used if they are coordinated in some way, and it sounds if this might also benefit a portfolio too.

Delivery of complex projects and programmes requires talented individuals, with the most skilled and experienced managers allocated to the most complex, important or high risk projects and programmes. Conversely, smaller, less critical or challenging projects should be allocated to less experienced or new project and programme managers. Managing the development of project, programme not forgetting portfolio management skills, is another function a portfolio manager would benefit from.

Analysis of projects and programmes to assess their risk and complexity, should help portfolio managers to achieve the link between project complexity and project manager experience, similarly with programmes.

During project and programme delivery, many will require support, larger programmes and projects often setup and maintain their own supporting environments, with their own management and document templates, planning tools and reporting requirements.

Programme and project managers are often employed on a contract basis as they are better able to bring unique experience and skills for a particular initiative. They are also often required to cut across organisational politics and maintain a clear focus on delivering the project's outputs. As a result they often bring with them their own toolsets and techniques, requiring unique support and retraining, whilst at times this can be beneficial, if a portfolio is to be managed through its lifecycle it is important to ensure common standards are adhered to.

As an organisation's culture develops, different document standards and templates can cause confusion and makes it very difficult to summarise project and programme data for senior managers to help with informed decision making. Every organisation has its own standards for procurement and financial management, a portfolio manager will need to understand these and ensure project and programme managers develop and manage their plans using common standards, tools and techniques.

Project & Programme Investments

How does an organisation know if it is selecting the best projects and programmes for delivery, it may have strong business case development processes, it might have clear benefit realisation plans, but scarcity of resources forces all organisations to choose between various options.

Business cases are often developed to justify a decision made by a senior manager, director or even the infamous "chairman's whim." Benefits and based on supplier promises rather than linked to organisational strategic needs. Projects and programmes are often asked to identify the strategic objectives they contribute towards, many times this is a paper exercise designed, once again, to justify investment or pre-determined decisions.

In order for decision makers to understand how one project or programme compares with another it is important to have some standard criteria, or at least some commonly agreed criteria for return on investment. Projects and programmes should be objectively measured against these to assist decision making.

When criteria is objectively judged and selected, observed in isolation, will not ensure an organisations strategy is balanced with a portfolio of projects and programmes to achieve long, medium and short term goals. Balanced in terms of transformation, improvement, maintenance, legislation, innovation, learning and growth.

An organisation's strategy would normally set some financial targets, goals or limits to be achieved for shareholders or funding groups in the public sector. Monitoring progress and investment decisions against this strategic goal will require a standardised and consistent approach to investment selection, an organisation might select against IRR, NPV, Breakeven or payback period, and an understanding of financial management will also therefore be essential in a Portfolio Manager or management function.

Almost all organisations have too many change projects and programmes in progress or suggested than senior managers can maintain a detailed knowledge of. Senior managers need to maintain a big picture decision making stance, whilst allowing project and programme managers the freedom to manage on a day to day basis.

Additional support or attention would only be necessary for projects and programmes that are struggling to perform or deliver. Senior management need information to allow them to focus their attention, in order for that data to be useful it needs to be accurate, up to date and in a consistent format. The data needs to be simple to interpret and compare, RAG (Red, Amber, Green) or traffic light indicators are commonly used to provide a clear indication of where attention should be focussed.

In order to provide consistent summarised data to directors and senior managers, portfolio managers need consistent, standardised and accurate information from projects and programmes, this can be achieved in several ways. Standardised report templates and times, common progress reporting tools, enterprise wide project and programme planning tools providing a dashboard style information portal.

Project and programme support offices are sometimes used to collate and update progress information, using complex collaborative or integrated toolsets. Maintaining the skills needed to manage a tool of this nature is a challenge for organisations, particularly when using contract project or programme managers. Portfolio managers need to ensure these skills are available, developed and continue to grow, they need to maintain and constantly review a common reporting framework and roll-up data to provide summary reports.

Maintaining Business As Usual Service and Product Delivery

New product development projects, new or replaced service delivery, improved or more efficient and effective business processes, programmes to change an organisations service delivery portfolio (that word again, yet another context). How much change can an organisation cope with? How many projects and programmes is it capable of starting, planning, delivering, or closing ready for benefit realisation can it carry out at any one time?

How much change before its customers begin to experience poor service and seek alternative suppliers? How many IT systems can be delivered, changed, upgraded, or developed by an organisation's internal or outsourced provider? How many re-organisations or recruitment campaigns and growth, can its HR department manage? How many office or factory moves can Facilities Management manage? The list goes on, and a portfolio manager needs to understand all of this or have access to resources who do know this.

How much change can an organisation's staff resources cope with at any one time? When does progress and improvement become change overload? Portfolio management would be expected to advise board level groups if an organisation lacks the capacity to deliver.

Plans for programmes and projects will include several key staff or resources, despite our best intentions, we can only really do one thing at a time. Queuing theory tells us it is better to do one thing complete it and move on to the next only when we are ready, constantly switching between projects and tasks can only lead to inefficiency and overload, burnout!

Desktop planning tools, standalone, and commonplace are increasingly used to plan projects and programmes, they tend to be complex and can easily overload staff, very few tools prevent overload, they base, by default, their algorithms on days of effort rather than elapsed time. When we ask a supervisor or manager, "How long will it take to do this?" the answer is usually provided in elapsed time, not days of effort.

Hence we have tools that encourage staff overload, if not encourage, they rarely discourage, tools that prevent overload, tend to be complex and require planners to trust the system to schedule. Electronic schedulers are better than us, however we rarely trust them as they do not usually have the knowledge of the organisation and its history.

Maintaining a knowledge database to aid planners, and capture learning, ensuring corporate or enterprise planning systems are used effectively and consistently, another function of portfolio management.

Anyone want the job?
Can a single portfolio manager achieve all of the above? In a small organisation they may need to, but even small organisations have help at hand to carry out some of the functions, they are inevitably being carried out somewhere within an organisation, the trick might be to include them within the process, taking advantage of already working processes and procedures.

Large organisations would expect to benefit from a more permanent structure and processes, however, like the smaller organisation example above, many of the functions will be performed effectively elsewhere, the trick is the same, use them and integrate them into the portfolio processes, HR, Finance, Planning, Procurement, Policy Setting and Quality Management functions may be the best places to start looking.

To summarise a portfolio manager needs to ask:

- Are we doing the right things?
- Do we consistently and objectively select the right things?
- Are we doing them the right way?
- Are we doing them well?
- Are we getting the benefits?
- Do we have the capacity to deliver?
- Will it affect current business processes?
- Can directors make decisions on accurate and up to date information?
- Are we using our organisation's creativity to the full?
- Is the planning consistent?
- Are we learning from our experience?
- Are we capturing the knowledge and making it available?

- Are we checking and assuring? …… the list goes on.

All of the above has been summarised from P3O the latest guidance from the OGC (Office of Government Commerce, UK), not the Wikipedia, Encarta and Google definitions.

Steve Boronski is an experienced programme and project management professional, who learned the hard way how portfolio management should be performed, making mistakes along the way, getting things right occasionally, he has worked in both the private and public sectors.

He now spends his time travelling the world training project managers, programme managers, business analysts and portfolio managers, he works for the ILX Group and has trained more than 2000 managers and staff.