Boosting Organisational Value Through Smarter Portfolio Management [1]

Organizational Context, Strategy, Operations [2]

By Iain Fraser

Organizational Context of Portfolio Management

Put simply, a portfolio is '**a way of doing business**.' A portfolio should reflect the total or parts of investment planned or made by an organization. These should be aligned with the organization's strategic goals via its business objectives. It's a collection of programs of work, projects and other work grouped together to facilitate effective governance, management, and control of that work to meet specific business objectives. The components are quantifiable; they can be measured, ranked, and prioritized.

A portfolio is where priorities are identified, investment decisions made, capacity is analyzed, and resources (human, financial, equipment, etc.) are allocated. If the components of each portfolio are not aligned to its business objectives, the organization's leaders can reasonably question why the investment is being proposed, its value contribution, or why the work is being undertaken.

Portfolio management is the centralized management of one or more portfolios, which includes the enabling, identifying, balancing, measuring, adjusting and reviewing/renewing of programs of work, projects and other work to achieve specific business objectives. It is quite different from program of work management, project management or other management disciplines. These differences are mostly around the level of focus, in that portfolio management considers the achievement of objectives at a strategic level whilst programs of work, projects and other work are focused around the achievement of specific outputs and outcomes - a form of sub-plan if you will. Figure 1 shows the general relationships among the strategic, tactical, and operational processes within a typical organization.

[1]This series of articles on smarter portfolio management are based on Iain's book "The Business of Portfolio Management: Boosting Organizational Value Through Portfolio Management", PMI, 2017.

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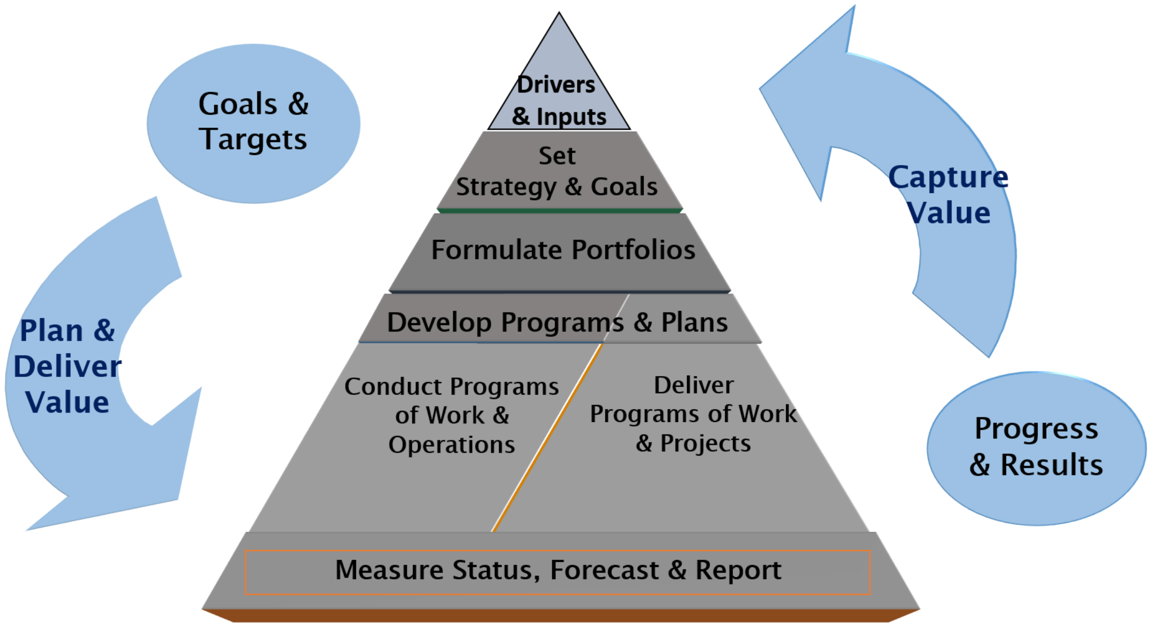

Figure 1 The Pivot Model

From various inputs, and coordinated via a value management framework, the organizational strategy together with goals and objectives are developed. Implementation of the strategy requires the application of a strategic implementation management process, such as a value-driven portfolio management system, supported by appropriate tools, so that high-level planning and management control systems are developed and deployed for implementation purposes.

The top two layers of the Pivot Model set the desired and the specific objectives to guide more detailed organizational planning and implementation actions. The middle of the Pivot Model represents the processes that establish portfolios that seek to meet the organizational objectives, and thereby the strategic goals. Think of it as the portfolio inputs from the outputs of the value management discussions held during the strategy setting dialogue. The bottom of the model shows the components that ensure the portfolios are executed effectively and efficiently via program of work, project and other BAU work. Portfolio management must consider and plan both operational and new investment aspects of the organization so that integrated, balanced and value-driven output and outcomes drive performance results towards business objectives and ultimately towards strategic goals.

Portfolio Management Links with Strategy

During the business planning cycle, work components are reviewed and their impact is validated in relation to their alignment with corporate strategy and the value they offer. This is a dynamic and somewhat iterative business planning process that should be part of regular annual planning, or strategic refreshing. Reviews, perhaps six monthly, should lead to possible further refreshing or updates to both the strategy and related business objectives and the associated portfolios. Within this planning cycle, a consistent view of strategic risk would be maintained, which needs to assess the degree of both pure risk (has a negative impact only) and business risk (can have either a positive or negative impact). Other factors that should be considered include value elements such as;

- Viability of each component that is business case driven,
- Value and its priority and relationship to other investments,
- Available capacity and capability of resources to perform the work,
- Modifications, additions, and deletions to portfolio content.

The above supports the notion that modern portfolio management has a rolling-wave nature i.e. it never ends, whereas program of work and project management have defined start and end points. Portfolio management therefore has an incremental and adaptive nature. It requires organizational nimbleness.

Portfolio Management Links with Operations

Legacy operational groups are likely to be stakeholders or perhaps sponsors of portfolio components such as opex-funded programs of work. Therefore, portfolio management staff must interact in a constructive and collaborative way to influence and align various organizational functions, such as Finance, HR, New Product Development, Marketing, Procurement, PR/ Corporate Communications, Risk & Assurance.

The use of a Value Management Framework will greatly assist those staff involved to maintain an appropriate level of thinking and decision making towards determining the content of each portfolio. This is achieved by the using a Value Management Framework to allow considered, yet timely, responses to the market mantras of 'Better, Faster, Cheaper', or 'Doing More for Less'.

Next month: Portfolio Management Techniques and Tools

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Iain Fraser, Dip PPC, PMP, MoP, P3M3, PMI Fellow, Fellow PMINZ has over 30 years of global business, portfolio, program of work, project, and EPMO leadership experience from a variety of sectors such as oil & gas, telecommunications, power, banking, defence, government and technology. He is globally known for his expertise and in-sights on leveraging benefits from project-based management for business advantage. A former CEO, he is now an independent consultant, speaker and trainer. He is considered a thought-leader by his peers, has been featured on live radio, video and podcasts and has been quoted in The Times and The Telegraph of the UK. He is the author of the top-selling business book '*The Business of Portfolio Management—Boosting Organizational Value*' (PMI, 2017) and co-author of *'The Business of People: Leadership for the Changing World'* (Routledge, 2019) with Madeleine Taylor as well as other publications. More at www.jacobite.co.nz

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