

Boosting Organisational Value Through Smarter Portfolio Management¹

Introduction, Overview, Enablers²

By Iain Fraser

Introduction

Back in 1785 internationally known Scottish poet Robert Burns used the words “the best laid plans of mice and men go oft a-gley”. Those words were used in a poem about a mouse and its vulnerable shelter it had built. Fast-forward a few hundred years and we see vulnerability everywhere today mostly associated with aspects of the VUCA influenced world. The COVID-19 global pandemic exposed our vulnerability hugely. Going forward new ways of business planning and implementing need to be deployed to safeguard value delivered to stakeholders. These new ways can and should revolve around the advanced use of portfolio management, in its most mature form, with a ‘way of doing business’ mantra to allow for better strategy development and its implementation. This series of articles introduces readers to modern business portfolio management and how it can help organizations and professionals deliver more value.

Overview of Portfolio Management

Modern business portfolio management has borrowed some of its philosophy from the finance sector, particularly around grouping and commonality. These groupings provide a viable and pragmatic business management mechanism for the development and implementation of strategies. This has long been an area that has troubled executives and senior managers in their quest for efficient and effective operational and tactical activity that aligns to their strategic intents. Portfolio management can be applied in a new investment manner as well as in a ‘business-as-usual’ manner. When portfolio management is coupled together with a value management framework a real mechanism results that positions portfolio at the right level to assist those involved in strategic business planning and oversees the downstream implementation. In this way portfolios typically exhibit common features, such as:

¹Iain Fraser is a former Chair and Fellow of the Project Management Institute and a globally recognized PM expert and professional leader. This series of articles on smarter portfolio management is based on Iain’s book “[The Business of Portfolio Management: Boosting Organizational Value Through Portfolio Management](#)” (PMI, 2017). See Iain’s author profile at the end of this article.

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- They are aligned with the organization's strategic intent (think vision and purpose) and linked to its identified strategic goals and business objectives,
- They represent investments via funding allocations made or intended by the organization,
- They typically have one or more distinguishing features that prompts the organization to group them for more efficient management and control purposes,
- The features are quantifiable; that is they can be ranked, prioritized and measured,
- They should include relevant 'business as usual' (BAU) related work.

To be valued as an organizational performance enhancer, each portfolio must be overseen by a common and effective P3M governance structure that is empowered to authorize, guide, and change portfolio content and intention.

The above when derived via a value management framework allows the notion of strategic alignment and impact to be demonstrated and actually achieved. The impact and value of portfolio management becomes obvious as the organization moves towards a practice of **'the way we do business.'** This in turn becomes a culture norm that creates a positive energy throughout the entire organization.

Portfolio Management Enhancers

The following enhancers are recommended additions to the use of modern portfolio management. These additions will greatly assist in avoiding the portfolio management framework becoming process heavy and bureaucratic, which chokes the organization and lessens the value it offers.

Organisational Philosophy

Prior to deploying a portfolio management approach to your organisation consideration should be given to your business philosophy as this will hugely affect your culture of doing things. Data on strategy failures and poor results of program of work and project output success rates suggests that so much seems to be wrong with traditional approaches. In a VUCA-influenced world, simplifying your philosophy will allow you to be more lean and adaptive thus better positioned to change as needs arise. The '3P's to Success' philosophy puts emphasis on Purpose, People, and Performance to focus, align and position the organisation for portfolio and greater business success. This streamlining of the business philosophy will greatly enhance the organizational culture and the individual mindset of each employee.

Value Management

Greater improvements can be made in regard to a broader use of portfolio management by the integration of a value management framework. It allows the definition and creation of portfolios without becoming handicapped by a detailed process-centric methodology. Value management is different from value engineering in that it is a more holistic view towards the creation and sustainability of business value throughout an organization over a longer time period. It is an ideal mechanism to use for strategic implementation management.

We can consider value management as an expanded view of traditional value engineering and of benefits management that links back to strategic goals and business objectives. It provides a guiding framework that leaders and others can use to form, select, debate and decide the content of each of their portfolios from a value perspective. There are five key elements that are required to make up a complete value management framework. In summary, these elements are:

- **Value Strategy** – overarching governance and policy that defines value and advocates for the adoption of value management. Guides strategic planning conversations around aspects of the business. Examples are value of current relevance, value of change, value of culture, and value of people.
- **Value Planning** – determining and blending opex and capex investment via the Pivot Model and associated value drivers to determine content of each portfolio.
- **Value Engineering** – optimizing selected and approved options to deliver the best possible value. Can apply to each initiative that has an approved business case, or indeed can be used to enhance a business case for approval.
- **Value Delivery** – implementation excellence via programs of work and project management, to create high fit-for-purpose outputs that lead towards outcomes.
- **Value Capturing** – capturing, validating and confirming value based on, short-, mid- and, where relevant, long-term outcomes associated with each investment. This is a variation on benefits management.

We can group these elements into a P3M viewpoint by considering Value Strategy and Value Planning as part of portfolio management. This leads to Value Engineering and Value Delivery being considered as part of program of work and project management activity. Finally, Value Capture can be achieved by deploying a form of benefits management system.

Enterprise Portfolio Management Office

An enterprise portfolio management office (EPMO) is a management structure that is usually established to support the creation and execution of one or more portfolios. It is

suggested that in order to keep things relatively simple, it is best to have a single EPMO that is positioned at the highest level possible, for example within the office of the CEO. The EPMO has a strategic and overall business performance focus. Other, often smaller, PMOs may be created elsewhere in the organization to support program of work, project and BAU activity. An EPMO should work very closely with key business units, such as finance and those responsible for strategic planning. A framework needs to be developed that supports the translation and mapping of strategic desires into portfolios, the high-level control and reporting of portfolios and also the easy translation and transfer of portfolio content to lower levels for implementation purposes. Key to success here is to identify the key functions of the EPMO and its structure, and integrate those with other key business units whilst keeping the framework as light as possible. Resist the temptation to create the 'book of rules' or 'book of theory' via process-heavy methodologies. The use of a value management framework will greatly assist in the mitigation of that.

Next month: Organizational Context, Linkages to Strategy and Operations

About the Author



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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/trainer, and independent director. 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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