

Advances in Project Management Series ¹

Thinking in portfolios ²

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Portfolios offer an established way of organising, prioritising and delivering streams of work according to strategic intent. Portfolios enable organisations to optimise their investments based on their context, their appetite for change, transformation and risk, and the availability of and ability to utilise key resources. Portfolios often encompass and rely on projects and programmes, as well as other activities including business as usual, but they do differ significantly from projects and project thinking and require different ways of contextualising and responding to needs, priorities and potential opportunities. Effective development and management of portfolios demands strategic awareness, new skills and different mindsets that transcend beyond traditional project mindsets.

Starting with projects

Projects are ubiquitous to most aspects of life and society as they are increasingly utilised as the chief method of achieving change and attaining progress. Development and progress are thus actualised through streams of project-related activities. In many ways, projects have moved into the mainstream and are becoming a defining characteristic of work and life. This trend appears to have intensified as society endeavours to pivot and introduce immediate change following the Covid-19 pandemic and the related societal upheaval.

Even before the pandemic there has been a growing recognition that projects act as the economic engines of our times, requiring a rethinking of their wider role and impact (Nieto-Rodrigues, 2019). According to PMI (2020) we are shifting into a project economy, one where business is increasingly utilising projects to handle work and solve problems:

*'In many ways, **the organization is its projects**—led by a variety of titles, executed through a variety of approaches, and focused unwaveringly on delivering financial and societal value. This is what we call The Project Economy.'* (PMI, 2020: 1)

¹The PMWJ Advances in Project Management series includes articles by authors of program and project management books published by Routledge publishers worldwide. Each month an introduction to the current article is provided by series editor **Prof Darren Dalcher**, who is also the editor of the Routledge Advances in Project Management series of books on new and emerging concepts in PM. Prof Dalcher's article is an introduction to the invited paper this month in the PMWJ. See Darren's background and qualifications at the end of this article.

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Similar trends have been observed at the societal level, as we increasingly make sense of and engage with the surrounding world through projects (Jensen, 2012).

'The projectification of business and working life is ongoing and strong. The movement goes beyond traditional project-oriented sectors such as construction, consultancy, media and entertainment. Project thinking is spreading to most parts of society, including industrial enterprises, governmental organizations, educational institutions, and volunteer groups. Not only do people relate to project organizing in their working lives, but they even think and speak of their daily lives in project terms.' (Lundin et al., 2015: ix)

However, the increasing reliance on projects also raises some fundamentally important questions: Are there any implications to developing a project-related view of life? Specifically, do projects encourage a short-term fixation with optimising for execution? More critically perhaps, do they blind us to seeing beyond our own internal project boundaries? Ultimately, is the project vision too disconnected and limiting?

If we extend the questions to the organisations we work for and the society we belong to, it becomes possible to identify a further layer of open questions around the nature of organisations, their permanence, and the need to temporarily organise and deliver through projects: Does temporary organising through and via projects, impact the more permanent structures and the pursuit of goals and purpose? Alternatively, are we in the process of shifting into liquid and fluid modes of redefining purpose, society and attainment, where projects offer the only legitimate method of responding to emerging conditions? Ultimately, therefore, how do we balance long term ambition, with short-term delivery mechanisms? And how do we continue to address and balance immediate necessities, such as those emerging during the pandemic, that defy long term plans and projections, and also capitalise on emerging opportunities whilst maintaining a vision and strategic intent.

Thinking beyond projects

Projects appear to live and exist from left to right; they are conceived, defined, justified and executed in a progressive linear direction that extends from commencement through commitment to ultimate completion. There is an almost inescapable logic along the lines of 'I started, therefore I'll finish' which is reflected in escalation patterns observed in numerous project failures. Many within the discipline are aware that a focus on delivering artefacts and outputs is insufficient, fostering a mounting preoccupation with securing benefits and realising intended outcomes beyond delivery and handover. Such thinking leads to a view of an extended life cycle stretching well past the delivery and acceptance of artefacts and new capabilities. While this type of thinking shifts the scope of interest beyond the life of a single project, it is still insufficient to engender a broader understanding of where projects fit within the more encompassing strategic and organisational milieu.

Morag (2020) observes that each of the different parties involved in a project, carries their own set of interests, which will frequently conflict with the interests of the project itself.

Engaging with the different parties is essential to securing the benefits and promise related to any specific initiative (Dalcher, 2020), but it also further embeds the focus and attention around the change effort and its acceptance. In other words, it emphasises the temporal project-related features and concerns. A focus on portfolios offers the missing link to organisational and global considerations and priorities, enabling a strategic overview to emerge. Note however, that successful portfolio management is equally dependent on developing real engagement with the appropriate stakeholders, albeit at the enterprise level.

Effective portfolio implementation requires a change of perspective from thinking in project terms, to thinking about the organisation and value. Keenan (2015) notes that '*project portfolio management—in which leaders take an organization-wide view to properly allocate resources and time, make effective course corrections across their portfolio of projects, and therefore, maximize value delivery—is an increasingly critical component of success. It is the ongoing means by which organizations prioritize their projects, confirm overall objectives, and stage the timing of their execution. It's also a way to identify the resources needed and make trade-offs when capacity constraints arise, so that talent is appropriately aligned and team resources are allocated to their highest and best uses on behalf of the organization as a whole. In short, project portfolio management helps leaders avoid “missing the forest for the trees.”*'

Upgrading the conversation and enabling greater scrutiny to the portfolio level requires a shift in mindset along with a more wide-ranging organisational culture change. The main focus in managing portfolios is on supporting organisational strategies and promoting organisational achievement rather than obsessing around project success (Levin & Wyzalek, 2015: IX). In fact, the core of portfolio management is concerned with managing the investment opportunities against organisational appetite and strategic ambition (Dalcher, 2019), whilst leveraging common skills and approaches across the organisation (Ashkenas, 2012). Portfolio management can thus provide the inventory and resource required to ensure that strategic goals are being pursued and determine if the current mix of activities continues to support that objective whilst focusing on the big picture. Shifting a level to consider portfolio-wide considerations necessitates a change in perspective that looks at organisational value, rather than delving into a specific project detail or capability. Moreover, careful balancing and continuous scrutiny can ensure that the portfolio becomes the source of diversity and flexibility needed to manage in turbulent times and uncertain contexts, whilst also providing a basis for prudent and timely decision making about strategy, opportunity and the trajectory towards enduring success.

Portfolio management rationale

While the term portfolio management can mean different things to different people, the basic idea of organising investment, or projects, into a planned structure that allows the full range of investments to be scrutinised is relatively straightforward. The 7th edition of the APM Body of Knowledge reasons that '*portfolios are used to select, prioritise and control an organisation's programmes and projects in line with its strategic objectives and capacity to deliver*' (APM, 2019; p. 13). The aim of such an arrangement is to enable an organisation to

make the most of its existing resources, select the most appropriate investments against the emerging context and strategic intent, and maximise throughput and value to the organisation.

The management of portfolios enables organisations to focus on investments and the potential value that they deliver, especially in terms of proposed change initiatives, product ranges and/or agreed activities and address multifaceted and complex concerns. This is often achieved by balancing project and change initiatives and business-as-usual, while optimising value, or return on investment.

Portfolios have been successfully utilised in traditional financial portfolio theory, for many years; however, some of the ideas and concepts are not directly transferable to the project arena. Traditional financial portfolios are typically managed in bottom-up fashion so that the selection of investments maximises a return for a given risk limit, or minimises the risk for a desired return. This is based on the assumption that all potential investment opportunities have been valued independently to determine the potential value they can add to the portfolio (Lockett et al., 2008; p. 79). Yet, in the project context, there is no exhaustive collection of all possible projects. Moreover, projects can be created and performed in a multitude of ways (*ibid.*), and may be reshaped during execution. Consequently, a simplistic evaluation of risk and return offers limited insights. Furthermore, given the multitude of interdependencies between projects, the specific contextual factors, and the need to consider organisational capability and strategic importance, a top-down shaping and influencing of the portfolio of projects, informed by perceived strategic value appears more likely. Note however, that the increasing appeal and application of agile and lean development and management methods, enables organisations to: defer some of the portfolio allocation and selection decisions; experiment with limited results; and, adopt a more bottom up and real time opportunistic approach to portfolio prioritisation as upfront decisions can be partially deferred while new knowledge and insights are bought, and heightened understanding and alignment can improve and enhance (or overturn) earlier decisions. Indeed, agile portfolio approaches allow for changes of course and direction further downstream, thereby offering a new balance between intention, strategy and results through a combination of top-down and bottom-up organisation.

Portfolio management offers a number of distinct advantages as it enables managers to:

- Consider the relative merit of individual initiatives in a strategic context
- Spread organisational resources appropriately
- Focus on strategic objectives
- Balance the portfolio of investments/initiatives
- Achieve best return on investments
- Remove redundant, unwanted or duplicated projects
- Enable greater responsiveness and flexibility
- Improve transparency and decision making

However, it is important to acknowledge that portfolios are initiated for a variety of reasons. Pellegrinelli (1997) makes a reference to a portfolio programme configuration, which enables the grouping of relatively autonomous projects with a common theme. The existence of a theme enables the performance of the individual projects to be improved through coordination, of either common resources, or a common technology. Artto (2001; p. 8) likewise emphasises the need to share similar strategic objectives and shared resources amongst projects in a portfolio, which are subject to similar sponsorship and management arrangements.

Implementing portfolio management successfully

Portfolio management systems allow organisations to make the most of their investments and projects, especially, in comparison with the expected returns. Portfolios are particularly concerned with the interdependence between projects and programmes, in terms of:

- Scarce or limited resources
- Balance within the portfolio (e.g. between risks and returns)
- Alignment with the strategic intent and main priorities
- Timing
- Capacity bottlenecks (APM, 2019; p. 13)

Durbin and Doerscher (2010) estimate that well over a million people in more than 170 countries make use of some aspect of portfolio management to make informed business decisions. Indeed, given that the demand for project work is greater than the capability to deliver such projects, portfolio management plays a crucial role in determining which aspects of the work are feasible, desirable and achievable and identifying their wider contributions to the organisation.

Portfolio management is developing into a prolific research and further development area; however, there is a dearth of information regarding the deployment of portfolio management systems alongside effective project and programme management approaches and the integration needed to bridge mindsets and operate across the different levels. This month's author, Robert Buttrick, offers an important contribution towards making sense of the integration required between the different disciplines and perspectives. The contribution is derived from his recent book *The Programme and Portfolio Workout: Directing Business-Led Programmes and Portfolios* published by Routledge.

Buttrick builds on his earlier exploration of projects (Buttrick, 2018), and extends and integrates it with new thinking around programme and portfolio management. Integrating the different aspects allows management to combine the need for doing the right thing with the established systems for doing projects and programmes right.

Buttrick's approach is unique in exploring the different perspectives and dimensions of business portfolios, and in offering and addressing alternative work setups for different

combinations of projects, programmes and other work, as well as multiple portfolios. Recognising the diversity of needs, he offers a pragmatic take on the various possibilities and arrangements that can be applied through the portfolio lens.

Portfolios enable a greater focus on strategic aspects, outcomes, benefits and values. Indeed, portfolios can be effectively positioned as the connecting layer between business strategy and project execution, providing the flexibility, visibility and authority needed to translate policy and strategy into informed, effective execution.

Organisations have an ever-growing volume and pace of projects that require executing. Managing organisations by projects implies developing integrated management across a range and diversity of projects. The management of portfolios thereby enables organisations to move beyond a fixation with a project mindset and advance towards effective delivery on business strategy across all their initiatives. Whilst there is no one single best configuration for structuring work in organisations, Buttrick offers a diversity of potential setups and approaches to facilitate effective management and governance at the portfolio level, and enable better performance across the organisation.

Inability to address the portfolio concerns, adopt the right mindset and develop mechanisms and systems for managing portfolios effectively can have debilitating impacts. The APM Portfolio Management Specific Interest Group has developed a thought leadership report that features the six telling signs that highlight the need for effective portfolio management. The warning signs are (APM, 2017):

1. Lack of coordination or alignment to business strategy
2. Scope of programmes not clear, or overlapping
3. Behaviours that ‘tell a story’
4. Inability to quickly re-prioritise to changing circumstances
5. Inability to balance resources with projects and programmes
6. Ineffective communication on change and organisational priorities

The tell-tale signs spell significant underachievement and inability to attain strategic targets and ambitions; so, most project organisations would be keen to avoid the warning signals and endeavour to establish working systems and mechanisms. Ultimately, developing effective project portfolio capability will enable organisations and society at large to: address its most pressing concerns through well considered investments; respond to emerging opportunities to warrant enduring strategic performance; and, maximise the success of attempted projects. Above all it will allow society to amplify its potential to deliver and make a difference, especially at a time when every investment, every project, and every Dollar, Pound, Euro, Krona or Yen counts.

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Professor Dalcher has written over 300 papers and book chapters on project management and software engineering. He is Editor-in-Chief of *Journal of Software: Evolution and Process*, a leading international software engineering journal. He is the editor of the book series, *Advances in Project Management*, published by Routledge and of the companion series *Fundamentals of Project Management*. Heavily involved in a variety of research projects and subjects, Professor Dalcher has built a reputation as leader and innovator in the areas of practice-based education and reflection in project management. He works with many major industrial and commercial organisations and government bodies.

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