**Project Portfolio Management – a critical differentiator  for business excellence**

- Organizations in private and public sector have been increasingly focusing on Project Portfolio Management (PPM) as a key facilitator for achieving their strategic goals.

- Designing and implementing a robust PPM is fraught with many challenges, which are not fully given due consideration by many organizations. These challenges arise in multiple perspectives – including how to translate strategy into value terms, how to integrate change initiatives with the PPM and how to measure/ track the portfolio value on an ongoing basis.

- In this bulletized article, we cover some of the above aspects.  A detailed exposition is available in other articles from the author, and is also described in his forthcoming book – '***Improving Business Performance – a project portfolio approach'*** – being published by the CRC Press, USA.

- In spite of the well known fact that an ideal PPM design should be 'top-down', still many companies adopt a 'bottom-up' approach for the design, or blend it as a combination of both. The 'top-down' approach broadly relates to ascertaining the 'necessary things to be done', for a company to achieve its vision and mission, and the 'bottom-up' approach connotes to the 'sufficiency' condition, eliminating duplications in change initiatives.  A well groomed portfolio will have an implementable set of minimum number of change initiatives which are required to accomplish the strategic objectives, and it gets reviewed on an ongoing basis.

- A viable initial step for designing a PPM portfolio is to take an inventory of existing change initiatives, assess their strategic fitment and eliminate duplications.  The 'findings' of this step itself in many cases comes as a 'shocker' to senior management, in providing information on redundant change initiatives which consume valuable resources – but not adding too much business value to the organisation. Indeed, this initial step enhances the credibility of the portfolio management exercise, realizing early benefits as well. In far too many organizations we come across the phenomenon of people seem to be 'eternally busy', but not much is being achieved. They could in fact be 'spinning the wheels' as their efforts may not be aligned to what it needs to be done for the organizational well-being. The project work inventorization and mapping them to strategic objectives is a good way to release surplus resources, which seem to be 'occupied' – but not being 'productive enough'.

- An initial challenge the top management faces is to translate its strategy into measurable value terms. Many companies design 'cause and effect' relationships like Value chain analysis. One of the oft-quoted examples for this is the 'Employee-customer-profit' chain developed at Sears international. Though this company is not doing so well now, the value profiling which was undertaken during the late Nineties was instrumental in turning the company around and provided impetus for further research.  To illustrate, the value chain analysis deployed at Sears indicated that 'a 5 point increase in employee attitude resulted in an 1.3 unit increase in customer impression, leading further on to a 0.5% increase in revenue growth', as per an HBR review. Whereas the design of this model may not necessarily come under PPM, validation of the drivers and their associated multiplier factors can be greatly facilitated by the PPM.

- This analysis of 'what leads to which results' or ' if we want to achieve a stated goal what needs to be done/ leveraged' has been an object of study for quite a few decades. An earlier manifestation of this is the famous 'DuPont model', which produced a multiplier model to predict the ROI of a company. Latter variants of these models led to assessing the optimal combination of factors to get the target product profitability and diversification of initiatives across multiple perspectives- apart from financial perspectives (as in a Balanced Scorecard approach). Such models analyze 'where we are now' and 'where we need to go' towards bridging the gap with an implementable set of change initiatives, as the project portfolio.

- Any such 'cause and effect' model needs to be dynamic based on market conditions/ technology innovations and so forth. The portfolio requires ongoing validation of such a model- which results in companies shifting their focus over years. A current example we can consider is of Dell Inc. As a part of its strategy to diversify into service market – it acquired Perot systems in 2009, which is now being considered for offloading due to change in strategy by Dell. Similar restructurings undertaken by IBM and HP are also pertinent, which would change the PPM composition of these companies.

- The product lifecycle of existing products and the need to diversify into new markets/ products change the BCG matrix composition of a company – and also alter the PPM structure. Whereas the projects/ programs under the 'question mark' quadrant in the BCG matrix tend to be mostly driven by innovation and 'proof of concept' orientation, the change initiatives under the 'stars' category generally tend to focus on expansion, acquisition and are marketing driven. The products (or markets) which were in 'stars' category can subsequently 'move' into 'cash cows' category. In the latter quadrant, the projects/ programs undertaken generally relate to providing of maintenance support etc. The skill-sets and resources required for the change initiatives across the four BCG quadrants will be different, which can enable a company to plan its capacity and capability planning during its mid-to-longer term horizons.

- This being the case, many companies maintain an 'active' portfolio, consisting of ongoing change initiatives and operations addressing the current market requirements and a 'target portfolio', looking forward to a time horizon of , say, more than three years. This classification also depends on the 'velocity of the industry' in which the company operates. For instance, companies in the Telecom sector generally have a greater churn in their PPM mix as compared to companies in the Utilities sector.

- One of the most critical challenges the top management faces is in 'selling the portfolio' to its Senior managers. Business Unit heads generally do not relish curtailing budgets under their control – as it is generally perceived to be reducing their power. A collective meeting of the portfolio definition board (generally chaired by the CEO), explaining the rationale for the projects/ programs included under the portfolio facilitates in getting in the buy-in. Business Unit heads can challenge the portfolio definition board in such meetings. However, once they agree on the composition of the portfolio, they are expected to abide by this decision and support the top management in implementing the portfolio. Continual review of the portfolio is done during the portfolio review meetings, where the mix of PPM components can be debated and adjusted.

- During the PPM design, quantitative techniques like multi-criteria analysis, constrained optimization and step-wise regression can be used to decide which initiatives to be included in the portfolio. Many companies also use portfolio segmentation to ensure that initiatives with a lesser budget value but of strategic importance do not get overlooked in the overall scheme of prioritization. The governance process also can impose a stage-gate approval linked release of funds, enabling the continued business justification of various change initiatives in the portfolio.

- During portfolio implementation, usually the Senior management gets inundated with too many reports (with varying jargons and with outdated data), which are not amenable to extract the necessary information to optimally run the business and fine-tune the portfolio. The author was once designing and implementing an IT PPM for a large commodity trading corporation with multi-million dollar turnover, as a part of his consulting engagement. It was noted that stock count of various items reported by the Supply Chain Management differed considerably from what the Quality function reported from physical verification. Such diverse reports tended to confuse the management on what should be the ideal stocking quantity in various retail points, without losing business due to non-addressing of demand. By tightening the governance systems and measurement procedures, these variations were considerably narrowed down in this Corporation, leading to more informed decisions.

  It is also imperative to maintain data from a 'single source of truth' with cascading and drill-down facilities to spot the points of weak and superior performance. Typically the Portfolio Management Information System (PMIS), along with the support of the Portfolio office, can facilitate this management dashboard creation, data consolidation, presentation and updation. Thresholds relating to escalations and exceptions management enable conserving top management time, at the same time insulating them from 'nasty surprises' when things have already gone out of control and 'no one alerted them'. Robust dependency management, risk management and tight governance systems also go a long way in managing the PPM effectively.

- While the design of the portfolio is generally seen as a 'glamorous' work, most of the change initiatives fail during execution. Most of these failures are not on account of technical reasons (except perhaps in R & D or similar innovation oriented projects) – but due to poor stakeholder engagement and risk management, especially in large scale change initiatives like enterprise-wise transformations.

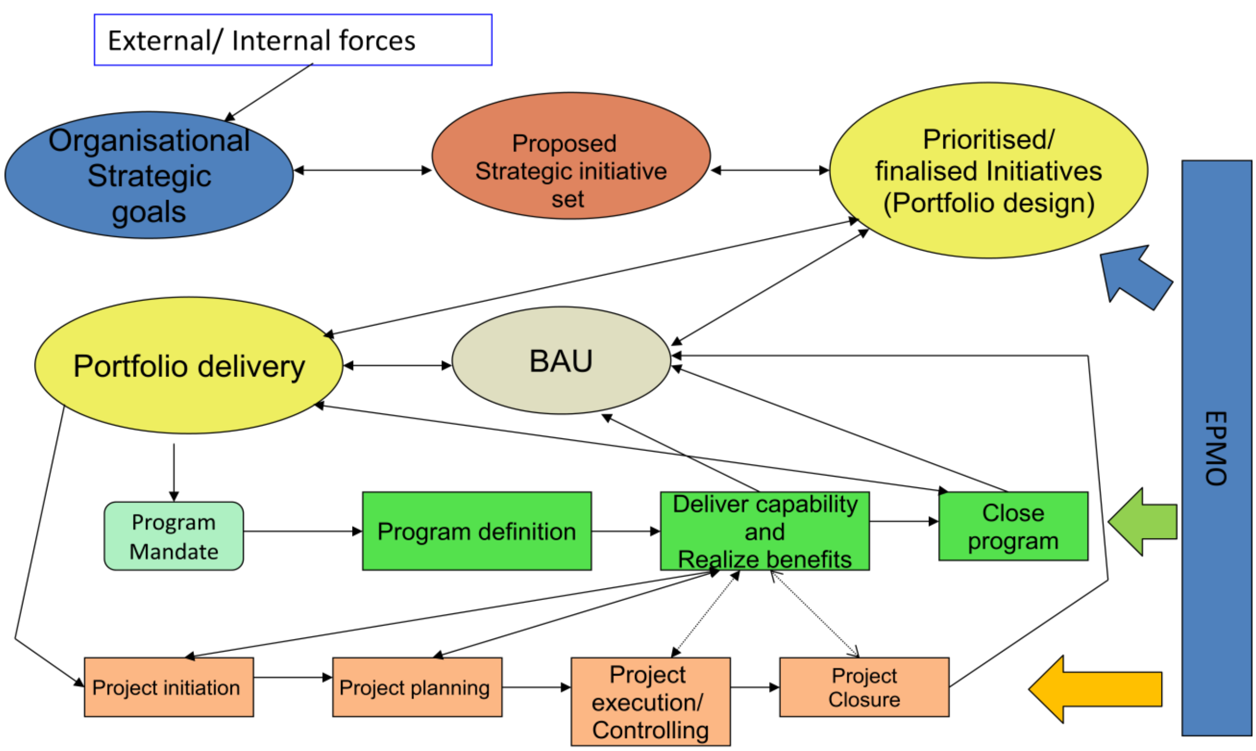
- Many companies have a past history of poorly implemented change initiatives, which tend to breed skepticism amongst the Functional users. The role of Change agents, who many not be having formal authority, but who build a network of connections and induce people to change is being increasingly perceived as a critical differentiator to implement the change.

- An integrated PPM is greatly facilitated by the Portfolio office, which can keep 'eyes and ears' on the progress of the portfolio and alert the Senior management in case of deviations. This office can also be engaged in environmental analysis/ scenario planning to aid the Senior management in PPM design and deployment. Along-with program and project offices, integrated 'Enterprise Project Management Offices' are a key facilitator to ensure success of the portfolio deployment.

An integrated overview of how PPM (including portfolio, program and projects) gets interfaced with operations and how the EPMO can render support to various levels of change initiatives is depicted in the following diagram. Variants of this depiction, including development of segmented portfolios and sub-programs etc are possible. At an overview level, the diagram shows:

a) How the portfolio definition is influenced by the environmental analysis and internal scenario planning / value maximization
b) How portfolios can spawn programs (and independent projects) , which are the delivery mechanisms to implement strategy, towards achieving business excellence
c) How programs, in turn, can initiate , run and close projects , transition capabilities to operations to realize the outcomes and the benefits
d) How an organization needs to balance between PPM delivery and Operations (BAU) to maintain the equilibrium between rate of change and sustaining a steady state operations; and
e) How an integrated EPMO can facilitate effective implementation of the portfolio.

## How an integrated PPM gets deployed in an organization?




Further 'deep dive' analysis of various interlinkages in the above diagram can bring out the strengths of an organization in its portfolio management and also highlight areas for improvement. Continual improvement in PPM maturity is another key enabler to sustain business excellence.

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