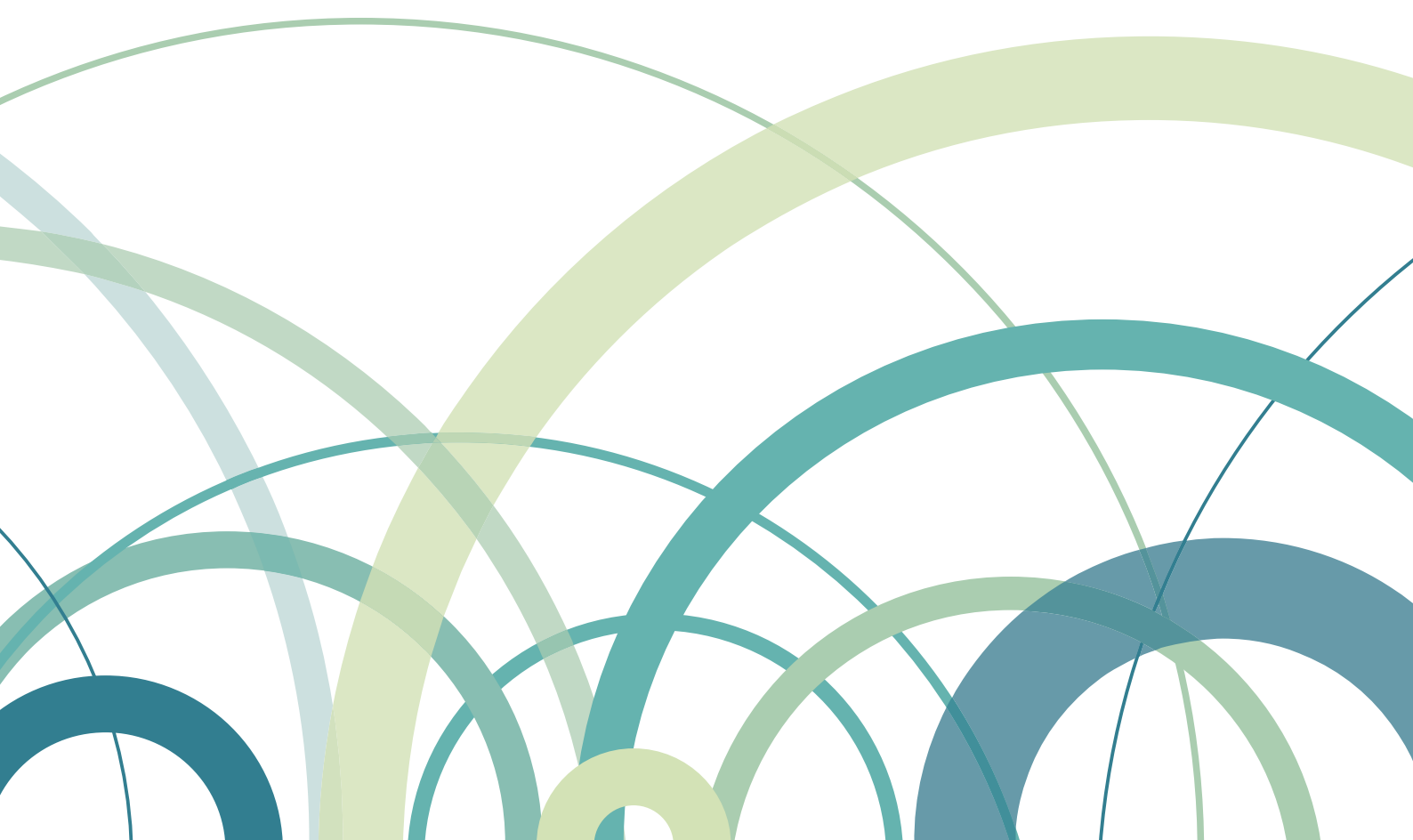


Building the capability for effective Portfolio Management

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Overview

Portfolio management is not a new discipline but in the current economic climate it has greater resonance with executive teams who need to make significant budget cuts whilst at the same time supporting innovation and development for the organisation to continue to service existing customers and find new ones.

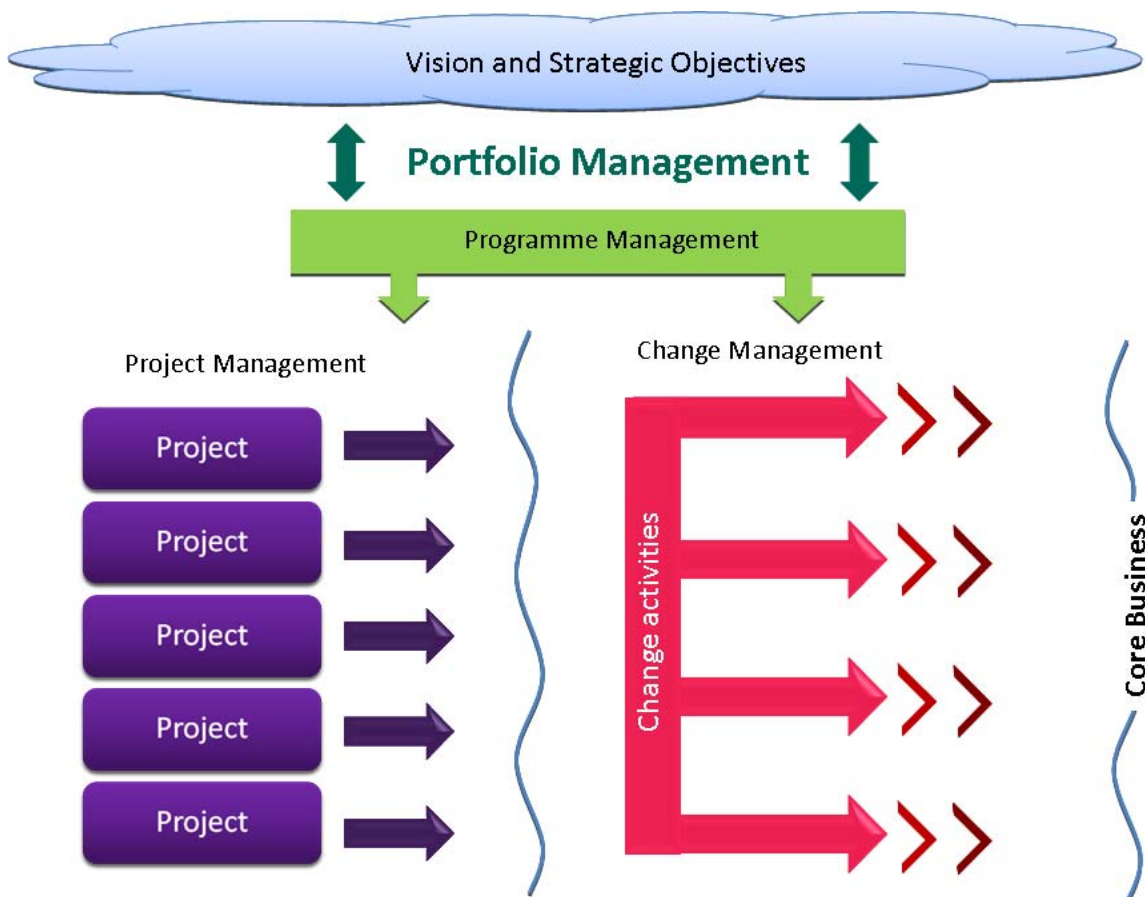
The day-to-day running of the organisation is known and understood. The costs of paying for staff, buildings, equipment and consumables can be budgeted for and the anticipated revenue, - and when it will arrive - can be planned.

The changes that we make to this structure through the delivery of projects and programmes create new costs, balanced against the identification of possible new revenue streams. So it is from project and change management activities that we have our discretionary spend and this is where we make the greatest difference when cutting costs in the short term. We know that stopping change is not an option; our competitors will continue to innovate and adapt, and our market places and the needs of our customers will continue to evolve.

The priority of portfolio management is to fully understand this discretionary spend and prioritise the initiatives so that they give the highest possible return on investment within the shortest possible timeframe.

“Portfolio management is the co-ordinated collection of strategic processes and decisions that together enable the most effective balance of organisational change and business as usual.”

Adapted from an Executive Guide to Portfolio Management – First Edition, Crown Copyright 2010



Portfolio management requires:

- Analysis of current and planned projects, programmes and change initiatives
- Prioritisation of initiatives against pre-agreed criteria
- Delivery of projects and programmes on time and to budget
- Effective implementation of what has been created through a simple, well understood set of steps that become an automatic reaction to change
- Measurement of key metrics to demonstrate that benefits are being realised or proactively identifying the need for corrective action

The time for viewing project delivery separate from implementation of change has passed. No organisation can afford to invest in projects without the certainty that what is delivered is needed by the business and will be used by the business to generate revenue and / or reduce costs.

The benefits of portfolio management are derived from the efficiencies of doing the right things at the right time, targeting the limited resources at those initiatives that will deliver the greatest business benefits.

Whilst the benefits are realised by the organisation as a whole it is important to define benefits that will be realised by individual departments or teams within the organisation as it is they who will have to provide all of the information needed to create the initial portfolio and, in the longer term, accept that their autonomy in decision making has been superseded by the ultimate authority of those controlling the portfolio. (The senior managers with authority for the portfolio might always have had the ultimate say but in our experience it is more obvious under portfolio management).

Benefits for the organisation

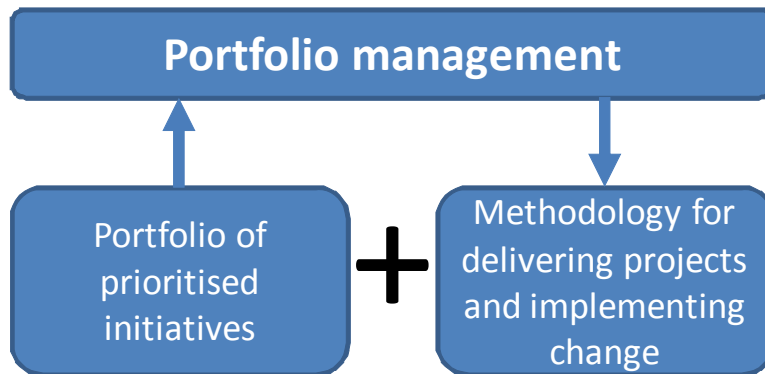
- Reduction in costs from stopping or not starting initiatives that do not contribute sufficient benefits
- Increase in availability of resources to undertake projects and change initiatives deemed high priority
- Increase in the emphasis given to realising benefits and the subsequent increase in their achievement

Benefits for individual departments, divisions or teams

- Fewer initiatives mean less disruption to day-to-day business activity
- Fewer resources are involved in preparing for change, with consequent reduced pressure on all resources within the department
- Greater coordination of initiatives by those managing the portfolio leads to:
 - A reduction in the number of projects that absorb resources but which are terminated prior to delivery
 - A reduction in project and change activity that is a duplication of effort or is running at cross purposes

Portfolio management consists of:

- Portfolio definition
- Portfolio delivery

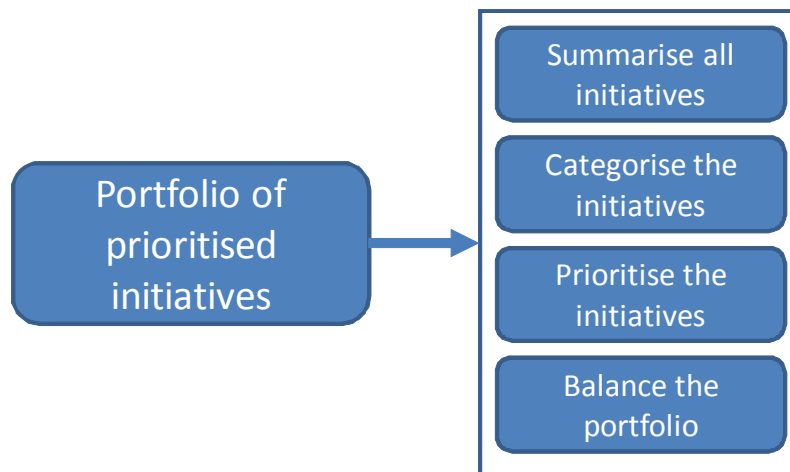


Portfolio definition is the creation of the portfolio which clarifies all the ‘authorised’ initiatives within the organisation and drives the initiation of projects and the planning of change management activities.

For effective delivery of the portfolio the organisation needs a methodology or approach for how project specialists manage and deliver the projects coupled with an approach for how business specialists identify, plan and implement the changes to their ways of working in order to embed the deliverables from the projects.

In our experience many organisations have a well defined approach for project management but it stops at the point of delivery with little or no guidance to the business on how to identify the changes that are required, how to plan for these and how to resource them appropriately whilst still maintaining ‘business as usual’.

Portfolio definition



Summarise all initiatives

This is the creation of a summary of all of the projects and change initiatives currently taking place or planned across the whole organisation. There are many software packages that can collate this data but we begin the assignment by designing a spreadsheet of information that fits your circumstances to generate an understanding of the scale of work taking place and the number of resources involved in its delivery.

This is an example of the basic information required, although further fields can be added depending on the types of projects and change initiatives:

Ref	Initiative (project or change activity)	Category	Dept/Office	Resources			Summary of benefits	Forecast Start
				Business Sponsor	Project Sponsor	Budget		
0125	Sales data conversion	Strategy	Global	Emma Jones	Mark Allen	£215,000	Rapid access to customer data	Nov-10
0541	Disaster Recovery/BCP	Maintain	London	Jack Lord	Kate Lasse	£150,000	Regulatory	Jun-10
0611	Retail Office Relocations	Business Expansion	Retail	Jeff Culver	Sam Pinner	£425,000	1st year revenue £350,000	Sep-10

The challenge of portfolio definition is that it cannot take place in a vacuum, isolated from the continuing cycle of project approvals, project deliveries and change activities. The creation of the initial portfolio will need to identify all of the things that the business is currently doing or has already agreed to do, with the status recorded in the portfolio subject to change as time moves on.

Once the portfolio has been defined, annual updates can be undertaken as part of the business planning cycle of the organisation when departments are being asked to review their current initiatives and identify any other planned work that they can foresee.

Providing information for creation of the portfolio is often greeted with suspicion as the questions that need to be answered can appear on the surface like a time and motion study. We have found that it is important to brief each manager as to whom an information request will be sent, preferably by meeting face-to-face, and describing the benefits of the portfolio in terms that will benefit specific departments and not just the organisation as a whole. We develop communications materials (presentations, news items etc.) that provide explanation and reassurance to all managers who are asked to contribute information about their initiatives.

The information requests should be specific and simple to complete. We help you decide on the key metrics that are to be gathered. If further information is required it can be sourced later, once the portfolio has been created and the value of it demonstrated to the business.

The key information that should initially be requested:

- A list of the project deliverables – systems, processes, staff hires, new locations, new equipment, new or changed contracts with suppliers etc.
- The number of resources involved in each project
- The expected costs for each project

- The benefits expected from each initiative, ideally quantified in financial terms

The value of this information is that the organisation can develop one single vision of all the changes that are taking place - often resulting in the identification of duplication of effort, interdependencies between different pieces of work or the likely overload of various parts of the business where changes from different projects are planned to come into effect at the same time.

Categorise the initiatives

Once the initial identification of all the initiatives has taken place, it is helpful to categorise them so that expenditure and resource usage can be identified for each type of initiative. Categorisation also simplifies reports that are drawn from the portfolio, increasing the flow of relevant and targeted information to each business leader / department manager.

In our experience the single most effective categorisation is achieved by identifying each initiative as:

1. **Maintenance initiative:** all of the projects that maintain the current business – products, markets, customers or processes. These are not initiatives that are delivering large scale change and are often driven by the need to fix a problem or enhance something that already exists
2. **Strategic initiative:** these are the pieces of work that, when completed, will lead to the achievement of one or more strategic objectives. For example if a strategic objective is to grow the product range of the company, projects to develop new products or acquire companies with complementary product ranges will fall into this category.

The reason that division into these two categories is so powerful is that they give an immediate sense of how much effort is being spent on incremental change (day-to-day improvements) rather than transformational change (significant amendment to how business is conducted).

If the strategic objectives of an organisation are about the growth of the product range, overseas expansion and increase in market share then a portfolio where 80% of the initiatives are maintenance is unlikely to achieve its goals. This means that a re-prioritisation of the projects is needed if the organisation is to realise its strategic ambitions.

Prioritise the initiatives

To be able to rank the initiatives, senior management must agree what the criteria are for identifying an initiative as a high priority or a low priority. Usually this will require the creation of a set of criteria that can be applied equally and consistently to each piece of work so that all work is judged on a like-for-like basis.

Some organisations confuse prioritisation with categorisation in that they assign importance based on size of initiative or the deliverables it is creating. Effective prioritisation is based on the likely contribution to the goals of the organisation. These criteria are defined from the strategic objectives of the organisation along with an agreement on how those initiatives which are essential 'fixes' or solutions should be addressed.

This will require input from senior management who will define which objectives are more important than others and identify the criteria against which contribution to the objectives will be defined. For example:

Strategic objective	Initiative No.	Initiative	Benefit	Importance
Grow revenue by 10% in the next year	1	Open new office in Abu Dhabi	Expected revenue in first year of operation is £500,000 (2% of annual revenue)	1
	2	Open new call centre for telesales operation	Expected revenue in first year of operation is £250,000 (1% of annual revenue)	3
	3	Increase sales force by five people over next twelve months	Expected revenue per annum once all sales people have been hired is £500,000 (2% of anticipated revenue)	2

Once the criteria have been established they are applied to each initiative to devise an 'importance score' for each initiative. They are then ranked in order of importance.

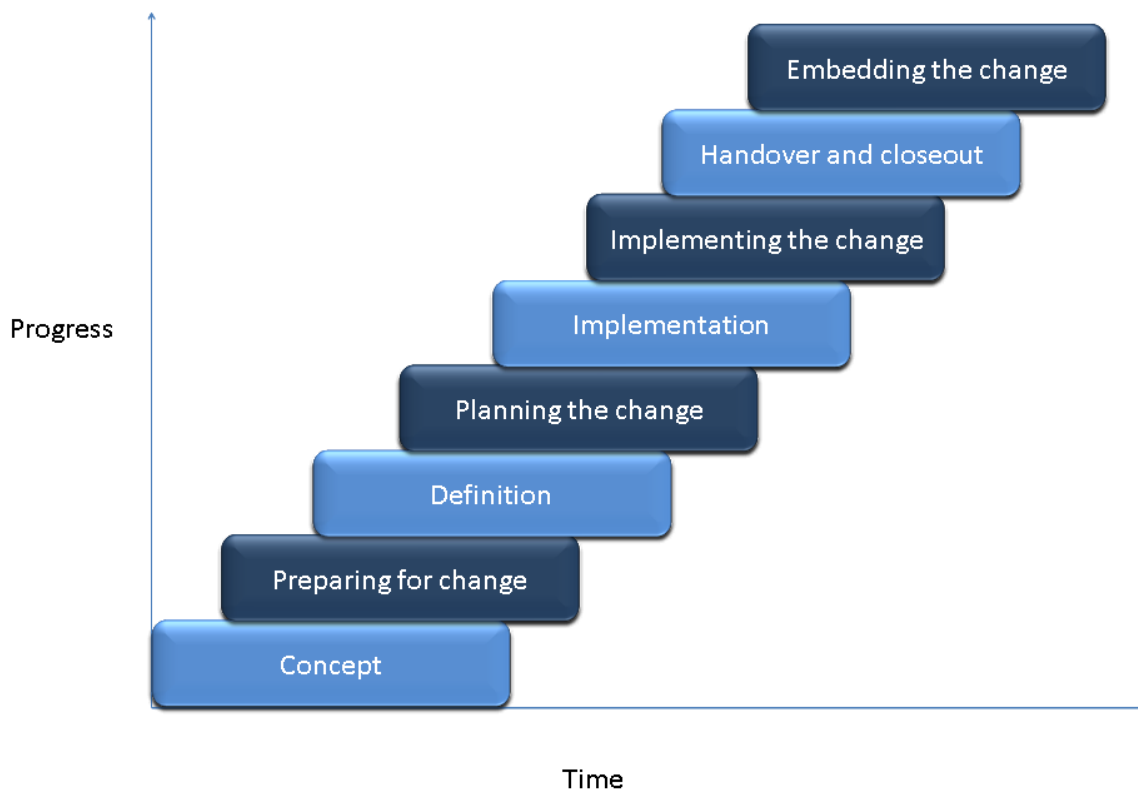
Balance the portfolio

Once the prioritisation has been completed senior management have a summary list of all initiatives, from those that are seen as the most important and contributing the most strategically to those that contribute least.

It is at this point that many of our clients re-balance their portfolio to reduce the number of initiatives that are contributing little to their strategic objectives or that are costing significantly more to deliver their benefits than other initiatives.

To preserve the integrity of the work that has been done to date it is essential that further initiatives are only added to the portfolio if they meet the prioritisation criteria that have already been applied. We help organisations to clarify these points and to establish a baseline of required benefits so that when opportunities are identified those that are unlikely to achieve this minimum do not proceed through to the detailed planning stage.

Methodology for delivering projects and implementing change



This integrated model shows how the four steps of the project lifecycle (Concept, Definition, Implementation and Handover and Closeout) are integrated with the Maven Four Step Model for effective implementation of change.

We know from working with thousands of project managers that their job specification is to achieve successful delivery of whatever the project is developing ensuring that it is delivered on time, to budget, and meets the quality criteria of the customer. However meeting the quality criteria is very different from achieving successful implementation of these deliverables. Implementation relies on the support of the customers and users to change the way that they do their work.

This requires extra effort to learn new ways of working coupled with a willingness to take the risk that as they learn they will make mistakes and consequently be seen as less productive or less efficient during this transition period. This is a psychological barrier to achieving change which requires persuasion, motivation and support.

It is those who manage the area of the business being changed that are best placed to provide this supportive working environment. Whilst the project is being planned the impact of the changes also needs to be assessed and planned for. Change management and project management need to be tightly aligned as the identification of what needs to change can impact the scope of the project and - as the detailed deliverables from the project become better understood - the implementation of new procedures, systems, ways of organising staff etc. become better understood.

Whilst there will always be a time lag between project delivery and implementation of change, close alignment of these two activities will minimise this lag and ensure that benefits are delivered to the business as soon as possible.

Conclusion

Portfolio management is a business imperative. It is the mechanism through which an organisation can ensure that the projects and change initiatives it undertakes are those that collectively make the greatest contribution to strategic objectives and targets.

The skills required for effective portfolio management incorporate a range of business and commercial disciplines and understanding, including project management skills with emphasis on strong planning ability and experience of effecting organisational change.

To take the necessary decisive action to maintain the integrity of the portfolio, halting or barring any activities that do not meet the entry criteria requires significant authority. This authority must be exercised with the support of all senior managers as decisions from the portfolio cross departments, product and service ranges, and locations.

Effective portfolio management is the product of a structured, disciplined approach to change within an environment of energy and enthusiasm for innovation and improvement.

Maven can assist you to address project management in the wider context of organisational development. We cannot fix all of your problems – we are not, and do not claim to be, a management consultancy. We are however experts in capability building and can work with you to align programme, project, risk and change management with the organisation you wish to become. We have the expertise and experience to do the alignment for you but it is our ethos to transfer the skills into our clients so they become self-sufficient going forward. Our services are designed to tap into initiatives designated as ‘transformational change’ programmes, talent management strategies etc. - in other words, to take our services outside of the narrower definitions of project management and of training.

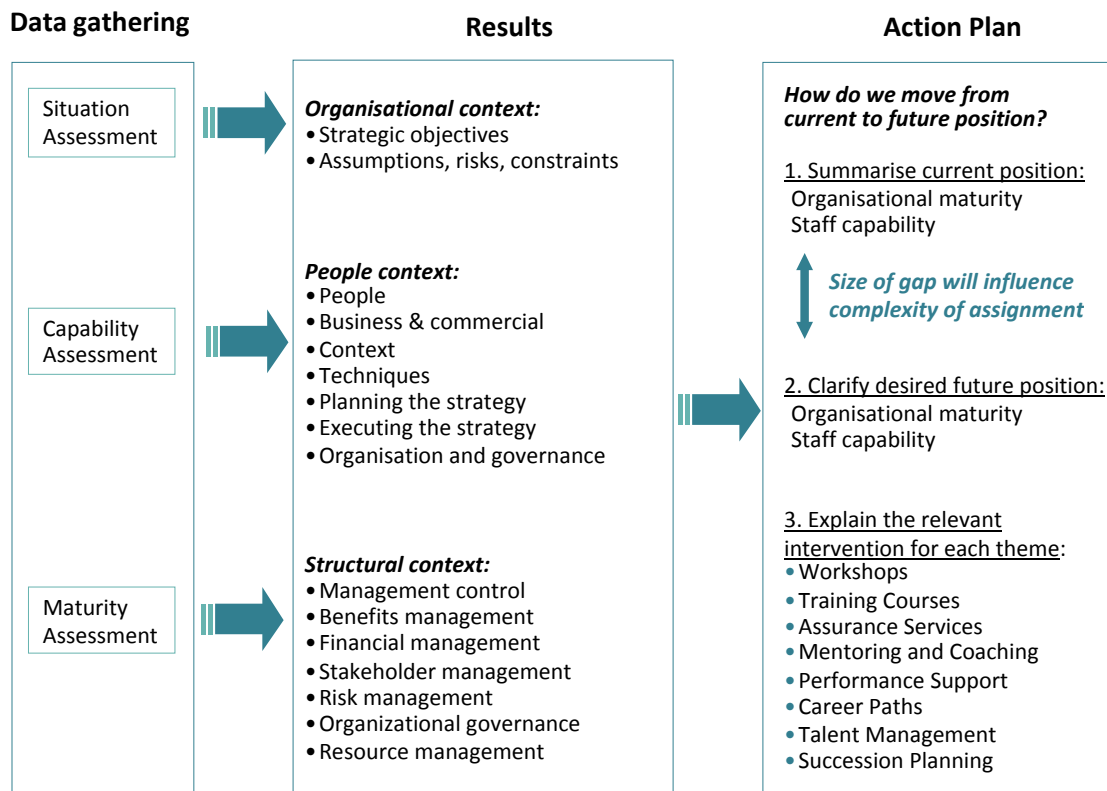
We apply a staged, structured approach to capability building by addressing:

The situation: we gather information on the objectives of the organisation and the goals and key performance indicators that need to be met

The people: we use best practice competence frameworks to assess current capability

The structure: we conduct a maturity assessment to demonstrate where the organisation is currently in relation to running its projects and, equally importantly, how it can progress to the next level of maturity

The diagram below illustrates the approach in more detail:



This approach has been successfully applied with our clients and Maven will be pleased to discuss its applicability to your organisation in more detail.

For further information about Maven Training and its capability building services please contact:

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