



the little book of
**Portfolio
Management**

NineFeetTall
delivering positive change





Welcome

to our little book on the
big subject of
NineFeetTall

Why read this book?

You want to know the difference between portfolio management and project management.


It seems like everyone's talking about portfolio management and you just want to know what all the fuss is about.

You're already a portfolio manager and you want to know if there are any new tips and techniques out there.



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“ For many companies, innovation will remain a sprawling collection of activities, energetic but uncoordinated.

And for many managers, it will remain a source of frustration.

For the best managers, however, it represents the most exciting and important challenge of all. ”

Harvard Business Review

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**What is
Portfolio
Management?**

What is a portfolio?



A portfolio is a collection of projects, programmes and change initiatives that are undertaken by an organisation.

In contrast to a programme, the components of a portfolio are not necessarily inter-related.

The components' commonality comes from their drive to deliver benefits to the business that will accomplish strategic objectives.

What is portfolio management?

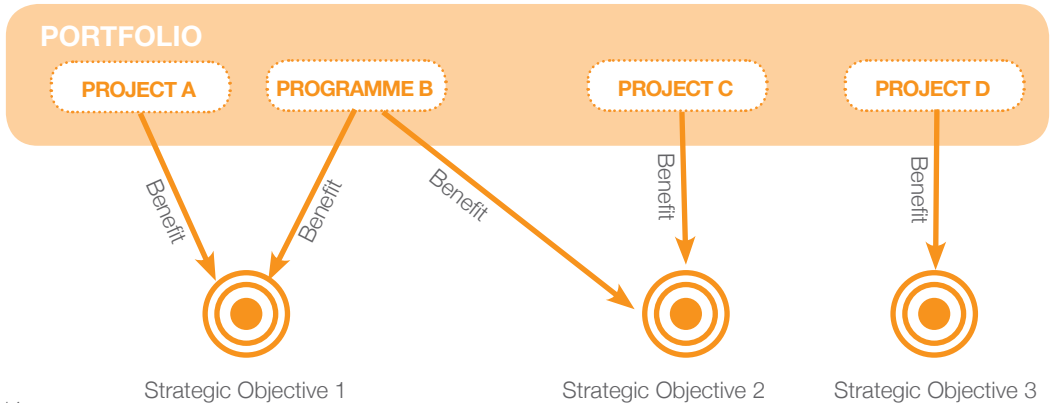
Portfolio management is all about creating and maintaining a portfolio of programmes and projects that further a business towards its strategic goals.

WHAT DOES THAT MEAN IN PRACTICE?

- » Managing information that enables senior management to assess, select, prioritise, reprioritise, pause and terminate initiatives.
- » Creating and maintaining a portfolio delivery plan.
- » Managing risk and resource across a portfolio.
- » Balancing conflicting demands from competing portfolio components.
- » Monitoring progress, budget and benefits of portfolio components.

Portfolio vs strategy – what's the link?

An organisation's portfolio of projects and programmes delivers benefits that enable it to accomplish strategic objectives.



Remember...

The fundamental purpose of portfolio management is to align change initiatives to an organisation's strategy.

“ In real life, strategy is actually very straightforward.

You pick a general direction and implement like hell. ”

Jack Welch, General Electric CEO

Why do Portfolio Management?

Good portfolio management can help
your business...

1. Invest in the right change initiatives
2. Build engagement with a strategy
3. Close redundant or underperforming projects
4. Optimise resource utilisation
5. Increase returns on investment
6. Manage strategic risk
7. Deliver projects more effectively
8. Create visibility and accountability
9. Apply lessons to new investments

Who does Portfolio Management?

A portfolio manager is responsible for...



A word cloud of terms related to portfolio management. The words are arranged in a roughly rectangular shape, with some words oriented vertically. The most prominent words are 'optimisation', 'budget', 'risk', and 'performance'. Other words include 'resource', 'communication', 'dependencies', 'prioritisation', 'reprioritisation', 'closur', 'benefits', 'balance', 'process', 'review', 'selection', 'metrics', and 'progress'.

resource **performance**
communication
dependencies
optimisation
reprioritisation
budget closur
prioritisation **risk**
benefits balance
process review
selection
metrics progress



Food for thought...

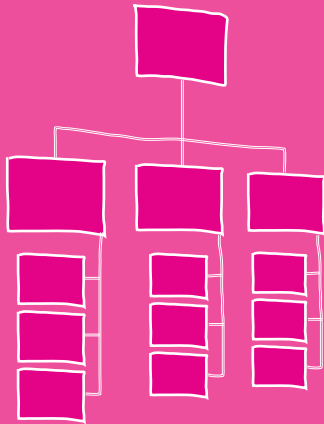
Project
management

is about doing projects right...

Portfolio
management

is about doing the right projects.

2



**The
organisational
context**



**Does all
business
change fall
under the
management
of a portfolio?**

No.

Portfolio management controls major changes to BAU – the ones that are defined and delivered as projects and programmes.

But don't forget some change initiatives fall outside this remit e.g. marginal day-to-day improvements like adopting a streamlined process.



Portfolio management is a collaborative function.

Change delivery touches almost all areas of a business, so relationships are key!

“ We’re all working together; **that’s the secret.** ”

Sam Walton, Walmart Founder

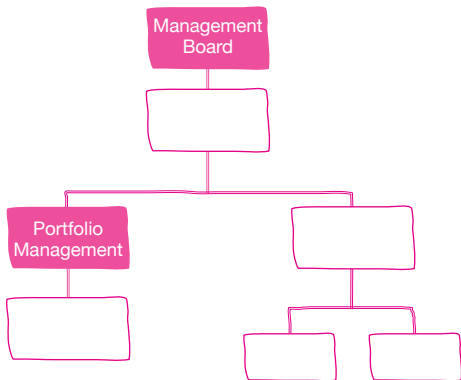
Portfolio management and...

...the management board

The management board is in effect, the primary customer of the portfolio management function.

The management board depend on portfolio management's information to understand the business and make strategic decisions.

A good relationship here is a primary focus of the portfolio management function, and endorsement especially can be a valuable asset.



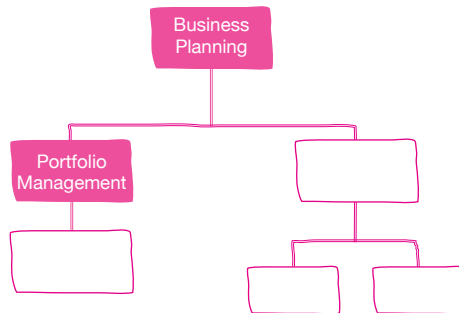
Portfolio management and...

The business planning function draws the landscape within which the portfolio management function operates.

Business plans define the boundaries for the scope and prioritisation of a portfolio, and are ultimately the objectives against which success or failure of a portfolio is measured.

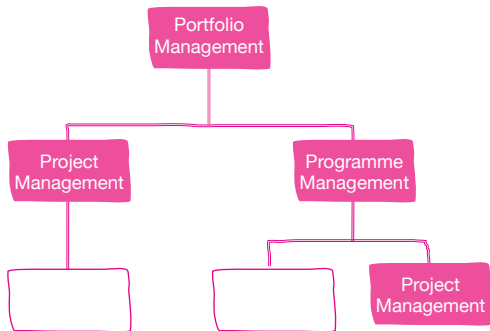
In return, portfolio management provides information on progress towards strategic goals, and its successes encourage belief in the value of business planning.

...business planning



Portfolio management and...

...programme /project management



Portfolio management monitors, guides and enables programme and project management functions.

Portfolio management acts as an enabler by allocating resources – able to speed up or slow down project delivery depending on prioritisation.

It also monitors escalated dependencies and risks, negotiates resolutions on behalf of projects for escalated issues, and guides on project management standards and processes.

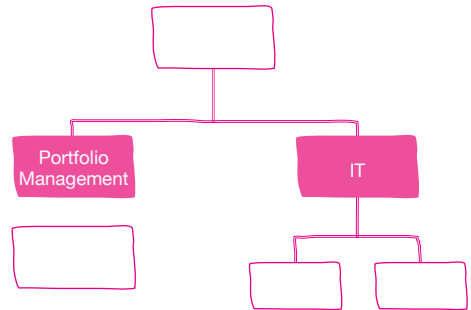
Portfolio management and...

Change and technology are like Batman and Robin – what would one be without the other?

Portfolio management and IT are intertwined by their goals, and have to work closely together to achieve them.

The most important thing is to align prioritisation of IT and business resource, so that business and technology streams can progress projects in the right way.

...information technology



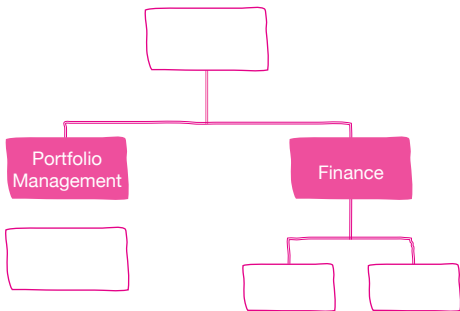
Portfolio management and...

...finance

Portfolio managers work closely with finance colleagues to generate and negotiate portfolio budgets and track spend.

Portfolio management also rely on the finance function's expertise in providing dependable financial guidance for business case preparation.

And when the portfolio generates financial benefits, this department is first in line to see the success and understand the impacts on strategic objectives.



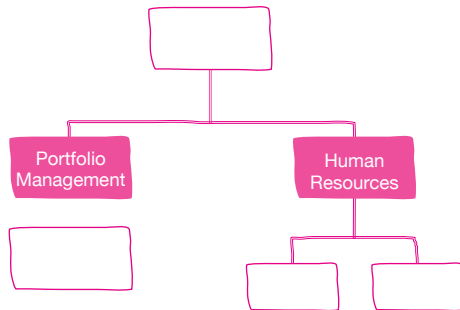
Portfolio management and...

Where people are part of the business landscape, change initiatives will affect them.

Strong engagement with human resources is vital so that structure and process impacts of the portfolio are anticipated and evaluated.

From the perspective of portfolio delivery, HR are also fundamental in ensuring appropriately trained and skilled resource is made available to meet the needs of the portfolio.

...human resources



Portfolio management and...

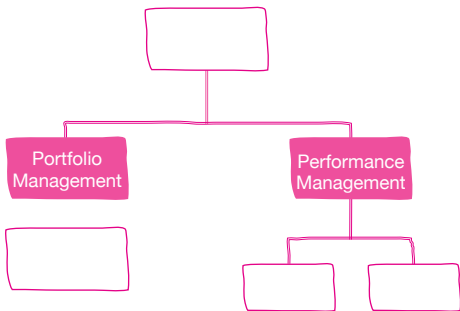
...performance management

Portfolio management aligns with performance management to measure and monitor change effectively.

The two functions pool expertise in the design of portfolio reporting metrics and benefits tracking models.

They can coordinate benefits projections in business cases and validate impacts on strategic objectives.

Alignment between the two functions is key to producing consistent, accurate information that drives decision-making.



3



**Defining
the portfolio**



**The first
step to good
portfolio
management**
is to build a
portfolio with
the right stuff

Think about...

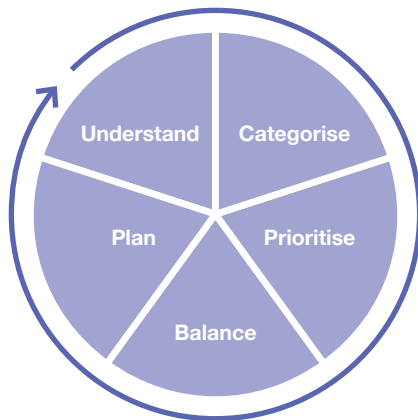
- » What are our strategic objectives?
- » What are the projects that will achieve our objectives?
- » How risky are those projects?
- » What resource do those projects need?
- » Has anything changed since we made these decisions?

Defining the portfolio

There are a heap of activities to go through when constructing a portfolio.

And just when you think it's just right, it's probably time to review the whole thing again.

There is no beginning and no end – the portfolio as a whole is never 'closed off' – it simply evolves.



The MoP (Management of Portfolios) methodology works to a five-step cycle.

Step 1: Understand



This is all about understanding what change initiatives are in progress, in the pipeline or completed.

An understanding of this picture is key to understanding what strategic impacts the organisation can expect in the future.

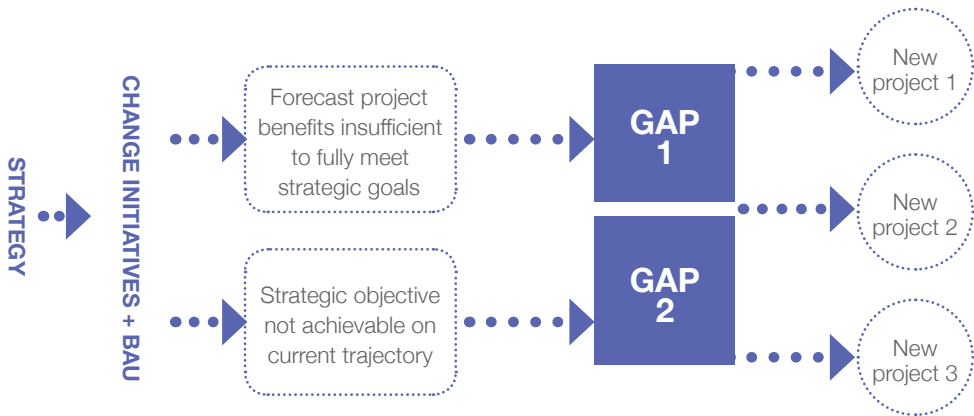
The portfolio management team supply this view to the strategy teams and management board, with project information like:

- » planned impacts
- » risks
- » forecast benefits
- » costs
- » performance

Step 1: Understand

Once the current picture is understood, its time to look at the gaps.

Understanding the portfolio highlights poor-return or duplicate projects and focuses the mind on what change is right for the business.





“The essence
of strategy

is choosing
what not to do”

Michael Porter

Step 2: Categorise



The point of categorising the portfolio into segments is to make its structure easy to understand and have a clear view of different types of change.

What sort of categories are we talking?

Asia EMEA Pacific Americas	Legacy Mandatory Innovative	Cost Reduction Revenue Generation
<hr/>		
	Objective 1 Objective 2 Objective 3	

There's no right or wrong answer when it comes to selecting categories.

Step 2: Categorise

Once you've decided on categories, you need to allocate the change initiatives. A matrix is an effective, simple approach.

Simple analysis of the categorisation matrix shows imbalances in the spread of change initiatives. The balance of change should reflect the balance of strategic objectives.

No initiatives are aligned to the Americas – so will strategic objectives be met?

Project 5 doesn't deliver benefit to any region – is it a valid investment of resource?

	Asia	EMEA	Pacific	Americas
Project 1		✓	✓	
Project 2	✓	✓		
Project 3		✓		
Project 4				
Project 5				
Project 6	✓		✓	

Step 3: Prioritise



Prioritisation is the process of identifying which initiatives are the most important, and worth protecting at the cost of others.

There's a lot of different criteria a business can use to rank initiatives.

What would your business choose?

Financial

- » Net present value (NPV)
- » Internal Rate of Return (IRR)
- » Payback Period

Benefit

- » Political need
- » Strategic impact
- » Compliance impact

Risk

- » Delivery risk
- » Benefits risk
- » Complexity

Step 3:

Prioritise

Once you've chosen your criteria, you can mix and match to build an aggregate rating:

1. Assign a weighting to each criteria depending on its relative importance
2. Define the scorings that an initiative can achieve within each criteria
3. Calculate the aggregate rating for each initiative

Your projects are now prioritised!

Remember...

A prioritisation framework is designed to inform and support decisions, not replace common sense.

Top Tip!

Don't overcomplicate your prioritisation framework. Scientific methods are great, but also add complexity. Sometimes keeping things simple works just as well.

Step 4: Balance



So the projects are prioritised down to a tee, but is the portfolio balanced?

SCHEDULING

The portfolio needs to smooth out project activity over time, avoiding peaks and troughs.

IMPACT

Which business areas will support these initiatives and which will enjoy the benefits?

RISK

Taking on a portfolio full of very high risk projects is...risky. Keep overall risk exposure in line with the business' risk appetite.

COVERAGE

Changes should support the full range of strategic objectives, not all focus on the same one.

RESOURCE

Does the portfolio create resource demand that fluctuates greatly or exceeds the available supply?

BUDGET

Does the business have the cash to fund the portfolio or do some initiatives need to be put on the back burner?

Beware the pet project!

Defining the most perfect framework will only translate into a fine-looking portfolio if everyone plays by the rules.

Every business has seen a pet project – the project that worked its way into the portfolio through the more traditional routes of internal politics and a fun game of ‘who can shout the loudest’, but that doesn’t entirely justify itself.

Its easier said than done to overcome these kind of practices in any organisation.

Try...

- » holding a ‘portfolio management’ clinic to deepen understanding of the framework and its benefits
- » using information as your friend: use facts and figures to question and challenge
- » going for a consensus vote (ever heard of ‘prioritisation poker’?!) among senior management to moderate influencers

Step 5: Plan



The portfolio plan communicates to all stakeholders what the portfolio will deliver.

Key components of the plan are:

- » Initiatives in scope
- » Delivery schedule
- » Budget allocations
- » Resource allocations
- » Key milestones
- » Key risks
- » Key benefits

An agreed and baselined plan is a great tool to get everyone aligned and focussed – and gives the green light to launch into delivery!

4



**Delivering
the portfolio**

**You're
portfolio is
defined and
you're ready
to go...**

So what's next?

Let's deliver this thing!



Set the standard...

Delivering a portfolio is all about having an accurate understanding of a **large** amount of work.

The first step is to define and embed standardised methodology and language so that everyone is on the same page when those big conversations happen, and all projects are fit for comparison.

Some of our top things to think about here are:

- » what's the lifecycle that all projects must pass through – agile or waterfall; 4 stages or 6?
- » what tolerances for variation in budget, schedule and risk apply before you need to escalate?
- » what core information does every business case contain?
- » what framework is used to estimate budget and benefits and how are estimates scrutinised?

Keep the information flowing...

In case we hadn't mentioned this already – information is the heartbeat of portfolio management.

Portfolio management takes regular project reporting and rolls it up into a dashboard of portfolio progress, status and metrics.

Compare portfolio metrics with portfolio targets to understand how your change function across the whole organisation is performing.

“As a general rule, the most successful man in life is **the man who has the best information.**”

Benjamin Disraeli

A good portfolio dashboard

communicates a large amount of information in a digestible format



- » Project name and ID
- » Project category
- » Project priority
- » Key milestone progress
- » Benefits realisation to date
- » Key risks, issues and dependencies
- » Financial spend against budget
- » Overall project status

Take a checkpoint...

Regular reporting is just what you need to keep tabs on how your portfolio is ticking over.

To truly keep in touch with what's what though, build more formal checkpoints into the delivery cycle at both project and portfolio level.

Think → stage gate review

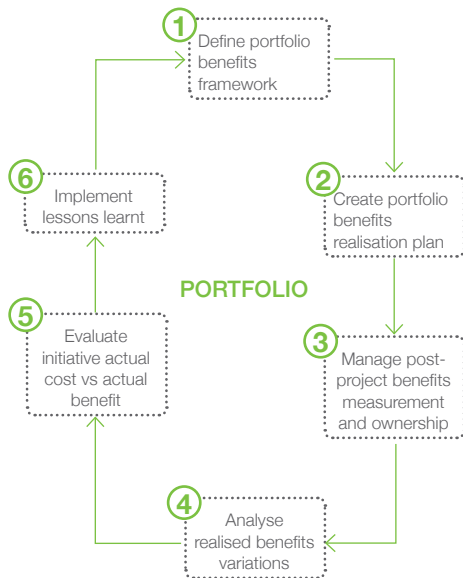
When a project completes a given set of delivery milestones, make a formal reassessment of the business case. Perhaps even release funding stage by stage to keep the focus on the business justification.

Think → portfolio review

Periodically take time out to review the performance of portfolio management too. Look at dashboard reports to dig out trends in resource management effectiveness, over or under-spend, and application of lessons learnt.

Eyes on the prize...

Benefits management is a consideration for portfolio managers throughout delivery.



Beyond portfolio benefit planning and tracking

A portfolio manager needs to perform analysis to understand:

- » How slippage on delivery timelines impacts the achievement of strategic objectives
- » How unplanned benefits have been realised or planned benefits have not
- » Whether actual cost vs actual benefits made an initiative worthwhile
- » What the impact of a change initiative on strategic objectives was
- » How lessons learnt can be applied to improve the benefits management framework

Keep on top of the finances...

When it comes to budgets, portfolio management needs to align its processes with the financial management cycle.

BUDGET ALLOCATION

Is budget allocated to change programmes centrally or by business function? Are change initiatives awarded full funding up front or on a stage-by-stage basis? Portfolio processes need to take account of this in their design.

FINANCIAL FORECASTS

How are costs and benefits forecasts generated? This needs to be a consistent and accurate process with figures validated by financial experts.

FINANCIAL PLANNING

What is the estimated budget and spend over time across the portfolio as a whole? What is the right financial contingency to be held back by the portfolio? The portfolio financial plan needs to consider capital and operating expenditure on live projects as well as financial demands post-implementation.

FINANCIAL MONITORING

What is the actual spend against the financial plan? Financial advice is useful for re-allocating spare budget to further initiatives.

Scan the risk horizon...

While projects and programmes manage risk within their delivery, the portfolio is responsible for risks of its own.

Risk management at a portfolio level means a risk log of portfolio-wide risks and escalations. Don't forget to consider the risk your portfolio poses to the organisation too...

Define a strong risk management framework including assessment criteria, tolerances and escalation routes to make sure that only those risks that pose a threat to the entire portfolio make it onto the log.



The portfolio risk management cycle

Remember...

“Yes, risk-taking is inherently failure-prone. Otherwise, it would be called sure-thing taking.”

Tim McMahon

But...

“If you don’t risk anything, **you risk even more.**”

Erica Jong

Be dependable

Dependencies between projects and programmes can be one of the biggest risks to portfolio delivery.

The role of the portfolio manager is to minimise this risk by identifying, understanding and managing these blighters.



**with
dependencies...**

9 top tips for dependency management

1. Create a dependency matrix to show which projects are interdependent
2. Share portfolio updates so projects build awareness of others
3. Encourage dialogue between projects in 1-2-1s, workshops or stand ups
4. Define clearly what a dependency is and is not
5. Use examples to educate project managers in dependency recognition
6. Link dependencies to items in the portfolio risk log
7. Focus only on those that affect the portfolio delivery plan
8. Use consistent language and metrics to describe and assess dependencies
9. Present dependencies on status reports

Resource your delivery...

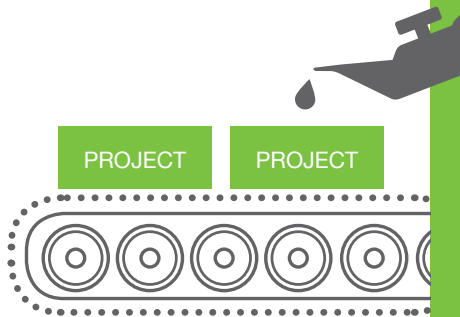
Managing resource across a portfolio can be broken down into four very simple steps.



- 1. Identify demand** – gather resource forecasts from every live change initiative and don't forget those soon to kick off. Consolidate into a portfolio resource schedule.
- 2. Map out skill sets** and availability of change function and business resource along a timeline.
- 3. Allocate supply** to demand based on project priority. Remember to schedule in contingency.
- 4. Bridge resource gap** with new employees, contractors and up-skilling. Or, consider rescheduling.

Got all these tasks in hand?

Then your portfolio delivery machine is oiled up and about to churn out some fine projects!



5

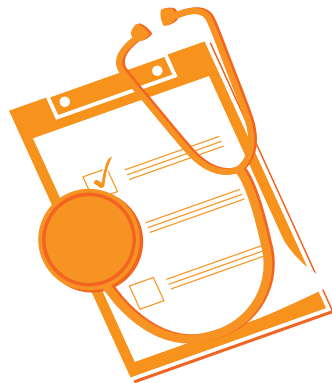


Portfolio health check

What is a portfolio health check?

It's quick, sharp and does what it says on the tin.

A health check is an independent assessment of all change within your businesses portfolio, whether you already have a portfolio management function or not.



A doctor checks your health by observing symptoms, analysing them to form a diagnosis and prescribing treatment.

Just like that, a portfolio health check is an opportunity to observe, analyse, understand and improve your project delivery capacity or capability.



“The biggest room
in the world,

**is the room for
improvement.”**

Anon

The main things a portfolio health check can tell you are:

- » Assessment of portfolio's strategic fit; do all your projects align to the latest business strategy?
- » Key risks to change delivery; which projects present the highest risks and what other projects are dependent on them?
- » Project / programme management effectiveness; does your project team have a handle on their project or programme?

A thorough health check covers the whole body of project management:



What does a portfolio health check entail?

Information gathering:

- » Conduct interviews with key project stakeholders
- » Observe key project meetings
- » Review key project documents

What does a portfolio health check entail?

Data analysis:

- » Delve into detailed project data
- » Roll up project data to understand its trends and patterns
- » Compare project data against best practice and the organisation norm
- » Identify key project risks and issues not necessarily being watched
- » Clarify key elements of project data

What does a portfolio health check entail?

Reporting:

- » Summarise key health check findings
- » Write up into presentable format
- » Review findings with key stakeholders and the portfolio management function
- » Identify a plan of action

Who should my health check doctor be?

The right role to carry out a portfolio review will vary from business to business. Here are some ideas...

PORTFOLIO MANAGEMENT TEAM


- ✓ Know their stuff when it comes to projects
- ✗ May be too close to methodologies and the detail

INDEPENDENT EXPERTS

- ✓ Wide experience from beyond organisation's boundaries
- ✗ Additional cost to business

INTERNAL AUDIT TEAM

- ✓ Independent, cost-effective resource
- ✗ Lack expertise in projects and portfolios



“An investment in
knowledge pays
the best interest.”

Benjamin Franklin

6



Implementing
portfolio
management



So you think your business needs portfolio management?

Follow our path to success
by turning the page...

Step 1

Understand your organisation

What elements of portfolio management would fit naturally into your business?

Which would take some more work and meaty conversations?

Remember this is not a one-size-fits-all approach and take some time to consider the characteristics that make up your landscape:

- » Culture
- » Maturity of project discipline
- » Size
- » Org structure

Step 2


Mould the right environment

Once you know where you stand, you need to get a grip on what kind of surroundings will enable portfolio management:

1. Consistent process and information
2. Cross-functional cooperation
3. Senior management champions
4. Clear decision-making lines and thresholds
5. Strong strategic objectives
6. Reliable business case preparation
7. Highly engaged employees
8. Success-driven culture
9. Honest and open communications

Is there anything you can do to build these characteristics in your business?

Even a little effort at laying these foundations can go a long way.



“The loftier the building, the deeper must the foundation be laid.”

Thomas A Kempis

Step 3

Set out your goals

Its great that you understand portfolio management, but not everyone will!

As with any change, if portfolio management isn't understood, its likely to fail.

Create a portfolio strategy that outlines the...

- » Aims and objectives
- » Key processes and structures
- » Roles and responsibilities
- » Governance framework and escalation routes
- » Templates and quality expectations

Step 4

The great information haul

The starting point for the new function is to get a grip on what change is going on in the business at the moment.

Use your key contacts or a company-wide questionnaire to root out all the ongoing projects, then follow up with interviews to get the detail.

The aim is to achieve an outline of the total change landscape – objectives, costs, risks, benefits, schedules, progress.

It's a great quick win for identifying duplicate, strategically unaligned or poor performance projects.

And what does that do?

Saves money and increases deliverability!

Step 5

Plan, plan, plan

All the data is at your fingertips... its time to consolidate.

Create a portfolio delivery plan that communicates to stakeholders what benefits they can expect to see and when.

You'd be surprised how much of an impact this can make – they may have never had this visibility before!

The other benefit of having a plan is that you can track progress against a baseline and identify dependencies between projects.

Implement a reporting template and educate contributors in completing it.

Warning!

Don't expect the information to be perfect – or even complete – at first. Completeness and quality will improve with familiarity.

Step 6

Add a dash of structure

With the basics in place, establish the surrounding structure that will get the portfolio running seamlessly.

Defining and communicating clear governance, escalation routes and tolerances means decisions can be made quickly and fairly.

And that in turn keeps the whole portfolio moving.

Think about when and by whom the following decisions are made, and what information is required to inform them:

- » Project initiation
- » Project prioritisation
- » Project closure
- » Project pause
- » Project budget release

Step 7

Lift off!

Once the information is flowing, you can start to develop and improve the portfolio delivery cycle.

Track performances against forecasts and compare benefits realised to benefits in the business case.

Post implementation reviews are a valuable investment of time from a portfolio perspective.

Apply lessons learnt from each project and feed back the differences into future forecasting.

The more accurately your portfolio is forecasted, the more reliably you can appraise projects and make decisions.



And... tah dah!

You have all the basic components of a portfolio management function.

This is only the beginning.

Nurture your portfolio management capacity and it will mature into one of the business's strongest assets.



“Rome
wasn't
built in
a day.”

John Heywood

7

Glossary



Glossary



PORTFOLIO

A group of projects and programmes, related or unrelated to each other, that will further an organisation towards strategic goals.

PROGRAMME

A number of interdependent projects, managed together as one.

PROJECT

An individual change initiative that aims to realise pre-defined business benefits.

PET PROJECT

A project championed by a senior decision-maker but not aligned to any strategic objective.

STRATEGIC OBJECTIVE

A long-term organisational goal that translates a strategic vision into more specific plans and targets.

BUSINESS CASE

A document capturing the reasoning for initiating a change initiative, including benefits, cost, risk and impact.

NET PRESENT VALUE (NPV)

The financial return an investment can generate, taking into account the time-value of money (£1 now is worth more than £1 in 3 years' time).

8



**Useful
resources**

Useful resources



WEBSITES

- » www.ninefeettall.com
- » www.projectsart.co.uk

BLOGS

- » www.ninefeettall.com/blog

BOOKS

- » Office of Government Commerce (2011) Management of Portfolios
- » Enterprise Portfolio Management Council Inc (2009) Project Portfolio Management: A View from the Management Trenches

BEST PRACTICE

- » Management of Portfolios
www.axelos.com/mop
- » Project Management Institute
www.pmi.org.uk



About
NineFeetTall



About NineFeetTall

NineFeetTall
are experts in
business transformation

with proven experience of delivering
complex change projects across
multiple industries and sectors.

Each member of the team
has a broad range of skills and
knowledge brought together with
a conviction and energy to deliver

measurable results
for our clients.



Contact us

We hope you have enjoyed our little book on this big subject.

If you would like to discuss your change management requirements, please get in touch:

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NineFeetTall
delivering positive change