



# Project Portfolio Management

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# Project portfolio management

A program or project portfolio explains how an organization is implementing its strategy through projects. If product management answers the question “are we managing the projects correctly?”, project portfolio management answers the question “do we have the right projects?”

## 1. Development projects usually fail, except by chance

Although an increasingly larger part of organizational development takes place in projects, only one out of four development projects succeed.

Projects are easy to start but hard to stop.

## Project selection

The reasons for project failures can usually be explained by determining what has happened before, during, and after a project.

Unsuccessful projects are often preceded by poor planning. A project’s ownership is lacking or fuzzy. A proper Business Case has not been made for the project. The project’s affiliation with, and effect on, the enterprise architecture has also perhaps remained unexplained.

Inadequate preparation leads to a project that solves the wrong problem or solves the right problem in the wrong way.

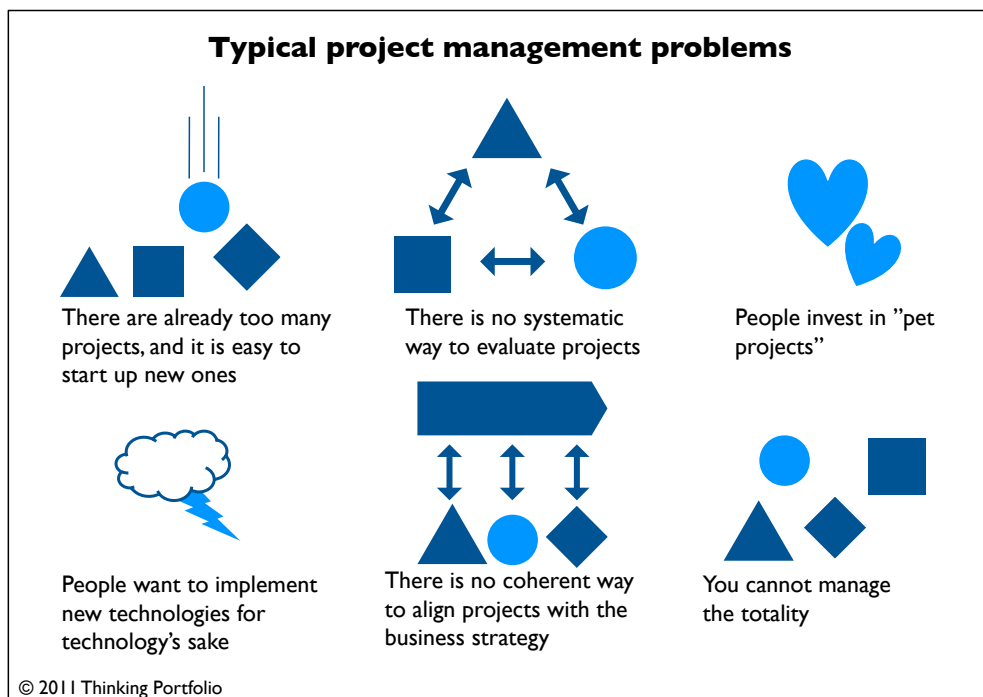


Figure 1

### **Project preparation**

From the standpoint of a project's success, the choices at the next level are also crucially important: the selection of the project manager, project team, and steering group. Even a good team will however fail to save a project whose starting points are unsound.

### **Implementation plan**

An inadequate implementation plan is the final factor that can sabotage an otherwise successful performance. After a project has been completed, there is a tendency to focus on the next project, neglecting the conformation of the results. For that reason, proper subsequent appraisals that would compare the results to the stated objectives are rarely found in development projects.

## **2. Why is it so hard to identify the right projects?**

Problematic project choices are often structural. Roles and rules are missing in the organization, making it impossible to render feasible decisions. Here are examples of the reasons that usually lead to bad decisions (Figure 1):

- The organization sees the project as a solution for all challenges; there are too many projects going on at once, and starting new ones is easy.
- Management lacks a criteria to evaluate projects.
- Decision-makers finance their own "pet projects".
- Technology is an end in itself; there is desire to implement new technologies quickly even if they lead to incompatibilities with the corporate architecture.

- Management lacks a coherent way to align projects with strategic objectives.
- Organizations are unable to manage the totality; the lack of an overall grasp often results in overlaps and inefficient scheduling.

## **3. Project portfolio management as a solution to program problems**

Project portfolio management is the management of an organization's development projects as a totality that systematically and consistently implements an organization's strategy.

### **Prerequisites for successful program management**

Project portfolio management requires from the organization (Figure 2):

1. Unified concepts and a consistent management model.
2. A management process in which the project portfolio has a designated task.
3. Tools that enable the management and project organizations to communicate the status of planned, current, and completed programs.

### **Results**

Organizations that have adopted project portfolio management as a tool have been able to reduce the percentage of unsuccessful programs. This has taken place subject to the condition that projects operations have also reached a sufficient level of maturity throughout the entire organization.

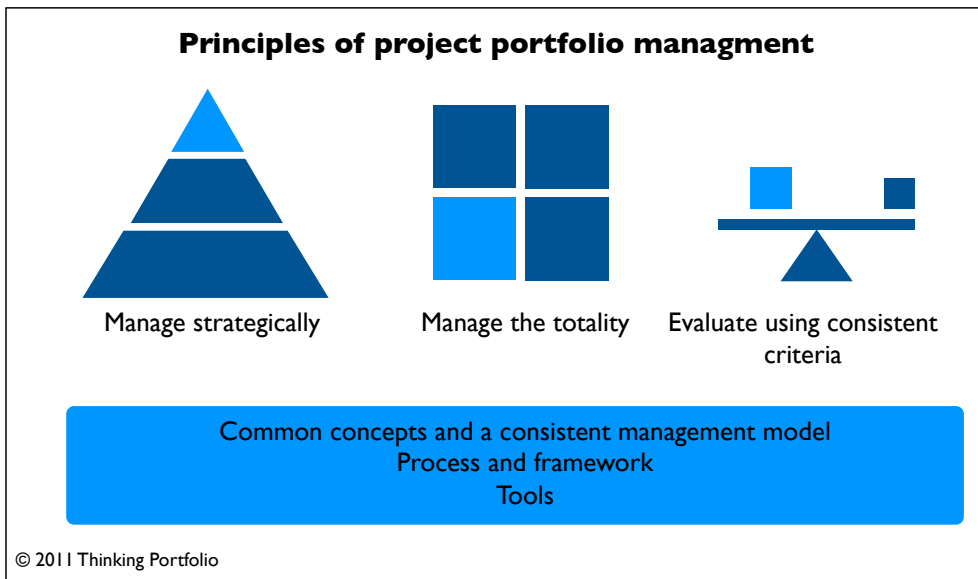


Figure 2

#### 4. Terms related to project portfolio management

When an organization is considering the taking into use of project portfolio management, the first practical necessity is to standardize the conceptual terminology to avoid any possible misunderstandings.

The concepts and exemplary definitions associated with project portfolio management include the following:

**Strategy** – An entity concerning long-term goals and choices, as well as the means for their implementation.

**Program** – A coordinately managed group of projects generating benefits and operational efficiencies that could not be achieved if the projects were being managed separately.

**Project** – A fixed-term endeavor undertaken to achieve a one-off product, service, or result.

**Project portfolio** – The entity formed by the projects, in which the strategic objectives are common, and the projects share the use of the same resources.

#### 5. The project portfolio's administrative tasks

The project portfolio's management consists of the specification of the portfolio, the inclusion of programs in the portfolio, and the balancing of the portfolio.

##### Specification of evaluation criteria

Portfolio criteria are derived from the strategy of the organization. Portfolio criteria are used for classification and evaluation; they can be financial, strategic, or tactical.

Portfolio criteria change when the strategy changes. The criteria should be sufficiently comprehensive but at the same time universally applicable to facilitate the satisfactory depiction of all types of programs.

MIT's Peter Weill lists four main portfolio criteria for IT programs (Figure 3):

- Infrastructure programs, that develop an organization's ICT infrastructure and target, for example, the advantages of scale, standardization, and integration.
- Operational process/ transactional programs, that

develop business processes and their information management while cutting costs and increasing productivity.

- Informational programs, that generate solutions related to management and communications that also aim at, for example, improved information quality and availability.
- Strategic programs, that management has specified as a strategy, and that create, for example, a competitive advantage or market growth.

Many companies classify programs according to their focus by utilizing Balanced Scorecard perspectives (financial results, customers, processes, personnel and growth).

From the standpoint of ICT programs, an important criteria is the relationship of the program to various architectures: the corporate, informational, applications and technology architectures. The program can rely on existing architectures, deviate from them, or

even require entirely new architectures.

Financial criteria include, for example, payback period, ROI, or turnover effect. Tactical criteria include assessment factors related to risks, quality, or customer satisfaction.

### Specification of other descriptive information

Other possible program-related descriptive information can include, for example:

- Basic program or project information: owner, time schedule, budget, composition of steering group, project's key personnel
- Decision-making situation
- Program's users: organizations or processes
- Program's means of implementation
- Program results
- Tracking information

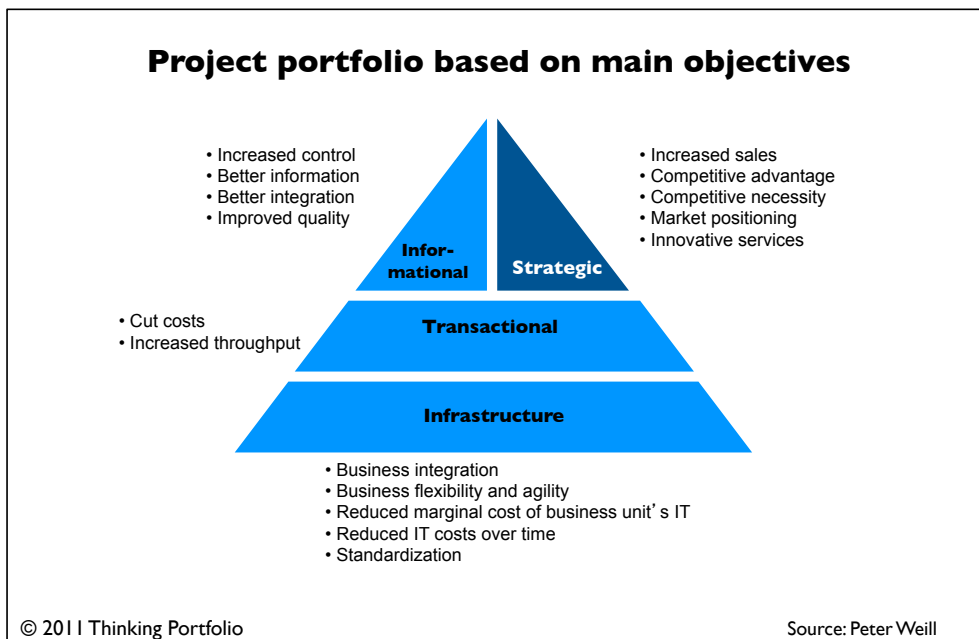


Figure 3

### Portfolio inclusion

Portfolio inclusion entails the programs' description, classification, and evaluation. The person submitting new program proposals describes and classifies the program according to the aforementioned criteria.

After a program has been described once, a portion of its data remains unchanged, unless management decides otherwise. Information related to the project's tracking, on the other hand, is updated regularly.

### Balancing the portfolio

The owner of the project portfolio evaluates the program proposals. The organization can weight the programs, for example according to their risks, size, or resource allocations.

The number of proposed programs in an organization generally exceeds the available resources that would have to be deployed to manage them. Strategic criteria, the organization's snapshot, and the resource situation

require prioritization decisions that can be made for new and ongoing programs (Figure 4).

One of the project portfolio's success factors is that it offers the possibility to suspend programs whose continuation would no longer be sensible, for example as a result of a changing business situation. Without the portfolio, the decision to suspend a program can be extremely difficult because it is often based on assumptions instead of knowledge.

### One or many portfolios?

Project portfolio management sets no limits on the number of portfolios. Some companies handle all programs in a single portfolio, while others prefer to assemble the programs in several portfolios.

One way to think about portfolios is to see them as views of the entire program and project stock. For example, an ICT infrastructure development project is in the information management portfolio, but simultaneously a part of a certain

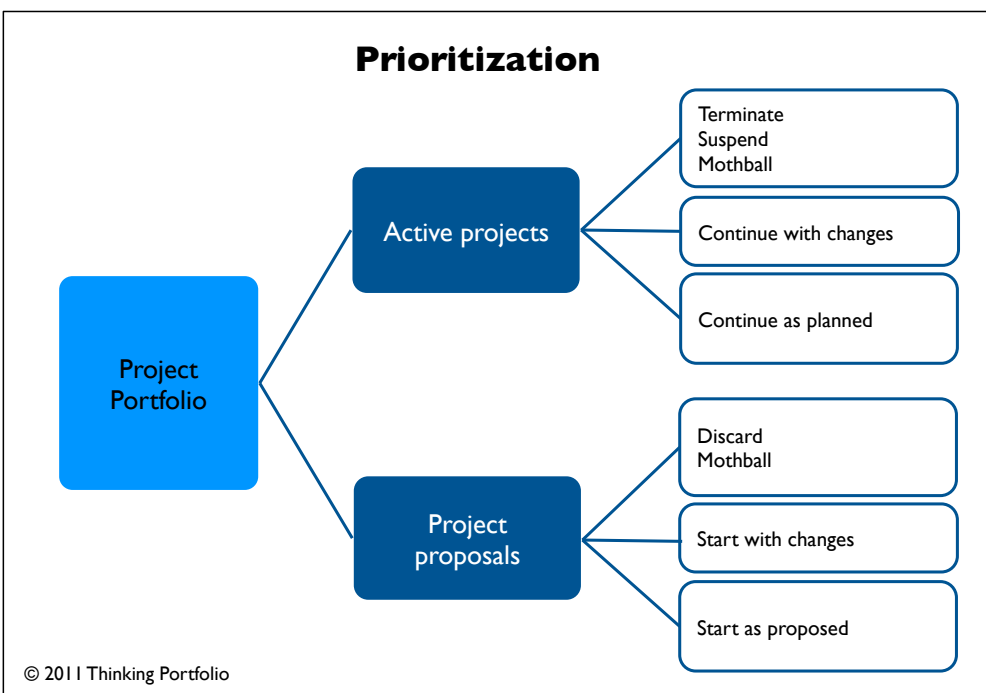


Figure 4

development program affecting the entire company.

## **6. Project portfolio deployment**

Project portfolio deployment is not just buying a management tool and learning how to use it. What is more important is to bring the entire organization to the desired maturity level. In a business group, for example, this could mean the management of all common group projects and their resources according to the portfolio model.

### **Deployment tasks**

The deployment of the project portfolio entails the following five main tasks:

1. Management commitment and targets: a clear justification for the project portfolio's deployment, targets, and commitment to them.
2. Planning of management model: the way in which portfolio management is linked to the organization's management processes such as strategic planning, budgeting, the management of resources, and decision-making.
3. Specification of project portfolio: portfolio inclusion criteria and other portfolio information.
4. Description of management process: participants, roles, tasks, and decisions.
5. Organization: required tools, phased deployment, necessary support and instructions.

Many companies have begun using the project portfolio in connection with ICT programs. In that case,

information management functions as a pioneering operational model and example to business operations. In any case, ICT upgrades are nowadays a part of almost all business development activities.

### **Integration with the organization's planning system**

In many organizations there is a planning cycle, a so-called annual planning clock. The project portfolio can be joined to this planning system at various instances.

When planning strategic implementations, the project portfolio is an essential tool because organizations often develop their operations through projects. In budgeting processes, the project portfolio provides information concerning ongoing and planned programs. The project portfolio also provides data on the use of key resources and strategic implementation.

## **7. Program process**

Development programs can originate from different starting points (Figure 5); certain projects are discretionary, while other can be considered mandatory, for example projects arising as a result of revised legislation. In any case, a documented business case should be required for any program whose addition to the project portfolio has been proposed.

### **Program proposal**

Although the writing of a business case is the task of the program's future owner, the parties eventually benefiting from the results of the program should participate in its formulation.

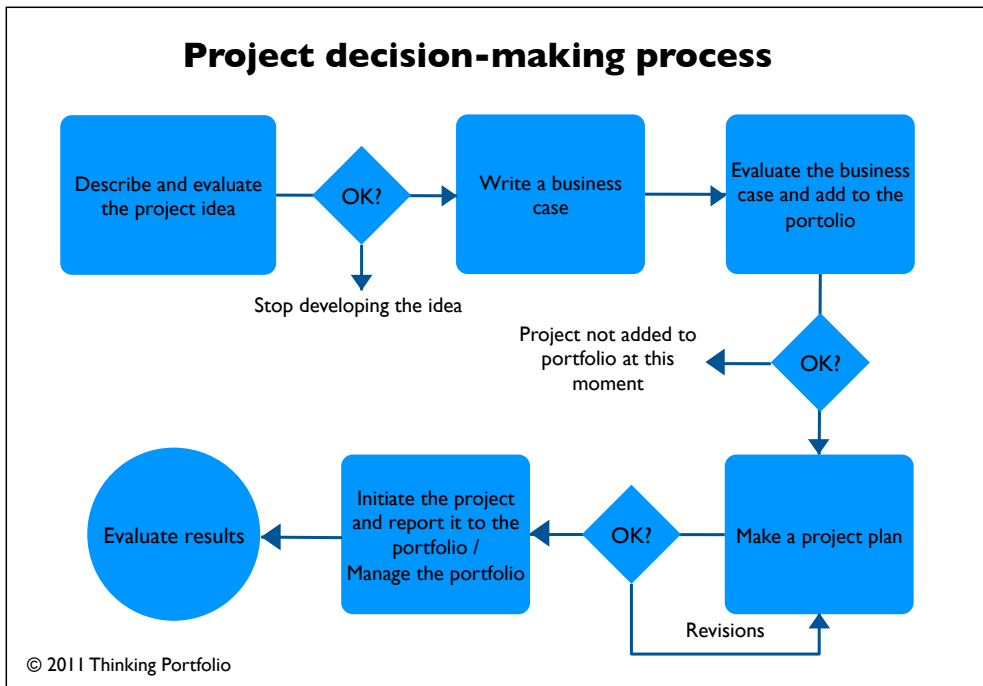


Figure 5

The writer of the business case presents it to the organization rendering the decision concerning the project portfolio, for example to a management team or the project portfolio's steering group. This must be evaluated according to the project's portfolio inclusion criteria, and a program decision must be made. If the program is extremely significant and comprehensive, its approval may require, for example, a decision by a company's or group's board of directors.

In practice, the program decision can also mean a permission to draw up plans for projects associated with the program. If ongoing, program-related, or independent projects are being processed, the decision-making group can make the start-up decision.

### Management of approved program or project

When the program or project has obtained a start-up permission, certain situational and predictive information must be reported in the

project portfolio. This data typically relates to budget and schedule realization, as well as the values of the selected quality indicators.

Reporting during the project period is naturally the task of the project manager or program manager. The reporting schedule matches the steering group's meeting times.

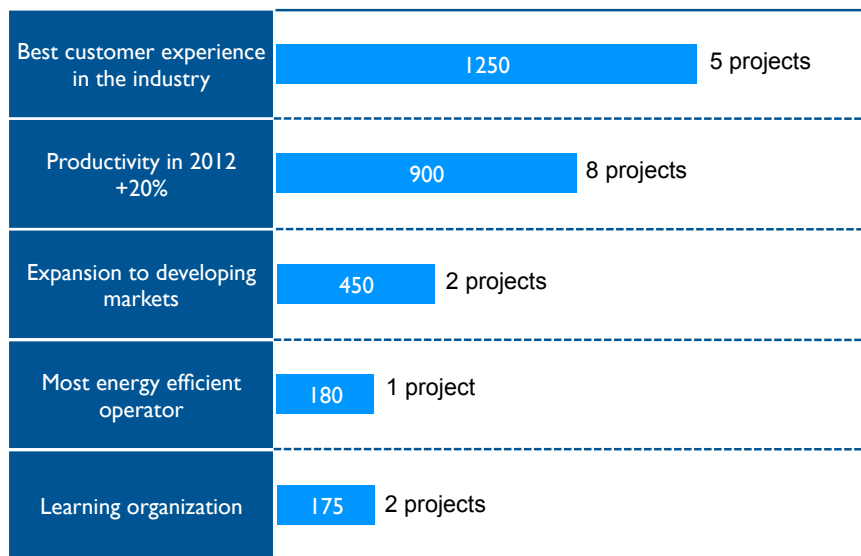
The executive group tracking the progress of the entire portfolio can intervene in the progress of a project if its implementation begins to deviate from the original plan. At times it may be necessary for the executive group to prioritize programs and suspend or terminate the program or project before the date originally scheduled.

### Completion

A completed program or project is not deleted from the project portfolio. It continues to be included, but with a different status. Within a certain specified time, its results must be evaluated and compared



### Project distribution by strategic goals



Project person-days and number of projects by main strategic goal

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Figure 6

with the targets stated in the project portfolio.

### 8. The project portfolio as a communications tool

At its best, the project portfolio promotes an open management culture. Within a specified scope, program proposals, projects' situations, and results can be open to the entire organization.

The reports generated from the project portfolio are not just lists of euro amounts or person-workday quantities. The project portfolio depicts an organization's strategy. It tells where we are headed and how we will get there (Figure 6).

Communications should be clear and understandable. Visual presentations provide a quick overall view of the portfolio from different viewpoints (Figures 7 and 8).

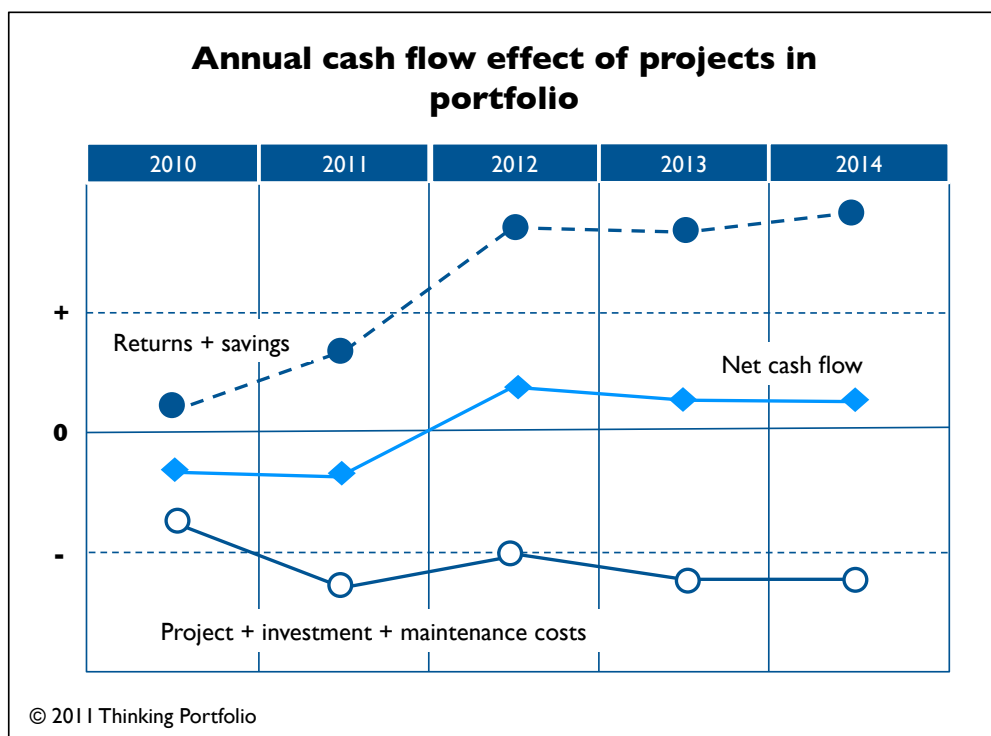
### 9. Tools for managing the project portfolio

The project portfolio's management is not solved with tools, but the project portfolio's information must in some way be communicated to management.

Many begin using the project portfolio by simply assembling it with a spreadsheet program. The table's row describes a single project and the columns its classification, evaluation, and basic information. The table is a flexible tool, but its simultaneous use by the user and organization requires special arrangements.

Many organizations have implemented a project portfolio according to their own specifications based on a modified database. In that case multiple users have the opportunity to edit, browse, and report on the project portfolio's

Figure 7



content simultaneously and concentratedly.

A few commercial project portfolio applications – most of them extensions of project management programs – exist. There are only a few independent project portfolio programs on the market.

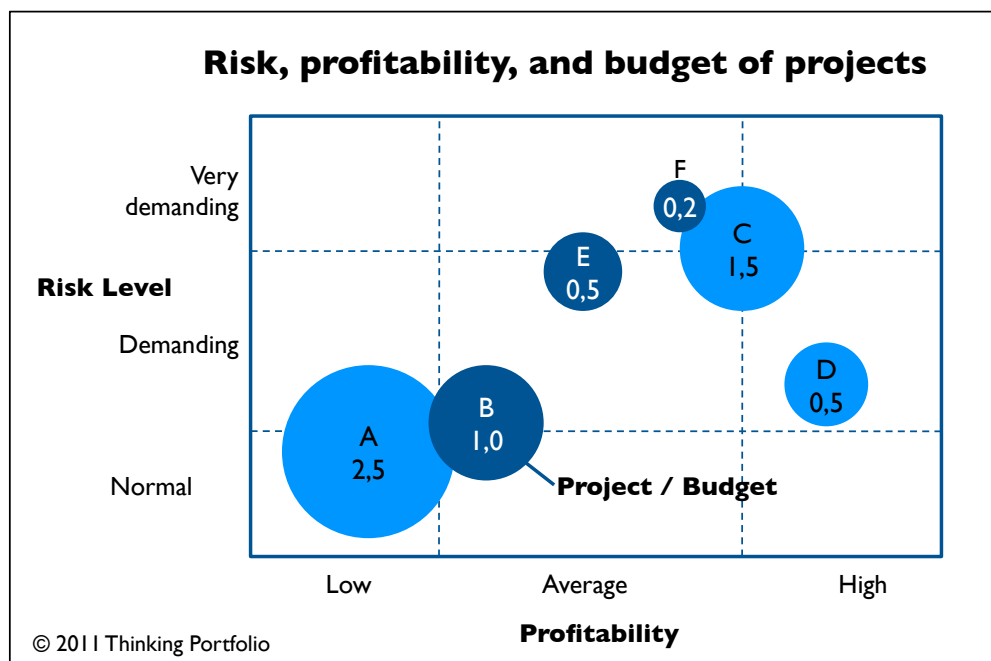
When selecting tools, it should be kept in mind that they are meant to

be used by management, and thus must be intuitive and easy to use.

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Figure 8



## About Thinking Portfolio®

Thinking Portfolio® is a practical and easy to use tool for strategic management. Our portfolio management model supports business-driven planning and decision-making.

By taking Thinking Portfolio into use you are able to get the following benefits

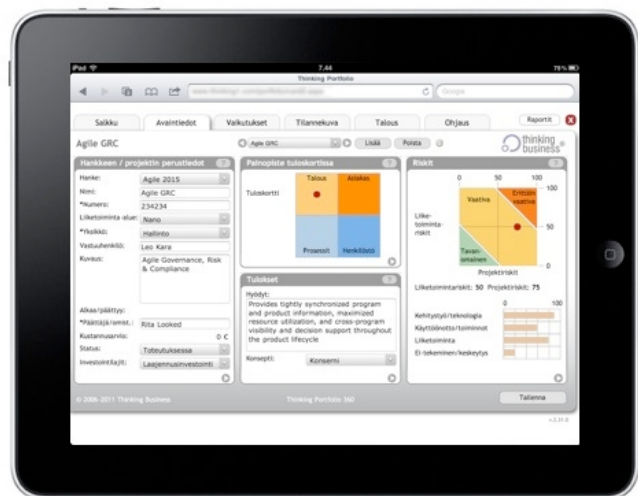
- Fast decision-making
- Agile change management
- Business-driven decisions
- Enhanced risk management

Thinking Portfolio's straightforward visual presentations and browser-based user interface speed up its adoption. The use of the system requires no special training or manuals.

Thinking Portfolio has been developed with the latest Web technology. The browser interface work with the latest versions of Internet Explorer, Firefox, Safari, and with iPad tablets.

The technical solution facilitates the implementation of various portfolio management applications.

Thinking Portfolio® is available as an online service (SaaS). The system is customizable to fit your organization's specific needs.



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