



Selling Portfolio Management A Case Study

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Overview

Portfolio Management should be a ‘no brainer’ to sell to an organisation. Unfortunately it is not that easy. This white paper will take you through a case study of how Portfolio Management was presented within one organisation. Portfolio Management was initially raised as an answer to a problem the organisation faced.

The Portfolio Problem

I have undertaken a number of assignments for a legal organisation over almost a decade. I have seen them grow in maturity from a smallish company to a mid size organisation with good business practices. They are still evolving and maturing but understand what they need to do to handle the administration of their company whilst allowing their legal partners to get on with raising revenue.

In a conversation with the Managing Partner and the General Manager they were talking about the work done on strategic planning and how it was difficult to get legal partners – who are basically lawyers, not business people – to understand the value of the work. There was lots of strategy work being done, but there seemed to be a disconnect between strategic planning and the multitude of projects in progress. I suggested portfolio management was a concept the Partners needed to understand.

Portfolio Management

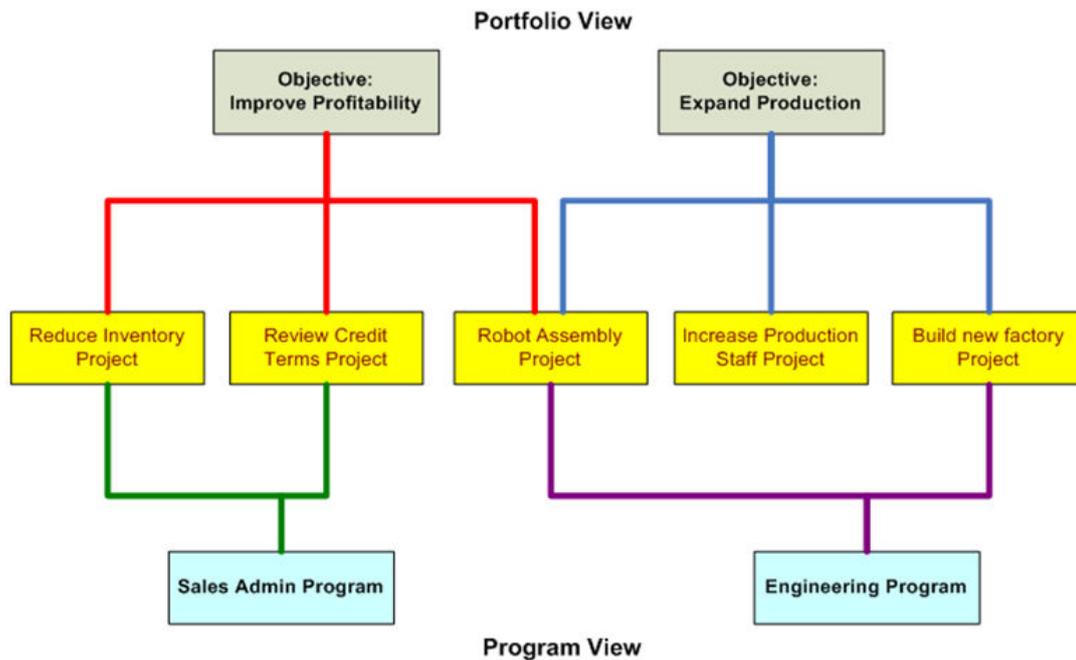
Think of three layers.

- The top layer is the strategic goals of the company
- The bottom layer is the various projects being undertaken
- The middle layer is the connections between strategy and project.

Program Management

This is different to Program Management. Program Management is more a bottom up View. If we are doing all these projects, which ones make sense to group together for management purposes? Which have interdependencies? Which ones complement each other or have potential overlaps?

Example Portfolio



Assume we have two objectives:

- Improve Profitability
- Expand Production

We have five projects which are illustrated in yellow above. The following projects contribute to the strategic objective of Improving Profitability:

- Reduce Inventory
- Review Credit Terms
- Robot Assembly

The following projects contribute the strategic objective of expanding production:

- Robot Assembly
- Increase Production Staff
- Build New Factory

In this simple example, one project “Robot Assembly” contributes to both strategic objectives. It will help us expand production and improve profitability. In a real situation, projects may contribute to a number of strategic objectives.

Program View

If all the projects were approved, it would be sensible to run some of them together as a program. For example a Sales Admin Program could include:

- Reduce Inventory
- Review Credit Terms

The reason they are run as a program is that there are links between the two. They potentially involve the same people and impact customers in a similar manner. Credit

terms may result in more frequent, but smaller a order, which has an impacts on inventory. It makes sense for a Program Manager to manage both projects so he or she can see the cross impacts.

Another program may be an Engineering Program. This would include:

- Robot Assembly
- Build New Factory

If we are building a new factory and installing robot assembly facilities, it makes sense to have them managed under one program umbrella.

You will notice one project – Increase Production Staff – is not part of a program. It may not fit with any other projects into a program. This is quite normal.

The Case Study

The challenge with the legal firm was twofold.

1. Firstly, it was to show the links between existing projects and strategy.
2. Secondly it was to provide a framework to evaluate potential projects against their contribution to projects.

To do this the first thing was to create a register of projects. As in most organisations, once you start this exercise you realise there are about three times more projects in the pipeline than you realised. Many have had some work undertaken and if you were to ask people, they would say they are in progress. Nothing may have happened for months but they are considered in progress.

We did some basic information gathering on the projects. We identified:

- Scope
- Scope Exclusions
- Resources Required
- Desired Outcome
- Major Risks
- Dependencies
- Etc.

The information ran to between one and two pages per project.

Strategic Evaluation

We then evaluated them for contribution to strategy. To do this we identified the five major strategies for the firm. For each of these we created a 1 to 10 scale. We then came up with a description of what might be an example of each rating. In fact we only did examples for about four or five numbers between 1 and 10. People will always saying it is bigger than the example 5 but it is not as big as the example 7. Let's call it a 6.

We trialled the model against a number of projects and, with a bit of discussion, were able to agree the contribution of projects. I should say that creating example was not an easy task. It was extremely difficult but in the end we did get a workable model.

The next task was to roll it out across the organisation. We had project proposers fill in the dimensions of their project (scope, outcome etc.) then worked with each proposer to rate them from a strategic viewpoint.

Portfolio Analysis

By looking at those projects we knew which projects were seriously in progress, and were able to map them back to strategy.

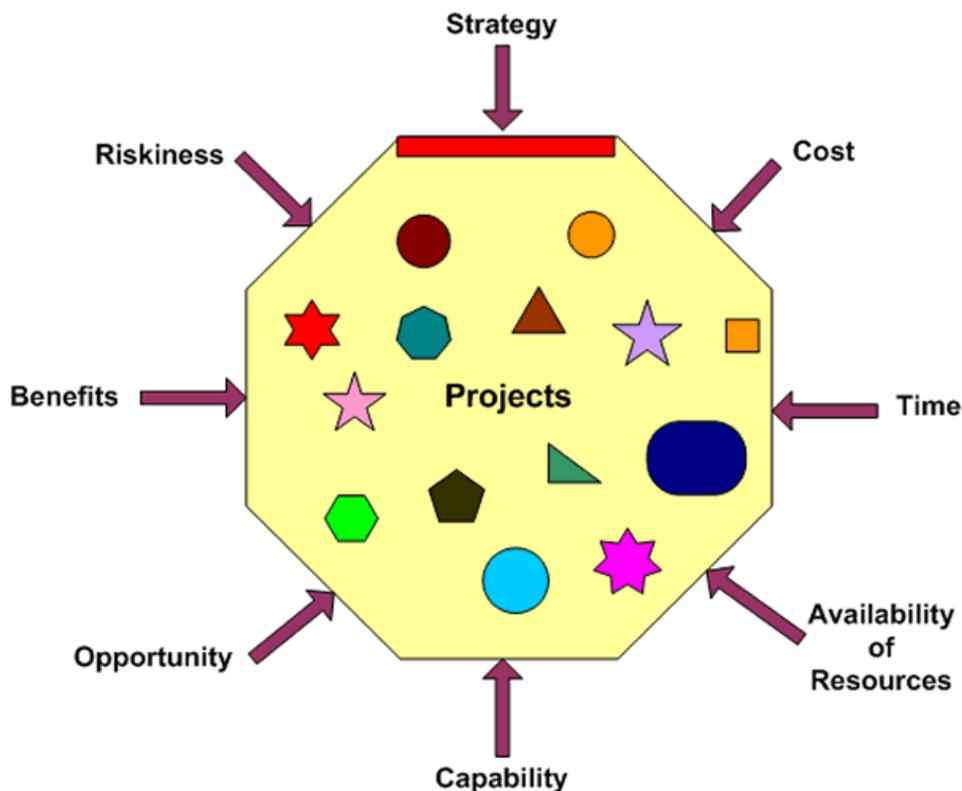
How many projects contributed to each strategy? We found some strategies had lots of work happening, and others next to nothing. Now we had a tool to say what projects should we look at to contribute to strategies that were receiving little attention? It was also a way to show partners in the firm how the strategies they had agreed were being implemented through projects.

New Project Evaluation

We did not just look at strategic fit when prioritising new projects. We also did a review of the following:

- Opportunity (if we don't do it now, can we still do it in 12 months?)
- Riskiness
- Benefit Visibility
- Cost
- Time
- Availability of Resources
- Capability

I explained it to the organisation this way



If you look at all the existing and potential projects it is like viewing them in a room but through different windows. One window may be cost. Another may be benefits. The front window, and the most important, is strategy. This is the one we focus on in Portfolio Management. In the example, I have use eight windows. You could probably add a few more but at some point you have to look at what are the key considerations when prioritising? You cannot look at every possible parameter and reach a conclusion.

Sure it is important to look through the other windows and not just strategy. They may drive the selection of some projects ahead of others. For example if we have two projects that rank 1 and 2, we may decide to rank them 1 and 10 because of resource availability. The same people will be required to work on both projects.

It would be nice to come up with a formula which would do the work for us but I believe that is best left to some academic thesis that will never happen in the real world. In the end, it is discussion, debate and negotiation to reach an informed consensus. The key word here is “informed”.

Current Situation

It would be nice to end this white paper on Portfolio Management with “...they all lived happily ever after...”. This is still a work in progress. In a few months I hope to be able to say it was a success but we are just starting to roll it out through the organisation. The response so far has been very positive. Hopefully we can still say that in a few months.

Conclusion

One aspect we have not mentioned is the division of responsibilities. The senior executive team, or in this case Partners, need to set strategy. They need to know how strategy translates into projects, but not how each project is undertaken at the micro level. A portfolio approach is a way that those responsible for projects can come back to the executive with a proposal as to which projects should proceed, and why they should proceed. To show how strategy is being implemented.

The Author

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About Project Perfect

Project Perfect is a project management software and consulting organisation based in Sydney Australia. Their focus is to provide organisations with the project infrastructure they need to successfully manage projects.

Project Perfect sell “Project Administrator” software, which is a tool to assist organisations better manage project risks, issues, budgets, scope, documentation planning and scheduling. They also created a technique for gathering requirements called “Method H”™, and sell software to support the technique. They also sell a complete web based methodology for [software package selection](#). For more information on Project tools or Project Management visit www.projectperfect.com.au