Patrician College of Arts and Science

Department of Accounting & Finance

PORTFOLIO MANAGEMENT

Subject Code CVG5A

V Semester

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Portfolio Management – An Overview?

What is Portfolio Management

- Co-ordinated collection of strategic processes and decisions that together enable the most effective balance or organizational change and Business as Usual

Key difference between Portfolio, Programme and Project

Portfolio	Programme	Project
An organisation’s total investment (or a segment thereof) in the Changes to meet the Strategic Objectives	A single vision of Change leading to specific outcomes aligned to one or more strategic objective/benefits	A focused delivery of a single output or multiple outputs contributing to a Programme vision or directly to a strategic benefit
Permanent (continually changing and aligned to the Strategic Planning process)	Temporary (can last for many years)	Temporary (relatively short-term in comparison)
Ongoing process of prioritising and aligning the Portfolio to meet Strategic Objectives	High Level Plans supported by detailed Plans	Project Level Plans with focus on detailed delivery using Stage Plans
Overall strategic perspective of the whole organisation	Wide scope that changes over time as requirements and solutions are clarified	Narrow defined scope with (ideally) no change
Office should sit in a Business Change Department, strategy or finance, reporting directly to Management Board	Office should sit in business area affected or in corporate services	Office should sit in business area affected

Key difference between Portfolio, Programme and Project office

- Portfolio Offices are primarily concerned with making the right Changes; Programme and Project Offices are primarily concerned with making the Change in the right way.
- Making the right Changes means those Changes that align best to the Strategic Objectives and at that particular time attract acceptable risk, complexity, cost and impact on Business as Usual.
- Programme and Project Offices are temporary structures set up to support a specific Change initiative.
- A Portfolio Office is not simply a bigger Programme and Project Office.

Why Portfolio Management

- In times of rapid change/recession it is shocking to see lot of organizations continue to waste efforts in delivering wrong Programmes and Projects

Adv. of Portfolio Management

- More of the right Programmes and Projects being under taken
- More effective implementation of Programmes and Projects
- More effective Resource Utilisation
- Greater benefits realization
- Improved transparency, accountability and Organisational Governance
- Improved engagement and communication between senior management

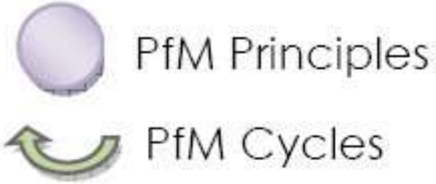
Portfolio Management Cycle

Note: It is necessary and critical to have necessary skills and experience for the person leading the Portfolio Management.

How Portfolio Management links to Strategy and Business as Usual

A pre-requisite for effective portfolio management is the existence of an Organisational Strategy that contains well defined and agreed Strategic Objectives with associated targets and measures.

Portfolio Management Model



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Portfolio Management Model

- Both Cycles must continuously rotate because planning and delivery are constant activities in PfM.
- Both Cycles contain the totality of all PfM Practices.
- All PfM Practices are continuously used (albeit at different times they may attract more emphasis).
- The Cycles can only rotate successfully when the collective energy of the people within the organisation is directed and managed in effectively.
- Organisational Energy represents the collective effort, motivation,

  teamwork, management and leadership that is critical in order to keep the PfM Cycles rotating.
- The rotation speed of the Cycles will vary for each organisation. Some organisations work in highly volatile markets and energy will transfer between the two Cycles regularly, which will cause a change in rotation speed. However, for organisations operating in less volatile environments (and with longer Strategic Planning Cycles) the energy transfer between the two Cycles is less and therefore the rotation speed does not change as much.

Portfolio Definition Cycle: PfM Practices

Practice 1: Understand

- Purpose: In order to create Strategic Objectives, Management Board will need to understand information relating to the existing Changes within the organisation.
- What is Involved: During the Strategic Planning process the Portfolio Office will be working closely with the Strategy Team.

Practice 2: Categorise

- Purpose: Categorisation helps to organise the Changes into groups of similar organisational needs based on the Strategic Objectives (or other grouping as required).
- What is Involved: Organisations will categorise Changes in different ways. Some might be based on direct Strategic Objective alignment
  – i.e. the category is the same theme as the objective – and some
  might be based on the type of technology – i.e. web services, disaster recovery and networks.

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Portfolio Definition Cycle: PfM Practices

Practice 3: Prioritise

- Purpose: Prioritising ranks the Changes within the Portfolio based on one or more agreed measures. It is critical that the strategic measures are tailored to your organisation, some of which can include strategic alignment, reputational risk, and contribution to the Organisational Blueprint, complexity, business benefits, attractiveness, achievability, costs and return on investment.
- What is Involved: In mature PfM environments prioritising can be a highly complex and mathematical process. Some organisations use software tools to enable robust and repeatable prioritisation processes, and some include prioritisation of the Strategic Objectives before prioritising the Changes in the Portfolio.

Practice 4: Balance

- Purpose: Balancing a Portfolio means juggling all Portfolio elements in order to find the ideal mix of Changes.
- What is Involved: Whilst some form of balancing occurs throughout the Portfolio Definition Cycle, it is only when the collection of proposed Changes are categorised, prioritised and viewed together e.g. bubble matrix, with other key organisational information available from various teams within the organisation.

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Portfolio Definition Cycle: PfM Practices

Practice 5: Plan

- Purpose: The Planning Practice focuses on collating information from the Portfolio Definition Cycle (along with other planning information where required) and creating a Portfolio Delivery Strategy.
- What is Involved: Creation of the Portfolio Delivery Strategy is a complex process. It is completely individual to your organisation and extremely challenging. It will undoubtedly vary in both format and name. Depending on your organisation, it could be a single document, a presentation or a collection of new and existing documents. Some organisations may call it a Strategic Delivery Plan, a Portfolio Plan or a Change Strategy.

Practice 6: Dependency Management

- Purpose: A critical part of any plan at any level of Business Change – be it Project, Programme or Portfolio – is dependencies. Within a simple Project these is relatively easy, but in a complex Programme and Portfolio environment it is particularly challenging to identify, track and manage dependencies effectively.
- What is Involved: The P3O is critical to the success of this because, as part of the planning process, the dependencies should be identified within each Project, Programme and Business Plan. It is also the responsibility of the P3O to work with the Programme and Project Managers to ensure that dependency information is accurately summarised at the Portfolio level within Management Dashboards.

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Portfolio Definition Cycle: PfM Practices

Practice 7:

- Purpose: An important factor to be taken into account during the PfM Definition Cycle (and also as part of Resource Management during the PfM Delivery Cycle) is the organisation's ability to deliver its commitments through a suitably skilled resource base.
- What is Involved: The key questions to ask are as follows:
  - Do we have the right people with the skills and capabilities to deliver the Portfolio? and
  - Are those people available in a timely manner to meet the commitments of the Portfolio?

Portfolio Delivery Cycle: PfM Practices

Practice 1: Management Control

- Purpose: A standard Business Change Lifecycle exists, ensuring that effective decision-making processes are implemented at all levels in the Portfolio and continue to add value as the Portfolio delivers Changes.
- What is Involved: The Business Change Lifecycle is used to control the delivery of all Changes in the organisation. This contains definitions of all processes that need to be followed to ensure that decisions are made at the correct times. This will include go/no-go gates, independent assessment points, Portfolio-level reviews,9 health checks and formal sign-offs.

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Portfolio Delivery Cycle: PfM Practices

Practice 2: Benefits Management

- Purpose: To clearly identify and manage the benefits being realised from the Changes, ensuring that they contribute to performance and Strategic Objectives as defined in the Business Case.
- What is Involved: A Benefits Management strategy has been agreed and clearly defines how the benefits will contribute to the realisation of the Strategic Objectives and how they will be managed. To make this a success, collaborative working with key stakeholders – particularly performance, Strategic Planning and representatives from the business – is critical, as this will ensure that benefits are aligned to performance11 and linked to the Strategic Objectives and the PSA Targets where required.

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Portfolio Delivery Cycle: PfM Practices

Practice 3: Financial Management

- Purpose: To ensure that the PfM processes and decisions are aligned to the Financial Planning Cycles and that financial considerations form a key element in all decisions regarding the commencement and ongoing viability of every Change.
- What is Involved: During the early days of PfM implementation, one of the key elements is to understand the relationship of existing processes, governance and decision-making bodies. A key governance structure that will undoubtedly already exist is a Board that makes decisions regarding financial investments in either Business as Usual and/or individual Changes.

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Portfolio Delivery Cycle: PfM Practices

Practice 4: Risk Management

- Purpose: Effective management of the Portfolio's exposure to risk is crucial to the successful delivery of the Changes and ultimately to achievement of the Strategic Objectives. Risk Management at the Portfolio level implements standards that are used by all Changes and which align to the Corporate Risk Management Policy. Risks across the Portfolio are continually reviewed and an effective escalation process ensures that the relevant risks are reported to Senior Management.
- What is Involved: A Risk Management strategy has been agreed at the Portfolio level and clearly defines the amount of risk that is to be accepted across the Portfolio, how the Risk Management process will work within the Portfolio and how it links to Organisational Risk Management

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Portfolio Delivery Cycle: PfM Practices

Practice 5: Stakeholder Engagement

- Purpose: The provision of a centralised and co-ordinated approach to Stakeholder Engagement and Communication ensures that the needs of the organisation’s customers (internal and external stakeholders) are identified and managed appropriately
- What is involved: A centrally managed and consistent approach to Stakeholder Engagement and Communications exists at all levels in the Portfolio. The Corporate Communication Team work closely with the Portfolio Office during the creation of the Stakeholder Engagement and Communication Plan.

Thank you

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