

PROJECT PORTFOLIO MANAGEMENT

REMAINING COMPETITIVE

BY LOWELL D. DYE, PMP

Around here, the test of IT is whether it helps build a better diaper," said Robert Dixon, VP of IT for Proctor and Gamble Co.'s baby, feminine, and family-care business in the February 24 issue of *Information Week*. In the same article, Kevin O'Marah, research fellow at AMR research, stated, "Companies live or die by their brands. If they can't get value out of all of their marketing and create new, profitable products, they'll lose their edge."

While the above remarks are focused on marketing and product-life management, today's competitive business environment finds managers and companies facing internal and external competition for scarce resources, narrowing windows of opportunity, and constantly changing demands of customers. In addition, projects are continually being added, changed, and removed in response to business activity and changing market conditions. As a result, the backlog of "needed" projects requires resources that exceed management's ability to provide, almost mandating that project priorities be constantly scrutinized and changed. In addition, the growing rate of diverse and unpredictable changes in technology, the demand to reduce lead time and time to market, the increasingly demanding market and the rise in international competition require consistent and effective project and product management.

Definition of processes

Project portfolio management is a "structured" process that helps managers select, prioritize, and manage all projects based on their relative importance and contribution to the organization's overall business and technical strategies. Portfolio management includes three major processes: Project Selection and Prioritization, Portfolio Management and Control, and Portfolio Evaluation.

- o **Project Selection and Prioritization** emphasizes well-defined criteria against which organizations make decisions about which projects to fund and determine each project's priority based on its overall contribution to corporate goals and objectives. In any project environment, there can only be one priority one project. Part of the overall process is to ensure an environment exists in which decision makers are willing to make the hard decisions. Not all projects proposed will add value.

- o **Portfolio Management and Control** is concerned with how the projects in the multiple projects will be to be consistently monitored and controlled to ensure that the projects within the portfolio are meeting stated goals and performance criteria. An element of Portfolio Management and Control is management responsibility to ensure that appropriate tools and processes are in place for collecting and disseminating accurate, timely, and measurable project performance data. Based on project performance data, management can determine a project's ability to meet goals and objectives and then make decisions regarding project continuation, modification, acceleration, or cancellation.

- o **Portfolio Evaluation** is the process of continually evaluating the overall portfolio composition and the effectiveness of the management process itself. Portfolio objective and investment reviews are often only conducted during the annual budget cycle, but in reality are most effective when conducted quarterly, but as a minimum should be conducted semi-annually. A well-defined portfolio evaluation process enables management the opportunity to assess the overall effectiveness of the portfolio management process and incorporate lessons learned at logical points.

No purchase necessary

Project portfolio management is not a software tool or set of tools; it is simply the integration of structured and flexible processes, measurable

and accurate project performance data, and criteria-based decisions consistently applied at the appropriate organization level. Research conducted by Robert Cooper, Scott Edgett, and Elko Kleinschmidt, detailed in numerous articles and in their book, *Portfolio Management for New Products*, revealed that companies that most successfully managed their portfolio management processes not only had clearly established portfolio management criteria, but had consistent application throughout the entire organization.



Perhaps the value and importance of project portfolio management is best stated by David Cleland, an internationally recognized expert in project management, when he said, "An enterprise that is successful, has a stream of projects flowing through it at all times... Senior managers must create a culture that encourages people to bring forth innovative products and process ideas and an environment that ensures rigorous assessment to determine their likely strategic fit in the enterprise's future."

How are you positioned to get the most out of your IT projects? When was the last time you really looked at how you select, prioritize, manage, and evaluate the projects that are consuming your time, resources, and investment funds? Are leading the competition or trying to catch up? It's time to start asking and assessing.

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