

# Strategic Project Portfolio Management

Oscar de Lucio, MBA, PMP  
UMT Consulting Group



Session ADV08

# Arriving to Portfolio Management

*“Portfolio Management is an approach to achieving strategic goals by selecting, prioritizing, assessing and managing... work based upon their alignment and contribution to the organization’s strategies and objectives”*

Standard for Portfolio Management - PMI 2006

PM integration  
in Enterprise  
Portfolio  
Management

Widespread PM  
culture  
Lean Operations  
CMM (SEI)

Widespread PM  
culture  
Lean Operations  
CMM (SEI)

PMBOK  
PM process  
TQM SixSigma

PMBOK  
PM process  
TQM SixSigma

PMBOK  
PM process  
TQM SixSigma

PDCA MBO  
PERT CPM  
WBS

PDCA MBO  
PERT CPM  
WBS

PDCA MBO  
PERT CPM  
WBS

PDCA MBO  
PERT CPM  
WBS

Gantt Chart

Gantt Chart

Gantt Chart

Gantt Chart

Gantt Chart

1910s

1950s-60s

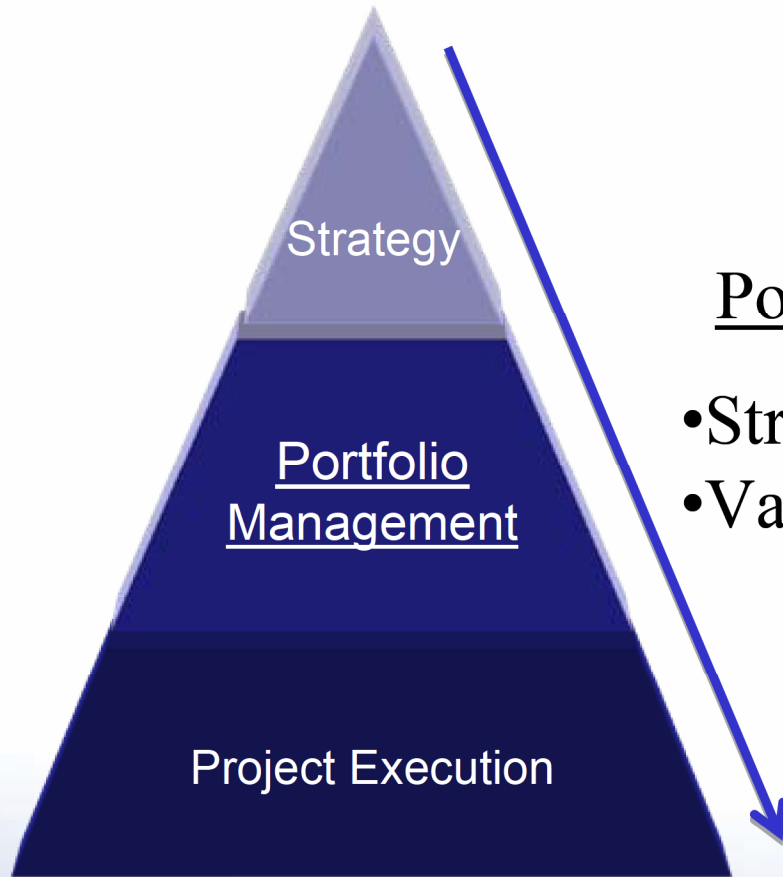
1980s

1990s

2000s

Time

# Portfolio links strategy & execution



## Portfolio Success:

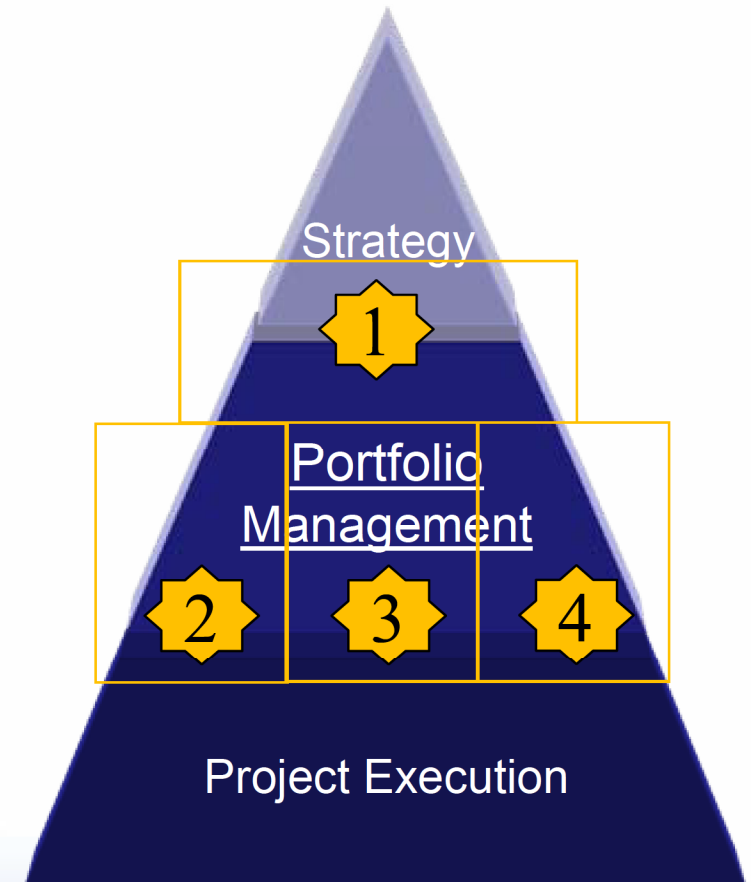
- Strategic Alignment
- Value Maximization

- Prioritization
- Selection
- Transparency
- Control
- Risk management
- Resource allocation
- Governance
- Decision making
- Balance

...

# Building blocks of Portfolio Management

- 1 Define an actionable strategy
- 2 Generate the right work
- 3 Select the optimal work
- 4 Monitor Portfolio against objectives

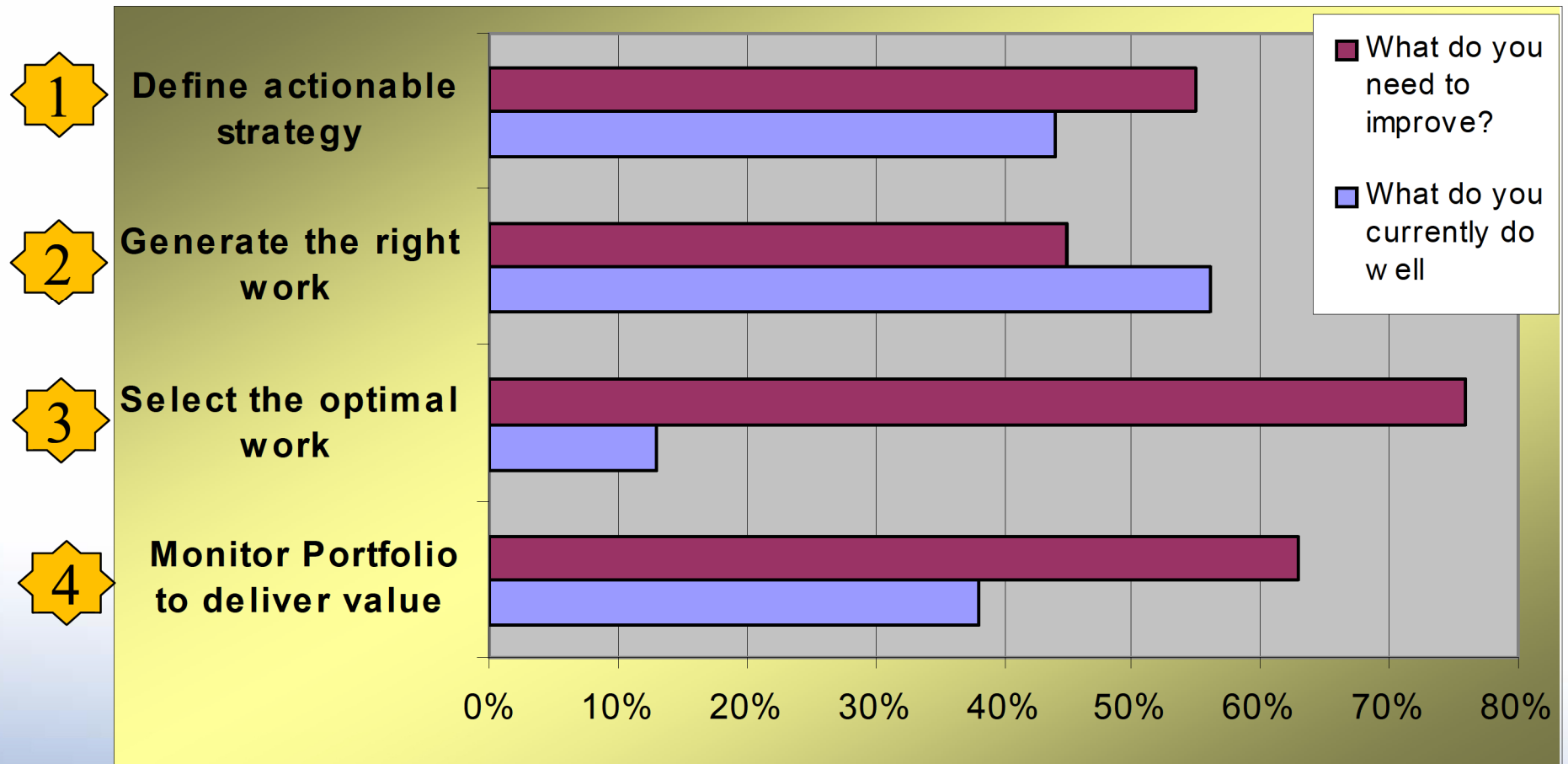


# Poll – What do you do well?

- 1** Define an actionable strategy: We have clear objectives that we focus on.
- 2** Generate the right work: We create project ideas and build business cases consistently and well.
- 3** Select the optimal work: We prioritize and select work based on priorities and within constraints well.
- 4** Monitor Portfolio against objectives: We track, report and monitor the work well.

# Poll results

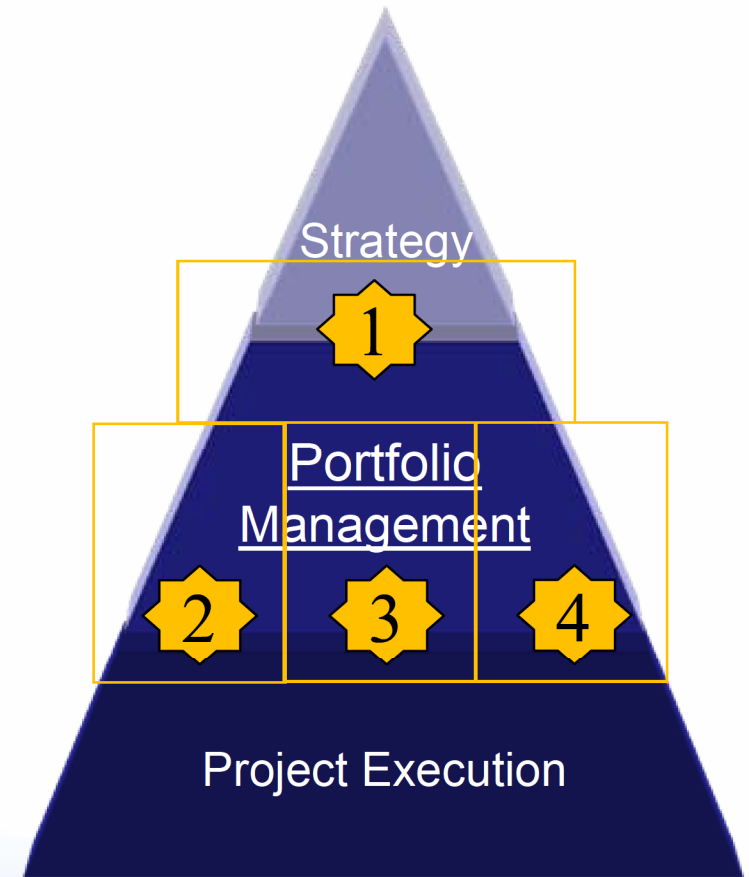
What needs to be improved across organizations (■), and  
What is currently done well (■)



UMT Consulting Group poll responses from 75 participants in webcast November 8<sup>th</sup> 2006

# Building blocks of Portfolio Management

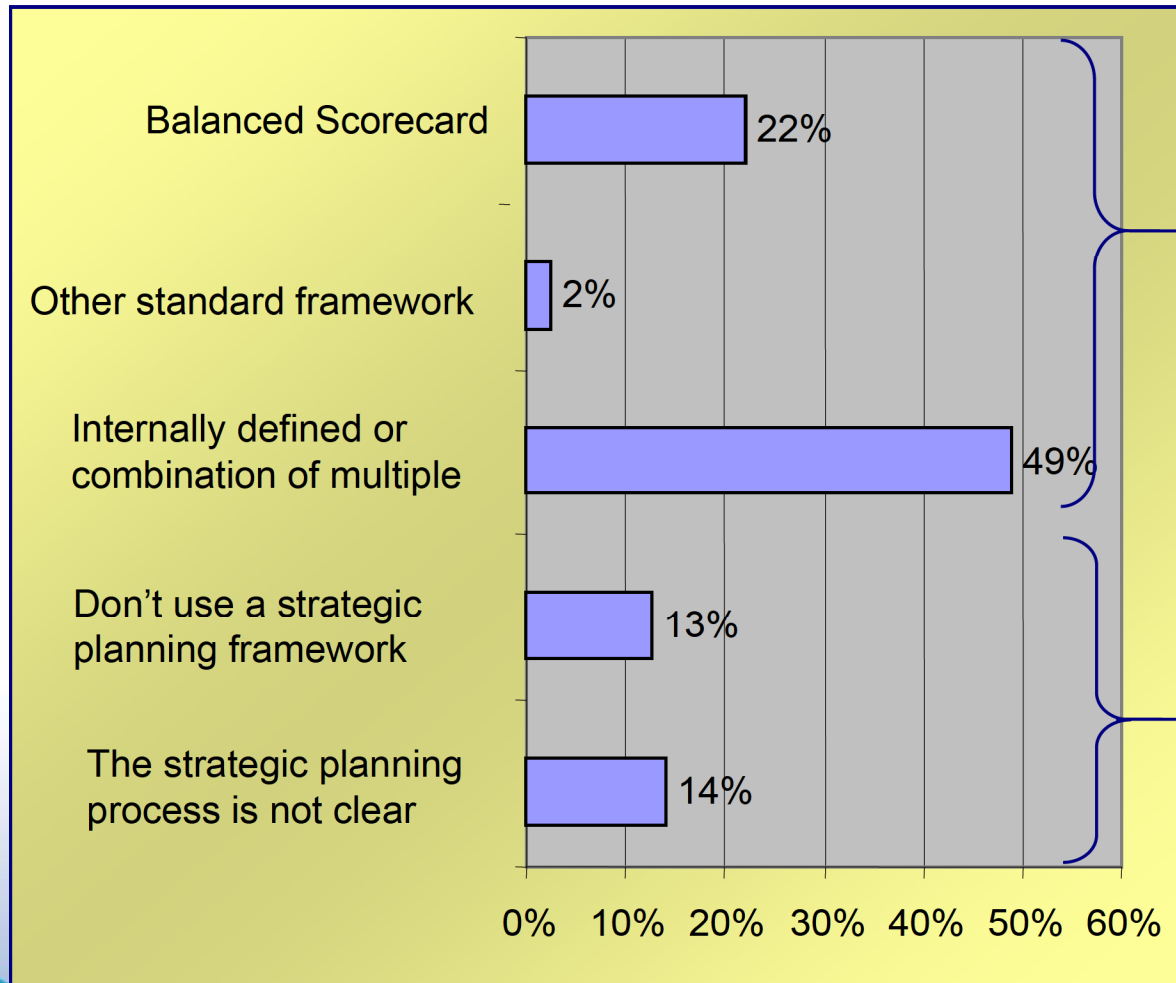
- 1 Define an actionable strategy
- 2 Generate the right work
- 3 Select the optimal work
- 4 Monitor Portfolio against objectives



# 1

# Define an actionable strategy

- Which framework do organizations mainly use to do Strategic Planning?



Strategic plans need to be "Portfolio actionable"

Portfolio Management starts with defining an actionable strategy

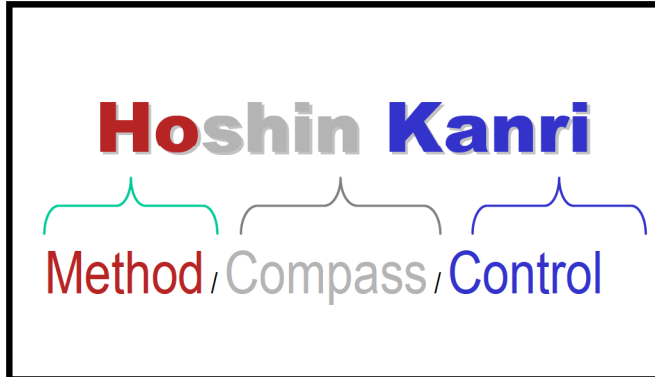
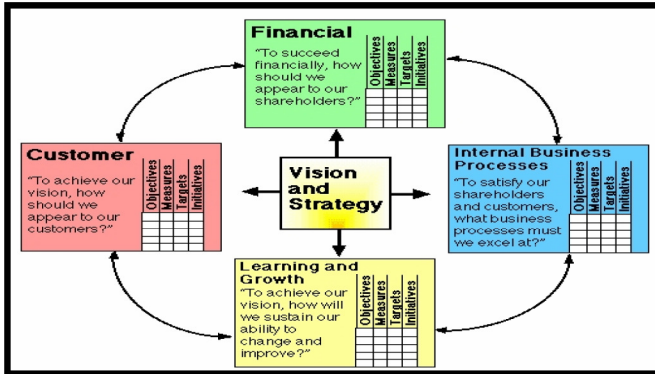
Need a way to focus on strategic objectives

UMT Consulting Group poll responses from 150 participants in webcast August 22<sup>nd</sup> 2006



# Learning from strategy planning

1



Learnings from strategy planning to apply in Portfolio Management:

- Financial perspective is not enough, need strategic view
- “What gets measured gets done “

1

# Example strategic Business Drivers



Strategic Drivers:

- Cover the strategy
- Measurable
- Actionable
- Clear
- Simple
- 5 to 12 statements

Example Business Drivers Banking Organization	
Acquire and Retain Client Relationships	
Deepen Relationships with Existing Clients	
Increase Market Brand Awareness	KPIs / Metrics
Increase Client Satisfaction	- Attrition rate
Develop Innovative Value Proposition	- No. new clients
Improve Investment Performance	- Share of wallet
	- No. products per client
Exceed Regulatory, Audit and Compliance Requirements	
Reduce Credit Risk	
Improve Processes and Infrastructure	



# The difficulty of trade offs

Michael Porter – article “What is strategy?”:

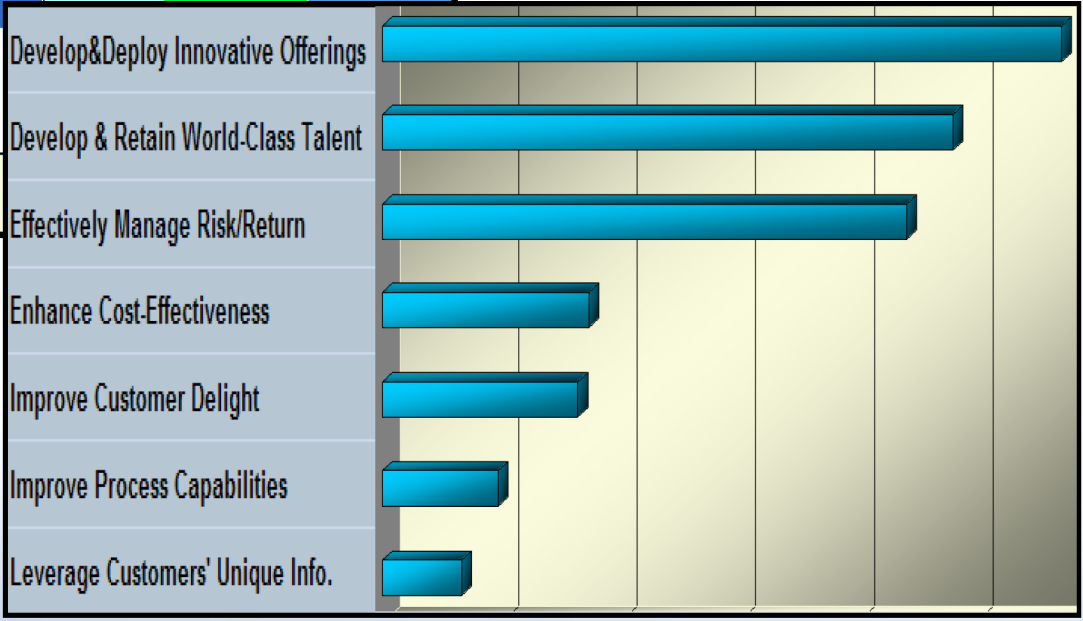
- *“Managers have become confused about the necessity of making choices... Taught by popular management thinkers that they do not have to make trade offs, managers have acquired a macho sense that to do so is a sign of weakness.”*
- *“Organizational realities work against strategy. Trade offs are frightening and making no choice is sometimes preferred to taking blame for a bad choice... The failure to choose sometimes comes down to the reluctance to disappoint valued managers or employees.”*

# 1 Make trade offs & priorities explicit

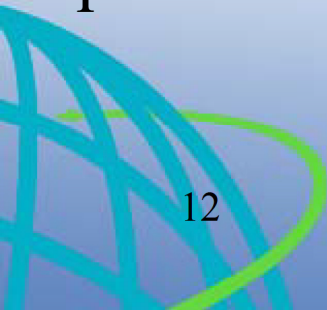
Pairwise comparison	Develop&Deploy Innovative Offerings	Develop & Retain World-Class Talent	Effectively Manage Risk/Return	Enhance Cost-Effectiveness	Improve Customer Delight	Improve Process Capabilities	Leverage Customers' Unique Info.
Develop&Deploy Innovative Offerings		Str Less Imp	Mod Less Imp	Str Less Imp	Mod Less Imp	Mod Less Imp	Mod Less Imp
Develop & Retain World-Class Talent			Extr More Imp	Equal	Mod More Imp	Str More Imp	Equal
Effectively Manage Risk/Return				Mod More Imp	Mod Less Imp	Mod More Imp	Extr Less Imp
Enhance Cost-Effectiveness					Mod Less Imp	Equal	Str Less Imp
Improve Customer Delight						Equal	Mod Less Imp
Improve Process Capabilities							Str Less Imp
Leverage Customers' Unique Info.							

Effectively Manage Risk is More Important than Enhance Effectiveness

The Pairwise comparison is a prime example of this consensus-building discussion

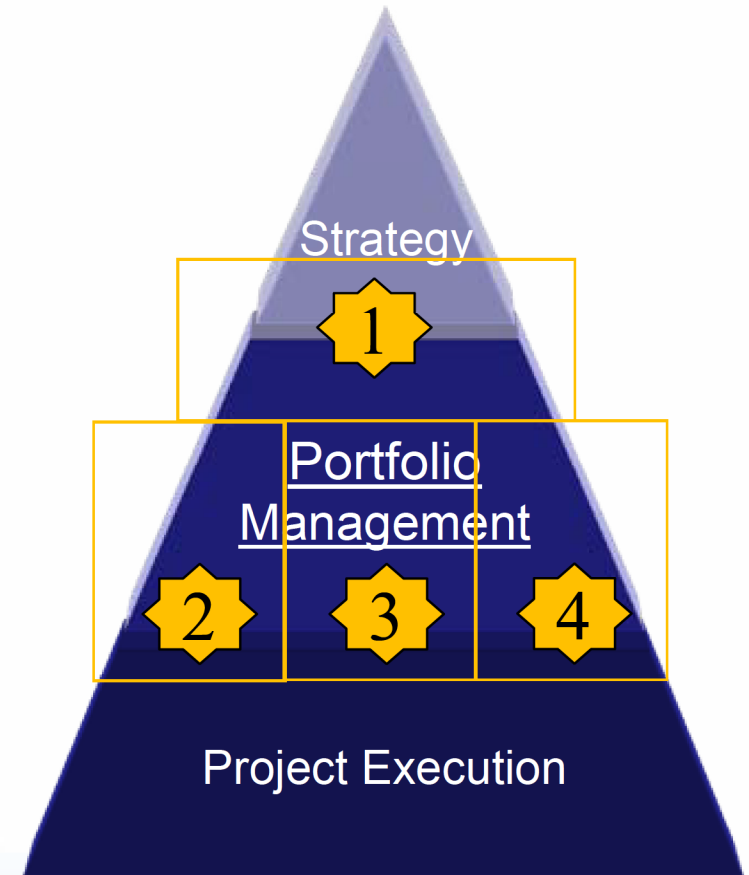


- Discuss priorities at a strategic level
- Priorities are re-balanced periodically



# Building blocks of Portfolio Management

- 1 Define an actionable strategy
- 2 Generate the right work
- 3 Select the optimal work
- 4 Monitor Portfolio against objectives

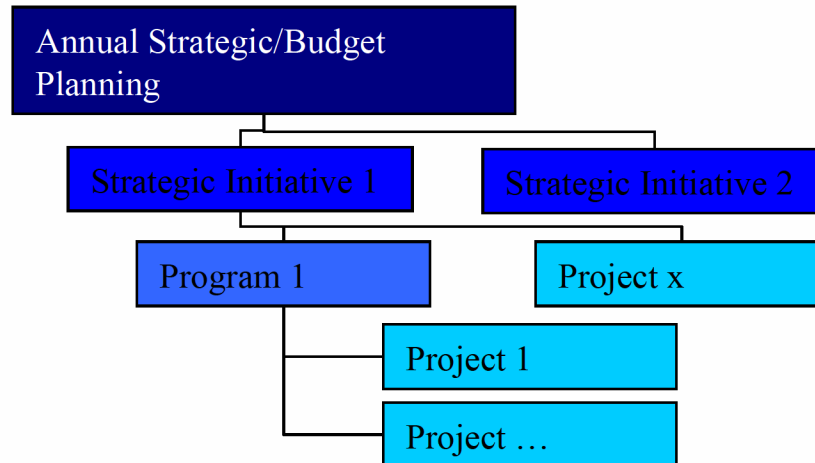


# Generate the right work

Top Down:  
Work created directly from the objectives

*Proposed Portfolio*

Bottom Up:  
Work generated to address new opportunity/needs



Create a Roadmap and Baseline the Portfolio

Link Top Down and Bottom Up

Follow a Portfolio “Change Process” to add/change work

