



# Bird's Eye View

In this roundtable, four practitioners discuss how portfolio management fuels business results.

BY MATT ALDERTON

Organizations looking to improve their overall performance are working to mature their portfolio management practices—and the investments are paying off. According to PMI's 2015 [\*Pulse of the Profession®: Capturing the Value of Project Management\*](#) report, 35 percent of high-performing organizations have high portfolio management maturity, compared to just 8 percent of low-performing organizations. Likewise, 76 percent of projects executed with a high level of portfolio management maturity are successful, compared to 56 percent of projects executed without.

But how exactly does portfolio management deliver business results? How do portfolio managers ensure strategic alignment of projects and programs, and balance the need for innovation with the organization's risk appetite? And how are portfolio





management practices evolving? To understand the discipline's value, as well as its current challenges and future prospects, *PM Network* turned to four portfolio managers on four different continents. Diondria Clarke-Holliman, PMP, PfMP, is project portfolio manager at medical device company Medtronic in Memphis, Tennessee, USA; Peter Chalouhy, PMP, PgMP, is portfolio manager at IBM in Dubai, United Arab Emirates; Chris Lawler, PfMP, is manager of the project portfolio office at not-for-profit hospital and healthcare provider Mater Health Services in Brisbane, Queensland, Australia; and Asit Mishra, PfMP, is portfolio director at the IT consulting and business process services outsourcing firm CGI in Bengaluru, India.

**The definition of “portfolio management” can vary among professionals and organizations. What does it mean to you?**

**Ms. Clarke-Holliman:** Most people define it as doing the right projects, and I totally agree with that. But it's not just doing the right projects,

it's also doing projects right. As my organization begins to make the portfolio-thinking paradigm shift, we are looking at it very similar to the financial investment sector. In general, people look to invest where it meets their defined goals, maximizes value and diversifies risks for optimal balance. Portfolio management is simply a way of implementing our organization's strategic goals within our risk tolerances and constraints.

# 35%

of high-performing organizations have high portfolio management maturity, compared to just **8 percent** of low-performing organizations.

Source: PMI's 2015 Pulse of the Profession®: Capturing the Value of Project Management

**Mr. Chalouhy:** Portfolio management is the link between business strategy and business tactics. It's the connection between the business on the top and the execution of a project or program on the ground.

**Mr. Mishra:** Portfolio management is identifying, prioritizing, authorizing, managing and controlling projects, programs and initiatives to achieve specific business objectives.

**So that's what it is. What is its value?**

**Mr. Chalouhy:** In every organization, someone somewhere is making a decision to spend money or not to spend money, to do business or not to do business. In a small organization, this person probably is the business owner. In a big organization with more complexity, you need an office conducting research and analysis. That's the value of portfolio management: It helps you make decisions that enable the business to survive and thrive.

**Ms. Lawler:** When I joined my organization, it had over 1,000 projects underway of all shapes and sizes. With increased visibility via the PMO, the executive gradually constrained the volume of large projects. Another problem was that there was no consistent language and no consistency with project documentation. So, I created a set of templates that established a common language, and that's made a huge difference. We're no longer wasting time developing all these different documents, people are being held accountable for delivering their stuff and our executives now have high visibility that helps them quickly remove barriers causing issues. That's been one of the early benefits of portfolio management for us.

**What does portfolio management look like in your organization? How is it set up in terms of infrastructure?**

**Mr. Mishra:** The heart of our portfolio management infrastructure is an online dashboard that collects data from multiple internal systems and through automated reports provides a single view on project, program and initiative progress to all stakeholders. We also have a portfolio management office with a centralized team that extends all the administrative support necessary to project managers, such as providing reports and verifying data. That is very vital to the portfolio management practices of any organization.

**Ms. Lawler:** I don't have staff. It's just me working with the senior executives directly on portfolio management from the end of strategy to the realization of benefits. That's one of the things that's kept portfolio management around in our organization—it's not a huge overhead.

I've encountered a lot of people who say they've got 20 people in their portfolio management office, and I've worried they will be perceived as high cost and low value. They rarely see the problem themselves. You must stay lean because the cost of your function either contributes to or detracts from the return on investment of projects.

**"Portfolio management is simply a way of implementing our organization's strategic goals within our risk tolerances and constraints."**

—Diondria Clarke-Holliman,  
PMP, PfMP, Medtronic, Memphis,  
Tennessee, USA



**How do you see your role driving strategic alignment?**

**Ms. Clarke-Holliman:** Portfolio management supports strategic alignment by ensuring the projects and programs selected in the organization's portfolio are the ones that *most* contribute to the organization's strategic objectives.

Since we are a highly regulated industry and risk-averse by nature, some areas in our organization view their projects as being exempt from the formal portfolio management vetting process; they "have to" be done, so they fail to submit a timely business case for doing them. However, these projects still consume limited resources and must be screened just like any other project. In fact, in many cases people mark projects as "mandatory" just to make sure they get done, but when you vet them you find out they're really not. For that reason, portfolio management is critical. Everything must funnel through it to make sure it's truly aligned with the organization's strategic objectives.

**Ms. Lawler:** We often use strategic alignment as one of the big arguments for portfolio management, but I think truthfully one of its greatest strengths is that it can support and monitor fast-moving activity from idea conception to benefits realization and post-implementation review. And then portfolio management can bring learning back to improving processes and informing strategy going forward. A lot of practitioners focus only on project delivery. Good portfolio management, however, focuses on the entire project life cycle.

**Mr. Mishra:** At my organization, we involve all levels of management in the strategic alignment process. We use the balanced scorecard and a growth-share matrix to prioritize our business objectives to support strategic alignment. We've already seen the benefits through improved client satisfaction.



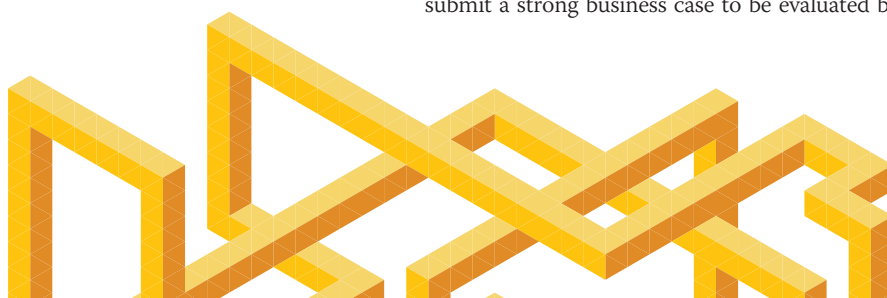
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—Peter Chalouhy, PMP, PgMP, IBM, Dubai, United Arab Emirates

**Can portfolio management also make organizations more innovative?**

**Ms. Clarke-Holliman:** We cannot simply encourage team members to hatch new good ideas rapidly. We need to take these ideas through implementation so they bring tangible business value. This is where portfolio management adds value—by providing the means to see these practices through. From the top down, I leverage what the executive board has decided will be the funds to set aside for innovation.

For us, it's more than 25 percent toward procedural innovation. This leads to the development of a portfolio where funds are reserved. From the bottom up, the innovation criteria is selected and weighted accordingly. I have requests for new projects all the time and I encourage my business stakeholders to submit a strong business case to be evaluated based



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—Chris Lawler, PfMP, Mater Health Services, Brisbane, Queensland, Australia



within this screening model. So for us, portfolio management maximizes innovation ROI.

**How does portfolio management help organizations manage risk?**

**Ms. Lawler:** Risk management at the portfolio level is something that our organization hasn't quite tackled, although it's absolutely a journey we want to take. It's kind of weird that we're better at thinking about our retirement pension and how we want that mixed than we are about our organizational investment.

For instance, you don't want a high ratio of your projects unable to deliver value for at least five years. You want to make sure that you've got a staggered value coming back by managing that flow of return. You've got to make sure you don't have too many long-term IT projects because that's such a vulnerable, disruptive industry. You want to avoid having too many complex projects at once—especially if they sit under the same executive. Reducing risk by balancing organizational capacity and demand is really challenging in the nonprofit and social service sectors, and it's something we're working on.

**Ms. Clarke-Holliman:** Risk cuts across all activities and must be integrated with every aspect of portfolio management. The organization's risk appetite is a critical input and needs to be considered a selection criterion for all categories. By having the enterprise PMO constantly evaluating through reporting tools and reviews, you can ensure the portfolio composition doesn't exceed the organization's risk tolerance at any point in time. The huge difficulty is canceling overly risky projects within a timely manner.

**Mr. Chalouhy:** Just like a project manager, the portfolio manager looks at risks—but in a different way. The portfolio manager will not look at the usual, normal risks that a project manager or program manager looks at. Instead, a portfolio manager looks at higher-level risks—risks that will affect the strategy of the organization, whether that strategy has to do with finance, product, marketing, governance, etc.

**Portfolio management clearly helps organizations manage priorities. Can it also help them manage people?**

**Ms. Clarke-Holliman:** At Medtronic, human resources' strategic goals are aligned to portfolio management, which provides direction on which skill sets are needed to achieve its goals. They're tightly integrated to maximize value to achieve the organization's vision.

**Ms. Lawler:** Portfolio management helps with talent management by looking at the entire job family—all the roles across an entire project—and identifying career path and development opportunities. I'm probably in a better position than anyone to look at that organizationally and work towards having consistency and opportunity across the entire organization.

**Any tips for implementing portfolio management?**

**Mr. Mishra:** Engage with senior executives to talk about the benefits of implementing portfolio management practices within the organization, and then—with senior management buy-in—implement it using your organization's change management



processes. Also, note that communication is one of the key aspects of portfolio management. Because the goal of portfolio management is creating value for stakeholders, you must engage them using the right communication mode. That's essential.

**Ms. Clarke-Holliman:** I would stress the importance of having a portfolio management ambassador or sponsor at the executive board level to champion its value and manage its implementation.

**Mr. Chalouhy:** *The Standard for Portfolio Management* is there, and they will only get better. But you've got to be able to customize them for your organization. If you're in software development, for example, you probably won't spend the same amount of money on risk management as someone who's in construction, but you might spend more on scope management. If you're going to implement portfolio management, you must have the skills to customize the standards to match your budget and the industry you're working in.

**Are you seeing more organizations and professionals—inside and outside your industry—recognize the benefits of portfolio management?**

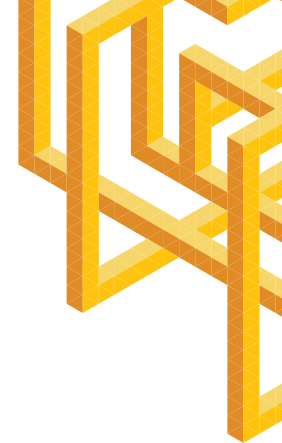
**Mr. Mishra:** I'm seeing a lot of enthusiasm to adopt portfolio management practices amongst organizations. The list of practitioners is growing every day. I'm getting a lot of questions through professional networking sites like LinkedIn about portfolio management. However, there are a lot of misconceptions about portfolio management that need to be clarified immediately: Portfolio management is not a superset of program management or project management—it's a structured way to create value for all stakeholders.

**Mr. Chalouhy:** Unfortunately, I don't think it's being adopted as quickly as it should be. It takes time to change people's mindset. I'm a regional portfolio manager, and when I hire a project manager I always ask in job interviews, "What's the difference between a portfolio, program and a project?" It's shocking how many people don't know. So, we've still got a lot of work to do.



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—Diondria Clarke-Holliman, PMP, PfMP



That said, with more focus everywhere on cost, organizations and managing directors have started to think more about how they can optimize resources. Every penny you spend needs to be something you can get ROI from. With this, you're starting to see more people look for missing functions in the organization. Eventually, these organizations will realize they need a portfolio management office to govern their projects.

**Ms. Lawler:** Because they're run with a very low margin, nonprofits are extremely cautious about where they put their money. There are a lot of organizations that are still a bit afraid that portfolio management is just overhead; they don't completely appreciate that by spending a little bit of money you save a lot of it. I am

seeing it more in other industries, though. Certainly in the finance sector, for instance. I'm also seeing it used now at utility companies and, increasingly, in a number of government departments.

**What's your vision for the future? What's next for portfolio management?**

**Ms. Clarke-Holliman:** First, I think benefits realization management will take on greater importance. Unfortunately, no one wants to be accountable for canceling projects. That's a huge struggle due to the emotional ties team members have to complete all started work. Even on large programs, I have been at odds with leadership to cancel work when the ultimate pushback is to keep employee morale positive.

Second, I think innovation-focused portfolios will increase significantly, as executive boards are realizing they must formally allocate resources in order to differentiate themselves. At Medtronic, gaining market share is a key focus. Medtronic is a huge company, but very small competitors tend to lead in this space. We can no longer be happy with a "me too" mentality when it comes to providing unique products and services.

**Ms. Lawler:** I think we'll see more and more executives starting to see where portfolio management sits and realize the linkage with key strategic functions in the organization. For instance, we're talking about bringing together environmental sustainability, risk compliance, strategic planning and myself because these roles should be supporting and leveraging each other. At the moment there's still a lot of silos across functional areas, but across the industry I'm hearing the terms strategic initiative management and strategic execution a lot. That's probably a conversation that will keep growing.

**Mr. Mishra:** In my view, organizations exist to create value for their stakeholders, and portfolio management practices support that value creation process. Because more and more organizations are tasting the success of portfolio management practices, I think the days are not far off when we'll start seeing more chief portfolio officers. **PM**

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—Asit Mishra, PfMP, CGI,  
Bengaluru, India





## Q&A

### The Must-Haves

We asked practitioners: **Which skill is most important for portfolio managers, and why?**

**“** The ability to create and maintain the requisite governance structures and decision-making frameworks. Without this skill, the wrong people could end up making the wrong enterprise portfolio investment decisions.”

—Bernie Hill, PhD, PMP, PfMP, enterprise portfolio strategist, Virginia Community College System, Richmond, Virginia, USA

**“** The skill most important to portfolio managers is the ability to select the right portfolio. This requires a balance between understanding the organizational strategic objectives and translating these into a portfolio that is well planned, capacitated, communicated and executed to realize maximum ROI for the organization. IT is often seen as an overhead cost for most organizations, so the ability to select the right value-adding portfolio will demonstrate the value of IT to the business. It will also position IT as a strategy enabler and not a back-office technology function.”

—Leabetswe Bomvana, head of shared portfolio management services, Liberty Group, Johannesburg, South Africa

**“** The most important skill is flexibility. It may take a long time for many companies, including my own, to implement the full scope of the PMI standard for portfolio management. Implementing tools and processes and educating the workforce on usage, significance and value is a multiyear effort. You may need to find workarounds and accept temporary solutions along the way. It's a long-term effort, so be ready to continuously adjust direction to keep moving forward.”

—Henning Kruse, PMP, PfMP, assistant vice president, Credit Suisse, Zurich, Switzerland

**“** The ability to effectively manage the pipeline (or demand) is the most important skill for portfolio managers. It ensures you do the right things rather than just doing things right. As part of demand management, the core skill lies in defining the right criteria for project evaluation and authorization—including financials and budgets—to empower executives to authorize the right projects from the portfolio mix. Portfolio managers also need to have strong interpersonal skills to be able to negotiate and convince multiple stakeholders when key decisions need to be made.”

—Venkatraman Lakshminarayanan, PMI-ACP, PMI-RMP, PMP, specialist, portfolio management, Sidra Medical and Research Center, Doha, Qatar

**“** Leadership and the ability to influence without authority are essential as a portfolio manager. You're often dealing with very senior leaders within the organization—and perhaps outside of the organization as well—and must be able to lead people in the right decision. In most cases the portfolio manager isn't making the decision, but rather facilitating the decision-making process.

At times, you may feel like a mediator or even a referee. You have to be armed with the necessary information, anticipate what questions may come up and be prepared to facilitate decisions between often competing factions. As the bridge between strategy and execution, you may have to make recommendations that are unpopular but beneficial to the organization. You have to be completely impartial as the organization's investment manager.”

—Brian Grafsgaard, PMP, PgMP, PfMP, director of professional services, QBS/Datacom Consulting, Minneapolis, Minnesota, USA



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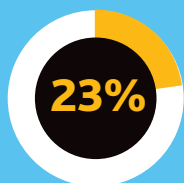
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# Taking the Lead

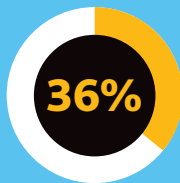
It's no secret: Portfolio management enables organizations to strategically align projects and programs and deliver value. Yet most are behind the curve. To find out what sets some organizations apart from the pack, PMI collaborated with the Economist Intelligence Unit (EIU), The Boston Consulting Group (BCG) and Deloitte for the 2015 Thought Leadership Series on portfolio management. *By Donovan Burba*

## The Maturity Gap

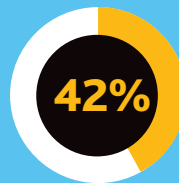
To gauge the impact of superior portfolio management capabilities, BCG and PMI partnered to give the often neglected, but very important view from portfolio managers, which finds:



of organizations are grouped as having high portfolio management maturity.



report themselves as "structured and improving" portfolio management processes.



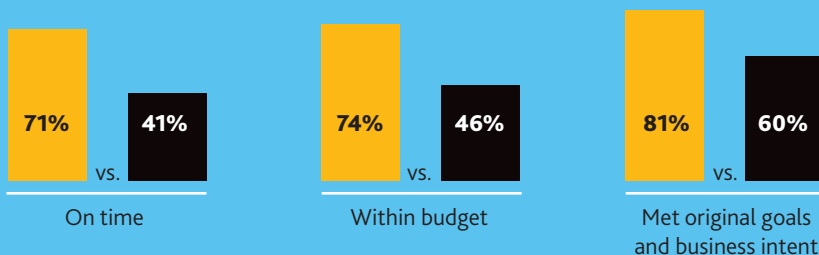
are grouped in low maturity.

**Only 47%** of organizations attempt to balance different strategic priorities across the portfolio.

Organizations with mature practices have much better project outcomes than those with low maturity:

High maturity

Low maturity



## Awareness and Action

The EIU research reinforces the fact that portfolio management is an important part of implementing strategy:



## Hallmarks of Success

**"Cultivating a portfolio mindset requires leadership to channel the entire organization to focus on the key strategic objectives and balance priorities at every level."**

—EIU, *Implementing the Project Portfolio: A Vital C-Suite Focus*

Organizations that realize the benefits of portfolio management tend to...

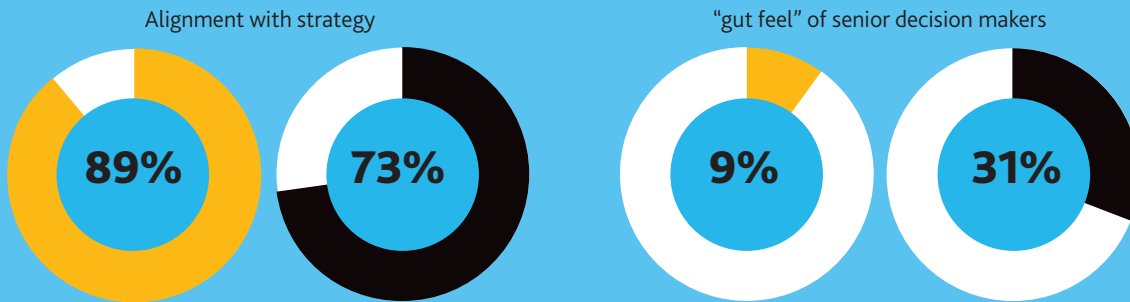
- ✓ **...connect project execution to strategy fulfillment.** A formal portfolio management infrastructure helps achieve business goals.
- ✓ **...seek simplicity.** Less complicated approaches to portfolio management are more likely to sustain success.
- ✓ **...create a portfolio-minded culture.** Senior leaders embed portfolio management into the organization's DNA.
- ✓ **...develop strong capabilities.** Successful organizations cultivate specific portfolio management competencies.

Some factors differentiate organizations that do portfolio management well:

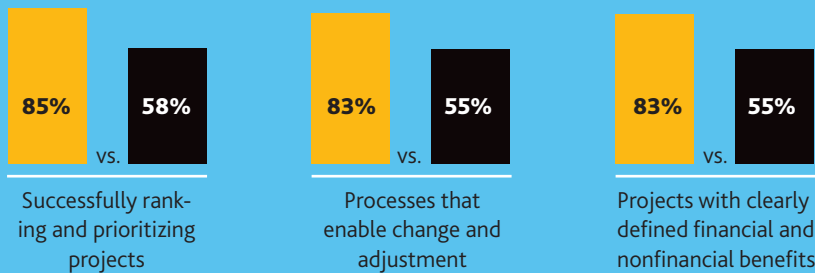


## Strong Processes

What organizations say is the top criterion for making portfolio decisions: ■ High maturity ■ Low maturity

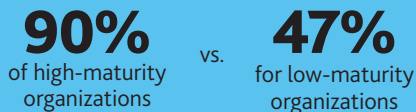


Some of the biggest discrepancies between high- and low-performing organizations:



## Leadership, Sponsorship and Support

Organizations that say their C-level executives are strong advocates of portfolio management.



**<66%**

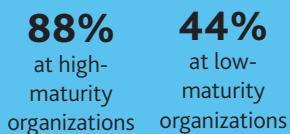
Though executive sponsors are the top driver of project success, they are assigned to fewer than two-thirds of projects and programs.

## An Enabling Culture

A culture of portfolio management is built on two dimensions:

- Intellectual:** The organization values objective, quantifiable facts, not gut instinct.
- Emotional:** There's no stigma of failure if a project has to be shut down.

High-maturity organizations have a culture explicitly supportive of portfolio management, according to respondents.



High-maturity organizations cancel fewer projects (12%) compared to low-maturity organizations (19%). Why?

### Transparency:

Projects are fixed before they reach the point where cancellation is the only option.

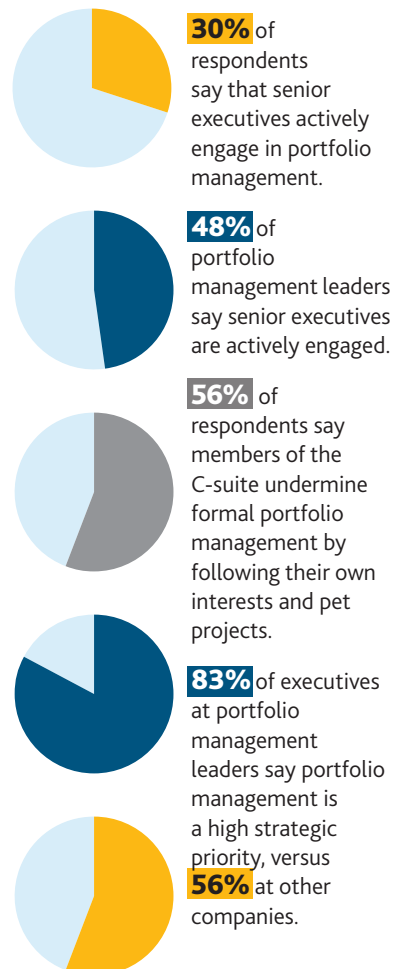
### Continuous evaluation:

Tools such as lead indicators generate operational insight, aiding course corrections and re-scoping.

Still, **33%** of respondents say their firms are too slow to terminate projects that should be ended.

## Setting the Agenda

Most C-suites aren't championing strategic portfolio management.



Source: PMI's 2015 Thought Leadership Series on Portfolio Management: [The Practitioner's Perspective: Winning Through Project Portfolio Management](#) (in partnership with BCG); [Implementing the Project Portfolio: A Vital C-Suite Focus](#) (in partnership with EIU); and [Delivering on Strategy: The Power of Portfolio Management](#) (in partnership with Deloitte).