

# Project portfolio management in practice and in context



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## KEYWORDS

- Project portfolio management (PPM)
- Project portfolio management in practice
- Project portfolio management in context
- Review of empirical research literature

## Article Highlight:

This research advocates new approaches and perspectives on project portfolio management to deepen understanding of its application in the day-to-day business environment.

## What does the paper cover?

The paper suggests that applying a rigid project portfolio management (PPM) framework as a rational-decision approach does not fully reflect real-life scenarios.

Furthermore, whilst PPM standards are globally accepted, there is a gap in knowledge of how practice (that is, what managers actually do) and context (that is, the conditions in which the project portfolio is being managed) affect the success of PPM.

## Methodology:

Three key research questions were applied to a review of empirical literature:

1. In what ways is current project portfolio management understanding limited?
2. How are the practice and context of project portfolio management accounted for in recent empirical research?
3. How should forthcoming research on project portfolio management be guided to enable better awareness of practice and context?

Note: the reviewed literature was primarily from product development portfolios.

## Research findings:

A summary of the literature review is as follows:

### 1. Limitations of understanding in project portfolio management

There are four underlying assumptions of PPM as a rational decision process, which do not reflect actual practice.

- Projects are static and independent of each other, aiming to fulfil the overall strategy set by the parent organisation.
- Projects are competing for the same resources, which are known in advance and are fixed.
- Companies are aware of all possible factors influencing the projects – internal and external.
- Portfolio managers are informed of all aspects of all projects and can align multi-projects clearly with criteria and routines to bring overall strategic benefits.

These assumptions do not recognise: the environmental or fluid nature of many projects; inclusion of external partners and strategies; interdependencies between projects or the lack of information that portfolio managers often have. These assumptions have a major impact on how PPM has been studied and applied in companies.

### 2a. How is practice of project portfolio management accounted for in recent empirical research?

Three major tendencies are revealed through an analysis of research.

- Managers have a significant impact on PPM through their personal and social decisions.
- Competencies of those in charge play a part in the overall success of PPM.
- PPM should not be considered as 'one size fits all' and should be applied as appropriate to each situation.

### 2b. How is context of project portfolio management accounted for in recent empirical research?

Recent studies confirm that PPM success is contingent on context. Factors such as organisational complexity and managerial structure have been proven to have an impact on the relationship between portfolio management and success.

There is a greater need to understand risks, uncertainties and changes in the project portfolio and its context to truly understand the dynamic of the PPM in question. This can lead to proactive, instead of reactive, strategies being employed.

### **3. What is needed in future research?**

It is clear from recent research that negotiation, bargaining, influence and power dynamics affect decisions taken in the PPM process. More research is needed in this area at micro-level to understand how it fits into the overall framework of PPM.

Another crucial factor in PPM effectiveness is the unstable and evolving context in which most projects take place. This is not sufficiently explored in rational project portfolio management and should include reaction to, and implementation of, change. Moreover, the interplay amongst projects within the portfolio is complex and innately influences PPM decision making; yet is poorly accounted for in the research so far completed in this area.

The dynamic relationship between the parent organisation and PPM is also yet to be studied as a decisive factor in allocation of resources and setting of strategic goals.

Inclusion of these aspects of PPM would incorporate wider theoretical perspectives, such as cognitive theories, agency theory, structuration theory, information processing theory, complexity and evolution theories, and institutional theory.

### **Conclusions:**

Whilst PPM is an effective framework, the assumption of it as a rational decision process discounts the reality where human, organisational and strategic interactions play a big part.

Several areas of further research are highlighted in order to encourage a multi-disciplinary, holistic approach to PPM which could move its application forward to embrace a dynamic and evolving business environment.

### **Significance of the research:**

**For project managers:** Viewing PPM as a dynamic system, rather than simply a rational decision process, can provide fresh perspectives on optimising outcomes and could be applied to analyse ways to achieve competitive advantage.

**For researchers:** A new approach to PPM is suggested and several avenues of future research are opened up in order to embrace the reality of PPM in the workplace.

### **Comments from author:**

The increased turbulence in companies' business environments and the collaboration amongst organisations cause challenges to the practice of PPM. When originally writing this paper, I felt it was necessary to understand both contextual and people-related uncertainty as ordinary aspects of any portfolios because that was what I had seen in practice. Over the past few years, uncertainty has been increasingly acknowledged as part of empirical research and we are constantly learning new good practices in PPM.

I continue to think that project portfolio managers in dynamic environments will need skills for negotiation and bargaining, and courage to reconfigure their portfolio structures to survive and succeed the uncertainty. With this thought, PPM cannot be enforced through rational frameworks only, but it becomes more a question of who the portfolio managers are and how they are equipped to 'bargain and reconfigure'. I am curious to learn if project portfolio managers' power, authority and centrality in organisations has evolved along these lines, and how organisations support their capability development. Those managers who realise these new aspects may become the strategic portfolio leaders of the future.

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## Complete article

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## Glossary:

### Project portfolio management:

The selection, prioritisation and control of an organisation's projects and programmes in line with its strategic objectives and capacity to deliver. The goal is to balance change initiatives and business as usual while optimising return on investment.

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