
Building Portfolios to Maximise Value

- a tough balancing act

Portfolio Management SIG
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Introduction

Stuart

Building Blocks

- Scope (what's in/out?)
- Hierarchy (how many portfolios?)
- Length (covering what period?)
- Source (whose projects?)
- Entry (who decides?)
- Priority (what approach?)

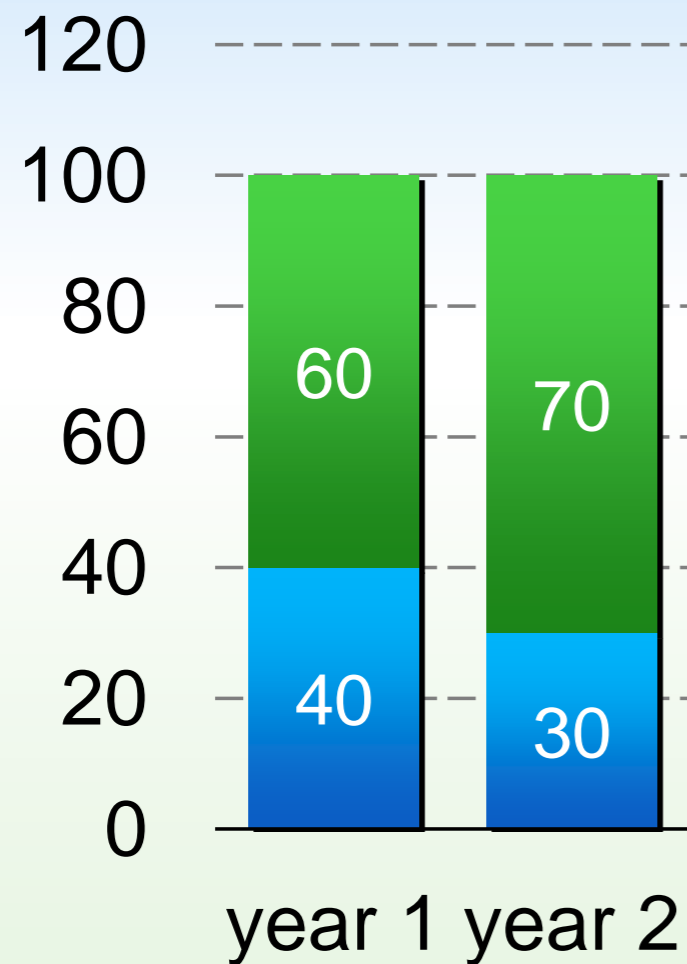
Stephen

Portfolio Balance

- Strategy (with limitations?)
- Benefits (how credible?)
- Capability (can we do it all?)
- Impact (who is affected?)
- Reporting (decision time?)
- Flexibility (a rolling process?)

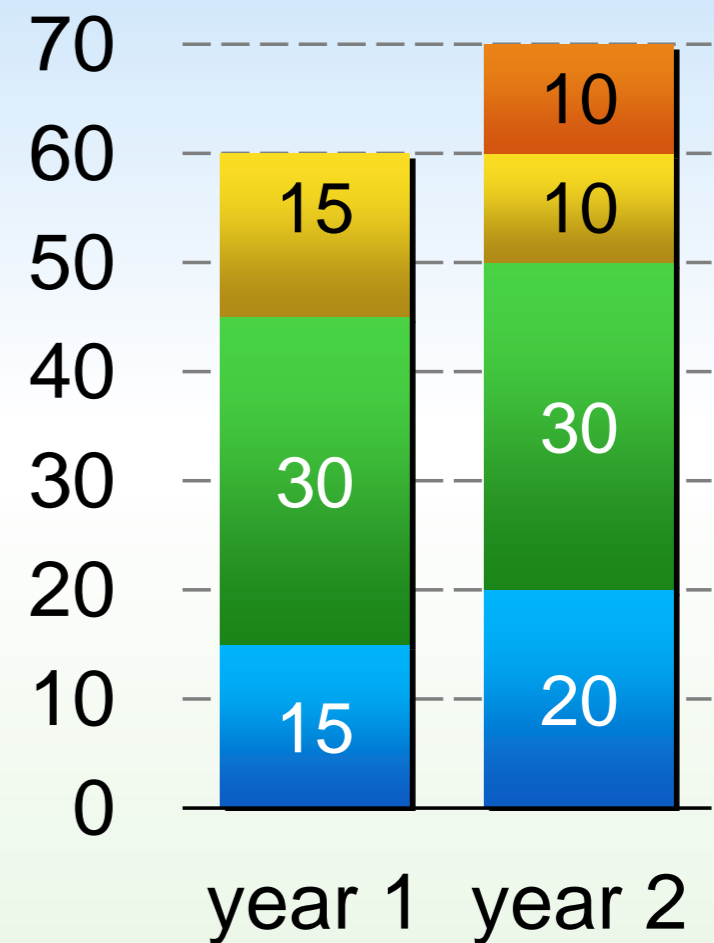
Building Blocks - Scope

Projects & BAU



■ BAU ■ Projects

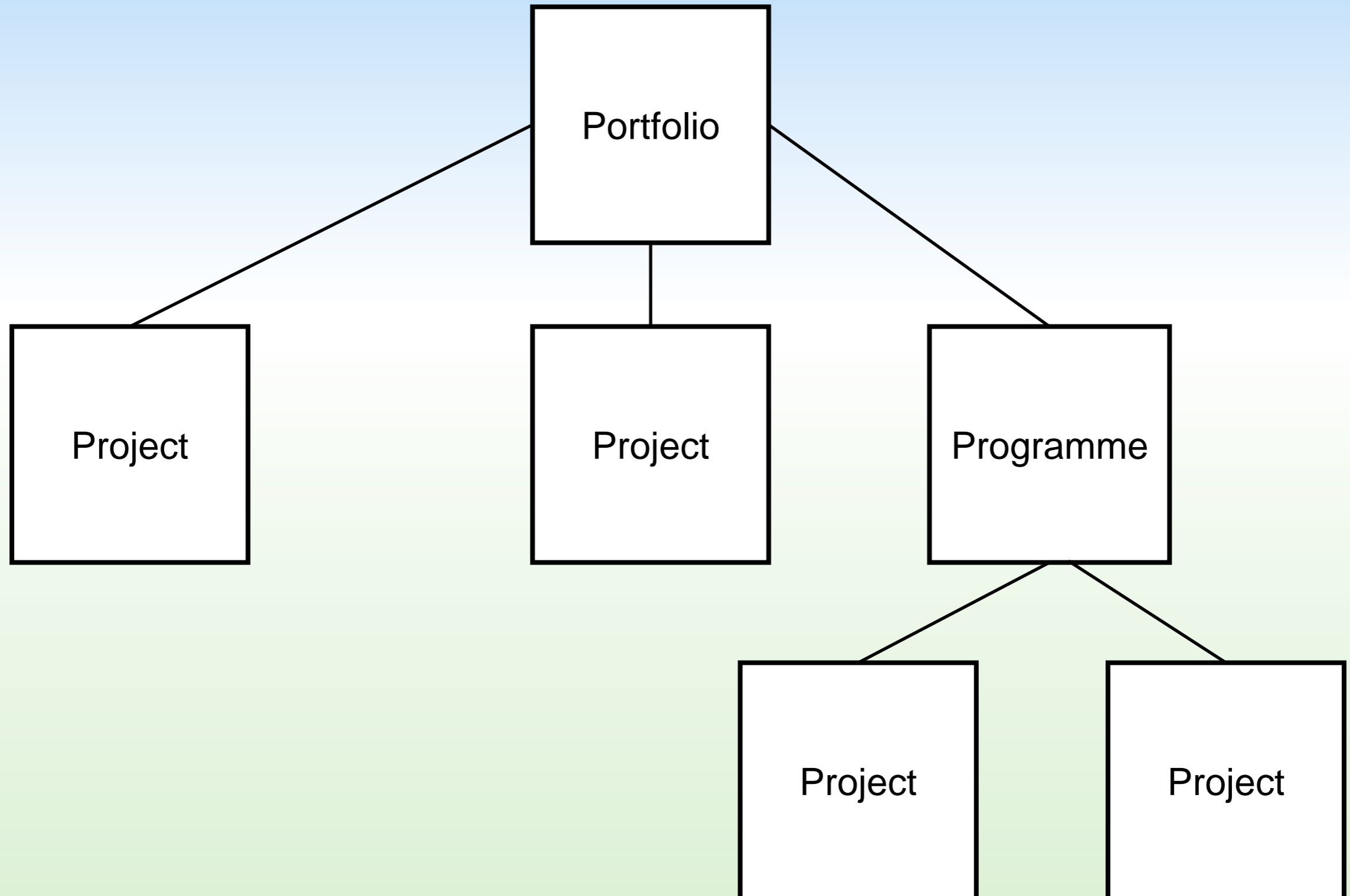
Projects Only



■ Infrastructure
■ New products
■ Enhancements
■ Large Programme

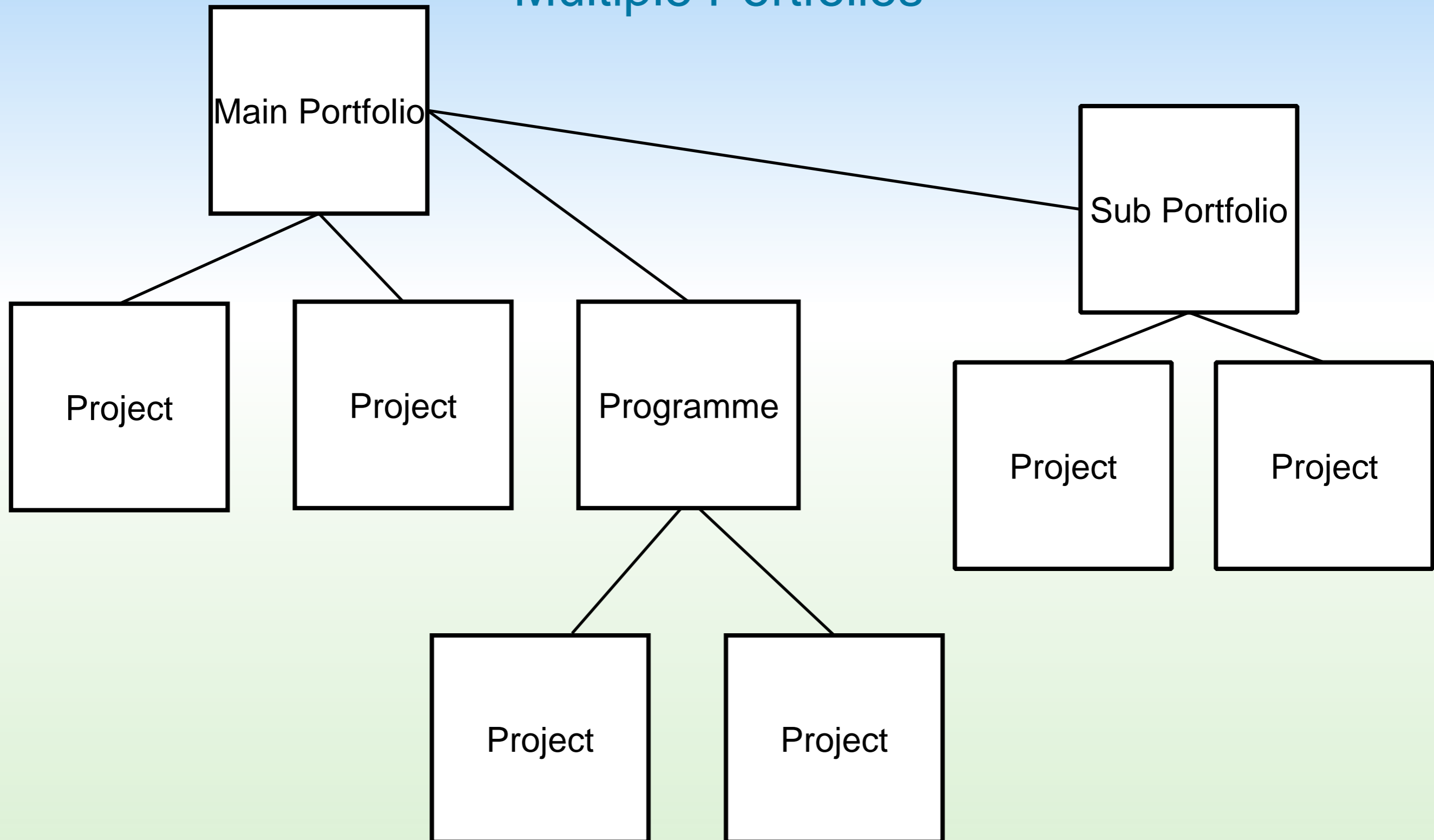
Building Blocks - Hierarchy

One Portfolio



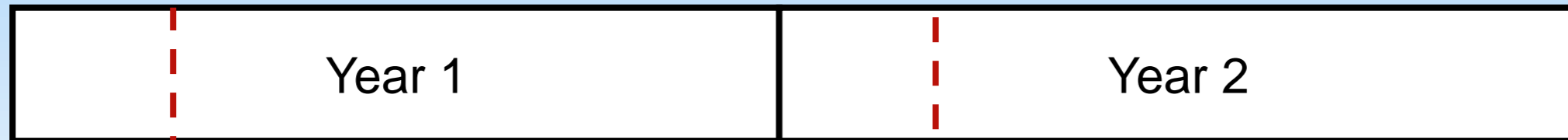
Building Blocks - Hierarchy

Multiple Portfolios

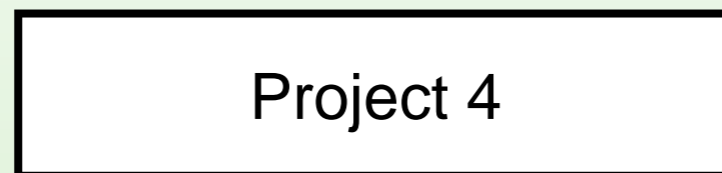
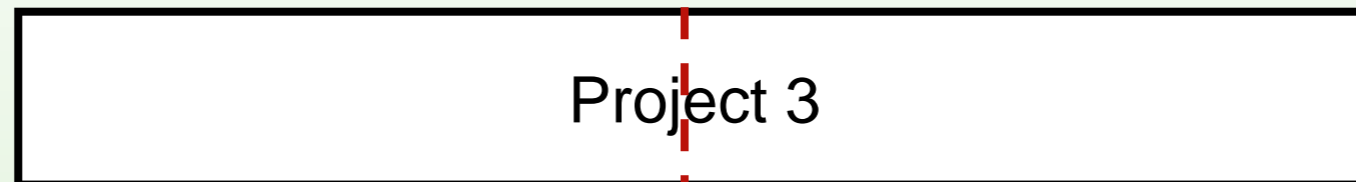
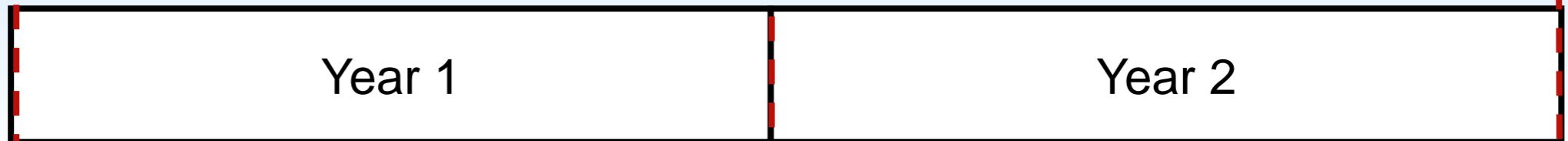


Building Blocks - Length

Calendar years



Financial years

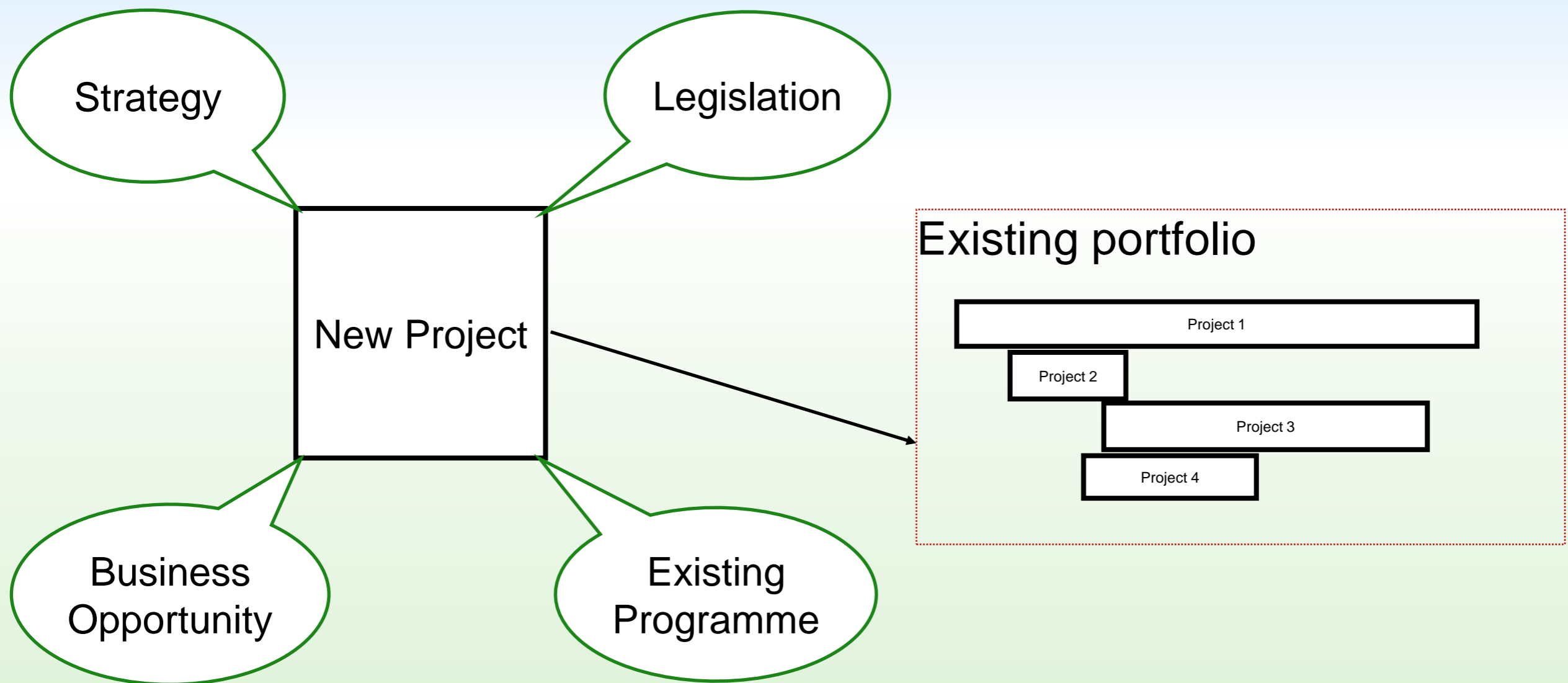


What is the correct alignment for your portfolio?

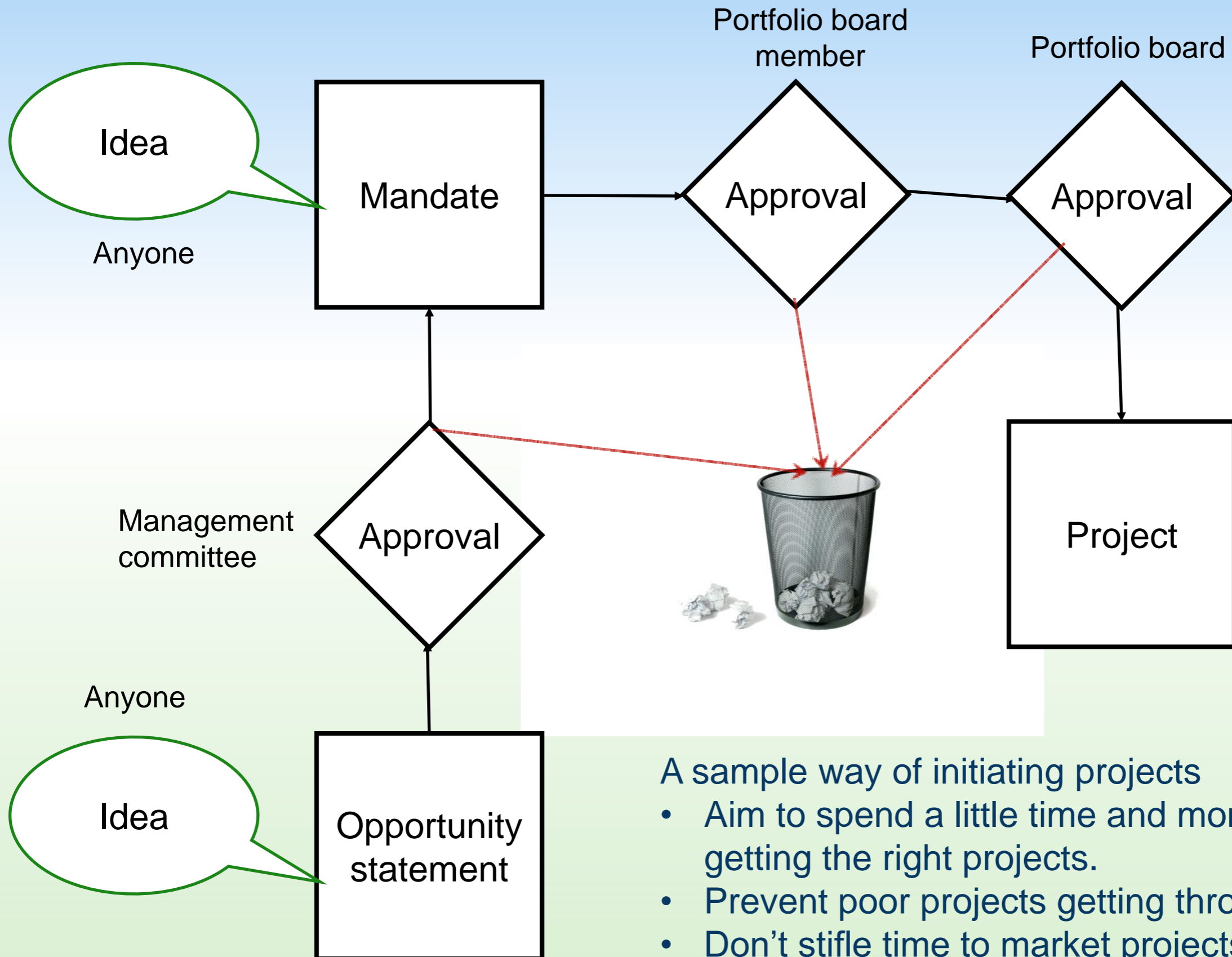
Building Blocks - Source

How do projects get initiated?

What are the possible sources of new ideas?



Building Blocks - Entry



A sample way of initiating projects

- Aim to spend a little time and money on getting the right projects.
- Prevent poor projects getting through
- Don't stifle time to market projects

Building Blocks - Priority

Purpose of prioritisation

- To allow for assessment of projects against a level playing field to ensure the 'right' projects are done

Started with categorisation

- Mandatory
- Do this year
- Do next year

Moved to prioritisation

- Costs
- Benefits
- Risk
- Alignment to Strategy
- Mandatory?

Formula developed

- Each project ended with a score
- Each project was then ranked
- Provided order for delivery

1 Project C

2 Project F

2 Project A

2 Project B

2 Project D

3 Project E

Building Blocks - Summary

Decisions to be made

- What is included in your portfolio, all projects or just some
- How long will your portfolio last? Calendar year, financial year, rolling year, multi year?
- How many portfolios do you require?
- How are projects going to be added to your portfolio?
- Who decides on the approval of your projects?
- Which project goes first? How will you decide which project to prioritise

Portfolio Balance - Strategy

Recognised that portfolios should be driven by organisational strategy

But.....

- There will be different views on strategic importance
- Some projects are unavoidable
- The business environment changes over time
- Relative priority – good starting point

Usually, the portfolio team need to develop a model for debate

This should include factors that influence a portfolio's "doability" :

- Benefits Plans
- Organisational Capability
- Change Impact



Portfolio Balance – Benefits Plans

Are these realistic and achievable?

Is a Benefits Management Framework being applied effectively?

Some questions for Portfolio Manager's to ask:

1. Do I believe what I see at project/programme level?
2. Does it make sense in a portfolio context?
3. If not, do I have the authority to challenge it?
4. What actions can I recommend/facilitate?
5. How does this get presented in the Portfolio Report?

Increase portfolio-level confidence in benefits plans via:

Evidence

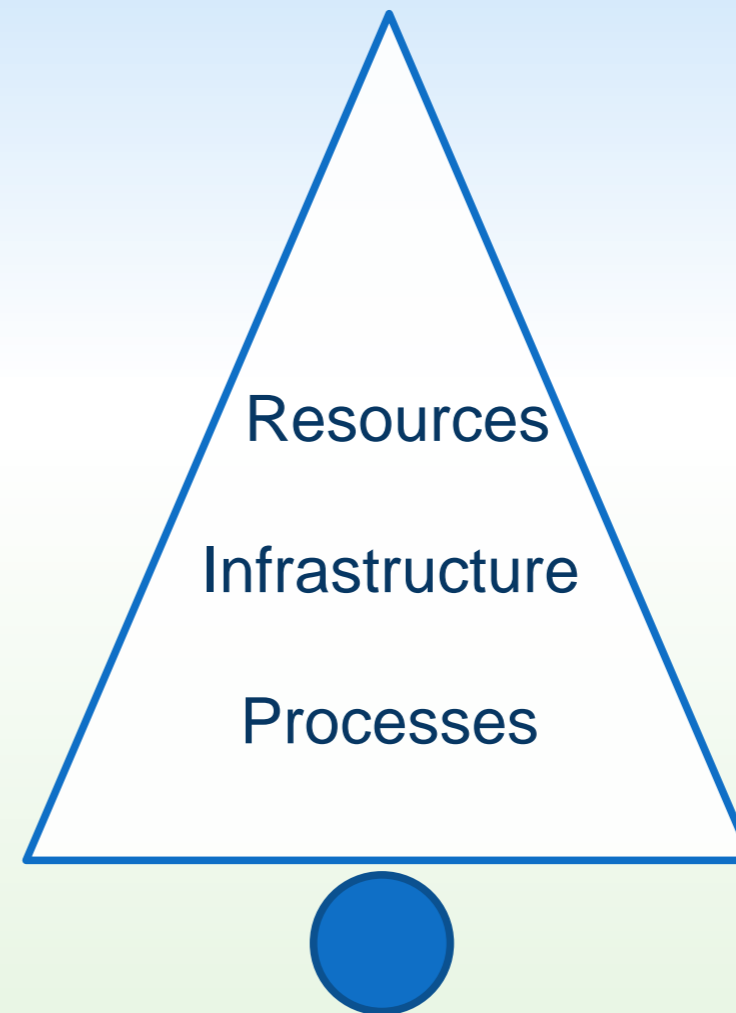
Progress

Context

Portfolio Balance - Capability

How effective is the portfolio capability assessment?

- Resource Management
 - Right people/place/time
 - Internal/External balance
- Infrastructure
 - Capacity
 - Flexibility
- Processes
 - Integration
 - Responsiveness



Improving change capability is a constant challenge

Portfolio Balance - Impact

What about the impact on recipients/users of change?

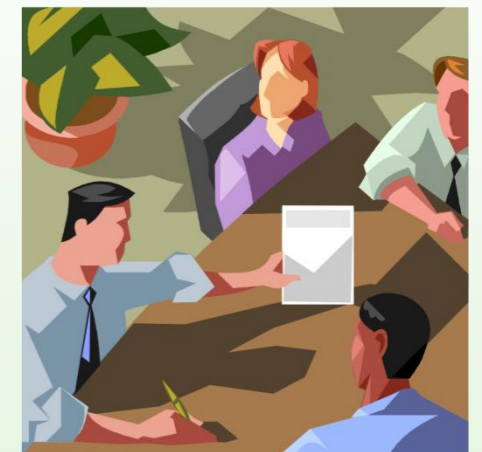
Risks of “Change Overload” on staff, customers, suppliers and society

Actions that can help manage this include:

1. Understand the capacity/willingness to change
2. Recognise that some have a better propensity to handle change
3. Concentrate support where maximum benefits are expected
4. Develop cohesive communication plans
5. Highlight such risks/issues in portfolio reporting

Two specific actions may help:

- **Establish an “Aggregate Impact Assessment”**
- **Create a “Business Impact Forum”**



Portfolio Balance - Reporting

So – what message do we give to the Portfolio Executive? :

- Real story
- Information with which to make decisions (priorities, funding, etc)

Getting this right involves having:

1. A well-led portfolio management team – providing integrity
2. Quality analysis – focused on the “big picture”
3. Evidence and Intelligence-driven recommendations
4. Succinct and “brave” presentation
5. Advance briefing for senior executives
6. The right people attending portfolio meetings



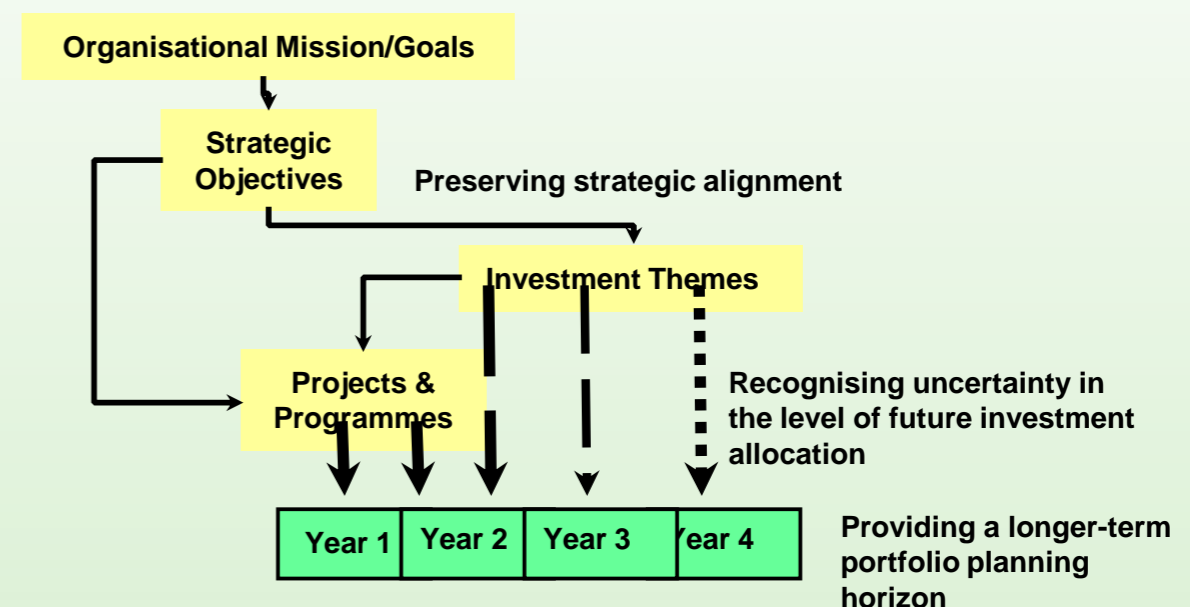
Portfolio Balance - Flexibility

Maintaining a balanced portfolio is not formula-driven

The PfM Process must be clear and robust, yet flexible when it matters

Some of the features that can help include:

1. Having a tightly-managed “Fast Track” process
2. Adapting analytical frameworks as strategies/priorities change
3. Using a “Rolling Portfolio” model for investment planning
4. Removing projects that no longer fit
5. Ensuring portfolio processes align
6. Learning lessons



Portfolio Balance - Summary

Balancing a Portfolio is an ongoing challenge

It requires the portfolio team to :

1. Articulate a strategy-driven, yet “Do-able” portfolio plan
2. Explain the real benefits position
3. Ensure all key capabilities are properly assessed
4. Understand the overall impact of change on recipients/users
5. Create clear and concise portfolio reports
6. Operate a PfM process that can respond to an organisation’s needs



Any Questions ?

What?

Who?

Why?

How?

Where?

When?