Project Portfolio Management Prioritising Resources For Change

UK Financial Services Survey 2009

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Executive Summary

We interviewed 24 UK registered financial service companies during 2008 to explore their attitudes, approach and practices in project and project portfolio management. This was supplemented by a post interview questionnaire to provide more detail on the issues discussed in the interviews, including self assessment within the companies of successful completion rates for projects, based on meeting time, cost and specification objectives.

Processes

All companies use a project management process usually based on PRINCE2 principles but customised. Project management processes varied – between companies, between divisions/business units, and between projects. Furthermore all seemed weak on managing project interdependencies and on ‘killing’ projects that were failing or no longer relevant.

Only one company had a fully established formal portfolio management process. Three other companies had introduced processes in the last two years but were not yet fully operational. However, we found an increased interest in adopting portfolio management as companies react to industry problems. In some companies the deployment of Change/Transformation Directors has caused a tighter focus on understanding and managing the activities/projects being undertaken.

There was a contrast between small and large companies - the hands-on management approach at the smaller companies provided elements of portfolio management while some of the larger companies expected proprietary software to deliver Portfolio Management.

Most companies have a governance policy and review practices for projects with Project Management Offices (PMO) at the heart of governance. An emerging trend is to use PMOs to support and develop project managers and project management practices. However, at present the governance structure seemed focused on identifying and punishing the guilty, resulting in a climate that does not favour innovation. Project review processes were supported by tools but usage favoured simple tools such as RAG reporting with a reliance on numbers and simple diagrams – one respondent remarked that people within the company are used to numbers and comfortable with number based reports.

Given the lack of portfolio management process, it is unsurprising that portfolio review was usually just part of strategy reviews and hence the timing tied to the strategy review. We found little evidence of use of complex tools for portfolio review as found in exemplar companies in other industries. For example, few used visualisation tools for portfolio reviews, relying on financial measures, dashboards, checklists and simple diagrams (checklists, pie charts) but this was seen as changing in those companies that had purchased portfolio management software.

Senior management involvement was evident in all companies at approval and review stages with most processes involving a senior manager as Sponsor/Accountable Executive.
In all companies the Board provided strategic direction to guide the portfolio of activities however in only a few companies was there portfolio visibility in a single place – this lack of visibility was a stated problem for Change/Transformation Directors.

Given the lack of portfolio management, unsurprisingly there was little attempt to balance portfolios for technology, timescale, or incremental/radical innovation. Most companies focused on managing risk, yet respondents felt that this focus was misaligned. The companies should be focusing on areas such as the value of each project and the whole portfolio as well as the capability of the business unit to deliver.

**Impact of Process on Performance**

It was noticeable that companies with higher project success rates – the better performers – also differed from other companies in a number of areas:

- Better performers judge their Corporate growth and competitive performance to exceed competitors
- Satisfaction levels with portfolio processes are higher in better performers
- Satisfaction levels with project mix – both number and type - is higher in better performers
- Satisfaction levels with strategic value, strategic balance, operational balance and resource utilisation was higher in better performers
- Better performers were more likely to address project interdependencies before projects commenced
- Better performers were more likely to cancel failing or even successful projects if the context changed
- Better performers were more likely to re-allocate budgets or use strategic bucket approaches to allocating resources
- Better performers are more likely to see Portfolio Reviews as being too bureaucratic
- Better performers have higher degrees of formality, co-operation and evaluation in project management processes
- Better performers seek innovation and accept failure as a necessary cost of innovation
Managerial Implications

The study suggests that senior management needs to address a number of issues to improve portfolio and corporate performance.

1. Portfolio management must be placed within the company’s strategic context:
   - portfolio management is a delivery tool for strategy – portfolio management involvement starts at Board Level
   - portfolio management cannot stand alone – there is a need for the integrated approach suggested by the pyramid of management
   - portfolio management cannot be solved by just parachuting in new software

2. Portfolio Management should be focused on building a balanced portfolio – currently there is an imbalance across both risk and scale of innovation.

3. Portfolio management should specifically address the volume of projects as fewer projects correlates to better performance – however the type of project is also important.

4. While project management is well established it is often ineffective and managerial attention is needed in two particular areas:
   - project interdependencies
   - killing projects

5. Project management climate is important to performance but is currently governed by a focus on identifying and punishing the ‘guilty’ – managerial support to encourage early and honest reporting of issues is required.
1. Introduction

Portfolio management is a process that has been refined in goods product companies over a number of years. It is actually a process to take the available resources of the company and to use them to best effect in meeting the company’s strategic objectives, but in doing so it requires the company to appraise and prioritise its activities. These activities include management and operational processes, infrastructure maintenance and development, product maintenance and development, and are increasingly being managed as projects and programmes. Companies have, in effect, a portfolio of projects to manage.

While a number of studies have analysed what is happening in good product companies, few have focused on the processes and practices within service companies. EA Consulting Group identified this as a growing concern in some of its clients in the financial services industry and sponsored the Sir John Cass Business School, City University London to conduct research to shed light on the management of project portfolios with UK based financial service companies. Key objectives were to identify best practice – both within the industry and also from exemplars outside the industry – together with important issues and trends within financial service companies.

The study involved interviews over the period June-December 2008, a time of considerable turbulence in both the economy and financial service industry. We are grateful to those companies that took part in these difficult times. The participants included nearly all major UK retail banks, large investment banks from four countries, a number of major insurers and a few ‘smaller’ financial service companies.

Although the focus of the study was on project portfolio management (PPM) processes, we initially explored project management processes within each company and then how this was co-ordinated – or not – into a project portfolio process. The report structure is based less on a division into project and portfolio management processes than on the key issues that became apparent in our study.

1.1. Highlights from Prior Research

Traditionally portfolios were an illustration of past work, a CV or sales device. Now they have become a forward looking plan which requires companies to understand changes to the commercial environment and to plan their portfolios to meet the changes while still satisfying customers at a profit. This requires a portfolio to deliver to three main aims: - to maximise the commercial value of the portfolio; to obtain a balanced portfolio; and to link the portfolio to the strategy of the business (Cooper et al, 1998). However, as projects are forward orientated, they are essentially risky and risk management is key. A balanced portfolio balances risk through balancing its approach to technology (new vs. old), focus (innovating vs. enhancing current business practices), project types (basic vs. applied research) and target markets (new vs. old).

Case studies in the tangible goods industries reveal different approaches by different companies – even different approaches by different divisions within the same company.
This reflects the time taken to adopt a PPM approach and also the different portfolio problems faced by companies and divisions within the company. For example, a pharmaceutical company has 12-16 year development timescales, subdivided into discovery, product development and product support.

A number of tools have been employed to help manage portfolios and extending beyond the usual financial metrics of ROI, NPV etc; treating all projects equally using standard financial metrics despite different levels of risk, type of risk and different strategic purpose is argued as flawed. Tools which are used include decision trees (Copeland and Antikarov 2001) and real options (Bardhan et al, 2004; Amram and Kulatilaka, 2001). A decision tree approach involves a set of sequential decisions with alternative branches and probable outcomes, which can be used to estimate the probability of success for projects. A real options approach uses an analogy with financial options contracts that regularly assesses the investment in a project with alternative uses of that investment. It assesses possible outcomes and the financial consequence of failure. This recognises that new product projects for example may not be launched for some time and hence the risks are higher and the potential benefits more difficult to assess than other shorter term projects. However, the option value of a single project in delay is different from its opportunity cost when it is considered as part of a portfolio – there is a need to consider nested real options for portfolio management (Bardhan et al, 2004).

While such tools are important, the portfolio management process can be regarded as a journey which starts with strategy – deciding on markets, products and technology. This concept of using portfolio management as a strategic process leads to a pyramid of management (see Figure 1).

![Figure 1. The Pyramid of Management](based on Arrto et al 2001)
This assumes a company wide view of the project portfolio - a collection of projects to be managed concurrently under a single management umbrella - which embraces projects within both product related processes and business management processes.

A recent study which included some service companies (Killen et al, 2008) found that PPM practices for goods and service product companies were similar in approach and maturity, although PPM methods have been used in goods companies for longer. However, the average PPM performance is not strong in service companies.

In summary, research into project portfolio management highlights the following best practices that higher performing companies adopt:

- Align products with business objectives
- Align spending with business strategy
- Have a good balance of projects
- Have the correct number of projects for the resources available
- Contain high value projects
- Complete projects on time
- Conduct regular portfolio reviews
- Have a formal project management process
- Align project management and portfolio management processes
- Have a record of killing projects
- Do not just rely on financial measures for portfolio reviews
- Have the right number of portfolio management tools, avoiding info overload
- Involve senior management in portfolio decision making but delegate delivery decisions

However, it is also clear that ‘one size does not fit all’ and individual companies have developed their own portfolio management processes to fit their own needs. In some cases, for example small companies, it may be inappropriate to develop an extensive formal portfolio management process, and in others the form of the process will depend on the maturity of other business processes.

1.2 Portfolio Management in Other Industries

Our study started by interviewing two global companies outside the financial services industry to understand the status and maturity of project portfolio management elsewhere. One is renowned as an exemplar. We found two very organised but different approaches to managing the portfolio.

Example 1

Project management is a clear process with project managers being trained in the disciplines required to perform the role. A key part of the process is stage-gate management with projects being formally reviewed at pre-ordained stages.

The ‘Gatekeeper’ is responsible for ensuring that objectives have been met and may decide to kill a project or modify the plan to ensure objectives are fully met.
Projects are linked to strategic objectives and are defined to meet short and long term objectives. They are regularly reviewed to ensure continued relevance and also to bring unofficial projects into visibility as soon as possible. New projects will go through a formal approval process even if demanded by a major customer. Such accounts are managed carefully with strategic aims from the relationships made explicit for planning purposes.

The project portfolio is actively managed to ensure that it is balanced in terms of:

- Long term/short term
- High risk/low risk but also in terms of the associated rewards
- New/old technology – but the extent varies by technology
- Radical/incremental innovation – again this varies by technology. However blue sky research tends to be the responsibility of special Venture Groups.
- Risk varies by technology and stages of development but the benefit to cost ratio is also actively considered. The portfolio must be able to fund the future.

The business uses visual tools as well as a range of financial and KPI measures. These range from simple histograms showing cost forecast by year for the portfolio through line plots of the risk/reward ratios of individual projects to pipeline diagrams showing project budgets (size of circle) and stages (colour) over time. Both technical and commercial success is monitored.

Portfolio reviews take place at least twice each year with mini reviews occurring more often. “It is like painting the Forth Bridge, frequent snapshots help build a life history”. The portfolio manager works with designated people in each area who are not under his direct control. Persuasion and influence are used to keep the process effective.

These reviews may kill projects or put projects on hold, although there is a reluctance to put projects on hold without a clear way forward. Projects may be put on hold because some activities are unexpectedly delayed due to, say, legal decisions which are taking longer than expected. The number of projects that can be accommodated is finite and actively managed, although the actual number is affected by type and scale of projects. A key issue is ensuring that projects are in ‘bite size chunks’ for management clarity.

**Example 2**

The business uses a formal project management process from authorisation onwards. Measurable and detailed criteria are defined for each gate and without which a project will not be allowed to proceed. Online systems are used to reduce manpower, time and costs. This includes the CLARITY project management system and an online business case system. An added advantage of the latter is that its objectivity highlights any projects which do not meet business objectives.

Project Managers are accorded professional status with a career spine and special training. They are part of the Line Of Business (LOB) and hence responsible for delivering the objectives of the business not the product managers.

Projects are linked to strategic objectives and are defined to meet short and long term objectives. However, the LOBs are short term focused looking no more than 18-24 months forward. It is the role of Strategy and Portfolio Units to look longer term and persuade LOBs to invest in longer term projects.
The project portfolio is being actively managed to reduce the number of products – where product is defined as a standalone, saleable item. For example, an international benchmark study revealed the portfolio of products needed to be reduced to 60% of its size. This took precedence over consideration of risk, technology and innovation scale. However, the review did consider position in lifecycle and activity level e.g. actively sold, reactively sold etc. Products are now defined by hierarchy, lifecycle and activity level and a formal online catalogue produced. This is regarded as the first step to more formal portfolio management but any process must not involve any significant overhead. The formal project management system is seen as the main and active management process.

Summary and Observation

The above examples from two global companies confirm the findings of prior research studies that portfolio processes vary between companies. However, it is clear in both companies that the portfolio is being managed either directly by a formal portfolio management process or indirectly by a formal project management process tied to the delivery of strategic objectives.

Example 2 revealed a desire to move to another stage of sophistication, that of portfolio management, without imposing heavy management overheads. This was after the development of a formal and effective project management process and in the context of a formal strategy setting and management process.

Both examples seemed to support the prior research recommendations that portfolio management was at the apex of process development that started with effective strategy, delivered through defined project management processes.

1.3. Organisational Trends in Financial Service Companies

At the annual Mais Lecture at Cass Business School, the Chancellor of the Exchequer the Rt. Hon. Alistair Darling MP opened his address with:

“It is a pleasure to be invited to the Cass Business School to deliver this year’s Mais Lecture. We meet at a time of unprecedented turbulence in the world economy.

And tonight I want to set out how governments should respond to this new challenge, which I believe demands a new response – both at home and abroad. Because this is now a truly global challenge.”

1 30th Oct 2008
Our study took place while the repercussions of the ‘toxic assets’ problems in the banking world and impending recession were just being appreciated. Without exception the financial service companies that we interviewed were engaged in dealing with this and we noted the emergence – or rather the re-emergence - in a number of participants of Change/Business Transformation Directors.

Where we met with them they showed considerable interest in the study topic because of their desire for better visibility of all company activities and the resultant capability to manage this portfolio of activities more tightly. More so because most of the companies that participated operated on a global scale and were faced with the Chancellor’s ‘global challenge’.

However, our study revealed that a number of participants had responded to earlier environmental shocks caused by terrorist attacks, not only changing Business Continuity Processes but also centralising operational control. This had been seen to have adversely affected the speed of decision making within companies and some had started to explore how to modify processes and systems to ease this centralisation. It was unclear why this centralisation of operational control had not always led to centralised registers of activity which could inform the Change/Business Transformation activity.

A further consideration emerged during our study and that is the impact of the national culture of the parent company on the approach to systems and processes in UK financial service companies. We found examples of a culture of reliance on relationships between senior management to agree key activity and also of a culture of a very detailed process approach to control all activities - both driven by the overseas HQ. The UK culture seems to lie somewhere between the two and may be at odds with the parent culture.
2. Research Approach

2.1. Conceptual Model

In order to understand the difference approaches companies are taking towards project portfolio management, an overarching model was developed (see Figure 2). In this model the performance of the company’s project portfolio and its overall corporate performance is driven by the quality of the project portfolio that the company is developing. The model identifies the drivers of portfolio quality - ranging from the underlying culture and climate of the organisation through to the portfolio tools and techniques employed.

Senior management involvement has direct and indirect influences on the project portfolio. Direct influences come from direct involvement in processes whilst indirect involvement comes from management activities that influence organisational climate, such as training, tools, supervisory freedom, attitude to risk and reward systems (Ekvall, 1996). The degree of formalisation, collaboration and control sets the climate. Our study specifically examined systems, tools, governance and senior management involvement as well as processes to deliver Project Portfolio Quality.

The population of financial service companies from which we selected potential interviewees was taken from the Financial Services Register, a public record of all authorised companies currently doing business in the UK. The Register includes companies that are UK-authorised as well as those authorised in another European Economic Area (EEA) state that also conduct business in the UK. A sample of companies to be contacted was selected to provide coverage of retail, investment and corporate banks and insurance companies with headquarters in the UK, mainland Europe, US and Asia.

Contact was made with senior management in the UK by e-mail and telephone, seeking participation in the study. This involved a 1 hour qualitative interview and detailed, anonymous questionnaire for later completion. In all cases participants were assured that the study would report in the aggregate, analysing practices, issues and trends from an industry perspective.

![Figure 2. Project Conceptual Model](image)

Figure 2. Project Conceptual Model
We interviewed 24 companies and in five cases we conducted multiple interviews within the same company, examining how different departments viewed the same process or even whether they recognised the process as being the one that they followed. It is noteworthy that in this period of extreme turbulence for financial service companies, at least four of the interviewees have left their respective companies.

It became apparent from the interviews, and was confirmed by the subsequent survey, that PPM is a key issue for financial service companies in today’s climate. And it is one that few companies, as yet, have got to grips with. 40% of companies are dissatisfied with their PPM capabilities and less than one fifth thought they were doing a relatively good job (Figure 3). This demonstrates the timeliness of this report.

2.2. Portfolio Performance – Leaders and Laggards

As we are interested in discovering best practice in managing project portfolios we assessed the performance of the companies’ innovation, development and change management projects. We asked managers to assess their satisfaction with their PPM capabilities and to assess the extent to which their portfolio of projects delivered on their performance objectives. We used this information to group the companies. Subsequently we labelled the highest performers the “Leaders” and those performing less well as the “Laggards”. These two groups represent the top and bottom third of the companies in the sample. Managers at the better performing companies were significantly more satisfied with their portfolio management procedures and reported that the projects completed succeeded in meeting their strategic objectives. They were also seen to make their business more competitive and create future opportunities for the company (see Figure 4).

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Figure 3. Satisfaction with PPM

[Pie chart showing satisfaction levels: Dissatisfied 17%, Satisfied 44%, Highly Satisfied 39%]

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2 Measured on 7-point scale – very unsuccessful (1) to – very successful (7). Differences between the two groups are statistically significant. All differences between groups are significant unless stated.
We also found that companies could be separated on their reported success rates. This can be clearly seen in Figure 5. More successful companies successfully completed projects 82% of the time whereas the poorer performers reported fewer than 60% of their projects were successful. Overall across all companies the success rate was 75% which is in line with previous studies on this topic. It is interesting to note that success rates have not significantly changed over the last 30 years despite the advances in project management techniques and tools. The lack of performance improvement may be due to the growing complexity of projects needed to meet the fast changing competitive landscape that companies are now facing. New product development for financial service companies has 6-9 month timescales; in the late 1990s 18 months was seen as cutting edge. However it is wrong to just purely focus on individual project success, as high success rates could simply imply that low risk, incremental projects were being developed. This is discussed later.
As well as considering the success of the outcome of a project, it is worthwhile to look at the performance of the development process itself. Common performance measures here include the speed of development, development on time and within budget. As can be seen in Figure 6, the leading companies were significantly better at developing their projects than their competitors\(^3\). This was true for not only meeting time and budget objectives but also for the overall speed of development.

Whilst projects are undertaken for a large variety of reasons the ultimate aim is to advance the commercial success of the organisation. We measured managers’ perceptions of their company’s performance over the previous year, in terms of exceeding the performance of their major competitors, of significantly growing their business and on top management satisfaction with the overall performance of the business. It is notable that those companies that succeeded with their portfolio of projects also succeeded at the corporate level (see Figure 7). This suggests that companies are both picking the right projects to do and carrying out these projects effectively.

Together these measures of performance give a clear picture of the leaders being significantly different from the laggards. We use this split in the subsequent parts of the report.

\(^3\) Measured on 7-point Likert scale – Strongly disagree (1) to strongly agree (7). All other dimensions are measured using this scale unless stated.
3. Climate for PPM

3.1. Project Management Climate

In our terms, the climate of an organisation is the shared perception of the way things are. It is how things are done within the organisation. It is the articulation of the culture - the attitudes, beliefs and values – of an organisation. Climate affects the way processes are carried out and therefore would be expected to affect the firm’s PPM processes.

Three aspects of climate that have often been cited as having a impact on innovation are the degree of formality, the degree of collaboration and the degree of control. These were measured via multi-item scales. All three were linked to performance, and revealed that the climate of the leaders differed markedly from the laggards (see Figure 8).

A picture emerges of a supporting project management climate consisting of:

- **Degree of Formality**: Projects usually follow a formal, planned development process with a detailed action plan (including time schedules, milestones, manpower requirements etc.) for each project. Project teams usually closely follow standard operating procedures (i.e. managing by the rule book) with formal lines of communications in place.

- **Degree of Collaboration**: A range of departments are usually represented on project teams. Leaders reported that, during development, co-operation between all departments is very high and there is free exchange of information across organisational boundaries.

- **Degree of Control**: The progress of projects is regularly reviewed at interim stages with a formal review at the end of each completed project. Progress and success of projects are assessed against a range of pre-set performance criteria with the accountable executive – a senior manager – expected to monitor progress and to ensure that milestones and deliverables are achieved.

![Figure 8. Measuring the Project Management Climate](image-url)
Prior studies of project management in companies have found that the culture of the company affects performance. An innovative culture reflects the degree to which the organisation encourages innovation. In the interviews, we discussed some of the factors, particularly the attitude to failure and found that in most companies, association with a failed project was at best not career enhancing.

The questionnaire tested this in greater detail and again revealed a difference between the cultures in the more and less successful companies (see Figure 9). We assessed whether top management values innovation as a practice and source of competitive advantage; whether managers provide resources for staff to experiment in order to improve products, services or processes, and whether it is accepted that the occasional failure of innovative projects is worth the risk. The last point differs from information gained in interviews but the interviews did not separate attitude to failure of innovative projects from those of all projects. However, the interviews suggested that there were few truly innovative projects.

Surprisingly an innovative culture was not unique to successful or unsuccessful companies. To be successful at developing a portfolio projects requires being both efficient and effective. An innovative culture might aid effectiveness but not efficiency – this requires a well planned and executed PPM process.

### 3.2. PPM Responsibility and Visibility

Without exception, senior management are involved in the project management process - at authorization, management and review stages. All companies have set levels for authorization depending on cost and risk but the key involvement is seen as govern the projects. Each project will have a manager who is accountable for the performance of the project – the sponsor in PRINCE (see Glossary) terminology – and typically this will be from a business area for product-related projects, or from the IT/Operations area for IT and systems projects. A number of companies reported that the importance and responsibilities of this role had been tightened in the last few years to ensure that the manager recognized that (s)he is accountable for use of the project resources and overall performance of the project.

![Figure 9. Innovation Driving Culture](image-url)
Top management support is recognized as a key success factor behind new products and services therefore we explored this issue with respect to PPM. For half the firms the responsibility for PPM lies with the Executive Committee (Figure 10). Whilst it is satisfying to see that PPM responsibility resides at a high level within the organisation, it is important that this is an effective control over the process rather than just lip service or a rubber stamping of a process carried out lower down the organisation. Often it was perceived that the centre does not understand the issues at the business level affecting the processes.

There was also considerable variation in whether there was visibility of all the portfolio of project activity at any single place in a company. This had been identified by the emerging breed of Business Transformation and Change Directors as a pressing need that they were trying to address.

In only a few companies could a single point in the organisation be identified as having visibility of all project activity, with most showing that the information could be assembled from a number of sources if required. Given the underpinning role of IT in most projects, often IT departments are best placed to assemble the portfolio of project activity for the company. Two companies highlighted the importance of a formal Design Authority to maintain visibility of IT-based projects.

To further explore the perceived importance of the PPM process within companies we assessed the degree to which project portfolio reviews have visibility at the highest levels of the organisation; the degree of top management support for the portfolio management process; the degree of resources available to support the portfolio management, and the extent to which the relevant information is available. All differences between the leaders and the laggards were significant (see Figure 11).
While project portfolio reviews in some form have visibility at the highest levels of the organisation, we found a lack of top management support for the portfolio management process. Most companies reported both a lack of information and a lack of resources to support the portfolio management process. Indeed both the interviews and the subsequent questionnaires suggested that project portfolio reviews are hindered by the lack of available information.

The detailed information from the questionnaires provides a slightly different picture to the interviews, in that companies reported that:

- There is typically a central group that approves funding in relation to the project portfolio
- Portfolio management is driven by a cross-functional steering group
- All parts of the organisation make a contribution to the portfolio review process

Whilst cross-functional steering groups were present these were often not working as a team. Rather there still existed a ‘silo’ mentality with the members representing the different business units instead of the group.

Although top management says they support PPM, they do not seem to be backing this via action. The PPM process requires information from many different areas of the business. If it is not perceived to be important within the firm, people will not make the effort to collate the required information, or will only make it available in a sub-optimal format. The majority of interviews could not identify any process other than strategic reviews where the company portfolio was addressed and even then only at the very highest level.


4. PPM Governance

4.1. Project Governance and the PMO

Governance of projects has been an area of concern for the majority of companies and so project management processes support governance. Most companies have a Project Management Office (PMO) whose role is to define, collect and analyse project reports, in order to brief senior management on progress and issues. In a few cases the PMO has additional roles, including supporting and developing project managers and project management practices, and sometimes control over the supply and management of project managers. One company had separate PMOs to cover macro and micro project management aspects, in order to better support senior management control.

In smaller companies, the PMO role may be performed by the IT department as part of its activities, but additionally governance is often conducted through individual meetings between senior management. However, in one case we found that a centralised department not only supported all PMOs but acted as a ‘super PMO’ for all of the company activities.

Time-based project reports appear to be the normal approach although a few companies stressed that issues and/or conflicts for senior management attention would not be held until the next review. The review time varied between companies from weekly to monthly and sometimes between the formal processes informal review meetings occurred. Where projects had multiple sub-projects the review period could vary between sub-project and project level. Similarly where there were programmes formed of multiple projects, reviews of individual projects could vary.

Most reviews were text-based with simple – Powerpoint/Excel – tools only. All companies used RAG/heatpad reporting to highlight adverse trends and issues. However, one company stressed that managers in financial service companies were very comfortable with ‘numbers’ as a report format. Nevertheless only one company stressed the use of metrics in project reviews.

The size of company can impinge on the review process. In smaller companies, reviews were very personalised and conducted by the few people who run the company. Elsewhere in large divisionalised businesses the organisational structure leads to multiple reviews of project activity at varying degrees of consolidation or visibility based on value/risk of project.

4.2. Status of PPM Processes

It is at the portfolio level that we found the most variation between companies. Despite the fact that the importance of managing projects as a portfolio has been recognised for some time, the adoption of mechanisms to achieve this is somewhat lacking. The maturity of portfolio management processes in the companies varies, with most processes having only been recently introduced and with many companies still putting processes in place and not yet fully operational (Figure 12). It may be that where processes have only been recently introduced in the last 2-3 years that they have had insufficient time to make a positive impact on company performance but we can only speculate at present.
On the whole these portfolio management processes were of an ad-hoc nature. The majority had no formal portfolio process beyond the direction given by the company strategy process and did not appear to recognise the need for a systematic approach to PPM. One recognised the need for a formal process and had implemented some processes that partially satisfied the need, allowing some aspects of balancing the portfolio to be addressed. Small companies achieved portfolio management by virtue of control being vested in a small senior team.

Most companies hold strategic reviews and project portfolios are reviewed at this level. The reviews are usually time-based and companies reported monthly reviews as the norm (see Figure 13) but they can be triggered by an unforeseen event such as the recent financial crises or a change of CEO. Given the nature of the projects (especially the apparent predominance of relatively small, low-risk projects) and the fast-paced nature of the business environment, those companies leaving a year between project reviews are asking for trouble. Action will probably be too late to correct any problems.

PPM is a cross-functional process. Effective PPM needs coordination between different departments as well as a common understanding of the goals of PPM. However it was found that the need for a portfolio review process driven by a cross-functional steering group, with a high degree of involvement by all parts of the organisation, and with a central group that approves funding in relation to the project portfolio, did not differentiate between the leaders and the laggards (see Figure 14).

It seems that trying to force integration via formal mechanisms does not work. A better approach may be to encourage involvement by different functions in the PPM process, by creating a collaborative environment where information and ideas are freely exchanged and problems are solved in a climate of mutual trust and understanding. However this is not always easy to achieve.
4.3. Quality of PPM Processes

In general it was perceived that the firms' were good at sequencing and ordering of projects but not very good at the decisions about which projects to do and which ones not to do. We further explored the approach companies take towards PPM to understand not only who was responsible but how the portfolio was managed. Specifically we looked at the quality of the companies' PPM processes by evaluating whether:

- the project portfolio is regularly evaluated against current business strategy;
- all projects are ranked and prioritized on a regular basis;
- the evaluation criteria are applied consistently across all projects, and
- reviews of the portfolio follow clear and transparent rules and procedures.

Sometimes companies have formal review processes but then allow numerous projects to bypass the formal process for various reasons (often as the result of internal politics). This is another indicator of a poor quality PPM process. There should be few exceptions to the review process.

Figure 15 shows that the quality of the PPM processes is significantly associated with performance (with the exception of transparency). The laggards have a particular problem with consistency. They may have PPM processes but these are only likely to be applied on an ad hoc basis, leading to confusion within the organisation.
A fuller exploration of the implications of the quality of PPM processes is made later in this section and the next.

Companies were asked to assess the structure of their portfolio processes against a number of criteria (see Figure 16). With the exception of budget reallocation these items did not significantly differentiate between performance groups.

Formal processes have long been recognised as a key driver of project performance, whereas companies in our sample have not established formal project portfolio management processes. This may be as a result of the emergent nature of PPM. It is difficult to have a formal process if there are few standards on how this process should look. In the future we would expect PPM processes to be more formal.

A popular approach to PPM is, at the start of the portfolio planning process, to allocate budgets/resources into specific targets in terms of: either business areas (e.g. set development budgets in different markets) and/or types of projects (e.g. process developments, product developments etc.). Neither of these had a direct link to performance. However further analysis showed they were linked to the quality of the development portfolio. Perhaps more important is to reallocate budgets between different development projects. As the portfolio changes and evolves it is important to be flexible in what the company is doing.

A major criticism of formal processes is that often they can be too bureaucratic. This is echoed here. Whilst the higher use of formal processes corresponded to better company performance, the laggards found that they were too bureaucratic (see Figure 17). Effectiveness does not necessarily mean that managers find the processes supportive. Whilst it is important to have consistency, transparency etc. the process should be a light touch rather than a heavy-handed form-filling approach.
4.4. The Portfolio Mix

In order to achieve satisfactory performance it is important to have the correct mix of projects under development at any one time – this is the aim of project portfolio management. The correct mix can be assessed on a number of dimensions including the effective utilisation of available resources, its alignment with the business objectives and strategic intent of the company, and the balance in terms of project types. Overall, managers from the leaders are highly satisfied with the mix of projects in their portfolio (see Figure 18). Whilst the quality of the portfolio for these companies was higher than those of the poorer-performing companies, this difference was not significant. It may be that companies are willing to sacrifice balance for strategic goals as opportunities arise.
There are two clear differentiators between leaders and laggards when they are developing projects. The first is to try and do too much, developing too many projects. This issue was highlighted in our interview with a non finance company (see example 2). This organisation referred to the need to reduce the number of projects as an output from an international benchmark study in their industry. The second is being too conservative in their choice of projects. There is often a fear of failure in organisations which leads to managers choosing the soft option.

Figure 19 shows the laggards have a mix of projects in which nearly half are considered to be relatively small low-risk/low-payoff projects. It is hardly surprising that these companies are not performing very well in the marketplace. We found a few firms thought they were taking too many risks but a large proportion would rather err on the side of caution. Few firms seem to have found an “optimal” level of risk. The poorer-performing companies also perceive that they have too many projects ongoing at any one time (see Figure 20). As a result they are spreading their limited resources too thinly. There is a strong relationship between the volume of the project portfolio, the development performance and ultimately the success rate of the projects being developed (see Figure 21). The simple message appears to be that managing down the volume of projects leads to improved performance. This may, however, be over-simplistic and there needs to be a consideration of both the type of project as well as the volume.
A final aspect of a company’s project management ability is its willingness to act on the results of portfolio reviews. One of the benefits of having a high-quality or robust PPM process is that it makes it easier to cancel projects that are no longer relevant or do not provide value to the company. Figure 22 shows the relationship between the quality of the PPM processes and the ability of the company to cancel projects. This demonstrates that companies that are poor at acting on their reviews damage their performance. We can summarise these findings in a route map to project success (Figure 23). The route starts with having a high quality PPM process which creates the ability to adapt the project portfolio on an ongoing basis, thus keeping the project pipeline to a manageable volume and ultimately upping the project success rate.
Figure 23. The Route to Success
5. PMM Systems and Tools

5.1. Project Management - a PRINCE among Processes

All but five companies that we interviewed use PRINCE2 or guidelines from the Project Management Institute as a generic benchmark for their project management processes and practices. The other five use customized project management processes. However, few of the ones that use PRINCE2 do so without some form of customisation - a number of companies stressed that they seldom deployed anything 'off the shelf' because their business was 'different'. Customisation was essential to get support for adoption in the organisation.

Three companies operated different levels of project management, describing ‘light touch’ processes for lower cost and lower risk projects. Generally IT departments operated more rigorous processes than business units.

However, in practice not only do companies use different project management processes but there is even a tendency for different parts of companies to adopt variations of the process. Four companies freely admitted that processes varied quite widely across divisions within the company.

Proprietary Systems and Standards

Four companies had introduced software systems such as CLARITY (see Glossary). Its ongoing usage varied considerably, often being confined to IT departments and for recording time allocation to projects, having being found too complicated for general use.

A few companies commented that they had tried sophisticated systems and found that existing company processes were too immature or fragmented to support ongoing use. Given that the theory and previous studies had suggested that project portfolio management was at the apex of management processes in companies, this finding is perhaps unsurprising.

It may also reflect a belief that software can solve all management problems if the right system is purchased. Nevertheless two companies who had introduced such systems in the last two years were reliant on the systems to deliver the desired portfolio management.

5.2. The Project Manager

The role of project manager was well-defined in nearly all companies, with most offering training, accreditation and a career ladder. In some companies the IT department supplies project managers for any project involving IT – which tends to be most projects – but most companies have project managers throughout the organisation.

Project managers are graded in some companies according to training and experience, with the higher graded PMs being allocated to the most important or pressing projects. For example, acquisition integration projects often involve the higher graded PMs because of the need to understand and integrate different systems.
An emerging trend is towards LEAN and Six Sigma variations of Project Management processes and some companies are training/recruiting PMs with these added competencies.

5.3. Portfolio Management Tools

Project and portfolio management requires tools to help managers control and optimise their portfolio of projects. We were interested in which tools were the most useful of those available to managers. This has proved the hardest question to evaluate. A comprehensive list of tools was identified from prior studies and preliminary interviews with consultants (these are listed in Table 1).

We asked the extent to which a range of tools have been employed by the company (see Figure 24)⁴. As can be seen, the most used tool is standard financial calculations e.g. NPV, IRR, ROI. However it was still a popular view amongst the firms that nobody was looking at the NPV value of the portfolio in its entirety. Next are relatively simple checklists; Performance dashboards; Rank ordering; Basic visual tools e.g. histograms, pie charts; Scoring models. The tools that were least employed were the more complex systems based tools: Decision support systems; Decision trees, and Portfolio management software.

We also assessed how these tools were principally used i.e. as models in structured decision-making, or simply as discussion points to aid understanding. It was interesting that the more simple tools were employed as decision-making tools as well as a discussion tool, while the more complex tools were used purely for discussion. We did not identify any tool that was used purely as a decision-making tool.

During the interviews we heard that managers in financial service companies were ‘comfortable with numbers’ and that the more complex tools took time, training and perseverance to be adopted throughout companies. The lack of use may be due simply to the fact that the complex tools are not very well understood and therefore are not fully utilised. In addition some firms were still trying to get a database together to show all the projects. Without this first step the value of the more sophisticated tools are limited.

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⁴ Measured on 5-point scale: Never used (1) to Used extensively (5)
Usage of tools should be driven by their capability to improve performance, and so we explored the relationship between the usage of these tools and the performance of the company in delivering projects that boost company performance. However, few relationships were evident. We did not find any difference in average tool usage between the laggards and the leaders. It appears that it is not so much the use of these tools but how well they are used that is important in driving performance.

Further support for this comes from an observation from some of the interviewees that they have been through a cycle of introducing tools before only for them to be withdrawn and another approach taken. This has been described elsewhere as the ‘sheep dip’ approach – in one year the ‘sheep dip’ is TQM, the next year it is balanced scorecard and the following year it is portfolio management. Success requires consistency and this is more likely to happen if the PPM process is an integrated part of the overall strategic management process.
6. PPM Capabilities

6.1. PPM Dimensions

Managers can assess a company’s portfolio of projects along a number of dimensions. These include at the strategic level the priorities of the portfolio and at the operational level its resource requirements.

**Strategic Priorities:** Specific elements addressed in our study were:

- The business case/value of each project;
- The overall value of the portfolio;
- The impact of each project on the company’s strategic position;
- Whether the project leveraged competencies;
- The relative priority of each project;
- The risk profile of each project

We assessed the perceived importance of the different criteria but as this does not necessarily say anything about the usefulness of such criteria to the company we also measured the company’s ability to assess each of these criteria. These two measures can be combined to indicate the extent to which improvement in the ability to assess each of these dimensions would have an impact on the companies’ overall PPM capabilities.

The impact profile differed between the leaders and the laggards (see Figure 25). The laggards in particular are struggling to assess the value of their portfolio, whereas the on the whole the leaders had solved this. Surprisingly the leaders were most concerned with their ability to assess the project’s business case. This may reflect that IT/IS departments are recognising that they must get closer to the business units to truly understand the need for certain projects. And also, possibly, a realisation that companies must go beyond purely looking at costs when planning projects and concentrate more on their potential impact.

Both groups thought they should improve their risk management abilities. This was supported in the interviews, where risk was seen to be a major focus of project processes with a specific department in the company tasked to review and manage all risks. The focus on risk control may explain why the majority of projects are of relatively low risk, whereas a better balance of risk projects might deliver more effective portfolios.

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5 On a 5-point scale: (1) low importance to (5) high importance
6 On a 5-point scale: (1) very poor to (5) very good
Figure 25. Potential Impact of Improvement in Assessing Aspects of Strategic Priorities
**Resource Requirements:** Specific elements addressed in our study were:

- The current position from ongoing projects in terms of the resources required to complete the project;
- The optimum allocation of scarce resources across the portfolio;
- The current position from ongoing projects in terms of their continued importance and viability;
- Both the long- and short-term resource and budget requirements of each project;
- The dependency of one project on another project in the portfolio.
- The capability of the business unit to deliver.

The potential impact of these dimensions is shown in Figure 26. Both leaders and laggards would like to be able to assess more confidently business units’ capacity and capability to absorb more projects. This may be a particular bottleneck in this sector.
In general, capacity issues seem to be a concern, with the laggards struggling to allocate resources amongst their projects. Another issue faced by the laggards is the ability to assess the viability of projects on an ongoing basis. Without this capability companies are not able to kill projects that are no longer relevant or have been superseded.

6.2. Balancing the Portfolio

One of the most difficult areas of managing a portfolio of projects is dealing with the interdependencies between projects. Such interdependencies make it difficult to assess the viability or importance of any one individual project. This was a process that varied across companies.

In some, it was assessed during the business case process but others relied on central departments to assess interdependencies, particularly where IT infrastructure and platforms are involved. One company admitted that interdependencies often only surfaced during the project and were dealt with pragmatically.

To further investigate this area we measured the extent to which companies take into account the following interdependencies in portfolio evaluation (see Figure 27):

- Synergy between projects in the portfolio
- Resource dependencies (projects requiring same resources)
- Technical interdependencies (projects requiring same technical platform)
- Market or usage interactions (projects that complement each other)
- Knowledge and capability development

The only aspect where there was not a significant difference between the leaders and the laggards was in terms of synergy.

Portfolio balance is the final aspect of PPM capabilities that we investigated. We can separate balance at the strategic level - i.e. in terms of the different business domains the company is investing in, the types of projects (e.g. process, product improvement, innovations etc.) and the risk level of each project - from that at the operational level - i.e. the relative size of each project (e.g. large vs small development cost), or the relative stage of each project in the development cycle/process. Companies consider that balance at the strategic level to be more difficult than operational considerations (see Figure 28).
Figure 27. Project Interdependencies Evaluated in PPM

Figure 28. Capability to Achieve Balance in the Portfolio
As discussed earlier, the laggards have trouble assessing the risk of projects therefore it is not surprising that they have trouble balancing this risk. The laggards also have trouble balancing the types of projects. This may be the result of different aspects of the business putting forward specific types of projects for their own needs, without anyone of sufficient seniority taking a helicopter view of the entire portfolio.

The majority of companies relied on strategic balancing – for example, a few companies highlighted that the Executive Board had focused on emerging geographic markets and so project activity had to support this. Others stated that the portfolio of activities was set at ‘amber’ risk to stretch the company, while some noted that there was too much short-term focus without any formal process to address this.

Recent events suggest that too many companies took too many risks so the current approach to managing risk is either ineffective or was not applied properly. Perhaps a focus on balancing risk would lead managers to view the activity through a clearer lens.

Earlier we discussed the different tools firms are employing to control their portfolios. These tools varied considerably in their scope and type. Therefore we looked at which tools were associated with the ability to assess the strategic and operational dimensions of the portfolio and its balance. The top three tools associated with each area are listed in Table 2. As expected the financial tools dominate but the table list a large number of different of tools. It is clear that no one tool can do everything and it is better to have a toolbox with a variety of tools that can be employed as and when needed. One of the drawbacks of more formal procedures for PPM is that often the tools are specified up-front. A more flexible approach is probably needed.

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Strategic Value</th>
<th>Resource requirements</th>
<th>Strategic balance</th>
<th>Operational balance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Key Tools</strong></td>
<td>Financial tools</td>
<td>Financial tools</td>
<td>Rank ordering</td>
<td>Financial tools</td>
</tr>
<tr>
<td></td>
<td>Checklists</td>
<td>Pie charts etc.</td>
<td>Decision support</td>
<td>Bubble diagrams</td>
</tr>
<tr>
<td></td>
<td>Dashboards</td>
<td>Decision trees</td>
<td>systems</td>
<td>Diagrams</td>
</tr>
<tr>
<td></td>
<td>Bubble diagrams</td>
<td></td>
<td>Strategic buckets</td>
<td>Portfolio software</td>
</tr>
</tbody>
</table>

Table 2. Top Tools Associated with each Strategic Area
7. Conclusions and Managerial Implications

7.1. Key Issues in PPM

PPM Systems and Tools

In terms of systems and tools, the only consistency was the lack of consistency! Key points:

• All companies use a project management process but it varied across companies, divisions within companies and even projects.

• Only one company had an established, formal portfolio management process although the hands-on management approach at the smaller companies provided elements of portfolio management. Three other companies had introduced processes in the last two years but were not yet fully operational.

• In only a few companies was there project portfolio visibility in a single place and this lack of visibility was a stated problem for the Change/Transformation Directors who were being appointed over the period of our study.

PPM Climate

Financial Service companies do not appear to have treated project portfolio management as an important process for the business. This may reflect the nature of the business – for example pharmaceutical companies are rigorous in their approach to portfolio management, but each new project for them involves long term, major investment and even a few failures could destroy the company. Similarly, global oil companies invest in multiple products and along the length of the supply chain. Resources must be spread from exploration to retail – sometimes on expensive and high risk projects – so managing the portfolio and the associated resources is a key company focus.

In financial service companies the focus seems to be at project level, and project failure is ‘career limiting’. This even results in avoidance of highlighting project problems early to seek help, and so RAG reports might suddenly go from green to red.

PPM Governance

Our research found that financial service companies and their processes were very focused on managing risk at low levels. Balancing portfolios to contain a range of risks was not a concept that resonated in any of the interviews. Furthermore, the companies appeared to be customer-driven, resulting in a preponderance of incremental change projects, a lower risk activity than major change projects – for example to disrupt existing markets and create new ones. Some interviewees pointed out that the terrorism threat in the aftermath of 9/11 had led to increased centralisation and control, and that easing this to permit a more distributed decision making was proving difficult.
All companies involved senior managers as part of the project approval and review processes, with involvement often depending on cost or impact. Whilst few companies had a project portfolio management process, all relied on top management to provide strategic direction on which project priorities were based. In a number of divisionalised companies there appeared to be a dynamic tension between the heads of divisions/business units and top management on freedom of choice to both adopt processes and to select projects. The annual budgeting exercise was usually the tool for resolution.

However, the recent emergence of Business Transformation/Change Directors also appeared to be driven by a top management desire to understand and control the activities of the companies in order to better utilise resources to deliver the company strategy – the key benefit of portfolio management.

**PPM Capabilities**

The leaders demonstrated a capability to focus on both strategic and operational priorities. This strategic view allowed resources to be directed to the projects that best fitted the objectives of the company. However, PPM capabilities are currently limited – project interdependencies and portfolio balance are not effectively managed in the majority of companies.

**Portfolio Quality**

Unsurprisingly, given the conclusions on other performance indicators, few expressed total satisfaction with the portfolio quality, although the more detailed analysis permitted by the post interview questionnaires divided the sample into two clear levels of performance. This was enabled by self assessment within the companies of successful completion rates for projects, based on meeting time, cost and specification objectives.

It was noticeable that companies with higher project success rates – the better performers – were more satisfied with project mix and portfolio processes, and with corporate growth and competitive performance. In our conceptual model the last two are driven by the portfolio quality.

**7.2. The PPM Maturity Model**

Whilst it was clear that companies were at different stages of PPM maturity, being able to understand the overall anatomy of maturity is the first step to planning a transition to full maturity. Our analysis suggests that there are eight dimensions along which maturity may be measured (see Table 3) and that these dimensions cluster into four groups which we have called Unformed, Emergent, Developing and Mature. Reaching maturity requires action on all of the dimensions so just adopting a PPM software package will be unsuccessful. Company systems and processes, including those that create the project climate, must be aligned with the strategic focus of the portfolio.
### Table 3. PPM Maturity Model

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Unformed</th>
<th>Emergent</th>
<th>Developing</th>
<th>Mature</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Project management</strong></td>
<td>Uncontrolled and inconsistent</td>
<td>Standard but not mandatory. SM influences PMO control and report.</td>
<td>Mandatory and company wide. SM manages. PMO support and report.</td>
<td>Mandatory and company wide. SM manages. PMO support &amp; report</td>
</tr>
<tr>
<td><strong>systems &amp; tools</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PPM processes and tools</strong></td>
<td>Uncontrolled and inconsistent</td>
<td>Divisional and inconsistent. SM leads</td>
<td>Mandatory but fragmented. Simple software tools.</td>
<td>Mandatory and company wide –SM manages. Special software support integrated database visible to SM and to Board</td>
</tr>
<tr>
<td><strong>Project databases</strong></td>
<td>Multiple, uncontrolled databases</td>
<td>Multiple, controlled databases. Visible by special action.</td>
<td>Multiple but linked databases. Visible on request.</td>
<td></td>
</tr>
<tr>
<td><strong>PPM climate</strong></td>
<td>Inconsistent and unsupportive - punish the guilty</td>
<td>Divisional and inconsistent. Driven by governance. Sometimes punish the guilty</td>
<td>Mandatory formalisation, collaboration and control.</td>
<td>Strategically aligned formalisation, collaboration and control</td>
</tr>
<tr>
<td><strong>PPM capabilities</strong></td>
<td>Varied - unknown interdependencies</td>
<td>Standard but debated. Known interdependencies</td>
<td>Mandatory. Known dependencies Strategically aligned.</td>
<td>Strategically aligned, analytically sophisticated Known dependencies Explicit strategic &amp; budgetary control</td>
</tr>
<tr>
<td><strong>Portfolio balance</strong></td>
<td>Not considered</td>
<td>By strategic direction but general</td>
<td>By strategic direction but focused &amp; managed</td>
<td></td>
</tr>
<tr>
<td><strong>PPM governance</strong></td>
<td>Uncontrolled and inconsistent</td>
<td>Standard for reporting up. SM reviews. PMO collate.</td>
<td>Mandatory and company wide format and standards. PMO collate</td>
<td>Formal, regular and consistent SM manages. PMO collate</td>
</tr>
<tr>
<td><strong>Metrics</strong></td>
<td>Focus on financial metrics by project</td>
<td>Focus on financial metrics by project. Progress checks</td>
<td>Focus on financial metrics by project. Progress check PMO collate</td>
<td>Varied metrics-Measured in real time. Wide access</td>
</tr>
</tbody>
</table>

1. Strategic management.
2. Project management office.

Figure 29 illustrates this by placing the four groups into a matrix formed by an analysis of systems used and the climate of the organisation. This analysis also suggests that some companies might lie outside the four maturity groups that we identified, either as those that are *ill-prepared* or those that are *ill-equipped*. The *ill-prepared* put systems in place without changing the alignment of the organisations. Often in such circumstances the tools quickly get discarded or get misused. The *ill-equipped* attempt to change the focus of the organisation without putting in place the systems that enable people to effectively carry this out. Whilst we did not find any company that could be classified as ill-prepared, the smaller companies tended towards the ill-equipped classification, certainly newer ones.

### 7.3. PPM – The Current State of Play

Successful project portfolio management requires managers to address and manage a number of important issues within the company. In the 1990s, an analogy with flying aircraft had suggested that company managers needed a strategic dashboard showing the key performance indicators to manage a company’s strategy. Typically, the pilot (or CEO) would give different degrees of focus on different performance indicators at different times – for example the altimeter and speed becomes important when flying over mountains whereas speed and fuel levels become more important towards the end of a flight.
The concept model that we introduced at the beginning of this report highlighted key performance indicators that needed to be addressed if the company was to deliver a successful portfolio. An overview of performance – split between the leaders and the laggards - is shown in the dashboard below (Figure 30), using the RAG concept to highlight issues.

These dashboards indicate that there needs to be urgent attention in some areas. Our research suggests that there is some variation between companies, which might lead to an all green dashboard in one or two cases and overall red indicators for Systems and Tools and for Governance in a few cases, but generally the above holds true.

A comparison of results from the sample revealed that better performers were more likely to:

- have higher satisfaction levels with strategic value, strategic balance, operational balance and resource utilisation
- address project interdependencies before projects commenced
- cancel failing or even successful projects if the context changed
- re-allocate budgets or use strategic bucket approaches to allocating resources
- see portfolio reviews as being too bureaucratic
- have higher degrees of formality, co-operation and evaluation in project management processes
- seek innovation and accept failure as a necessary cost of innovation
The study suggests that senior management needs to address a number of issues to improve portfolio and corporate performance.

1. Portfolio management must be placed within the company’s strategic context:
   - portfolio management is a delivery tool for strategy – portfolio management involvement starts at Board Level
   - portfolio management cannot stand alone – there is a need for the integrated approach suggested by the pyramid of management
   - portfolio management cannot be solved by just parachuting in new software

2. Portfolio management should be focused on building a balanced portfolio – currently there is an imbalance across both risk and scale of innovation.

3. Portfolio management should specifically address the volume of projects as fewer projects correlates to better performance – however the type of project is also important.

4. Although project management is well established, it is often ineffective and managerial attention is needed in two particular areas:
   - project interdependencies
   - killing projects

5. Project management climate is important to performance but is currently governed by a focus on identifying and punishing the guilty – managerial support to encourage early and honest reporting of issues is required.
**Glossary**

**Clarity**

A proprietary project and portfolio management tool offered by CA (www.ca.com/us/project-portfolio-management.aspx) promoted as a way to increase efficiency through best practice project execution, resource optimization and comprehensive project management.

**Dashboard**

A method for giving an overview of project or programme status on a single screen or page, in the same way that a car or aeroplane dashboard provides information on a number of performance measures at the same time. Information can be displayed as a number and/or colour to indicate performance.

Project dashboards are an output of some project management systems, for example Microsoft Project.

**Lean**

Lean (manufacturing) is a production practice that considers the expenditure of resources for any goal other than the creation of value for the end customer to be wasteful, and thus a target for elimination

**Microsoft Project**

A proprietary software system that provides the capability to manage and record inputs and outputs to projects and produce graphical and text reports using standard Office software.

**PRINCE2 (PRojects IN Controlled Environments)**

PRINCE2 is a process-based method for effective project management. It is a de facto standard used extensively by the UK Government and is widely recognised and used in the private sector, both in the UK and internationally. PRINCE was established in 1989 by CCTA (the Central Computer and Telecommunications Agency), since renamed the OGC (the Office of Government Commerce). PRINCE was originally based on PROMPT, a project management method created by Simpact Systems Ltd in 1975. PROMPT was adopted by CCTA in 1979 as the standard to be used for all Government information system projects. The method PRINCE2 is in the public domain, offering non-proprietorial best practice guidance on project management. PRINCE2 is a registered trademark of OGC.

**Project Management Institute (www.pmi.org.uk/)**

The Project Management Institute is the global professional association for project programme or portfolio managers and PMO officers. PMI UK is the United Kingdom branch. The core purpose of PMI is to advance the practice, science and profession of project management throughout the world. PMI's goal is that worldwide, organisations will embrace, value and utilise project management and attribute their success to it.
RAG

A form of project reporting that uses colour to highlight performance:

- **Red:** not on track and not in control
- **Amber:** not on track but in control
- **Green:** on track and in control

If any element (time, budget or quality) of project performance is Amber or Red, then the project is Amber or Red respectively.

6 Sigma

A data driven methodology originally developed by Motorola that aims to limit defects in manufacturing to 3.4 per million opportunities. It is also used to improve business processes. This is based on statistical methods which seek to ensure that a mean of the process is within six standard deviations of the nearest specification limit. Six Sigma is often linked to Lean.
References


ea Consulting Group (eacg)

eacg is a significant and established management consultancy. We define, design and deliver projects that increase revenue, reduce costs, and meet governance standards. With our clients, we have delivered several hundred projects since we began operations in 1998.

ea Consulting Group are proud recipients of the high rank of 22 in the 2008 Sunday Times Virgin Fast Track 100.

Corporate profile

When eacg was established in 1998 to provide project and programme management services within the financial services industry. We still do. But we have significantly expanded both our services and the areas where we operate.

We now advise on and deliver all aspects of change. Typically, our consultants:

- Solve problems, by analysing the root causes of business issues. Identifying the right things to do, in order to move clients' business forward
- Design solutions to issues. Allowing clients to address the issues in the right way, and
- Deliver effective and durable change. By providing the right resources to make sure that change properly impacts clients’ processes, and systems, and people.

We and our people have worked extensively in the area of project portfolio management, helping blue-chip institutions in the financial services sector to improve how they select, govern and deliver their change portfolios.

Contact us

To understand more about how eacg benefits its clients, please contact us at one of the numbers below. Or e-mail us at: info@eacg.co.uk

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Cass Business School
The name for City University's Business School is Sir John Cass Business School, City of London or Cass Business School for short.

Sir John Cass's Foundation
The Foundation has supported education in London since Sir John Cass set up a school in Aldgate in 1710. He was born in the City of London in 1661 and served as MP for the City. He was knighted in 1713.

In May 2001, the Foundation made a generous donation to the Business School’s new building project and continues to provide on-going support to the Business School.