PORTFOLIO MANAGEMENT. A SIMPLE CASE OF CHICKEN AND EGGS- FIVE STEPS TO SUCCESSFUL PORTFOLIO MANAGEMENT

By Paul Hodgkins

What came first; the chicken or the egg?

Was it Adam and Eve that gave birth to all of mankind, or was it a case, as Charles Darwin would have us believe, of natural evolution?

These philosophical questions are designed to challenge us and to make us explore; they require us to examine, to discuss and to ponder and then, and only when we have done all of that, they allow us to draw our own conclusions…..and so my philosophical question is this; what came first, the project or the portfolio?

Whilst undoubtedly awareness, understanding and application of portfolio management has grown immeasurably over the years as its maturity has increased, are we really saying that portfolio management never existed before we began to understand it?

Portfolio management has always been around; it's just that not all of us and not all organisations, have always 'been around portfolio management'.

Hence many a wrong project, in many a good business, has been undertaken the right way many times, but often for too many of the wrong reasons!

Organisations which undertake portfolio management well and demonstrate high maturity, (not only in their approach to portfolio management, but also in understanding and developing their organisational and individual project and programme management capabilities); recognise portfolio management can bridge, at a strategic level, the void between their strategic intentions and their ability to deliver against them.

In short, they understand that their strategies can only be delivered through those projects, programmes and change transformations required to do so. They also recognise that as their own and their customers business world and environments change, then so must they.

They recognise it's all about the right strategic projects, being undertaken at the right moment in time and for the right reasons whilst also accepting that those self same right projects, still have the capacity (through no fault of their own necessarily), to deliver the wrong results. When they recognise that the 'wrong results' are potentially going to be delivered, they are ruthless about cutting those projects free, whilst at the same time are kind in 'growing' new projects on to the portfolio.

In my experience, there are five simple and yet powerful things, that organisations who 'get' portfolio management do well and these are those five things:-

1. THEY AGREE WHAT PORTFOLIO MANAGEMENT IS AND WHAT PORTFOLIO MANAGEMENT ISN'T

We can all point to our bodies of knowledge and give *the* definitions they state for portfolio management and that is fine and can indeed be very helpful. However; unless there is a common, consistent and agreed (at senior management or executive level), definition for portfolio management which is placed in *the context* of the business, the meaning of what it is, and what it isn't will be lost.

Why?…..because that meaning had never been found.

2. THEY AGREE WHAT PORTFOLIO MANAGEMENT IS ACTUALLY AIMING TO ACHIEVE

This might seem to be a simple thing to say; of course we know what we are aiming to achieve as a result of portfolio management….don't we? In practice, I have found it to be a difficult thing to reach a common consensus on; is it *really* only about filling the strategy to delivery gap, or is it *really* about optimising organisational and people resources to those projects, programmes and changes that will deliver benefits for the business, its customers and its stakeholders….or is it aiming to achieve something else entirely?

Ensuring there is a common understanding, from board room to tea room of what portfolio management is actually aiming to achieve is crucial and remember of course, what portfolio management is aiming to achieve 'today' for the business may be different for the achievement required of 'tomorrow'.

The organisation therefore must regularly review what its portfolio is intended to achieve, what the portfolio has actually achieved, and then anticipate what needs to be achieved in pursuit of its strategic intentions making adjustments accordingly.

3. THEY AGREE WHICH PROJECTS, PROGRAMMES AND CHANGE TRANSFORMATIONS FORM THE PORTFOLIO

Of course, there can be portfolio management at all levels of an organisation, not only at a strategic level. Here though, I am referring only to that 'strategic layer' of the oh so typical strategy triangle…..you know the one I mean…..don't you?

If you were to place your hand on your heart, are you absolutely certain you, your senior management or your executive board know which projects (and I am now going to use this term as a 'catch all' for all programmes and change initiatives as well), are *really* those which are 'strategically critical' (however your organisation may choose to define the term critical)?

And even if you – and they – did, can you *really* be certain you know how each is performing, or whether the winds they are creating are genuinely propelling the organisation forward or are actually moving it backwards or sideways, or worse still, are about to blow you over?

Are those projects listed somewhere and is there oversight of for example, their intended benefits, their resource allocations, their current and planned expenditure?

Is the risk *of* a project in the portfolio understood in terms of the risk it poses *to* the portfolio? Or how about project timeframes and milestone performance, key dependencies on or to the portfolio and whether the original project business case for a critical project still holds water and I could go on….and on….and on….but that will have to do for now.

I once worked on an assignment where the Chief Executive of the company told me 'all one hundred and forty nine ongoing projects in my business are business critical' and yet the same Chief Executive also wondered why his overworked project managers were low in morale, why organisational resources were stretched to beyond breaking point and projects were not being completed on time or were enabling intended benefits.

He was losing sleep at night because there had been a breakdown in trust between his business and the business of his customers. Huge strains had manifested on internal and external relationships and he even told me some of his closest friends were now some of his worst enemies.

I reminded him of George Orwell's novel 'Animal Farm' where the pigs, who had formed the government, had proclaimed to the other animals; *"All animals are equal, but some are more equal than others."*

When thinking about the projects that form your portfolio, so this principle should be applied; which of your projects are more equal than others?

Which deserve more attention, time and focus? Once that has been agreed, focus on those 'more equal' projects first, and the less equal projects second….but only when there are no 'more equal' projects left to focus on.

We always have time to do the things we do first and those first things I reminded him, could not be all one hundred and forty-nine projects.

4. THEY AGREE PORTFOLIO MANAGEMENT GOVERNANCE AND DECISION MAKING

Once it has been agreed which projects form the portfolio and indeed, what it is that the portfolio is aiming to achieve, it is absolutely vital to know how the management of portfolio management will in itself, be managed….in other words; how will governance be applied, enacted and enforced?

Who is empowered to make decisions and on what basis can portfolio decisions be made? What are the points of escalation if an impass is reached? Who *ultimately* decides….and does that person know, have they agreed and do they actually want to?

Which projects on the portfolio will remain, be replaced, be accellerated or slowed down? Which projects will receive those scarce, but ever so valuable resources over another? Which project managers will be assigned to those projects or changed between them and just exactly how will the business decide the priority of those projects which themselves have been classified as priorities?

5. THEY REGULARLY REVIEW PORTFOLIO PERFORMANCE

I've touched on this earlier, but you would be surprised (or maybe you wouldn't) by just how many organisations once they have determined the above four 'secrets', congratulate themselves on a job well done. They have huge celebrations with pats on the back all round and then forget that portfolio management is not – and never can be – a static thing.

The performance of the portfolio must be dynamically and regularly reviewed and decisions as to portfolio 'make up' taken; it's one thing knowing *how* governance and decision making will work, but quite another in *actually* making governance and decision making work. The most mature organisations meet informally and formally, but always promptly and regularly to reflect on the portfolio, to review its performance and to revisit its current and future make up. I've recognised a few key characteristics these meetings will display and I've listed them below:-

- They are ruthless in cutting once viable projects free and kind in nurturing new projects on to the portfolio
- They explain their actions looking only forward and are unapologetic to those projects now left behind
- They have no time for 'vanity projects' that absorb organisational resources as though they were a sponge to water
- They make time to review, to reflect and to revisit the portfolio
- They give stature, status and gravitas to the portfolio itself and to the people who are charged with its oversight
- They prioritise attendance of their portfolio management meetings and are constantly in discussion

Even if it's the case when they meet, there is nothing new to say, they will say it anyway. Why? Because it is their actions that speak loudest, not their words.

And most importantly of all, when it comes to whether the chicken or the egg came first; they know that the really philosophical question is not what came first, but what comes next.

[PAUL HODGKINS](#) - AUTHOR OF THIS POST

Paul joined Siemens in 1984 as a graduate trainee and within two years entered the world of Project Management. His enthusiastic approach and project business success was recognised in his project management of some key projects; most notably in the then government owned British Rail; the implementation of communications infrastructure programme for London Undergrounds' Jubilee Line Extension and a major telecommunications refresh programme across the Government Department of Social Security as well as in leading the communications implementation project for the Channel Tunnel Rail Link.

From February 2006 until June 2013, he was responsible for leading the PM@Siemens programme (Siemens global programme addressing project business) across the UK and North West Europe where his motivational and inspirational leadership style led to even greater levels of project and programme business success. His efforts led Siemens UK plc in 2008 to become the first corporate organisation in the UK to receive accreditation from the Association for Project Management. This was in recognition of Siemens UK plc's commitment to professional project and programme management development. In April 2009, Paul was nominated by 'Project Magazine' as one of ten 'key influencers' in the UK in relation to the profession of project and programme management. This recognition placed him in the company of the then Mayor of London, Ken Livingstone and Sir David Normington, the then Permanent Secretary to the UK Government Home Office. In July 2013 he established his own business, Paul Hodgkins Project Consultancy, where he has already begun to help businesses "unleash the power of projects and programmes". He continues to be recognised for his contribution in developing the project management profession and has written articles for and appeared in numerous project management publications.

Paul was appointed as a Fellow of the Association for Project Management (FAPM) in October 2009 and represented Siemens as part of the PMI Global Executive Council and APM Corporate Leaders Advisory Group. Paul also guest presents as part of University College London's MSc on the Strategic Management of Projects.