

ENHANCE BUSINESS OUTCOMES WITH STRATEGIC PORTFOLIO MANAGEMENT

A FRAME WHITE PAPER

Synopsis

Research suggests that strategic portfolio management is the key to organisations generating revenue while reducing cost. In fact, organisations that frequently use formal portfolio management practices and tools are significantly more likely to achieve a return on investment than those that don't.¹

That's because strategic portfolio management helps organisations to understand the content and structure of their portfolio of projects—as well as the investment demand—so they can prioritise programs and projects to deliver maximum value.

It assists organisations to overcome common business and project challenges such as realising and quantifying benefits, and establishing accountability for outcomes.

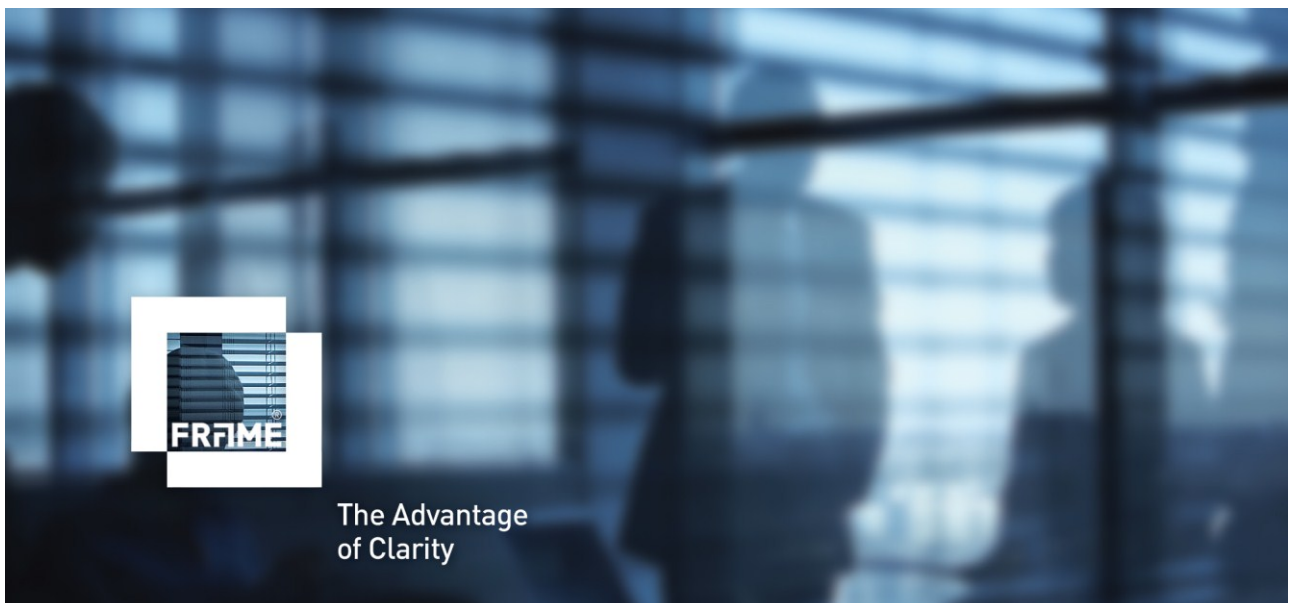
These are opportunities which can't be ignored—especially in industries where organisations manage large project portfolios, and especially given the

challenges of today's ever-changing business environment.

Strategic portfolio management makes a difference because it:

- helps determine which change initiatives the organisation should undertake to meet its strategic business objectives
- balances the project portfolio for 'do-ability' within the organisation's resource and funding constraints
- monitors and guides the chosen initiatives throughout their lifecycle and ensures the desired outcomes are achieved and delivered
- enhances transparency, accountability and corporate governance
- monitors risk and key performance indicators at the portfolio level in order to respond accordingly.

In this way, strategic portfolio management assists organisations to enhance business outcomes, cut costs and maximise their return on investment.



The challenges of managing a large portfolio of projects in an ever-changing business environment

All organisations face common business challenges in managing their change initiatives.

In order to cope with today's unstable business environment and, at the same time, continue to grow, organisations invest significant capital in programs and projects.

As new projects are implemented, it's assumed they'll bring about some type of benefit. But that doesn't always occur.

In many instances, promised benefits fail to materialise because change initiatives don't directly align with the organisation's strategic business objectives.

Another reason many portfolios of projects fail to deliver promised benefits is because of the increased complexity in managing a large number of initiatives simultaneously. This may be due to:

- several initiatives chasing the same benefits
- projects supporting opposing strategic objectives
- a lack of accountability for outcomes and benefit realisation.

Studies have found that many organisations can't balance resources across their portfolio, don't properly assess risk in the portfolio, and fail to understand project trade-offs.²

Many of these organisations still don't have a formal portfolio management process in place, nor the appropriate portfolio management experience. This means they're not in full control of portfolio costs and can't ensure that strategy, process and execution are completely aligned.

When done right, strategic portfolio management addresses these issues and helps organisations to consistently deliver business value.

What organisations need to do to effectively manage their project portfolio

Strategic portfolio management helps organisations to understand the content and structure of their project portfolio in order to prioritise programs and projects to deliver maximum value and benefits.

The key is for organisations to focus on the crucial projects that will deliver their desired outcomes.

According to international studies, when strategic portfolio management is done effectively, organisations can achieve up to 25% more benefits from their investment. Frame's experience bears this out, in some instances finding the return can be considerably higher.

Research indicates that organisations need to adopt and implement these seven steps to effectively manage their project portfolio:

1. Evaluate current project and program management practices.
2. Have experienced resources and a formal portfolio management process in place. This ensures there is visibility of the status of projects, as well as an understanding of their expected outcomes, issues and risks.
3. Put in place governance principles that address the acceptance criteria and management of project portfolios.
4. Identify key responsibility areas and key performance indicators that align project deliverables with the organisation's strategic business objectives.
5. Add new projects based on their alignment to strategic business objectives and their forecast return on investment.
6. Assess whether existing technology infrastructure is the most cost-effective and reliable platform to meet the needs of the organisation.
7. Engage and mobilise the workforce to create and implement the necessary organisation change for moving the project into operation.

Applying the discipline of strategic portfolio management in your organisation

In this uncertain business climate, strategic portfolio management provides organisations the assistance they need to better understand the content and structure of their initiatives and how they align with strategic business objectives.

The enterprise program management office also has a role to play, supporting strategic portfolio management to attain the desired outcomes by:

- practising good governance, where the senior executives and board oversee and review the portfolio to ensure strategies are implemented and benefits are realised
- facilitating the organisation's ability to successfully deliver projects by achieving the right mix of technology, strategy and people who proactively work together to create and implement change across the organisation
- improving and strengthening the organisation's capabilities in applying its knowledge, skills, tools and technology to meet project objectives.

By placing greater focus on governance and financial discipline, organisations can get a clearer picture of how to effectively manage their portfolio of projects, making best use of tools, processes and methodologies, customised for their circumstances.

These practices ensure that funding and other resources are allocated and managed appropriately to contribute effectively to strategic business objectives.

In this way, organisations are equipped to balance objectives and benefit targets with the constraints of resource availability, time, project spend and investment in strategic change programs.

It also allows a disciplined approach for identifying and documenting the issues, risks and alternative solution strategies, as well as the ability to respond quickly to any deviation from plan.

How a leading financial services organisation is using strategic portfolio management

Business need

The organisation was going through substantial transformation to address eroding market share and below-expected profitability. The business change requirements were being addressed by a large portfolio of projects.

However, many of the projects weren't fully aligned with the business strategy. And management suspected the transformation was being limited because the wrong

projects were being undertaken and that many weren't delivering the benefits promised.

Services provided and outcomes

The first stage of the engagement entailed a review of the organisation's suite of active and potential projects, followed by roadmapping the portfolio. This highlighted which initiatives best-supported the strategic objectives to respond to the market threat of new competitors, as well as which ones provided the best return on investment.

Taking into account cash and resource constraints, portfolio scenarios were modelled to ensure the right mix of projects were chosen, in the right priority, to achieve the desired business transformation.

Portfolio-level reporting, tracking and governance were introduced. In addition, the enterprise program management office and program management capability were bolstered. These mechanisms would ensure the organisation realised the benefits promised by projects.

As a result, the organisation improved its market share by 10% and improved its profitability by 17%.

Conclusion: making the impossible, possible

Using strategic portfolio management tools, processes and methodologies, and with the right experience, organisations can guide their change initiatives in a way that maximises the impact on the business's overall success.

It enables organisations to realise benefits, increase return on investment, provide agility and optimise performance—differentiators which make organisations more competitive.

¹ Project Management Institute, PMI's Pulse of the Profession: Portfolio Management, 2012

² Aberdeen Group, Project portfolio management: selecting the right projects for optimal investment opportunity, March 2011.

Want to know more?

Contact Frame to find out more about strategic portfolio management, and how it can help organisations achieve their strategic business objectives and enhance their business outcomes.

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