PORTFOLIO MANAGEMENT
Study Highlights

The most successful organisations are going to be the ones that find ways to differentiate themselves.

Organisations are increasingly recognising that portfolio management can help them make the decisions that will set them apart from their competitors. The trend was clear in PMI’s 2012 Pulse of the Profession report, based on an annual global study of more than 1,000 project, programme and portfolio managers. Over half of the respondents reported frequent use of portfolio management at their organisation, an increase of five points from the prior year’s survey.

PMI’s 2012 Pulse of the Profession In-Depth Report: Portfolio Management delves deeper into this topic, focusing on how it affects organisational success and on establishing approaches to develop effective portfolio management.

This report found that 62 percent of projects at organisations that described themselves as highly effective in portfolio management met or exceeded expected ROI.

Yet despite the quantifiable benefits of portfolio management, relatively few organisations have perfected the practice. The report outlines a three-pronged approach for improvement:

- **Elevate portfolio management to a strategic level**
- **Create a portfolio-minded culture**
- **Implement appropriate tools and practices**
Why Do Organisations Need Portfolio Management?

The projects an organisation has today demonstrate where it is now. The portfolio shows where the organisation is going.

A portfolio should be a true measure of an organisation’s **intent, direction** and **progress**. And portfolio management helps create a blueprint toward that vision.

**WHY DO ORGANISATIONS PRACTICE PORTFOLIO MANAGEMENT?**

- **Customer Satisfaction**: 73%
- **Cost Reduction**: 59%
- **Revenue Growth**: 58%
- **Improved ROI**: 45%
- **Improved Development Costs**: 40%
- **Regulatory Compliance**: 35%
- **Innovation**: 34%
- **Internal Knowledge Sharing**: 32%
- **Employee Satisfaction**: 29%
- **Share of Market**: 21%
- **Sustainability**: 18%
- **Supplier Relations**: 12%

**5 KEY DRIVERS OF EFFECTIVE PORTFOLIO MANAGEMENT**

- **Senior management receptivity**: 78%
- **Competent portfolio governance**: 66%
- **Standardised metrics and criteria**: 62%
- **Consistency and logic of organisational strategic objectives**: 59%
- **Mature project management office**: 58%
How to Improve Portfolio Management

The Pulse study identified three best practices used by organisations highly effective in portfolio management.

1. ELEVATE PORTFOLIO MANAGEMENT TO A STRATEGIC LEVEL
Understanding portfolio management at the highest levels is a major success driver. Among organisations that describe their portfolio management procedures as highly effective, 89 percent of respondents said senior management understands portfolio management at least moderately well. This stands in sharp contrast to organisations that describe their portfolio management as minimally effective. There, only 25 percent of respondents said senior management understands portfolio management at least moderately well.

![Senior management understands portfolio management at least moderately well](image)

By building an understanding of portfolio management among senior management, organisations are better able to ensure projects and programmes deliver on organisational strategy.

In a 2012 research paper published by PMI, authors Brian Hobbs and Yvan Petit outlined four high-level goals for strategic portfolio management:

**Value Extension**
The goal should always be to maximise the return on all projects in the portfolio.

**Balance**
Every portfolio should reflect the unique organisational profile with a mix of projects—combining low-risk and high-risk projects, for example, or launching projects in existing markets as well as new ones.

**Strategic Direction**
There should be a demonstrated link between projects in the portfolio and organisational strategy.

**Portfolio Agility**
Organisations should evaluate their current portfolio against their ability to shift with changing dynamics in the organisation as well as in the market. Furthermore, portfolio agility calls for organisations to:

- **Sense**: Implement a mechanism to identify and filter changes that affect the portfolio to ensure the organisation is choosing the right projects and programmes.

- **Seize**: Align projects to organisational capabilities and resources so it can fully leverage opportunities.

- **Transform**: Realign available resources and structures.
Despite the key role of strategic alignment, many organisations leave their managers mired in a myopic view. Minimally effective organisations were twice as likely to have managers overly focused on their department goals versus strategic organisational goals.

For many organisations, innovation to improve business operations ranks as a major strategic goal. Here, too, portfolio management can help fulfill the organisational vision. Highly effective organisations are twice as likely to look to portfolio management to enable innovation.

**The Takeaway:** The big-picture perspective afforded through portfolio management makes it an invaluable tool to ensure an organisation’s projects sync with its strategic business goals.
2. CREATE A PORTFOLIO-MINDED CULTURE

For portfolio management to become part of the organisational DNA, leaders must devote the time, education and resources necessary to instill the practice into how everyone—from team members to executives—thinks, believes and acts. To foster a portfolio management culture, organisational leaders should:

Prioritise portfolio management and position it as value-add

Executives must be willing to show their support of portfolio management through communication and investment. It’s one of the most effective means for moving portfolio management from mandate to value-add.

Currently, more than half of minimally effective organisations still view portfolio management as an administrative-review process, three times more than highly effective ones.

Dedicate resources to portfolio management

Portfolio management is best left to the professionals, so organisations must commit to invest in the right talent—and then let them do their job.

The majority of portfolio managers in highly effective organisations spend 75 percent or more of their time on portfolio management. In contrast, only 30 percent of their counterparts at minimally effective organisations said they devoted the bulk of their time to portfolio management.

That workload approach may affect project performance. In organisations where managers focus on strategic as well as departmental goals, 70 percent of projects meet or exceed their forecasted ROI, compared to 50 percent at organisations where managers rarely focus on strategic goals.
Educate leaders and peers to understand and practice portfolio management

To fully reap the benefits of portfolio management, the entire organisation must have a solid understanding of how and why it works. Highly effective organisations are distinguished by the fact that their leaders and project staff are roughly three times more likely to understand portfolio management practices than those in minimally effective ones.

Senior management awareness of portfolio management

<table>
<thead>
<tr>
<th>Minimally effective</th>
<th>Highly effective</th>
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<tbody>
<tr>
<td>25%</td>
<td>89%</td>
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</table>

The Takeaway: Organisations can realise the full benefit of portfolio management by making it a fixed part of their day-to-day culture.
3. IMPLEMENT APPROPRIATE TOOLS AND PRACTICES

To remain agile and maintain a competitive edge, organisations must be armed with the right portfolio management tools and practices.

Highly effective organisations are nearly five times more likely than minimally effective ones to frequently use formal prioritisation tools, and twice as likely to have software designed specifically to support portfolio management.

Highly effective
63%

Minimally effective
13%

Use of formal prioritisation tools

Organisations that frequently use formal portfolio management tools are 14 percent more likely to achieve projected ROI than those that don’t.

Organisations need not only tools, but also an established set of practices that help them achieve their strategic goals. By standardising portfolio management, organisations improve effectiveness. Minimally effective organisations are three times more likely to report great variability in their portfolio management practices.

Limited standardisation of portfolio management practices

Highly effective
16%

Minimally effective
57%

Yet no two organisations are alike, so care must be taken to find the tools and practices appropriate for each.

The Takeaway: An organisation will only get so far unless it’s willing to invest in the tools and practices that fuel sustainable portfolio management.
Conclusions and Implications

Portfolio management is more than a theory. Executed effectively, it delivers solid business benefits—whether it’s greater efficiency or a boost to the bottom line.

Organisations that described themselves as highly effective in portfolio management increased the average number of projects meeting or exceeding their forecasted ROI by nearly 30 percent compared to those that described themselves as minimally effective.

All of these benefits can give organisations a distinct advantage over competitors. Such forward-thinking strategic project planning transforms organisations from defensive and reactive to proactive and dynamic.

Portfolio management drives increased ROI and reduces risks—helping organisations consistently deliver business value, a rare commodity in today’s volatile global marketplace.

<table>
<thead>
<tr>
<th>AVERAGE PERCENTAGE OF PROJECTS:</th>
<th>Highly effective at portfolio management</th>
<th>Minimally effective at portfolio management</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Completed on time</td>
<td>68%</td>
<td>50%</td>
<td>36%</td>
</tr>
<tr>
<td>Completed on budget</td>
<td>64%</td>
<td>54%</td>
<td>19%</td>
</tr>
<tr>
<td>Met original goals and business intent</td>
<td>77%</td>
<td>65%</td>
<td>18%</td>
</tr>
<tr>
<td>Met/Exceeded forecasted ROI</td>
<td>62%</td>
<td>48%</td>
<td>29%</td>
</tr>
</tbody>
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The Result

Improved portfolio management = Increased ROI and less risk = More powerful business value
About the Study

PMI’s 2012 Pulse of the Profession In-Depth Report: Portfolio Management was conducted in March 2012 among 443 portfolio managers around the world.

OF THOSE SURVEYED:

- 40% are business unit portfolio managers
- 27% are external client portfolio managers
- 33% are enterprise portfolio managers

Regardless of type, they have been portfolio managers for an average of 6 years (and project managers for about 14 years)

SOME OF THE INDUSTRIES REPRESENTED:

- 25% Information Technology
- 12% Financial Services
- 10% Government
- 8% Consulting
- 7% Manufacturing
- 6% Telecom

ANNUAL REVENUE:

- 14% Less than US$50 million
- 26% Between US$50 million and US$1 billion
- 19% Between US$1 billion and US$5 billion
- 41% Over US$5 billion