White Paper

FROM STRATEGY TO ACTION

Enterprise Portfolio Management

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Abstract

Change is the norm, fierce competition is the driver, and lean thinking is the latest call to action. Portfolio management is fast becoming the most prevalent managerial approach to deal with the high-velocity of change in today's business environment. Enterprise portfolio management provides the rational decision-making framework necessary to choose the right project investments, enabling organizations to compete and win in the marketplace. After selecting the right portfolio investment path, management must vigilantly monitor and adjust the project portfolio as project risk escalates, new opportunities arise, and change occurs in the marketplace.

Implementing an effective enterprise portfolio management process and achieving organizational goals, requires moving beyond strategic planning and the conventional tactical approach to project management, to strategic management. This entails aligning the key business processes of strategic planning, strategic goal setting, portfolio management, and enterprise project management.

Introduction

"Without strategy, you fail. Without strategy in a rapidly changing industry, you fail rapidly." (Louis J. Gerstner, CEO of IBM, 1999)

For programs and projects to add value, they must be selected and managed strategically. Portfolio management is a relatively new management process embedded between strategic planning and project execution. Enterprise portfolio management involves identifying strategic opportunities, assessing the business fit, preparing the business case, analyzing risks, and selecting and prioritizing the portfolio of projects. The objective of portfolio management is to build a roadmap from strategy to execution to business results. Benefits include:

- **Executive Program Control**. Implement project-based management throughout the organization from the executive level down, enabling executive management to balance projects like an investment portfolio.
- **Strategic Project Investments**. Enable the leadership team to select the right investment path from the mix of potential opportunities, including research initiatives, new product development activities, information technology enhancements, internal business improvement projects and new business endeavors.
- **Targeted Resource Management**. Effectively allocate corporate assets to ensure projects have the necessary resources to meet goals and strategic initiatives.
- **Achievement of Strategies**. Program-manage critical initiatives to achieve key strategies and eliminate barriers to success.

Portfolio management requires a new, flatter configuration of organizational elements that drive accountability down through the organization. This includes: (1) the executive management team, who defines strategy, sets priorities, and establishes strategic measures of success; (2) the portfolio planning and management team, who selects and prioritizes programs and projects, allocates resources, and manages changes to the project portfolio; (3) the cross-functional project teams, who launch and manage projects serving as a strategic arm of the leadership team, and (4) the enterprise project management office (EPMO) that provides services and informa-tion to all three groups. See Exhibit 1 — Strategic Management.

Executive Management Team

In their strategic planning role, the executive management team defines the organization's future in terms of vision, mission, and strategic goals. Strategic planning focuses the executive team on the organization's reason for being and provides the foundation to select and prioritize programs and projects. The strategic planning process drives portfolio management, which converts strategic goals into program initiatives and supporting projects. In today's world, the strategic plan is a living, breathing document, changing and evolving with the shifting business needs. However, strategy changes are managed through a rigorous process. As the strategies change, the portfolio of programs and projects is also likely to change.

Many important goals are likely to be developed during the strategic planning cycle. The strategic goals must be converted into an organized, actionable, measurable framework to attain the intended results. To monitor the journey's progress, executive teams are now building corporate scorecards as an outgrowth of the strategic plan. Since increasing stakeholders' wealth is the ultimate goal of for-profit organizations, financial goals often rank highest. However, non-financial decision criteria are also needed to invest in the future success of the enterprise. The balanced scorecard (Kaplan & Norton, 1996) provides an effective tool to frame strategic goals. In this model, goals are grouped into four categories: financial, customer, internal operations, and learning and innovation, as described below.

- **Financial** goals are the dollar-denominated goals that address finance and accounting outcomes of the business. Example: "Earn 6% on sales, 18% on investments, and 12% on assets this year."
- **Customer** goals address how the customer views the business. The primary measure is customer satisfaction. An example: "Earn a customer satisfaction rating of 95% or better this year."
- **Internal Operations** goals relate to process, functional performance, and effectiveness of core competence. Measures are typically internal, comparing performance with industry benchmarks. Example: "Achieve inventory turns of 8.0 or better this year."
- **Learning and Innovation** goals address new product development, organizational learning and skill development, and application of technology and productivity tools. In crease project manager professional certification by 50%.

In the public sector where mission results drive government agencies, the dimensions take on a slightly different slant (Global Balanced Scorecard for US Government, PEA, 1999). Measures are established to answer the following questions:

- *Customer*: "How do our customers see us?"
- *Financial*: "How do we get the best deal for the govern ment?"
- *Internal processes*: "What must we excel at?"
- *Innovation and improvement*: "How do we continue to improve and create value?"

Just as the strategic plan is a living document, strategic goals are dynamic and evolving as well. The process includes tighter planning cycles to rigorously monitor progress and make course corrections along the way. The bar for adding business value is likely to be raised for every planning cycle. As always, the executive management team is ultimately accountable for selecting the right strategies for the success of the organization. Today the stakes are so high that success is the only option, forcing a more rigorous focus on strategy, goals and project initiatives.

See Exhibit 1 – Strategic Management

Portfolio Planning and Management Team

For strategic goals to create value, they must be translated into tangible programs and projects (Goodpasture, 2002). The portfolio planning and management team is comprised of the executive management team members or a subset thereof. It serves as the organization's project governance committee, selecting and prioritizing projects to maximize the value project outcomes contribute to the organization.

To ensure success, project management must be elevated to a strategic management process. The strategic goals established during the planning process become the drivers of future projects. Decisions regarding project investments are no longer made within the functional silos in most corporations and government agencies today. The portfolio planning and management team is accountable for creating the right investment path for the enterprise. To function well, portfolio management requires both portfolio and project oversight.

- **Portfolio Reviews**. A periodic (often quarterly) strategy and project portfolio review process to revisit, reaffirm, or make adjustments to the portfolio of projects as events occur, competitive advances emerge, technology advances, and business strategies change.
- **Project Reviews**. Ongoing control gate reviews to assess programs and projects at key checkpoints. These reviews manage risks and changes, reaffirm, adjust, or even kill initiatives based on project status, the updated competitive analysis and business case, and the adjusted project priority. New project ideas are assessed and the project

portfolio is adjusted based on new project proposal decisions.

Portfolio review meetings are highly structured and typically professionally facilitated by an outside consultant or a member of the EPMO. Some organizations take a two-tiered approach to project reviews, with the portfolio planning and management team of executives reviewing critical projects and a team of lower-level managers reviewing lower risk projects.

Decision-Making Methodology

Portfolio planning and management teams follow a structured decision-making methodology for selecting the portfolio of valuable projects. Since all project proposals cannot be funded, selecting projects requires a framework consisting of a predetermined, structured, defined decision-making process. Sound data-management techniques are required to gather and present the relevant information for making informed project selection decisions. The decision-making methodology is accompanied by analysis tools for assessing and prioritizing projects. Finally, portfolio reports and graphical maps are essential to ensure the entire project portfolio is clearly laid out for executive assessment. Portfolio maps are effective tools to visually demonstrate the link between projects and strategic goals. If there are no projects directed toward advancing a goal, it begs the question, "How do we intend to get there?" In addition, portfolio maps are created to link projects to: (1) the balanced scorecard dimensions, (2) risk levels, and (3) financial return (e.g., Net Present Value or Economic Value Added).

Project Selection

The three overarching project selection goals that drive the process of portfolio selection are listed below (Cooper, Edgett, & Lleinschmidt, 1997). The decision support tools and reports are designed to support assessment of the portfolio according to these areas of business value.

- **Value Maximization** – maximize the value of the entire portfolio in traditional financial terms
- **Strategic Alignment** – breakdown of project investments appropriately tied to business strategies
- **Balance** – achieve the appropriate balance of projects in the portfolio in terms several perspectives. Balance is perhaps the most difficult goal to achieve. Perspectives may include:
  - Types of projects – R&D, IT, new product development, and product line enhancements
  - Timing – long term vs. short term (need some of both)
  - Risk – some high risk projects may provide the breakthrough that drives competitive advantage; need some "sure wins" as well
  - Retooling – technology and/or business process improvements to remain competitive

Portfolio Planning and Management Activities

The process to be followed by the portfolio planning and management team must be defined and agreed to by all team members. The process must be kept as simple and straightforward as possible. Activities include:

- **Project Proposal**. The process to submit a new project idea for consideration. This should include an early filter to eliminate projects that will clearly be rejected.
- **Project Approval**. The process to review, select, and prioritize a proposed new project. This process must include making adjustments to the portfolio if a new project is approved with higher priority than current active projects. It may be necessary to reallocate resources from, or even temporarily shut down, an active project.
- **Resource Allocation**. The process to allocate resources based on project priorities. It soon becomes clear that project resources are a strategic asset that have a capacity. Management must be able to ensure these vital corporate assets are deployed appropriately.
- **Program Reviews**. The process to conduct control gate reviews of ongoing projects to re-validate the business case, review current estimates of cost and time, validate or refine the project priority, and make a go/no go decision about funding the project for the next phase. Phase reviews and funding, the practice of funding only the next phase rather than the entire project, is becoming a vital risk mitigation strategy in the quest to manage the project portfolio.
- **Project Portfolio Assessment**. The process of reviewing, assessing, and prioritizing the entire portfolio of projects. As noted earlier, this assessment is optimally conducted on a quarterly basis.
- **Data Management**. The process used by the EPMO to store, maintain and report information about the portfolio.

The New Project Leader

Once management has developed a portfolio of valuable projects, the focus is on flawless project execution to maximize project profitability and the return on project investments. All too often, success is elusive. Projects are late, over budget, or may never even be delivered. Sometimes work is incomplete, does not meet requirements or expectations, and does not deliver the benefits or return on investment expected by the organization.

It is not enough for executive teams to simply select the right mix of projects to achieve their strategic imperatives. Executive teams must also establish organizational capabilities to deliver. Executives must ensure that project teams are capable of contributing to the success of their organization. For project success, several elements are essential:

- Effective and targeted project management and systems engineering processes, tools, and techniques;
- Appropriate executive decision making at key control gates;
- High-performing teams, and
- Exceptional project leadership.

The emergence of project management as a critical business practice is driving a transition from the traditional stovepipe, function-centric structures to the project-centric workplace. Work has been transformed from multiple workers performing a single task, to teams that perform multiple activities on multiple projects. Rather than undertaking only a small number of projects, today's organizations are engaged in virtually hundreds of ongoing projects of varying sizes, durations, and levels of complexity. Therefore, through the talents and competencies of the project manager, organizations realize their goals. The performance of the project manager is more crucial than ever to achieve project profitability and, in turn, organizational prosperity.

Where do we find these exceptional project leaders? As the project management discipline matures into a strategic business practice, so must our project managers evolve into strategic leaders of change. Project-driven organizations develop a portfolio of valuable projects that collectively form the road map to successfully achieving strategies. Executives spend a great deal of time identifying which projects may offer the greatest rewards with minimal risks. With so much dependent on successful projects, the project manager has risen to the role of a strategic implementer, and cross-functional project teams have become management's strategic tool to convert strategy into action.

An understanding of the importance of leadership skills for project managers is now emerging. It is now considered more appropriate for the project manger to be aware of the technical area of the project than to be a technical expert. The project focus is on business rather than technical objectives. It is now understood that projects are technical problems solved with human intervention and collaboration. Project leaders must be able lead upward, outward, and downward, building and sustaining high-performing teams, while at the same time managing the power and politics of the environment.

Team Leadership

An effective team leader shares the lead and mentors others in the process. Leadership expands and contracts as the team and situation dictates. The team leader must not only be aware of where the project is and where it needs to go, but at the same time be aware of where the team is, and where it will need to go on its journey to becoming a high-performing team. Behavioral people skills are now considered vital for project success. David C. Kolb, Ph.D. offers a five-stage team development model in Team Leadership (1999). Each stage of the model defines the roles the team leader needs to assume to maximize team effectiveness. Each team leader role is accompanied by corresponding skills.

Development Phase	***Team Leader Role***
TeamBuild	Facilitator
TeamLearn	Mediator
TeamTrust	C oach
TeamWork	Consultant
TeamFlow	Collaborator

Team Development Model, David C Kolb, Ph.D.

Facilitator

The facilitator provides the foundation for the team to develop. Requirements include understanding group dynamics, running effective meetings, facilitating dialog, and dealing with difficult behaviors. Skills include:

- Understanding individual differences, work styles, and cultural nuances
- Leading discussions and driving group to consensus
- Building a sense of team
- Using and teaching collaborative skills
- Managing meetings
- Initiating projects by facilitating planning workshops

Mediator

Transitioning from facilitator to mediator poses a challenge for new team leaders. It requires the team leader to stop controlling the team and leading the effort. The team leader must be prepared to recognize when conflict is emerging – as it always does in team development – and be able to separate from it to mediate the situation. Although the team leader need not resolve the conflict, he must help the team members manage it. Skills include:

- Conflict management and resolution
- Problem-solving and decision-making techniques
- Idea-generation techniques

Coach

Coaching and mentoring takes place at both the individual and team level. At this stage, trust has been established among team members and communication is open and positive. The coach uses experiences, perceptions, and intuition to help change team member behaviors and thinking. Coaching involves:

- Goal setting
- Teaching others how to give and receive feedback
- Creating a team identity
- Team development

Consultant

As the team begins to work well together, the team leader transitions into the consultant role, providing advice, tools, and interventions to help the team reach its potential. The team leader concentrates on nurturing the team environment and problem solving. This involves:

- Assessing team opportunities
- Supporting and guiding the team to create a positive, effective team environment
- Aligning individual, team, and organizational values and strategic imperatives
- Fostering team spirit

Collaborator

Few teams achieve this level of teamwork and sustain it for long periods of time because it is so intense. At this point, both the work and the leadership are shared equally among team members. The lead role is handed off to team members as their expertise becomes the critical need during differing project phases. The team lead must learn how to:

- Lead softly
- Share the leadership role
- Assume a peer relationship with team members

Power and Politics

At the same time, the new project leader must develop strong influence skills to traverse the power and politics of today's organizations. The project manager needs to understand the difference between power and influence. Power cuts across situations and relationships, while influence is usually situation-specific and face-to-face. Power has a strong base, while influence has a weak base and must be used well or it will not work. Oftentimes, the project manager has only one chance to influence key stakeholders, so it must be done with finesse (Pinto, 1998).

Building Strategic Team Leaders

The bottom line is that organizations must invest a considerable amount of time developing their strategic project leaders. As with any other leadership role, competency comes from acquiring education and training, seeking mentoring and coaching, and jumping in headfirst to learn the discipline. Components of world-class, professional project management career programs include most of the elements listed below. Smaller companies may not set up an entire career path for just a few project managers, but they can benefit from some of these tools. Organizations of all sizes may want to set up a mentorship program to begin formalizing strategic project manager development. Project leader development activities include:

- Formal off-the-shelf and customized training
- Training on the job
- Certifications based on education, testing, and experience
- Mentorship program
- Evaluation and compensation methods
- Suitable titles and advancement opportunities

Cross-Functional Strategic Project Team

As the process permeates an organization, project team members understand the alignment of their project with the strategy of the organization. Project status reports feed directly into sections of the balanced scorecard reporting. Project managers are still responsible for the scope, quality, risk, cost, and schedule, but they also must manage the project so that it aligns with the result defined in the strategic plan and referenced in the project's business case. Project managers report directly to the executive project sponsor for ongoing direction, and to the portfolio planning and management team for critical milestone control gate reviews. The filtering of information from the project manager up through the multi-layered functional chain of command is no longer required.

Today's cross-functional project teams are comprised of a set of multi-skilled subject matter experts (SMEs) who are brought together because their collective expertise is needed to create an integrated solution. It is through this cross-disciplined collaboration that innovation and creativity thrives. By their very nature, the multi-skilled SMEs have widely varying personalities and work styles. Yet the team leader must ensure that the group is effective. For critical projects, the trend today is to establish a small core team of three to six members who are dedicated full-time to the project. Sub-teams, committees and SMEs are brought in and out of the team as needed.

Everyone in the group must be able to influence decisions (Scholtes, Joiner, & Streibel, 1996). Team members must leave their titles at the door because power differentials work against team effectiveness. Members must be willing to challenge ideas, accept challenges, and listen to new approaches. The team leader must become concerned if ideas are not discussed and challenged sufficiently. The team leader must also model behaviors and coach team members to act as full, high-performing, and fully committed team members.

High-performing teams are unstoppable. Consider the nature of high-performing teams such as paramedics, firefighters, U.S. Navy SEALs, and NBA basketball teams. What do they have in common? Qualities such as these (Pritchett, 1992):

- Small in number (small but mighty)
- Multi-skilled
- Highly trained and well-practiced
- Play their positions
- Back up others who need help
- Help new team members to make entry
- Do whatever it takes to achieve the goal
- Help drive discipline into the group
- Create a climate of trust
- Turn diversity to advantage
- Strengthen the leader

The executive project sponsor and the project team are accountable for business benefits. Project profitability now becomes the lowest unit of planning and control for the enterprise. Cross-functional project teams become an effective strategic tool employed by management to achieve goals. What are the implications of this trend? A considerable investment must be made to build and sustain high-performing teams – small core project teams that are highly trained, multi-skilled, highly experienced, and personally accountable. In addition, management must be alert to environmental obstacles hindering project success. Often management must simplify and streamline processes, eliminate outmoded policies, and remove barriers to team performance to create the optimal change-adaptive culture in which project teams can thrive.

Enterprise Project Management Office

An EPMO, or a similar decision support group, is a strategic organization that serves at the direction of the executive team. The EPMO is a proactive internal consulting group that provides subject matter expertise in all aspects of strategic management. In that role, the EPMO spends about sixty percent of its time facilitating and providing decision support information to the portfolio planning and management team. The goal is to ensure the organization is investing in the right project mix. Activities include (1) metric data aggregation and balanced scorecard reporting, (2) portfolio database maintenance and reporting, (3) portfolio mapping, and (4) portfolio planning meeting preparation and facilitation.

In addition, the EPMO spends about forty percent of its time providing execution support to the strategic project teams. The goal is to build high-performing teams that execute flawlessly, leading to the earliest possible launch of the new product or service to seize the opportunity to add the greatest value to the organization. Project team support activities include:

- Project kickoff workshop facilitation
- Coaching, mentoring, and team building
- Resource allocation
- Risk management
- Preparation for control gate reviews
- Facilitation and team leadership assistance
- Report format, compilation, and publication
- Formal and informal training

As the organization implements the new processes, all employees become connected to the corporate strategy. Cross-functional project teams serve as a strategic tool of the organization. Individuals and teams are given clear, measurable performance expectations when they apply their knowledge, skills, tools, and techniques to create the project deliverables. Through this process, individual and team accountability is clear. As projects are launched, project managers are handed a strategic map for their initiative. Project planning is focused on business-relevant outcomes. Project managers subdivide the overall project deliverables into smaller, measured outcomes until they reach the level of the assignments that will be made to individuals.

Organizational Maturity

The organizational environment should be continually striving for greater maturity to successfully implement strategic project management. Organizations strive to reach higher project management maturity levels because they are directly correlated to improved organizational performance. Great project management leads to more effective business procedures, higher quality deliverables, lower project costs, higher project team morale, a better balance between cost, schedule, and scope, and ultimately added value for the organization (Parviz & Levin, 2002). Project management maturity assessments provide a model for staged, continuous improvement in project management practices. The primary purpose of the assessment is to evaluate the maturity of project management practices of an organization and provide recommendations to improve overall project delivery capability.

Maturity assessments provide organizations with the information necessary to understand their processes and skills as a project-driven organization. An assessment gives them a clear picture of their performance capability overall, as well as in comparison to competitors and the industry best in class. Emphasis is placed on a consistent and repeatable project management process, supported by effective tools and techniques, applied by highly skilled project managers. Organizational maturity assessments are designed to accomplish the following objectives:

- Measure the ability of the organization's collective project management staff to repeatedly deliver projects that meet specifications, on time and within budget.
- Identify gaps in current project management capabilities.
- Provide a foundation for improvement and guidance for advancement in project management in terms of prioritized, structured, and sequential improvements.
- Provide an indicator of how well the organization meets its goals and business objectives.

Assessments are effective tools for making project management improvement a priority within an organization. They provide answers to such questions as:

- How can our project management practices enable us to achieve even greater profits while meeting our strategic goals and objectives?
- What are our company's strengths and weaknesses in project management?
- What areas do we need to concentrate on so that we can immediately increase project profitability?
- Do we need to change our existing practices, add new tools and technologies, or provide additional training for our staff?
- How can we best serve our customers through project and organizational success?

Using a maturity model and conducting a project management maturity assessment provides the framework to evaluate progress made in the ongoing pursuit of project success. The assessment helps an organization understand its current project management capabilities, establishes a capability baseline, identifies appropriate areas for improvement, selects high-priority improvement actions, and builds organizational readiness to change (Software Engineering Institute, Carnegie Mellon University, 1994). Maturity assessments and the resulting improvement initiatives are typically facilitated by the EPMO.

Implementation Strategies

Implementation of portfolio management involves an organization-wide change management effort. It does not make sense to simply train a group of project managers if the organization does not intend to make project management an effective tool at all levels of the organization. Likewise, it does not make sense to conduct rigorous strategic planning without direct linkage to project delivery. The following steps are recommended when implementing or improving project portfolio management.

Executive Seminar

Implementation is multi-dimensional and starts at the top with an executive seminar introducing the concepts and elements of strategic management. This seminar provides executives with awareness and education about portfolio management's role in relation to other business management processes. It is designed to enable executives to reach consensus on how to move forward with portfolio management implementation. The seminar is intended to accomplish several objectives:

- Introduce the idea of transitioning from strategic planning to strategic management
- Determine the current state of strategic planning in the organization
- Enhance leadership and management awareness of the importance of portfolio management and enterprise project management
- Review all components of strategic management
- Emphasize the importance of a strategy-driven, change-adaptive culture

Topics covered in the executive seminar include:

- The importance of a robust and dynamic strategic planning process which includes formation of strategic measures
- Introduction of portfolio planning and management to ensure initiatives are aligned with strategies
- Emphasis on program and project management to ensure flawless execution
- The critical role of executive oversight through ongoing monitoring and control

Assuming the executive team decides to move forward to implement portfolio management at the executive seminar, implementation is led by the senior team and facilitated by the EPMO, or a similar decision support group, to accomplish activities described below.

Implementation Planning

It must be noted that implementation of project portfolio management is a significant endeavor requiring all levels of management to change the current process of selecting and managing project initiatives. The required cultural change can be painful and move slowly if the existing culture continues to determine the project selection methods. Portfolio management implementation must start at the top, and trickle down to all levels of the enterprise. To avoid false starts the change initiative must be managed as a project. This can be accomplished by formally launching the program by means of a portfolio management kick-off workshop. This workshop brings together all key stakeholders including the senior management team, functional managers who own project resources, senior project managers and other formal or informal leaders within the organization. The outcome of the workshop is a charter and business case for portfolio management implementation which establishes or expands the role of the EPMO.

Portfolio Assessment and Prioritization

After securing management commitment to implement portfolio management, the EPMO conducts a current state analysis of active projects. Serving as a resource to the portfolio planning and management team, the EPMO inventories, organizes, and makes the first attempt at prioritizing and preparing reports describing the current project portfolio.

Portfolio Analysis

The EPMO determines the current state of the portfolio of projects by establishing boundaries to clearly define which projects will be subject to the portfolio management process. The portfolio planning and management team must spend its time managing only major strategic enterprise initiatives. Frequently, the organization budgets a limited amount of funding for department-specific initiatives that are managed within the business units. The projects subjected to rigorous portfolio management include those that meet one or more of the following criteria:

- The project is cross-functional in nature
- The initiative is designed to achieve or advance one or more strategic goals
- The project is high-risk, involving new or unproven technology

When conducting an inventory and quick assessment of the current state of the projects in the portfolio, a portfolio report is prepared. In addition, a portfolio database is established to maintain an inventory of the projects in the portfolio and a process is implemented to keep the information current. Typical information maintained about each project includes:

- Project objective and major deliverables
- Phases completed and current phase
- Key time and cost baselines
- Estimated business benefits
- Risk rating and mitigation plans

Portfolio Prioritization

The current portfolio of projects can then be prioritized. This includes determining prioritization criteria based on strategic plans, goals, and balanced scorecard performance measures. Typical prioritization criteria include organizational factors, cost/benefit analysis, customer satisfaction, employee satisfaction, stakeholder relations, risk analysis, technical uncertainty, and cultural change impact. If the organization does not have a mature strategic planning process, this can be difficult. In this case, a strategic planning session might need to be held to determine key strategic goals and measures.

The key to project prioritization is the use of a criteria-based decision-support tool to assist in making project investment decisions. Most executive teams are accustomed to deferring to the senior team members, or those who can lobby the strongest for their pet initiatives. The EPMO develops and pilots a prototype project prioritization tool within the EPMO to see if the projects appear to be prioritized appropriately. Adjustments to the prioritization tool are then made based on pilot results. The EPMO presents the prioritized list of projects and the project prioritization tool to the portfolio planning and management team for approval.

Portfolio Reporting

The EPMO prepares an initial set of portfolio reports for presentation to the portfolio planning and management team. Report include: (1) projects ranked by priority including the summary information about each project obtained during the assessment, (2) project dashboard report by project, and (3) portfolio mapping reports. The EPMO determines which portfolio reports will mean the most to the portfolio planning and management team, continuing to refine and improve them. Remember the golden rule: keep it simple.

Pitfalls

Implementing portfolio management is not a trivial matter. Portfolio management systems often face challenges as they strive to become effective. Some lingering difficulties to avoid include:

- Too many off-strategy projects; disconnects between spending breakdowns and priorities
- Too many unfit, weak, mediocre projects
- Weak go/no go decisions. Projects tend to take on a life of their own and poor performing projects are not killed
- Project density – far too many projects for limited resources; cycle times and success rates suffer
- Too many trivial projects in the new product pipeline (e.g., modifications, updates, enhancements)
- Not enough major breakthrough, competitive advantage projects (probably the result of the quest for reduced cycle time coupled with insufficient resources)
- Inadequate resource planning and allocation process; project team members are over-allocated (organizations are now going to full-time, dedicated, small core teams to resolve this issue)

Final Words

As with any management practice, there are critical success factors – best practices that, if followed, will lead to a stable, continuously improving portfolio management process. Without understanding and following these guidelines, the implementation may be at risk. These best practices in enterprise portfolio management will help to avoid the pitfalls discussed above.

- **Strategic, enterprise-wide focus**. This is the foundation for selecting projects. Therefore, specific and measurable strategic goals are a prerequisite.
- **Simplicity**. A simple process to identify opportunities facilitates success. Most executives have an aversion to complex processes and bureaucratic paperwork. The EPMO does most of the work.

- **Early Filtering Criteria**. Basic requirements, often referred to as watershed criteria, must be met before a project is considered to be strategic and therefore is considered a candidate for selection. Common filters include alignment with organizational mission, business threshold minimums (e.g., ROI, cost/benefit ratio), compliance with organizational constraints (e.g., current technology), and cross-functional in nature.
- **Standards**. When a new business idea is approved for consideration, standard templates for the business case and project proposal are used so that the decision makers always review consistent information. The business case template is formatted to align with the balanced scorecard measures.
- **Project Ranking Tool**. Use standard project assessment, selection, and prioritization tools. The decision-support tool should contain ranking criteria that is based on strategic goals, assigns relative weights to each criterion, determines a project's ranking based on the criteria, and calculates a score (priority rating) for each project.
- **Portfolio Reviews**. Senior leadership portfolio review meetings are held to review the entire portfolio for balance and strategic alignment to assess new project proposals and ongoing project status at key checkpoints for "go/no go" decisions.
- **Process support**. EPMO or a similar decision support group will help to define and continuously improve the process, maintain portfolio records, and prepare accurate decision support information for the portfolio management team.
- **Adherence to the recipe for project success** (The Standish Group International, Inc., 1999):

Ingredients:	Minimization, communications, standard processes
Mix with:	Full-time core team members: business analyst, project manager, business visionary, architects and developers, coached by an involved project sponsor
Bake:	No longer than six months, no more than six people, at no more than $750,000

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