10 Essential Steps to Portfolio Management
Portfolio Planning for 2013
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http://epmlive.com
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Introduction

With the start of a New Year, many organizations are realizing the importance of a critical step in the Project and Portfolio Management discipline - Portfolio Planning. For the average business, Portfolio Planning may be a process well beyond their organizational maturity; however, it is a major component that should not be overlooked in order to increase the probability of reaching 2013 objectives. The structure in which you execute this discipline may indeed vary depending on maturity, but the basic steps can be followed regardless of the complexity of the processes behind them.

Before we dive into the essential steps to Portfolio Management, there is one question that must be understood; why define a portfolio? Organizations will always have projects, they will always have limited resources and they will always need to meet business objectives in order to remain a successful business. If you are not implementing the RIGHT projects and work to meet strategic objectives, the value you are bringing to the business may be much smaller than its potential. In today's competitive marketplace, businesses must bring maximum value to survive. The following topics will be included in this paper:

- Portfolio Management Overview
- Portfolio Management Process – The Process for the Process
- 10 Essential Steps to Portfolio Management
- Portfolio Management Tools

For additional details about EPM Live and its portfolio management capabilities and features, please visit EPM Live’s website at http://epmlive.com/.
Portfolio Management Overview

As stated above, Project Portfolio Management is about identifying and selecting the RIGHT work to achieve business objectives and maximize business value. Effectively identifying, planning, sequencing and managing the right work initiatives can be cumbersome and formally required heavy analytics tools. In today’s innovative world, technology is getting smarter, making simple project portfolio management a reality. EPM Live (we will touch on this product later in the Portfolio Management Tools section) combines the complex discipline of project portfolio management with an intuitive end user interface that makes portfolio planning easy.

In the Portfolio Management cycle, the following general questions will be asked for every item in your portfolio:

1. Does this project or work initiative align with the organization’s strategic objectives/goals?
2. Based on defined key performance indicators and probable risks, does this project or work initiative meet the requirements for portfolio inclusion? Secondly, does it still meet the requirements for portfolio inclusion when compared to other competing portfolio items also in consideration?

Many organizations do not have a Portfolio Management process. In order to create a process where no process exists, the following steps must be taken:

**Step 1: Define a Portfolio Management Organization Structure**

To define a Portfolio Management organization structure you can ask the following questions:

- Who will be responsible for evaluating and selecting the right projects and work for your portfolio?
- Who will be defining the framework and governance of the Portfolio Management workflow within your organization?
- Who will be responsible for making necessary decisions in regards to portfolio performance, process alignment, resourcing and portfolio changes?
- Who will be responsible for managing the overall execution of the approved portfolio?
- Who will supply the appropriate information for each portfolio item such as business case and project/work goals?
- Who will be in charge of defining and implementing the processes used for project management when executing on each item of the approved portfolio?
- Who will be responsible for managing all of the resources assigned to the approved projects and work?
- Who will be responsible for managing the execution of each project/work item within the approved portfolio?
- Who will be in charge of actually doing the work/tasks for each project or work item within the approved portfolio?
- Who will be responsible for determining project/work positioning relative to the associated market and the competition?
- Who will be responsible for the operations of the business while implementing the portfolio?
- Who will provide the facilities and infrastructure needed to implement and maintain the products produced from the portfolio?
- Who will ensure all legal contracts and regulatory guidelines are followed throughout the life cycle of the portfolio?
- Who will be in charge of reviewing and controlling finances of the portfolio?
- Who will benefit from the end result of the project or work items within the portfolio?
- What third party vendors or partners are needed to execute on the portfolio?

**Step 2: Define a Portfolio Management Plan**

The following questions need to be addressed in your Portfolio Management Plan:

- What are the roles and responsibilities for the Portfolio Management process?
- How will the communication be handled for the Portfolio Management process?
- What is the process for creating and authoring portfolio items?
- What is the governance plan for selecting and approving portfolio items?
- What are the defined metrics for determining success of your Portfolio Management Plan?

**Step 3: Define Portfolio Management Key Evaluation Metrics**

As we pass through difficult economic times it is more critical than ever to ensure the right investments are being made. The Key Evaluation Metrics that you define for your portfolio items are critical in determining the resulting project/work value. Here are a few metrics to consider when determining which projects and work bring the most value to your business:

- Will the project/work bring additional revenue to the business?
- Will the project/work bring quality improvement to the business?
- Will the project/work help the business expand into new markets?
- Will the project/work generate cost reductions?
- Will the project/work expand current customer base?
- Will the project/work reduce risks to the business?
- Will the project/work reduce time to market or cycle times?
- Are resources with the right skillset available to implement the project/work?
- Will the project/work increase customer satisfaction?
- Will the project/work increase employee satisfaction?
- Will the project/work increase ROI (return on investment)?
- Will the project/work represent a change in NPV (net present value)?
- Will the project/work increase IRR (internal rate of return)?

There are no right or wrong metrics in determining which projects and work bring the most value to your organization but there is no reason to reinvent the wheel completely. Leverage best practices and internal governance already in place to make this complex task more feasible. Leverage a Portfolio Management/decision tool (such as PortfolioEngine) that supports your current processes and that is flexible enough to customize to fit your needs.
10 Essential Steps to Portfolio Management

Once you have a process down for defining, selecting and executing your portfolio, you are ready for the essential steps to Portfolio Management. Before we get into the actual steps, we need to make sure that the following assumptions are true:

1. The organization's Executive Management is onboard with the Portfolio Management Plan
2. All proposed projects and work efforts will be evaluated for inclusion into the Portfolio
3. The appropriate skilled staff is available to manage the Portfolio
4. All Portfolio Management processes have been defined
5. A standard tool (across the organization) is being used for Portfolio Management Planning

There are many published standards and white papers for achieving Portfolio Management within your organization. For the purposes of this document, we will be defining the 10 most essential steps based on our implementation experience over the last 12 years. More mature organizations will introduce additional steps into the process. Let's get started:

Step 1: Identify Portfolio Items
Determine what project/work you would like to implement. This is not an individual effort; work and projects will most likely be identified by many in the organization.

Step 2: Define Portfolio Items
For this pre-selection round you will need to define enough information to establish value of the given initiative. Description/business case, benefits, strategic alignment, and risk tolerance are all factors to be considered for this step. Keep in mind some of the key evaluation metrics that we discussed above.

Step 3: Evaluate Portfolio Items
Once all of your items are entered into the Portfolio, it is time to evaluate them. This can be done through a variety of methods. For example, you may leverage a formula for rating your items against each other to determine which item will bring the most value, the least amount of risk, align best with your resources and provide the best alignment with your organization’s strategic objectives. Rating and scoring is a common Portfolio Management practice for portfolio selection. You may also introduce What-if Modeling to view various models and conditions should you approve a given portfolio.

Step 4: Select your Portfolio
Based on the evaluation step you will determine which items bring the most value to your organization. Once your key portfolio items have been selected, you will be entering one last evaluation stage prior to approving your portfolio.

Step 5: Reassess Portfolio
In this stage it is common for more detailed information to be added to the portfolio/work items. This stage allows the portfolio team to re-evaluate the items based on additional information such as a high level cost plan and/or resource plan.

Step 6: Approve Portfolio
Once the portfolio selection team has had time to reassess the portfolio based on further portfolio information, the approval process can begin. The approved items then go into an execution stage and is handed off to the project team for execution.

Step 7: Portfolio Item Transition to Projects or Work Initiatives
The approved portfolio items are then promoted to projects or work initiatives and are moved to the execution phase. At this point a Project Manager will be assigned if one has not been assigned already.

**Step 8: Portfolio Communication, Performance Tracking and Reporting**

Portfolio Management does not end with portfolio selection and approval. It is now time to track the performance of your portfolio. Key Performance Indicators (KPIs) will be used to visualize status and track progress. For examples of useful Portfolio Management reports click [here](#).

**Step 9: Portfolio Change Management**

At any point in the Portfolio Management life cycle, new project requests/portfolio items can be introduced. In addition to new requests, current approved items in execution can be affected by unexpected risks or unforeseen environmental factors leading to project cancellation. The change management step will be ongoing throughout the life cycle of your portfolio and is critical to its overall success.

**Step 10: Begin at Step 1**

As new portfolio items are introduced, start over at step 1.
Portfolio Management Tools

EPM Live is the leading work management platform that revolutionizes the way organizations manage projects and work. EPM Live’s platform is the first build to order platform that extends project portfolio management (PPM) to all areas of the business regardless of work focus. Small to large organizations can apply cost saving disciplines such as delivering projects successfully, optimizing resource utilization, and selecting the right work to all business teams including new product development, IT, services, operations, sales and project management. EPM Live provides a top-down Project Portfolio Management (PPM) Solution that empowers executives to make critical business decisions with confidence. Achieving competitive advantage means choosing the right projects to drive the business toward its strategic objectives. With EPM Live you know which projects deliver the highest ROI while maximizing your company’s resources. Resource capacity planning, portfolio sequencing and financial target modeling takes the complexity out of large decisions. A profitable portfolio leads to a profitable company. To learn more about the capabilities of EPM Live, click on the links below:

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10 Essential Steps to Portfolio Management - Portfolio Planning for 2013
Conclusion

So, as you can see, executing Portfolio Management effectively within your organization can help you ensure the RIGHT work is being implemented for maximum portfolio value. To learn more about how EPM Live can accommodate your Portfolio Management needs, please contact EPM Live at info@epmlive.com or visit the EPM Live website at http://epmlive.com.

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