



PMINJ Chapter
02 May Symposium 2016



Strategic Portfolio Management

Dr. Ed Chapel, Senior Vice President
www.NJEDGE.net

Te Wu, CEO of PMO Advisory
www.pmoadvisory.com



Strategic Portfolio Management

LINKING STRATEGY WITH EXECUTION

VERSION 0.3 ▪ MAY 2016



Agenda

1. Portfolio Management - What and Why?

- What Is It?
- Why Do It?

2. How?

- Effective Portfolio Management: Five Key Drivers
- Managing Chaos at a Financial Services Company (Case Study)

3. Portfolio Management Certifications

- AXELOS's Management of Portfolio (MoP®)
- PMI's Portfolio Management Professional (PfMP®)

Agenda

1. Portfolio Management - What and Why?

- What Is It?
- Why Do It?

2. How?

- Effective Portfolio Management: Five Key Drivers
- Managing Chaos at a Financial Services Company (Case Study)

3. Portfolio Management Certifications

- AXELOS's Management of Portfolio (MoP®)
- PMI's Portfolio Management Professional (PfMP®)

Introduction

Portfolio Management:

A differentiator and competitive advantage...

- Successful organizations know how to differentiate themselves – by creating *unique* and *sustainable* advantages
- Portfolio management is a proven way to help organizations make key investment decisions leading to differentiation
- Organizations that effectively practice portfolio management outperform organizations with minimally effective portfolio management across all project and business success criteria

What is Portfolio Management?

- Portfolio management is the bridge between strategic planning and implementation, and the primary focus is to determine the *right* projects which by definition are investments for the organization
 - Program and project management's primary focus is doing those projects in the right way
- Portfolio management can and should exist at multiple levels of organizations, from the enterprise to department and sometimes to product-level

Where is Portfolio Management Most Prevalent?

- All organizations perform at least three pillars of activities: planning, operating, and changing
 - Planning addresses the essential question of mission, vision and objectives
 - Operating concentrates on running the business of the organization
 - Changing looks ahead at the future and the next bend in the road --*Portfolio management primarily exists to support change*

Hierarchy of Organizational Activities

Level	Pillars			Name
10	Planning			Corporate or Enterprise Strategy
9				Organizational Strategy
8				Business Unit Strategy
7				Functional Strategy
6	Changing		Operating	Portfolio
5				Program
4				Project
3				Operational Initiatives
2				Tracks
1				Specific Tasks and Activities

Purpose of Portfolio Management

- Portfolio management enables successful strategy execution because it:
 1. Aligns with Strategy
 2. Guides Project Investment Decisions
 3. Guides Resource Allocation
 4. Strengthens Organizational Legitimacy
 5. Focuses on Portfolio Performance
 6. Informs Risk Management

Why Portfolio Management?

- There is empirical evidence supporting the value of Portfolio Management. Below are three examples:
 1. Gartner report on strategy implementation
 2. PMO Advisory study of Strategic Business Execution, with Portfolio Management listed as a discipline
 3. Project Management Institute in-depth survey of Portfolio Management in 2012

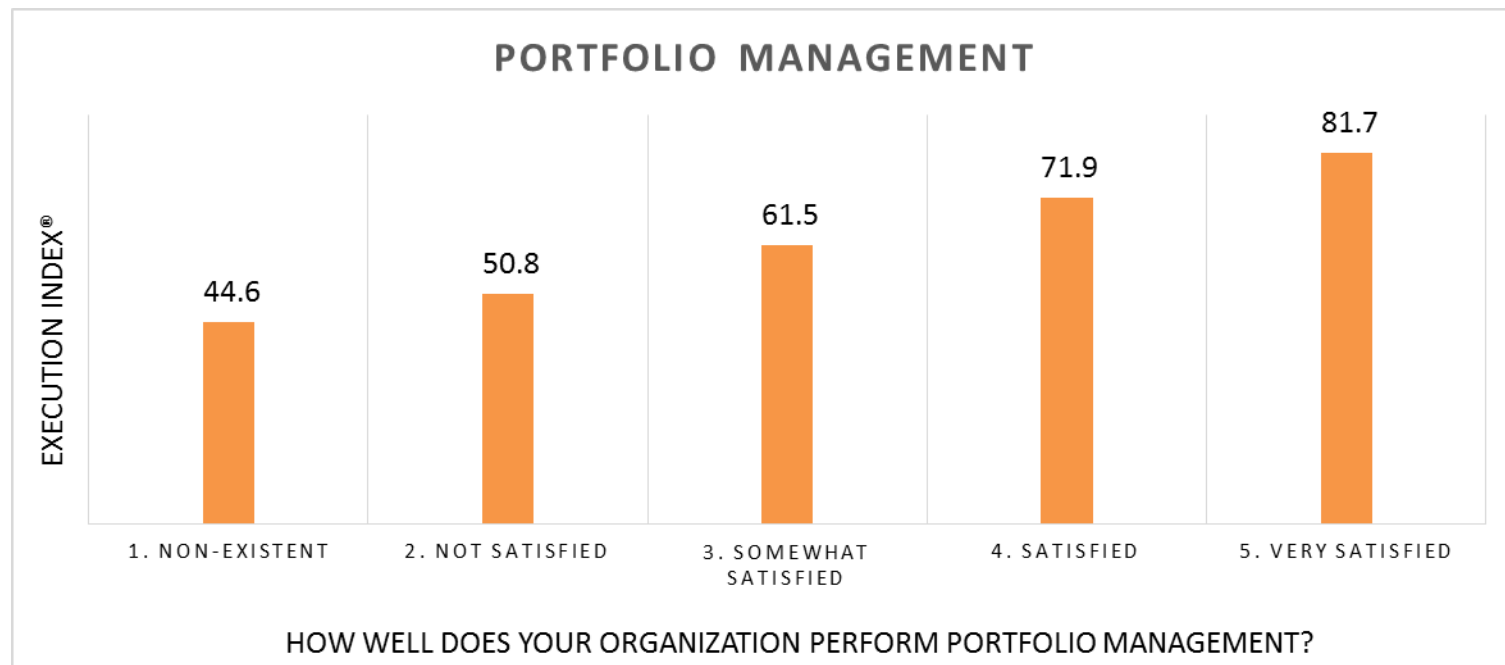
1. Research on Link between Strategy and Portfolio Management

- Gartner (2013) found about 90% of enterprises failed to implement their strategy
- The reason behind the failure is poor implementation of enterprise-level program management (EPM). Specifically:
 - Need effective governance and investment of portfolio management
 - Ensure right level capacity for project portfolios

Source 2: Young, 2013, The CIO's Role in Executing Enterprise Strategy, Gartner

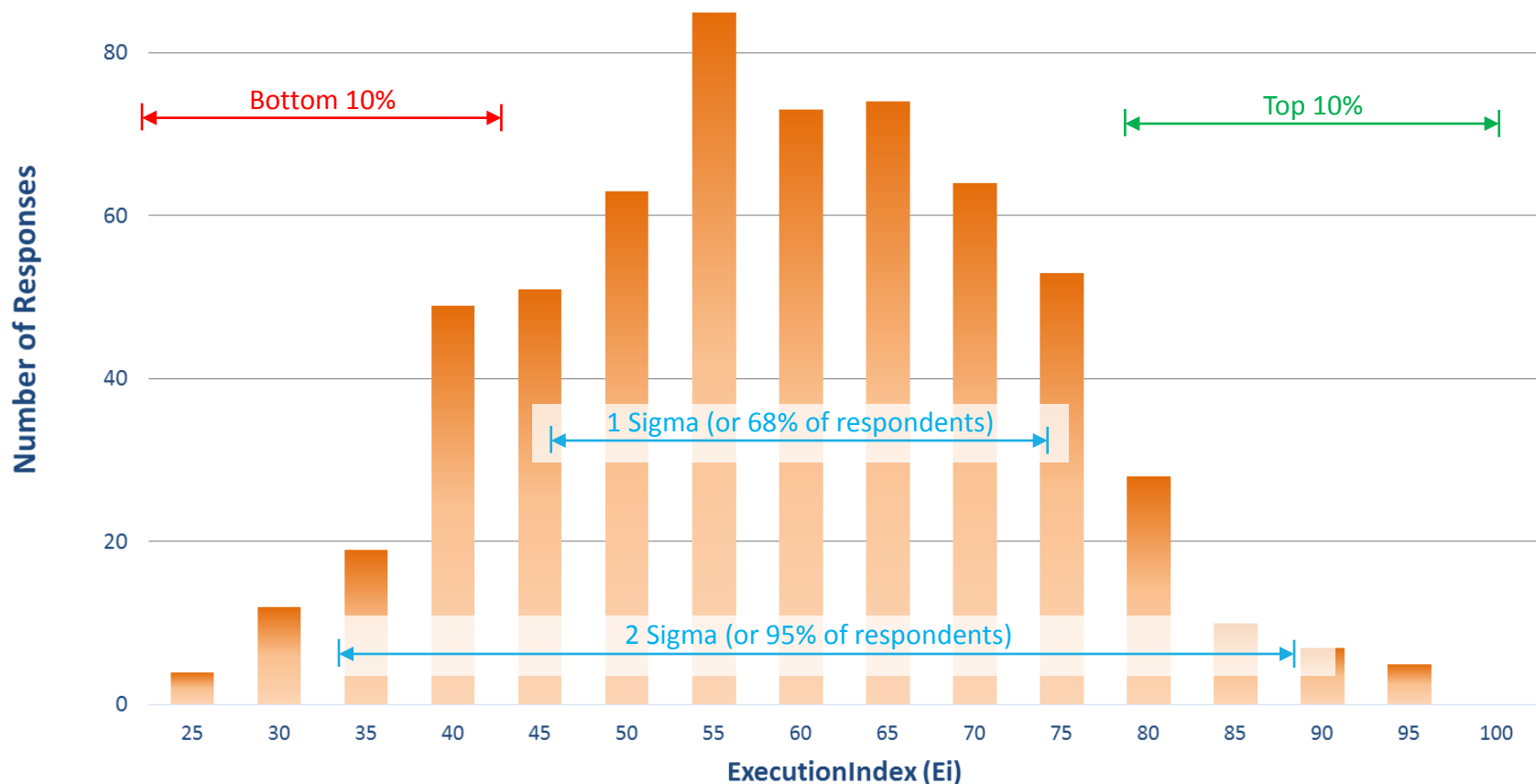
2. PMO Advisory's Study on Portfolio Management

- PMO Advisory pioneered the “Execution Index” that reveals how well organizations execute their business strategy
- We received 460 responses to the question “On a scale of 1 to 5, how well does your organization perform portfolio management... ”



Source 3: PMO Advisory's 2013 Strategic Business Execution Study

2. ExecutionIndex®



How well does your firm execute? What is your ExecutionIndex?

3. PMI's Study on Portfolio Management

Criteria	% Increase	Highly Effective Portfolio Mgt	Minimally Effective Portfolio Mgt
Completion on Time	36%	68%	50%
Exceed/Meet Forecasted ROI	29%	62%	48%
Completion on Budget	19%	64%	54%
Meet Original Business Goals	18%	77%	65%

Source 4: PMI's 2012 Pulse of the Profession In-Depth Report on Portfolio Management

Agenda

1. Portfolio Management - What and Why?

- What Is It?
- Why Do It?

2. How?

- **Effective Portfolio Management: Five Key Drivers**
- **Managing Chaos at a Financial Services Company (Case Study)**

3. Portfolio Management Certifications

- AXELOS's Management of Portfolio (MoP®)
- PMI's Portfolio Management Professional (PfMP®)

The 5 Drivers of Effective Portfolio Management

1. Senior Management Receptivity
2. Competent Portfolio Governance
3. Standardized Metrics and Criteria
4. Consistency and Logic of Organizational Strategic Objectives
5. Mature Project Management Office

Source 2: PMI's 2012 Pulse of the Profession In-Depth Report on Portfolio Management

How to Implement Portfolio Management?

A. Define

- Understand organizational strategy
- Perform inventory of existing work
 - If one does not exist or if they are the wrong projects, consider implementing a process for ideation
- Develop an evaluation and prioritization framework
- Evaluate organizational capability and capacity

B. Align

- Evaluate projects and other components using an agreed upon framework
- Determine how to organize portfolios
- Prioritize and score projects and components
 - Consider capability and capacity and risk
- Approve projects and assign resources

C. Monitor, Control and Optimize

- Actively monitor, intervene when necessary, and optimize when there are changes
- Conduct regular Governance Steering Committee meetings to report performance, manage expectations, resolve issues and risk, optimize portfolio and reset direction

Case Study: Financial Services Company

○ Background:

- Company X was one of the fastest growing financial services firms in Delaware. It's growing portfolio of loans is exceeding \$200 billion. The CEO knew the firm is in trouble. A large internal project was mired in delays, with little hope of completion. Smaller projects were rampant and largely uncontrolled and in some cases unknown.

○ Solution:

- Created “Enterprise Project Services” to oversee large projects
- Developed and implemented an enterprise portfolio management process to guide investment decisions and resource allocation
- Focused resources on the vital few - “Big 6”
- Disproportionately awarded success performance on Big 6 projects to attract the best resources across the organization

Building Portfolio Management

Phase	I. Define	II. Align	III. Monitor, Control & Optimize
Tasks	<ul style="list-style-type: none">• Reviewed business and organizational strategies• Conducted interviews with executives• Created inventory of work (> 100 projects)• Developed governance model and prioritization framework	<ul style="list-style-type: none">• Created Portfolio Governance Team, composed of 7 executives including the CEO who is the chair• Trained executives (and most of their direct reports) on portfolio management methodology• Piloted the portfolio management process for six months	<ul style="list-style-type: none">• Worked closely with the project teams on the approved projects to ensure they adopted the appropriate methodology and had sufficient resources• Monitored progress and provided rapid escalation• Conducted regular Governance Meetings to minimize surprises and manage performance
Results	Refined organizational strategy, inventory existing work, and develop new ideas	Achieved legitimacy of governance; also agreed to implement the vital few – “Big 6”	First to market with a new product; achieved nearly \$300 million in loans before the next competitor stepped in

Business Results

○ Business Value

- Significantly improved time to market
 - Became the first company to release a new loan product (after U.S. government changed the rules). Achieved \$300 million in loans in 10 days, before the next competitor moved in.
- Significantly improved project success
 - By focusing its resources on the “vital few” projects, the company was able to dedicate the resources and attention to the most important endeavors.

○ Customer Service

- Clients are much more satisfied because the firm is responding to their demands. This is especially the case when there is now a portfolio of Service Delivery initiatives.

○ Employee Satisfaction

- Previously, every major IT project was a “death march”. After the roll out of portfolio management, crunches continued to happen, but not on the same scale.
- Plus, with more dedicated resources, employees had more time to learn and apply their new skills.

Sample Deliverables – Six Sub-Portfolios

Client / Market Facing

Portfolio	Definition
New Product / Service	<ul style="list-style-type: none"> ▪ New revenue-producing, volume-producing, mission-supporting, and/or market-facing goods or offerings. ▪ These goods or offerings created new product/service lines or extended existing ones. ▪ New products and services require significant effort to assess, plan, design, develop, implement, launch, and operate.
Enhancement	<ul style="list-style-type: none"> ▪ Changes to existing tangible or intangible goods, ranging from small refinements to a complete makeover, done with the intention of improving the existing product set or service.
Service Delivery	<ul style="list-style-type: none"> ▪ Changes to existing methods of delivery (channels) of existing products or services to customers.

Internal Focus

Portfolio	Definition
Compliance / Regulatory	<ul style="list-style-type: none"> ▪ New business initiatives that satisfy certain regulatory or compliance requirements. ▪ The need and urgency to perform these initiatives are often less flexible and should be considered as costs of doing business.
Internal Efficiency	<ul style="list-style-type: none"> ▪ Initiatives that are designed to better the productivity of the firm and/or the quality of work. This type of initiative typically involves backend workflow upgrades and is not apparent to the customer, but provides some intrinsic value to the firm's level of productivity and efficiency.
Infrastructure	<ul style="list-style-type: none"> ▪ Initiatives undertaken to improve the foundation that supports the normal operations of the firm. This usually refers to IT platform changes but can be other infrastructure projects such as new office buildings.

Sample Deliverables – Scoring

Sample Scoring Results for Concept Screening Stage

Concept Screening	Strategic Impact	Product Advantage	Market Attractiveness	Operational Impact & Feasibility	Risk vs. Return
Relative Weight	40	10	20	20	10

Product Development Committee	Strategic Impact	Product Advantage	Market Attractiveness	Operational Impact & Feasibility	Risk vs. Return
Person 1	8	7	5	9	9
Person 2	7	7	6	8	8
Person 3	6	6	7	9	7
Person 4	9	6	5	7	9
Person 5	7	8	3	10	8
Average	7.4	6.8	5.2	8.6	8.2
Score (Scale of 1-10)	3.0	0.7	1.0	1.7	0.8
Overall Score	7.2				

Note: Different weights are used at each stage of the product development process. Since the threshold at this stage is 6.0, this product initiative proceeds to the next stage.

Sample Deliverables – Anticipated “Pull-Thru”

Phase	Pull-Thru Rate	Example
1. Idea Generation	50%	Of 100 ideas, 50 progress to the next phase.
2. Concept Screening	50%	Of the remaining 50 ideas, 25 progress to the next phase.
3. Product Definition	50%	Of the remaining 25 ideas, about 13 progress to the next phase.
4. Concept Testing	75%	Of the remaining 13 ideas, about 10 progress to the next phase.
5. Business Case Development	75%	Of the remaining 10 ideas, about 8 progress to the final gate.
6. Approval & Ready for Implementation	75% - 90%	Approximately 6 to 7 ideas are approved for implementation.

Agenda

1. Portfolio Management - What and Why?

- What Is It?
- Why Do It?

2. How?

- Effective Portfolio Management: Five Key Drivers
- Managing Chaos at a Financial Services Company (Case Study)

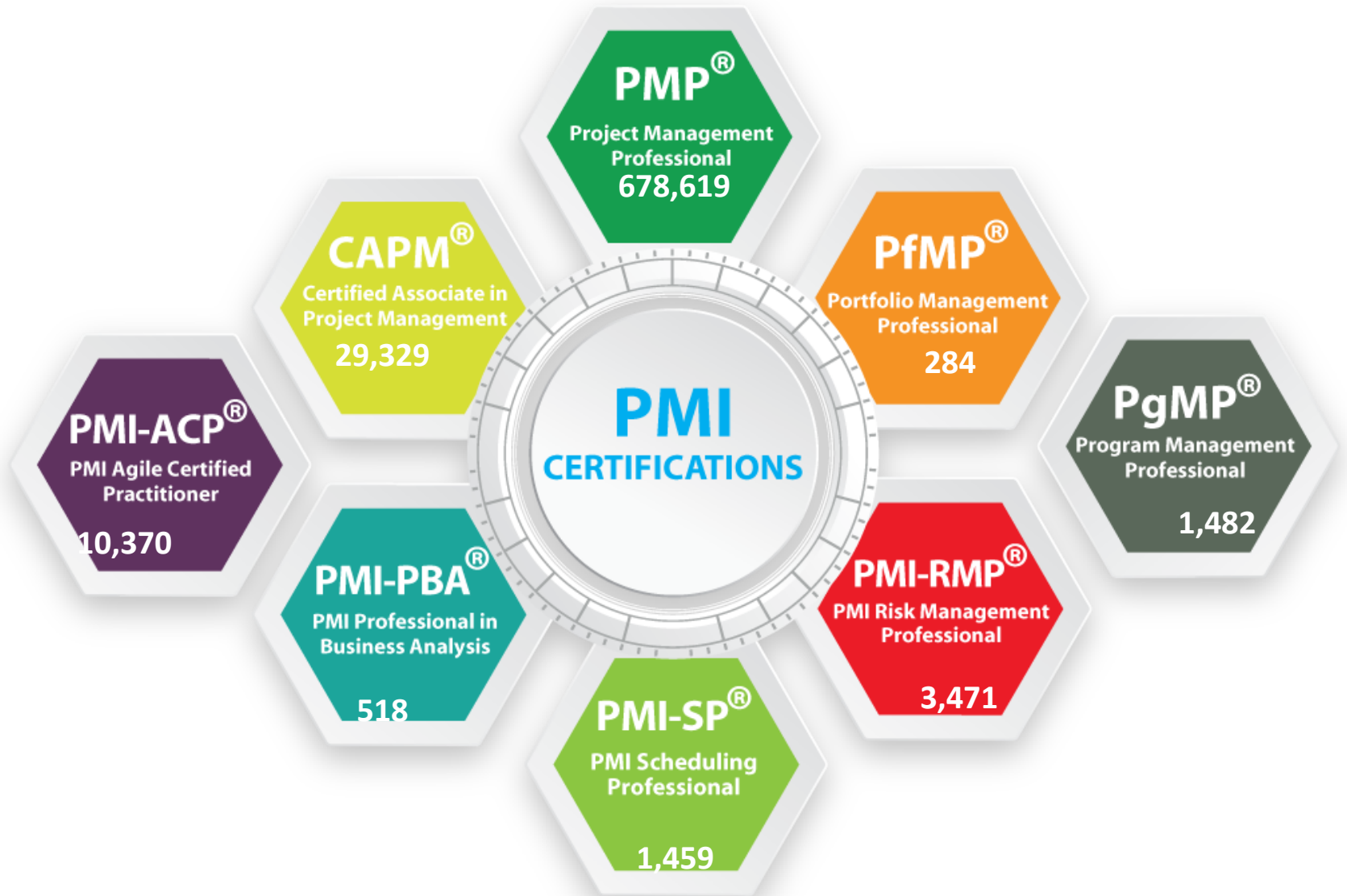
3. Portfolio Management Certifications

- **AXELOS's Management of Portfolio (MoP®)**
- **PMI's Portfolio Management Professional (PfMP®)**

AXELOS MoP

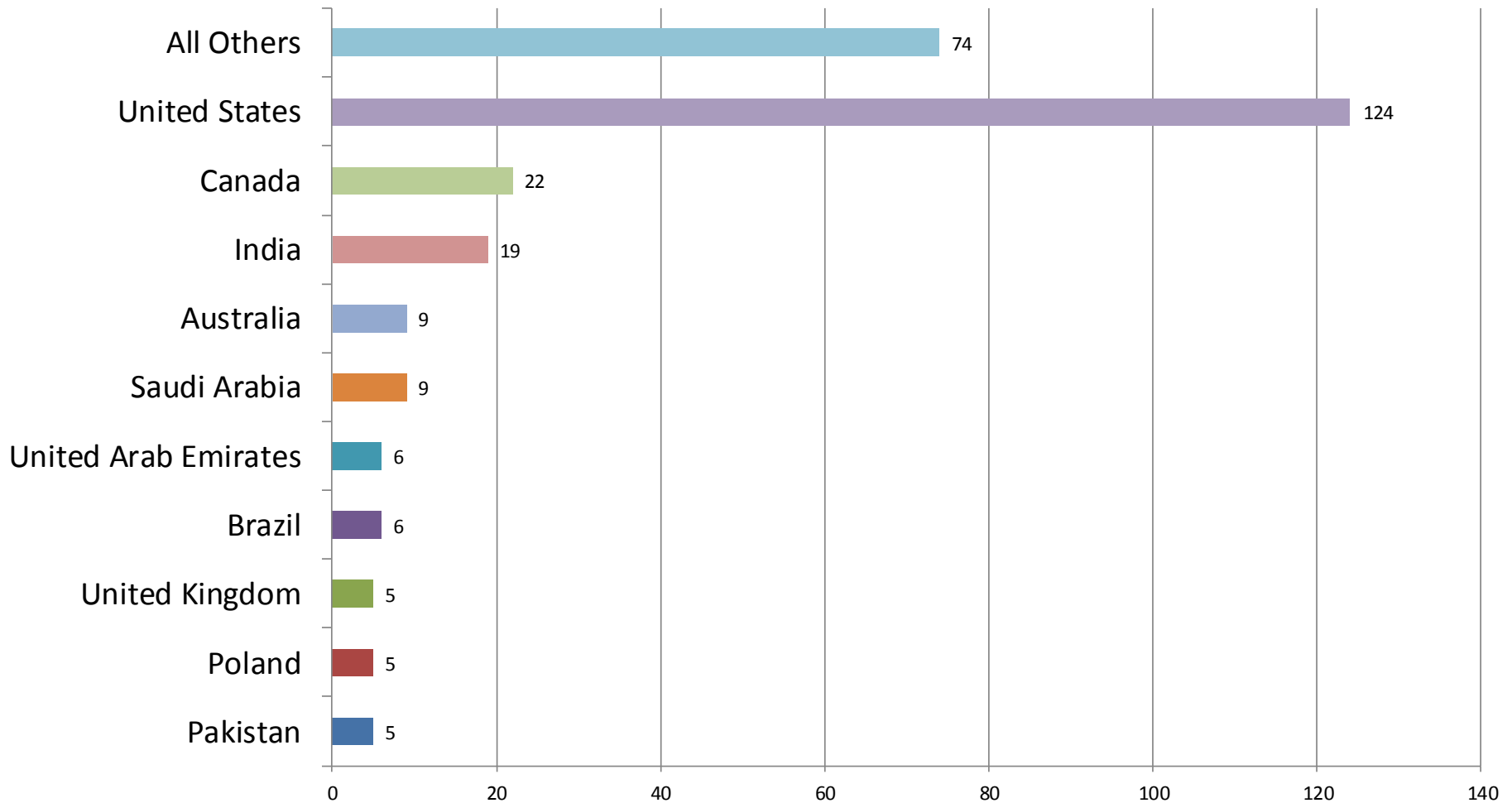
- AXCELOS is a joint venture set up in 2014 by the Government of the United Kingdom and Capita
 - The goal is to develop, manage and operate qualifications in best practice, in methodologies formerly owned by the Office of Government Commerce (OGC)
- The most popular framework is ITIL (Information Technology Infrastructure Library) followed by PRINCE2 (another project management methodology)
- Management of Portfolio is widely used in Europe, but it has not made deep penetration in North America. There are two certifications:
 - Foundation – Multiple choice, 40 minutes, 50 questions, 50% pass mark, closed book
 - Practitioner – Objective testing format, 4 questions with 20 marks available, 50% pass mark, open book (MoP guide only)
- The number of MoPs is unknown.

Project Management Institute



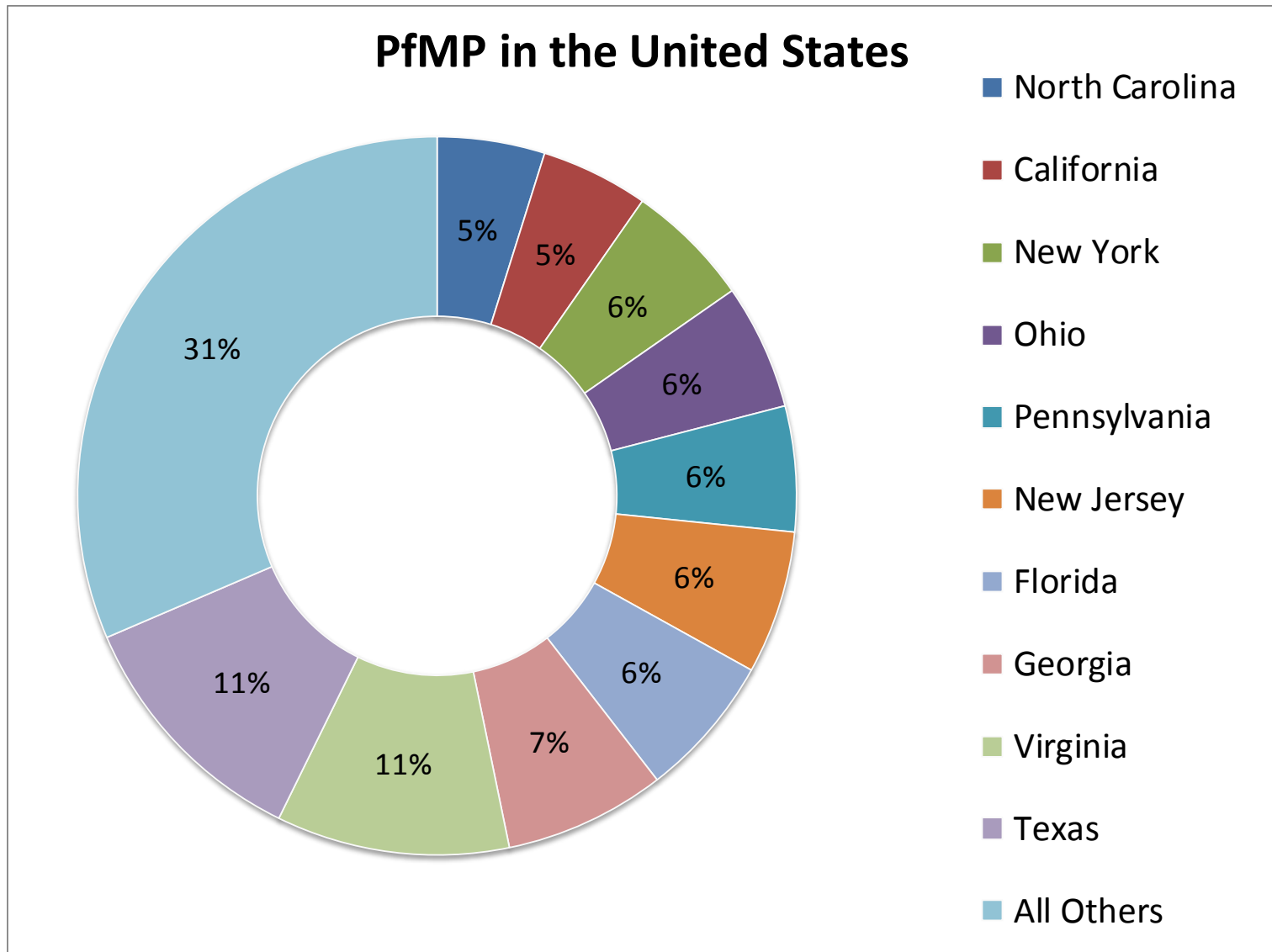
PfMP: Top 10 View by Country

Global State of PfMP



As of December 31, 2015

PfMP: Top 10 View of the United States



PfMP Certification Qualifications

General
Professional
Experience

MUST
Minimum of 8 years (or 96 months) of professional business experience focusing on strategic investment considerations
(The 8 years or 96 months of experience does not need to be contiguous nor is there a time limit – such as within the last 20 years)

Education

A secondary degree
(High school diploma, associate degree, or equivalent)

A four year degree
(Bachelor degree or equivalent)

Portfolio
Experience

Minimum of **7 years** (10,500 hours) of portfolio management experience **within** the past 15 consecutive years

Minimum of **4 years** (6,000 hours) of portfolio management experience **within** the past 15 consecutive years

Examination

- Most people would take the computer-based exam:
 - 4 hours
 - 170 questions (150 real questions + 20 pretest questions)
- Test questions are based on five domains (aka. Knowledge areas):
 - Strategic Alignment: 25% or 42-43 questions
 - Governance: 20% or 34 questions
 - Performance: 25% or 42-43 questions
 - Risk Management: 15% or 25-26 questions
 - Communication Management: 15% or 25-26 questions
- What makes the exam challenging?
 - Intensity: <1.5 minutes per question
 - Length: 4 hours
 - Experience-based: Need to think the way PMI wants you to think

Questions?

Contact Information

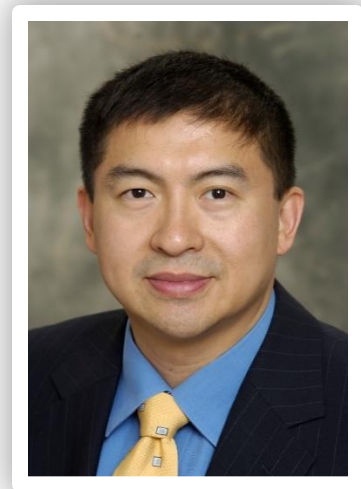
○ Dr. Ed Chapel

- Title: Senior Vice President
- Email: edward.chapel@njedge.net
- Web: www.NJEDge.net



○ Te Wu

- Title:
 - CEO of PMO Advisory
 - Professor at Montclair State University
- LinkedIn: www.linkedin.com/in/tewu1
- Web: www.pmoadvisory.com



Sources

1. Wu, T., 2015, A Sensible Guide to Passing the PfMP Exam, Table 11, Page 45.
2. Young, C. 2013, The CIO's Role in Executing Enterprise Strategy, Gartner
3. PMO Advisory's 2013 Strategic Business Execution Study
 - <https://www.youtube.com/watch?v=CfhudBQ3VwA>
4. PMI's 2012 Pulse of the Profession In-Depth Report on Portfolio Management
 - https://www.pmi.org/~/_/media/PDF/Research/PMI-Portfolio-Management.ashx