

PMI's

PULSE OF THE PROFESSION **IN-DEPTH REPORT**

# PORTFOLIO MANAGEMENT



## Study Highlights

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

Organizations are increasingly recognizing 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, program and portfolio managers. Over half of the respondents reported frequent use of portfolio management at their organization, 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 organizational success and on establishing approaches to develop effective portfolio management.

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

Yet despite the quantifiable benefits of portfolio management, relatively few organizations 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

# 62%

of projects at organizations that described themselves as highly effective in portfolio management met or exceeded expected ROI.

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

# Why Do Organizations Need Portfolio Management?

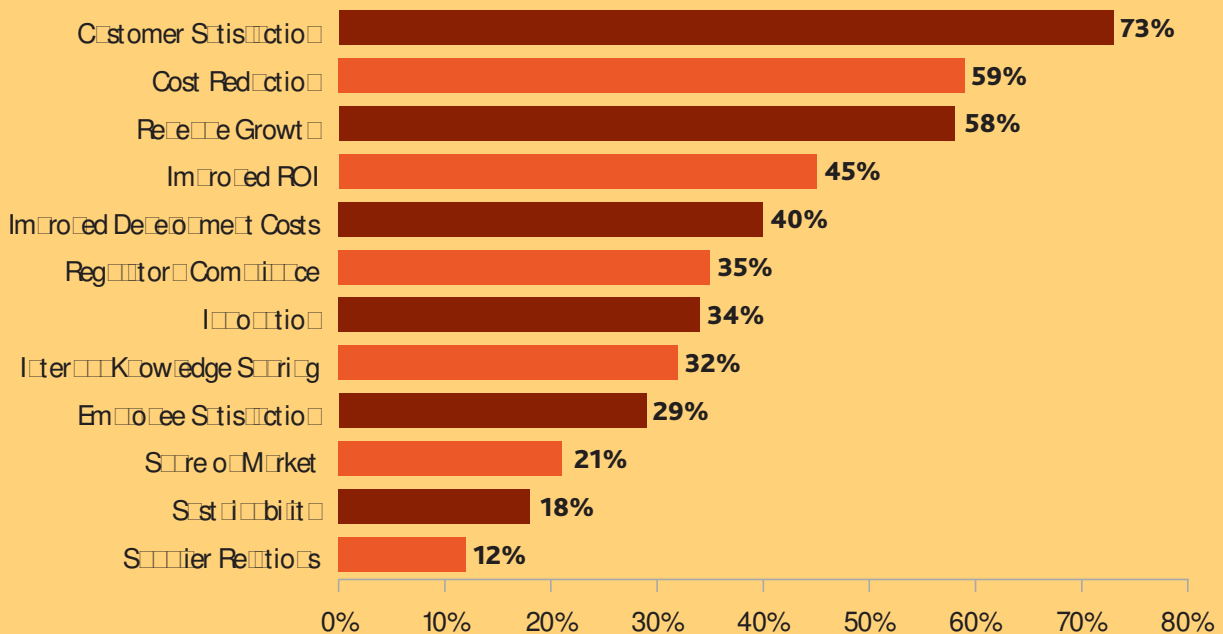


The projects an organization today demonstrate where it is now.

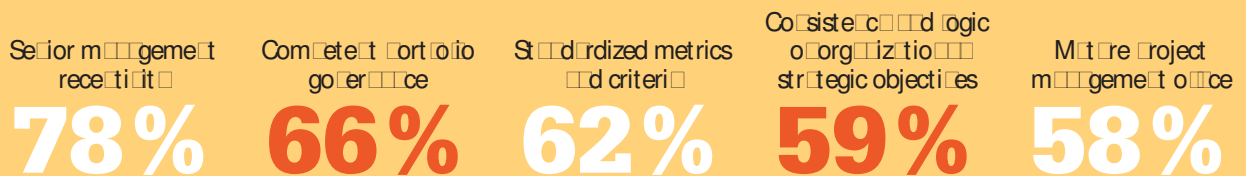
The portfolio shows where the organization is going.

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

## WHY DO ORGANIZATIONS PRACTICE PORTFOLIO MANAGEMENT?



## 5 KEY DRIVERS OF EFFECTIVE PORTFOLIO MANAGEMENT



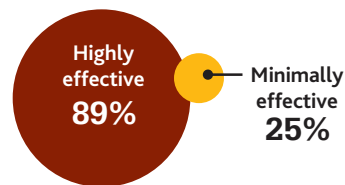
# How to Improve Portfolio Management

The *Pulse* study identified three best practices used by organizations 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 organizations 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 organizations 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



By building an understanding of portfolio management among senior management, organizations are better able to ensure projects and programs deliver on organizational 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 maximize the return on all projects in the portfolio.

### Balance

Every portfolio should reflect the unique organizational 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 organizational strategy.

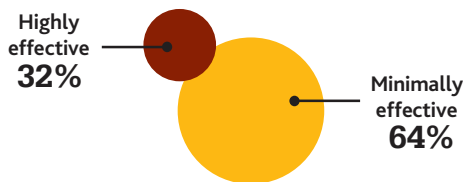
### Portfolio Agility

Organizations should evaluate their current portfolio against their ability to shift with changing dynamics in the organization as well as in the market. Furthermore, portfolio agility calls for organizations to:

- **Sense:** Implement a mechanism to identify and filter changes that affect the portfolio to ensure the organization is choosing the right projects and programs.
- **Seize:** Align projects to organizational capabilities and resources so it can fully leverage opportunities.
- **Transform:** Realign available resources and structures.

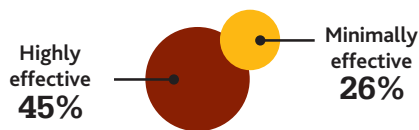
Despite the key role of strategic alignment, many organizations leave their managers mired in a myopic view. Minimally effective organizations were twice as likely to have managers overly focused on their department goals versus strategic organizational goals.

**Mid-level managers focused on department performance versus strategic goals**



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

**Portfolio management enables innovation**



**The Takeaway:** The big-picture perspective afforded through portfolio management makes it an invaluable tool to ensure an organization's projects sync with its strategic business goals.

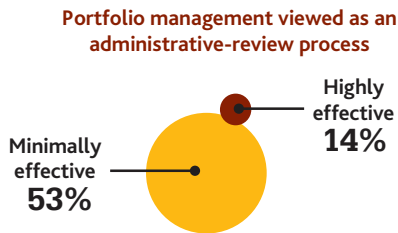
## 2. CREATE A PORTFOLIO-MINDED CULTURE

For portfolio management to become part of the organizational 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, organizational leaders should:

### Prioritize 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.

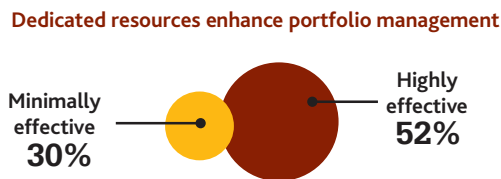
Currently, more than half of minimally effective organizations still view portfolio management as an administrative-review process, three times more than highly effective ones.



### Dedicate resources to portfolio management

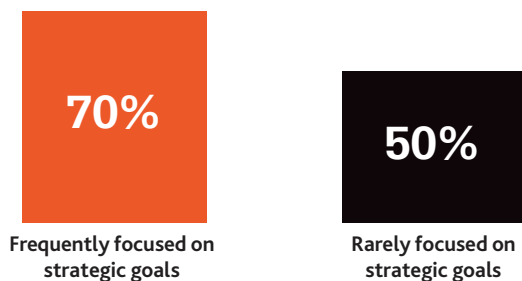
Portfolio management is best left to the professionals, so organizations must commit to invest in the right talent—and then let them do their job.

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



That workload approach may affect project performance. In organizations 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 organizations where managers rarely focus on strategic goals.

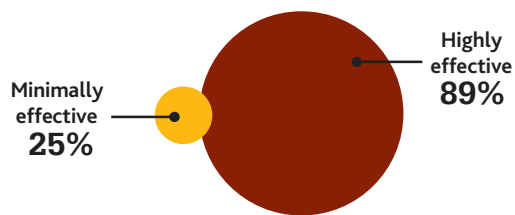
### Rate of ROI goals met when managers focus on strategic objectives



### Educate leaders and peers to understand and practice portfolio management

To fully reap the benefits of portfolio management, the entire organization must have a solid understanding of how and why it works. Highly effective organizations 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



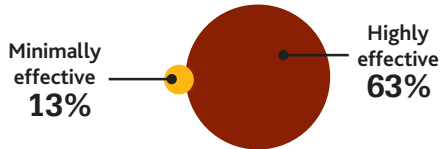
**The Takeaway:** Organizations can realize the full benefit of portfolio management by making it a fixed part of their day-to-day culture.

### 3. IMPLEMENT APPROPRIATE TOOLS AND PRACTICES

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

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

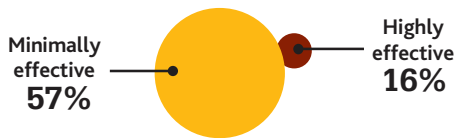
#### Use of formal prioritization tools



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

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

#### Limited standardization of portfolio management practices



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

**The Takeaway:** An organization 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.

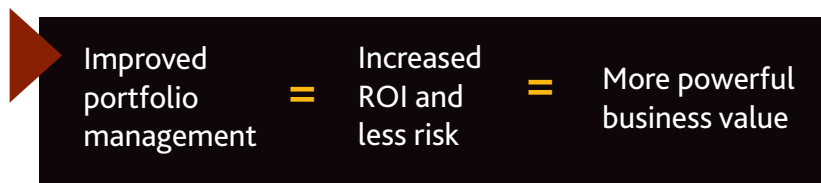
Organizations that described themselves as highly effective in portfolio management increased the average number of projects meeting or exceeding their forecasted ROI by nearly 30 percent compared to those that described themselves as minimally effective.

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

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

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

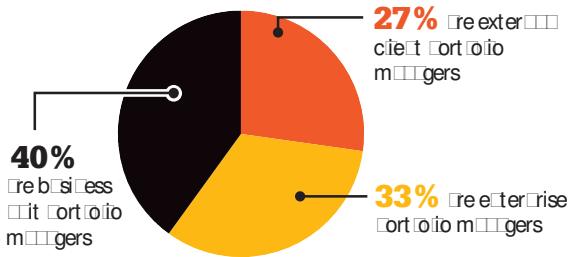
### The Result



# 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:

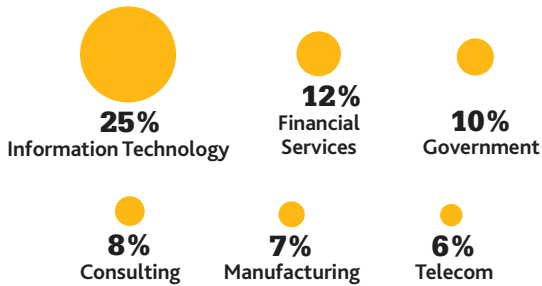


Regardless of type, the average age of portfolio managers is

# 6 years

(and project managers for about 14 years)

SOME OF THE INDUSTRIES REPRESENTED:



annual REVENUE

