What is Project Portfolio Management?

~ By Duncan Haughey

Project Portfolio Management is about more than running multiple projects. Each portfolio of projects needs to be assessed on its business value and adherence to business strategy.

The portfolio should be designed to achieve a defined business objective or benefit. Project management authority Bob Buttrick summarised it when he said, “Directing the individual project correctly will ensure it is done right. Directing ‘all the projects’ successfully will ensure we are doing the right projects.”

While at an individual project level, it is important to know how each project is performing, the impact of each project on the portfolio is just as important. Ask the following questions:

- Does each project contribute to the overall achievement of the portfolio?
- How well is each project performing?
- Will any project have an adverse impact on other projects to come?
- What projects in the portfolio are dependent on others?
- Will the successful delivery of all projects produce the desired objective or benefit?

Working at portfolio level is about working with the summary or key data. It is important to avoid information overload. The detail of each project should be kept at the project team level and managed by the individual project managers. Relevant information should be rolled up and presented at each level within the organisation as appropriate. At executive VP (Vice President) level, you are likely to be providing a summary of performance, progress and a measurement of estimates against actuals and costs.

Within most project portfolio management systems, there is a project evaluation process. This process is used to evaluate the projects at various points during their life cycle. At the beginning of each stage the responsible party evaluates the business case, asking whether it is still relevant and able to deliver the organisations’ objectives. If the answer is no, the project should be stopped. This way the organisation can ensure they stay focused on delivering a strategy, goal or another benefit, and use resources where they will offer the best return.

Project portfolio management asks the following questions:

- Are we doing the right things?
- Are we doing them the right way?
• Are we doing them well?
• Are we getting the benefits?

If the answer to any of these questions is no; immediate action is needed to bring the portfolio back on track.

**Project Portfolio Management Software**

When selecting a project portfolio management system, organisations should use criteria based on identified needs and organisational objectives. It is advisable to start small, introducing aspects of portfolio management one element at a time. Many commercial tools can seem overwhelming at first, simply because of the amount of functionality they offer.

These are the main characteristics of a project portfolio management system:

• Project evaluation process or methodology
• Cost and benefits measurement
• Progress reporting
• Communication of critical project data, for example, an executive dashboard
• Resource and capacity planning
• Cost and benefits tracking

Project portfolio management software enables the user, usually management or executives within the organisation, to review the portfolio, which helps them in making financial and business decisions for the projects.

The objective of project portfolio management is to optimise the results of the project portfolio to get benefits the organisation wants.