



Realizing the Benefits of Portfolio Management with Idea Management: Aspects to Consider

Karthik Trichur Sundaram

Portfolio & Project Management, Asset Management & Supply chain

Pleasanton, CA, USA

Karthikts@hotmail.com

Abstract

Organizations across the globe plan, manage and execute projects either as a necessity for business enablement or as a services for third party customers to realize the revenue. Though the concept of project management has been existing since many years, organizations are embarking and investing on Portfolio management which is related to managing a portfolio for planning multiple projects and programs in advance.

Though a project is defined as temporary in that it has a defined beginning and end in time, and therefore defined scope and resources, portfolio management deals with identifying the work which will be executed as a project, funding of projects, prioritizing, tracking the work progress related to project. Also, Portfolio management can be integrated with organization objectives promoting a culture of innovation by integrating it with the concept of Idea management for promoting ideas which can be beneficial for organization. Though Large organizations already plan and manage their portfolio using different tools, system and documents, a structured portfolio management and planning approach with some of the key aspects can be incorporated to realize the benefits of portfolio and project management for any organization.

Introduction

Portfolio management is the selection, prioritization and control of an organization's programs and projects, in line with its strategic objectives and capacity to deliver the desired outcome.

Most of large corporations across the world always plan and identify the project which are capital intensive project many months or years in advance. The identification and planning of project work much in advance with portfolio management ensures,

1. Required Funding in before the project is started
2. Required critical resources are identified and planned.
3. Identified project work can be prioritized.
4. Required legal approval as well as stakeholder approval is in place.
5. Hardware and Software components can be planned.
6. Issues and Risk can be identified, and mitigation measures can be in place.
7. Identify the innovative ideas and implement them

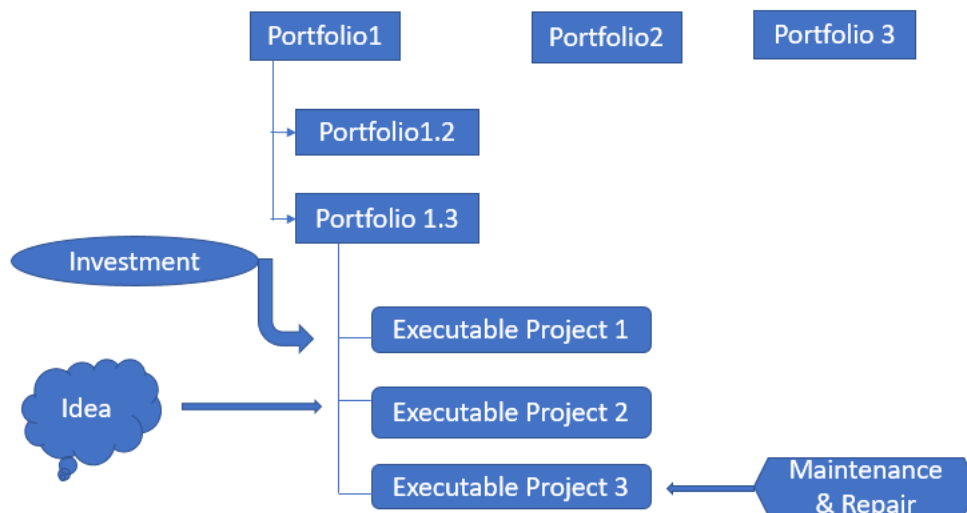
Projects are normally planned and executed for either a new capital investment, Upgrade of Existing product or capability, Replacement, Maintenance or repair of critical assets. Apart from

this organizations are also promoting the concept of Idea or Innovation culture, where any person or department within an organization can submit an idea, which can be evaluated as a possible project and can be included in portfolio for execution as a project.

In Order to Structure, Plan, Manage, Track and report Portfolio and Project successfully, the following key Elements are a prerequisite for any organization

Portfolio Structure

In Order to realize the benefits of Portfolio management organization need have a structure the portfolio to distribute the projects based on an organizational, functional hierarchy or any other important factor like product line, research and development areas. Example of this can be an Electrical Transmission as one of the portfolio identifiers at the top followed by many different sub areas within the portfolio hierarchy like substation, Transformer yard etc. for a utility company.



Portfolio Planning and Funding

Once the Portfolio is properly structured the next step is to identify the possible task(s) which can be executed as a project. These tasks can also be innovative ideas which can be implemented to realize, a saving or address a health or safety hazard and sometimes we can also quantify or predict the approximate savings or return on investment with such ideas. Suitable ideas can be promoted and rewarded, and one can involve the idea owner to champion the cause and this promotes a culture of transparency and innovation.

The concept of incorporating idea management with portfolio management not only aids in innovation, but also helps a better to foster a culture of inclusiveness amongst the resources, within an organization. In order to leverage many ideas which can culminate into a possible project, a mechanism to review the ideas based on return on investment, other benefits like improvement in overall safety and health can be reviewed by a review board. Based on

recommendations from review board executives or sponsors can approve and fund the idea, to a project which can be executed to realize the benefits associated with idea.

Initially identified work or projects at an inception level can be hierarchically arranged at a portfolio level. Based on feasibility, these initial identified work or concepts can be

planned further with the following aspects in mind once the project is labelled as an executable project after relevant review and approval from stakeholders.

The approximate cost of project can be listed as an Estimate at a high level, the estimate can further be refined by considering the high-level tasks and a more closer cost liability can be arrived at by including a planned Value. Another advantage of planning is to arrive at possible timeline for the execution of the project. Once the planned value is arrived it, the review board or stakeholder can approve the value and can approve with certain conditions and reductions.

From the compliance perspective all the approvals can be automated for efficiency through a workflow and approval records can be stored along with details including date and time stamp for future analysis and regulatory needs.

Portfolio 1				
	Estimated	Planning	Approved	Priority
Executable Project1	700000	630000	610000	2
Executable Project2	9000000	1200000	1100000	1
Executable Project3	400000	700000	700000	3

Table 2

Approval and Prioritizing

Once the planned value is arrived it, the review board or stakeholder can approve the value and can approve with certain conditions and reductions. In most large organization's portfolio planning can be done for five years or more in advance. Once there is approval in place for portfolio list of tasks, the next step is to prioritize the most important work for immediate execution possibly in following year and moving the less critical work to later years.

Thus, a final approval or funding of an executable work as a project also is followed by equally important task of prioritizing the important and critical work. The importance of Task or project can be based on several factors including the benefits realized, Scoring based on different attributes like Risk Impact based assessment or Safety, Health and environment Impact.

The above planning snapshot shows an example planning and approval rating based on which the portfolio managers can prioritize some project for execution ahead of others in a queue.

Risk, issues and mitigation.

The advantage of using a structured portfolio management by organization not only help with better identification and planning of work but also can be leveraged to identify the risk and issue associated with work. So instead of identifying the Risk and Issues while executing the project, one can document and record all the possible risk identified or from experience while executing similar projects in advance to ensure that risk are properly identified and mitigated with proper planning ,even before execution of project starts.

Portfolio Financials& Reporting

Portfolio Managers who manage the portfolio have access on financial performance of many projects within their portfolio and can balance the funding by allocating the funds for

critical projects which need more funding from other projects which has consumed less of the Budget.

Also, such transfer of funds from one project to another within a portfolio can be tracked manually or automatically in the system for compliance perspective.

Also structured portfolio management also provides a holistic view on multiple projects within a portfolio from cost, schedule and budget perspective and provides an ability to compare planned and actual values for entire portfolio as project progresses.

Conclusion.

Organizations of any size can benefit with properly having a mechanism to Manage their portfolio which would help with identifying and planning the work in advance and would help the organization to execute projects in an efficient manner.

Furthermore, all the compliance and regulatory requirements can be planned and adhered to in an efficient manner without any delay and thus adding to the cost savings.

Also, identification of Risk and Issue in advance helps with plan to mitigate the risks and address issues with proper resolution mechanism.

The funds or budget allocated initially with approvals as well as any modification can be tracked and stored in system for records from compliance reporting perspective.

The critical resource needed for project execution can be planned based on schedule and vendor identification, contract and negotiation can be initiated much ahead of time to ensure better planning when project execution starts.

References

1. <https://www.pmi.org/pmbok-guide-standards/framework>
2. <https://www.apm.org.uk/community/portfolio-management-sig/>

3. Hassan, M. K. & Ilyas, M. A. B. (2014). Innovation, portfolio management, and agility as a happy family. Paper presented at PMI® Global Congress 2014—North America, Phoenix, AZ. Newtown Square, PA: Project Management Institute. <https://www.pmi.org/learning/library/innovation-portfolio-management-agility-happy-family-9357>