



# Portfolio Management – Take Control of your Portfolio

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Optimize, prioritize, and realign your Portfolio



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## Abstract

Complete portfolio visibility helps organizations make informed decisions on where funding should be cut or increased. Storing portfolio related data in a spreadsheet presents inherent data accessibility issues. There is no simple way to analyze an entire portfolio with different criteria from various sources, thereby limiting the visibility around go/no-go decision making. This paper examines how an integrated Portfolio Management product like Oracle's Primavera Portfolio Manager maintains portfolio information in one location, allowing portfolio managers to prioritize based on strategic business objectives.

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A Portfolio is a collection of investments managed in coordination as way to obtain benefits and a level of control not available when managing them individually.

Portfolio Management is an integrated set of key business processes that, when consistently applied, enable your business to plan and control investments that return optimum value.

## What is a Portfolio?

A Portfolio is a collection of investments that aims to maximize value while constraining risk. Some organizations see this collection of investments as projects (temporary endeavors undertaken to create a unique product, asset, service or result) and / or programs (a group of related projects managed in coordination as a way to obtain benefits and control not available from managing them individually). Other work can also be grouped together to facilitate the effective management of that work to meet strategic business objectives and alignment. The components of the portfolio are quantifiable, in that they can be measured, ranked and prioritized.

A portfolio reflects planned or actual investments that are aligned with the organization's strategic goals and objectives; it is where priorities are identified, investment decisions are made and resources are allocated. If the portfolio's components are not aligned to the organization's strategy, then the organization can reasonably question why the work is being undertaken.

## What is Portfolio Management?

Portfolio Management is the centralized management of one or more portfolios which includes identifying, prioritizing, approving, managing and controlling projects, programs and other related work to achieve specific strategic business objectives. Portfolio Management enables the organization to explicitly assess the trade-offs among competing investment opportunities in terms of their benefit, costs, and risks

Portfolio Management has a broader context than traditional project management since it emphasises a collective response to organizational needs during the planning and execution of these projects. Naturally, in an informed Portfolio Management environment, projects are added to the portfolio, and subtracted from it, based on their overall contributions to the corporate vision and strategic needs. This process is unlike traditional project management, which focuses on only managing a standalone project bounded by a budget, schedule, and scope. Portfolio Management is regarded as a critical discipline for organizational success, especially in multi-project environments.

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Globally, resources are becoming scarcer, external environments are far more volatile and the rate of change is increasing. The impact is that organisations have to achieve “more with less”.

## How Organizations Benefit from the Practice of Portfolio Management

Prescience Technology provides integrated project controls services to support large capital-intensive projects in the Transport, Infrastructure, Construction, Mining, Oil & Gas, Energy and Water industries, and State and Local Government sectors. We have found that, globally, resources are becoming scarcer, external environments are far more volatile and the rate of change is increasing. The impact is that organisations have to achieve “more with less” and must have a greater capability to be agile in order to respond effectively and efficiently to the challenges they face.

In response to the changing environment, there has been greater adoption of project management as means to deliver both products and change within organisations. Due to their ever-increasing numbers of projects, organizations are faced with an environment that is increasingly complex, yet interdependent, requiring a consolidated view of projects and investments. This has also led to a number of key requirements; namely, but not exclusively, to effectively identify and evaluate the best projects from an investment perspective and then to prioritise and manage the projects selected.

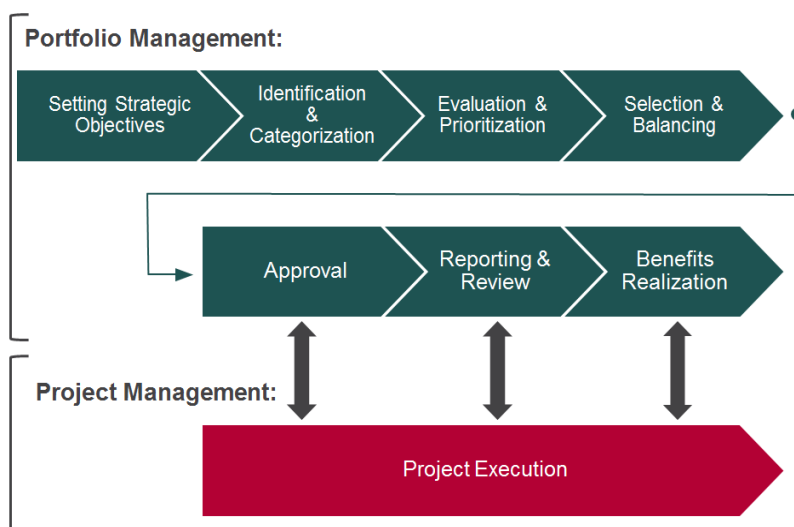
In the same way that a driver would map out a course and destination using GPS systems, Portfolio Management is all about the processes of mapping, planning and controlling portfolios (Figure 1.0 illustrates the end to end process). Controlling portfolios from a Planning perspective, organizations must focus on what is driving the business from the standpoint of strategic objectives and how the efforts already invested in as well as those that need to be considered, this can help meet delivery on organizational goals. It is essential that organizational leaders understand the importance of investments on a priority basis, as well as the funding required to operate and return value to the organization (that is, “Benefits Realization”). From a Control perspective, organizations must ensure that the efforts that have been funded are progressing as planned. These efforts must be reviewed regularly to head off any potential disasters and to change the direction of the project as the organization’s strategic destination changes, which it most certainly will.

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## The End-to-End Portfolio Management Process

Figure 1.0: representation of the end-to-end Portfolio Management process.



## The Role of the Portfolio Manager

The portfolio manager is responsible for monitoring and managing assigned portfolios through prioritization, stakeholder management and communication, and project and program reviews.

The portfolio manager is typically a senior manager or senior management team responsible for monitoring and managing assigned portfolios. The portfolio manager plays a key role in project prioritization by making sure there is a balance of components and that all of the components align with strategic goals. Portfolio managers provide key stakeholders with timely assessments of the portfolio and its components, as well as early identification of portfolio issues and risks that are impacting performance. These timely assessments are used to make go/no go decisions around non-performing investments. Communication is a primary function of the position; portfolio managers must ensure timely and consistent communication to the stakeholders on progress, impacts and changes associated with the management of the portfolio in order to maintain stakeholder understanding and support of the objectives and approach. Portfolio managers must also participate in program and project reviews to reflect senior level support, leadership and involvement in important matters.

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Challenges for Portfolio Managers commonly arise from technology limitations, stakeholder management, organizational culture and corporate politics.

## Typical Portfolio Management Challenges

Portfolio Managers and Project Portfolio Managers are under great pressure to show results, often with limited resources. That pressure is often magnified by constant challenges arising from technology limitations, stakeholder management, organizational culture and corporate politics. Some of the most typical challenges in Portfolio Management have been summarized below.

### 1. Technology Challenges

Technology limitations cloud visibility and present many challenges, including; issues with the collection and verification of accurate information, lack of accurate and timely data, failure to consistently record changes, lack of insight into constraints (such as funding, budgets and critical resources) and IT staff with no authority to effectively manage IT.

### 2. Organizational Challenges

Organizational challenges include; the existence of numerous unfocused investments, inconsistent and subjective KPIs or performance parameters, silo perspectives clouding the true Enterprise View, a lack of process maturity for enterprise-wide Portfolio Management, Portfolio Management initiatives driven by compliance and managers working in a vacuum with a lack of oversight.

### 3. Political Challenges

Portfolio Management involves making important decisions with regard to investments and resource allocations. Therefore, there are often perceived “winners and losers”. Internal politics present many challenges to effective Portfolio Management, including; a lack of management support for well-intentioned initiatives and the existence of more than one set of books kept by managers (operational and political).

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The reason Oracle's Primavera Portfolio Management (OPPM) has arisen as the gold standard of enterprise Portfolio Management is that it forms the hub of an effective six step planning and control process.

## How Technology can help

An effective enterprise Portfolio Management tool can provide the capability to manage any type of investment or initiative by allowing for dependent and supporting investments, by facilitating data capture and analysis, by leveraging open standards to connect to other enterprise data sources and through configuration; so that each participating group can work according to their business definitions, processes and rules.

Widely considered the gold standard of enterprise Portfolio Management, Oracle's Primavera Portfolio Management (OPPM), for example, facilitates collaboration and the automation of workflows and approval processes that support the organization's ability to propose, plan and control investment portfolios. Solutions like OPPM add significant benefit to the Portfolio Management process with their highly configurable system that can be adapted to meet the needs of each organization as processes change.

The reason OPPM has arisen as the gold standard is that it forms the hub of an effective six step planning and control process that allows organizations to; clarify key strategic objectives by presenting them in measurable ways, propose initiatives that align with the organization's strategy and mission, prioritize and select investments with strong business case justification that realistically incorporate funding and staffing, track the state of activities and communicate the latest performance results of your investments, review portfolio performance in real time and compare current to past or future data to identify investment gaps and potential problems, and adjust course as a result of portfolio reviews – increasing, decreasing, or withdrawing investment funding where appropriate.

OPPM also features Investor Maps and dashboards to analyze key strategic decision-making data and metrics simultaneously. These essential metrics can also be used as the basis for "what if" scenarios planning in Investor Maps to determine your optimal portfolio mix. Figure 2.0 overleaf provides a visual representation of this data.

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## Graphical Analysis

Figure 2.0: graphical analysis in Oracle Primavera Portfolio Management (OPPM).

Graphical analysis provides rapid evaluation and understanding of portfolio performance, speeds decision-making, and increases confidence in achieving strategic goals and value. The figure below is an example taken from OPPM.



## Conclusion

The ultimate goal of Portfolio Management is to optimize your resources in alignment with your mission.

Portfolio Management is an integrated set of key business processes that, when consistently applied, enable your business to plan and control investments that return optimum value. The ultimate goal of Portfolio Management is to optimize your resources in alignment with your mission. An enterprise Portfolio Management tool like Oracle's Primavera Portfolio Management enables organizations to integrate planning and control and provides increased visibility, allowing organizations to bridge the gap between the executive decision process and execution and ultimately make sound, informed business decisions.





## About the Author

Wayne Wilson is the Chief Operating Officer and Principal Solutions Architect for Prescience Technology. Wayne has over 30 years of experience in Enterprise Project Controls Systems and has been responsible for multiple implementations of large-scale, complex, capital programs at an enterprise level.

## About Prescience Technology

Prescience Technology is the leading provider of integrated project controls services and technology solutions in Australia. We help organizations manage projects in alignment with business goals. We have a proven track record of delivering savings totalling many millions of dollars to organisations in project intensive environments.

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