AGILE CHANGE
management limited

The value of effective Portfolio Management

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Introduction

My role is to help organisations build their capability for change. This involves developing their change management methods, training staff, creating toolkits and coaching people in how to adapt to change. As part of being able to adapt to change and implement it more effectively, my clients often want to adapt Agile ways of working, where the changes are implemented incrementally, evolving in response to user feedback.

One of the most important enablers to coping with change and becoming more Agile is Portfolio Management. Portfolio Management is the set of processes and activities that identify, prioritise and track the progress of all initiatives needed to achieve the strategic objectives.

The Portfolio is 'single source of truth', summarising all the known changes that an organisation currently believes is needed to get to where it wants to be. It is a very fluid situation as new ideas and new requirements are identified and the value of earlier ideas is challenged.

This means that Portfolio Management needs to be a continuous process. The word process is important in this context because it is something that needs to be carried using an approach that is defined, agreed and understood by all those involved so that there is no variation in how it is carried out, and every idea is evaluated like for like.

Benefits of effective Portfolio Management

Portfolio Management is an essential process to identifying and managing changes. It is only by understanding the full scope of the initiatives that the organisation already has in progress or planned that the capacity for more change can be understood. One of the most common problems is that all of us, at whatever level of management we are within our organisations have more ideas and commission more work than we have people, money and time to resource them.

I have found that the establishment of a Portfolio of initiatives is an effective way of demonstrating that an organisation has over-committed to too much change (in my experience it is never the other way around, I haven't found any organisations that have more resources than they have ambition!)

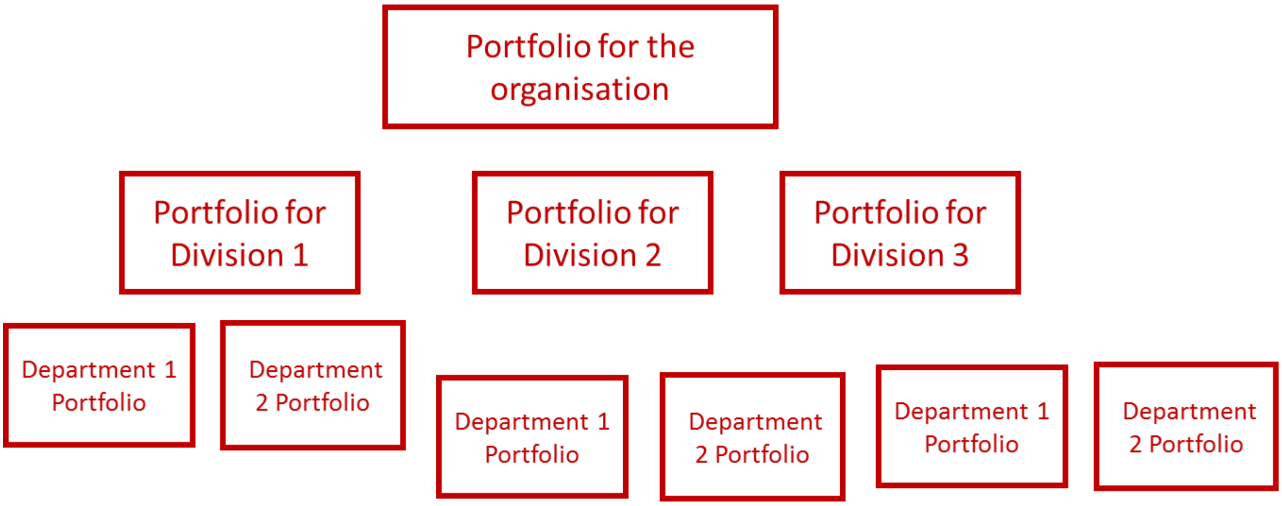
Portfolio Management offers efficiency benefits as it prevents duplication of effort. It is only by seeing what has already been proposed and what is already underway that we can ensure that the scope of any subsequent initiatives is not duplicating or conflicting with existing work.

Scope of the Portfolio

Portfolio Management can operate for the organisation as a whole but it can also be undertaken for divisions or departments.

If there is to be more than one portfolio, it is important to have clear criteria that connect the different levels of portfolio.

For example, if there is to be an organisation wide portfolio, only the most significant initiatives will be included at this level, with smaller pieces of work captured in a division or department portfolio.



I have used the word initiative in this paper, as I am cautious about describing everything as a project, or a group of interconnected projects forming a programme. This is because too often the scope of a project is the creation of the tangible elements of change (new systems, processes, roles and responsibilities) and does not include all of the work needed to embed these new things into how people work.

This is an important consideration because it often takes a lot longer to adapt to new ways of working that it does to create the tangible elements of change. Building up capability in the new ways of working also goes on long after the project has completed. An effective portfolio recognises this and initiatives reflect the project and the change elements, showing the complete duration.

It is important that the portfolio captures the real time needed to realise the benefits because otherwise too many new ideas can be authorised, because there looks like there is space in the portfolio. However, in reality business units are still dealing with the impact of previous initiatives and become overwhelmed.

It is also important to reflect the change activities in the portfolio so that when decisions are taken about what else to authorise, the cumulative effect of change can be considered on each of the business functions.

How to build a Portfolio Management process

Step 1 – Identification of portfolio authorisation factors
These factors enable any initiative, programme or idea to be evaluated like for like with other potential initiatives so that a relative scoring can be achieved, indicating a priority/hierarchy of value for each initiative.

In addition, the application of these factors to every potential idea the organisation wishes to adopt provides transparency of the decision making process. It also encourages the 'bottom up' submission of ideas as everyone can understand how their idea will be evaluated.

This helps to ensure that those ideas that initially sound promising can be filtered out of the process early because when the factors are applied by their originator, it is clear that there is little tangible benefit or strategic alignment etc.

Step 2 – Application of the portfolio authorisation factors
These factors are used to evaluate each of the initiatives already captured in the annual planning process. This will establish a baseline of value from initiatives already authorised and will enable each of the factors to be tested for their contribution and validity on known initiatives.

Step 3 – Confirmation of the criteria
Those in a decision making capacity and the sponsor for the portfolio management process will have an opportunity to review the factors, add, amend or delete as required.

Step 4 – Application of the revised criteria
Once the factors have been agreed any changes can be applied to existing initiatives in the portfolio to confirm the relative value and priority of what has already been agreed.

Step 5 – Ongoing use of the criteria
Once each of the initiatives in the portfolio has been given a baseline value using the evaluation factors, all subsequent submissions to the portfolio can be evaluated on a like for basis.

Portfolio evaluation criteria

To ensure the portfolio only ever contains the most relevant, valuable initiative, each idea needs to be evaluated like for like against existing work.

These are my core list of factors that I use when I am first building a Portfolio Management process. I have grouped them into categories to show the different aspects of business which are being considered.

To be able to compare the value of each of the initiatives, it is necessary to apply a scoring system. To keep things simple I would suggest one point for a positive factor and zero points for a negative contribution.

Of course if some of the factors listed below are of special importance to your organisation you might want to apply a weighting, either to the individual criteria or to the category that it is in.

	Strategy	Business Commitment	Portfolio Contribution	Management Quality	Total
Initiative 1	3	1	2	2	8
Initiative 2	1	1	0	1	3
Initiative 3	3	1	2	3	9
	7	3	4	6	

Category 1 – Strategic factors
1. Strategic alignment – one point is awarded for each strategic objective that is met by the successful delivery of the initiative.
2. Benefits – one point is awarded for each benefit that could be realised via the successful delivery of the initiative. Evidence of the scale of the benefit and how the benefit is to be realised is captured in the Business Case. Examples of benefits include: Statutory requirement; enhancement of organisational capability; enhancement of reputation of the organisation/external perception; increase in revenue; decrease in costs; award of funds/grant; winning an award
3. Time sensitivity – a point is awarded if there is evidence that this initiative is linked to a moment in time and that if not exploited now the opportunity will be lost
4. Evidence of need using data from analytics, surveys etc to prove that those impacted want what the initiative is creating and will be willing to adopt it.

Category 2 - Business Commitment factors
5. Commitment of a Champion or Sponsor who wants the outcome of the change initiative
6. Identification of a manager to lead the initiative day to day

Category 3 - Portfolio Contribution factors
7. Initiative is an enabler for other work so that even those initiatives that do not score points for the benefits they create can be valued for their ability to lay the groundwork for value to be created through subsequent initiatives. A point is awarded for each initiative that this initiative enables.
8. Uniqueness of the work, not duplicated in other initiatives

Category 4 – Management Quality factors
9. Resources available to create the project deliverables

10. Resources available to create the new ways of working needed to use the project deliverables
11. Level of experience in project and change management
12. Quality of the Project and Change Plans

Conclusion

Portfolio Management creates understanding about what is happening across the organisation in addition to 'business as usual' and enables senior managers to appreciate the pressure that may be building up in the 'system'.

Change is necessary, standing still really means falling behind all of those organisations that are adapting and improving. However, relentless change which is uncoordinated confuses staff and customers as the organisation lurches from one style of working to another.

Portfolio management is an enabler to effective change management, providing the capability for organisations to be flexible, remaining open to new opportunities whilst actively addressing threats.