

Project portfolio management: prioritising resources for change

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Project Portfolio Management in Financial Services: Aligning Systems and Climate

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Project Portfolio Management in Financial Services: Aligning Systems and Climate

Abstract: While a number of studies have analysed portfolio management in goods firms, few have focused on the processes and practices within service firms. This research project investigated the attitudes, approach and practices geared towards project portfolio management (PPM) in UK based financial service firms. An exploratory research approach is undertaken via in-depth interviews with key informants in 24 leading financial service companies. Data was also collected on the tools employed for PPM and the performance of the project portfolio. The results revealed considerable variation in the approach and effectiveness of PPM. There were clearly unresolved problems with PPM including PPM not being within the company's strategic context; firms being focused on managing project risk rather than building a balanced portfolio; a lack of understanding of project interdependencies and firms' reluctance to cancel projects once they have started.

Keywords: Portfolio Management; Project Management; Innovation.

1. Introduction

As organisational activities - products, processes, change and business-as-usual - are increasingly managed as projects, the importance of managing the portfolio of projects has emerged. All activities compete for resources and so a firm must appraise and prioritise its projects. Project management has evolved into Project Portfolio Management (PPM) and improving the processes and practice of PPM has become increasingly important to companies. Historically, financial service firms have not treated PPM as an important process and there is little consistency in approach even within firms.

Research has addressed PPM from a number of different perspectives including specific portfolio evaluation methods and individual case studies, but empirical research is limited (Chien, 2002; Killen, Hunt and Kleinschmidt, 2008; Poh, Ang and Bai, 2001). Most studies focus on the importance of prioritisation and, whilst recognising the importance of linking portfolio management to strategy, few address how best to do this (Arto, Martinsuo and Aalto, 2001; Canez and Garfias, 2006). Nevertheless, PPM is becoming established as a discipline originating from management of innovation projects and the emergence of project based organisations (Adams-Bigelow et al., 2006).

While studies, such as those above, have analysed what is happening in goods firms, few have focused on the processes and practices within service firms. This paper reports on a qualitative research study of PPM in financial service firms registered in the UK. We explore key issues, barriers and PPM best practices, highlighting key factors that impact on portfolio performance.

2. Drivers of effective portfolio management

Kester et al., (2009) argues that portfolio decision-making effectiveness is driven by three factors (i) a portfolio mindset, which requires both a clear overview of all projects and connects those projects to strategic objectives, (ii) agility in decision-making and (iii) a focus on actions that will deliver long-term goals. The PPM culture, governance structure and processes of the firm need to be constantly refined to meet the changing requirements of the dynamic environment (Killen and Hunt, 2010). An effective PPM process takes time to embed, with firms needing to invest in the process to demonstrate their commitment. Introducing an effective PPM is not a one-off investment but an ongoing journey. However, only 21% of firms

reported having a well-executed PPM system in place (Cooper, Edgett and Kleinschmidt, 2001).

The strategic management of the project portfolio is difficult, particularly in a dynamic environment, as projects are forward orientated and as such encompass uncertainty. Managers need to go beyond traditional risk management in order to effectively manage uncertainty. This includes consideration of project scope, process, and resource interactions with other projects (Petit and Hobbs, 2010). PPM requires firms to balance their portfolio with respect to risk (low vs high), project types (basic vs applied research), technology (old vs new) and target markets (old vs new). Some firms have been found to consider the relative development stages of projects as part of portfolio balancing, avoiding activity peaks and resource shortages and enabling a smoother flow of products into commercialisation or withdrawal (Cooper, Edgett and Kleinschmidt, 1998).

A balanced portfolio should be linked to all strategic objectives of the business not just concerned with maximising commercial value. Prioritising and managing resources for all projects starts with strategy and then delivery is managed according to business processes. Senior management would therefore be expected to be influential in portfolio management through their involvement in strategy (McMillan and McGrath, 2002). The attitude and support of senior managers to portfolio management is a critical factor – senior managers in high performing firms viewed portfolio management as much more important than low-performing firms (Cooper, Edgett and Kleinschmidt, 2001). Research has found that best practice firms linked portfolio management to basic business processes, which were often supported by an underlying framework of strategic tools such as TQM, Road-mapping, and Balanced Scorecard (APQC, 2007). In such firms, the PPM process was clearly owned by senior leaders, and was seen to build consensus and improve resource usage.

Senior management involvement has direct and indirect influences on the project portfolio. Direct influences come from involvement in strategic and tactical processes including a clear project governance system to ensure that activities were managed throughout their life. Indirect influence comes from management activities that influence the organizational culture, or its surrogate, climate and so can be shaped by senior management through factors such as training, tools, supervisory freedom, attitude to risk and reward systems (Ekvall, 1996). Companies

need to give attention to changing both the systems and climate to enable portfolio management to be exploited successfully (Cooper, Edgett and Kleinschmidt, 1998).

In practice, PPM may involve managers in three types of decision-making (i) evidence-based, using objective and empirical data, (ii) power-based, where influential groups and individuals make decisions that serve their interests, and (iii) opinion-based, where subjective decisions are made based on personal feelings and experience (Kester et al, 2011). Portfolio decision-making effectiveness will be influenced by interactions between these different types of decision-making. For example, power- and opinion-based decision-making may be more agile, but less likely to lead to optimal decisions based on a portfolio mindset (Kester et al, 2011).

3. Project Portfolio Management Techniques

Unsurprisingly, research shows that the portfolio management practices adopted by firms vary. Whilst Cooper, Edgett and Kleinschmidt (1998) recommended that firms adopt a portfolio management process, they could not recommend a single ‘magic’ solution. A structured approach to PPM has been found to be beneficial (Killen and Hunt, 2010). More successful firms use more tools - financial models, scoring models/checklists, behavioral approaches (e.g. Delphi), mapping (e.g. the Boston Consulting Group matrix), and/or probability financial models - to help portfolio management (Cooper, Edgett and Kleinschmidt, 1998). These tools need not be complex and simpler, traditional histograms and pie charts focused on project timing and project type (maintenance, updates, radical change), could be effective and were certainly easier to implement. Typically, metrics were constructed around project numbers, margins, time to breakeven, risk and markets (APQC, 2007).

The simplest generic approach to PPM measures the overall benefits accruing from the portfolio using standard financial metrics, such as Net Present Value (NPV) and Return on Investment (ROI), for decision-making (Wang and Hwang, 2007). Such analysis fails to consider levels and type of risk, and/or strategic purposes – a potential problem in turbulent commercial environments. Hence, some firms are using more complex benefit measurement tools such as decision trees and real options (Amram and Kulatilaka, 2001; Bardhan, Bacchi and Sougstad, 2004). The latter tool introduces a further issue for portfolio management – the option value of a single project is different from when it is considered as part of a portfolio. More sophisticated approaches used in IT and construction,

often consider a compound options model for each new product development (Machaca and Bhattachary, 2000; Mohammed and McGowan, 2001).

While few firms have been found to use complex mathematical tools, mathematical modelling and Monte Carlo simulation methods have been used by pharmaceutical firms to improve their product development performance. Pharmaceutical R&D failure is expensive and potentially threatens a firm's viability, so overall portfolio performance is a critical issue for senior management (Blau et al, 2004; Ringuest, Graves and Case, 1999).

4. Methodology

A sample of firms to be contacted was selected to provide coverage of retail, investment and corporate banks and insurance firms based in the UK. The population of financial service firms from which we selected potential interviewees was taken from the Financial Services Register. Contact was made with senior management by e-mail and telephone, seeking participation in the study. In all cases participants were assured of anonymity and that the study would report at an aggregate level.

Our research adopted a qualitative approach involving semi-structured interviews with senior managers on divisional boards or their direct reports from business or IT functions. All were involved in strategic and/or tactical decision-making, and managing projects to deliver the resultant activities. We interviewed 24 firms and in five cases we conducted multiple interviews within the same company. Interviews were 1-2 hours in duration and were conducted by two researchers with information recorded manually. Both researchers performed analysis of each interview independently to ensure reliability.

Prior to the study 4 key themes were identified from the literature review – systems, tools, governance and climate (Kester et al. 2009; Killen, Hunt and Kleinschmidt, 2008). In addition we had discussed PPM activity with industry experts and identified key language and terms used within the industry. These formed the basis of the semi-structured interviews.

In addition a short questionnaire was employed to collect data on the tools used for PPM; the performance of projects within the portfolio and the extent to which their portfolio of projects delivered on their performance objectives. Additionally, the questionnaire required participants to make a

subjective assessment of their firm's business performance relative to the competition. This data was used to split the sample into leading and laggard firms.

Subsequently we held a seminar for those who had participated and discussed the findings with them. Participants were invited to comment on the findings and on aspects of contributing factors that they felt had not been fully addressed. This provided further clarification and support for the findings.

5. Findings

The Need for PPM

We found that managers in financial service firms were very concerned about resource management. All respondents raised the issue of balancing resources and projects. They wished to be able to better assess the capacity and capability of each business unit in order to manage the increasing number of projects. In particular, many reported a struggle to both allocate resources effectively and to assess the ongoing viability of projects.

Managers identified one of the problematical areas of managing resources as understanding project interdependencies. This made it difficult to assess the viability or importance of any one individual project. Project interdependencies are increasing in importance as firms move towards using a few 'platforms' for product and service delivery rather than wholly different systems for each. A manager from a major bank commented, "*a key issue with a platform approach is understanding dependencies and aligning new projects*". A project that requires a change to a platform has significant knock-on effects for all other systems and projects that are built on the common platform.

The process to manage interdependencies varied across firms. In some it was part of the business case process; in others the responsibility of central departments, particularly where IT infrastructure and platforms were involved. A few admitted that "*visibility of interdependencies often only surfaces during the project*" and issues were dealt with pragmatically and on an ad-hoc basis.

Despite the recognised importance of managing projects as part of a portfolio, most firms had only introduced portfolio processes at some time over the previous 2 years (Figure 1). Even then these portfolio

management processes were often ad-hoc, with the majority of firms lacking formal portfolio process beyond the direction given by the company strategy process. They did not appear to even recognise the need for a systematic approach to PPM.

Four underlying important factors emerged from analysis of the firm's PPM practices. These were the firm's approach to project governance; the climate within which PPM occurs; the PPM systems in place and the tools employed. These are discussed in the following sections.

Project Governance

For half of the firms the responsibility for PPM lies with the Executive Committee (Figure 2). Whilst this suggests that PPM responsibility resides at a high level within the organisation, it is less certain that this is an effective control over the process rather than just a rubber stamping of a process carried out lower down the organisation. Often it was perceived that the centre does not understand the issues at the business level affecting the processes.

There was also considerable variation in whether there was full visibility of the entire portfolio of project activity at any single place in a firm. Even the higher performing firms reported further process changes to "*ensure projects are clearly owned by a senior manager who is held accountable for performance*". This issue has resulted in the emerging breed of Business Transformation and Change Management Directors.

The size of company may shape the review process. In smaller firms, a few in-depth reviews were conducted by the senior managers; in large divisionalised businesses, there were multiple reviews on project activity at varying degrees of consolidation, based on the value/risk of the project. Global firms typically confined full portfolio visibility to the Executive Board but the extent of their analysis could be constrained - one interviewee commented "*the Board has a beauty parade of everything that is important for the bank*" i.e. their portfolio analysis was confined to a small number of high profile projects. A manager in a global firm commented that process change was inhibited by "*trying to balance (operational) speed with retaining big decision-making at the top*".

While project portfolio reviews in some form have visibility at the highest levels of the organisation, we still found a lack of top management support for the portfolio management process. All but one of the companies

reported both a lack of information and a lack of resources to support PPM. The process requires information from many different areas of the business and if it is not perceived to be important within the firm, people do not make the effort to collate the required information, or only make it available in a sub-optimal format.

Our interviews revealed an additional critical aspect of PPM governance – a firm’s *willingness to act* on the results of portfolio reviews – adding, modifying and ceasing projects. In general it was perceived that the firms’ were good at sequencing and ordering of projects but not very good at the decisions about which projects to do and which ones not to do. All firms reported a particular reluctance to cancel projects but an ease of initiating new projects. As a result firms were undertaking far too many projects.

14 of the 24 firms had a Project Management Office (PMO) whose role was to define, collect and analyse project reports in order to brief senior management on progress and issues, although in smaller firms, the PMO role may be performed by the IT department. In a few cases the PMO also saw their role to help, support and develop project managers and project management best practices. Some firms echoed the sentiment from a major insurer who commented that “*PMOs are about portfolio management*”. We found that increasing rigour in reviewing extended the remit of PMOs. One firm had separate PMOs to cover macro and micro project management aspects respectively; another had a centralised ‘super PMO’ to support all other PMOs. Both approaches were aimed at better supporting senior management control. The head of one PMO described their activity as “*an internal consultancy around strategy and product choices*”. Such sophistication was rare, usually confined to global firms.

Portfolio Management Climate

One of the major areas of concern of the firms in the sample was the climate within which PPM was undertaken. Respondents spoke of the degree of formality; the degree of freedom and a climate of fear.

An interviewee from a major bank commented that the “*tendency is to punish the guilty*”, i.e. the project manager, even when not directly responsible for failure. Such a climate of fear was seen to limit effectiveness. Managers not only avoid risky projects but when problems occur focus on trying to shift blame and hiding problems for as long as possible and, rather than seeking support for remedial action. There are

signs of some change with firms now accepting failure as part of being innovative although *“failures are still not career enhancing”*.

Managers' major criticism of formal processes was that they can be too bureaucratic and inhibiting. Processes that increase PPM effectiveness are not necessarily seen as supportive by managers. While it is important to have consistency and transparency, managers preferred that *“the process should be a light touch rather than a heavy-handed form-filling approach”*. They gave examples of different processes being used dependent on cost and risk, with 'light touch' processes for lower cost and lower risk projects.

Many respondents gave examples of formalisation leading to counter-productive activity. One manager talked about *“a culture of 1 hour meetings that we are trying to turn into meetings that deliver resolution”*. Managers in less sophisticated firms took the simpler view that the use of formal processes was just *‘too bureaucratic’* and inhibited performance. In one major global bank respondents talked about a *“silo approach that prevented inter-divisional co-operation”* and affected all aspects of processes, systems and climate.

Sometimes companies have formal review processes but then allow numerous projects to bypass the formal process for various reasons (often as the result of internal politics). This is another indicator of a poor quality PPM process. There should be few exceptions to the review process. Managers freely admitted that even mandatory processes were modified by individual divisions within their firm. They were critical and expressed a clear wish for consistency.

Our interviews suggested that while most firms were becoming more concerned about the general project management climate, privately owned firms remained autocratic. Respondents commented on the importance of relationships in firms where rewards flowed from personal relationships with the owner or his *‘trusted lieutenants’*. One interviewee commented on the fact that *“the owner only deals with a few most senior managers who have been with him for many years”*. Another talked of *“an inner cabinet forum”*.

However, managers in larger publicly owned firms reported internal issues about the balance between freedom for divisional senior management and climate consistency across the firm. There still existed a 'silo' mentality

with the different business units wanting to tailor elements of factors affecting climate instead of adopting a single set for the group.

PPM Systems and Processes

The PPM process must not only allow a portfolio to be established but it must also support regular reviews to ensure that the portfolio continues to meet strategic objectives in a rapidly changing commercial environment. The time between reviews of individual projects varied between firms, from weekly to monthly. Most firms hold periodic strategic reviews of their project portfolios. These were usually either monthly or quarterly. When reviews were only carried out annually a review could be triggered by an unforeseen event such as financial crises or a change of Chief Executive.

Where there were programmes formed of multiple projects, the review period could even vary between project levels. A few of the global firms had introduced complex information and communication technology (ICT) systems to provide real-time governance. It was unclear who was actually making use of real-time information at the portfolio level. Firms stressed that key issues and/or conflicts for senior management attention would not be held until the next formal review.

Time-based project reporting was the normal approach with ‘exception reporting’ to highlight failing projects with the standard RAG (red, amber, green) classification. Better performing firms prioritised and ranked projects according to consistent and transparent criteria, usually as part of a centrally controlled funding process. A major insurer described their prioritisation process as *“delivering a squashed ladder of projects, based on NPV, fit with strategy and doability”*. In contrast, managers from less sophisticated firms were particularly critical of the absence of consistent selection criteria and highlighted how ad hoc decisions led to confusion.

Even the more sophisticated firms found that transparency was the weak despite information flows through cross-functional departmental involvement. Few interviewees felt that they had a clear view of the company wide portfolio or even the rationale for selection.

Firms had particular problems in developing PPM systems to address the issue of portfolio balance. Achieving balance at the strategic level was especially difficult where strategic considerations included the different business domains in which the firm is investing, the types of projects (e.g.

process, product improvement, innovations etc.), as well as the scale, scope and the risk level of each project. Other operational aspects of balance such as project stage, which affect project pipelines for testing and launch, do not appear to be explicitly managed.

All firms thought they should improve their risk management abilities. Risk was seen to be a major focus of project processes with a specific department in the company tasked to review and manage all risks. The financial services sector still appears risk averse but firms are trying to change. A manager at a major global insurer remarked on the challenge of *“turning an old fashioned company into a more risk taking one, particularly as the pace of change is speeding up”*. We were told that increasingly turbulent commercial environments demanded a propensity to take risks to maintain competitiveness – indeed an interviewee from a major bank commented that *“most strategic projects are high risk”*, while another described how the Executive Board had explicitly set the risk level of its portfolio of activities at ‘amber’ – that is medium to high risk - to stretch the plans and performance of the firm.

Discussions with interviewees on balancing the portfolio quickly became discussions about how to manage risk although there was an emerging concern on balancing the resource committed to legacy and to new software systems, respectively. This was particularly important where mergers and acquisitions had taken place in recent years.

Portfolio Management Tools

Project and portfolio management can be supported by a variety of tools so we explored the extent to which a range of tools had been employed by firms in their PPM activity and also how these tools were used. Most PPM reviews were text based, using simple tools such as PowerPoint/Excel with supplementary visual summaries to highlight adverse trends and issues. The most common visual tool was RAG (Red Amber Green), which uses those three colours to indicate project status - major issues, minor issues and on plan, respectively. Figure 3 shows the tools used by the firms that we interviewed – some by all of them and some by less than 20% (decision support system). The most used management tools were standard financial calculations e.g. NPV, IRR, ROI. Next were simple checklists; performance dashboards; rank ordering; basic visual tools e.g. histograms, pie charts; and scoring models. The least used tools were the more complex systems based tools such as decision support systems; decision trees; portfolio management software and real options.

Furthermore, the simple tools were employed as both decision-making and discussion tools, while the more complex tools were used purely for discussion. Figure 3 differentiates between these two intensities of use. Many interviewees told us that “*managers in financial service firms are comfortable with numbers*” and so simple tools that focused on ‘numbers’ were sufficient.

We did not find any difference in average tool usage between the leading firms and the others. It appears that it is not so much the tools but how well they are used that is important in driving performance. A number of firms had introduced software-based systems such as CLARITY^{TM1} with a suite of tools supplied as part of the package. A manager from a major firm commented that “*senior management believe that software can solve all management problems if the right system is purchased*”, a sentiment echoed by other interviewees in large firms.

Only a few companies appeared to have a single system offering visibility of all project activity, with all but two showing that the relevant information needed to be assembled from a number of sources if and when required.

The more complex tools took time, training and perseverance to be adopted throughout firms, and we found integration issues resulting from immature business processes, general perceptions of over-complication and senior divisional manager resistance. In some cases this led to sophisticated software tools being confined to IT departments. There was considerable cynicism about the usefulness of complex software systems.

An observation from some of the interviewees was that they have been through a cycle of introducing tools before, only for them to be withdrawn and another approach taken. This has been described elsewhere as the ‘sheep dip’ approach – in one year the ‘sheep dip’ is TQM, the next year it is balanced scorecard and the following year it is portfolio management.

Earlier we discussed the different tools firms are employing to control their portfolios. These tools varied considerably in their scope and type. Therefore we looked at which tools were associated with the ability to assess the strategic and operational dimensions of the portfolio and its balance. The top three tools associated with each area are listed in Figure

¹ www.ca.com/us/project-portfolio-management.aspx

4. As expected the financial tools dominate but the table lists a large number of different of tools.

6. Discussion

Our study suggests that PPM in UK financial service firms is not as established as in goods products firms or at the leading edge. Only about 8% of the firms that we studied had what could be considered a well-executed mature PPM approach, in contrast to the 21% identified in studies of tangible product firms (Cooper, Edgett and Kleinschmidt, 2001). Portfolio management is still not within service companies' strategic focus. Over half of firms were some way from having sophisticated PPM practices and were only starting the journey towards a well-executed process. However, it did not prove possible to predict how long that journey is likely to take, only to identify the best practices and potential barriers firms faced.

Portfolio Problems

There are two clear differentiators in the approach adopted by leading firms over those that can be considered as the followers or laggards with respect to their PPM practices. The first is that the laggards try and do too much, developing too many projects. One organisation referred to a recent internal initiative on the need to reduce the number of projects as a result of an international benchmark study in their industry. The poorer-performing companies particularly reported a perception that they had too many projects ongoing at any one time and were spreading their limited resources too thinly.

We found indications of a strong relationship between the volume of the project portfolio, the reported development performance and ultimately the success rate of the projects being developed. In the firms with the top 20% of projects by volume, only 33% were successful, compared with 67% of projects in the other firms in our sample. The simple message appears to be that managing down the volume of projects leads to improved performance. This may, however, be over-simplistic and there needs to be a consideration of **both** the *type* of project as well as the *volume* i.e. the number of projects. Complex projects with multiple interdependencies are likely to be more demanding on resources than a simple stand-alone project.

The focus on risk control may explain why the majority of projects are of relatively low risk, whereas a better balance of risk projects might deliver more effective portfolios. Interviews took place as the financial crisis emerged and financial service firms were threatened with bankruptcy. This suggests that the current approach to managing risk is either ineffective or was not applied properly. Perhaps a focus on balancing risk would lead managers to view the activity through a clearer lens.

The second weakness is that laggards are too conservative in their choice of projects. There is often a fear of failure in these organisations, which leads to managers choosing the safe option. Figure 5 shows that the laggards have a mix of projects of which nearly half are considered to be relatively small low-risk/low-payoff projects. It is hardly surprising that these companies are not performing very well in the marketplace. We found a few firms who thought that they were taking too many risks but all but one felt that they erred on the side of caution. Few firms seem to have found an “optimal” level of risk that suited both their strategic objectives and the commercial environment in which they operated.

A final problem that we identified relates to a firm’s willingness to act on the results of portfolio reviews. One of the benefits of having a high-quality or robust PPM process is that it makes it easier to cancel projects that are no longer relevant or do not provide value to the company. There were indications of a strong relationship between the quality of the PPM processes and the willingness of the company to cancel projects – some twice as many projects in firms with high quality processes were successful as in those firms that have low quality processes. This demonstrates that companies that are poor at acting on their reviews damage their performance. The climate of the company was integral to this, particularly the acceptance of failure - evidence of the importance to companies of aligning systems and climate.

Given the nature of the projects (especially the apparent predominance of relatively small, low-risk projects) and the fast-paced nature of the business environment, those companies leaving a year between project reviews are asking for trouble. Action will probably be too late to correct any problems.

To summarise, the route to project success starts with having a high quality PPM process which creates the ability to adapt the project portfolio on an ongoing basis, thus keeping the project pipeline to a manageable volume and ultimately upping the project success rate.

PPM Maturity Map

Effective PPM requires action on both the climate of the organization and its systems and processes. Yet only a few organizations were found to have aligned PPM processes to their climate. We therefore analysed firms approach to systems and also to climate in relation to their project or portfolio focus together and expressed this as a matrix (see Fig 6). While neither comparison of task vs people nor project vs portfolio focus is new, combining them to analyse firms PPM status offered us some interesting insights. A major issue arises from failure to align PPM processes and climate such that most firms fall into one of two traps – being what we describe as *ill-prepared* or *ill-equipped*.

The *ill-prepared* have put systems in place without changing the alignment of the organisation. This leads to the tools quickly becoming discarded or misused. It was surprising to find examples of senior management in international businesses that still believed that weaknesses could be solved by just ‘parachuting in’ a new PPM software package.

The *ill-equipped* attempt to change the focus of the organisation without putting in place the systems that enable people to effectively carry this out. Smaller – particularly newer - firms tended towards the ill-equipped classification.

Tools are an important consideration for effective PPM and we saw varying use of different types of tool. It is clear that no one tool can do everything and it is better to have a toolbox with a variety of tools that can be employed as and when needed. One of the drawbacks of more formal procedures for PPM is that often the tools are specified up-front. A more flexible approach may be helpful.

Consistency requires both mandatory processes across the firm and also involvement of senior management to ensure that processes are followed. This is more likely to happen if the PPM process is an integrated part of the overall strategic management process.

7. Conclusions

The aim of this study was to uncover current PPM practices amongst UK financial service firms. For the firms in our sample we found that project management processes varied – between companies, between

divisions/business units, and even between projects. Firms were focused on managing project risk rather than managing a portfolio of projects.

Firms were found to have problems balancing portfolios (in terms of innovation scale, scope, project pipelines and markets). All firms seemed weak in two areas that potentially impact on the resources available for key projects: a) managing project interdependencies, and b) 'killing' projects that were failing or no longer relevant. Many firms lack an understanding of project interdependencies and relied on project managers reacting to issues rather than identifying and actively managing them from the planning stage. Firms are reluctant to cease projects once they have started, even when continuance impacts on resources available for other projects. Companies are trying to do too much. They had too many projects increasing the rate of project failure.

All but three companies had a governance policy and review practices for projects, with fourteen having a PMO at the heart of governance. An emerging trend is to use PMOs to support and develop project managers and project management practices. However, at present the governance structure seemed focused on identifying and punishing the guilty, resulting in a climate that does not favour innovation.

We also found that divisionalised firms are often reluctant to adopt PPM systems and processes that take away the authority of the divisional board. Initiatives from the centre are resisted, slowed down and adapted to particular divisions. It seems that trying to force integration via formal mechanisms does not work. A better approach may be to encourage involvement by different functions in the PPM process, by creating a collaborative environment where information and ideas are freely exchanged and problems are solved in a climate of mutual trust and understanding. However this is not always easy to achieve.

Finally, this was a small scale exploratory study and while the results describe the activities of a representative sample UK financial service firms our findings can only be regarded as indicative. A further larger scale study is required to test our findings more comprehensively and link PPM practices to objective measures of performance.

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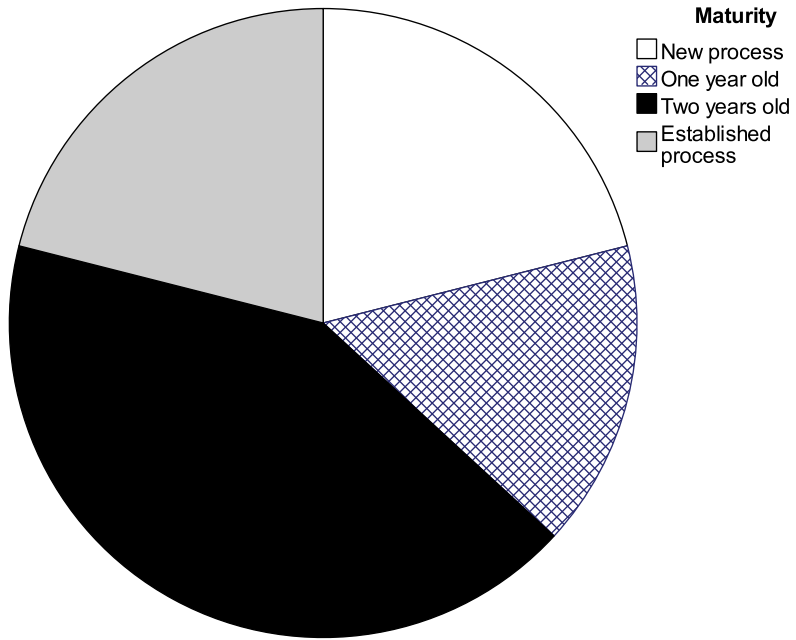


Figure 1. Time since introduction of PPM processes

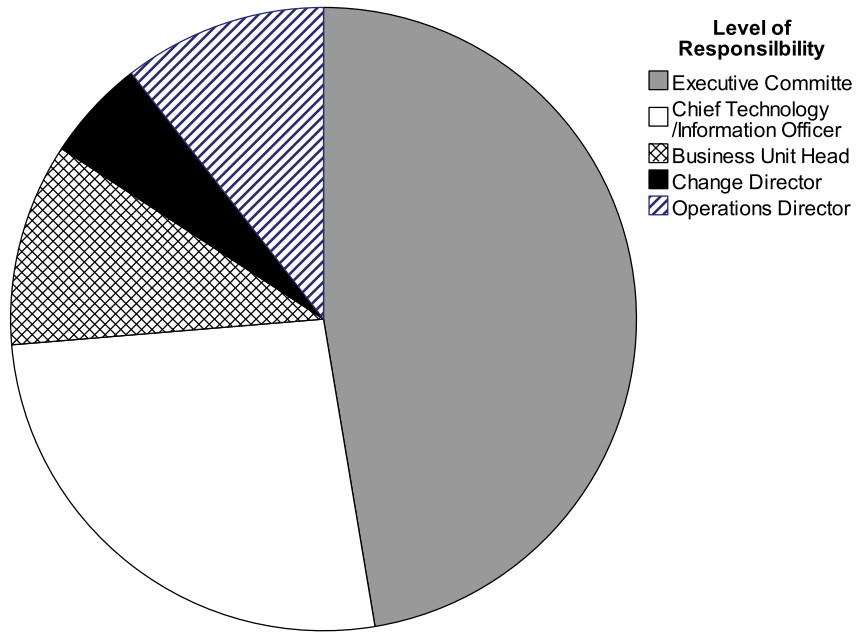


Figure 2. Level of Responsibility for PPM

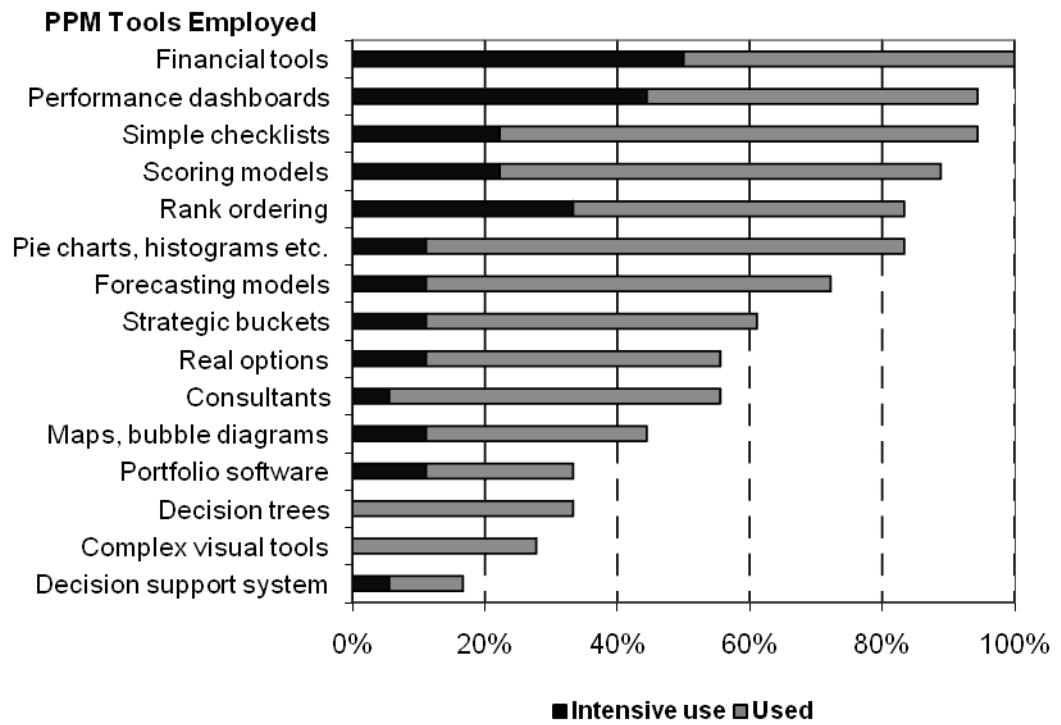


Figure 3. PPM Tools Usage

Dimension	Strategic Value	Resource requirements	Strategic balance	Operational balance
Key Tools	Financial tools Checklists Dashboards Bubble diagrams	Financial tools Pie charts etc. Decision trees	Rank ordering Decision support systems Strategic buckets	Financial tools Bubble diagrams Portfolio software

Figure 4. Top Tools Associated with each Strategic Area

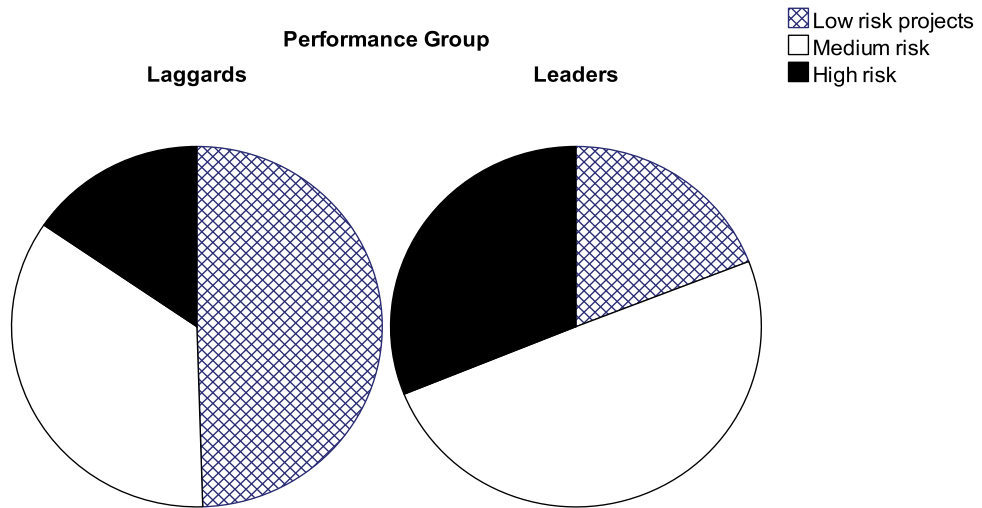


Figure 5. Types of Project Developed

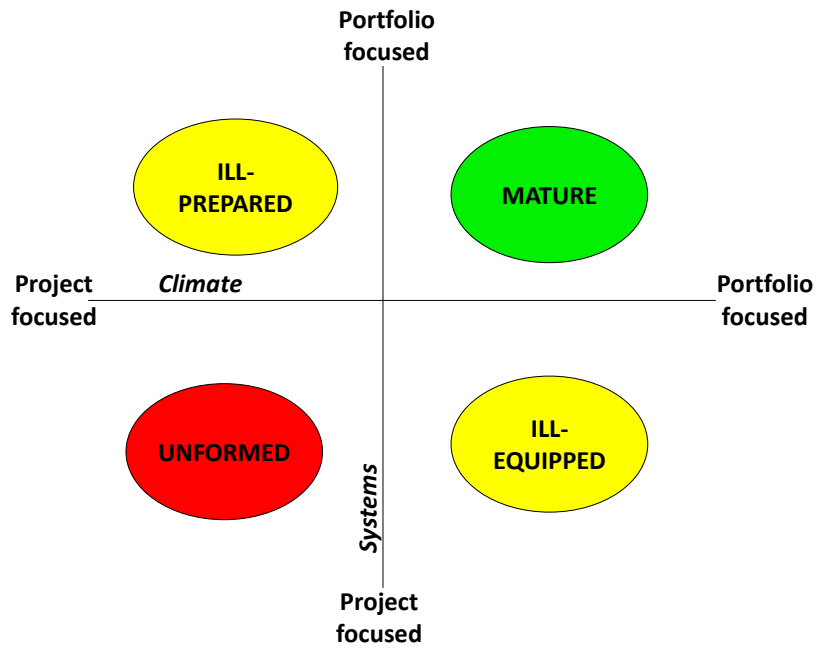


Figure 6. PPM Maturity Map