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趋势的力量

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Achieving Execution Excellence Through Portfolio Management

- Dr. Te Wu ▪ 巫德宇博士

Agenda

- Portfolio Management Overview
- Connecting Strategy with Executing Using Portfolio Management
- Portfolio Management Considerations for “One Belt One Road” (一带一路)
- PMI Portfolio Management Certification

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Introduction

Portfolio Management is a differentiator and competitive advantage...

- Successful organizations differentiate
- Portfolio management is a proven way to make key investment decisions

The Dismal State of Execution

90%

of well-formulated strategies fail due to poor execution

Source: Robert Kaplan and David Norton, The Strategy-Focused Organization, Harvard Business School Press, 2001

12%

or USD \$122 million wasted of every USD \$1 billion spent on projects

Source: PMI Pulse of the Profession, The High Cost of Low Performance, May 2016

47%

of survey respondents believes business execution is extremely important or the most important to their organization

9%

of respondents is “very satisfied” with their organization’s ability to achieve results

Source: “Strategic Business Execution Survey”, In Progress, PMO Advisory LLC.

What is Portfolio Management (PfM)?

- Portfolio management is the bridge between strategic planning and implementation, and the primary focus is to determine the *right* projects which by definition are investments for the organization
 - Program and project management's primary focus is doing those projects in the right way
- Portfolio management can and should exist at multiple levels of organizations, from the enterprise to department and sometimes to product-level

Where is PfM Most Prevalent?

- All organizations perform these three pillars of activities: planning, operating, and changing
 - Planning addresses the essential question of mission, vision and objectives
 - Operating concentrates on running the business of the organization
 - Changing looks ahead at the future and the next bend in the road -- *Portfolio management primarily exists to support change*

Major Organizational Activities

What do
organizations
do?

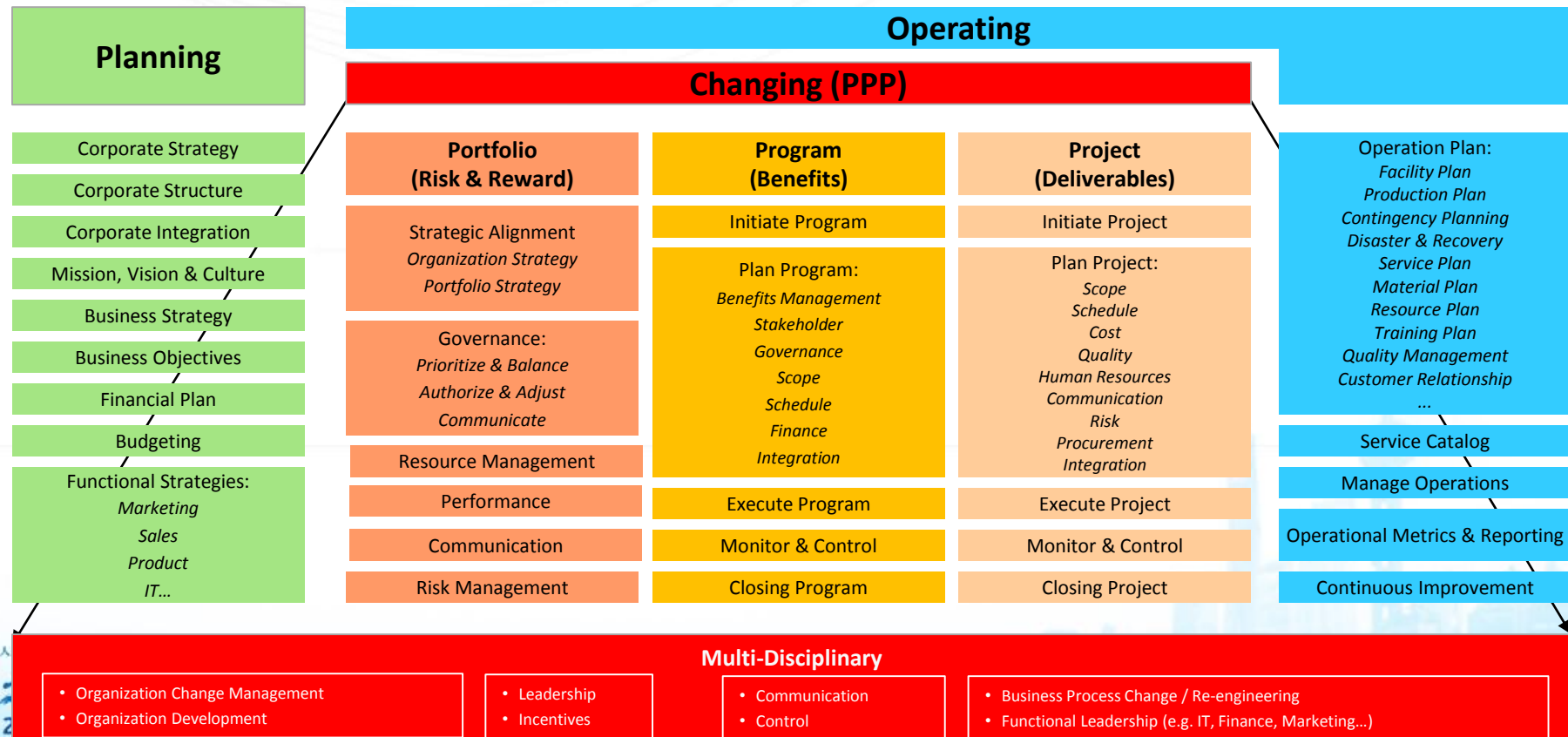


Planning

Operating

Changing

Activity Map of an Organization



Hierarchy of Organizational Activities

Level	Pillars			Name
10	Planning			Corporate or Enterprise Strategy
9				Organizational Strategy
8				Business Unit Strategy
7	Changing		Operating	Functional Strategy
6				Portfolio
5				Program
4				Project
3				Operational Initiatives
2				Tracks
1				Specific Tasks and Activities

Source 1: Wu, 2015, A Sensible Guide to Passing the PfMP Exam, Table 11, Page 45

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Proprietary And Confidential

Purpose of Portfolio Management

Portfolio management enables successful strategy execution because it:

1. Aligns with Strategy
2. Guides Project Investment Decisions
3. Guides Resource Allocation
4. Strengthens Organizational Legitimacy
5. Focuses on Portfolio Performance
6. Informs Risk Management

Why Portfolio Management?

There is empirical evidence supporting the value of Portfolio Management. Two studies:

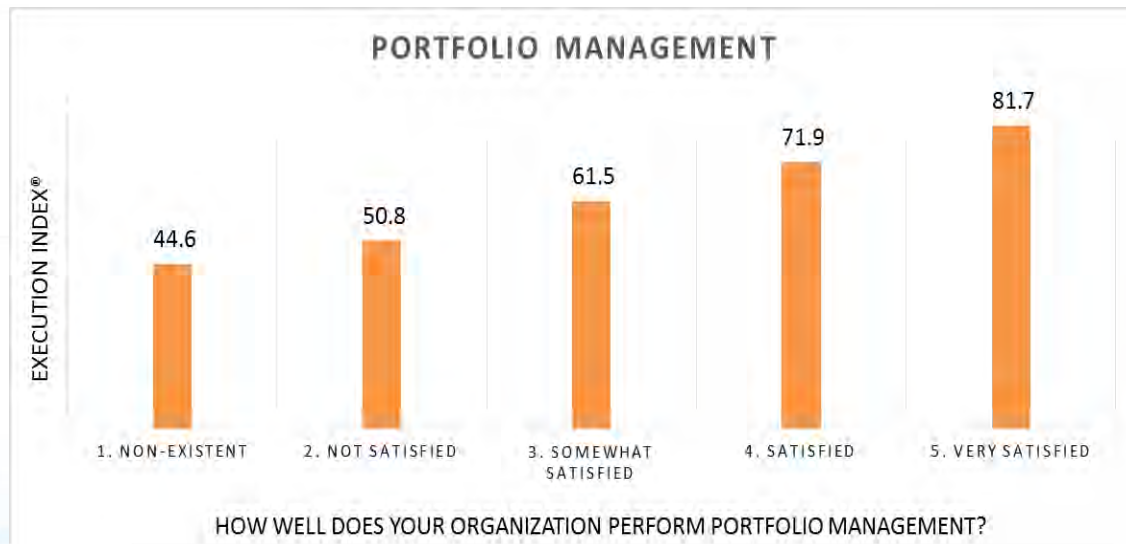
1. Project Management Institute in-depth survey of Portfolio Management in 2012
2. PMO Advisory study of Strategic Business Execution, with Portfolio Management listed as a discipline

PMI's Study on Portfolio Management

Criteria	% Increase	Highly Effective Portfolio Mgt	Minimally Effective Portfolio Mgt
Completion on Time	36%	68%	50%
Exceed/Meet Forecasted ROI	29%	62%	48%
Completion on Budget	19%	64%	54%
Meet Original Business Goals	18%	77%	65%

PMO Advisory's Study on Portfolio Management

- PMO Advisory pioneered the “Execution Index” (scale of 1 to 100 where 100 is perfect execution) that reveals how well organizations execute their business strategy
- We received 460 responses to the question “On a scale of 1 to 5, how well does your organization perform portfolio management...”



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The 5 Drivers of Effective Portfolio Management

1. Senior Management Receptivity
2. Competent Portfolio Governance
3. Standardized Metrics and Criteria
4. Consistency and Logic of Organizational Strategic Objectives
5. Mature Project Management Office

Building Portfolio Management

I. Define

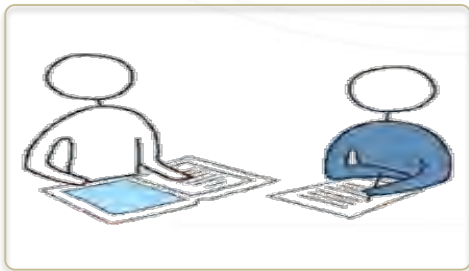
II. Align

III. Monitor, Control & Optimize

Phase

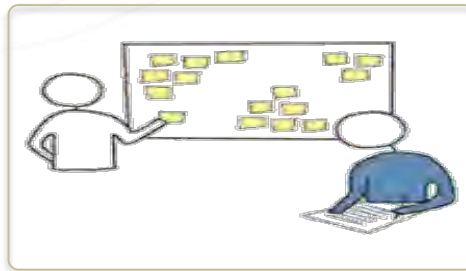
Tasks

Results



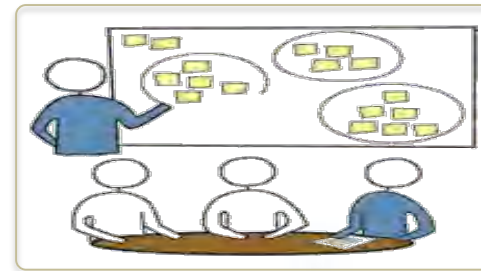
- Reviewed business and organizational strategies
- Conducted interviews with executives
- Created inventory of work (> 100 projects)
- Developed governance model and prioritization framework

Refined organizational strategy, inventory existing work, and develop new ideas



- Created Portfolio Governance Team, composed of 7 executives including the CEO who is the chair
- Trained executives (and most of their direct reports) on portfolio management methodology
- Piloted the portfolio management process for six months

Achieved legitimacy of governance; also agreed to implement the vital few – “Big 6”



- Worked closely with the project teams on the approved projects on methodology and resources
- Monitored progress and provided rapid escalation
- Conducted regular Governance Meetings to minimize surprises and manage performance

First to market with a new product; achieved nearly \$300 million in loans before the next competitor stepped in

Case Study: Financial Services Firm

- Background:
 - Company X was one of the fastest growing financial services firms in the United States. It's growing portfolio of loans has been growing 30%-50% for the past 3 years.
 - But the CEO knew the firm is in trouble. A large internal project was mired in delays, with little hope of completion. Smaller projects were rampant and largely uncontrolled and in some cases unknown.
- Solution:
 - Created “Enterprise Project Services” to oversee large projects
 - Developed and implemented an enterprise portfolio management process to guide investment decisions and resource allocation
 - Focused resources on the vital few - “Big 6”
 - Disproportionately awarded success performance on Big 6 projects to attract the best resources across the organization

Business Results

- **Business Value**

- Significantly improved time to market
 - Became the first company to release a new loan product (after U.S. government changed the rules). Achieved \$300 million in loans in 10 days, before the next competitor moved in.
- Significantly improved project success
 - By focusing its resources on the “vital few” projects, the company was able to dedicate the resources and attention to the most important endeavors.

- **Customer Service**

- Clients are much more satisfied because the firm is responding to their demands. This is especially the case when there is now a portfolio of Service Delivery initiatives.

- **Employee Satisfaction**

- Previously, every major IT project was a “death march”. After the roll out of portfolio management, crunches continued to happen, but not on the same scale.
- Plus, with more dedicated resources, employees had more time to learn and apply their new skills.

Sample Deliverables - Six Sub-Portfolios

Client / Market Facing

Portfolio	Definition
New Product / Service	<ul style="list-style-type: none"> ▪ New revenue-producing, volume-producing, mission-supporting, and/or market-facing goods or offerings. ▪ These goods or offerings created new product/service lines or extended existing ones. ▪ New products and services require significant effort to assess, plan, design, develop, implement, launch, and operate.
Enhancement	<ul style="list-style-type: none"> ▪ Changes to existing tangible or intangible goods, ranging from small refinements to a complete makeover, done with the intention of improving the existing product set or service.
Service Delivery	<ul style="list-style-type: none"> ▪ Changes to existing methods of delivery (channels) of existing products or services to customers.

Internal Focus

Portfolio	Definition
Compliance / Regulatory	<ul style="list-style-type: none"> ▪ New business initiatives that satisfy certain regulatory or compliance requirements. ▪ The need and urgency to perform these initiatives are often less flexible and should be considered as costs of doing business.
Internal Efficiency	<ul style="list-style-type: none"> ▪ Initiatives that are designed to better the productivity of the firm and/or the quality of work. This type of initiative typically involves backend workflow upgrades and is not apparent to the customer, but provides some intrinsic value to the firm's level of productivity and efficiency.
Infrastructure	<ul style="list-style-type: none"> ▪ Initiatives undertaken to improve the foundation that supports the normal operations of the firm. This usually refers to IT platform changes but can be other infrastructure projects such as new office buildings.

Sample Deliverables - Scoring

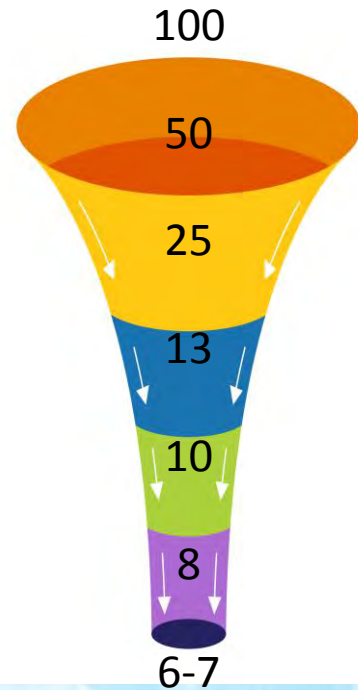
Sample Scoring Results for Concept Screening Stage

Concept Screening	Strategic Impact	Product Advantage	Market Attractiveness	Operational Impact & Feasibility	Risk vs. Return
Relative Weight	40	10	20	20	10
Product Development Committee	Strategic Impact	Product Advantage	Market Attractiveness	Operational Impact & Feasibility	Risk vs. Return
Person 1	8	7	5	9	9
Person 2	7	7	6	8	8
Person 3	6	6	7	9	7
Person 4	9	6	5	7	9
Person 5	7	8	3	10	8
Average	7.4	6.8	5.2	8.6	8.2
Score (Scale of 1-10)	3.0	0.7	1.0	1.7	0.8
Overall Score	7.2				

Note: Different weights are used at each stage of the product development process. Since the threshold at this stage is 6.0, this product initiative proceeds to the next stage.

Sample Deliverables - Anticipated “Pull-Thru”

Phase	Pull-Thru Rate	Example
1. Idea Generation	50%	Of 100 ideas, 50 progress to the next phase.
2. Concept Screening	50%	Of the remaining 50 ideas, 25 progress to the next phase.
3. Product Definition	50%	Of the remaining 25 ideas, about 13 progress to the next phase.
4. Concept Testing	75%	Of the remaining 13 ideas, about 10 progress to the next phase.
5. Business Case Development	75%	Of the remaining 10 ideas, about 8 progress to the final gate.
6. Approval & Ready for Implementation	75% - 90%	Approximately 6 to 7 ideas are approved for implementation.



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Considerations for One Belt One Road (B&R · 一带一路)

- Opportunities abound
- Resource intensive
- Benefits may be controversial
- Investment resources limited
- Highly Political
- Complex (e.g. integration)



McKinsey & Company

Source:

1. Left: McKinsey.
<http://www.mckinsey.com/industries/capital-projects-and-infrastructure/our-insights/one-belt-and-one-road-connecting-china-and-the-world>
2. Bottom: Baidu,
<https://baike.baidu.com/item/一带一路/13132427>



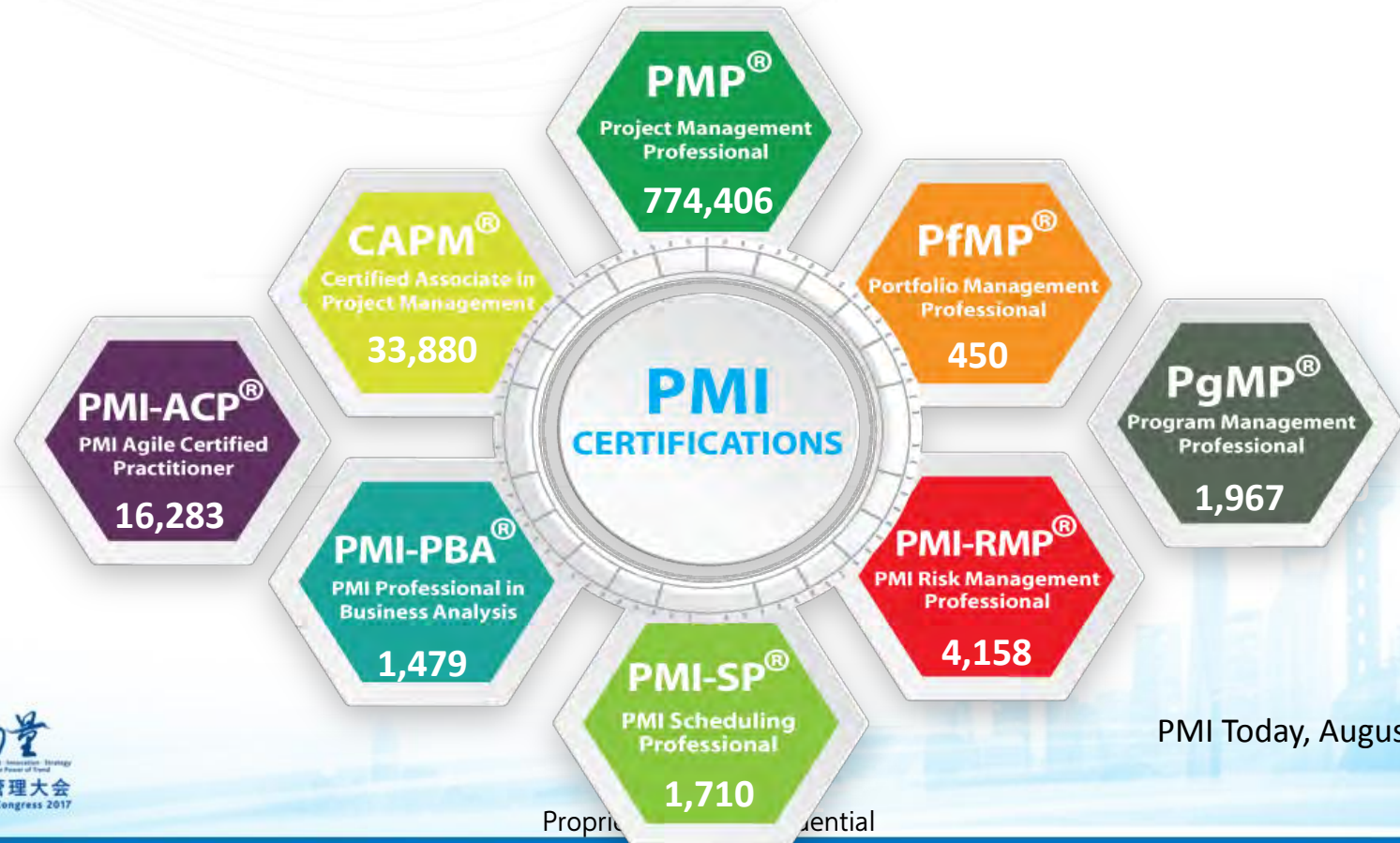
Benefits of Portfolio Management

- Strategic alignment - Making sure specific initiatives are aligned with the strategic and tactical objectives
- Governance - Ensuring the decision making processes are transparent
- Performance - Evaluating and measuring values
- Risk management - Tackling unknowns
- Capability and Capacity - Establishing realistic targets, within limited resources

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Project Management Institute



PfMP Certification Qualifications

General
Professional
Experience

MUST

Minimum of 8 years (or 96 months) of professional business experience focusing on strategic investment considerations

(The 8 years or 96 months of experience does not need to be contiguous nor is there a time limit – such as within the last 20 years)

Education

A secondary degree
(High school diploma, associate degree, or equivalent)

A four year degree
(Bachelor degree or equivalent)

Portfolio
Experience

Minimum of **7 years** (10,500 hours) of portfolio management experience **within** the past 15 consecutive years

Minimum of **4 years** (6,000 hours) of portfolio management experience **within** the past 15 consecutive years

Questions ■ 你有任何问题吗？

Contact Information

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