

Great Business Case, But No Thanks

How to Tell Whether You Are Truly Managing a Portfolio

By Chris Potts



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The fundamental principle of portfolio management is that you first choose the goals for your portfolio and then select the most efficient combination of investments to deliver them. For investments in change—whether or not they involve IT—these goals are expressed as the results you want to achieve (with corresponding measures and milestones) and the overall shape of enterprise that the investments must deliver.

How can you tell whether your enterprise is really portfolio-managing its investments in change? Look for the following signs:

- ✓ As the focus of your goals changes, for example from efficiency to growth, so does your portfolio.
- ✓ Your portfolio includes investment provisions that are yet to be assigned to projects.
- ✓ You are prepared to cancel some projects that no longer meet the portfolio's goals and actively seek new ones that do.
- ✓ You evaluate and select projects based on their contribution to the portfolio, rather than just on their standalone merits. This means turning down proposals that individually have positive ROI but which don't fit the goals of the portfolio.
- ✓ You explore what each proposal would mean for the overall shape of the enterprise. This can mean investing in projects - such as redesigning a pivotal process or reconfiguring business infrastructure - that have a low or negative individual return but are key to the future of the enterprise. It can also mean rejecting projects that would undermine the overall direction that the enterprise is heading.
- ✓ You factor into your portfolio decisions a realistic probability of project success, based on your enterprise's performance at delivering value from change.
- ✓ You prioritize the portfolio using constraints other than cost alone.

It's common for enterprises to treat the cost of a portfolio as the primary constraint when making decisions. But this can easily conceal other, possibly more significant, constraints on the portfolio's success. These include the overall value that the portfolio is expected to deliver and the enterprise's capacity to make and exploit the changes that the portfolio represents.

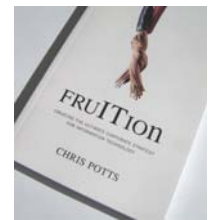
Whether or not cost drive investment decisions, exploring other prioritization criteria can result in a more productive and efficient portfolio and a higher project success rate.



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