Chapter 1

Portfolio Management as a Step into the Future

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ABSTRACT

Project Portfolio Management (PPM) is an “old-new” emerging discipline. More and more organizations are discovering PPM as an “alternative” to Strategic Planning. In reality the two disciplines should walk along, obtaining from this coexistence mutual benefits. Strategic Planning is often too far from reality and fails due to this distance. Project Management is too much down-to-earth, being focused on delivering, sometimes without knowing the real rational behind what is produced. PPM is a smart and wise connection between these too distant worlds (it has to be highlighted that also the people involved in the two disciplines are very dissimilar). PPM is a step into the future keeping a tight connection with the near past and with the ongoing activities performed by the organization. PPM supports organizations’ need to shape their future. It is a complex process, taking time and resources, but the returns are worth the effort.

INTRODUCTION

Strategic Management

To introduce Project Portfolio Management (PPM) it is imperative to talk about Strategic Management. The key objective of a company is to achieve a strategic advantage against competitors in the referential market. When an organization does not have competitors (example: the Public Sector) the final strategic objective is to satisfy its stakeholders and final clients (shareholders). As stated by Johnson, Scholes, and Whittington (2008), strategy can be defined as the direction and scope of an organization over the long-term: which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfil stakeholder expectations.
Strategy is also described as the direction and scope of an organization over the long term, in order to get an advantage in a changing environment through its configuration of resources and competences, with the aim of fulfilling stakeholder expectations (Pinto, 2007).

An organization’s strategy has to be multi-level:

- A Top-level strategy referring to the overall scope of the organization (at this level company will be concerned about the shareholders expectations and should consider geographical issues).
- A Middle level strategy about the different businesses within the corporate and how these businesses will compete within their markets (price, innovation, etc.).
- A Bottom level strategy at the operational level of the organization. Here companies are concerned on how the organization delivers effectively (the corporate and business level strategies) in terms of resources, processes and people.

Therefore, a strategy must be broken down into strategic goals and these goals have to be assigned to different structures located in several levels within the Organization. These objectives should be Specific, Measurable, Achievable, Relevant and Time-based (SMART). These goals will move the organization in the “strategic direction” considered optimal. This is what is usually called “strategy in action”: the organization actions are aligned with the pre-defined strategic trajectory. Strategic goals when reached produce changes in the organization. Programs and Projects produce changes too.

According to The Standard for Program Management (PMI, 2013c): programs and projects deliver benefits by enhancing current capabilities or developing new capabilities that support the sponsoring organization’s strategic goals and objectives.

Referring to Figure 1, organizational strategy is a result of the strategic planning cycle, where the vision and mission are translated into a strategic plan within the boundaries of the organizational values.

Figure 1. Portfolio and strategic planning
Source: Adapted from the Program Management Standard, Third Edition, Project Management Institute, PMI®.
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