

FROM PROJECT MANAGEMENT TO PORTFOLIO MANAGEMENT – BUILDING INDIVIDUAL CAPABILITIES AND BRIDGING ORGANIZATIONAL GAPS – Dr. Richard Bayney, President, Project & Portfolio Value Creation, Washington Crossing, PA, USA; Faculty, University of Pennsylvania, Philadelphia, PA, USA.

In most industries, including Pharmaceuticals & Biotechnology, Project Management is an entrenched discipline with a lengthy and successful track record that resides within R&D. Much like Financial and Accounting disciplines, Project Management has evolved steadily but marginally over the past several decades with the result that its constituent competencies are well defined. To this extent, the Project Management Institute (PMI) has created and defined 9 Knowledge Areas and 5 Process Groups that appear to encompass the required competencies of Project Management (Figure 1). Organizationally, Project Management is generally housed within a Project Management Office (PMO) where other disciplines including Project Coordination and Resource Management are located. Further, it is quite rare to find a PMO aligned structurally outside of R&D. Functionally, these disciplines are responsible for Project data gathering and consolidation that relates mainly to (a) scope, timeline and budgetary cost, (b) functional resource demand estimation, and (c) stage gate reviews.

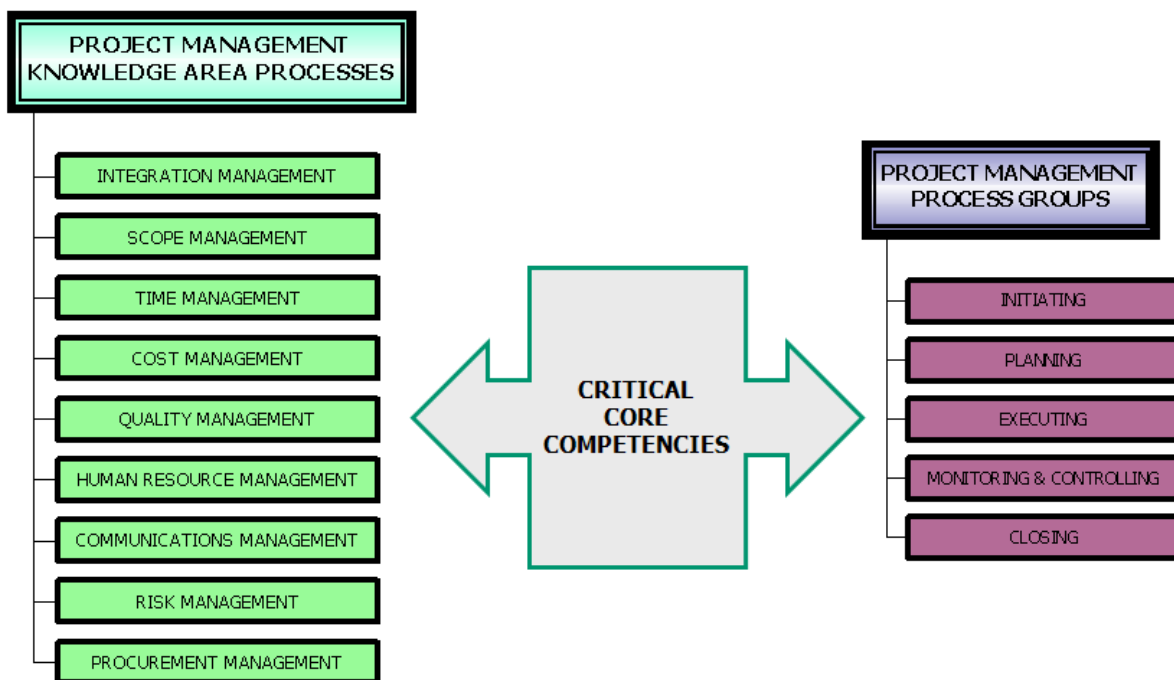


Figure 1 – Individual Project Management Competencies

While Project Management competency measures are widely accepted, the same cannot be stated of Portfolio Management which is often viewed as a logical extension of Project Management. In fact, several of the competencies associated with successful Portfolio Management practices – at both individual and organizational levels – bear little resemblance to those required for successful Project Management. These include the need for a broader strategic understanding of the organization’s assets along with fundamental technical capabilities in data elicitation, Decision & Portfolio analysis, scenario

analysis, and Business & Strategic Planning (Table 1). Unlike Project Management, there appears to be no ‘natural home’ for Portfolio Management and this function can find itself in R&D, Finance, and Commercial departments. Because of the impartial nature of this discipline, the author believes that Portfolio Management is best positioned in a Strategic Planning function that, in turn, reports directly to the CEO of an organization.

| Analytic, Strategic & Organizational Competencies | Organizational Implementation |
|---|--|
| Data Elicitation | Challenging Project data related to risk, value , cost, time to ensure clarity and consistency for execution and decision-making |
| Strategy Generation | Aiding the creation of discovery and development options for Projects that incorporate risk management, Target Product Profile ranges, investment scenarios, and launch strategies |
| Decision Analysis | Quantifying the integrated value of ranges of discovery and development options for Projects. Includes risk decomposition and analysis, value, time, and cost range estimation, and Decision Tree analysis |
| Portfolio Analysis | Analyzing Project data at an aggregate level and generating insights and recommendations to best attain strategic and financial short- to mid-term objectives |
| Scenario Analysis | Assessing ‘What ifs?’ to evaluate strategies to best attain strategic and financial mid- to long-term objectives |
| Business Planning and Strategic Planning | Ensuring functional linkages to organizational planning activities on which Portfolio Management depends for inputs and to which it creates outputs |
| Communication & Presentation | Enabling decision-making at the highest levels of the organization by communicating analyses in a manner that both fulfills and challenges strategic and financial objectives |
| Feedback & Repositioning | Revising analysis while minimizing organizational churn to enable effective and efficient decision-making |

Table 1 - Individual Portfolio Management Competencies

Individual competencies aside, it is important to underscore that one of the fundamental differences between the objectives of Project Management and Portfolio Management resides in organizational reward systems. Whereas Project Managers are expected to be champions of their Projects and to enable their progress within the triple constraint, Portfolio Managers thrive in an environment where they have no emotional attachment to any Projects and attune themselves to finding the best combination of Projects that create the highest sustainable Portfolio value within defined organizational requirements and resource constraints. A comparison of the objectives of Project Managers and Portfolio Managers serves to highlight both similarities and differences in objectives (Table 2).

| Project Management | Portfolio Management |
|--|---|
| Project Managers are oriented toward satisfying the needs of the triple constraint | Portfolio Managers are oriented toward the attainment of the organization's strategic and financial goals |
| Project Managers help manage metrics – risk, value, cost, time – that are easy to articulate and measure | Portfolio Managers help manage metrics – risk, value, cost, time – that require Governance intervention before agreement can be reached on their definition and measurement |
| Success is generally measured by delivering more mature Projects or Products to specification within the triple constraint | Success is usually measured by enabling effective and efficient Portfolio decision-making geared toward value creation at the highest levels of Governance |
| Project Managers usually manage no one; senior Project Managers may manage junior staff | Portfolio Managers usually manage no one; senior Portfolio Managers may manage junior staff |
| Project Managers minimize change, risk, and uncertainty | Portfolio Managers deliver Portfolio strategies that incorporate varying levels of change, risk, and uncertainty |
| Project Managers conduct detailed planning to manage the progress of their Projects | Portfolio Managers conduct analysis and generate insights and recommendations to enable high level Governance decisions |
| Project Managers possess a mixture of subject matter expertise, Team communication, management and some leadership skills | Portfolio Managers possess a blend of high analytic , communication, and stakeholder management skills |
| Project Managers usually identify themselves with the progress of the Projects they manage directly | Portfolio Managers usually identify themselves with the annual value creation of the Portfolio they help manage indirectly |

Table 2 – Comparison of Project Management and Portfolio Management Objectives

To be sure, acquiring the necessary competencies is an insufficient pre-requisite for success in the world of Portfolio Management. Whereas Project Management is seen as a fundamental cornerstone without which organizations are doomed to failure, without the appropriate level of visible sponsorship within an organization, Portfolio Management can be perceived as an ostentatious preoccupation that can flounder repeatedly. Among other attributes, an effective sponsor can help Portfolio Management navigate successfully around many of the organizational minefields that tend to burden departmental data gathering and ownership along with their interpretation. Further, a measure of a mature organization is its willingness and ability to create the necessary bridges between the primary Planning functions – Strategic, Business, and Portfolio – to ensure that the outputs from one such activity serve as inputs that feed the requirements of another (Figure 2). Very few, if any, of these issues tend to impact the conventional world of Project Management.

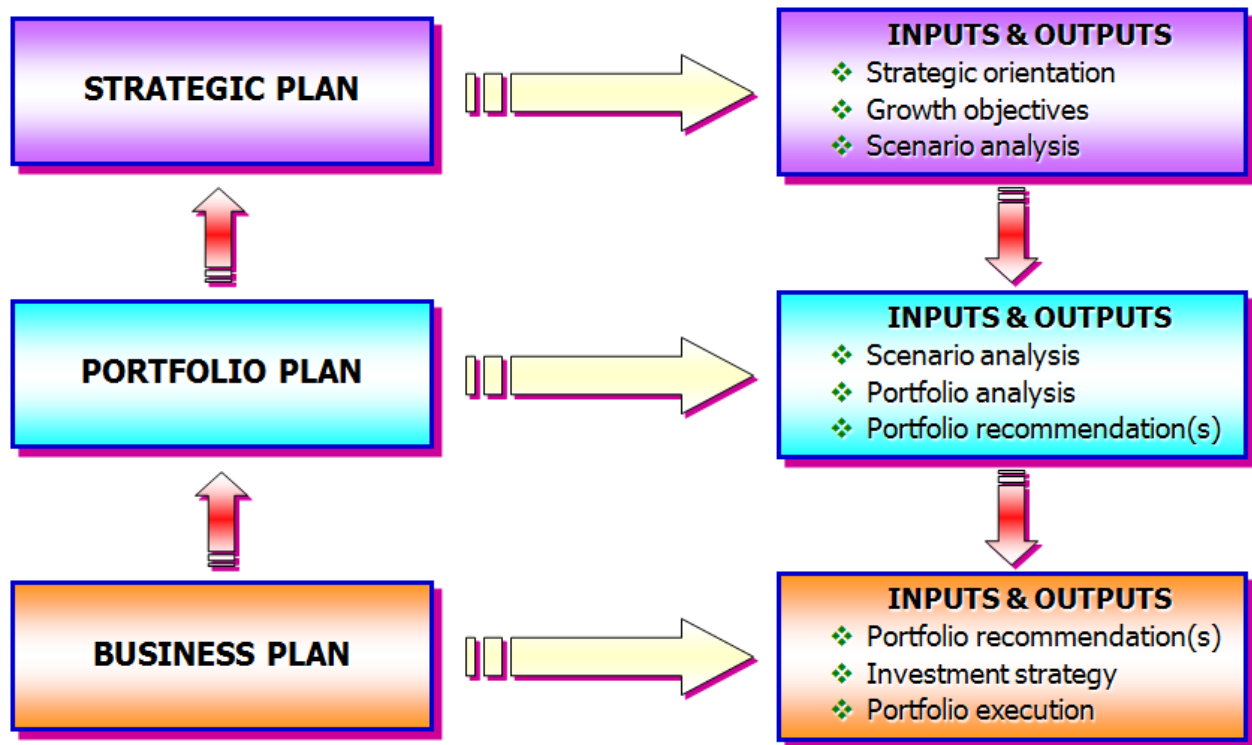


Figure 2 – Interdependencies between Organizational Planning Functions

Once effective bridges are built between planning functions, Portfolio Management needs to be seamlessly connected to higher level corporate objectives and lower level investment decisions. This is necessary to ensure that any changes in corporate objectives are translated into a modified Portfolio strategy that is, in turn, supported by an efficient R&D and Commercial investment strategy (Figure 3). Without these transparent and seamless linkages, most great organizational strategies tend to deteriorate until they become, at best, merely good strategies. At the base of the pyramid in Figure 3, Projects and Products are impacted directly by R&D and Commercial investment strategies which serve to feed the Portfolio strategy that directly supports corporate objectives.

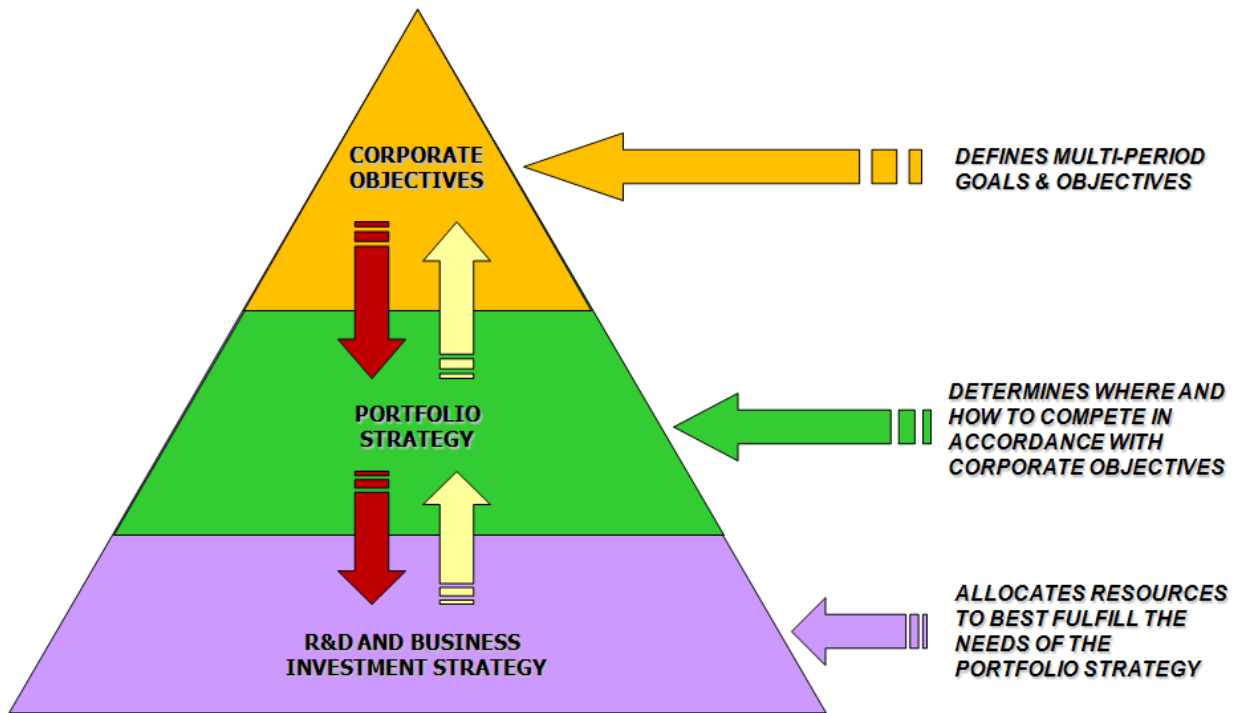


Figure 3 – Hierarchy of interactions between Corporate, Portfolio, and Investment Strategies

In summary, the individual competencies necessary to succeed in Portfolio Management bear little resemblance to those well established capabilities of Project Management. Further, to attain success at the level of the organization, Portfolio Management requires visible sponsorship and seamless integration with other major Planning initiatives. Finally, a flexible Portfolio Strategy is necessary to translate the requirements of corporate objectives, thereby enabling Project and Product investment strategies to be in harmony with those objectives.

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