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Project portfolio management – There's more to it than what management enacts

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Abstract

Although companies manage project portfolios concordantly with project portfolio theory, they may experience problems in the form of delayed projects, resource struggles, stress, and a lack of overview. Based on a research project compromised of 128 in-depth interviews in 30 companies, we propose that a key reason why companies do not do well in relation to project portfolio management (PPM) is that PPM often only covers a subset of on-going projects, while projects that are *not* subject to PPM tie up resources that initially were dedicated to PPM projects. We address and discuss the dilemma of wanting to include all projects in PPM, and aiming at keeping the resource and cognitive burden of doing PPM at a reasonable level.

Keywords: Managing programmes; Managing projects; Organisation resources; Strategy

1. Introduction

At any given point in time, most companies engage in many projects. Some of these projects may relate to product development and marketing, others relate to changes in work processes and production flows, while yet others relate to competency development, strategic turns, the implementation of new IT systems, environmental issues, etc. A key managerial task is to dedicate resources across all of these projects (as well as do daily work) and consequently, management across projects (project portfolio management (PPM)) is critical to company performance. This paper is based on a large-scale qualitative study, which shows that many project-oriented companies do not perform well when it comes to PPM. This relates to the inability to accomplish projects that are initiated. In particular, we identify the following problems: (1) Projects are not completed according to plan (or they even peter out during their project life cycle); (2) Management and employees feel they lack a broad overview of on-going projects (especially when the number of on-going projects increases as more and more projects are not completed according to plan); and (3) People experience stress as resources are continuously reallocated across projects in order to make ends meet. These observations are especially interesting because the companies were included in the research project because they were supposed to be especially experienced in PPM, and because they actually engage in PPM according to the extant body of literature on PPM. For example, part of the companies' PPM included an effort to pick the best projects on the basis of explicit or implicit criteria, and an effort to allocate sufficient resources to these projects. However, despite efforts to practice 'good' PPM, these companies experience severe problems in relation to PPM – especially in letting enough resources go into the 'right' projects. The purpose of this paper is to confront PPM as advocated by normative theories with actual PPM practices. Hence, the purpose is to confront PPM theories with PPM as perceived by managers and other employees for whom PPM is part of, or affects, their work conditions. However, in this paper, we

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are more interested in PPM as enacted by companies than in universally true perceptions. Hence, we adhere to Weick's [1–3] notion of enactment as the preconceptions that are used to set aside a portion of the field of experience for further attention. In regard to PPM, enacted projects are thus the ones management sets aside for further attention (i.e. PPM). As such, we focus especially on ways actors define or enact projects [4] and make sense of how to manage the sum of the projects. Drawing on this perspective, we account for findings that suggest why companies that *do* engage in PPM still experience problems.

2. Project portfolio theory

This paper draws on Archer and Ghasemzadeh's [5, p. 208] definition of project portfolios as "a group of projects that are carried out under the sponsorship and/or management of a particular organization". Henceforth, we define PPM as the managerial activities that relate to (1) the initial screening, selection and prioritisation of project proposals, (2) the concurrent reprioritisation of projects in the portfolio, and (3) the allocation and reallocation of resources to projects according to priority. For quite some time researchers have suggested that low completion rates for new product development (NPD) projects and new product failure relate to resource deficiencies in key areas [6,7]. Furthermore, while a host of researchers [8–10] have focused on the dimension of PPM that concerns processes relating to selection of projects to be included in the portfolio, research e.g. [11] also increasingly focuses on the day-to-day management of the project portfolio.

Among the first scholars who focused on PPM, the issue of choosing the right (number of) projects was especially emphasised. Thus, these researchers suggested how one reaches the optimum project portfolio by means of mathematical models (see e.g. [12]). Newer research (e.g. [13]) introduces portfolio theories, which hinge on the premise that companies generally start more projects than they would, had they only initiated the number of projects, for completion of which they have adequate resources. Furthermore, most of these types of PPM models rely on central tenets of rational decision-making theory, for example, an explication of a series of evaluative criteria mostly related to corporate needs and objectives; an accentuation of the extent to which each alternative (i.e. project proposal) meets these criteria; and a selection (or prioritisation) of the projects offering the most value when evaluated using pre-specified evaluative criteria. In contrast to these PPM theories, some authors define project portfolios as entities that may encompass more than just projects that survived rational decision-making processes. For example, Twiss [14] argues that not all funds are (or should be) allocated to projects that initially score well using the criteria that traditional PPM is based on. Instead, Twiss [14] argues that some (loosely-controlled) funds should be dedicated to projects of personal interest to employees. Primarily, dedicating loosely-controlled funds to side projects ensures that employees do not loose interest, allowing room for creativity. Although scholars such as Twiss [14] acknowledge that actual project portfolios contain projects that survived initial screening as an inherent part of PPM, not to mention unplanned employee-initiated projects, they are all expected to be subject to some sort of screening. For example, Twiss [14] suggests that unplanned projects of no commercial value should be rejected on the basis of some sort of evaluation. Thus, although Twiss [14], for example, points to the importance of emergent projects, the PPM literature emphasises top management's selection of the right (number of) projects by employing explicit (and primarily objective) evaluation criteria.

In recent years, research on PPM has changed, both in terms of the research questions posed and in terms of the methodological background used. Dawidson [15, p. 1] relates to the changes in PPM studies as follows: "During the past decade, the research on project portfolio management has expanded into a more complete managerial approach – beside the focus only on tools, techniques and methods – including aspects on how project portfolio management is practiced". In accordance with other authors (e.g. [16]), Dawidson thus argues that PPM studies that focus on PPM as a real-world managerial phenomenon – although only quite recently established as a research field – are increasingly setting the agenda for academic discussions on PPM. Hence, it seems that the research agenda for PPM studies has (finally) transcended the state of unempirical research (i.e. the development of tools and methods for PPM that were not tested for their practical relevance) and has moved towards studies that also look upon PPM as it is actually carried out by companies. However, with a few valuable exceptions (primarily the works of Dawidson and colleagues), especially recent 'organisational' PPM studies (e.g. [17–19]) seek to offer normative advice on how to set up PPM, which people to involved, and how to organise them [15]. As a result, we adhere to Dawidson's [15, p. 5] claim that "... the view of how project portfolio management decisions really are made in a squeezed process, the contributions here must be considered sparser". Thus, the empirical study accounted for in this paper should be seen as a rather exploratory study, the purpose of which is to contribute to the building of knowledge on how and why companies do PPM in certain ways – and especially to the building of knowledge on the consequences PPM has for project work.

3. Methodology

Over a period of two years, we did empirical research on how companies manage their entire range of projects, e.g. renewal projects, strategic projects, IT projects, departmentally specific projects, and production based projects. In relation to the selection of companies to be included in the empirical study, a key criterion was that the study should cover a wide variety of industries. As a result, the empirical study covers 30 companies from industries as