

Contemporary project portfolio management: Reflections on the development of an Australian Competency Standard for Project Portfolio Management

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Abstract

Project portfolio management is an emerging aspect of business management that focuses on how projects are selected, prioritised, integrated, managed and controlled in the multi-project context that exists in modern organisations. Competency standards have been developed by professional bodies for project managers. However, to date there has been no attempt to develop a competency standard at the portfolio management level. This paper examines the process for development of the first performance-based competency standard for project portfolio management and identifies how this contributes to the body of knowledge in both project portfolio management and project management more broadly. The intent is to use the Standard to improve project portfolio management capability and practice in organisations, which in turn promotes efficient resource use and more profitable project outcomes. Specific issues regarding Australian practice are described, along with implications for how this may impact Australian practice in the future.

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1. Introduction

This paper examines the process for development of the Australian Competency Standard for Project Portfolio Management and identifies how this Standard contributes to the project portfolio management (PPM) body of knowledge, to professional and industry practice as well as providing a bridge to further academic research, extending the recommendations of the Rethinking Project Management agenda (Winter, 2006). The Standard provides a framework for practice and makes an important contribution to theory, by providing a summation of the current PPM discourse and its application in practice in a competency context. This allows existing project portfolio management theory and practice to be drawn together, allowing practice to inform theory and theory to inform practice. The linking of theory and practice through a normative framework provides an opportunity for future research, in particular, a longitudinal study of the success of specific project portfolio

management tools and techniques over time for example. This linkage also provides a common benchmark for qualitative analysis and performance measurement. As such, the Standard plays an important role in defining the performance specifications of individuals who undertake the role of project portfolio manager in organisations in both private and public organisations across a range of industry sectors and types.

2. Motivation for the study

Competence of project management personnel is important as they are seen as having a major impact on project performance and therefore on business performance (Crawford, 2004, 2005).

PPM research has gained significant momentum in recent years, with the emergence, formulation and popularity of the concept being heavily influenced by industry. In many ways this is very positive, and represents a welcome departure from much research in project management, which all too often lacks relevance to practice. However, it is clear that industry have not yet fully mastered PPM concepts in practice. A challenge for

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organisations is managing this potentially diverse range of projects (Prifling, 2010) while ensuring that the right projects are selected (Elonen and Arto, 2005). In a study conducted in 2003, Jeffery and Wilson (2004) found that of 130 CIO's of Fortune 500 companies surveyed 89% were very aware of PPM, but only 17% were realising its full value.

While there are merits to adopting such an occupational or practice-oriented focus, little research effort has been focused on PPM competencies and standards. J.K. Crawford (2007) and L. Crawford (2007) suggest that there has been an increasing interest in project management competence with '...project-based personnel actively seeking sound guidance on desired project management competencies as well as credentials that will enhance their careers'. However, while PM competencies have received some attention, PPM competencies have not been addressed (Gale, 2007; Partington et al., 2005). In order to reliably and repeatedly measure an individual's competency, a PPM benchmark or standard is required. It can be argued that, similar to other fields such as software development (Conboy, 2009), the current body of PPM knowledge now suffers from a number of conceptual problems:

Lack of cumulative tradition: A new piece of research in a particular body of knowledge should cumulatively build on existing research in that area (Dubin, 1976). According to numerous researchers (Benbasat and Zmud, 1999; Keen, 1980; Keen, 1991), this seems to be a failing of the current project management literature. This trend seems to continue where PPM research is concerned. While there are occasional references (Markowitz, 1952; McFarlan, 1981), there are few PPM studies which embrace and reflect on this tradition. One would expect that studies of PPM would draw on the existing bodies of knowledge regarding portfolio theory in other disciplines such as finance, where the concept originated, matured and have been applied and tested thoroughly over time.

Lack of clarity: A concept should be clearly and consistently explained and understood (Dubin, 1976; Metcalfe, 2004; Weick, 1989). Project management has a relatively well-conceptualised Body of Knowledge (BoK) with underpinning tools and approaches (Project Management Institute, 2008a, 2008b). However, there is considerable argument in both academic and industry communities as to what constitutes 'project portfolio management' (Thiry, 2004). The terms *portfolio management*, *program management*, *enterprise project management* and *multi-project management* have been used interchangeably in the literature (Buttrick, 2000; Center for Business Practices, 2005; Dye and Pennypacker, 2000; Kendall and Rollins, 2003; Morris and Jamieson, 2004; Office of Government Commerce, 2009). Terms such as *program*, *portfolio* and even *group of projects* have been used to describe such an environment (Patanakul and Milosevic, 2005; Platje and Seidel, 1994). Others such as Gareis (2006) have instead examined the social (*network of projects*) and temporal (*chain of projects*) relationships between individual projects, creating another set of definitions. To state that a particular strategy, process,

technique, system or any other organisational artefact is or is not an instance or contributor to PPM is almost meaningless given the lack of consensus as to what the term 'PPM' refers to.

Lack of 'theoretical glue': According to Whetten (1989), there should be a strong underlying logic and rationale that bind all of the components of that concept or theory together. A number of different PPM frameworks and process variants and derivatives exist e.g. Project Management Institute (2008a, 2008b). It is logical and perhaps inevitable that different organisations and researchers will have different ideas on how project portfolios can be managed. However, is not so much the number of methods that causes the problem, but the fact that these are so disparate. As a result, this 'fragmented adhocracy' (Banville and Landry, 1989) may prove very challenging and confusing for those who wish to embrace PPM principles when they are given completely conflicting advice.

Lack of parsimony: Concept development should advocate a parsimonious approach, removing any components if the concept which provide little additional value (Whetten, 1989). However, if we were to compile a list of all PPM principles, strategies, processes, and other artefacts that are commercially labelled as belonging to the PPM field, then we would surely find redundancy and duplication.

Limited applicability: When judging the strength of a concept or theory, a key criterion is how applicable that theory or concept is (Dubin, 1976; Metcalfe, 2004; Weick, 1989). Ideally, effective PPM frameworks should be applicable in a wide variety of contexts (Prifling, 2010). Irrespective of justification on purely conceptual grounds, much research in the community itself has highlighted the importance of broad applicability and have called for research on how these frameworks can be 'transferred' from concept to as wide a diaspora of environments as possible (Prifling, 2010). Despite this, some argue that PPM frameworks and guidelines are not built with certain contexts in mind (Crawford and Pollack, 2008).

Competency standards have been developed by industry bodies for project managers (Association for Project Management, 2006; Australian Institute of Project Management, 2010) as a means to codify the minimum performance requirements for project managers. However, whilst process-based standards for portfolio management have been developed such as that offered by the Project Management Institute (2008a, 2008b), to date there has been no attempt to develop a competency standard for the function of project portfolio management or the role of portfolio manager. Not only does this provide guidance of the expected performance of those on a project portfolio manager role, but also this research fills a gap in the current body of literature.

3. Competency theory

3.1. What is competence?

The concept of competence remains one of the most diffuse terms in the organisational and occupational literature (Robotham

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