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Portfolio Management in Brazil and a Proposal for Evaluation and Balancing of Portfolio Projects with ELECTRE TRI and IRIS

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Abstract

The intention of this article is to perform a brief analysis of portfolio management in Brazil, using research conducted by the Project Management Institute through pmsurvey.org, which provides consolidated information on how companies plan and manage their portfolios and projects. Based on the identification of latent need for improvement in the portfolio management process, this study proposes to assess and balance a portfolio of projects with a support tool for multi-criteria decision by the French School, the ELECTRE TRI. Different from some proposals, in this article we discuss the evaluation and portfolio balancing as a sorting problem. Furthermore, in order to make the process viable for any type of companies, we use the IRIS tool that implements the ELECTRE TRI and is extremely user-friendly.

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Keywords: Porfolio Management; Multicriteria Decision Making; ELECTRE TRI, IRI; Quantitative Management; Portfolio assessment; Portfolio Balancing;

1. Introduction

More and more companies are under pressure to improve their management process, whether in operations management: where all processes needed improvement to increase productivity and quality; or, the tactical management processes: where predictability, accuracy of planning and achieving results were closer to their planning; or in strategic management: where all the organization's actions must be justified by achievement of their strategies. For organizations to reach their results, and as far as possibly increasing them, each strategic objective must be justified and measured, by operations and projects that are linked to this goal. Just so, the company will have the opportunity to understand if the strategic objectives were well measured, if their

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benefits were understood correctly, if the viability of that still reachable, and if the expectations of decision makers are connected with reality.

Nevertheless, there is great difficulty measuring and adjusting the strategic planning that was developed in a short or long period of time. Sometimes strategic planning is lost in the problems of operation, the urgency of obtaining results and paramount necessity to perform actions that result in profit. Sometimes strategic planning is lost in the problems of operation, the urgency of obtaining results and paramount necessity to perform actions that result in profit. This feeling that planning, monitoring and measurement, do not generate immediate results, has led companies to increasingly catastrophic decisions.

In this sense Kaplan and Norton (1996, p.5) [1] have defined the following approaches to corporate strategy: (1) the strategy of an organization describes how it intends to create value for its shareholders, customers and citizens; (2) measurement systems call everyone's attention. However, to exercise the greatest possible impact, measurement systems should focus on the organization's strategy - as it hopes to create sustainable value in the future; (3) there are not two organizations thinking about strategy in the same way. Some describe the strategy by means of their financial plans for increased revenue and profit; others, depending on the target customers, others, from the point of view of quality and processes, others, based on their products and services; and still others on the prospects of human resources; (4) to build a measurement system that describes the strategy, we need a general model strategy. Carl von Clausewitz, the great military strategist of the nineteenth century, emphasized the importance of a model to organize reasoning about strategy, "the first task of any theory is to establish confused terms and concepts ... Only after reaching an agreement on the terms and concepts we are able to reason about issues with ease and clarity and share the same views ..."

When strategy is defined as obtaining and measuring results, there are a considerable number of actions and projects that begin or end, which is common sense, to understand the complexity is the approach you take is the best we could take, or not. It is inevitable to quote the Portfolio Management practices that, among others, are shown as powerful tools to measure whether the benefits defined in the Strategic Plan have been achieved. In addition to facilitating decision making in the intermediate milestones, which is another necessity that companies have, but there is considerable difficulty to measure with minimal accuracy. There is an excellent definition stated by The Standard for Portfolio Management [2]: a portfolio is a component collection of programs, projects, or operations managed as a group to achieve strategic objectives.

The portfolio components may not necessarily be interdependent or have related objectives. The portfolio components are quantifiable, that is, they can be measured, ranked, and prioritized. A portfolio exists to achieve one or more organizational strategies and objectives and may consist of a set of past, current, and planned or future components. Portfolios and programs have the potential to be longer term with new projects rotating into the portfolio or programs, unlike projects that have a defined beginning and end.

According to the Standard for Portfolio Management, organizational strategy is a plan that describes how the organization's strengths and core competencies will be used to: manage resources effectively; manage stakeholders value; capitalize on opportunities; minimize the impact of threats; respond to changes in the market, legal, and regulatory environments; and reinforce focus on critical operational activities. Therefore, the same very useful standard suggests the guided relationship between the programs, projects, and operational process in an organization [2].