Project Portfolio Management

Project portfolio management (PPM) is the centralized management of an organization's projects. While these projects may or may not be related, they are managed under one umbrella (called a portfolio) to oversee and manage any competing resources. Portfolio management in project management also involves the intake process of projects. This includes identifying potential projects, authorizing them, assigning project managers, and including them in the overall portfolio. It also includes high-level controls and monitoring to ensure ongoing projects are directly related to the business's overall goals and strategies.

Why project portfolio management is important?

Ideas for projects can come from anywhere, at any time, and it's common for a business to have a long list of potential projects to complete. However, there usually is not enough time, money, or resources to do them all right away. Project portfolio management is necessary to understand which projects will have the largest beneficial impact on the company and prioritize them accordingly.

The five steps of project portfolio management

1. Identify the guiding objectives of the business

If you work for a grocery store, is their goal to provide the freshest food, the largest selection, or the lowest prices? If the lowest prices are the priority, then projects to promote cost savings are much more important than projects to improve the food's quality.

2. Capture and research requests and ideas

Project ideas could come from anywhere at any time. It's important to have a formalized intake process to capture these ideas so they can be tracked and evaluated. This may be as simple as a spreadsheet maintained by the portfolio manager, or it could be an online database where anyone in the company can enter ideas as they think of them.

3. Select the best projects

Once ideas are captured, portfolio managers must go through a standard process to evaluate and select the projects that will move forward. This requires more than just ensuring they are aligned with the company objectives, such as:

- How much will it cost?
- How long will it take?
- What is the return on this project? (What benefit will it provide?)
- Are the resources available?
- What are the risks associated with this project?

Since decisions are being made on multiple projects at once, this can become even more complex. A common way to simplify the project portfolio management process, and remove any bias, is to

create a simple list of criteria that each project is measured and scored against, such as return on investment (ROI), which is a common ranking factor.

4. Validate portfolio feasibility and initiate projects

Once a determination has been made on which projects to move forward, it's important to validate the portfolio as a whole. This can include making sure the mix of projects chosen isn't too large, too risky, too expensive, or too interdependent. The portfolio should be properly balanced and aligned with business goals. For example, if three of your projects forecast testing in January, and you only have one test lab, this is an issue. Also, if two projects are interrelated and a delay in one will push out the other, you may want to reconsider starting them both simultaneously. Once the portfolio is validated, project managers can be assigned and the projects initiated.

5. Manage and monitor the portfolio

Projects change and evolve over time, and new ideas may be added to the list of potential projects. This is why it's important to continually manage both the ongoing portfolio execution and the intake process. Managing and monitoring the portfolio may include the following:

- Working with project managers to monitor the performance of projects
- Identifying and resolving conflicts between projects
- Making changes to the portfolio as needed, including putting projects on hold, canceling projects, and adding in new projects
- Ensuring projects are still aligned with the business objectives