



process. The ultimate arbiters remain the members of the executive board and it is to these individuals that the analysis must be presented for them to apply their experience and entrepreneurial skills. If those decisions deviate from the course that the evidence would suggest, far greater emphasis can be placed on understanding and capturing the rationale for the decision and ensuring that it is auditable.

Questioning our own actions and those of others when the decisions we make differ from what the evidence would suggest is in itself part of the behavioural change.

But what can we do to effect this change? There is certainly enough guidance available on the process, governance and prerequisites of portfolio management, which I don't intend to repeat here. There's also a plethora of tools available to help capture, analyse, track and report on portfolio data.

These are all important but not enough. Nothing changes unless the people do. Failing to identify and do something about this is often generated by what has been called the 'illusion of control', the tendency for individuals to overestimate their ability to control events. In this case, managers and directors believe they can control events through changes in process, introduction of tools and modifications to governance.

I'm afraid this simply isn't true. No matter how powerful you are in your organisation, unless the battle for hearts and minds is won, the change (portfolio management or otherwise) will not happen. Without a clear focus on changing what people actually do – 'exhibited behaviours' – portfolio management will never become embedded within the DNA of the organisation.

So if you manage to change these behaviours, do you have a portfolio management system? Unfortunately, the answer is no. You'll also need the content elements of process, governance, a modularised project methodology and a toolset (be that a spreadsheet template or hopefully something more elaborate).

What you do have are the levers that you need to pull in order to make these content elements function as needed and become part of the culture and DNA of the organisation.

James Butler is head of client services at Program Framework. An experienced programme and portfolio manager, he is a member of APM's Portfolio Management Specific Interest Group committee.

SIX IMPORTANT CHANGE STEPS ON THE JOURNEY TOWARDS SUCCESSFUL PORTFOLIO MANAGEMENT:

1. Give people a purpose

People need to be given a purpose, something to believe in that answers the question: "What's in it for me?" This might be around reduced reporting overheads, easier capture of data, improved control and visibility or better focus.

Key to this is finding drivers that each of the stakeholder communities are committed to and that support the organisation's objectives. As with portfolio management itself it needs to be a continuous thing, an ongoing genetic change to 'the way we do things around here', not a simplistically designed target or vision that can be reached over time.

2. Reinforce the right behaviours

How can we reinforce the right behaviours? Are the reward systems aligned to the required outcome or are they rewarding short-term, myopic decision-making? A reward system needs to be aligned with taking a long-term, strategic perspective that focuses the organisation on delivering strategically aligned initiatives.

Take the example of an organisation that linked part of the reward received by project managers to the strategic importance of the projects they were managing. This caused a shift of thinking. Project managers started to kill projects that were not strategically important, as opposed to keeping them alive. They were motivated to deliver the required data to the portfolio management team so that strategic assessments could continue.

Significant governance needs to be put around such processes, but reinforcement aids in avoiding what Stanford University professor Jeffrey Pfeffer referred to as the 'knowing-doing gap'. Organisations typically have more knowledge than they know what to do with. The trick is to motivate people to do something with the knowledge they have individually and that which is embedded within the organisation.

3. Gain the right skills and experience

Do people have the required skills and experience? Lack of skills is a

significant blocker to change, as it puts inexperienced people into roles that they are not ready for. It is vital that people are trained to the appropriate level in the portfolio management process and in the use of tools. While experience is critical, this doesn't have to be experience in the portfolio management process your organisation uses, but in the softer skills of influence, negotiation and, most importantly, in managing conflict.

4. Manage conflict

A portfolio manager is likely to have to manage differing requirements across a diverse business. Business unit heads are typically strong-minded and passionate in their support for their own area – one of the major reasons for introducing portfolio management in the first place! This can lead to conflict between business units competing for scarce resources and funding. The ability to handle this conflict and reach the optimum solution to deliver the objectives is a key capability that must be embedded within the organisation.

5. Good process, not bad bureaucracy

Good process, not bad bureaucracy may not sound like behaviour, but I've sat in many meetings where we've talked through the requirements of portfolio management capability only to be asked for reports that lead to no consequent action. It should be about defining a process or solution that is meaningful, pragmatic and supportive of the organisation's goals and objectives, and not something that is simply utilising a tool or capability for its own sake.

6. Role modelling

Finally, it is the entire leadership team that should be role models, not simply the one sponsoring director or vice-president. They need to lead by example before these behaviours will become embedded within the organisation. Nobody else will change unless the leaders change first.

Does this sound familiar? Investing in portfolio management could help steer an organisation through difficult times, says **James Butler**, but whatever method, process or toolset you decide to adopt, one thing is certain – nothing changes unless the people do.



WINNING HEARTS AND MINDS

PROCESS, governance and structure may be the tools of portfolio management, but what about its human face? What behaviours are needed from those doing the job in order to move towards and adopt a portfolio management approach in an organisation?

Why would anyone want to put in the effort to develop a portfolio management capability and change behaviour in such a challenging economy anyway?

The main driver is the need for both the public and private sectors to do more with

less, cutting costs and increasing value. It may sound like trying to get a quart out of a pint pot, but it is achievable if the strategic drivers of an organisation are linked to real market demands, and if these drivers are measurably linked to investments.

Portfolio management allows organisations to apply real world constraints – such as human and financial resources and their tolerance for risk – and identify those investments that will return the highest strategic value given the current situation,

be they projects, programmes or other initiatives.

Equally important is the need to ensure traceability and auditability of the decision-making process. When deciding on the best investments, projects and programmes, every penny spent has to be justified.

Portfolio management approaches allow those decisions to be made in the light of real evidence, typically based on analysis undertaken by the likes of portfolio managers.

The evidence, though, is not the end of the