



RAPID RESPONSE

IN TIMES OF CRISIS, EXECUTIVES NEED EFFECTIVE PORTFOLIO MANAGEMENT TO STAY AHEAD, SAY PAUL MAJOR AND JAMES BUTLER

The global credit crunch that began in August caught banks, regulators and investors by surprise. Events like this are unpredictable, and corporate responses are impossible to plan. Portfolio management is well known for helping financial firms to manage large investments. But when the market changes, shouldn't you also re-evaluate your strategic portfolio?

Organisations that can produce an evidence-based portfolio and modify it based on external events are best placed to exploit opportunities and turn threats into positives. Good portfolio management comes from the integration of several approaches: clarity of vision and purpose; a process to drive decision-making and gather accurate information; a toolset to generate evidence and analysis, and executive behaviours to follow the evidence. There must be improvements across these areas – simply deploying a technical solution will not improve competitive advantage. That said, a toolset is necessary, especially if it can add a data-based model for decision-making and allow executives to rapidly assess portfolio performance.

Microsoft's Project Portfolio Server has made these capabilities far more accessible. These tools provide a view of proposed or active change initiatives across an enterprise-wide portfolio, enabling businesses to rapidly assess and continually reassess projects and ensure that change efforts remain aligned with the external environment.

Many banks have recently discovered inadequacies in their risk management systems – they rely too heavily on ratings agencies; they don't provide reliable

views, or mark-to-model valuations don't relate to market prices. Senior executives can use portfolio management, supported by tools such as Microsoft Portfolio Server, to map resources against demands, hold comprehensive and evidence-based conversations with peers, set clear priorities and respond to shifts in the environment. Instead of simply reacting as opportunities and deadlines change, executives using portfolio management can guide and control the agenda for the development, alignment and realignment of the businesses change portfolio, and thus manage its strategic fit to the environment. By presenting a clear view of resources, projects and timelines, they simplify decision-making for business leaders.

The credit crunch showed that however sophisticated they become, banks still need agility in business and systems. In major investment banks, project portfolios that were set annually needed to be adjusted in August; in September in response to losses, and they may face further demands.

Portfolio management is not IT or project management. This is more about the internal change management activities undertaken to ensure a strategic fit with the business environment. It must be directly linked to a strategic view that scours the environment for opportunities, threats and fundamental shifts. It must also provide the ability to rapidly adapt to events. **F**

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