

# Key attributes of effectiveness in managing project portfolio



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## Abstract

While project portfolio management (PPM) has been practiced, the understanding of PPM effectiveness is still limited. The lack of such an understanding has practitioners continuing with a PPM approach that has not been measured as to its effectiveness and impact on business results. To promote a better understanding of PPM effectiveness, this study investigates PPM practices in real-life business settings to identify key attributes of PPM effectiveness. As a result, six attributes of PPM effectiveness were identified. The strategic attributes are 1) strategic alignment, 2) adaptability to internal and external changes, and 3) the expected value of the portfolio. The operational attributes are 1) project visibility, 2) transparency in portfolio decision making, and 3) predictability of project delivery. Based on these attributes, a definition of PPM effectiveness was purposed. This paper concludes with contributions and implications, including limitations and agenda for future research.  
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## 1. Introduction

Project portfolio management (PPM) can be broadly defined as the coordinated management of a collection of projects or programs to achieve specific organizational objectives (PMI, 2013). While there are a broad range of objectives in an organization, the accomplishment of an organization's strategic business objectives is a typical focus of PPM. To manage portfolio in general, committees are formed to make portfolio decisions. Depending on the organization, committees such as management, portfolio selection and governance, and project review committees may exist and interact. In addition, a PPM office or a designated project management office (PMO) may be established in a typical organization to provide support to the committees (Unger et al., 2012). Those supports range from information gathering and dissemination to process development and implementation or to the management of projects in the portfolio.

Even though PPM has been practiced for decades, both research and practitioners have yet to understand what constitutes

the effectiveness in managing project portfolio. A question asked by practitioners that is relatively difficult to answer is: *how do we know that we manage our project portfolio effectively?* Without a clear understanding of what PPM effectiveness is, practitioners may continue with PPM practices that do not provide significant business results, causing losses in monetary, productivity, and morale of project stakeholders. In a research domain, lack of an understanding of PPM effectiveness could lead to a difficulty to meaningfully assess the viability of current PPM approaches, to develop a future approach, to benchmark PPM practices, and to determine whether a business environment supports or hinders PPM.

To have a better understanding of PPM effectiveness, this study was conducted to identify key attributes of PPM effectiveness. Literature on PPM, organizational effectiveness, and team effectiveness was extensively reviewed to establish a theoretical foundation. Based on the literature, the initial research propositions were developed and used as a foundation for this study. Case study was then employed as a methodology to investigate PPM effectiveness in real-life business settings. The use of case study research is beneficial as it helps identify the key attributes of PPM effectiveness beyond what was implied in the literature and helps ensure the applicability of the

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findings to practice. As research findings, key attributes and definition of PPM effectiveness can be used as a basis for future research such as the development of measurement of PPM effectiveness, the identification of key determinants of PPM effectiveness, and the studies on PPM approach and PPM effectiveness, maturity of PPM practices, and benchmarking of PPM practices. In addition, the research finding should lead practitioners to the development of specific working conditions, including processes and approaches that promote PPM effectiveness.

In the next section, the literature related to PPM is discussed. The section continues with the review of the literature on organizational effectiveness and team effectiveness. Next, the initial research positions regarding the effectiveness in managing project portfolio are presented. Then, the research method is discussed, followed by the findings and discussions. Contributions and managerial implications, including limitations and future researched are presented at the end of the paper.

## 2. Theoretical background

### 2.1. Understanding project portfolio management

Project portfolio can be defined as “a component collection of programs, projects or operations managed as a group to achieve strategic objectives” (PMI, 2013), p. 3. Project portfolio management is “the coordinated management of one of more portfolios to achieve organizational strategies and objectives” (PMI, 2013) p. 5. Cooper et al (1999) defined PPM as “a dynamic decision process, whereby a business’s list of active new product (and R&D) projects is constantly updated and revised. In this process, new projects are evaluated, selected, and prioritized; existing projects may be accelerated, killed, or deprioritized; and resources are allocated and reallocated to the active projects” (p. 335). By these definitions, the focus of PPM is on strategic issues.

In the standard for portfolio management, Project Management Institute (PMI) suggests three groups of PPM processes (PMI, 2013). The first group is the defining process group, focusing on how the portfolio is defined and managed to address the organizational strategy and objectives. The second group is the aligning process group, consisting of processes to manage and optimize the portfolio in alignment with the organization’s strategy. The third group of processes emphasizes authorizing and controlling portfolio to help ensure that the portfolio, as a whole, is performing to achieve predefined metrics such as returns on investment, determined by the organization. These process groups also interact with 1) the strategic planning processes and 2) project execution and reporting process, indicating the relationships among strategic management, PPM, and multiple project management. In addition to the standard for portfolio management, many scholars have proposed processes for PPM. Archer and Ghasemzadeh (1999), for example, proposed an integrated framework for project portfolio selection. Cooper et al. (2001) proposed PPM processes for new product development that incorporates value maximization, portfolio balance, and strategic alignments as the goals. Benko and McFarlan (2003) proposed a process for

aligning portfolio objectives and the organization’s strategy. Even though these processes and frameworks emphasize the alignment of the portfolio with the organization’s strategy, they also imply the necessity of ongoing portfolio monitoring and controlling (Benko and McFarlan, 2003).

In addition to PPM frameworks and processes, scholars have conducted studies to investigate various issues related to PPM. Portfolio management performance, PPM success, portfolio performance, and portfolio success are among the most popular topics. In terms of portfolio management performance, Cooper et al. (1999) suggested that portfolio management performance can be measured based on 1) having an appropriate number of projects in the portfolio for the resources available, 2) undertaking projects on time and in a time-efficient manner, 3) having a portfolio of high-value projects, 4) having a balanced portfolio, 5) having a portfolio of projects that are aligned with the business’s strategy, and 6) having a portfolio whose spending breakdown mirrors the business’s strategy and strategic priorities. As for PPM success, Jonas (2010), proposed that the success of a project portfolio management system can be assessed from process effectiveness, portfolio success, and portfolio-related corporate success. The process effectiveness includes three complementary constructs: 1) information quality—transparency that is achieved over the whole scope of projects of a certain project portfolio; 2) allocation quality—effective and efficient distribution of human resources among the portfolio; and 3) cooperation quality—the interplay between different management roles typically involved during a PPM process cycle. In later studies, Jonas and other researchers (Jonas et al., 2013; Teller et al., 2012) refer to these constructs as PPM quality or management quality.

In conclusion, while PPM is studied rather extensively, the review of the literature indicates the lack of research on PPM effectiveness. Many studies on project management effectiveness focus on the effectiveness at the project manager level, e.g., (Patanakul, 2013; Patanakul and Milosevic, 2008, 2009). The understanding of PPM and its processes should lead to the understanding of effectiveness in managing project portfolio. The literature on PPM performance and PPM success may provide additional basis for determining PPM effectiveness.

### 2.2. Attributes of effectiveness

Scholars have studied the effectiveness of an organization and proposed key attributes of organizational effectiveness. Depending on what perspectives scholars take, attributes of organizational effectiveness differ. With an attempt to understand organizational effectiveness, many scholars, such as Scott (1977), Cameron (1979), and Seashore (1979), integrated various effectiveness attributes into frameworks. Later Quinn and Rohrbaugh (1983) proposed a “Spatial Model” of organizational effectiveness, resulting from mapping various effectiveness constructs. In the Spatial Model, four middle range models of organizational analysis (human relations, open system, internal process, and rational goal) were proposed. These four models were perceived according to three competing values (organizational focus—internal vs. external; structure—flexibility vs.

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