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Portfolio Planning
Can Save Millions on Your Bottom Line

Executive Summary

There are two keys to effective portfolio planning. First, make sure you've the right portfolio selected. Second — and it's only after you've selected the right portfolio — make sure you manage those projects right. If you don't have that first ingredient in place, you're fighting an uphill battle. This guidebook explains how the process works.

CHAPTER 1

Portfolio Selection

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Companies can lose hundreds of millions of euros by not selecting the correct projects into their portfolio, or indeed by selecting the wrong projects into their portfolio.

When we ask our clients about the headaches they have with their portfolio planning, the same recurring doubts, the same rhetorical questions and comments surface. Feedback like the following, for example:

• "This project is already €25 million over budget! I wish we'd never started it!"

• "We do not have capacity to do this project in Plant A. I think there are not enough projects going to Plant X – they are under-utilised."

• "I think there is too much risk for the level of return on this portfolio. It'd be nice to see an evaluation of that."

• "Our competitors are already gone to market. Do our revenue figures stack up? Maybe we should bin this project and do Product X instead?"

• "How strategically aligned is this portfolio? It's difficult to tell…"

Sound familiar?

Get the inventory right

To plan your portfolio, the first step you must take is to establish an inventory of your projects. You'll typically need to catalogue, say, 40-70 pieces of data on every project that you want to evaluate – to see if they merit entry into your portfolio. Data items, for example, such as financial forecasts, strategic alignment, for the next five years, financial costs for the next five years, plant location, site type, etc.

It seems elementary but I can assure you from experience of working with some of the leading pharma brands in the world that getting that inventory in place is a huge, huge challenge. Having different pieces of data on different bits of projects scattered around the organization is as useful as an ashtray on a motorbike because you can't evaluate the quality of projects against each other if you don't have all those pieces of data for all those different fields in one place.

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Why organizations need to be selective when green-lighting projects

One of the biggest problems our clients face is getting a consistent dataset on their projects from all their (often globally dispersed) sites in one place to allow them to undertake selection, analysis and balancing of the portfolio. A typical waste of money is where two independent plants run very similar projects, simply because no one making the portfolio decisions had enough information to realize there was duplication of effort and cost for one set of outcomes.

When planning a portfolio in a large multi-site organization, there are a large number of projects that each site, manager or project team wants to do. It is the job of the portfolio planners and finance departments to ensure the correct ones are taken on.

The organization normally cannot take on all the projects for a number of reasons. They may not be strategically aligned. There might be too much risk to take on a project. You might be too late to get to market in, say, two years' time when one of your competitors already has a foothold in the market with its offering. You need to stop now because we have other good products that you can be first to market with instead.

Tell me your forecast for the product. If you hear something back like the cost forecast is an accumulative €150 million over the next three to four years to bring it through all the phases of development. Yet the revenue forecast is a paltry €55 million. That's a big shortfall. Why would you go with that product?

You need to have a good spread of your projects over different stages. If every project you had was at the delivery stage or the initiation stage, it would obviously be a disaster. It's a chain. It has to have balance. Also look at your plant spread. If you're a global player with 70 plants worldwide, you need to be sure that projects are appropriately spread across all of those plants or at least they reflect your strategic plan for those plants. How do you evaluate all these factors?

Don't duplicate projects

Duplicating projects is the source of a huge amount of waste – by overlapping, by not evaluating the market properly. Let me give you an example. The kinds of global pharma clients we work with will have dozens of sites around the world. Take one of those clients who might be creating a drug for, say, treating "dodgy elbows" on Site 1.

Lo and behold, on site 55 – across the other side of the world – guess what? They're also doing a drug for treating sore elbows. All of a sudden the company is spending €55 million on a product in Site 1 that's pretty much the same as its spend on Site 55, but the Global Head of Finance didn't know that.

It gets expensive to keep going through the phases. You're better off to fail early – than to fail late. Our clients want to identify the "losers" before they start working on them. They want to focus on the "winners" the whole way through the process. This is why you need rigorous portfolio planning.

The problem arises when you try to prioritize them. You need a consistent set of data across all projects to allow a portfolio assessment to be done. You also need this data to balance the portfolio to ensure you maximize use of your organization's resources. But with smart portfolio planning – getting good, raw data up front helps you make the right decisions in weeding out bad projects and getting your balance right.

Slice and dice the data

How can you make it happen? Cora PPM, for example, creates a template of project data automatically – across those, say, the 70 global sites you might have.

The data can be entered via an Excel mechanism or via a web interface. Cora PPM exports the data. Drop-down lists are managed and controlled, giving consistent data, and it does error checking so if, for example, you attempt to enter a date field in a numerical field (or vice versa) it rejects importing the bad data and informs the user with an error message to correct it.

It ensures there is a consistent inventory of project data collected. The quality of your inventory data goes up. It comes back to the old mantra: garbage in, garbage out. This quality control on the inventory guarantees that senior management make good (not lucky or incorrect) decisions when it comes to portfolio selection.

This good, rich data will be viewable by the Global Head of Finance. Within Cora PPM, the portfolio can then be sliced and diced and analysed easily – what's the most profitable? what's the best return? etc. It will spit out the numbers. Quality data, quality decisions. Cora PPM also has the ability to surface information in dynamic graphs.

Then you can balance your portfolio – you don't, for instance, want 40 projects in Site 1 and only two projects in Site 2. You're also reducing the overhead in gathering this data. What normally takes three months is whittled down to a couple of weeks. You can't put a price on having that level of rigid portfolio planning.

Figure 1: Dashboard List View with data sliced & diced according to 'Priority'.

Now you've analysed the 5,000 projects across your 70 sites and decided on the 3,000 projects you're going to run with. You have a tight portfolio. You can accurately plan your return on investment (ROI). Now you're set up so you can commit on a project – and you can control it. Senior management can rigorously evaluate a project. Once the project has been approved by the portfolio board, it will be "registered" as a project in the organization, normally by the project manager. You also have a system where, in 3-6 months' time, the current portfolio can be evaluated again, but this time against newer ideas that have come through from the portfolio pipeline.

Project controls can be a tricky business. We repeatedly hear the same frustrations from our clients. We've harvested some of their comments. Have you heard any of these before? Do they ring a bell?

• "I think my key resources are working on other higher priority projects and I'm going to be late with this project as a result."

• "I need a centralised resource pool view that shows capacity of the organisation to deliver to our clients."

• "Everything I need to control my project is in dispersed files ... MS Excel, MS Word, MSP and spread across lots of dispersed documentation."

• "I need an integrated project control system with a proper document management system included!"

• "I feel we are missing opportunities to save money on this project. It would be great to have an opportunities tracker."

• "It's all well and good having our risk register in Excel, but it's not linked to the Cost Book."

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Revolve the plan around the Cost Book

Once senior management approves a project, you're into cost estimates and different scenarios – e.g. choosing between a redundancy solution or a single point of failure (SPOF) solution, etc. – and what they would cost. Each decision will cost you differently. Everything goes back to simple, critical questions: "How much did that piece of equipment cost? How much does the project cost? How much did the overrun cost?" And so on.

The Cost Book must be at the centre of everything you do. Project managers will be measured against how good they do against it. Everything feeds into it – your Project Management module, Registers, SAP, etc. It's pointless revolving everything around the project plan, your Gantt and work breakdown structures (WBS), etc. The plan must revolve around the Cost Book.

Project managers live and die by their cost estimates. The contents of what goes into the Cost Book must be accurate. With your Cost Book, your Actual and Committed are coming from your financial system (e.g. SAP or JDE). In Cora PPM, integration to the financial system is made at the appropriate WBS level to show almost real-time purchase order and associated invoices in the Cost Book.

If you've 70 sites worldwide, each will have their own set of cost codes. Cora PPM can map each site, with its own Cost Breakdown Structure (CBS) into one base set of CBSs. Early warnings and risks will have cost impacts that are reflected in the Cost Book to provide an accurate, best known, EAC figure.

With Cora PPM, you'll be able to generate numerous estimates based on various scenarios. Eventually a decision will be made on the valid scenario and the appropriate estimate is selected. This will form your Project Baseline Estimate, and this will create the underlying structure of the Cost Book where you will manage the project going forward, taking into account any changes, budget transfers, accruals, value of work done (VOWD), risks/opportunities, POs, invoices etc., throughout the duration of the project.

Getting a handle on capital spend

Once you have proper controls in place, you'll have a handle on capital spend. Overruns, for example, normally happen because of the mishandling of Registers – Early Warnings, Change Requests, Risks, Opportunities, Site Instructions (SIs), Design Change Notices (DCNs), Back Charges. With Cora PPM, costs from the registers can be automatically transferred to the Cost Book, providing a more accurate estimate at completion cost for the project manager.

Numerous cost estimates can be generated to reflect different stages of the project lifecycle. Depending on many different factors, one specific cost estimate will be chosen and approved. All future versions of the cost book can be compared back to this approved cost estimate to evaluate project control on costs.

With Cora PPM, its Charter of Accounts Data Mapper takes all the differing data from different sites and maps it into one global set of accounts (including a table of exchange rates to convert local currency projects into a base currency). Now the Global Head of Finance has a single, global picture of all the organisation's projects, by estimate, actuals, committed and what the required cashflow need is. That's an invaluable position to be in.

Now you'll have a handle on your estimates, your global plan, what you're spending (Actual and Committed), presented in easy-to-decipher graphs. You'll have consistent data and a full view picture of your projects. You can easily generate Accruals and VOWDs. You'll be able to make better decisions – which will save you millions.
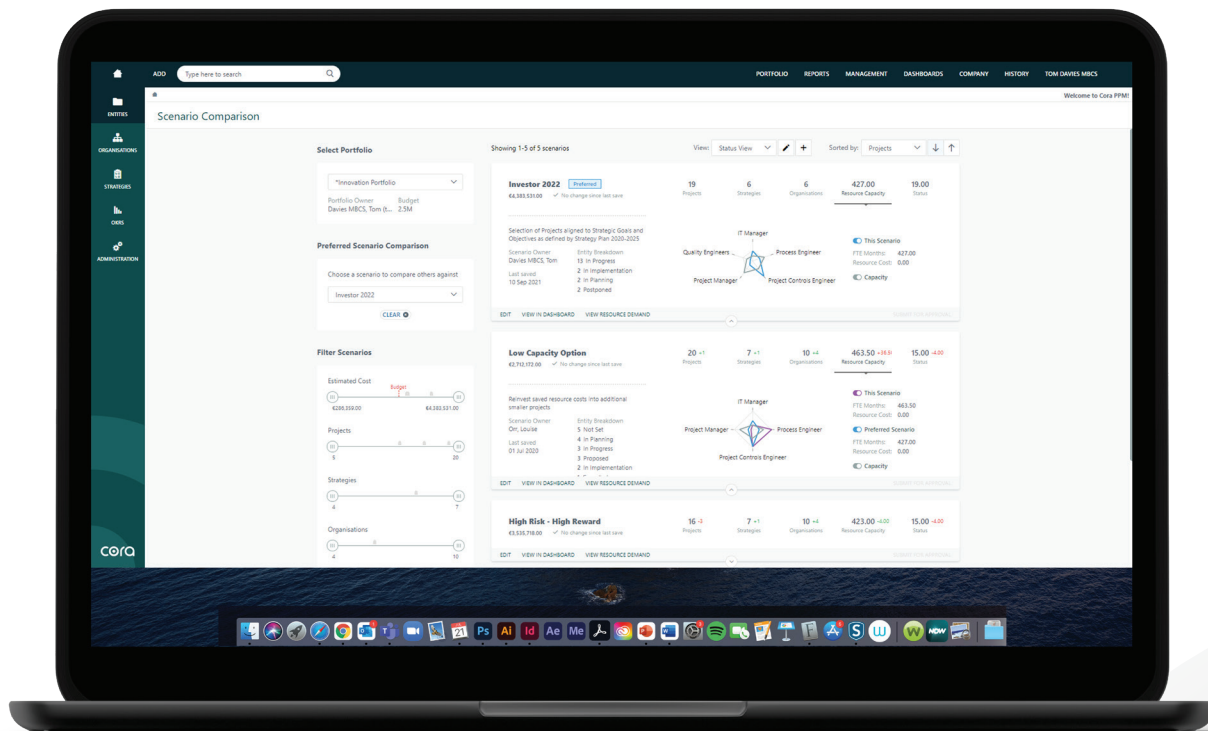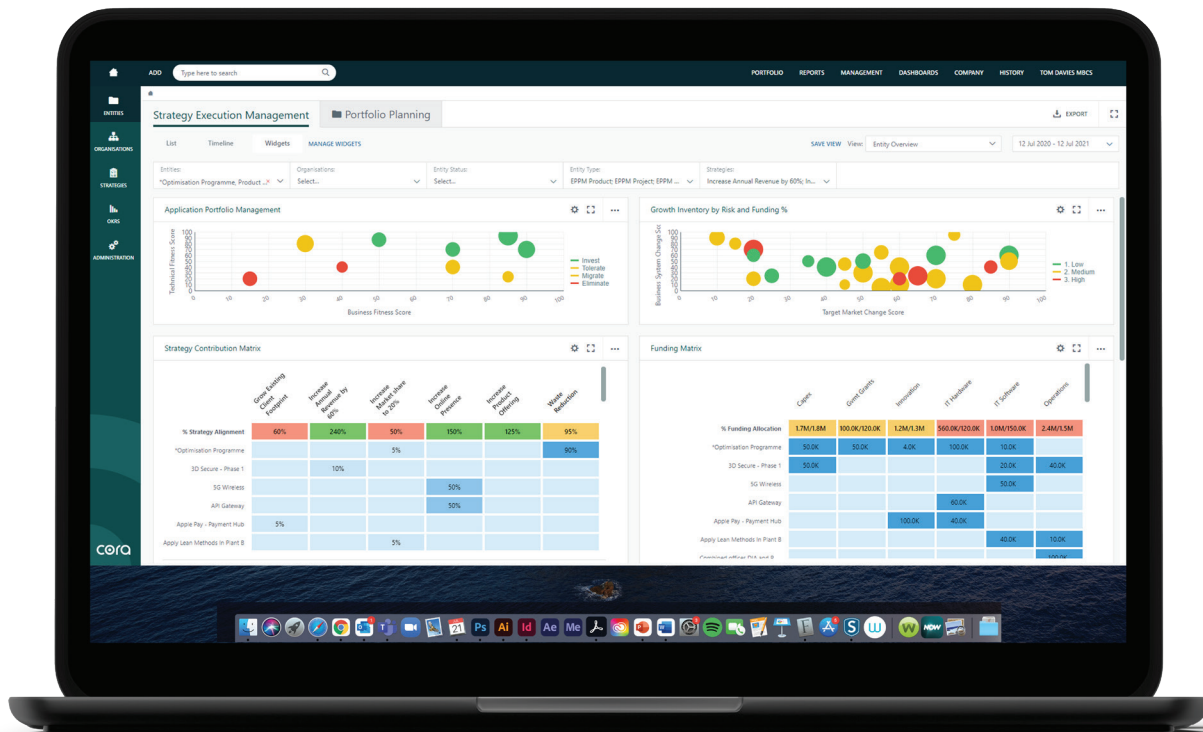
Portfolio graphical views to visualize where the large spends are going to be and if they should be more balanced on plants/sites. Also use this view to see if spend is happening on the right type of projects and if those type of projects are strategically aligned to your corporate vision.

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Tailored view of the truth

Cora PPM has many project management modules that seamlessly integrate with each other and the Cost Book, giving the user one single place for their project controls. Modules, for example, include the following: documentation (e.g. submittals/transmittals/markup); Gantt; WBS; Health & Safety Register; Project Progress (S-Curves); Earned Value; Benefits; Punch-lists; Forecasting; Cash-out; Workflow; and Timesheet.

The real beauty of Cora PPM is that the solution is highly configurable. All its modules are integrated providing its Cost Book with high integrity levels, i.e. the project manager and senior management team can believe in the information they are presented with and can make good decisions based on it. Integration is the operative word.

Competitor solutions only have four or five pieces of the puzzle, and rely on other disparate systems to do the rest. With Cora PPM, it will typically have a view into 25+ integrated modules (e.g. Cost Book, Risks, Changes, Early Warnings, Gantt, WBS, etc.) but users will only see the project data that is important to them, as it has in-built project governance that minimises the view

to just the data required, so users aren't confused or overwhelmed by information. Dashboards are customisable to the role of the user. The user can drag and drop the "dashlet" to any location on the dashboard screen that makes the best sense for them. The dashboard provides a quick insight of activity.

Closing the circle

Good portfolio planning ensures that there are "stars" and not "dogs" in your portfolio. Good project controls ensure that those "stars" are delivered successfully.

Cora PPM closes the continuous loop on those projects and portfolio planning. It implements portfolio management to ensure that senior managers, VPs, CIOs and Heads (and Global Heads) of Finance have an accurate and predictable overview of what is going on with the portfolio, after it has been decided upon. It allows that portfolio to be continually refreshed and verified for validity in a changing economic environment. Tweaks to the portfolio can be added, projects can be put on hold (or stopped).

Maximising value from your resources is what it's all about. Simplifying portfolio planning and project controls saves time, money and ensures success.

How Cora Systems Powers Enterprise PPM & Transformation

Key Aspects of the Cora Solution

Cora Systems is a worldwide leader in providing enterprise PPM solutions to global organizations and government agencies, such as Honeywell, Allergan, PwC, City of London and the UK's National Health Service.

Cora is a proven foundation for the delivery of projects, digital transformation and strategic objectives. Fully digitizing program and project lifecycles, providing total transparency, empowering decision-making, and streamlining governance and reporting. Every day, across more than 50 countries, over $20 billion worth of projects are managed on the Cora platform.

Powering Enterprise PPM & Transformation

Cora PPM contains a comprehensive suite of functionality that provides the strategic capabilities to optimize capacity, analyze scenarios, track benefits, inform all stakeholders and integrate across the enterprise. The platform acts as the bedrock for delivering major transformation programs.

Complete Enterprise Project & Program Management

Cora PPM provides the control, governance and insight required to identify, prioritize and authorize extensive enterprise portfolios that align to strategy and deliver ROI.

Digitize & Streamline Business Processes

Cora PPM digitizes all your portfolio, program and project processes, surfacing information when, where and how it's needed. Transform the way you manage your program lifecycle, providing the transparency, intelligence and decision-making capability to drive change across your enterprise.

"With Cora, we're able to sit around the table at senior management level and understand where we are much better than previously."

Paul Moody
Director of Global Engineering Projects, Allergan Pharmaceuticals

Allergan

"We are happily using Cora to manage the portfolio of projects that makes up our £1.7bn Superfast Program, and our £294m Local Full Fibre Networks Program. It works well at a low level for project planning, risk and issues, change logs, benefits tracking, weekly reports, etc. Then the PMO can roll up and summarize that low-level data into a full program/portfolio view."

Justin Leese
Program Director, Local Full Fibre Networks, Department for Digital, Culture, Media & Sport (UK)

Department for Digital, Culture, Media & Sport

Integrate, Centralize & Consolidate

Cora PPM acts as a single point of entry for all project data and facilitates easy integration with any enterprise technology architecture. Providing you with an immediate, consolidated view of all your project portfolios and deliverables. Complete visibility and insight are acquired through instant information "roll-up", linking top-down goals with bottom-up contributions of each and every initiative.

Swift Enterprise Deployments

Accelerate time to market and improve return on investment by leveraging best-practice implementation supported by our team of experts.

Mapped to Your Processes

Cora PPM is configured to each client's specific business processes, and we are methodology agnostic – we'll tailor the platform and the templates to fit your chosen project methodology be it Agile, PMBOK, PRINCE2 or other.

"It's great to have that cascade of information to highlight issues and risks for the right people who can then intervene. The functionality to do that in a more controlled environment, to take it through the different authorization layers, we see as really valuable."

Patrick Beattie
Director, PwC

pwc

"Cora really allows us to drill down into information so we can give our senior management the key decision-making information to make informed decisions on all our schemes."

Ian Thrupp
Head of Planning and Project Controls, WSP

WSP

"Cora as a platform gives us that single source of truth to what's going on in the organization and also gives us the ability to prioritize what's really important to us. Being able to put that information in front of our board and our executive team to say, 'Here is all of the change that's going on. What's the most important to you?' and then actually allocate the resources and funding for those projects to help move us into that strategic position is invaluable."

Sarah Malin
Head of Program Management, CityFibre

CityFibre

The Value

Digitize your programs and lifecycles, gain greater insights, more informed decision-making, and streamline your governance and reporting.

Strategic Insights
Roll out failsafe, strategically-aligned projects that utilize resources and deliver maximum value.

See The Full Picture
Quickly view data dashboards that visualize the health of your portfolio and drill-down to focus in on any issues.

Support Governance
Ensure the right people have the right oversight with multi-level access protocols.

Easily Scale
Small to large, local to global, all in the cloud.

Complete Control
Manage scope, financials, progress and quality of project delivery in one centralized system.

Seamless Collaboration
No matter the team – internal or contractor, desk-based or mobile – integrations make workflows seamless.

$20 BILLION
Worth of projects managed on Cora PPM.

400,000+
Projects live on Cora at any one time.

50+
Countries where Cora is in use.

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Platform & version of the truth.

Author Bio

Philip Martin is CEO of Cora Systems. Philip worked for a decade in engineering and management roles, primarily for the telecommunications industry, before founding Cora Systems in 1999.

Drawing on 30 years' experience in the portfolio and project management industry, he has built a global client base across Europe, the Middle East and USA. He previously held positions with major US multinationals, including 3Com, Tellabs, DSC and Pulse Engineering. Philip is an electronic systems engineering graduate of Ulster University.

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