MoP Practice 5: Plan. How to create a portfolio plan?

The purpose of the 'plan' practice is to collate information from the portfolio definition cycle and create a portfolio strategy and portfolio delivery plan which will be approved by the portfolio direction group/investment committee. Both documents can be combined in a single document (Portfolio strategy and delivery plan). The objectives are to:

- Provide a longer term overview
- Provide clarity to stakeholders
- Motivate people to commit to the delivery of the shared goals
- Convert the balanced portfolio into a plan
- Provide a baseline (the portfolio delivery plan) against which progress can be monitored, reviewed and managed (via a portfolio dashboard).

The portfolio office will normally update the plan on at least an annual basis in close cooperation with the business strategy, finance and performance management functions in your organization to assure that the plan is still aligned with the corporate (mid term) strategic, financial and business plans.

The portfolio strategy

The portfolio strategy is a document to communicate a brief description of the vision and objectives for the portfolio and the means by which these objectives will be achieved and must be endorsed by senior management. Normally it will have a time horizon of several years. The typical contents is:

- Vision and longer-term objectives for the portfolio
- Overview of the strategic priorities
- High level to be realized benefits information and how they link to the strategic objectives
- Key strategic risks
- Key dates, measures and success factors
- Key resource and cost information
- Motivational teamwork statement from senior management

Portfolio delivery plan

The portfolio delivery plan provides a more detailed understanding of the usually annual delivery schedule, cost and resource allocations, and the benefits to be realized.

Figure 1: Portfolio delivery plan

Figure 1 shows the composition of the plan and it contains several detailed plans for the delivery of the portfolio. Choose the ones, or create a combination of some reports that will help you to create a clear line of sight.

- Portfolio delivery schedule shows when which project or programme will run and key milestones. This provides a baseline against which to assess the progress of the project output delivery.

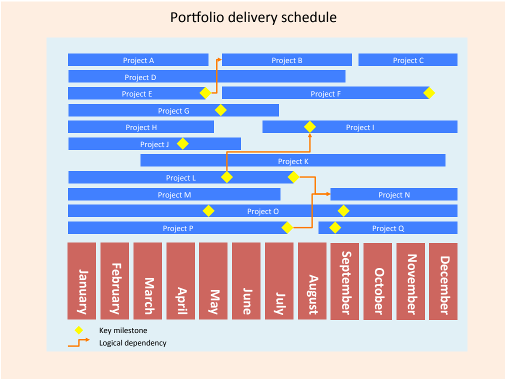


figure: Portfolio delivery schedule

- Key dependencies shows the logical dependencies between projects within the portfolio. See for an example the previous figure: Portfolio delivery schedule.
- Portfolio financial plan summarizes the financial commitments inherent in the approved portfolio for the year ahead as a basis for formal senior management budgetary approval. It's the baseline against which to track and compare actual spend. It contains a profiled monthly budget for the year ahead. Normally the budget will separated for capital and operational/resource expenditure (Capex and Opex) and a portfolio contingency budget.

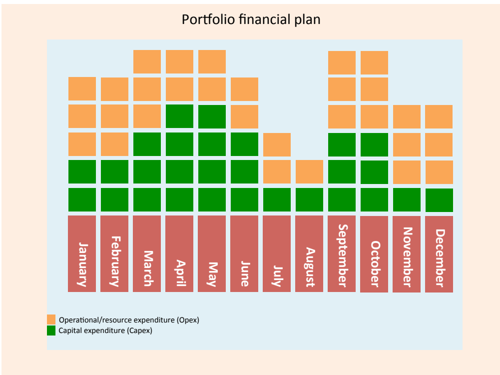


Figure: Portfolio financial plan

- Portfolio benefits realization plan gives a summary of the benefits to be realized in the year ahead and provide a clear view of the planned returns from the organization's accumulated investment in change and will act as the baseline against which to track the benefits actually realized. It contains the scale of impact of the benefits forecast to be realized, when they will be realized (monthly or quarterly) and what metrics to be used to assess the benefits realization.

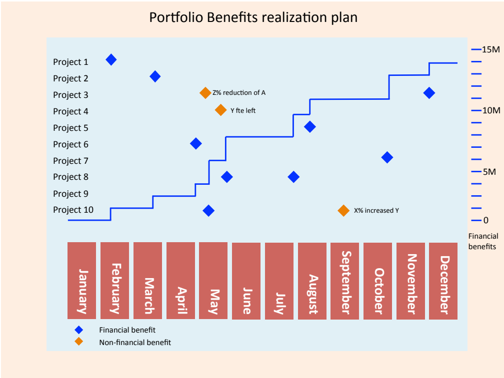


Figure: Portfolio benefits realization plan

- The key risks mitigation action plan gives responses to the most important risks, which will endanger the delivery of the portfolio (including generic responses to adjust for optimism bias). The risks mitigation action plan contains (see figure):
  - Description (Cause, Event, and Effect),
  - Impact (Inherent and Residual). The result of a particular threat or opportunity actually occurring, or the anticipation of such a result
  - Probability (Inherent and Residual). The evaluated likelihood of a particular threat or opportunity actually happening, including a consideration of the frequency with which this may arise.
  - Expected value (Inherent and Residual impact x probability)
  - Risk response (actions to resolve the risk)

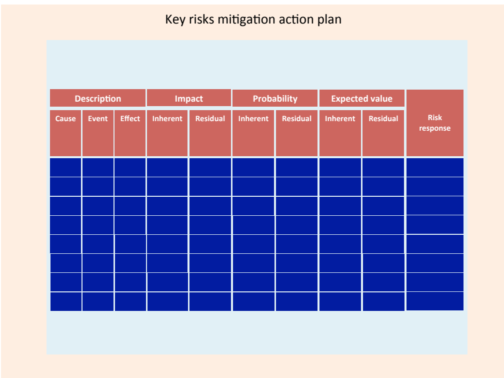


Figure: Key risk mitigation action plan

Besides these key attributes you could normally find as well:
- Risk ID (unique reference)
- Risk author (who raised)
- Date registered (when raised)
- Risk Category (the type of risk in terms of the portfolio's chosen categories e.g. Schedule, quality, legal etc.)
- Proximity (how close to the present time the risk event is anticipated to happen)
- Risk Status (active or closed)
- Risk Owner (the single person responsible for managing the risk)
- Risk Actionee (the person(s) who will implement the action(s) described in the risk response. This may or may not be the same person as the risk owner)

- High-level resource plan/schedule for all limited resources to understand and highlight the under (slack) or over allocation (under-capacity) and the logistical dependencies between the projects and programmes in the portfolio.

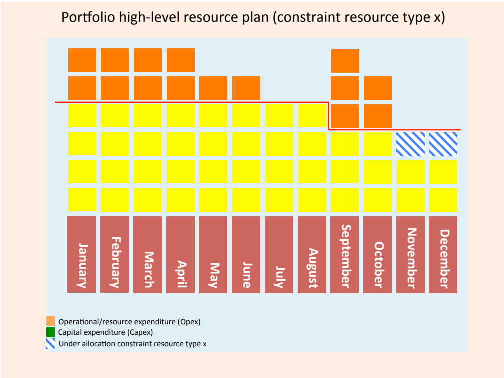


Figure: Portfolio high-level resource plan (constraint resource type x)

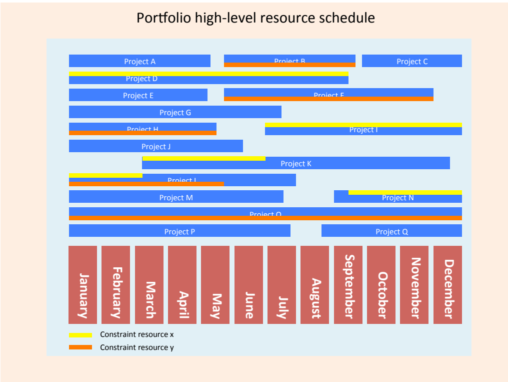
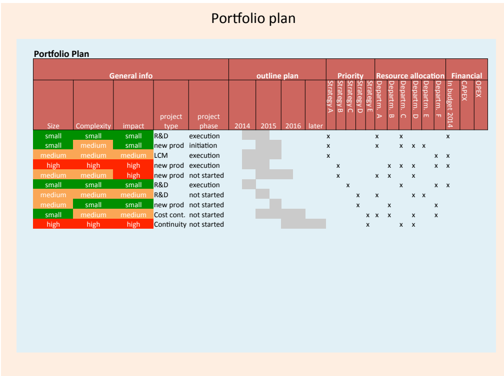


Figure: Portfolio high-level resource schedule (constraint resource type x)

- High-level portfolio plan. This example gives an overview of all projects showing size, complexity, type of project, project phase, outline plan, relation to strategy, resource allocation and some financial impact.



Portfolio Plan

General info					outline plan				Priority					Resource allocation						Financial		
Size	Complexity	impact	project type	project phase	2014	2015	2016	later	Strategy A	Strategy B	Strategy C	Strategy D	Strategy E	Departm. A	Departm. B	Departm. C	Departm. D	Departm. E	Departm. F	In budget 2014	CAPEX	OPEX
small	small	small	R&D	execution					x					x		x				x		
small	medium	small	new prod	initiation					x					x		x	x	x				
medium	medium	medium	LCM	execution					x										x	x		
high	high	high	new prod	execution						x					x	x	x		x	x		
medium	medium	high	new prod	not started						x				x	x		x					
small	small	small	R&D	execution							x					x			x	x		
medium	medium	medium	R&D	not started								x		x			x	x				
medium	small	small	new prod	not started								x			x				x			
small	medium	medium	Cost cont.	not started									x	x	x		x		x			
high	high	high	Continuity	not started									x			x	x					

Figure: Portfolio plan

Another example shows a portfolio plan using a mind map and little icons to show the priority, in progress, finished or not started and strategic contribution (Mandatory, new product, cost containment).

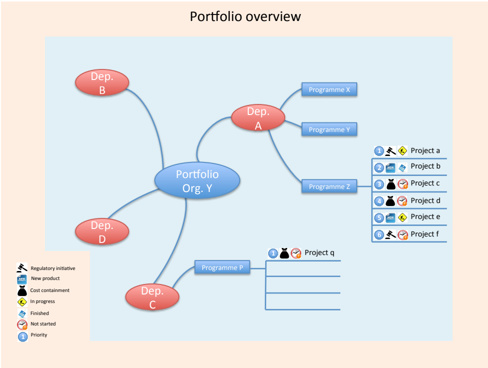


Figure: Portfolio plan

- Portfolio performance metrics. There are many metrics to choose from. You have to make a selection, which reflects the maturity level of your portfolio management. The metrics can be divided into several categories:
    - <u>OTOBOS related.</u> The extend in which projects in your portfolio are delivered On Time, On Budget and On Scope. Be careful when you use these metrics as early warning indicators. In that case you probably put them back on green when a decision was taken. To get an honest metric you have to compare the actual end date or budget with the original end date or budget. See my post on project portfolio dashboards.
        - % budget forecast predictability
        - % end date forecast predictability
        - % forecast stability
        - % scope forecast predictability
        - % deliverables predictability
        - % milestone achievement ratio
        - % definition certainty
        - % cost in control
        - % change requests ratio
        - % exceptions ratio
        - % business case stability
    - <u>Portfolio composition</u>
        - % strategy contribution
        - % strategic project delivery
        - % portfolio completeness. The extend in which all projects (below a certain threshold are registered)
        - % portfolio completeness. The extend in which all projects (above a certain threshold are registered)
        - % killed/stopped projects
        - % formal waivers
    - <u>Portfolio resources</u>
        - % employees involved
        - % critical resources availability
        - % external PM dependency
        - % external specialist dependency
        - % budget coverage
    - <u>Portfolio compliancy</u>
        - % governance compliance
        - % projects with a Business Case

        - % PID covered projects
        - % formal risks
        - % standard process execution
        - % risk assurance
        - % formal waivers
        - % best practices ratio
        - % reviews
    - <u>Portfolio objectives</u>
        - % benefit delivery exposure
        - % value management
        - % benefit/cost estimation
        - % owner satisfaction

- Portfolio stakeholder engagement and communication plan will help to have a coordinated and consistent communications across the portfolio. It includes a statement of the objectives of the portfolio stakeholder engagement and communication plan, a stakeholder map of the key stakeholder groups shower their interest and influence and the media to be used for each group when communicating.

Keys to successful Planning

<u>Summarize the results:</u> The portfolio strategy and the portfolio delivery plan are the most important documents you create during the portfolio definition cycle. Successful delivery of your portfolio starts with the understanding of the purpose and importance by all involved.

<u>Provide a clear line of sight:</u> How your portfolio strategy and the portfolio delivery plan looks like, is not important. You have to create a clear view on:

- What initiatives are included
- Scheduling and riming of the initiatives
- Resource and financial requirements
- Key milestones
- Risks
- The benefits to be realized

More important, your plan must provide a clear view how the portfolio will contribute to the strategic objectives as mentioned in the portfolio strategy and how this will be measured. The Portfolio Delivery Plan is your baseline against portfolio progress can be monitored and managed. Results will be periodically shown via the Portfolio Dashboard.

<u>The portfolio office prepares:</u> The portfolio office is in the driver seat to create the portfolio strategy and the portfolio delivery plan. But ensure that they will collaborate with functions like strategic/business planning, performance management, budgeting and resource allocation, programme and project management. See the strategic and organizational context of portfolio management too.

<u>The portfolio governance body endorses</u>: The management board or team or the portfolio board / portfolio direction group / investment committee must formally approve the

portfolio strategy and the portfolio delivery plan, including the underlying needed resources.

Keep it simple: The portfolio strategy and the portfolio delivery plan are the result of a complicated or complex planning process. To make sure that senior management understands the key messages, the reports needs to be relatively simple otherwise it will end in misunderstanding, confusing and no decision taking. Apply where possible, the Pareto or 80:20 rule, show only the most important delivery milestones and overall benefits to be realized.

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