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# Portfolio management: Roles, responsibilities and practices: A qualitative study

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# Portfolio Management: Roles, Responsibilities and Practices

## A Qualitative Study

### Abstract

The increasing use of project and programs by organizations to achieve business strategy and goals have led to the need to understand project portfolio management. Along with the increasing diffusion of portfolio management, a new managerial role evolves: the portfolio manager. This new role is pivotal in planning and controlling complex project landscapes more effectively and efficiently. This study is to investigate the governance structures and the roles, responsibilities and practices of portfolio managers. A sequential mixed method approach under a realism paradigm is used. This paper presents the first stage qualitative study, using an inductive interview based approach with six portfolio managers for six organizations in Australia. The results from the qualitative study are used to validate the research model developed on the basis of previous research and develop the constructs for the concept of portfolio context and the roles, responsibilities and practices of portfolio managers.

### 1. Introduction

Portfolio management has been acknowledged by the project management community as the coordinated management of portfolio components to achieve specific organizational objectives. It is a technique for optimizing the organizational returns from project investments by improving the alignment of projects with strategy and ensuring resource sufficiency. It aims to optimize the outcomes from project investment across a portfolio and it is also regarded as the governance method for selection and prioritization of projects or programs. Organizations that do not align their project portfolio with organizational strategies and governance will tend to increase the risks of running projects that are low priority initiatives. As a result, there will be critical resource shortages, and investments will not be optimised. Therefore, application of the techniques of portfolio management within the context of organizational governance provides reasonable assurance that the organizational strategy can be achieved.

Portfolio management can be seen as providing governance structures adopted to minimize the overall costs in converting “input” to “output” through projects. When viewing projects as transactions, these costs are known as transaction costs, which are the sum of all costs for governing projects. Several researchers, such as [Muller and Turner \(2005\)](#) and [Blomquist and Muller \(2006\)](#), have proposed that transaction cost economics or TCE theory provides one theoretical framework for explaining the project and portfolio phenomenon.

Portfolio management, however, presents a challenge for middle managers to manage its processes, people and practices. The portfolio management role is supposed to be pivotal in planning and controlling complex project landscapes more effectively and efficiently. Literature indicates that the roles and practices of portfolio managers vary and need to be adapted to organizational situations.

This research is important for several reasons. The first reason is identification of a theoretical gap in the area of portfolio management particularly concerning the role of managers in portfolio management. As stated by [Elonen and Arto \(2003\)](#) and [Blomquist and Muller \(2006\)](#), the manager’s roles & responsibilities in multi-projects vary, are unclear, and characterized by a lack of resources, low levels of support or commitment and poor information flow. This suggests a need to

investigate and improve practices of portfolio management. Good portfolio management is becoming a key competence for organizations handling numerous projects simultaneously (Martinsuo and Lehtonen 2007) and needing the capability to produce products or services to compete globally (Killen et al. 2008). The third reason is to investigate the portfolio management learning capability. As stated by (Killen et al. 2008), portfolio management is thought to be a human-centered capability and people are highlighted as an important organizational resource that must be nurtured, developed and allocated effectively through the portfolio management capability.

This paper presents results of a qualitative study using an inductive interview based approach with portfolio managers from service and manufacturing organizations in Australia. To assess the validity and reliability of past research, we pose the following research questions:

*What are portfolio manager's roles and responsibilities in service and manufacturing organizations in Australia? Are there any differences in roles, responsibilities and practices between service and manufacturing organizations in Australia?*

The unit of analysis is portfolio managers in service and manufacturing organizations in Australia.

## 2. Research Method

This paper adopts pragmatic perspective and proposes the use of sequential multi-method approach. The design which involves a first phase of qualitative data collection and analysis, followed by a second phase of quantitative data collection and analysis that builds on the results of the first qualitative phase. This method is to counterbalance the limitations of one approach with the strengths of the other in order to enhance the reliability of the results (Rudestam & Newtom 2001). While the qualitative methods enable flexible and detailed exploration of issues, the quantitative component helps make statistical inference about the relationships between concepts (Punch 1998).

The execution of the research starts with an exploratory qualitative study to develop a basic understanding of the roles and responsibilities of managers in portfolio management. The aim of the qualitative study is to:

- Test the validity of the research model qualitatively which examining whether there is a positive relationship between the TCE dimensions and the portfolio manager's roles, responsibilities and practices
- Explore the portfolio management in Australian organizations context and find constructs and measurement scales for the concept of portfolio management in the research model:

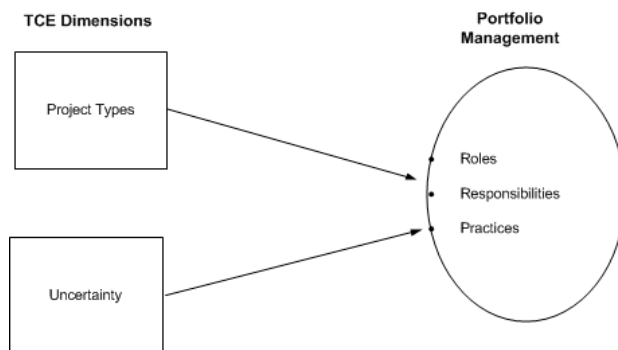


Figure 1: Proposed Research Model

***Sampling***

The sampling method used for interviews is theoretical sampling. The interviewees are the people who have the best knowledge of the research subject and the number of interviews determined by theoretical saturation, which means when the answers from interviewees no longer contribute to generate new concepts or categories, the sampling process will be stopped (Strauss & Corbin 1990). In order to collect a variety of data and get integral information, the targeted interviewees were Portfolio Managers from large service and manufacturing industries that have implemented project management.

***Data Collection***

The constructs of the variables in the research model, which are the roles, responsibilities and practices will be operationalized. The data collection instrument used is semi structured interviews with six portfolio managers; three managers are from service organizations and the final three managers are from manufacturing organizations in. The interviews were held either face-to-face or through conference calls and interviewed were tape-recorded for subsequent analysis. Transcriptions were made immediately after the interviews and sent back to the interviewees for validation. The roles and responsibilities of managers in portfolio managers have been identified through a continuous comparison of interview results.

***Data Analysis Method***

The aim of the interviews is to generate constructs and measurement scales for the concepts of portfolio manager's roles, responsibilities and practices in Australia. There is a very little pre-conception about portfolio management context and the roles, responsibilities and practices of portfolio managers in Australia. The literature (Blomquist & Muller 2006; Killen et al. 2008; Jonas 2010) focuses on portfolio managers but there may be some differences in the roles, responsibilities and practices in the Australian context. This research reflects on the practical lives of portfolio managers to build constructs for the concepts and portfolio context and roles, responsibilities and practices in Australia.

The inductive data display and analysis technique to analyze the interview data is used. This is done using the process of data reduction, data display, and conclusion drawing and verification (Miles & Huberman 1994). The raw data gathered from the interview is immediately coded in this iterative process using NVIVO 9 software. The raw data is disaggregated into conceptual units and the labels were provided.

**3. Qualitative Data Analysis and Results**

The results from the data analysis of the qualitative study is presented in this section.

***Project Types and Uncertainty***

Our interviewees from manufacturing organisations describe their project types as product development or projects, mainly for external delivery with both short and long term goals. The project size is categorised as medium and large. It is determined by several criteria such as budget, duration or resource allocation. If the project has high budget, then the project is categorised as large project. The environment is dynamic that require experiential product development using frequent iterations, testing and milestones. The environment is complex in certain decision making on the product development and research and development projects. Therefore, the use of portfolio management planning in manufacturing organizations assist in aggregating business for strategic analysis, repositioning and guide diversity away from low growth sectors. After implementing

portfolio management, the three manufacturing organizations that involved in this study has indicated the portfolio management process improved their market position substantially relative to their competitors.

Whereas our interviewees from service organizations describe their project types as service projects mainly on internal delivery with both short and long term goals. The project size is categorised as small, medium and large. It is determined by several criteria such as budget, duration or resource allocation. The environment is dynamic that require frequent iterations, control, testing and milestones. The environments are generally complex in decision making on the projects. Therefore, the use of portfolio management planning in service organizations assist to aggregate business for strategic analysis and repositioning and guide diversity away from sectors that deliver low value or benefits. After implementing portfolio management, the three service organizations that we interviewed has indicated improvement in value delivery and investment.

In this study, it is discovered that though criteria were the same in service and manufacturing industries, but the thresholds changed dramatically due to the nature of the industries. For example, one of the interview involves a service organization, it is discovered that budget that is lower than a\$1 million, it was considered as a small project and a\$ 5 million is considered as a large project. Any budget from a\$1 million to a\$5 million will be considered medium size project. On the other hand with a manufacturing company that also used budget as the criterion for judging project size, had different threshold. When the budget is lower than a\$100 million, the project size is considered small. If is higher than \$2 billion, the budget will be considered as large and budget in between \$100million and A\$ 2 billion is considered as medium.

The result shows that different project types and dynamics in the organizations require the use of portfolio management which was found in (Blomquist & Muller 2006). This result provides the direction to develop the constructs and measurement scales for the concept of portfolio context. The result can help to measure how supportive the portfolio context and will contribute to the questionnaire design in the quantitative study in the next phase.

### ***Portfolio Roles, Responsibilities and Practices***

The roles of portfolio managers for both service and manufacturing organizations in Australia are found at medium and higher levels in the organization structure. Their responsibilities generally involve aligning projects/program/products with strategy, prioritization, and resource management across portfolio. The portfolio managers for both manufacturing and service organizations are report or work closely with corporate financial services to achieve financial objectives in managing their portfolio. The portfolio managers for both industries are require to achieve financial results in relation to the annual plan. Tools that the portfolio managers used are financial system and enterprise project management software to track the schedule, budget and resources of projects,program or product development. The portfolio managers in manufacturing also work closely with the sales and marketing team to monitor the competitor strategies on product development.

The coding method described in the data analysis method section and developed the codes on roles, responsibilities and practices from the raw data. During the interview, interviewees were asked to give some keywords about their roles, responsibilities and practices. The most frequently used keywords were: Business planning & strategic alignment, portfolio prioritization and selection, stakeholder management, risk management, regulatory, value assessment and benefit realisation. The code is analysed based on (Blomquist & Muller 2006; Killen et al. 2008; Jonas 2010) roles and practices of portfolio manager. In this study, these keywords/codes are grouped into six categories:

- Business planning & strategic alignment
- Portfolio prioritization and selection
- Stakeholder management
- Risk management
- Resource planning
- Value assessment and benefits realization

The categories, codes and the number of times these codes (within each category) were mentioned by interviewees is summarised in Table 1.

Category	Code	Service Organizations			Manufacturing Organizations			Time mentioned by interviewees
		S1	S2	S3	M1	M2	M3	
<b>1. ROLES</b>		S1	S2	S3	M1	M2	M3	
<b>Types of Portfolio</b>		IT Portfolio	Assets Portfolio	Corporate Portfolio	NPD	Innovation	R&D	
<i>Prior to project</i>								
Business planning & strategic alignment	Involve in stakeholder business planning and align investment with strategic goals	4	3	4	3	3	3	20
Portfolio prioritization & selection	Technique to prioritize and select projects to maximize investment	2	3	3	2	3	3	16
Stakeholder management	A process to support an organization in achieving its strategic objectives by interpreting and influencing both the external and internal environments and by creating positive relationships with <u>stakeholders</u> through the appropriate management of their expectations and agreed objectives.	4	4	3	3	2	3	19

Category	Code	Service Organizations			Manufacturing Organizations			Time mentioned by interviewees
Risk Management	The identification, assessment, and prioritization of <u>risks</u> or the <i>effect of uncertainty on objectives</i> , whether positive or negative followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of unfortunate events or to maximize the realization of opportunities	5	3	5	3	3	3	22
<b>During Project</b>								
Resource Planning	Resources allocation to achieve maximum output	3	3	3	3	2	3	17
Steering Committee	Participation in steering groups							
<b>Post Project</b>								
Review	Initiate review of projects or product developments	4	4	3	3	4	3	21
Communication	Provide effective	2	3	2	2	4	4	17



Category	Code	Service Organizations			Manufacturing Organizations			Time mentioned by interviewees
	communication via meetings or reports with stakeholders							
<b>2. RESPONSIBILITIES</b>								
Regulatory	Compliance procedures, policy and quality	2	3	2	2	2	3	14
Value and Benefit Assessment	Development and implement Investment Framework: <ul style="list-style-type: none"> <li>Financial target</li> <li>Value Assessment model/Benefit Realization model</li> </ul>	4	4	5	3	3	3	22
<b>3. PRACTICES</b>								
Established/year		4	3	2	5	3	4	
Decision Making	Group decision making by Investment or Portfolio Board	3	4	3	2	2	2	16
Tools	Tools used to manage the portfolio management techniques and processes	CA Clarity	- Excel	MS Project Server	MS Project Server	MS Project Server	MS Project Server	

Table 1: Roles, Responsibilities and Practices of Portfolio Managers

#### 4. Discussion

The Portfolio manager's roles for both service and manufacturing organizations involve before and after a single project/program/product. From the interview, it indicates that portfolio manager has similar roles and is stated as below:

- a) Involves in strategic business planning with stakeholder during prestage of project or product development
- b) Ensure projects/programs/products delivered on time, budget and scope during the project or product development
- c) Managing risks
- d) Project reviews, coaching, issue handling and improvement of corporate processes after the project or product development.

Though the portfolio manager's roles are similar, they differ slightly in the extent due to their different portfolio management context. For example, in services organizations, the business planning processes are relatively shorter term (1-3 years) compare to manufacturing. The process on ensuring the projects/program deliver benefits/value and alignment with organizations strategy are essential. Those business case that do not have strong benefit/value to organization strategy or business change will not be in top priority on delivery or even approved by their Portfolio Review Board. Their responsibilities include compliance with corporate policies, development, implement and maintain Investment Framework and the investment model such as Value Assessment model/Benefit Realization model and achieving financial target.

As for manufacturing organizations, portfolio managers will need to work on portfolio strategy and work on longer term product roadmaps (1-10 years) due to research and development activities required for their industries. The roadmap outlines how management wants to achieve their desired objectives (product and technology) and allows for identification of needed capabilities, which then be planned for in terms of time and budget (Cooper et al 2004). The portfolio managers work closely with their sales and marketing team to monitor competitor product information and trend. They are also working closely with their R&D and quality team to monitor the quality of products before delivery as defects product will incur heavy losses (profit and goodwill) to the organizations. The portfolio manager in manufacturing are involve in several stages such as new product development, new product management and new categories opportunity and their responsibilities include integration of business drivers, team leadership and achieving financial target.

#### Practical Implication

The practical implications of the results are:

- Portfolio managers are focusing on business results, stakeholder satisfaction and long term strategy and results of their portfolio
- Portfolio managers from service industry require not only project management skills but also financial analysis skills for reporting and communications

- Top management in both service and manufacturing industries are involved in portfolio management to achieve business results, strategy alignment of the projects and accountable for the value of projects requested.

### **Theoretical Implications**

The TCE's underlying assumption that different project types need different governance structures (Williamson 1985) is supported by this preliminary results. Organizations from both industries; service and manufacturing show flexibility in adapting their governance to the requirements of their environment. However, in service industries organization are new to portfolio management and are looking for the best practices for their project, program and portfolio management. The organizations use specific processes and tools to counteract the problem of bounded rationality in decision making, issues handling and business planning.

The role of portfolio manager is to put together the network of resources to deliver projects/product development. They ensure the availability of the right resource at the right place and time and interaction with other projects and the resources needs. Their role becomes pivotal as one of organizational integrator to co-ordinate resources, advisor to management teams and escalator of issues across organizational boundaries.

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