

Value based portfolio management

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Agenda

- ▶ Context
- ▶ Approach
- ▶ Conclusions
- ▶ Questions and answers

Context

- ▶ One company, many IT initiatives
- ▶ All different project managers
- ▶ Not enough money for all
- ▶ All IT initiatives had the goal of improving the company operations

In real life...

- ▶ Project portfolio may be quite full
- ▶ Priority of projects not easy to set
- ▶ Which projects will get financing and resources?
- ▶ Which ones will have to wait or get eliminated?
- ▶ Projects diversified, hard to find common ground to compare them

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Comparison criteria

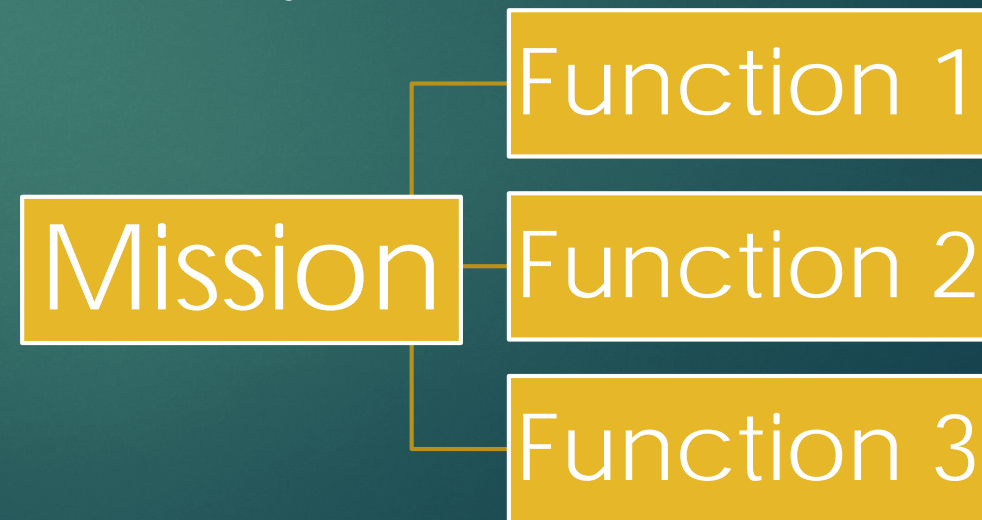
- ▶ The **value** each project will bring to the company
- ▶ How do we identify the value of these projects

Value = Satisfaction of needs / Resources

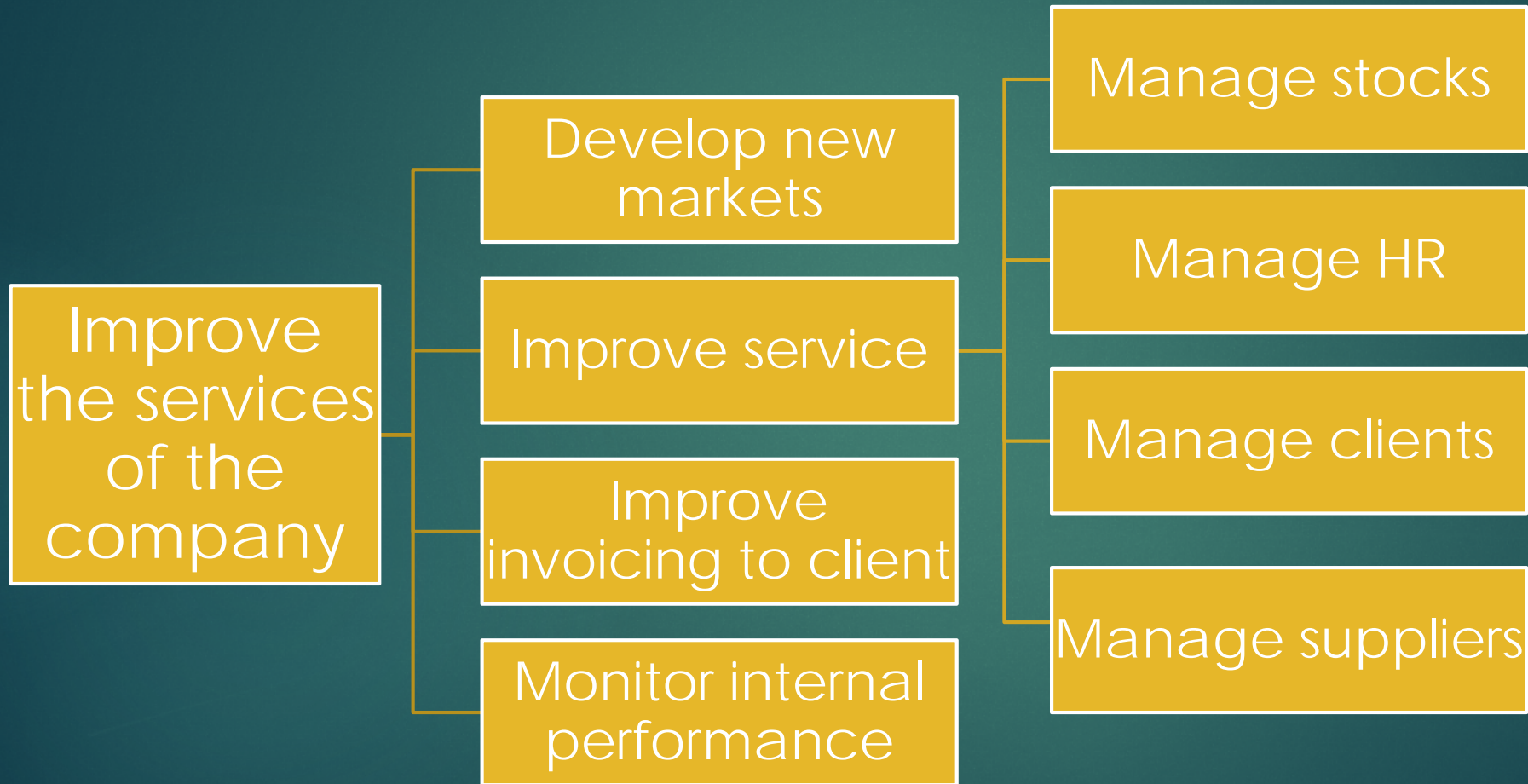
Identify the value of the projects

To chose company criteria:

- ▶ Prepare a function tree of the company
- ▶ Use the primary functions
- ▶ Criteria must be compatible with all projects



Function tree



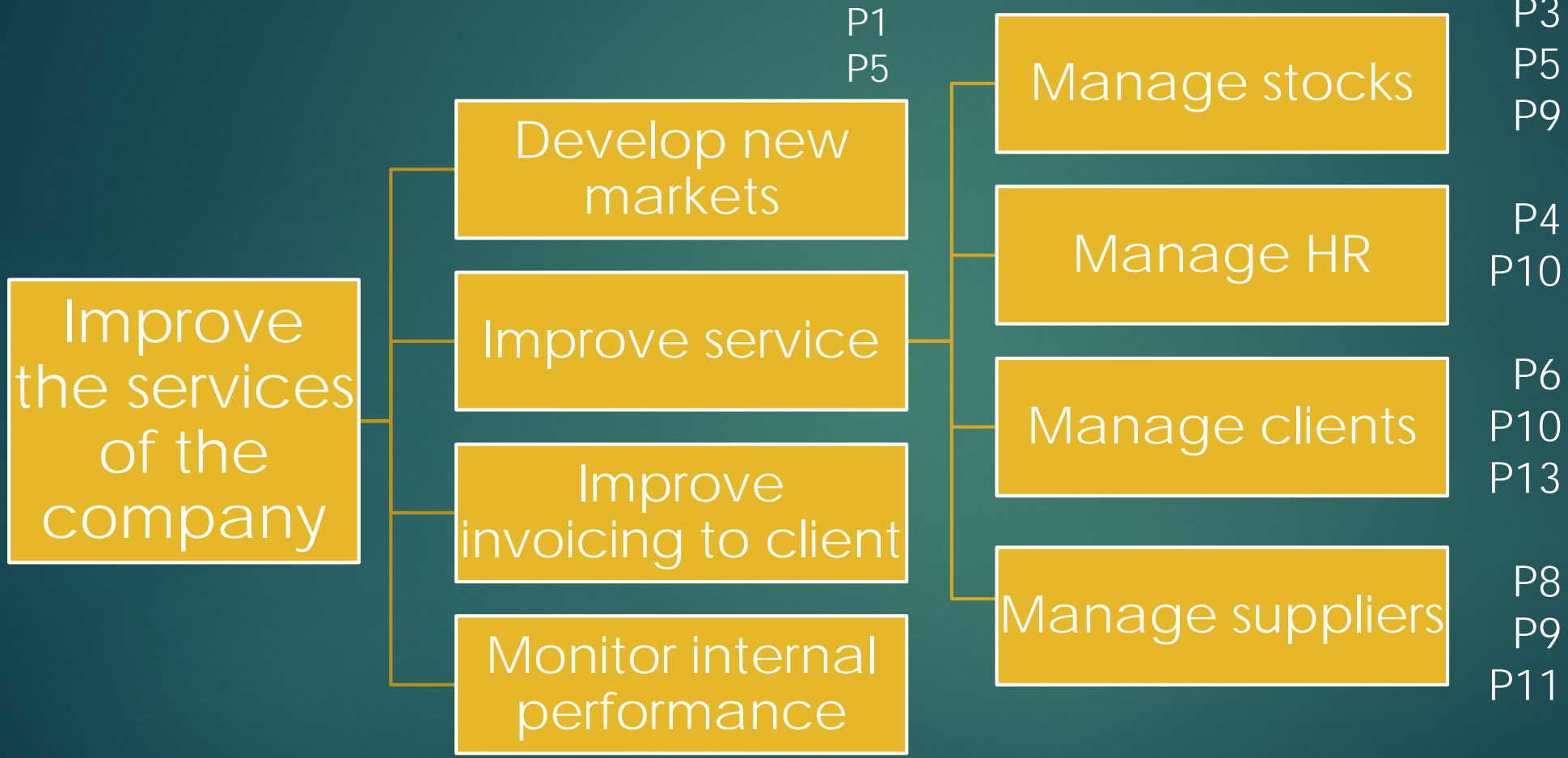
Function table

Functions	Hierarchy	Projects involved	Cost of projects	Comparison
Develop new markets				
Manage stocks				
Manage HR				
Manage clients				
Manage suppliers				
Improve invoicing				
Monitor performance				

Function tree

List of projects

Need to clean up list of projects!



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Function matrix

Fonctions	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P11	P12	P13	Coût (K\$)
Develop new markets	100%				30%									182
Manage stocks		100%	100%		70%				90%					125
Manage HR				100%						33%				721
Manage clients						50%				33%			60%	815
Manage suppliers								100%	10%		100%			689
Improve invoicing						50%	100%			33%			40%	180
Monitor performance												100%		77
Total cost														2789

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Function table

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Functions	Hierarchy	Projects involved	Cost of projects	Comparison
Develop new markets	8	P1, P5		
Manage stocks	17	P2, P3, P5, P9		
Manage HR	20	P4, P10		
Manage clients	23	P6, P10, P13		
Manage suppliers	15	P8, P9 et P11		
Improve invoicing	11	P6, P7, P10, P13		
Monitor performance	6	P12		

PAIRED COMPARISON MATRIX

Hierarchy of functions

		B	C	D	E	F	G	H	I	J	K	L	M		
A	improve the development of new markets	1B	3C	1D	2E	3F	3G	1A	1A	2J	2K	2L	2M	2	2%
B	communicate with clients		1C	2D	2E	1B	3G	1H	1B	1B	1K	1L	1M	4	4%
C	process service requests			2C	1E	1C	3G	1C	1C	1C	1C	1C	1M	12	11%
D	manage equipment stock				1E	1D	3G	1D	2D	1J	1K	1L	2M	7	6%
E	manage network resources					2E	1G	2E	2E	2E	1E	2E	1E	17	15%
F	manage Human resources						1G	1H	2F	1F	1K	1L	2M	6	5%
G	deliver contractual obligations							3G	3G	2G	1G	2G	1G	25	23%
H	manage clients								3H	2H	1K	1L	1M	7	6%
I	manage suppliers and partners									1J	2K	1L	2M	0	0%
J	manage incidents										1J	1L	1M	4	4%
K	improve billing of clients											1L	2M	6	5%
L	improve the monitoring of our performance												1M	6	5%
M	improve business tools													15	14%

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Value index

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Functions	Hierarchy (weight)	Cost (K\$)	Percentage of total cost	Value Index
Develop new markets	8	182	6,5%	1,23
Manage stocks	17	125	4,5%	3,8
Manage HR	20	721	26%	0,7
Manage clients	23	815	29%	0,8
Manage suppliers	15	689	24,7%	0,6
Improve invoicing	11	180	6,5%	1,7
Monitor performance	6	77	2,8%	2,1
Total cost		2789		

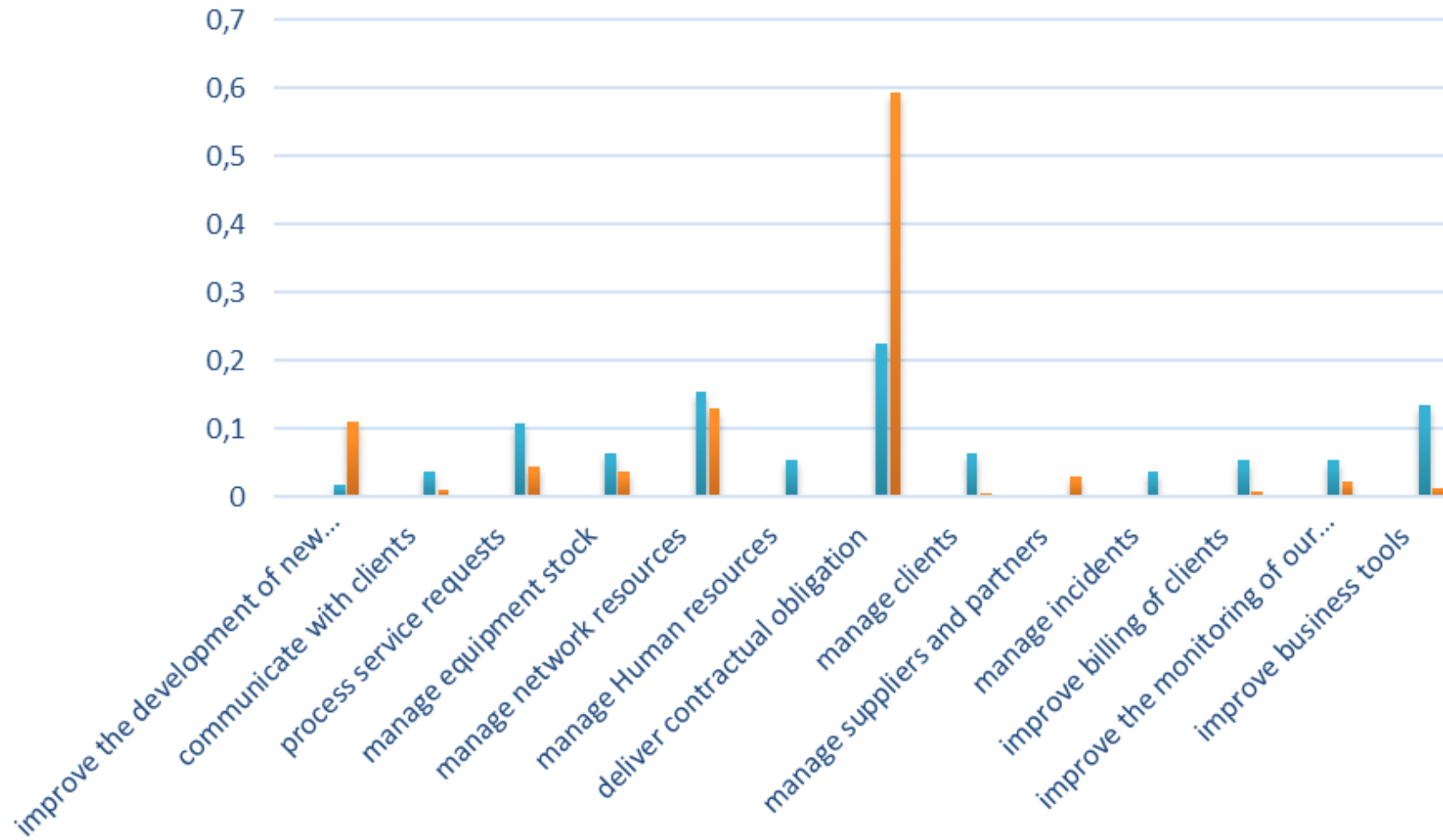
Analysis of results

The value index helps us identify mismatches:

- ▶ Is the money invested at the right place?
 - ▶ Is it possible to fulfill the satisfaction of needs at such a price?
 - ▶ Why are these functions so expensive?
- ▶ If the money is NOT at the right place, what else can we do?
 - ▶ Creativity
 - ▶ Value Improvement Proposals
 - ▶ Value Engineering Process

Importance
Cost

Cost vs Importance of function



Company criteria

What are the main reasons that triggered this study?

- ▶ Survival of the company
- ▶ Relation with clients
- ▶ Gap between where we are and where we want to be
- ▶ Importance of each function
- ▶ Number of persons involved

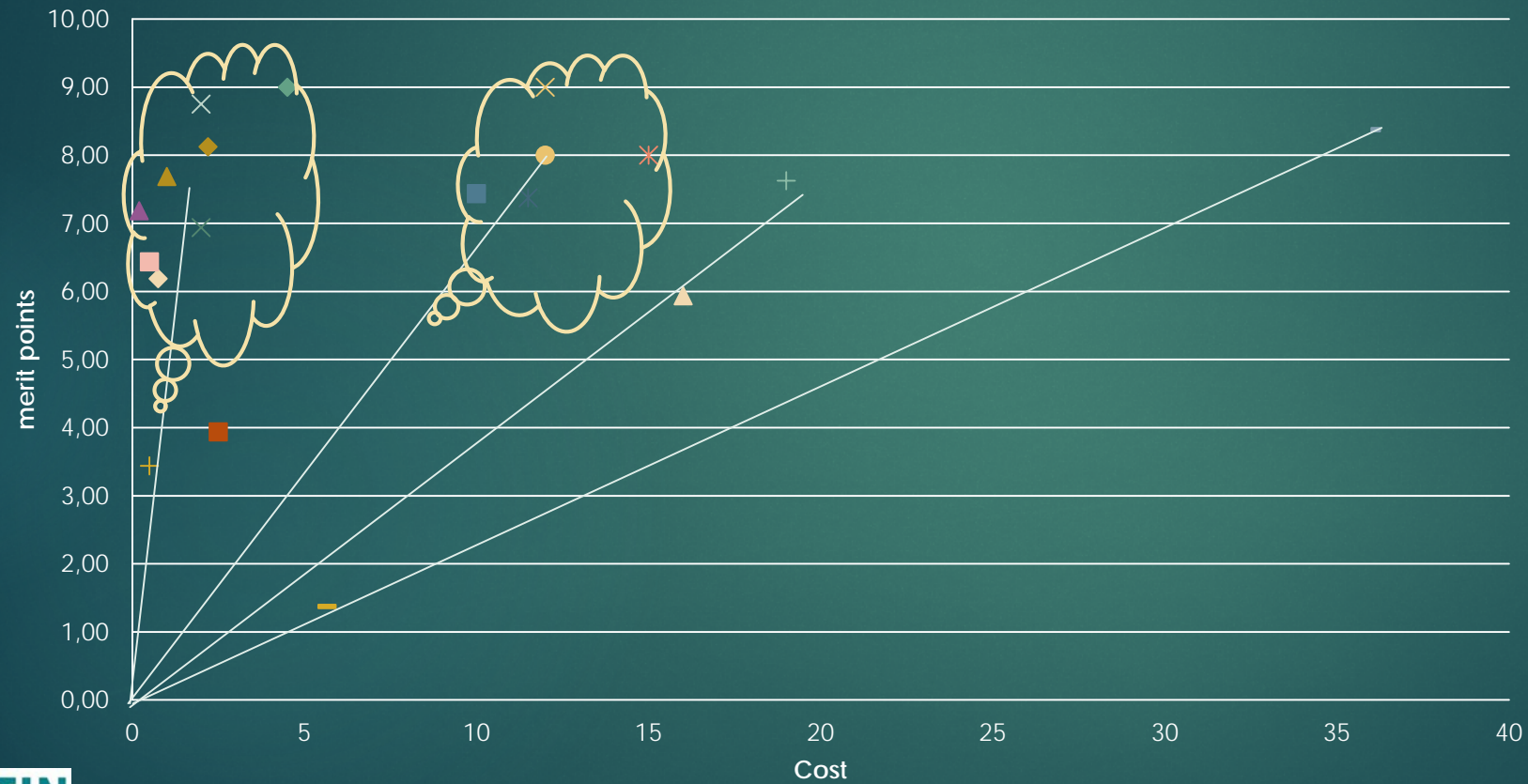
Comparison of projects

Score of 1 to 20 to each project

	weight	P1	P2	P3	P4	P5	P6	P7	P8	P9...
Survival of the company	23%	8	12	16	8	1	8	7	15	
Relation with clients	27%	17	16							
Gap between now and then	32%	15								
Number of persons involved	18%	3								
Total score		1177	2722							
Cost (k\$)		89	95							

Value Graph

Value graph of projects



Priority

2 clouds of dots:

- ▶ Top left corner: the most value
- ▶ Right cloud: second best value
- ▶ The bottom projects: less than minimum merit
- ▶ Right most projects: the smallest value

Order of priority and budget

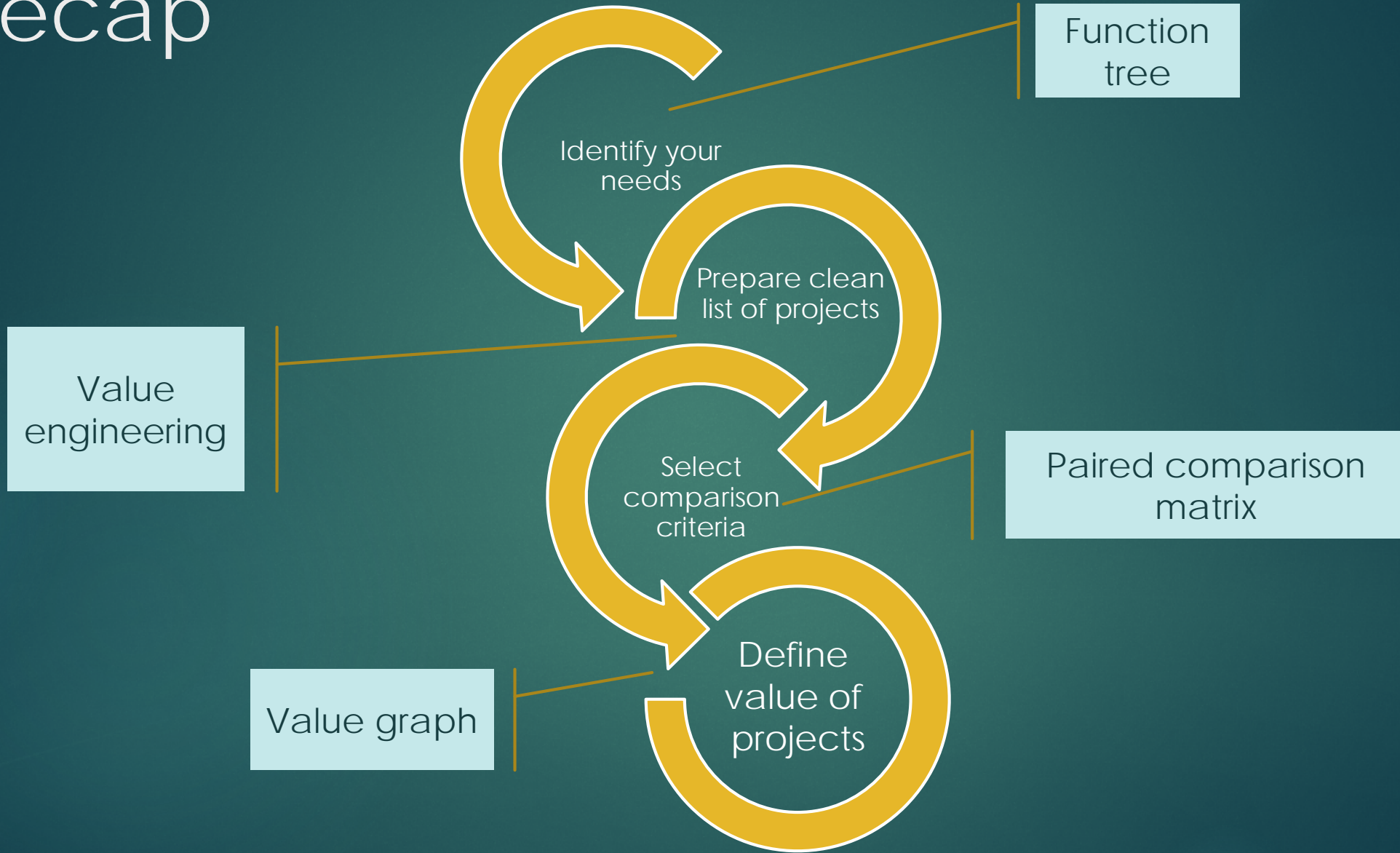
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Priority	Projects	Cost (\$)	Cumulative cost
First	P4	20 000	20 000
	P3	50 000	70 000
	P12	75 000	145 000
	P1	50 000	195 000
Second	P2	10 000	205 000
	P5	200 000	405 000
	P13	220 000	625 000
	P9	20 000	645 000
Third	P11	450 000	1 095 000
	P6	250 000	1 345 000
Fourth	P7	1 000 000	2 345 000
	P14	1 200 000	3 545 000
	P8	115 000	3 660 000
	P10	150 000	3 810 000
	Total	3 810 000	

\$1 million budget?

Recap

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Conclusion

Value based portfolio management is a must:

- ▶ Identify your company's needs
- ▶ Prioritize your projects based on these company needs

This will allow you to create more value within your company!



Thank you!

▶ Questions?

▶ Contact:

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