PORTFOLIO MANAGEMENT

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Why Portfolio Management?

Portfolio management is increasingly becoming a standard industry practice. In essence it is a structured approach to allocate resources in order to achieve corporate objectives.

There are a number of such ”portfolios” to manage in all businesses (financial, internal development, innovation etc.). This white paper focuses on how to manage industrial innovation projects, generally known as Project Portfolio Management (PPM), although of course projects of any kind could (and in our opinion, should) be managed as portfolios.

PPM can work at an organizational, business unit, or enterprise level. It works best when implemented enterprise-wide, but research shows that this is still not the case in a majority of companies. [1,5,6] Our experience at Googol is that many companies lack a structured process, and for many businesses, simply asking “What projects do we have?” is a revelation.

Do the right thing

PPM is here defined as: ”The centralized management of one or more portfolios, which includes identifying, prioritizing, authorizing, managing, and controlling projects, programs, and other related work to achieve specific strategic business objectives.”

Translating vision into strategy, and strategy into business plans and objectives is of course the core function of any management team at the corporate level. But there is often a disconnect between such objectives and PPM *(Figure 1)*. According to studies by professors Cooper and Edgett, who have pioneered the field of PPM, an estimated 46% of the resources that companies devote to the conception, development and launch

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