THE THEORETICAL APPROACH TO PROJECT PORTFOLIO MATURITY MANAGEMENT

Bronius Neverauskas¹, Ruta Čiutiienė²

¹ Kaunas University of Technology, Lithuania, bronius.neverauskas@ktu.lt
² Kaunas University of Technology, Lithuania, ruta.ciutiene@ktu.lt

Abstract

This paper is intended to discuss theoretical approaches to project portfolio management maturity. Institutions use projects to solve strategic problems, to perform integrated processes, to generate innovative activity strategies. In order to be able to manage strategically the competitive ability within business environment, it is essential to discuss about the maturity process of projects, project portfolio and program’s projects, their potential vista development as well as strategy management within the organization. Expansion of project-based organizations only enhances project portfolio management maturity significance.

Project portfolio management maturity models serve as an instrument to criticize the project portfolio management of organization. There are many models currently available to assess project management maturity. We can find different researches designed for the project portfolio management maturity assessment. In this context authors present the theoretical approach of the project portfolio management maturity assessment. The paper demonstrates that project portfolio maturity management is crucial project management problem.

Keywords. Project portfolio, project portfolio maturity, project portfolio maturity management, excellence in project portfolio management.

JEL Classification: L21, M10, M12, M53.

Introduction

The environment is constantly changing and competition is growing. Therefore, it can be said that their elements are interconnected. Globalization, new developments in technologies, recession and an instant change of economics needs are bringing new challenges not only to business companies but to different organizations as well. An organization’s chosen approach to project management can drive expected changes through projects aimed at better meeting forthcoming organization’s needs. The need to manage essential changes through project came into force in business companies, public sectors and social environment organizations. These institutions are using projects in order to solve strategic problems, to perform integrated processes, to generate innovative activity strategies.

Project management is a dynamic and developing process in scientific and study context. In order to be able to manage strategically the competitive ability within business environment, it is essential to discuss the maturity process of projects, project portfolio and program’s projects, their potential vista development as well as strategy management within the organization. Expansion of project-based organizations only enhances project portfolio management maturity significance.

The analysis of the plentiful scholarly discussions and practical solutions shows that we can hardly find a generally accepted concept and definition of the project portfolio management maturity. However, a lot of various definitions are suggested. Various approaches depend on the research objective, the researcher’s perception of the project portfolio management maturity. It is presumptive there are various cases researcher’s intent to find a multifunctional approach, giving the priority to general features of the project portfolio management maturity.

Project portfolio management maturity models serve as an instrument to criticize the project portfolio management of organization. According to the literature, organizations are facing with problems in some areas of project portfolio management. The most important problematic area is project human resource management. Consequently the question is how to use purposefully the development of project management maturity in order to increase the organization’s competitiveness on the base of human resource competence.

Therefore, the human resource competence development should be identified for solving an arising problem of project portfolio management maturity purposeful development.

Another important aspect of project portfolio management is associated with its maturity level measurement. The analysis of the literature shows that we can find different researches designed for of the project portfolio management maturity. However, development of it is complex including human resource
training as well. Obviously different approaches depend on the research objective, the researcher’s ability to understand the nature of the phenomenon considered.

In this context authors present the theoretical approach of the project portfolio management maturity. The attitude is presented and focused on the human resource competence development.

In the case the constructive methodological approach was chosen it enables to up-date the estimation of the project portfolio management maturity and to develop the researchers’ attitude to forward the progress of researched problem. In this way, new approach based on more wide-ranging problem management may be helpful in achieving progress of project portfolio maturity management.

The purpose of this paper is to analyze theoretical findings of project portfolio maturity management and to complement it.

Research methodology. This theoretical viewpoint illustrates the various approaches of the project portfolio maturity management and serves to amplify it.

As a result of the theoretical findings, the paper demonstrates that project portfolio maturity management is crucial project management problem. The proposed complement relevant for the considered problem should be identified as efficient tool for purposive management of project portfolio maturity.

Shift to project-based management development

Organizations understanding new approach changeover all activity fields on project-based management. According to Kodama (2007), Billows (2008), Thiry (2008), Meiliene & Ciutiene (2010) et al. under new challenges the ways company uses projects must be renovated; project-based management approach is strong point as a tool to develop potential for the organization strategic changes. During last twenty years the role of project-based management expanded and made a lodgement against all the odds. The project-oriented now is widely common among well-known world companies. Turner (2009) took note that „30 percent of the global economy is Project based“.

Researches of different countries agree that companies’ single projects are managed properly, but it should not enough to endeavor the strategy of a project-oriented company. The final report (Stasiukynaite, Viliunas, 2007) results of the research project orientation claims that there are some reasons for improving and developing project management. The project based activity became as common and essential condition effective endeavor to win competition. The main problem is consentaneous management of company’s completeness all projects. It is necessary that programme management and project portfolio management should do integral.

Project-Based management attitudes were recognized in companies as progressive management trend. Many of experiences approved factors became as propulsion to challenge fast emerging in progressive companies. According Thiry M. (2008) Project-Based management by the nature drives to create synergy between company’s strategy, Project and portfolio management and the stakeholders cooperation sustainable.

Why Project based companies emerged? Knowledge-based economy is inherency of the 21st century. Companies are operating under rapid transformations and deep competence influence. Consequently companies must be on the edge of creativity and competitive continually. The structure of project-based companies were developed to increase accelerate of company long-time progress.

Definitions of project-based companies vary, but key points remain. Kodama (2007) on the base of wide number of researcher’s opinion essay predicates that project-based organizations are constrained to build temporarily existing organizations for projects to be carried out throughout possessing all internal and external resources.

Our theoretical research intended to complement understanding of project portfolio management by suggesting another point for project portfolio management maturity purposeful review.

On another hand, ruling the problem is obviously related with project-oriented company mature. Project-based organization’s management is closely associated to its programs and projects portfolio strategies. Running internal and external transformations related with organization competition must be linked to the continual project management leading to project management excellence.

The concept of the Project-Oriented-Organization has long-term research history. Gareis (1987) was positive that management by project has a future. Today projects and their management are seen as far more as enterprise project portfolio or program management. More and more organizations in different countries
are moving from single projects to multiple project management by increasing strategic project portfolio management (Neverauskas, Stankevičius, 2008; Moore, 2010).

The concept of project portfolio management maturity

Moderate or cardinal of project portfolio changeover is meaningful to company’s management processes. Project portfolio management must be readjusted as well. Project portfolio and project portfolio management are progressive tools to implement company’s strategy by aligning their projects with business long-term aims.

On another hand, project portfolio changeovers are weighty stimulus and argument to develop and sustain companies and project portfolio management maturity. The field of research of project portfolio and project portfolio management maturity is widely extended. World known Project management institute (PMI) from USA (1996, 2002, 2003, 2006, 2008a, 2008b, 2008c, 2009), Association for Project Management from UK (http://www.apm.org.uk/) and other institution and IIbs & Kwak (2000), Kerzner (1998, 2001, 2004), Skulmoski, (2001) et. al. as well are famous with their researches on project maturity. According Cooke-Davies (2007) a marked increasing number of project management maturity models were observed after 1990s. The results of analysis of the multiplicity of research show changes of rethinking from single project management to project portfolio management (Martinsuo M. & Lehtonen P., 2007; Rajegopal, McGuin P., Waller J., 2007; Lock, 2007; Leonard A., Swanepoel A., 2010). Often failures, pitfalls and other problems of project portfolio management were bases of the researches. World known project management institute contributed to the discussion the significance of proceedings as well as the standard for portfolio management (Project management institute, 2006) and the Standard for Program Management Project Management Institute (2008).

The project management maturity concept was developing with extreme consideration (Project Management Institute, 2003; 2008). Investigations foundation has mainly base witch states company’s level ability to achieve its short-term and strategic objectives (Rajegopal et. al., 2007). On the base of this assumption it is possible to assent to a proposal Andersen & Svein (2003) project maturity should be defined as companies’ forwardness to use projects or companies’ receptivity to project management (Skulmoski, 2001).

Many Project Management Maturity Models exist: number of levels of maturity varies from 5 to 8. Some of models are simple, some are complex. Mainly five-level project portfolio maturity models are described in the project management literature. It’s nevertheless true that there are no unanimous conceptions of each level content. According some conceptions the first level is named as „foundation”, meanwhile other conceptions recognize this name for the second level. The upper project portfolio maturity models level describes superlative project portfolio management processes.

Project portfolio management model presented by Lee Merkhofer Consulting group (2008) includes five-levels: level 1 - Foundation; level 2 – Basics; Level 3 - Value Management; level 4 - Optimization; level 5 - Core Competency. The Consulting group claims that the last project portfolio maturity model level demonstrates company’s core competency. It’s evident that company’s core competency drives to project portfolio management excellent.

Robertson’s Project Management Maturity Model (http://www.klr.com/white_papers/pdfs/pm_maturity_model.pdf) aggregate five-levels too: lowermost level1 – Adhoc – fixates no formal consistent process; consistent, basic approach to Project performance is described by level 2 – Foundation –; level 3 and level 4 identify more developed Project processes; the uppermost level 5 – Optimizing - is inherent only for Project-centered organizations. Usually these type companies implement succession thorough improvement of multiply Projects management. Project portfolio management maturity model can be used as comprehensive management tool to recognize company’s decision of right move by ladder of success to improve capability of Project portfolio management processes.

MPCM (Maturity by Project Category Model) (http://www.maturityresearch.com/novosite/en/index.html) presents Archibald & Prado site „Maturity in Project management“. World-known organization’s IBM consultant Darci Prado introduces the Prado Project Management Maturity Model (Prado-PMMM) based on his long-term management experience of Brazilian organizations. Prado-PMMM combines 5 consequent levels as initial, known, standardized, managed and optimized with 6 dimensions Technical and contextual competence, Methodology, Informatization, Strategic alignment, Behavioral
Competence, Organizational Structure. The expanded model is potential one more of management tools for Project portfolio management maturity complex examine.

Gartner (2008) suggested Program and Portfolio management maturity model (PPM). Gartner’s PPM delineate comprehensive matrix with 6 maturity levels. Program and Portfolio management progression moves series from level 0 (nonexistent – ad-hoc) to level 5 (optimized – enterprise-orientation). Organizations using the Gartner PPM Maturity Model realistically assess their maturity level through 5 core dimensions as well people, PPM processes, technology, financial management and relationships. The exceptional element of Gartner’s PPM serviceable for right understanding Project and Portfolio Management processes level is Project structures used to maturity levels. It helps to better revising and alignment company’s strategic objectives.

We consider that Portfolio, Programme and Project Management Maturity Model developed by United Kingdom Office of Government Commerce (OGC) (http://www.ogc.gov.uk/documents/p3m3.pdf) should be appreciated as invaluable management tool to improve PPP management. Experienced team (Road Sowden, David Hinley, Steve Clarke et.al) in wide consulting with stakeholders presents constantly innovated Portfolio, Programme and Project Management Maturity Model P3M3 versions of OGC. The P3M3 is the multiply model integrating Project management, Programme management and portfolio management. Portfolio, Programme and Project Management Maturity Model P3M3 contains five-level components: awareness of process (level 1), repeatable process (level 2), defined process (level 3), managed process (level 4) and optimized process (level 5). The P3M3’s value have been increased with possibility to review company’s Project, Programme and portfolio management throughout the process perspectives.

Unfortunately, PM solutions’(2005) and other researchers are announcing that only a very small segment of companies are over the second level. Having discussed in brief of company’s Project, different Programme and Portfolio management maturity models are driving to the next steps leading to identifying of maturity management strategy. It is important for companies as far as possible to identify straight Portfolio management strategy. There are number of known models should be used for identifying right maturity management strategy. By our view under the circumstances of deep competitive ability of Project excellence model (PEM) foundation is mostly reasonable for identifying companies’ project portfolio strategies. In 1998 Kerzner H. solidified excellence in Project management knowledge and presented basic conception of the Excellence in project management. This conception integrates the following six components as behavioral excellence, integrated processes, culture, management support, training and education and informal Project management. Project excellence understanding later was developing by the same author (Kerzner, 2001, 2004, 2009), also Eddie Westerweld and International Project Management Association (IPMA) as well (Turner, 2009).

There are some differences between the conventional companies and companies running in the excellence in Project management way. They achieved marked advance and are strong in growth and changing Project management maturity path. To endeavor more potential benefits company must adopt and develop Project, Programme and Portfolio maturity management methodology at perfection (Vysocki, 2009).

**Approach of Project Portfolio Management maturity development**

Knowledge age forces companies must pay more endeavors to develop and improve Project Portfolio Management capability through increasing Portfolio Management Maturity. The principles of organisational intelligence were started to apply for strategy development from business companies to University (Staskeviciute, Neverauskas, Ciutiene R., 2006).
In our view, strategies for the further development of the company’s Project management maturity can be defined by using Blue Ocean Strategy, developed by Chan Kim and Mauborgne Renée (2005). On the base of Chan Kim and Mauborgne Renée Blue Ocean strategy four different but simultaneously integrated companies’ project-based management resolutions should be discussed (figure 1):

1. Which of the projects is crucial and hasn’t determinate impact to the company’s strategy, wherefore should be eliminated? This question forces company to consider eliminating factors no longer intrusive in project portfolio.
2. Which of the projects priority should be reduced well below the project portfolio/program level? The question forces company to determine whether is overdesigned projects in portfolio.
3. Which of the projects priority should be raised well above the project portfolio/program level? This question forces company to revise portfolio and to increase resources for projects considering eliminating compromises have been done before.
4. Is there requirement which of the projects should be created that the project portfolio/program has never involved? The question drives company to discover requirement of new activities projects considering stakeholders’ and social partner’s interests.

Conclusions

- In considering the aim a comprehensive framework for the theoretical analysis of the project-based companies and the development of a management maturity model has been presented in this paper.
• This theoretical viewpoint illustrates the various approaches of the Project, Programme and Portfolio management maturity in companies and bases new strategic expectations considered and stakeholders’ interest as well.

• Measured Project, Programme and Portfolio management maturity is often understood as how good a company can manage its projects. But the key question is what competency company has and how good it is used to select the right projects. Maturity model is one of management tools to be used to measure companies’ potential abilities.

• In our point suggested Chan Kim and Mauborgne Renée four actions framework is a proper management tool for company to create new value throughout Project, Programme and Portfolio management maturity purposeful development.

• This is in the usual run of things Project portfolio contains different types of Project. Consequently different project-management approaches must be readjusted.

• We have explored of the project based companies forthcoming research topics to be developed:
  – Both non project –based companies and particularly project –based companies are divided to many groups of processes. The corresponding different processes must be integrated in to mainly all projects. Resembling needs exact coordination.
  – The second one: Similar processes follow both within the company both appear also in different stakeholders organizations. The company are forced to outsource many activities and services to safeguard project –based company’s activity.

References


