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A STUDY ON IMPACT OF PROJECT MANAGEMENT ON PORTFOLIO MANAGEMENT

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Abstract

A project is intended to accomplish a particular target and has a characterized start and end. In more mature organizations, project managers work in or with a group or department called the Project Management Office (PMO).The main objective of study is to assess the impact of project management and portfolio managements on Organization performance and explain the benefits of portfolio management and management strategies in organizations. This research has designed based upon the analytical approach and the observations of previous work aim to identify the Project portfolio management (PPM) software provides an opportunity for organizations to improve PMO performance, make better decisions, and operationalize business strategy by centralizing demand management, prioritizing work, and improving visibility into the portfolio of projects.Findings show that nearly half the variation in portfolio management also needs other explanatory factors that may include standardization and other variables at project level, project strategic gain targets, portfolio management activities, type of portfolio, and so on.

Keywords: project management; portfolio management, Organization performance; program management

Introduction

According to the Project Management Institute (PMI), a project is a "temporary endeavor undertaken to make an extraordinary product, service, or result." A project is intended to accomplish a particular target and has a characterized start and end. In more mature organizations, project managers work in or with a group or department called the Project Management Office (PMO). The PMO defines and sets standards on how projects are managed within the organization. *.According to the annual survey on project and portfolio management, almost half of PMOs are responsible for both maintaining operational work and conducting strategic projects by commercial value.*

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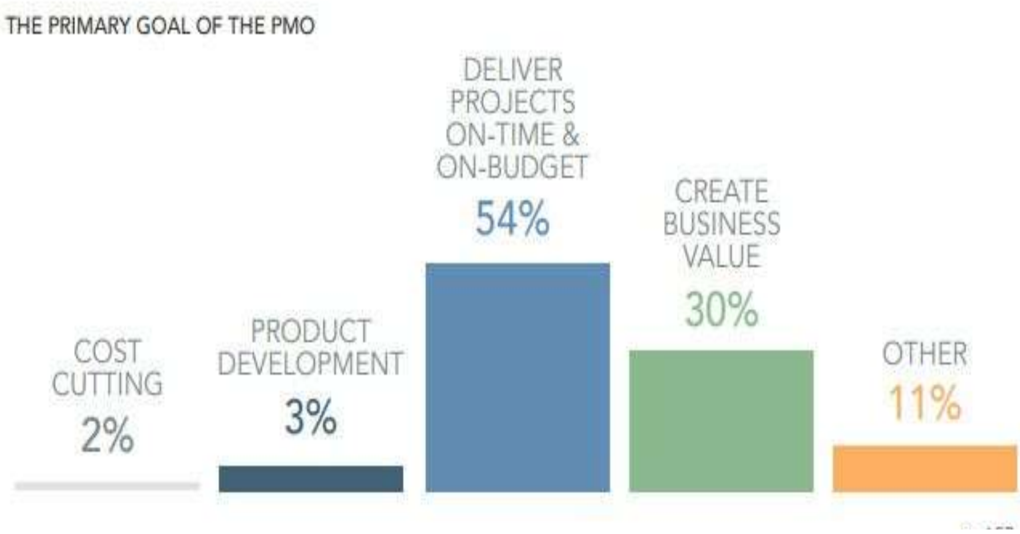

Figure 1.1: The Primary Goal of the PMO

What is program management?

According to the PMI, a program is "a group of related projects managed in a coordinated way to get benefits not accessible from overseeing them exclusively." Programs frequently:

- Have strategic business objectives that are transformational in nature
- Cross departments or business units

Program management is the translation of strategic objectives into quantifiable business outcomes, combined with the integration of the many related activities required for the result to be realized. The individual answerable for managing a program is regularly called a program manager. The job of the program manager differs from relying upon the association. A few organizations underline the business parts of the job. Others center on an IT or technology and will feature explicit technical and project management capabilities. Program managers lead the start to finish charge of the cross-practical program, from forming the way to deal with the delivery of the arrangement of wanted outcomes(Gareis,2000). The program manager likewise has responsibility for:

- Prioritizing and funding initiatives
- Defining a cross-organizational roadmap
- Ensuring resource capacity and availability
- Managing interdependencies between projects
- Ensuring that program-level goals are achieved

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Program managers frequently report into an Enterprise PMO or Strategic Planning Office and have responsibility for managing strategic activities that range divisions and specialty units.

What is project portfolio management?

A project portfolio is the group of projects being worked on by an organization. Project Portfolio Management (PPM)) is typically an element of the PMO team and is a formal way to deal with arranging, organize, and investigate the potential incentive from a lot of projects. An association that utilizes project portfolio management concentrates the distinguishing proof, prioritization, approval, and management of projects inside a portfolio. A portfolio manager is responsible for managing and utilizing the existing pattern of ventures, activities, programs, projects, and outcomes to optimally accomplish enterprise objectives(Kerzner,2001).

Fig: 1.2: PROJECT, PROGRAM, AND PORTFOLIO MANAGEMENT

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The relationship between project, program, and portfolio management can best be described like this:

- A project is a temporary effort made by a company or organization (such as creating a new product, service or result)
- A program is a group of similar or related projects which are often managed and coordinated as a group rather than being independent.
- A portfolio is a group of different programs and / or projects within the same organization, which may or may not be related to each other.

Project management is tied in with applying the correct tools, methods, and procedures in a worth included way to finish the project effectively. As we probably are aware, the assemblage of project management information is colossal, and there are several abilities, tools, and procedures accessible to help project managers in the delivery of these activities. What's significant is to comprehend the project, its objectives and objectives, and what its difficulties are, and to pick, and utilize those correct pieces of project management accordingly(Maylor,2003)

What Does a Program Manager Do?

Program management isn't merely managing numerous projects—it's more strategic than that. The program manager additionally doesn't micromanage those projects; the person in question is helping guarantee that the right work is moving between the right projects at the right focuses in time. The program manager centers, all through the program, on the business benefits, beginning right on time at its initiation by seeing what benefits can be acknowledged and afterward getting that going. Each project, despite everything, has a project manager completing the work portrayed previously. The job of the program manager is to guarantee that the benefits expected are met by approving that the right projects are remembered for the program. Any project not providing an incentive to the benefits is then realigned or expelled from the program. The program manager is responsible for supervising the dependencies among projects and making program-level intends to achieve this(Koh & Crawford,2012).

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Kaplan and Norton (2001) formulated the balanced scorecard, including four points of view for interpreting a procedure energetically. Portfolio management is the coordinated management of at least one portfolio to accomplish organizational systems and objectives. A definitive objective of connecting portfolio management with organizational technique is to build up a balanced, executable arrangement that will enable the association to accomplish its objectives. A portfolio has associations with its segments, projects. There is simply no chance to get for senior management to achieve a strategic transformation without getting profoundly occupied with project management. Tragically, most officials and strategic scholars have not yet taken in the language of project management. Organization organizations are going in structures from useful organizations to projectized organizations.

LITERATURE REVIEW

As shown by Archibald, (2003) the use of the terms multiproject management, system and portfolio management is considerably confused. These are commonly used interchangeably. Management of multiprojects applies to the management of several smaller and often unrelated projects, whereas program and portfolio management applies to groups of projects that share some sort of commonality. The widening confusion surrounding the use of these terms has led the Project Management Institute (PMI) to recommend that a definition of terms be preceded by discussions on these topics.

Maylor, (2003) Literature related to project management gradually improved the distinction between project, multiproject, program , and portfolio management over the past decade. Although still used interchangeably in older publications, system and portfolio management principles are increasingly seen as two separate ways of managing project groups. Here the program management takes into account the interconnectedness of the various project goals to optimize the achievement of the cumulative project outcomes. This has contributed to the concept of programs as project groups, collectively controlled to receive benefits that are not accessible from individual management of them.

According to Turner & Müller, 2003) Portfolio management issues project groupings along with the interrelationship of their management criteria. This is achieved to optimize the overall business results of a company through the economic utilization of capital within a project community. Here a portfolio is characterized as: "an organization (temporary or permanent) in which a group of projects are jointly managed to organize the interfaces and

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distribute resources between them, thereby reducing uncertainty," managed by "selecting and supporting projects or program investments. Such investments in programs and initiatives are driven by the strategic plan and available resources of the company. Past portfolio management work has concentrated mainly on R&D portfolio management. Results show that businesses adopt three distinct portfolio management methods. They are

- Maximizing the value of the portfolio by aiming for largest returns on investment (ROI),
- Balancing the risks of the various projects in the portfolio, similar to investment funds, and
- Selecting only projects linked with the organization's strategy.

Edgett, S. J., & Kleinschmidt, E. J. (2000) studied the growing use by industry of project-based organizational systems as a way of achieving corporate goals has resulted in the implementation of portfolio management strategies in new areas such as customer distribution projects, as well as in smaller and less capital-intensive projects. Portfolios are handled differently for such programs. Here factors such as project size and goals are considered which lead to various management strategies (e.g. portfolios for large and small projects). Although program and portfolio management are often described in the literature, there is no clear evidence of practitioners' best practices in program and portfolio administration.

Edgett, S. J., & Kleinschmidt, E. J. (2002) examined the Project portfolios create common management structure for comparing and deciding on investments from a variety of possible projects. Early portfolios originally developed by General Electric / McKinsey and Boston Consulting Group (BCG) showed the competitive position of a company and market prospects in a matrix or grid, with different positions demanding different marketing strategies for a business. Over time, the methodology has proved to add value to companies by directing selection decisions and resource allocations in research and development (R&D) programs, where project management approaches have been used to do the right project and portfolio management has been used to do the correct programs.

Elonen, S., and K. Artto (2003)suggests drawing up an organization 's projects in a graphical representation of this classification, then determining the optimal mix of projects by analyzing the resource needs and ability, and then deciding on particular projects to undertake with existing resources. This allows decisions regarding project types to be

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approved, rejected, or excluded to accommodate the strategic mix and a steady stream of projects within an company. The strategy also helps to recognize the need for future skills and growth, as well as suitable preparation and career programmes.

As Kendall, G. I., & Rollins, S. C. (2003)foundthe common method of defining projects that do not or no longer fit into a portfolio is by using the project exclusion stage gates. This is achieved by supplying the management of a company with certain information sets in the projects at predetermined times, so that they can agree on the continuation or cancelation of particular projects. Industries using this approach have demonstrated higher success rates when shipping, selling and profiting from their new goods. By looking at all projects within an organization (not just R&D), Kendall and Rollins (2003) recommend developing portfolios through a three-stage process, which begins by ranking the projects and displaying them through their NPV, risk, internal / external orientation, and originator. The second stage involves rating the amount of the profits from all programs by the contribution of each project. The third step involves identifying the strategic resource (i.e., the resource that determines more than any other how many projects a firm can complete, and then using NPV to identify those projects with the highest return for each strategic resource work week.

In a related approach Kerzner (2001) recommends that the portfolio of projects be graphically displayed in a grid that outlines the phases of the project and the quality of the required resources. At the interconnection of process and resource quality specifications a project is shown as a circle. The circle size indicates the project's projected benefits, and a pie chart within the circle displays the proportion of the project completed so far. These techniques permit identification of eligible portfolio projects. The next section deals with how the portfolio is managed once the projects are selected.

Research Methodology

OBJECTIVES OF THE RESEARCH

The main objective of study is as follows:

- To assess the impact of project management and portfolio managements on Organization performance.
- To explain the benefits of portfolio management and management strategies in organizations.

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RESEARCH DESIGN AND STRATEGIES

Primary Data Collection

Primary source is a source from where we collect first-hand information or original data on a topic. This research has designed based upon the analytical approach and the observations of previous work aim to identify the Project portfolio management (PPM) software provides an opportunity for organizations to improve PMO performance, make better decisions, and operationalize business strategy by centralizing demand management, prioritizing work, and improving visibility into the portfolio of projects.

Secondary Data Collection

We have collected secondary data from the published financial statements of the firms, newspaper and articles. This is the minor part of this research but important as well. In this part data would be collected from the internet sites, journals, books, published articles, records of an organization. This type of data has been collected and recorded by another person or organization, sometimes for altogether different purposes.

CONCLUSION & FINDINGS

A project management system comprises project managers, expertise areas for project management, and the methods and strategies for project management. The ten areas of expertise are management of project development, scope, time, expense, efficiency, human resources, communication, risk , procurement, and stakeholder management. A plan is a community of similar programs that are controlled in a structured manner in order to gain rewards and power that is not accessible from individual management. Project portfolio management includes organizing and managing projects and programs as an investment portfolio which contributes to the success of the entire enterprise.

Portfolio management puts great emphasis on achieving financial targets while project management focuses on operational objectives. The Project Management career keeps rising and maturing. Project managers, system managers, and portfolio administrators play important roles in supporting productive projects and organisations. We have to undertake specific tasks, hold other talents, and strive to acquire expertise in project management, general management, and their field of specialization, such as IT. Soft skills, particularly leadership, are especially essential to project managers, program managers and portfolio

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managers. The Project Management Institute (PMI) is an international professional association that offers a Project Management Professional (PMP) credential and upholds an ethics code. Today hundreds of software tools for project management are available to help people execute projects. Our research has confirmed the value of the selected few single-project management factors linked to project portfolio management performance. Single-project management, according to our research, is directly correlated with portfolio management performance in the form of information quality and project management performance, and indirectly in the form of information quality, goal taking and decision making. Efficiency of project management was observed as significant mediating factor between single-project factors and efficiency of portfolio management, while achievement of project goals mediated single-project factors and efficiency of project management.
The findings support earlier studies and demonstrate how important and yet inadequate single-project management is in terms of portfolio management performance in a more complex sample of multiproject settings. Our findings show that nearly half the variation in portfolio management also needs other explanatory factors that may include standardization and other variables at project level, project strategic gain targets, portfolio management activities, type of portfolio, and so on.

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