

pm-partners

Portfolio Management Market Trends Report

MAY 2023



Leaders in project, PMO and agile services

We drive business agility and transformational change to accelerate organisation-wide results

As the global economy continues to tighten its proverbial belt, we are starting to witness mounting pressure on investment funds across many industries. It's becoming increasingly incumbent on decision makers to apportion budgets as efficiently as possible. This includes targeting investments to initiatives that have the biggest strategic impact and will ultimately improve their ability to prosper and compete.

In response, many organisations are looking to take a far more considered approach to ensuring limited funds are optimised for the right outcomes. This means ditching the annual 'dash for cash' approach and putting more emphasis on portfolio management tools, techniques, and processes.

The latest PM-Partners report on market trends for portfolio management draws on data from hundreds of project and portfolio practitioners, ranging from sponsors and steering committee members to PMO, portfolio and programme managers.

Combined with our expert insights and competitive analysis, the report provides a snapshot of current and emerging portfolio

management trends, as well as observations and advice on addressing common challenges and emerging opportunities.

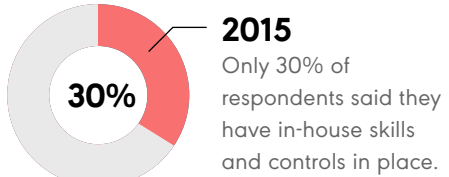
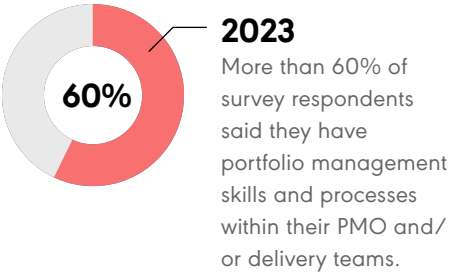
A key theme from this year's survey confirms that organisations are increasingly recognising the benefits of portfolio management and investing in the right skills and disciplines. Despite this and other encouraging signs, however, organisations are consistently approving too many projects, many of which they fail to deliver. What's more, although decision makers are getting better data, they are not consistently applying it. This tells us that while the market is clearly moving in the right direction, there is more work to be done.



Organisations are increasingly recognising the benefits of portfolio management and investing in the right skills and disciplines... [but] there is more work to be done.

RAY WALL, Client Engagement Director, PM-Partners

Portfolio management uptake



Organisations are increasingly cognisant of the need to change and are putting more focus on uplifting their portfolio management capabilities. Approximately three out of every five respondents indicated recent investment in portfolio management skills and disciplines. Compared to PM-Partners 2015 survey, when less than a third of PMO's said they had functioning portfolio management in place, this represents a significant improvement by any measure.

PM-Partners continues to experience a significant uplift in demand for portfolio management services from our advisory unit with 20-plus advisory engagements being completed in the last six months alone.

We've also seen a 35% increase in enrolments for portfolio management and other more advanced training courses, such as Management of Portfolios (MoP®), Managing Successful Programmes (MSP®), Executive and Sponsorship Masterclasses, Portfolio, Programme and Project Offices (P3O®) and Lean Portfolio Management (Scaled Agile Framework®).

With growing numbers of clients requesting portfolio management related services, this is perhaps the most encouraging aspect of our latest survey.

Optimism bias still rife



Almost 60% of organisations say 'yes' to too many projects and fail to reject, cancel or defer despite having better information regarding common constraints.

Instead of learning from past mistakes, we are still plagued by optimism bias in terms of what we think we can do, or hope to do, in a given period. Only around 30% of organisations feel they have the balance right. As a result, most organisations said they feel like they're trying to do too much and often end up failing to meet committed obligations.

It's clear that in the hurry to get going and secure funding, leaders and practitioners alike will almost always be optimistic about what can be achieved. This often means that planning is rushed, less than robust

business cases are produced, and detailed assessment of common constraints is not appropriately considered. The typical and highly common delivery challenges are therefore repeated.

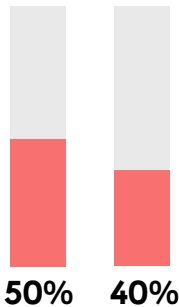
Fortunately, this challenge is being gradually eroded as more organisations recognise and invest in portfolio management.

But organisations must continue to work on addressing the balance between well intentioned optimism and data driven pragmatism and practicality.

Unravelling prioritisation processes

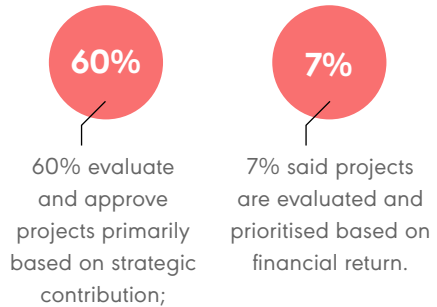
The latest survey results also provide us with some data that requires further investigation within each organisation:

We noted that half of our respondents said they have fully developed portfolio prioritisation criteria in place but, less than 40% say they apply it regularly.



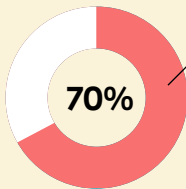
These findings may be due to the 'optimism bias' challenge noted above but should be considered further at organisational level.

In addition, the majority of respondents called out strategic contribution as their number one consideration when approving business cases, while less than 10% said that financial payback and ROI is a primary factor.



This appears to be an anomaly that requires further data and analysis. In our experience, commercial viability, benefits and payback is almost always the primary factor that influences investment decisions.

Re-balancing portfolios: positive signs

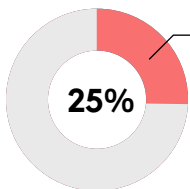


More than 70% of respondents are conducting monthly or quarterly portfolio reviews, with the remainder reviewing annually or bi-annually.

Results show that we are reviewing portfolios on a far more regular basis, which is extremely encouraging. Seven out of ten respondents said they are now routinely conducting monthly or quarterly reviews/updates of their portfolios. This is a significant improvement when only a short time ago the overwhelming majority said they did this annually.

In our view, the increasing adoption of agile, hybrid and more iterative delivery approaches, has doubtless driven the need to review and balance portfolios more frequently. It is also clear, however, that more and more organisations are recognising the value that effective portfolio management can provide.

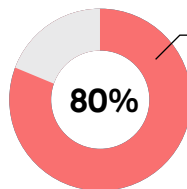
Outlook for the future



25% of respondents said they have had their portfolio budgets cut in the past 12 months.

A quarter of respondents reported cuts however these were relatively small – typically around 10 to 20%. Conversely, four out of five expressed a positive outlook for the immediate future.

A number of global and local factors can clearly impact these forecasts and doubtless there will be specifics that affect sectors and industries differently. One thing is for sure however, we're all going to be busy dealing with increased demand,



80% expect to see sizeable growth, steady growth or stable investment budgets in the near term.

higher complexity and the constant need to continuously improve.

When operating in this environment, and particularly given the numerous considerations that leaders now need to deal with when allocating limited funds, progressive organisations will no doubt increasingly look to more effective portfolio management to deliver optimal value for their investments.

For more information

PM-Partners has a proven track record of helping organisations reimagine their portfolio management approach. For more in-depth insights and advice on uplifting your portfolio capabilities and performance, contact our expert team or call 1300 70 13 14 today.

About this report

The May 2023 edition of PM-Partners Portfolio Management Report comprised an online survey of approximately 200 senior to executive project, programme and portfolio professionals conducted in March and April 2023. Respondents represented a variety of sectors and industries, from finance, insurance and banking to technology and government. The survey was supplemented by insights and analysis from our team of subject matter experts and in-the-field consultants.

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