Executive Brief

TAMING CHANGE WITH PORTFOLIO MANAGEMENT

Change is the natural consequence of our economic system, both at macro-level when entire markets disappear or change their buying habits, and the micro-level of what happens to individual businesses. So if change is inherent in our culture, why are we often surprised when it occurs? Why can it be so difficult to move with it?

In 1982, Tom Peters wrote the now classic business book, *In Search of Excellence*, profiling 43 companies with traits of excellence, such as Kmart, Digital Computer, and Kodak. Most company names on this list have been replaced over the past 27 years, due in part to their inability to change. Woolworths, for example, was a ruling retailer for 100 years before it closed its last retail store, failing to be competitive with WalMart; a century of history truncated by new distribution and purchasing techniques and a change in consumer buying patterns.

From this example we see that to be successful, you must not resist change, but tame the power of change to your advantage. "Tame" can be defined in multiple ways; I define it as bringing something into service, rendering it useful and manageable, controlling its power.

At the heart of how to tame change is governance. Governance is setting expectations, granting power, and verifying performance. These are steps that leaders take nearly every day. Change's very prevalence means it should be subjected to the same governance used in other parts of our business and used to seize the opportunity that change creates.

> *"A market economy will incessantly revitalize itself from within by scrapping old and failing businesses and then reallocating resources to newer and more productive ones."*
>
> *– Dr. Joseph Schumpeter, Harvard Economist, 1942*

There is, however, a traveling companion to opportunity: risk. Too often, we only see the risk in change events, usually because we are surprised by change. Portfolio management offers the process and tools that can help an organization be ready for change events, thereby reducing its risk exposure.

Taming Change with Portfolio Management

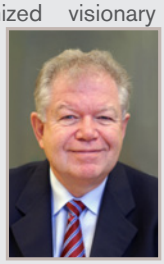
I like to think of taming change in terms of basic characteristics of some human endeavors: balance, rhythm, patience and freedom. Just as a golfer must have perfect balance, rhythm, and patience in his swing before he can have the freedom to make contact with the ball, portfolio management approaches change using the same concepts. As a business leader, you can use this technique to help your organization view change as an event to plan for and as an opportunity instead of a threat.

Executive Overview

Constant, relentless change is our reality. It comes at us from every direction and sometimes, you may hope that it will simply go away. Like it or not, however, change is the only constant and the best solution is to learn how to tame it.

Pat Durbin, Planview founder and CEO, leverages his 30 years of industry experience to share how Portfolio Management can be used to not only manage inevitable change, but exploit it to unify your organization, sharpen your strategies, and create measurable value. In this briefing, Pat will provide an overview of his upcoming book, Unleashing the Power of Portfolios, and discuss how an organization can use the process and tools of Portfolio Management to mitigate risks and seize the opportunities that change creates.

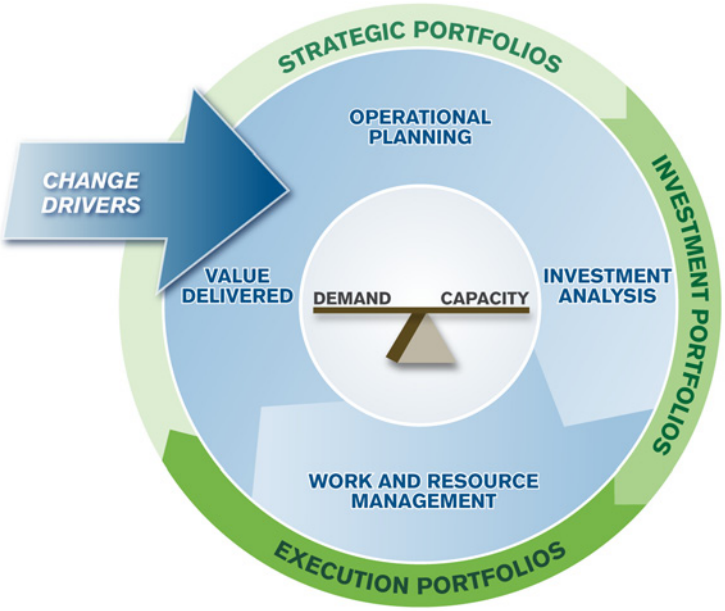
About Pat Durbin



Founder and CEO of Planview, Pat Durbin is a recognized visionary on IT portfolio management, with more than 30 years of experience in project management and resource management system design. He has designed multiple global management systems including Planview Enterprise®, the industry-leading solution which helps organizations make better decisions by applying the discipline of portfolio management to projects, strategies, and business service delivery. Since founding Planview in 1989, Pat has led the company to profitable growth, sustained customer loyalty, and introduced cutting-edge product innovation. **Learn more about Pat and his co-author, Terry Doerscher, on the back cover of this briefing.**

Overall governance of change events can be established by linking operational planning, investment analysis, and work and resource management into a common lifecycle for the event. Doing so will give you the desired balance, rhythm, patience, and freedom. How are these concepts defined in terms of the portfolio?

- Balance comes from having established guidelines for granting decision rights in for each level of your organization
- Rhythm starts from how processes flow through each functional area in your organization
- Patience is the willingness to wait and watch for the time it takes to have measurable value from your decisions
- Freedom comes only from trustworthy processes that allow you to seize opportunities that change events offer while mitigating the risks they naturally contain



The Portfolio Management Ecosystem

The portfolio ecosystem depicted above suggests three key portfolios and steps within those portfolios that help balance demand with capacity. The process flow of the portfolio ecosystem is as follows:

1. Assess your current state
2. Use portfolios in operational planning
3. Use portfolios in investment analysis
4. Use portfolios in work execution
5. Post the deliverables back to the operational portfolio to assess the value created, and begin the process again

Operational Planning

Operational planning is the general guidance to the organization, with the key deliverables being strategic, financial, and staffing plans. I propose that applying portfolio management best practices to this area can make that job more productive. Assess your current state of the organization before you start, to ensure that, of all the available funding opportunities, you select those that will produce the best results.

Investment Analysis
As you move through the ecosystem, there is a "change of subject" from products, strategies, and infrastructure in the operational planning phase to that of initiatives or funding requests in the investment analysis phase. Typically, a funding request may generate multiple projects to be executed. The output from investment analysis is the commitment to fund and staff projects. Investment analysis enables you to sort through the alternatives and select the ones for funding. Investment portfolios offer tools to help this process.

Work and Resource Management
Almost every business decision is about creating value by applying capacities to the demands placed on your organization. When executed properly, benefits created by fulfilling demand far exceeds the cost of maintaining capacity. Typically, these benefits are called profits, gains, or increases. No organization, even a not-for-profit, should continue to exist if it does not create value.

My research indicates a trend in which knowledge-based organizations are beginning to define much of their workload as projects. But projects seldom define the full scope of staff work. Follow-up of the project, maintenance questions, operational support, administration, and training takes staff time. Trustworthy schedules demand a full understanding of the workload on the staff.

Value Delivered
Decisions on capacities and demand create value. I believe that portfolio management gives a "chain of evidence" of the lifecycle of change events and the measured value of a project requires patience. Yet it is by starting and ending with portfolios that we manage the overall lifecycle of the change event. Knowing the measurable value that has been created has many additional rewards:

- You learn more to aid in future decisions
- You have an audit trail of the process
- You can hold decision makers accountable
- You have more confidence with proof of the value

Seize Opportunities

The portfolio management ecosystem can help you tame change while providing valuable benefits.

It can unify your organization with clearly-defined decision rights and management tools, communication and collaboration initiatives, and audits and reports that provide real measure of success. It can sharpen strategies as it aids in analyzing current operations, offers operational planning tools, and links strategies to investments.

It also creates measurable value in defining the process to assess, invest, work, and measure to prove the success of business decisions. This information can improve future estimates and holds decision makers accountable.

Change events are powerful movers for your organization. It's up to you to decide which direction it will move you.

Visit www.TamingChange.com to learn more about
Taming Change with Portfolio Management
by Pat Durbin and Terry Doerscher

About the Authors of *Taming Change with Portfolio Management*

Pat Durbin is Chief Executive Officer and Founder of Planview, the award-winning leader in portfolio management solutions. With more than 30 years of experience in project management and resource management system design, he has designed multiple global management systems including Planview Enterprise. This comprehensive enterprise solution is designed to help organizations make better decisions by applying the discipline of portfolio management to projects, strategies, and business service delivery.

Since founding Planview in 1989, Pat has led the company to profitable growth, sustained customer loyalty, and introduced cutting-edge product innovation. Prior to founding Planview, he served as Vice President of Worldwide Marketing for Artemis International and has held various positions at Sun Oil and McDonnell Douglas. A recognized visionary on IT portfolio management, he has worked with companies such as Reuters, Citigroup, BP, and Farmer's Insurance to help align work, resources, and business objectives across their enterprise. Pat has a BS in Aeronautics from Saint Louis University and an MBA from the University of Illinois.

Terry Doerscher has more than 25 years of operational and consulting experience with process development, project and resource management, strategic planning, and program and PMO management in nuclear, engineering, and IT fields.

Since joining Planview in 1999, Terry has helped more than 100 different organizations deploy and use Planview's products to effectively manage their strategies, assets, work, and workforce. As the Chief Process Architect for Planview, Terry is responsible for the Planview PRISMS™ Management Processes and Best Practices product and for coordinating its integration with Planview Enterprise software functionality. His deep understanding of unique challenges of knowledge worker environments, combined with his process discipline and engineering-inspired root cause analysis expertise make him an influential contributor to Planview's innovation within the industry and a trusted advisor to many of our customers.

Prior to Planview, Terry held various engineering, PMO, and outage management positions during 18 years in the public utility industry. A continuous learner, Terry received his formal engineering education in the elite Navy Nuclear Power Program, and served as Engine Room Supervisor aboard the fast attack nuclear submarine USS Los Angeles.