

## THE IMPORTANCE OF PROJECT PORTFOLIO EVALUATION ASPECTS IN BUSINESS ORGANISATIONS

**Mariana Darley**

UNWE, Sofia, Bulgaria, mariana.darley@unwe.bg

**Abstract:** The aspects of this article is to review and to establish the balance and coordination between different projects with equal aspects of coordination. After analysing the obtained empirical study results, the aim is then to improve the efficiency of work in the business organisation (using the method of PPM). The target of this article, using examples of case studies, is to prove that the evaluation of the aspects of the portfolio plays an important role in the application of project portfolio management as a method in business organisations. A questionnaire with 18 questions has been created to assess different aspects of the project portfolio in two business organisations. We received 33 responses from employees in both organisations. The purpose of this article is to review and to balance and coordinate different projects with the same goals. All projects are competing between each other, and they have to be distinguished by giving priority to one project that may need it while delaying another. However, only larger organisations implement their strategic plans through a project portfolio, no matter that it is best suited for planning the strategies and activities of an organisation. Project portfolio management reduces risk and increases returns in an organisation. This article discusses the topic of evaluating aspects of the project portfolio - project selection, processes, advantages and disadvantages of the PPM method as a successful 'frame' in the business organisations. As each organisation needs a different portfolio management model, the evaluation of project portfolio aspects and evaluation methods are based on the following indicators: To achieve a return on investment and increase company capital; The strategy and the ultimate goal of the projects to coincide; Projects to be in line with the requirements of the organisation; To clarify the methods for implementation of the projects; The selected projects in the portfolio have to be sustainable and their repetition to lead to their development and improvement and last but not least - To achieve a balance of projects in the portfolio of the organisation (as a result of detailed selection). The evaluation of the project portfolio aspects gives a clear idea of how properly to select projects, which projects to continue and which one to drop out. The results of this article prove that the evaluation of project portfolio aspects plays an important role in the successful implementation of projects in business organisations. In order to apply the methods, they have first to be evaluated. The 'qualitative method' has been applied, to emphasise the importance of the study and the 'quantitative method' has also been applied (to provide a summary of statistics from the empirical study).

**Keywords:** Project Portfolio, Project Portfolio Evaluation, Project Sustainability, Project Selection Methods, Project Portfolio Balance

### 1. INTRODUCTION

Successful and effective project management in an organisation's portfolio requires an understanding of the relationship between strategic development and strategy implementation in the company. The purpose of the selected portfolio projects should give the final result - the progress and development of the organisation in every aspect of the business. The preparation of the portfolio of projects provides clarity for their implementation and thus sees the future of the organisation. This is one of the main portfolio goals - if we do not have clarity of the projects, the chances for development and prestige are not the greatest for the organisations.

### 2. METHOD OF EMPIRICAL RESEARCH

The plans and methods for project selection in the portfolio directly affect the efficiency of the organisation. There are many types of selection techniques, but 'there is no single approach that is proven to work in every organisation'. A questionnaire with 18 questions has been sent to all employees at two business organisations with different activities. We had 33 responses. This article describes different methods for project portfolio evaluation and how they are used in business organisations, what are their benefits and expected results and how they support the process of achieving the ultimate goals - selection and evaluation of projects. We have compared and analysed all the answers and based on the statistics, we have made conclusions, and plan for improvements of how to evaluate all project portfolio aspects in business organisations. The research was also done through examples from business organisations (case studies), which give examples of how to evaluate the methods of the project portfolio, what they are in themselves, whether they are applied correctly and whether they add value to the company portfolio.

### 3. PPM MATERIALS AND LITERATURE REVIEW IN DIFFERENT INDUSTRIES

(Danish R., Nadeem & Nawaz, S. Zaman, U., 2020) argue that the lack of PPM integration makes project investments and expected benefits unclear. The authors' study was conducted in the Asia-Pacific region, between South Korea and Pakistan, on the implementation of CEO's transformational leadership, portfolio management, and strategic portfolio success. As a result of the study, the authors reveal the positive effect on the success of the project portfolio, as well as a significant improvement in the relationships between the CEO, the success of the project portfolio and the strategic orientation of organisations.

(Dumrak, Hadjinicolaou & Mostafa, 2020) consider the functions of project portfolio management offices (PMO) as a tool that supports strategic management and investment decisions of organisations, but also consider the relationship between strategic management and successful delivery of programs and projects in companies. The authors discuss the functions of PMO and the success of projects in organisations. The survey was conducted in Australia, through a survey with 27 portfolio management professionals working in 6 different sectors. The authors emphasise that PMO is of great importance for the success of projects.

According to Prof. Alexandrova (2017), 'two groups of methods are applied in the PPM, which have a significant practical role. With their help, the best ideas and project proposals are selected on the basis of a preliminary evaluation process - given that organisations rarely have the necessary resources to implement all proposals for new projects'. In general, it is understood that not all projects are implemented.

For the selection of projects in the portfolio of the organisation, there are three main tasks: (Alexandrova, 2017) - selection of a set of integrated projects corresponding to the organisational strategy; determining the priorities of the projects and evaluation of the project portfolio - balance, parameters and coherence with the strategy of the organisation. The implementation of new projects depends on the size of the organisation. Over a period of time, old and new projects in an organisation are reviewed.

(Garibaldi, Ku & Ravin. 2020) view PPM as a way to reduce costs and increase efficiency, but also as a way to make more efficient use of the organisation's workforce to achieve strategic goals. They also look at project portfolio management from the perspective of executive directors and emphasise that linking projects to executive directors using a portfolio provides a direct link between managerial maturity and the set of specific practices. They look at Deloitte Consulting's practice, namely that PPM provides direct visibility to the leader in the organisation, thus providing the information needed to make decisions.

(Lacerda, Ensslin & Ensslin, 2011) offer a framework for measuring the effectiveness of portfolio management. This framework supports the relationship between stakeholders and the project manager. It also allows the PMP manager to prioritise the most important projects in the search for new products. The authors note that much of the PPM literature is focused on return on investment. For this reason, they create this framework - to help understand the process of portfolio management. Through their work, they identify and measure the parameters for success of projects in the portfolio. The research was done through interviews and bibliographic research.

(Sakhrekar & Deshmukh, 2014) look at organisational culture, efficiency and job satisfaction and argue that organisational culture creates a competitive advantage due to the fact that organisational culture influences the organisation through productivity, satisfaction and employee engagement. This is a good statement, because if the whole team likes the culture in the organisation, it would lead to understanding and efficiency of work.

(Boyce, Nieminen, Gillespie, Ryan & Denison, 2015) emphasise the interrelationship between organisational culture and performance and argue that organisational culture comes first, resulting in work efficiency. The authors, using data collected over a period of 6 years from 95 car dealership franchises, to study the relationship between organisational culture and performance and to determine which of the two has priority - culture or performance.

(Dutch, 2013) studies the relationship between strategies and human resource management. It proposes a human resources management framework and organisational strategy that supports the organisation's strategy for resource efficiency. This framework leads to internal competition, which in turn leads to less but better human resources in the organisation, and thus to better align human resources with the overall strategy of the company.

(Boostrom, Hsu, Maxwell and Su, 2020) address the problem of how environmentally responsible behavior gives a positive and long-lasting impact on tourist destinations. They create a framework that reflect how areas with an ecological reputation stimulate their respective destinations as a tourist. The authors consider that the main factors are the experiences of the tourists and the memories of their holidays as the driving force to form future actions. 522 Chinese tourists have been surveyed. The results show that areas with a good environmental reputation have a positive effect on positive emotions and tourist satisfaction.

#### **4. BALANCED SCORECARD**

##### **CASE STUDY 1**

Using Kaplan and Norton's balanced scorecard, it becomes clear how to balance financial projects, internal business projects and innovation, and training projects. With this approach it is useful to clarify the future plans and strategy of the travel company 'YY'. Feedback and evaluation provide information on internal business processes and external results to improve the company's strategic performance and results. 'YY' plans to organise a tour across South Africa. A project was launched in 2008, but without much success. Reasons: bad management and insufficient funding for marketing; Also – a bad choice of destination (South Africa was not a popular destination in 2008, and the press defined it as the destination with the highest crime rate in the world). In 2022, the 'YY' Travel Agency is not only reviewing the financial perspective of this project, but realises that in order for the project to have added value, there should be a more balanced evaluation model with an innovative and scientific perspective. It also uses larger amounts for direct marketing and introduces a Balanced Scorecard as a tool for managing an organisation's performance. In 2022, South Africa is a more popular destination and the project has a tremendous success.

#### **5. ACHIEVING THE STRATEGIC GOALS**

##### **CASE STUDY 2**

'Abbey' (formerly 'Abbey National') is part of the Spanish bank 'Santander; and one of the most successful banks in the UK. In 2001, they launched 127 projects, but only 27 of them have been completed. Many projects compete and overlap. In addition, no one knows exactly which projects are the most important or even what the real benefits of each project are. 'Abbey' decided to change the strategy. After a short transition period, 75 percent of the existing projects in the company's portfolio are canceled in one day. They introduce a programme structure in which key business priorities are identified. New programme managers have been appointed and resources from canceled projects are reallocated to new priority projects. In 2002, there was a huge change in the implementation of operations. The average cycle time for projects is reduced by 60%, out of 47 projects launched under 5 programs, 47 are successfully completed. From a business point of view, successful projects bring realised benefits of over £500 million. This example clearly shows the effect of project portfolio management. The revision, restructuring, transfer of resources and screening of projects leads to a positive result and achievement of strategic goals.

#### **6. ASSESSMENT OF QUALITY AND SECURITY IN PROJECT PORTFOLIO**

##### **CASE STUDY 3**

'Hewlett-Packard' - when developing new products, it is traditional to design the product and then hand it over for production (for instance making new laptops or printers). Designers defend their interests before engineers, and engineers in turn - before manufacturers. 'Hewlett-Packard' ensures that employees will complete the project. They not only guarantee, but also monitor its development three months after the completion of the project. This provides an opportunity to troubleshoot problems. This is a good example of knowledge management - people get to the heart of the problem in the process of developing and implementing the project, and mistakes are not repeated in subsequent projects. As a secondary effect of the monitoring of the project (three months after its completion), there is a plus that the communication in the organisation becomes much better. This is also a good practice that guarantees quality and security in the implementation of projects.

#### **7. RESULTS**

This paper shows that the evaluation of aspects of the project portfolio plays a key role in its implementation. This is shown by the answers of 92% of the employees who filled in the questionnaire. Aspects of the project portfolio must first be assessed, so that the method can be implemented in the future. The identification of key problems leads to the successful implementation of projects in organisations. 'Qualitative' results are achieved based on the evaluation of the aspects of the project portfolio - achieved through statistical analysis ('Quantitative' analysis) of the results.

#### **8. CONCLUSIONS ACCORDING THE RESULTS**

Based on the described cases, we came to the conclusion that the most important projects related to the organisation's strategy should always be selected (and managers should have the relevant experience); PPM predicts potential problems, gives a clear idea of the progress of the organisation and budget management in organisations; Organisations that use PPM need to be very flexible in the management process, as the scope and course of the project may change; Risk in organisations always exists because business changes daily (when using the project portfolio management method, the risk is lower; Failure of a project may be due to poor evaluation or inaccurate planning, improper allocation of resources or lack of visibility to project data.

## 9. RECOMMENDATIONS

The management of the project portfolio allows each organisation to understand the benefits of each investment and to gain increased visibility and accountability to stakeholders. In this way, decisions are made much faster, time is saved and mistakes are avoided.

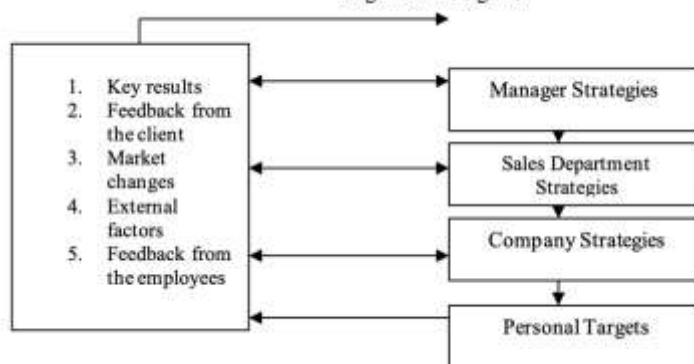
Because the methods of managing the projects in the portfolio are different in each organisation, each of them has a different structure and culture of management. The evaluation of all aspects of the project portfolio should be different for each organisation. By evaluating the project portfolio, the right ones are taken as solutions, which reduces the risk of failure. Assessing aspects of project portfolio is an important factor, as different methods are suitable for different organisations depending on the size of the company or the number of projects being managed. Therefore, the processes must first be developed and then implemented and evaluated. Evaluating the methods, problems and benefits of evaluating a project portfolio is huge for all business organisations. Good practices give good results, and bad practices lead to the avoidance of common mistakes.

## 10. CONCLUSION

The PPM achieves the strategic goals in each organisation, stimulates innovation, achieves balance, manages resources, manages costs relative to the budget. Project management is becoming increasingly popular in all organisations. Through it, the projects in each organisation gain clarity, become better, reduce the risk of non-implementation, clarify their successful or unsuccessful implementation on the market. The introduction of PPM is a leading factor in any organisation. It finds the right project management solutions, reduces risk and increases returns in any organisation. The use of PPM inevitably leads to increased competitiveness of the organisation and to new future successes.

### DIAGRAMS

Diagram 1 Integration of results  
Organisation's goals



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