VPI PARTNERS LLP

Portfolio management

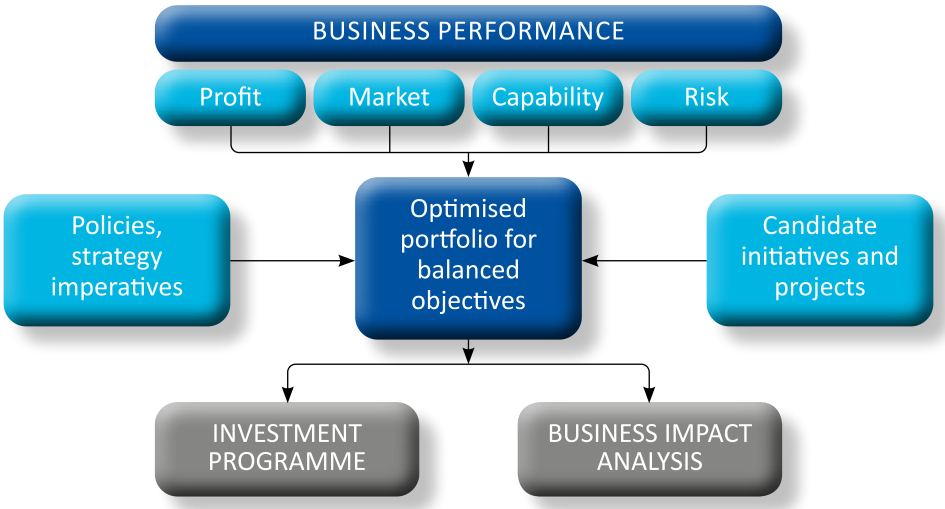
Increase the return from a portfolio of projects through a more powerful and responsive process

Investment for change, efficiency or new products is critical in the modern business environment. Yet most companies struggle with the process. They can take an inordinate time to agree which projects form the "best mix" to achieve their objectives. Time is lost disagreeing about key decisions and debating interminably over the quality of data or balance of priorities. There have been significant advances in disciplines such as Project Management to ensure that activities are undertaken efficiently but less progress towards more effective ways to decide, in the first place, which projects should be undertaken.

Decisions on investment programmes are undeniably difficult. Estimates of future benefits are often imprecise, subject to vested interests and may entail loose accountability for the final result. Moreover, with a large investment portfolio to assess, the number of possible permutations is immense. Constraints, such as funding or critical resources, will apply and the candidate projects are not always independent of each other. In this situation, it is often argued that precise analysis is impossible and that wise judgement and conviction are what counts. Yet structure, rigour and analytical techniques can improve such decision making significantly.

VPI Partners offer an innovative approach to Investment Planning which fits within its range of services for Business Change and Programme and Project Management.

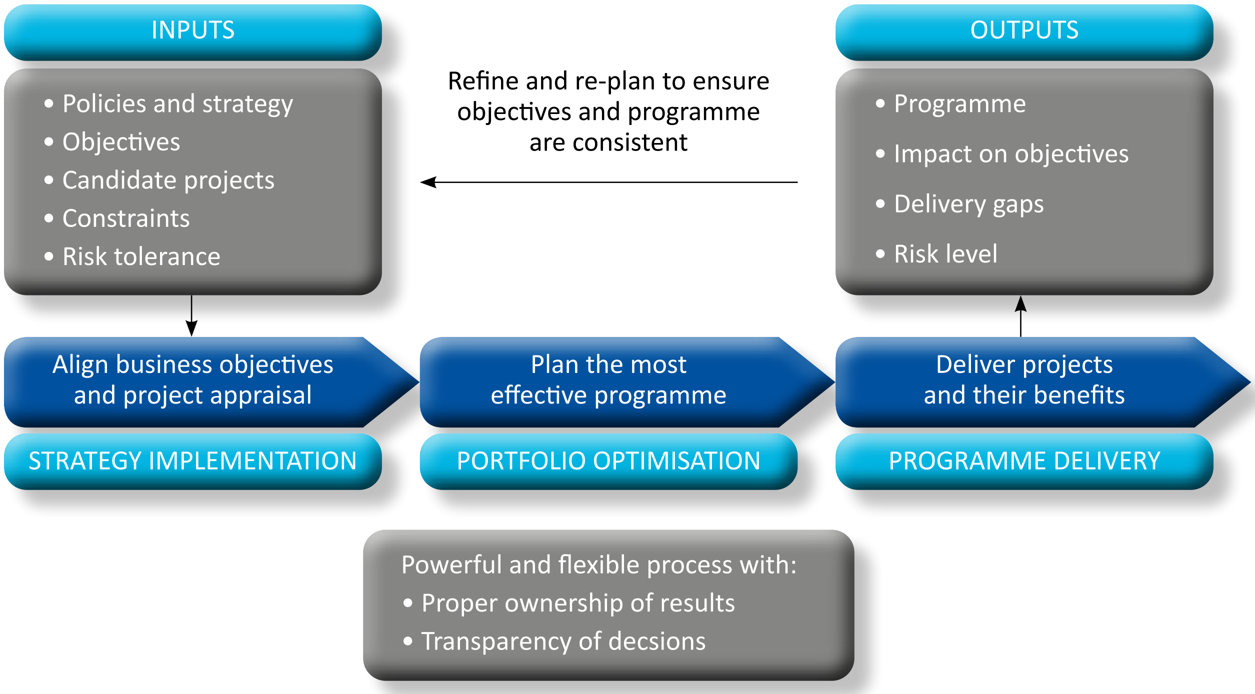
Planning investment for maximum business benefit



This approach can deliver better decisions, faster through improved analysis techniques and proper assurance of the quality and ownership of the source estimates. It complements sound judgement and experience.

In the business context, it is critical to be able to handle a variety of factors. Financial performance, sales, operational efficiency and customer satisfaction are some of the dimensions of success. Risk is always prevalent and has to be managed. Yet, it is essential to be able to balance the achievements of your complete portfolio of projects across such diverse factors. Furthermore, senior managers need to be able to assess quickly a variety of scenarios to arrive at their decisions on the direction to take and the projects they should initiate.

A process to improve investment portfolio decisions



Align project appraisal to the business objectives

This obvious step is often ignored, perhaps because it not so easy to achieve in practice. However it is possible, through careful interpretation of business plans and the use of consistent criteria in assessing projects. Internal and external intelligence and special estimating approaches help with difficult aspects. These, together with independent data assurance, give the improved quality and ownership of the source data which are the essential foundations for the improved process.

Maximise benefits from investment

A benefits driven analysis is required which supports well informed judgement. This means clear and flexible display of data on project benefits together with the estimated benefits from the total portfolio. Fast analysis capability is also necessary to handle constraints, mandatory decisions and dependencies between projects. If the planning options are complex, improved decisions are normally obtained through management judgement supported by optimisation techniques. The consequence of such decisions is huge. VPI Partners LLP have a powerful optimisation model, which can be easily adapted to the specific needs of a client.

Assess benefits relative to objectives

It is unusual for an organisation to assess the improvement an investment portfolio will contribute to future performance, as specified in its business plan or strategy. Too often a strategy is drawn up in isolation of the means to achieve it or is not challenged for its feasibility. This approach gives a comprehensive assessment of benefits compared to the desired objectives and also, if required, an estimate of the improvements that will result in terms of net cash flow and business measures such as ROE, ROCE and EPS.

This approach can be applied to most investment portfolios, including traditional Capital Investment, Business Change, IT, Product Development, R&D and Asset Management. It has yielded an increase in return on investment of over 15% plus the ability to prepare or revise a programme in hours or days rather than the weeks or months that are more typical.

Find out more

For more information on any of the services available from VPI Partners LLP, please contact:-

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