

Capital Portfolio Management Asset Management Council

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Maximising outcomes without surprises

Falls from ladders – at home too

- Falls represent the largest single cause of death in the Australian workplace.
- The largest single mode of accident is falling from a ladder

Breaks and ladders: the DIY fallout

Michael Evans

The number of Australians hospitalised every year after falling from a ladder has surged nearly 50 per cent over a decade, coinciding with the rise in popularity of do-it-yourself television programs, a review of medical data has found.

Nearly 5000 Australians are admitted to hospital annually as a result of a ladder fall, a review of published data by the Australian and New Zealand Journal of Public Health shows.

Some 41,092 people were hospitalised over the 10 years to June 2012, from 3374 in 2002-03 to 4945 in 2011-12 - a jump of 47 per cent.

Significantly, work-related incidents accounted for just 20 per cent of falls with the rest considered non-occupational, a number that "increased significantly over the 10-year period".

Older men were the most at risk.

The number of men hospitalised rose significantly and the number aged over 60 also jumped. Of the 226 patients who died as a result of a ladder-related fall, 186 or 82 per cent were aged over 60.

Last year, the Royal Australasian College of Surgeons recommended people wear bike helmets when climbing ladders.

Almost 22 per cent of ladder-related falls cases were "serious" and 14 per cent of cases had a hospital stay of longer than a week.

The paper called for a renewed focus on injury prevention given the steep climb in falls.

Researchers Kirsten Vallmuur, Rob Eley and Angela Watson said a lack of research "along with the more substantial rate rise reported for those aged over 60 years, and the growth in Do-It-Yourself home renovating shows in recent years" meant there was a need to update the extent of ladder-related injury.

NR 11/05/11

- There are more incidents at home than at work – and they are on the rise
- Older males are the most at risk
- Follow the readily available guidelines for safe use of your type of ladder
- AND....

Now there's something more that you can do to prevent serious injury

Climbing a ladder? Wear a helmet



ROYAL AUSTRALASIAN
COLLEGE OF SURGEONS

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Bike helmets also good for people who climb ladders

- Researchers reviewed head injuries sustained during ladder falls
- They identified the most common areas of impact to the head
- They trialled models for falls
- The results demonstrated a significant decrease in the likelihood and severity of head trauma when helmets were worn
- Overall, head injuries were predicted to be almost 10 times less likely with the presence of a helmet
- Wearing a bicycle helmet whilst using a ladder is a very cheap, highly accessible and very effective means of preventing serious head injuries in the event of a fall

Will you wear a bike helmet next time you use a ladder at home?

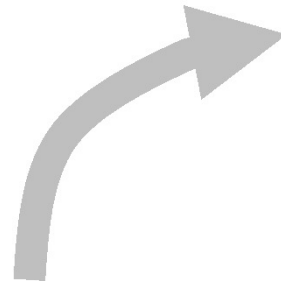
Capital Portfolio Management

- ▶ The Portfolio Management Problem
- ▶ The Opportunity
- ▶ The Journey
- ▶ Measuring business strategic value
- ▶ Portfolio Formation Process
- ▶ Portfolio optimisation and the “Efficient Frontier”
- ▶ The PMO
- ▶ Outcomes
- ▶ Taking on the Challenge



The Portfolio Management Problem

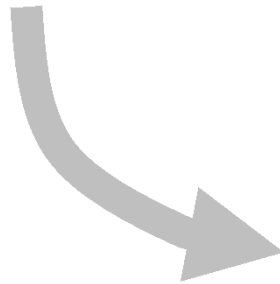
Finite



Financial
Projects



Non-Financial
Projects



Definitions – What is a Project?

“A project is a temporary organisation, [usually existing for a much shorter duration], which will deliver one or more outputs in accordance with a specific Business Case”

Taken from “P3O – Portfolio, Programme and Project Offices”, Office of Government Commerce (UK)

PMBOK provides a similar definition

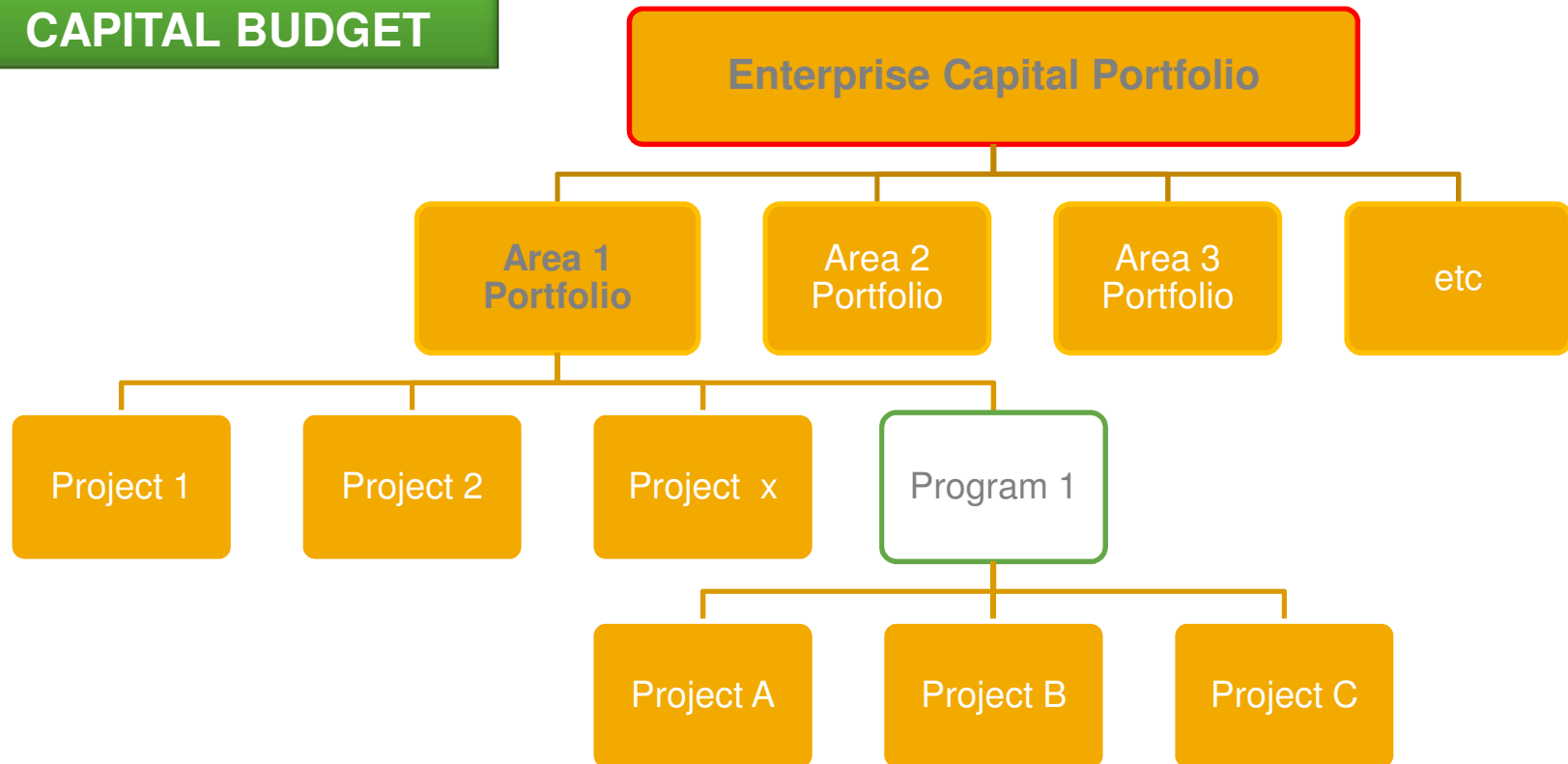
Definitions – What is a Portfolio?

“A portfolio is the totality of an organisation’s investment (or segment thereof) in the changes required to achieve its strategic objectives.”

Taken from “P3O – Portfolio, Programme and Project Offices”, Office of Government Commerce (UK)

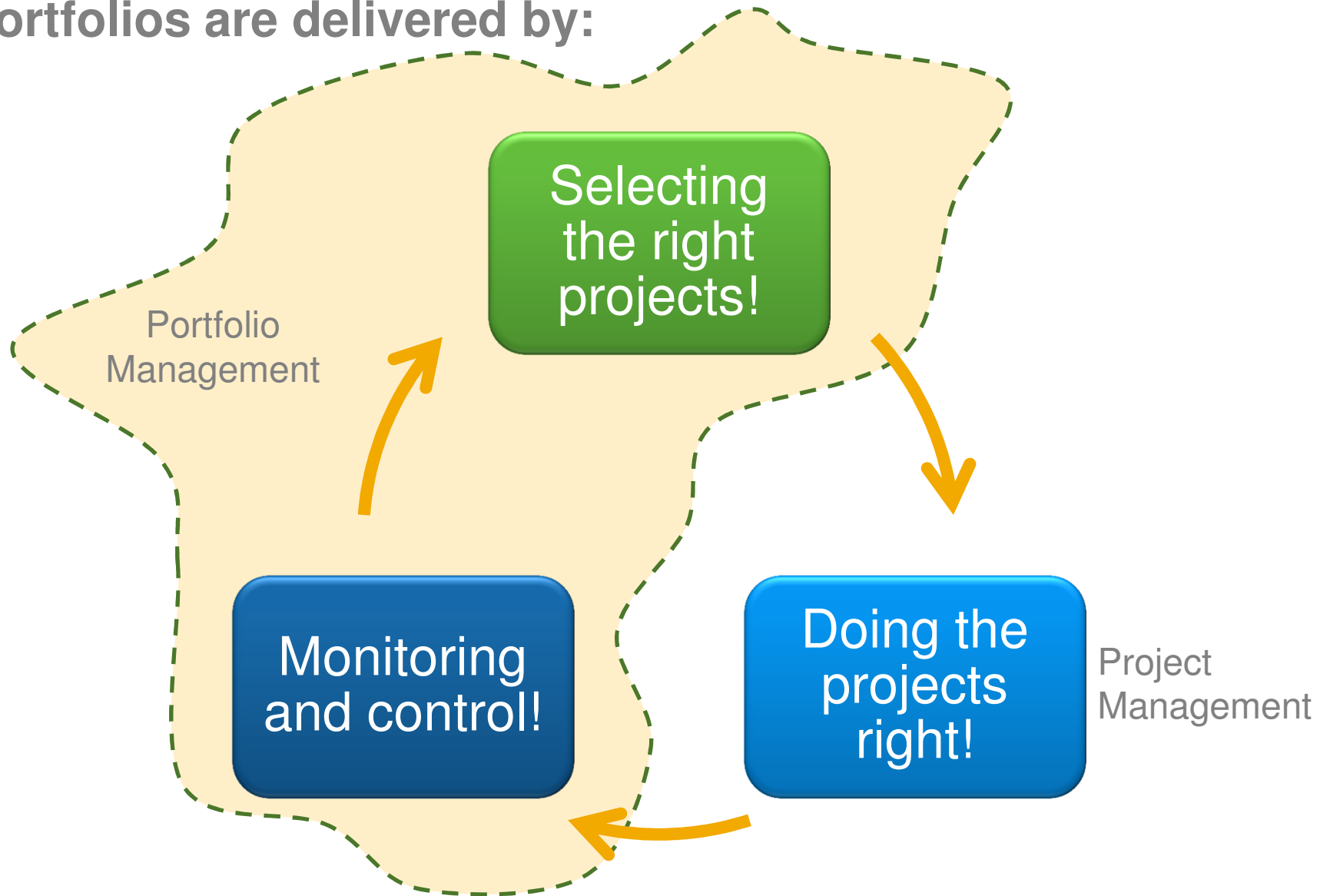
Definitions - Portfolios, Programs, Projects

**FINITE ENTERPRISE
CAPITAL BUDGET**



Portfolio Management vs Project Management

Portfolios are delivered by:

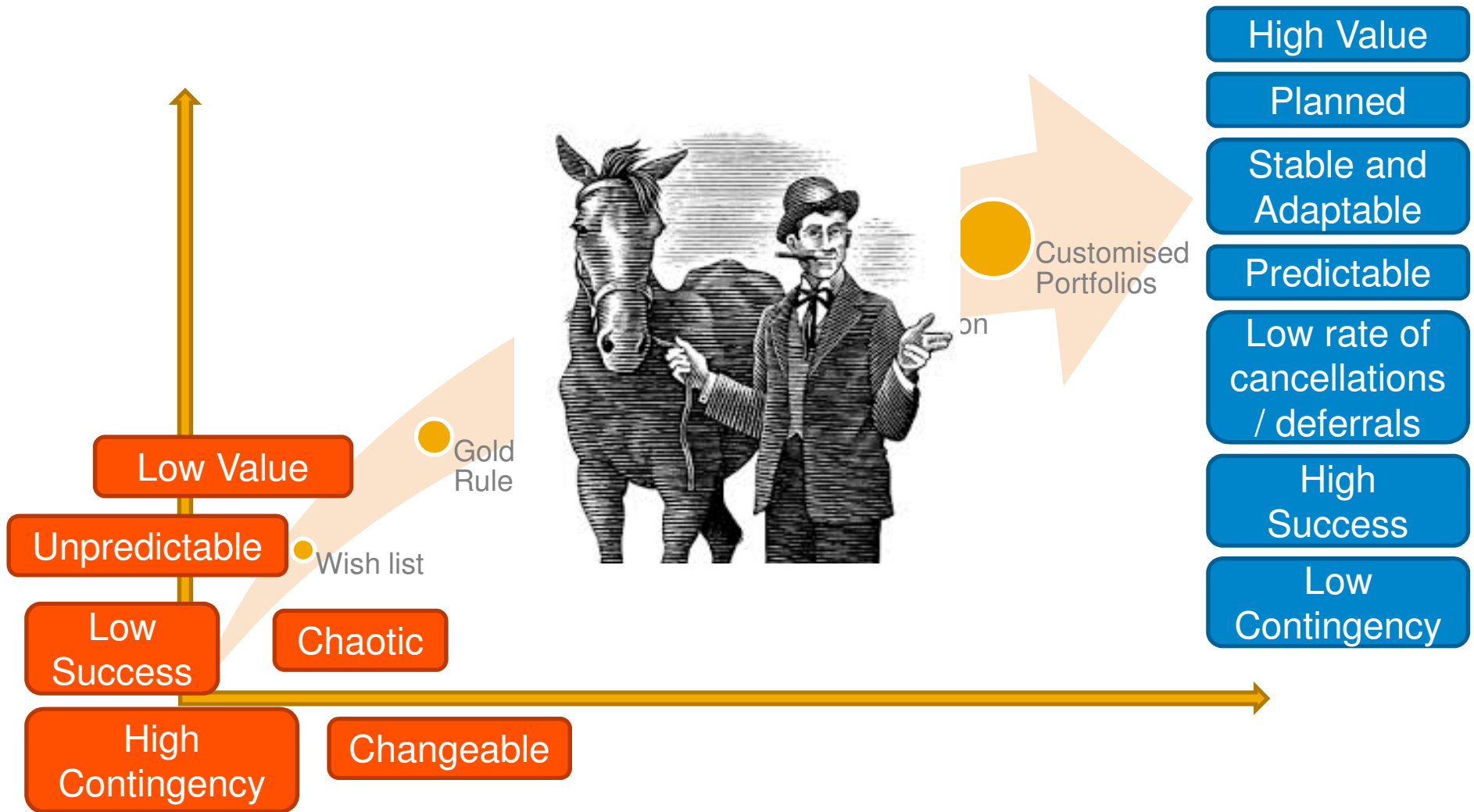


The Opportunity

- ▶ In moving from a wish list to customised and well-managed portfolios you can:
 - Increase planned financial benefits **by 100-300%**
 - Increase planned risk reduction benefits **by 100-300%**
 - Reduce work on surplus projects **from 40% to <10%**
 - Substantially reduce unplanned carryover of spend from one year to the next
 - Improve individual project performance
 - Achieve other qualitative benefits



The Journey



Measuring Business Strategic Value

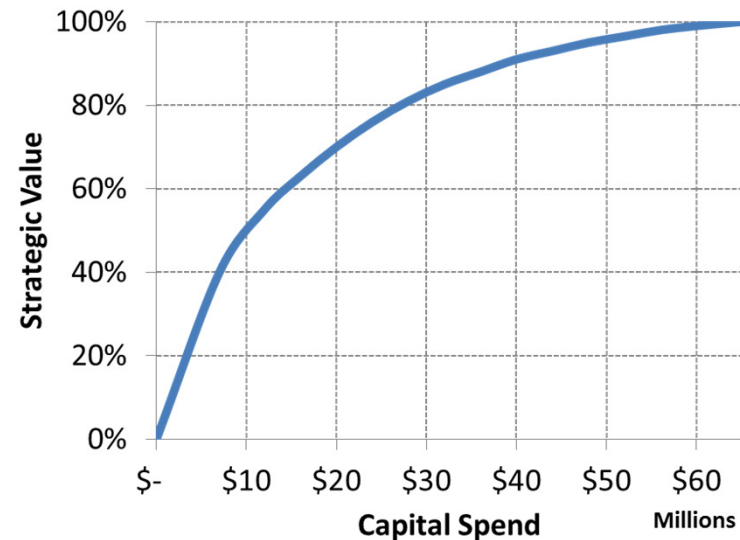
- ▶ Strategic value from the portfolio needs to align with the specific business drivers of the enterprise.
- ▶ There are typically two categories of strategic value:
 1. Financial Benefits
 - E.g. NPV, PV/I over X years, Payback, ROI, EVA
 2. Non-Financial (Risk Reduction) Benefits (usually determined via risk matrix)
 - E.g. Safety, environmental, customer, reputation, operational security



			Consequence				
			Negligible	Minor	Medium	Serious	Extreme
			0.5	1	2	4	8
Likelihood	Almost Certain	8	8.5	9	10	12	16
	Likely	4	4.5	5	6	8	12
	Possible	2	2.5	3	4	6	10
	Unlikely	1	1.5	2	3	5	9
	Rare	0.5	1.0	1.5	2.5	4.5	8.5

Example – Step 1: Calculate the Efficient Frontier

- ▶ Our example portfolio:
 - \$65M of capital projects
 - \$51.3M possible NPV
 - 283 possible risk reduction points

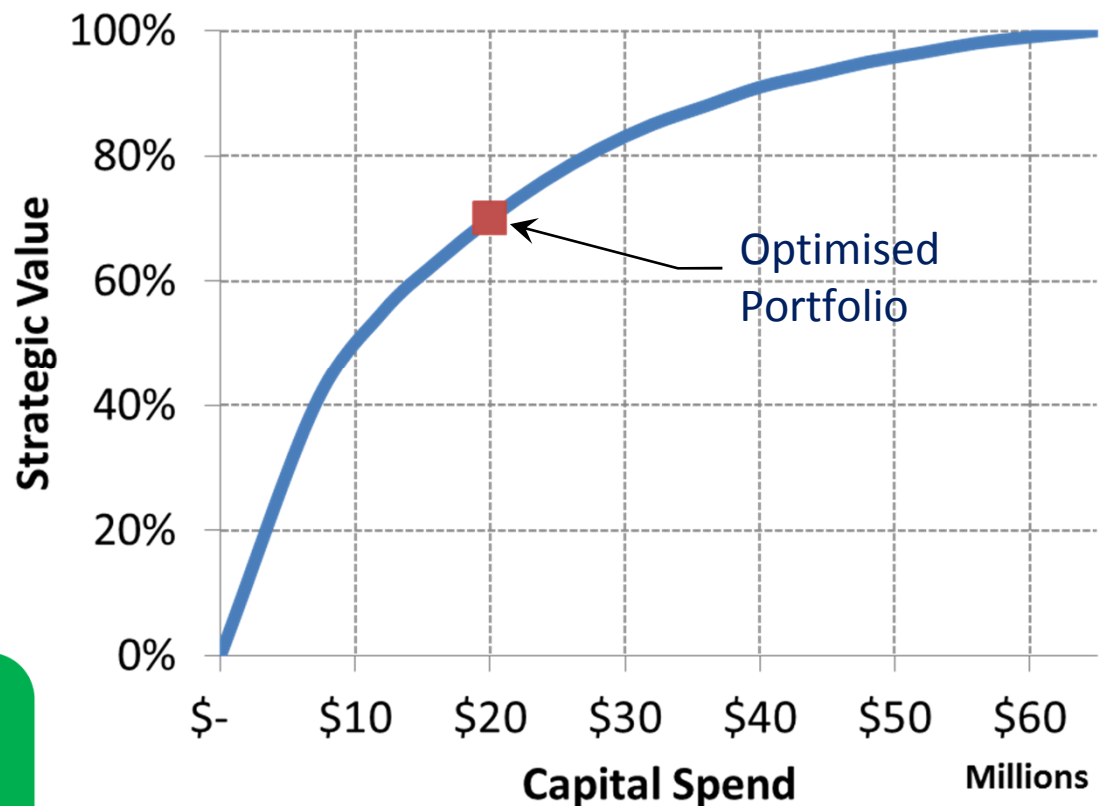


- In this example, the Consideration Portfolio (to be optimised) consisted of screened projects fed from the enterprise plans.
 - Where enterprise plans were made up of longer term strategic initiatives and ideas generated through focussed workshops.
- All screened projects had been systematically reviewed to ensure:
 - Benefits are objectively presented and consistent from project to project.
 - The project is viable, and the cost and schedule determined.

Example – Step 2: Calculate the “Optimised” portfolio

- ▶ BUT we only have a budget of \$20M. With this budget we can deliver:
 - \$20M of capital projects
 - 70% of the Strategic value which equates to...
 - \$30.7M NPV
 - 159 risk reduction points

70% of the value
For
31% of the spend

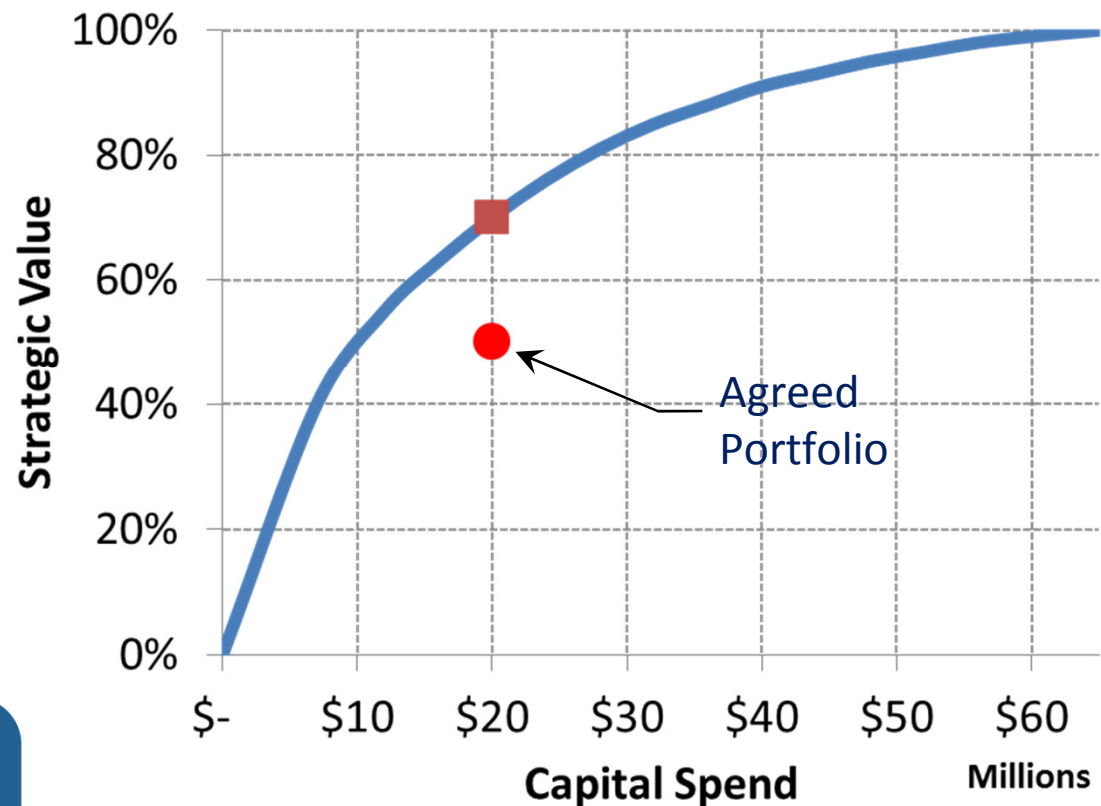


Example – Step 3: Force-in favourite projects.

- BUT the boss has 3 CRITICAL projects they “really” need to do this year. Thus, we **force these 3 projects in** and re-run the optimiser:

- \$20M of capital projects
- 50% of the Strategic value which equates to...
- \$27.7M NPV
- 110 risk reduction points

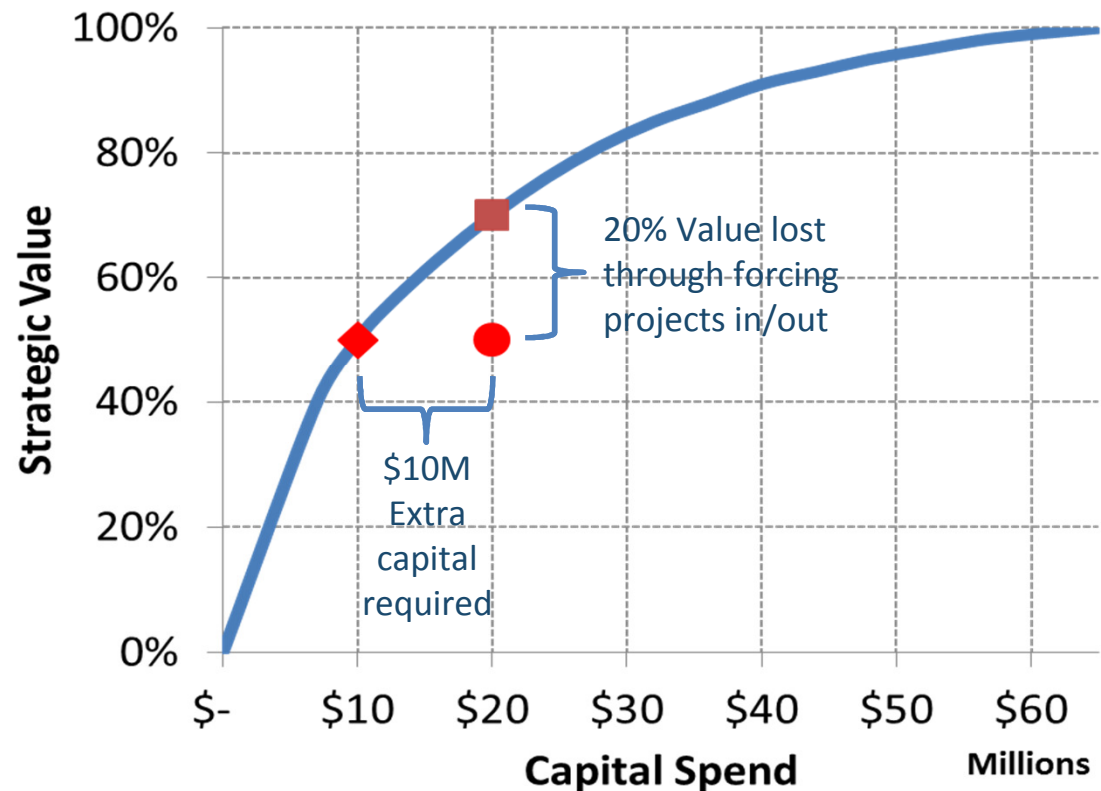
50% of the value
For
31% of the spend



Example – Learnings.

- ▶ 1. Forcing projects into/out of portfolios destroys value (but is sometimes necessary).
- ▶ 2. We could have achieved similar business outcomes with half the capital spend.

Consider carefully before overriding the optimiser



A Portfolio Management Office

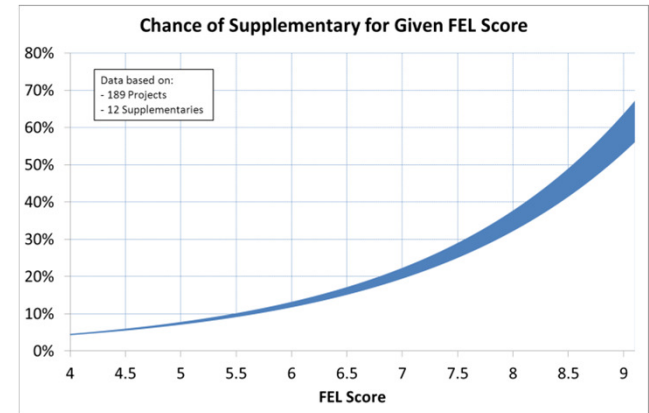
A Portfolio Management Office (PMO) achieves excellent project and business outcomes through:

- standardisation,
- building capability,
- sharing and continually improving practices,
- ensuring portfolio governance/ assurance, and
- performance monitoring and controlling

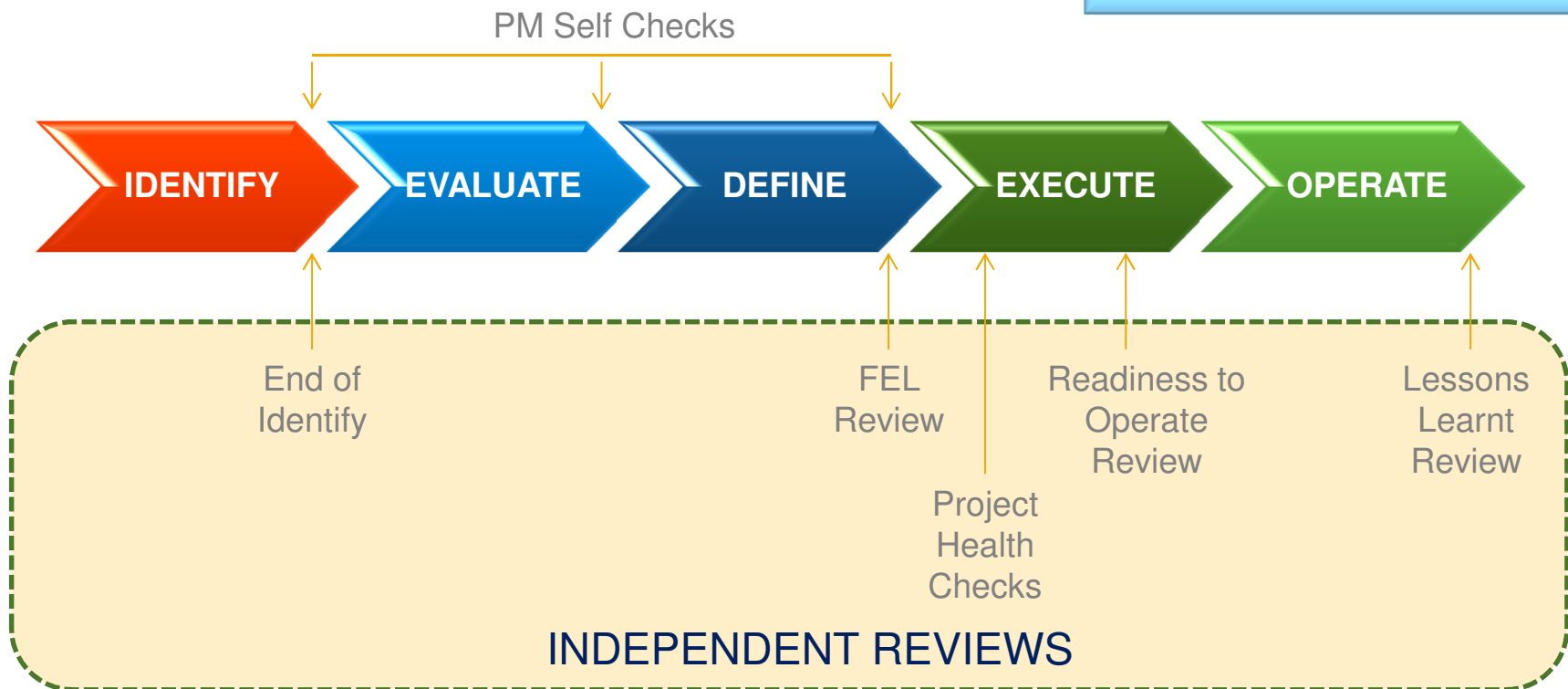
PMO - Portfolio Assurance

There are three levels of Portfolio Assurance to ensure that:

1. **Individual projects** deliver their promises!
2. **Programs** deliver their promises!
3. **Portfolios** deliver their promises!



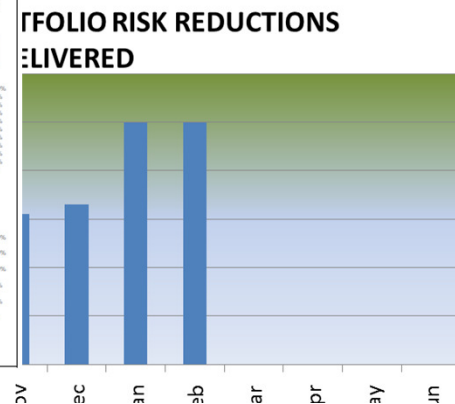
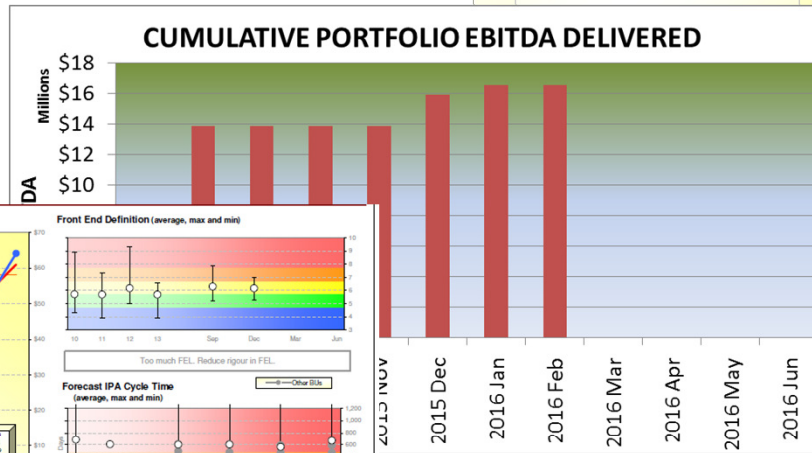
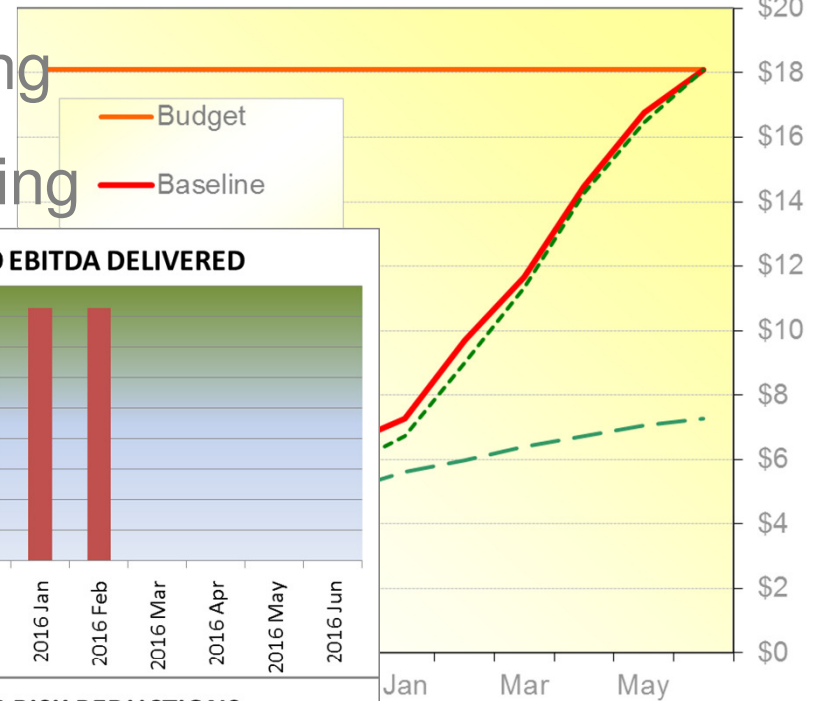
FEL SCORE CAN PREDICT PROJECT SUCCESS/FAILURE



PMO- Performance Monitoring

- Budget Management/Forecasting
- Benefits Management/Forecasting
- Dash boarding

Capital Spend Forecast



Budget Status
 82% Buds & COV
 Forward planning needs improvement

Capital Spend (millions \$)
 Target, Spend FYD, Subst Forecast, Bud - Auth Forecast

Benefits Status
 NPV
 Environmental, Safety, Operational Security

Project Cost Status
 Supplementary in production, Implementation in progress, No Cost Items
 Weak result but proportionally improving. Monitor improvement plan.

Project Schedule Status
 More than 6 weeks late, Less than 6 weeks late, Less than 2 weeks late
 Unacceptable result and getting proportionally worse. Implement action plan immediately.

PGC (millions \$)
 Pro Rate Budget, Authorised, Commitments + Spend

Front End Definition (average, max and min)
 Too much FEL. Reduce rigour in FEL.

Forecast IPA Cycle Time (average, max and min)
 Poor result and getting worse. Implement action plan immediately.

Team Integration (average, max and min)
 Active Steering Teams (12/15)
 Result is below target. Please investigate corrective actions.

Forecast Accuracy (excluding PGC)
 Excellent result but sliding.

Portfolio Management Excellence – Outcomes

Portfolio Planning

- Clarity of business drivers for capital selection
- Control of the balance between risk reduction and financial projects in the portfolio
- Improved generation of project ideas for potential consideration in the portfolio
- The portfolio only contains clearly justified projects that demonstrate their merits

Portfolio Delivery

- Portfolio level tracking of progress and spend
- Ability to adapt the portfolio to respond to the changing business environment and break-in/emerging needs
- Better assurance in delivering the capital plan and achieving the benefits
- Senior management team appreciation of the value of the capital plan
- Less management distraction from capital surprises
- Attraction and retention of high caliber personnel
- Visibility of forecast and delivered benefits from the capital plan
- Clarity/visibility of risks within the portfolio that apply at the business level

Outcomes Management

- Ability to demonstrate to stakeholders an improving risk profile of the business
- Ability to attract capital to the business

Taking on the Portfolio Management Challenge

1. Check the size of the prize
2. Check your performance against what is possible - a gap analysis
3. It's a journey - experience is valuable



