

Practice-based Study of Project Portfolio Management and Strategic Alignment in the Construction Sector

Project portfolio management (PPM) provides a portfolio-level perspective and a range of tools that assist senior managers to align projects with the organisation's strategy and enhance return-on-investment. The benefits of PPM have been demonstrated through a stream of research conducted on new product and service development project portfolios that are funded internally. However, projects in the construction sector face unique challenges and are largely funded through external tenders; research has not explored whether and how portfolio approaches can assist with aligning projects with organisational strategy in the construction context.

Why the study:

- Although the construction sector is strongly project-based and represents a major segment of the global economy (13% of GDP \$ 10 trillion in 2018 projected to \$14 Trillion by 2025), little is known about whether and how PPM can provide benefits in this important sector.

What we did:

- With the support of a research grant sponsored by Project Management International (PMI) and the European Academy of Management (EURAM), we investigated how construction firms align their project portfolios with their strategy
- We conducted in-depth interviews with decision makers and practitioners in the construction sector to investigate their strategies, approaches to tendering, and other project-related decision practices and conducted a focus group with industry to confirm our findings.
- The research was carried out in Australia and the UK in collaboration with the Bartlett School of Sustainable Construction at the University College London.

What we found:

- We developed a model of the tailored PPM decision processes we observed in the construction sector, where portfolio perspectives helped balance multiple factors and develop long-term perspectives to guide the tendering process.
- Although construction organisations make tendering decisions strategically, there is a high level of uncertainty and risk since external decisions ultimately determine portfolio
- The complex nature of the benefits resulting from construction projects means that, as with most other PPM environments, the economic return on investment provides only a part of the true value.

What this means:

- Construction firms can benefit from 'rethinking' the processes that underpin success and acknowledging and extending the role of portfolio perspectives
- The ongoing digital transformation of construction environments, and the associated wider availability of data, present opportunities to make better use of data visualisations to support decision-making processes.
- Construction firms have comprehensive capabilities for workforce planning and development that may provide insights for PPM in the wider context.

