

Way 34: Proposed IS/IT project portfolio

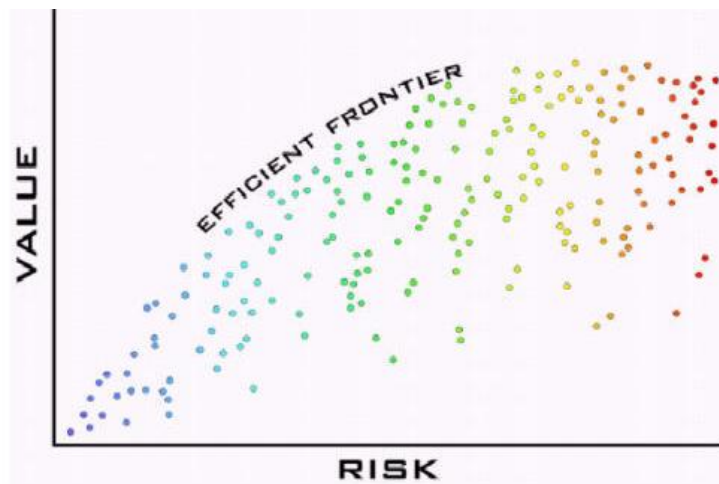
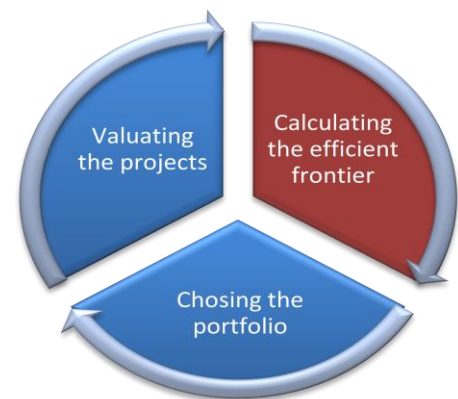
A useful way to organize IT efforts within an organization is the use of IS/IT portfolio. In its most simple form a portfolio consists of all IT projects that have been started in an organization. With a more mature IS/IT portfolio management companies can find a set of projects that return optimal value.

['The impact of project portfolio management on information technology projects'](#)

The basis is to focus investment on risk-reward expectations according to the concept of [Modern Portfolio Theory](#) (MPT) from [Harry M. Markowitz](#). In 1989 [F. Warren McFarlan](#) suggested this MPT approach to apply to IS/IT investment in his article ['Portfolio approach to information systems'](#).

To get an optimal IT/IS portfolio this tool describes in three steps how to select the right projects:

- First the value and risk of individual projects need to be assessed.
['How Experienced Project Managers Assess Risk'](#)
['Calculating project management's return on investment'](#)
- The next step is to calculate and plot all different IS/IT portfolios to show the portfolios with high value/low risk. A method for this analysis is the [Monte Carlo simulation](#).



- The last step is to choose the portfolio that is on the [efficient frontier](#) to be certain there is no other portfolio with the same risk and a higher value or with the same value and a lower risk.

To automate or aid the three process steps, a large number of developers have set out to develop professional tools for project portfolio management. A list of such tools can be found at ['Project Portfolio Management Tools'](#).