The Five Dysfunctions of Portfolio Management Teams

All healthy organizations, public or private, share the same challenge: more ideas for initiatives than there are people and resources to design, develop, build or implement them. And thus organizations look for ways to ensure the most promising ideas get priority over others. Strategies are formulated to focus them, business case review processes are defined and budget controls are put in place. This is where the portfolio management function becomes a critical capability.

With our experience we are often asked to help organizations optimize this function. It is not uncommon for those tasked with it, often carrying the title of portfolio manager, to act surprised when a key principle underpinning the success of the function is not related to either process or structure. Arguably the most important principle of successful portfolio management is acknowledging the following: *"portfolio management is a team sport"*. Yes, having the right structures (the playing field) and processes (rules of the game) in place supports game play and satisfaction from it. But teams win tournaments. Teams are also able to change the field, adapt the rules for all to benefit when the environment requires it. The right structures and processes optimize team performance. A poor team will never outperform, no matter how favorable the conditions.

And so it is with this frame in mind we started to merge the often process-heavy theories of portfolio management with team behavioral dynamics. Some of our most successful case studies described these dynamics, mostly unbeknownst to them, as overcoming the *Five Dysfunctions of a Team* described by Patrick Lencioni. And every time we talk about them in our work, it generates the smile of recognition. The same thing that kills teamwork, also kills portfolio dynamics. With a nod to the powerful book, we will next describe each of the *Five Dysfunctions of Portfolio Magament Teams*, and how others have overcome them.

1. Absence of Transparency

In most organizations, portfolios are managed like well-kept secrets. Information lives in private spreadsheets, and projects are managed separately in steerco's the set-up of which poorly reflects the underlying dependencies between many of them. If a tool is used, accessibility is reserved for the happy few and there is no way to link any of the initiatives to day to day activities. Project descriptions read more like a marketing pitch, with assumptions and supporting data carefully buried in the back. As a result, trust erodes between different stakeholders to the portfolio, between the ones asking and those responsible to deliver, and between the different delivery teams and management.

In contrast, consider the case of a major airline group. The portfolio unit for its shared digital eco-system needs to satisfy the needs of multiple airlines. As a consequence, arbitration between their priorities could be a notouriously sensitive job. A single repository of all current work in progress and future demands proves to be foundational to trust. Initiatives follow a simple information structure, assumptions are clearly listed and, consequently, most discussed in review.

Stakeholders to the portfolio all have the same level of information and can drill down to progress at task level should they want to. Moreover, portfolio decisions are automatically logged and the priority scoring system allows even those not present at the meetings to deduct the rationale without having to sift through lengthy minutes or nowadays transcripts.

The idea is simple: the more you can see, the easier it is to trust the process. When transparency becomes the norm, trust follows.

2. Fear of Making Choices

If transparency in a portfolio is secured, the next dysfunction appears. Portfolio boards love harmony. Meetings are polite. Everyone nods. Everything gets approved. And then nothing moves. When conflict is avoided, so is decision-making. It's much easier to just agree on everything and pretend it's fine. The result is overcommitment, diluted focus, and slow delivery. If no choices are made, tough decisions are postponed until they are unavoidable, often under circumstances far worse and with collateral damage, including to carefully built trust.

Smart portfolio teams learn to not shy away from tough decisions. An energy supplier comes together every two weeks to discuss what new requests require work from the portfolio. They force themselves to engage in productive conflict by not just asking if the request meets the business case threshold of consideration, but also where it would sit amongst already known other priorities. Productive conflict is hard, but it's essential for strong portfolio decisions.The portfolio management team at the energy supplier noticed this early and decided to work on it. They set up regular sessions to reflect on how they worked together, supported by coaching. They focused on speaking openly, addressing tough topics, and avoiding the habit of holding back concerns. This effort paid off: their decisions improved, and so did the performance of the portfolio. Team development and leadership growth, especially around communication and healthy conflict, are not side activities. They are core elements of building a high-performing portfolio management team.

To overcome the inherent uncertainty in such decision making, the energy supplier employs another trick; it relies approving on smaller bets in line with the bigger one. Typically sized to be done within the quarter, any yes becomes a 'yes, but show me proof to continue after this quarter', and many no's become a 'not now, but possibly next quarter'. Not only is the latter easier to agree to, the former also decreases the risk of escalating commitment as you weigh your investment options every quarter.

3. Lack of Commitment to Priorities

Of course, once the hard choices are made, you have to stick to them.
That's where commitment fails.

Following a fairly timid portfolio board, one of the business managers reports back to his team. "They approved the strategic initiative as was to be expected. I have to admit, the presentation was solidly done. It did not address any of the concerns we raised though. Let's not waste too much time on it, this will blow over in a month from now." And it did.

Sounds familiar? False harmony is more common then you think and if left unchecked, can lead to downright sabotage. Sometimes well-intended, but sabotage nonetheless. When there's no real debate about anything, you end up with priorities that no one actually follows. The portfolio direction is vague and thus the label 'strategic' is easily obtained: strategy-washing is used to expedite new initiatives to the top of the list. Projects get kicked off, but the moment something more urgent comes along, they're sidelined. If picked up at all. There's a big gap between nodding your approval and actually doing it.

In contrast, commitment in a portfolio team setting means everyone who disagrees with a decision needs to speak up. The simple rule we promote here: disagree but commit. Re-open only if new information arises. This means everyone in the portfolio team has the duty to defend the priority setting, including or especially to those in the team you represent and those that might be disappointed by it. This requires strong leadership behavior. Yet more often the mistakes are made upfront, by not paying enough attention to representation of the portfolio team. Is it representing the demand-side only? Nobody to address the wishfull thinking that it inevitably leads to. Do the conversations take place only with those responsible for delivery? Good luck getting the mandate for tough choices.

4. Avoidance of Accountability

You can't hold people responsible for outcomes they can't influence. Accountability gets lost when roles are unclear, and ownership is vague. If no one really knows who's responsible for what, it's easy to point fingers when things go wrong. The tricky thing here: in complex situations hardly anything can be in a single person's or team's control. The best program managers understand accountability follows commitment, and that such commitment comes in two ways: to present and pursue the most realistic outcome possible with the obligation to inform or escalate the moment the goal gets out of reach and alternative scenarios are still actionable. Accountability shouldn't be about blaming; it's about making sure the right people own the right decisions.

Real accountability and ownership can only be achieved when a number of criteria are met. Starting with having overcome all the earlier mentioned dysfunctions of a team (read back and play the mindgame for yourself). On an individual portfolio team player level, writing down clear rules of engagement like the 'disagree but commit' principle above makes it easier to address shortcomings to it. Responsibilities for preparation, communication and required follow-up can individually be assigned. It's like the roles on a football team: are you a defender or an attacker?

But how about accountability of the portfolio team as a whole? An extremely successful software company in travel technology offers an interesting perspective. Each quarter, they engage in planning sessions for the software development community. This is where, having hashed out all dependencies and most of the risks, teams commit with a high degree of confidence to the portfolio objectives. Following this, the delivery organization can be held accountable to achieve those commitments. But the portfolio team and the inititiative owners feeding into it are not off the hook; as a team they remain accountable for having selected and maintaining the right set of priorities underpinning the commitments. They also commit to problem-solve in case any of the identified risks, or new ones, materialize. If any of this shifts, so too does the delivery team commitments. This keeps both sides of the organization sharp on fulfilling their promise to the organization.

5. Inattention to Value

Too often, portfolios get obsessed with delivering projects on time, within scope, and on budget. Success becomes about ticking boxes, not about achieving results that matter to customers or the business. Status updates might even be tweaked to look good this way, with project metrics painted with a “green” label when it’s known it’s anything but, a practice mockingly called watermeloning. But none of that matters if the work isn’t delivering real value. It’s easy to get stuck in the trap of measuring effort rather than impact.

A second aspect distracting from the attention to value in a portfolio, is the absence of a collective results framework. Instead, portfolio team members are in it only for their own (department) glory, their budget, and their own staff.

When performance is measured by the results it drives, better, faster, cheaper, happier, the whole organization aligns around what truly matters. The same travel technology company used in the previous example, also found a way to overcome this last dysfunction. With the accountability question settled, it felt comfortable to engage in discussions over collective results that more often than not involve trade-offs. They chose an Objectives Key Results based system, combining goal-setting with a clear measurement framework. Such goals not only set the direction for increased levels of performance; cascading these also ensured further alignment of all teams in the portfolio and gives everyone with a clear sense of purpose.

Conclusion

The dysfunctions that destroy teams also sabotage portfolios.
Transparency, choice, commitment, accountability, and value, all are essential to effective portfolio management. The tools exist. The frameworks are out there.
What’s missing? Courage.

It’s the courage to be transparent when it’s easier to hide. The courage to question when everyone else wants a yes. The courage to hold each other and the team to account and to stop measuring effort for the sake of measuring effort.

Portfolios don’t fail because of strategy. They fail because of behavior. And that’s something we can change.

Why a team emphasis? The 5 dysfunctions of a team and how it applies to LPM

Setting a strategy and ensuring its translation to execution is no small feat. It requires effective teamwork from the LPM to create clarity and facilitate continuous decision-making around direction and priorities. To work together as a cohesive and effective team, one should be aware of the Five Dysfunctions of a Team (Lencioni, 2002), i.e., understand that effective teamwork requires instilling trust, engaging in healthy conflict, creating commitment, holding each other accountable, and focusing on collective results.

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