

The Royal Flush of Portfolio Management



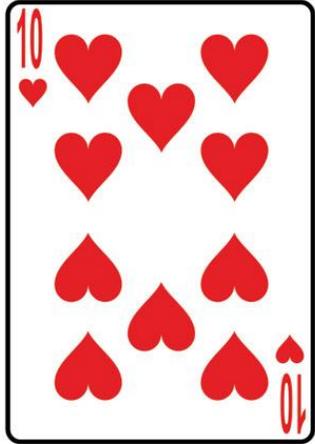
What are the odds of a Royal Flush in Poker?

The royal flush is a case of the straight flush. It can be formed 4 ways (one for each suit), giving it a probability of 0.000154% and odds of **649,739 : 1**.

What should the odds of holding the right portfolio of projects be in business? Should it be a gamble at all?

Holding the right collection of projects (or portfolio) in the organisation is a sure way to ensure you have the balance right. Think of it as holding a Royal Flush, the winning cards. It's a memorable way to think about the question 'do we have the right mix of projects in our organisation'?

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MANDATORY COMPLIANCE

The projects we **MUST** do because of reasons related to legislation or compliance. We have little choice or discretion in decision making. We need to get on with understanding the different options to how we approach implementing these projects.



MAINTENANCE 'KEEPING THE LIGHTS ON'

The projects we **SHOULD** do because of reasons related to maintaining existing systems, operations and business processes. If we under-invest for too long, we run the risk of breaking or seriously degrading our existing operations and systems. If we over-invest, we may not get the best overall returns as an organisation.



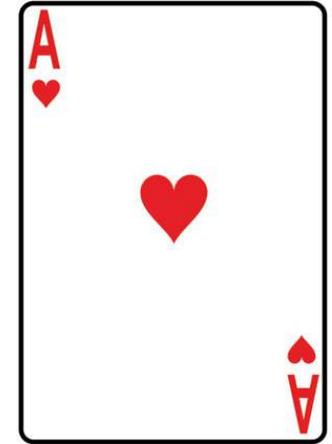
TACTICAL

The projects we **COULD** do because of reasons related to changes in the competitive, technological or global environments. We may not always want to respond to each change, but we need to consider them in our planning. These projects will have a sense of urgency about them if we decide to go ahead and respond in some way.



STRATEGIC

The projects we **HAVE** to do if we wish to achieve our strategic vision. These projects are crucial to the setting and achieving of the strategic plan and vision. These projects are often identified years out and will need to be done in a methodical fashion and governed and monitored carefully because of their importance.



INNOVATION

The projects we **MIGHT** do because of new ideas and/or innovations driven from our customers, our staff or other expert sources. We need to investigate, approve, reject or invest in these innovations and we need to make these decisions quickly. There is no time to lose as these projects potentially represent transformational opportunities.

These are the broad **project classifications** that all projects fall into. The onus is on the leadership team in your organisation to understand whether they have the right mix of projects to achieve strategic outcomes.