Mexican Petroleum Institute’s Project Portfolio Management Approach

The Mexican Petroleum Institute (IMP) is the research arm of the Mexican state-owned oil and gas company PEMEX. This division was formed in 1999 to undertake and build sound research capabilities.

A technology strategy was implemented to focus limited resources on 83 on-going projects which would align project selection and prioritization to organizational strategies and goals. The primary tool is portfolio management which provides analysis and prioritization of projects using both quantitative and qualitative data. The process entails conducting an initial portfolio analysis, creating a resource allocation strategy, establishing prioritization rules, collecting data, conducting scoring exercises with business units, aligning priorities, and evaluating projects and their resource allocations based on priorities aligned with organizational goals and objectives. Top management was involved in determining the overall resource allocation strategy. The portfolio team worked with business unit leaders to develop both quantitative and qualitative assessment criteria. Advantages include allocation of resources to projects that support organizational strategy; a balanced portfolio of short-term to long-term, and low-risk to high-risk projects; and a methodology that builds consensus for project approval and decision-making. This process reduced research and development (R & D) costs by 33% while increasing R & D effectiveness. Unfeasible and low-value projects were eliminated while resources were focused on high-value, achievable projects (Canez and Garfias, 2006).

Companies can learn from this example. Companies undertake a number of initiatives in support of developing their innovations. Often, Executives do not apply sound analysis and decision-making practices in their choice of project solutions and consequently these projects are at high-risk of failure. Using portfolio management provides discipline and sound management practices to ensure that projects and their resources are selected based on their effectiveness to organizational strategy and feasibility.

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