Strategy Achievement in a Dynamic World

Eric Foss, PMP, PfMP
Vice President, Consulting Services
Pcubed, Inc.

Abstract

Achieving long-term strategies while addressing near-term realities is a growing challenge with many organizations. This paper explores the fundamentals necessary to drive stable and consistent progress towards achieving strategic goals while enabling timely reaction to events and opportunities as they are identified. Portfolio Management components necessary for building this capability are discussed in the context of intentionally designing a high-performing portfolio delivery environment.

Introduction

Establishing portfolio management capabilities that enable quick reaction to threats and the ability to seize opportunities while driving consistent and predictable progress towards achieving long-term strategies is a common challenge in today’s fast-paced market. As organizations enhance their strategic portfolio management capabilities, there is better visibility of what they are doing, what they could be doing, and what they should be doing. The challenge is finding the right balance to avoid organizational churn from changing priorities and randomizing resources from trying to accomplish too much.

We’ll start by looking at fundamental navigation principles to provide the basis for discussion of portfolio management and strategy achievement. Each principle discussed represents an element critical for successful navigation. We’ll then apply these capabilities in a strategic portfolio management context, exploring their relevance and criticality in the organizational environment. Finally, we’ll discuss portfolio management components that enable these critical strategic navigation skills.

Fundamental Principles

The fundamental principles of navigation have significant relevance in a corporate strategic portfolio management environment. Let’s start with the definition and then we’ll explore each of these core navigation capabilities.

**noun**

The process or activity of accurately ascertaining one’s position and planning and following a route.
Where does your journey begin? Where does your journey end?
We start our journey with essential information. From a basic navigation perspective, where you start is clear. Determining your destination seems like it should be easy, but it could be challenging—there must be alignment around where you are going and why you are going there.

How do you get there?
The path to your destination can have multiple waypoints or be planned as a straight line. If you choose the straight line, as long as you stay on that line, you’ll reach your destination in the most efficient way in the least amount of time.

Figure 2: Charting your Path

What tools, skills, and information do you need for your journey?
Before you begin, it's important to understand what you'll need to get to your destination. How will you get from your starting point to your destination? Who is leading the way? Who is watching over your progress? Is everybody aligned around where you’re going, how you’re going to get there? Why are we going there?

How will you determine where you are?
OK, now you’re on the way. As the definition states, navigation includes “…accurately ascertaining one’s position”. But, how will you check your position? What mechanisms are at your disposal to determine an accurate position?

Figure 3: Where Are You?

Where are you going?
Now you’ve successfully leveraged multiple sources and you know where you are – but where are you going? Are you still on track? Is your trajectory taking you farther off course? Do you need to do anything to make it to your destination?

Figure 4: Where Are You Going?

Are adjustments necessary? What type of adjustments?
You’ve determined that an adjustment is necessary. What type of adjustment? The tendency is often to make quick, sometimes drastic adjustments to get back on course. While this approach could work, you’ll most-likely over correct and need to initiate another drastic course change…and the cycle could continue until you finally reach your destination.
If you execute a more gradual adjustment, it could actually get you to your destination more directly – fewer course adjustments, less churn.

Navigating in a Dynamic World

When we look at this basic navigation scenario in an organizational context, the same fundamental principles apply. Now let’s complicate things a bit by introducing a couple terms that have a potential for conflict – dynamic and strategic. There’s an inherent struggle with setting and achieving long-term strategic goals while building a quick-reaction capability in the organization that can respond to a competitive and dynamic market.

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<th>dy-nam·ic</th>
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<tr>
<td>adjective</td>
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<td>Characterized by constant change, activity, or progress.</td>
<td>Relating to the identification of long-term or overall aims and interests and the means of achieving them.</td>
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"A dynamic economy"

"The company should take strategic actions to cope with fundamental changes in the environment."

Drawing from our navigation scenario, we can change the titles and we’re now working with a common organizational construct that comes out of many conference rooms and strategic planning sessions across the country.

- **Start** – Becomes our Beginning State
- **Destination** – Can now be referred to as our Targeted Future State
- **Current Location** – Is now our Current State

The base course we defined when planning our route is now our strategic direction. The organization’s “strategic navigation resources” use this as the guide to align activities and make critical decisions regarding the direction of the organization, the composition of the project portfolio, and the targeted benefits required to achieve strategies. Executive leaders can maintain awareness of where the organization is with regard to its progress towards achieving its strategy. Course corrections take on a whole new complexity when considering the organizational...
impact of shifting priorities or changing direction in response to environmental changes. Avoiding organizational churn creates a more productive environment and allows more sustainable change to be introduced into the organization leading to realization of targeted benefits in support of strategies.

**Figure 7: Strategic Direction**

Leaders must be able to identify and react to the dynamic world around them. The right “navigation” capabilities enable the appropriate reaction. Strategic priorities can be adjusted and, if necessary, strategic direction redefined.

**Figure 8: Adjusting Strategies & Priorities**

Whether a significant change or a slight shift in priorities and direction, a critical step is to ensure leaders have an accurate understanding of the current state of the organization. Portfolio adjustments can then be approved to lead the organization in the new strategic direction as depicted in Figure 9.

**Figure 9: Shifting the Direction**
Making the Shift – What’s Required?

An effective portfolio management environment requires senior executive commitment and leadership involvement as the first and most important component. The ability to react while staying true to identified strategies doesn’t happen haphazardly. It requires intentional design of portfolio management components that are tailored to the needs and structure of the organization.

Portfolio Management Organizational Structure

Starting at the top, the portfolio management organization needs to be defined. The key to success is defining a portfolio-focused organization that involves the right people, working together at the right time, with the right purpose and authority. Specific intent during design establishes an organization that can effectively guide the organization’s investments of corporate resources to optimize delivery of business benefits in support of strategies. While structures vary, finding the right balance of hierarchy, delegation, and oversight allows the portfolio management organization to maintain control and react in a timely manner.

The Senior Executive Team guides and oversees portfolio definition and delivery. This group comprises the senior executives of the organization. The Senior Executive Team maintains an enterprise perspective, authorizes the Portfolio Governance Council and Portfolio Office to drive portfolio delivery and decision-making, and provides the following critical information:

- Vision & Direction
- Strategic Business Driver definition and prioritization
- Constraints and priorities
- Delegation of authority to the appropriate levels

The Portfolio Governance Council comprises executive leaders representing business units from across the enterprise. This hands-on group drives both annual planning and ongoing portfolio delivery oversight. The Portfolio Governance Council is responsible to the Senior Executive Team for the following:

- Strategic Alignment
- Portfolio Prioritization & Optimization
- Annual Portfolio Intake
- Ongoing Portfolio Delivery Oversight

The Portfolio Office drives delivery of the portfolio. This strategic function puts the Portfolio Office in the center of strategy achievement for the organization and requires the right skills and competencies of staff members to facilitate executive involvement in all aspects of portfolio planning, prioritization, selection, and delivery. Key strategy achievement-focused responsibilities include the following:

- Business Case (development coaching, validation)
- Pipeline Management coordination
- Subject Matter Expert Validation of Business Cases
- New and In-flight Projects
- Portfolio Governance facilitation (Portfolio Governance Council, Senior Executive Team)

The Portfolio Management function of the Portfolio Office is tightly integrated with the Portfolio Office’s Project & Program Management function and Center of Excellence function.

For each of these entities – Senior Executive Team, Portfolio Governance Council, and Portfolio Office – a formal organizational charter is developed. This definition ensures the clarity of purpose, alignment, and commitment necessary to effectively perform identified functions and collaborate with each other. The organizational charter includes the following information:
- Purpose
- Organizational Objectives
- Services provided
- Roles and Membership
- Organizational context (i.e., positioning in the organization)
- Decision-making authority

**Accountability**

Accountability is enabled by a well-defined organization overseeing structured portfolio governance and an integrated portfolio delivery environment. Decision-making is driven down in the organization to the appropriate (optimal) level. By passing responsibilities from the Senior Executive Team to the Portfolio Governance Council, accountability for critical business decisions can be made by the responsible business leaders – with the ongoing oversight and guidance of the Senior Executive Team. This puts in place the level of oversight and accountability necessary to successfully drive portfolio delivery, achieve targeted outcomes, and realize business benefits while creating a nimble capability that can recognize and react quickly and effectively to demands in the market.

**Collaboration**

Effective collaboration is an essential element of making timely decisions. Quick reaction is not good enough. Decisions must be fact-based and take into account impact to the organization, impact to the portfolio and targeted outcomes, and impact to the overall business. This requires the right people working together in portfolio oversight activities and decision-making based on their expertise and position in the organization.

Defining the organization as discussed above is only the first step. The Portfolio Office must facilitate the operationalization of these entities. Each group must accept its responsibility and the authority to fulfill its purpose. Each working session requires clarity of purpose and targeted outcomes – expert facilitation through a structured agenda gets the most out of the group during each session. Each group works through its group development stages – forming, storming norming, and performing (B. Tuckman, 1965). Members within each group manage their dynamics to reach a productive state. Additionally, they work through inter-group dynamics across the portfolio organization.

**Holistic Perspective**

Maintaining a holistic perspective of the strategic portfolio is a key element of creating the capability to drive long-term strategy while reacting appropriate to changing market demands. Across the Innovation & Portfolio Management lifecycle, ideas evolve from Defining to Aligning. Proposed components can then be evaluated.
based on their strategic alignment and targeted value to be authorized. Authorized components can then be delivered and benefits realized.

**Figure 11: Innovation & Portfolio Management Lifecycle Framework**

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**Transparency, Objectivity**

With an end-to-end lifecycle perspective and focus on analyzing each component in context of the entire portfolio, data becomes a critical factor in portfolio delivery success. The right data must be visible for each component in the portfolio. Does the data tell the real story? Leaders must have access to transparent and objective data to support effective decision-making. Each set of data is evaluated on its own merit, not a subjective presentation or framing of the data. The data cannot be open to interpretation. It must be validated for accuracy and timeliness and enable consistent “apples to apples” comparison across the portfolio.

**Stakeholder Engagement & Communications**

Strategic portfolio delivery requires the highest level of executive sponsorship, commitment, and involvement and active participation at all levels across the organization. The Portfolio Office leads analysis of critical stakeholders and stakeholder groups to determine how information will be shared and stakeholders involved in portfolio management activities. Fundamental information required includes the following:

- **Who** needs to be involved or informed?
- **Why** do they need to be involved or informed?
- **When** do they need to be involved or informed?
- **How** will they need to be involved or informed?
- **What** mechanism will be used to involve or inform them?

As part of this identification and analysis the team identifies the appropriate communication vehicle or engagement event based on the specific intent of the stakeholder interaction, as depicted in Figure 12. This ensures the optimal mix of targeted communications and engagement events tailored to achieve defined objectives for each stakeholder or stakeholder group.
Involving a broad base of stakeholders requires a comprehensive plan to prepare them for their roles and engage them throughout the portfolio management lifecycle. This evolution of portfolio delivery capability is managed by the Portfolio Office, including the following:

- **Initial Role-based Training** – Fundamental training on portfolio, program, and project delivery methodologies, organization, technology, etc.
- **Ongoing training** – Building on fundamental training, driving advanced skills specific to roles.
- **Coaching** – Individual (one-on-one) interaction, focused on specific skills/capabilities required across the portfolio management lifecycle.
- **Facilitation** – Effectively bringing participants together across the portfolio lifecycle to collaborate.

**Driving Mobilization**

*Creating a nimble and responsive portfolio delivery environment*

As described above, maintaining a holistic perspective is essential for establishing a stable portfolio management environment that drives long-term benefits delivery in support of strategy achievement while retaining the ability to react quickly and effectively. A well-defined portfolio management methodology provides the foundation for a high-performing portfolio delivery environment. As depicted in Figure 13, workstreams cut across the phases, with each intersection representing specific capabilities that must be embedded into the organization. These capability areas address the creation of the portfolio management planning and delivery environment and enable delivery of the portfolio to clearly defined Strategic Business Drivers, portfolio performance plan, and benefits delivery plan. This end-to-end perspective guides management of portfolio delivery progress from ideation to benefits realization.

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Ideation

Ideation activities focus on establishing and managing an environment to generate and harvest the ideas necessary to achieve targeted strategies. Initial collection and screening of ideas is managed by business leaders, supported by the Portfolio Office, to select the ideas worthy of additional vetting. Preliminary Business Cases are developed for ideas that pass this review, including ROM estimates for time and cost, risk analysis, timing, resource demand, etc. The business can then quantifiably determine the best ideas to move forward. Business Cases are then fleshed out to the requisite level of detail to allow them to be submitted as proposals into the portfolio pipeline.

Pipeline Management

The Portfolio Office manages the portfolio pipeline, collecting proposals from across the organization. The Portfolio Office staff members coordinate review proposals as they are received into the pipeline, leveraging subject matter experts (SME) as required to validate data in their respective areas. Common SME areas include Strategic Business Driver impact (metrics and impact quantification), financial estimates, team estimates by generic role, overall approach and timeline, constraints, and classification (e.g., non-discretionary, discretionary and classifications within those categories). The Portfolio Office staff conducts preliminary initial portfolio analysis, including portfolio mix, investment vs. strategic priority, resource demand vs. capacity, additional prioritization criteria, scenario planning, and initial portfolio benefits planning. Ideation is continuous and feeding the pipeline throughout the year with new proposals for consideration.

Portfolio Optimization

Portfolio optimization occurs annually, coordinated with annual budget planning, to create a portfolio delivery plan. The Portfolio Office also facilitates ongoing portfolio optimization, working with the Portfolio Governance Council to consider portfolio adjustments based on new proposal and changing priorities. The cadence and focus of these portfolio reviews and adjustments are defined in Portfolio Management Plan and the Portfolio Governance Council organizational charter.

Portfolio Prioritization & Portfolio Optimization

The portfolio governance structure and pipeline management process ensures proposals are assessed to determine their prioritization. Strategic value, financial value, and cost vs. strategic value efficiency are just a few of the common values used to prioritize portfolio components. Prior to a Portfolio Governance Council session (annual planning workshop or ongoing portfolio review), the Portfolio Office conducts portfolio analyses, balancing these values as a starting point for collaborative review and analysis with the Portfolio Governance Council.

With corporate constraints identified (e.g., capital budget, operational budget, resource capacity), the Portfolio Office can walk the Portfolio Governance Council through various optimization scenarios. The end result is the selection of a portfolio mix that provides the biggest strategic impact for the investment. The highlights of this optimized portfolio are then presented to the Senior Executive Team for their input and authorization.

Selecting the Right Portfolio Mix

An essential element of optimizing the portfolio is ensuring clarity in classification of each component. Classification criteria are part of the governance framework and addressed early in the cycle when components are proposed. This provides transparent and objective visibility into the portfolio’s mix, risk, and targeted outcomes. Balancing this mix allows executive leadership to manage the amount of risk inherent in the authorized portfolio with the targeted business benefits. There are many perspectives of what this breakdown needs to be. For example, Eric Schmidt’s 70% Solution presents a 70-20-10 breakdown and has become a commonly referenced guideline. In this scenario, 70% of the strategic portfolio would include non-
discretionary projects and discretionary projects focused on delivering new capabilities within the core business. Projects delivering new capabilities in areas outside of the core business would be 20% of the strategic portfolio, and truly innovative, groundbreaking transformational projects would be 10% of the strategic portfolio. This 10% would be the highest risk, but also offer a very high reward. Using these guidelines, the Portfolio Governance Council, supported by the Portfolio Office, can create the best portfolio mix for the organization.

Figure 14: Portfolio Mix

Portfolio Delivery Management

Portfolio Delivery Management integrates and operationalizes all aspects of portfolio management across the organization. The Portfolio Office is at the center of portfolio delivery oversight, facilitating Portfolio Governance Council and Senior Executive Team involvement as well as coordinating participants and ensuring the flow of information to and from all stakeholders. Activities maintain the big picture of portfolio delivery while coordinating critical areas required for delivery success:

- Portfolio Strategic Alignment
- Portfolio Performance Management
- Portfolio Resource Management (capacity vs. demand)
- Portfolio Risk Management
- Dependency Management
- Portfolio Benefits Management and Realization
- Stakeholder Management & Communications
Conclusion

Strategic direction shifts. Priorities change. This makes the capability of recognizing the need to alter course or adjust priorities to react to a threat or take advantage of an opportunity essential. But that’s not enough. The portfolio management environment must include the right level of leadership involvement to collaboratively determine the best reaction for the organization. Portfolio adjustments must be made with a holistic understanding of the portfolio and the impact of changes – both on the strategic drivers of the organization as well as on the resources working across the organization. As portfolio adjustments are considered, the portfolio mix is a key indicator of where the organization is going as well as the risk and reward associated with its journey. Keep in mind the following essential elements of success:

- **Involve Senior Executives and Senior Leaders from across the organization** – Executive commitment, sponsorship, and participation is required for success.
- **Ensure clarity of the destination** – Where the organization is going and why must be part of a shared strategic vision.
- **Align around the path, engage the organization & communicate** – The entire organization must make the journey together.
- **Intentionally design portfolio management structure and build capabilities** – Strategic portfolio management doesn’t just happen, there needs to be an intentional effort to create a high performing portfolio management capability.
- **Shift to Transparent and Objective Information** – Drive decision-making based on objective facts. Make sure the data is providing the necessary information to support transparent decision-making.
- **Delegate Responsibility and Accountability** – Push down decision-making to the right level.
- **Collaborate** – Within groups as well as across the portfolio management organization.

References


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