Increasing the Agility of Your Strategic Portfolio Management Approach in Three Steps

Donna Fitzgerald
ProSymmetry
October 19, 2020

prosymmetry.com 877-880-8788 info@prosymmetry.com

Contents

Synopsis

In June 2020, PWC polled senior financial managers about where they expected to see a change in their organization in response to the pandemic. 72% said they expected to emerge as a more agile and resilient organization.[1] The previous adoption of Adaptive Software Development (ASD), post the 2008 Financial Crisis, was primarily implemented through new processes. In 2020 there is growing recognition that, this time around, achieving enterprise agility will need to be rooted in cultural change.

Historically, most organizations struggle with culture change (numbers like "70% of the efforts fail" abound[2]), albeit repeated failure can also bring experience and learning. "Pomp and ceremony" cultural change rarely takes root. But what does work is the cultural change implemented through revised practices that the people doing the job create themselves.[3]

This white paper will offer simple steps for increasing the agility of enterprise-level decision making and for improving enterprise-wide strategic execution.

The first technique organizations will need to embrace for more agility is to expand the number of people involved in the formulation of strategic tactics. We will explore practices that make this possible that respect current hierarchies while simultaneously creating a top-to-bottom commitment amongst all employees to the strategy's intended measurable goals.

The second practice is to increase the use of appropriate technology to change the "talent game." Historically, highly successful companies have invested heavily in hiring and retaining the "best and the brightest.[4]" Today's technology changes the definition of the best and the brightest by filling in talent gaps and by equalizing the playing field. The old saw about "not buying technology until the process is worked out" is simply outdated.

The third practice, risk tolerance, will be a struggle for many organizations. Adaptive organizations are "genetically" wired to be risk-tolerant. Adaptive organizations can shift on a dime when a formally good idea becomes obsolete before it hits the market. Adaptive organizations also know how to harness employee-driven innovation when it offers completely unexpected opportunities (like the famed post-it notes[5]). The third practice focuses on empowering people to do the work that they are uniquely qualified to do. This is accomplished by understanding staff members' skills and talents and giving them more realistic assignments and more dedicated time to complete work.

Step One – Understand Strategy and Build Employee Involvement Through Strategic Tactics

Agility is always contextual. In this white paper, we are focused specifically on the organizational agility needed to execute strategy.

Historically, most organizations share a typical annual planning process:

> Set strategy, ask the business units to propose how they can contribute to the realization effort, set a budget and a timeline, and "hope" that by the end of the following year, they've accomplished at least some portion of what they'd planned the previous year.

The advantage of this approach is that everyone understands it! It gets at least some results year-in-year-out. The disadvantage of this approach is that it completely lacks agility, and if agility is the goal, the process will have to change. The critical question is, how?

In this case, the required changes are nuanced.

No matter its current charter[6], the Portfolio Office should commence by reviewing the existing portfolio to determine the exact amount of progress all the investments have made to date. Why?

> According to a recent IPMA report, 56% of projects surveyed failed to deliver the original goal and business intent fully. Furthermore, the report noted that Agile methods had fallen prey to the same impediments that have traditionally troubled projects and were seeing approximately the same success rate.[7]

Therefore, the goal of this review is to understand three things: 1) when will the work be done given the current staff; 2) could this project be accelerated with more staff; 3) Are there are any risks or issues that might result in a less than satisfactory outcome.

In theory, since this review is already within the portfolio office's standard remit, it should require nothing more than informing the relevant executives that it is being done in preparation for their next portfolio review.

For those organizations heading into a planning cycle, we suggest considering a new three-tier participation approach built around the diagram shown in Figure 1:

Business Strategy – Key Goals and How to Achieve

Figure 1 Strategy to Tactics

Traditionally, executive strategy sessions result in the Strategy Goals (as represented by the first line of figure 1). This information is what is commonly communicated downward as a steering mechanism for the company. At this point in the process, most organizations have their business units suggest projects to implement its top 3 to 5 strategies. These proposals are all effectively choices made from the 4th line of the figure above.

Essentially, this means there is no agreement on how the organization as a whole will answer the questions contained in the 2nd to 3rd rows (as shown above). The Harvard Business Review has published multiple articles showcasing this "air sandwich" gap between strategy and execution as a problem of siloed organizations.

Regardless of how this problem is labeled, the solution is that the "middle-management" layer of senior directors and managers must agree on how the choices should be made for the second and third layers. In organizations that are already dynamic and agile, these meetings are relatively effortless because the right players already know each other and have been informally working together for years. In organizations that have long encouraged siloed behavior, we recommend starting by paying attention to the informal network that does exist.

It is also at these levels that what has been coined as an activist Portfolio Office can help. Finding and galvanizing the informal network is one of the most important parts of building a dynamic and agile organization. The reason is simple. With this network in place, not only can decisions be made for the planning process, but decisions can also be made quickly and easily when change happens later in the implementation phase.

Returning to Figure 1, once the decision is made to pursue increasing market share by enabling faster time to market has been made, it is possible to ask the question, "how can this be accomplished." In our example, the answer might be automation or, more specifically, using machine learning. If we now look at this from the bottom-up, we find that:

4) By automating, analysis of all the reviews on the current product, machine learning can ...

3) Recommend the optimum new features by region and user type, which will support getting the new enhancements to products to market faster ...

2) Which will increase our market share ...

1) Meet our Growth target.

Of course, in our example making a decision that machine learning is the answer does not magically make it the right answer. The Portfolio Office will need to work with the execution layer to ensure that all the pieces fit together. Does the company have any current specialists in Machine Learning (ML)? If not, can these people be hired quickly? If not, how long will it take to train the internal staff in ML?

We once worked with a company that planned their top four IT strategic initiatives to use technology with which no one in the company had any familiarity. They also failed to budget or plan to acquire or train anyone to become familiar with this technology. Basic execution failures such as these are not isolated occurrences; these misunderstandings and miscommunications happen.

The Portfolio Office's job is to catch as many of these disconnects as quickly as possible by building a network of knowledgeable contacts in each business unit (a concept we will expand on more in the next step).

Step Two – Getting Everyone Moving In The Right Direction By Looking At The Broader Picture

In Step One, we stressed personal relationships and information gathering, but one additional component makes the process much easier to handle. Instead of thinking about projects as independent requests for funding, each operating unit should begin to look at their portfolio of projects as an interlinked groups of projects that will evolve and change over time.

Most companies operate on the premise that their annual strategic plan goes into execution on January 1st. Of course, this never reflects either reality or good planning, but it's a convention that organizations cling to despite its problems. One approach we've seen that helps to change this mindset is to move away from presenting the portfolio as a list of projects and instead train everyone to think of strategy as something that is executed according to a classic roadmap.

Using our previous machine learning example, the roadmap process might start with knowledgeable individuals contributing ideas about how to gain the ML competency needed above. Alternatives might be "Open a development site in Silicon Valley" or "Encourage our developers to take an eight-week course in ML." One or both of these activities would have to come before initiating the project to sort the customer review data, so automatically, from a roadmap perspective, the soonest the work on processing the reviews could start will most likely be Q2 (if not Q3).

Another reason for adopting roadmaps is that non-project managers rarely look at Gantt charts but everyone can read roadmaps. (see Figure 2 below)

Strategic Roadmap

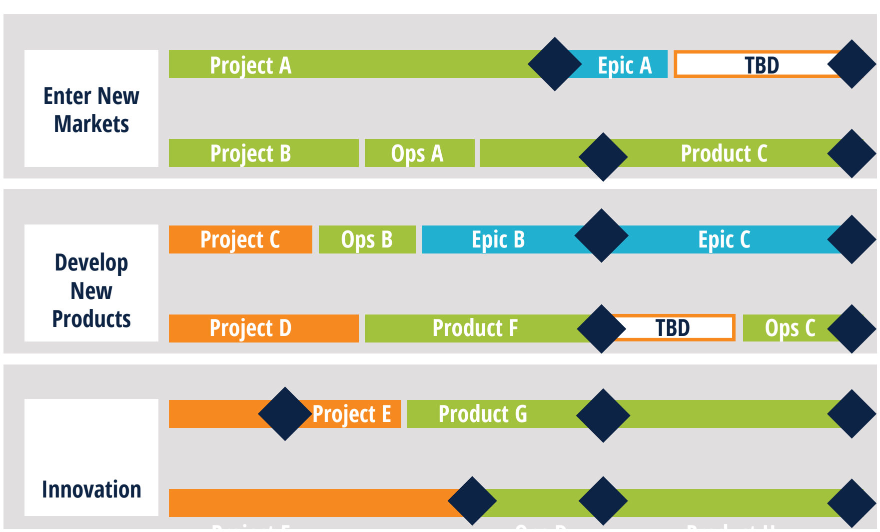

Figure 2

Another advantage of requesting roadmaps, which consolidate SBU submissions, rather than single project proposals is that capacity planning for portfolio resources can begin much earlier than in the past. Be careful that the roadmaps contain all the existing projects with their current end-date – so you have a starting point. Note: In the first step, the Portfolio Office confirmed the current projects' real status. At this stage, we recommend involving the organization's resource managers to help determine capacity.

Most organizations decide what's in or out of their portfolio through a scoring mechanism and the use of a "water-line," which is defined as the point where either money or people run out. The problem is this always ends up being a less than optimum execution plan.

After working with 100s of organizations on how to improve their portfolio process, we developed the matrix below. Borrowing a concept from Kaplan and Norton for the rows, we have listed the strategies across the columns , which provides a practical way to evaluate project requests (in context) early in the process.[8]

At this stage, your goal is to classify proposals into their strategic objective and their primary value measure. See Figure 2

Strategy Matrix

	Increase Gross Margin	Enter New Markets	Create New Products	Operational Effectiveness	Regulatory / Compliance	Total Cost
Direct Financial Benefit	Investment 5 Investment 10	Investment 8 Investment 13	Investment 4		Investment 16	$$
Customer Facing		Investment 1	Investment 11 Investment 14	Investment 3 Investment 12		$$
Better ways of getting work done	Investment 2 Investment 9	Investment 7		Investment 6		$$
Company Culture & Employees				Investment 15		$$
Innovation	Investment 17	Investment 18	Investment 19			$$
Total Investment	$$	$$	$$	$$	$$	$$
% of total Investment $	%	%	%	%	%	

Figure 3

In addition to the roadmap format, this matrix eliminates much of the hype that often accompanies investment requests. The structure makes it easy for executives to see what is proposed and what strategy it is designed to support. Most organizations claim all of their projects serve multiple purposes. While we can accept this as “true,” the problem is that it makes it impossible to weigh one investment proposal against another. It also reinforces the old mental model of a singular list of projects, which we believe is no longer appropriate.

The chart above represents a quick big-picture way for executives to evaluate potential over or under investment in various strategies (as evidenced by both the dollar total and the percentage for each strategy). It also provides executives with a holistic overview of how all the proposed work fits together.

This chart and the roadmap should both be “living” artifacts, which are continuously updated. Each time the portfolio is re-”modeled,” there is an assumption that there is more detailed data about what it will cost to do the project/program/product, what measurable value it will deliver, and what refinements to the number of people and their skills are needed.

Up to this point we haven’t stressed tools.

We believe it’s impossible to do an excellent job of executing strategy without understanding where people are, what they are working on now, and what they are supposed to be working on in the future. The key to accomplishing this is to have a robust resource management tool that will answer the the three questions above. We also believe that it is increasingly imperative that the resource management tool that seamlessly integrates with the portfolio to avoid approving projects that can’t be staffed.

Step 3 – Use Scenario Planning and What-If Forecasting to Select the “Final” Portfolio

One of the key concepts behind what we might call agility best practices is that there is no such thing as “final.” As long as the company exists, there will be changes. Therefore, the portfolio should be considered a living, ever-changing document that requires continuous updating and evaluation. To ensure this gets done everyone needs to know what is going on with the work on an almost real-time basis. This approach also effectively eliminates the need for the bi-weekly status report. All significant change, regardless of when it occurs, will need to be **communicated** immediately.

The distinction between communication and reporting is crucial. Communication is a dialogue; there is both a speaker and a listener who is involved in what they are hearing. Emerging adaptive enterprises need to develop a similar talent for sensing their environment, in order to pick up what is generally called “weak signals,” and responding appropriately.9 For this white paper, we will limit our discussion to two techniques: scenario planning[10] and what-if-forecasting.

Scenario planning is a simple idea that most books and organizations make too complicated. We have seen enormous success from allowing management discussions on “why future A is a more probable choice than B or C” to serve as the basis for the scenarios. No organization ever reaches complete consensus so an organization should strive to find at least three or four alternatives that make sense.

We are sure that everyone who has ever worked in an organization has found themselves advocating for a minority viewpoint. When that viewpoint is deemed as “not the most likely”, the right response is to join the ranks of the **loyal** opposition. In our currently highly polarized society, it’s almost impossible to remember that the opposition has a critical job to do triggering debate. While the opposition is working to support the agreed- upon plan, they are always chartered, by inclination, to keep an eye out for the early warning signs that the favorite future is no longer the most probable. By recording and acknowledging the other possible future scenarios, the organization increases involvement and engagement.

On the flip-side, our experience has shown that as each milestone passes without an occurrence of the problems the dissenters expected, they become even more engaged in discovering why their initial analysis was wrong. The same happens if the majority is forced to find out they underweighted or overweighted a particular variable in their own decision making. The net result is an open dialogue, and both sides walk away with more respect for dissenting views.

What-if analysis has a more tactical role. It is more oriented to rapid response and feedback. In this case, options are modeled to see which option yields the "best-fit" or highest return. Over the years, the contents of the what-if analysis have evolved. Our earliest exposure to what-if analysis entailed a time-consuming development of financial models for prospective investments. In a meeting with the senior financial team, we suggested that the model fundamentally relied too much on what everyone believed they knew already and did not provide any extra value. Now, the development of resource capacity planning tools makes it possible to model with hard numbers and identify real impacts by changing when work gets done and who does it. Today's what-if analysis deals instead with actual data. Organizations can model based on including or excluding new projects with reasonable resource forecasts. This makes it possible to see that a specific project, that might have been stack ranked in the middle of the portfolio should actually be done earlier based on resource availability. Or that a very important project simply can't be done immediately because a key dependency isn't in place.

What-if analysis also makes it possible to respond to changed market conditions with minimal disruption. Old projects can be pulled and new projects added with the assurance that resource visibility provided by the What-if analysis will allow for proper placement in the delivery roadmap.

Conclusion

Any organization that has followed the steps we've outlined to this point will begin the cultural transformation required to become a dynamically agile enterprise that excels at executing the right strategy for its market at the right time.

In this white paper, we've discussed the benefits of democratizing involvement in planning how strategy gets executed. We've also stressed that the right people and the right tools are the twin success factors for the coming decade. What we may not have emphasized enough is that what we have traditionally thought of as resource assignment/capacity tools are now the primary engine of success.

Most organizations think of portfolio resource capacity planning as an administrative activity at best; at worst, as unnecessary. To put it bluntly, this perspective is woefully out of date.

Based on our research: historically adaptive enterprises are willing to adopt best practices and invest in resource planning and resource management. Before enterprise-level tools were available, they invested in people to do the work with a spreadsheet! Market leaders have long since progressed to enterprise-level tools, while the less dynamic and less adaptive organizations still cling to their spreadsheet.

If we return to our opening supposition - that it is people who ultimately create the agility that an organization seeks - then managing people is just as important or more important than handling money. In many ways, money is a necessary blunt instrument. Money enables hiring people, but more money given to a poorly-thought-out and poorly-staffed investment does NOT and never will deliver an outstanding outcome.

We believe that this white paper has outlined an approach that any company can follow if it wishes to increase its agility and evolve into a market-leading adaptive enterprise.

We have attempted to keep the scale of the changes as small as possible to avoid any unnecessary disruption. We have also tried to point out that the real secret of successful strategy execution has always been the people employed to get the work done. If this is true, then it might be time to realize that the way organizations have managed people in the past, using highly directive approaches and insisting on process compliance, might no longer be fit-for-purpose. People want to be assigned to work that they can make their own, where they know their skills can produce a superior outcome. People also want to have the time to do the work without being overloaded with so many assignments that nothing gets done.

To accomplish this goal takes a shift in understanding. What was once resource capacity planning needs to be regarded as a vital point of portfolio planning, and resource assignments need to be carefully managed for fit to avoid wasting the most precious resource any company has – its people.

Bibliography

[1] ”Pwc US CFO Pulse Survey”. Pwc, 2020, https://www.pwc.com/us/en/library/covid-19/pwc-covid-19-cfo-pulse-survey.html.

[2] Scott, Sherry. “NINE BUSINESS TRANSFORMATION STATS YOU CAN'T AFFORD TO IGNORE IN 2019.” https://instituteforpr.org/nine-business-transformation-stats-you-cant-afford-to-ignore-in-2019/

[3] Practices and Processes are not the same. Process is a linear approach to solve a single problem. A practice by definition can be dynamically adjusted to suit the circumstances.

[4] Liu, Jennifer. “Former IBM CEO says employers should stop hiring based on college degrees and focus on this instead.” https://www.cnbc.com/2020/10/02/former-ibm-ceo-ginni-rometty-hiring-based-on-skills over-degree.html

[5] Skillicorn, Nick. “The TRUE Story Of Post-It Notes, And How They Almost Failed - Idea To Value”. Idea To Value, 2020, https://www.ideatovalue.com/insp/nickskillicorn/2017/04/true-story-post-notes-almost-failed/.

[6] Gartner research has explored many flavors of what an EPMO could be. For this discussion was are only interested in an EPMO that cares about the strategic portfolio.

[7] Ipma World. “The Future of Project Management: Global Outlook 2019” 2020, https://www.ipma.world/assets/PM-Survey-FullReport-2019-FINAL.pdf.

[8] Feel free to reverse rows and columns if that makes more sense for your organization

[9] Canitz, Hank. “Making Sense out of “Sense and Respond”. https://www.logility.com/blog/making-sense-out-of-sense-and-respond/

[10] A more formal definition of scenario planning than the one we offer here is available from Gartner without a license

https://emtemp.gcom.cloud/ngw/globalassets/en/insights/scenario-planning/scenario-planning-ebook-q3-2020.pdf

More Information

Tempus Resource allows users to:

- Run powerful "what-if?" scenarios in real time
- Quickly gauge over and under-allocations of resources
- Create fast, intuitive infographic data
- View the full project portfolio in one place
- Work stand-alone or synchronize with PPM/HCM/HRIS systems

For more information about Tempus Resource please contact:

P 877-880-8788
F 866-495-1734
info@prosymmetry.com
ProSymmetry.com

Address
2000 Auburn Dr,
Suite 460
Beachwood, OH 44122

About Tempus Resource

Tempus Resource by ProSymmetry is the only resource management solution for mid-size to large enterprises that combines innovative 'what-if?' scenario modeling with a user-friendly, Excel-like interface for data input. Purpose-built to help resource management and planning professionals balance available resources, critical projects and future growth, Tempus Resource offers integrations with many PPM solutions and internal systems.

To learn more about Tempus Resource, visit **prosymmetry.com**

Contact us today for your Tempus Resource Free Trial