



Portfolio management — a comprehensive approach to strategy execution

Executive Summary

Today, nearly all businesses are investing heavily in performance improvement initiatives. But tracking progress and measuring success effectively continues to be highly challenging. Enterprise Portfolio Management enables organisations to successfully execute strategy by providing a structured approach and incorporating a comprehensive view of the organisation's entire portfolio of projects, allocating funding and resources to the most critical initiatives. It also provides the structure for organisations to track, monitor and report the organisation's implementation performance against its strategic initiatives and report results to executive leadership, allowing for timely decision-making.

Improving business performance is an existential activity. If executed correctly, continuous improvement breeds innovation, reduces wasteful effort and enhances the financial well-being of an organisation. With multiple initiatives usually underway to address business performance issues, how can an organisation confidently declare that the funding and effort is spent appropriately and will deliver the strategic objectives?

Clear identification of strategic objectives and effective strategy execution is the key. Strategy execution needs to be purposeful, disciplined and repeatable. Enterprise Portfolio Management, or simply portfolio management, is the strategy enabler for an organisation. It incorporates a comprehensive view of the entire portfolio of projects and allocates funding and resources to the most critical initiatives that directly deliver on an organisation's strategic objectives.

Positioned appropriately within the organisation, usually reporting to the COO or equivalent, the portfolio office provides an independent, accurate and fact-based view of the portfolio performance to the executive leadership group. As the conduit between leadership and delivery teams, it also serves as a platform for programs and projects to formalise and reports concerns that may impact their delivery and overall performance. This in turn allows for timely decisions to be made by the executive leadership group based on the portfolio office insights and recommendations.

Operationalising a portfolio management capability requires executive sponsorship, strong leadership and a resource commitment. The portfolio office can then embed an unbiased project approval and evaluation process and drive a culture of empowerment where data is shared willingly and issues are raised without stigma. An optimised portfolio management capability not only requires complete commitment of practitioners and leaders alike, but is also enhanced by a solid appetite for fundamental change management from its users.

Whether an organisation is pursuing a competitive advantage in a corporate setting or seeking efficiencies in a public organisation, portfolio management provides an ability to collectively view, prioritise and adjust funds and resources. This accelerates the process for executives to make informed decisions, execute their strategies effectively and improve overall business performance.

Enterprise Portfolio Management incorporates a comprehensive view of the entire portfolio of projects and allocates funding and resources to the most critical initiatives that directly deliver on an organisation's strategic objectives.

Purposeful strategy execution with portfolio management

Are you confident that:

- Your strategy is being realised through initiatives aligned to your strategic vision?
- You can track implementation performance of your organisation?
- Program- and project-driven changes impacting your people and firm are being managed effectively?

A structured approach to strategy execution

Operationally, most organisations follow a simple mantra for business improvement: set the vision, define strategic goals and implement initiatives that help achieve those goals. In our experience, most organisations struggle to identify and approve initiatives driven by strategic intent and to measure the success and value creation in a meaningful way.

Despite investing significant time in strategic and implementation planning, many organisations are unable to execute their strategy effectively and reap benefits from their programs and projects because they are not set up appropriately to drive alignment between strategy and implementation. To capture the desired business benefits, three critical steps need to be followed:

1. **Strategy planning and design** — Understand the organisation's strategy and the barriers to reform (the case for change) by conducting strategy review and whole-of-business maturity assessments.
2. **Strategy execution** — Ensure the organisation is doing the right things to achieve its objectives — enabled by portfolio management.
3. **Strategy implementation** — Ensure that the organisation is doing these things in the right way through sound program and project management.

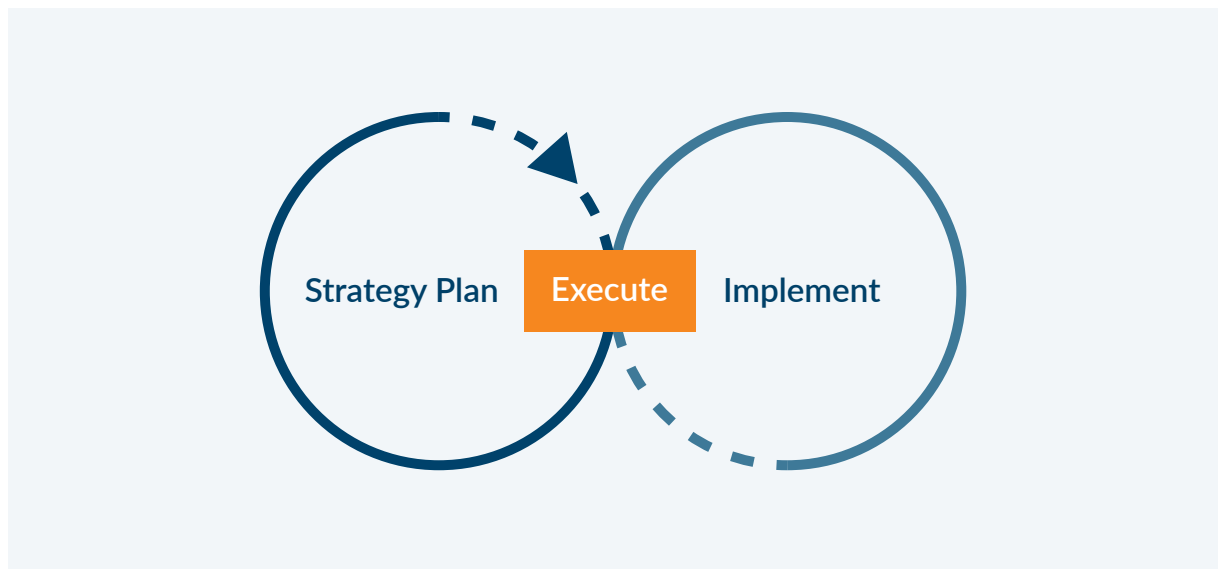
The missing link between strategy and implementation

A portfolio management capability or an Enterprise Project Management Office (EPMO) provides a critical link between strategy and implementation of enabling initiatives to track, monitor and report an organisation's implementation performance against its strategic objectives.

The portfolio execution cycle demonstrates the continuous loop in which strategy and implementation are connected via the execution capability. The strategic plan is translated into a portfolio of implementation

activities, and feedback from these activities is channelled through portfolio performance, which influences future strategic direction.

An increasing number of executives are realising the importance of a capability that can provide insights and recommendations about their program and project performance at a holistic level. This portfolio-led approach leads to significant financial gains. In fact, a global survey conducted by CA Technologies in 2018 revealed that companies who embrace portfolio management principles have experienced 60% higher review and profit growth than firms who have not.¹



Understanding portfolio management

Portfolio management enables organisations to deliver their strategic priorities effectively. It is a deliberate approach to identifying, prioritising, funding and delivering a specific selection of priority initiatives across a function or an organisation. This approach forms the portfolio of projects, which provides a consolidated view of the priority work that is taking place to deliver the strategic objectives and allows the work to be proactively managed and optimised. It enables senior executives to make informed investment decisions by providing complete visibility

of the portfolio and by actively identifying systemic issues that can derail the portfolio from achieving its strategic goals.

Such issues are reported through a discrete function embodied in a portfolio office, which monitors and tracks portfolio-wide risks, dependencies, resource demand, financial performance and benefits realisation. Collectively, the portfolio performance forms a pulse check of the organisation, allowing executives to understand how their business is performing against its strategy.

¹ <https://hbr.org/sponsored/2018/03/survey-data-shows-that-many-companies-are-still-not-truly-agile>

Doing the right things in the right way

To realise a particular strategy, a business needs to commit to ensuring that all ideas are considered, but only the “right” ideas are funded and then executed in a disciplined manner. A “right” idea is defined as an initiative that has a strong alignment to one or more strategic objectives of the organisation.

If introduced and implemented effectively, portfolio management ensures that resources and capital are optimally allocated to the most value-add ideas or proposals. Once these proposals are prioritised, selected and sequenced, the business then must execute them in a disciplined manner.

Integrating portfolio and change management

Organisations today are trying to keep up with the rapid pace of change, whether it’s technology-led, performance-improvement driven or politically motivated. This means increasingly shorter planning, implementation and review cycles.

The portfolio of initiatives has a purpose and is intended to deliver a strategy within the organisation. When this strategy is deliberately executed and then implemented via programs and projects, it consequently brings about noticeable change within the business. This departure from status quo must be supported with a change management focus from the outset, not only to introduce the change effectively, but also to ensure it is sustained in the long run. Effective change management results in stakeholder buy-in, confident ownership of the new environment and improved realisation of strategy.

Portfolio management is a deliberate approach to identifying, prioritising, funding and delivering a specific selection of priority initiatives across a function or an organisation.

Operationalising portfolio management capability

Common barriers to strategy execution

Although the operational climate of each organisation is unique, there are certain common barriers that can be witnessed whilst embedding and operationalising the portfolio management capability. A lack of a robust and consolidated understanding of the organisation’s strategy is one of the biggest barriers to formulating an effective strategy execution arm. If the strategy is broadly misunderstood or loosely created, then portfolio management becomes inconsequential as a linking strategy, and implementation cannot be achieved in a meaningful way.

Secondly, the project- and program-related data usually either exists in silos or is unavailable, which severely hampers the process of creating any useful data insights generated from portfolio reports (which are only as good as the data that is used to create them). The key here is to engage data owners early and actively involve them in the process of developing and implementing new reporting flows. Limited visibility of project portfolio and data issues naturally breeds ad hoc approval processes. More often than not, new initiatives are conceived or rejected in silos, leading to occurrences where pet projects are approved and strategic projects are discarded — an understandable outcome given that there is no tool that provides executives with information on dependencies, duplication alerts or strategic linkage requirements.

Lastly, the organisations also often are faced with balancing the requirements of mandated projects with crucial discretionary activities. Often they tend to swing towards prioritising pet initiatives at the cost of neglecting other potentially critical projects. This manifests into a culture of exclusion where adherence to organisationwide procedures is overlooked, resulting in suboptimal outcomes for the organisation as a whole.

Overcoming barriers

Portfolio management capability addresses all of these operational barriers. It secures and maintains a consolidated list of priority activities — the single source of truth. Armed with this list, the organisation can start reaping the associated benefits immediately. These include:

- **Strategy review** — A purposeful review of strategy can be mandated based on the insights generated from the identified portfolio of initiatives, related to portfolio balance and alignment (e.g., are we addressing all our objectives?).
- **Strategic alignment/prioritisation** — As the prioritisation process is formalised as part of portfolio development, strategic connections and approval decisions are made from the outset, ensuring the right things are done. This leads to an increased return on investment due to quicker decision making and funding of the most strategic and valuable projects.
- **Documentation and standardisation** — Portfolio management also mandates development and maintenance of standardised documents and capture and reporting of data. This process immediately highlights critical information gaps and solutions (or lack thereof) and allows organisations to take steps to reduce them.
- **Transparency** — A defined and consistently applied approval process results in increased understanding and appreciation of mandated and discretionary projects. This directly stymies possibility of funding of non-strategic projects.

Companies who embrace portfolio management principles have experienced 60% higher review and profit growth than firms who have not.

Key success factors

Embedding a portfolio management capability is challenging, as it demands a significant shift in thinking and often involves modification of operational practices. We have identified eight key success factors that a business needs to consider to ensure the capability is set up for success and remains enduring.

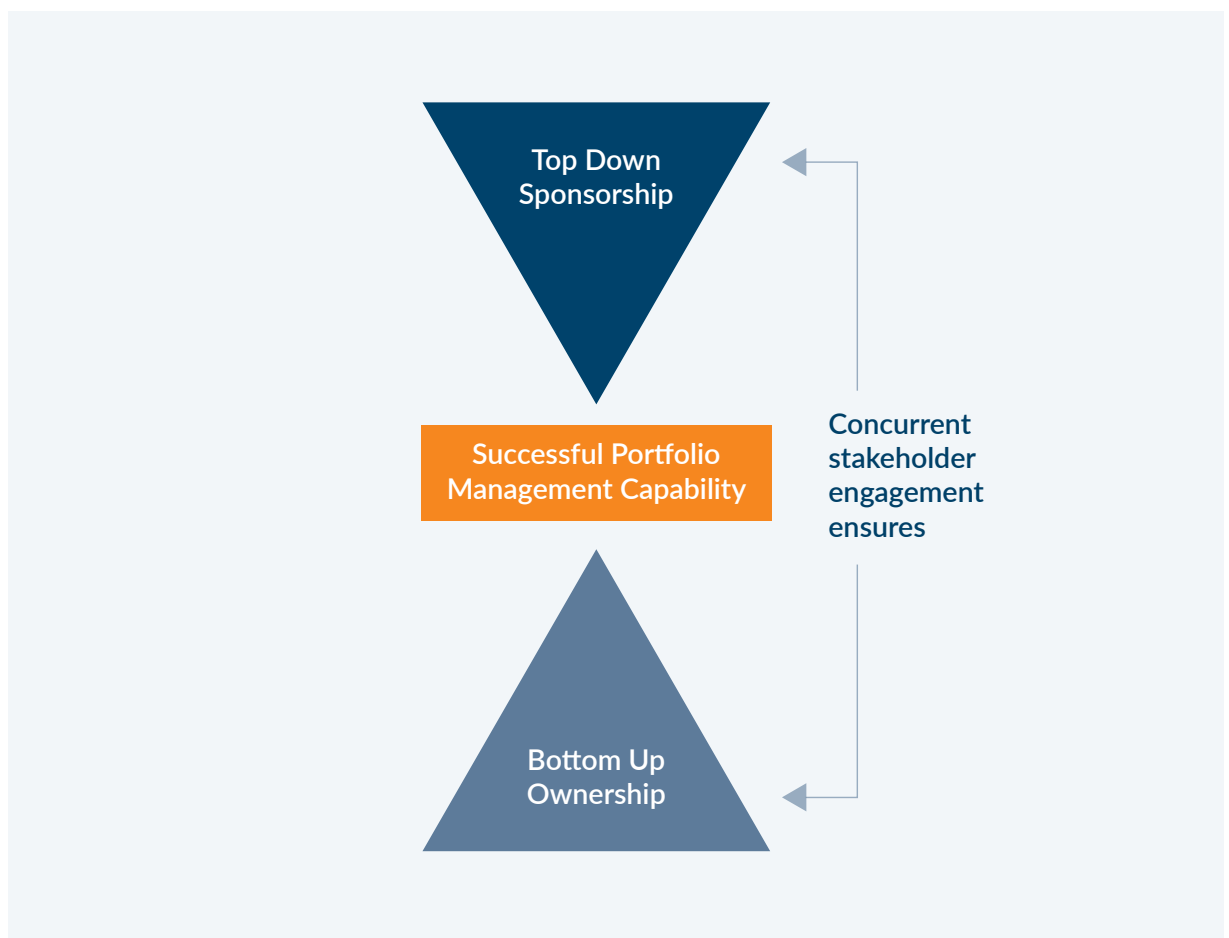
1. **Executive buy-in** — Senior-executive sponsorship is required to advocate the purpose and value of portfolio management. This drives accountability from the top down and encourages accurate and timely reporting from project to program to the portfolio.
2. **Strategic focus and bold leadership** — Leadership must shift focus from individual issues of programs or projects to understanding the collective risks and impact to the strategy and make bold and timely decisions. This provides confidence to program and project teams that the executives are prepared to take actions to resolve issues they raise.
3. **Staff buy-in** — Personnel required to support the portfolio capability needs to embrace the purpose and design of portfolio management and to understand its relevance to their roles.
4. **Portfolio office resourcing** — The portfolio team must be adequately resourced from the outset and must remain stable. A consistent team enables meaningful knowledge transfer, stakeholder engagement and the development of an enduring function that can properly discharge all portfolio offerings.
5. **Portfolio office positioning** — The portfolio team must be positioned appropriately within the organisation (ideally under the COO or equivalent) so that it is empowered to conduct unbiased analysis of the portfolio and make strategic recommendations to senior executives. The authority to provide independent advice enables the function to have real impact.

6. **Clear communications** — Impactful and regular communication is required so staff can understand, embrace and put into practice the changes brought in by the introduction of portfolio capability. Stakeholders at both executive and base levels must be engaged to ensure full commitment to the transformational change. Of significant importance is the clarity provided on the benefits to stakeholders in their daily roles and to the organisation as a whole.
7. **Long-term commitment** — Full implementation of a portfolio management function is a long-term task, typically taking several months and

requiring iterative enhancement of the framework alongside cultural and behavioural change.

8. **Sound portfolio intervention** — As the portfolio capability is introduced and implemented, new ways of working set by the portfolio office need to be carefully integrated into the operations. All new projects and programs must follow portfolio guidelines and processes, whereas other ongoing work expecting to close soon (e.g., < 3 months) should be allowed to finish as planned. For longer ongoing projects, program and portfolio teams must work closely to gradually align these activities to new processes and procedures.

• • • **Successful Portfolio Management Capability**



Conclusion

In a world of increasing business uncertainty and disruption, portfolio management is a tool that allows leaders to steer their organisations in the right direction. Such a tool can assist senior executives in understanding the complexity and scale of work being undertaken and can bring potential and upcoming complications to their attention. It forms the bridge between planning and delivery of initiatives and ensures that organisations stay on track to achieve their goals and, if required, provides insights and recommendations to executives for prompt corrective action.

Embedding a portfolio management capability requires extensive deliberation on the impact it will have on an organisation's people, processes and technology, and demands rigorous planning and change management. Understanding the common barriers to success and the overarching benefits should assist executives in making a sound business decision for developing this capability within their business.

Contacts

Mel Morrissey

Managing Director
Business Performance Improvement

Melanie is a managing director with over 20 years' experience in leading business performance improvement excellence in public and private enterprises. She specialises in the delivery of whole of business/government performance improvement through strategy development and execution.

Email: melanie.morrissey@protiviti.com.au

Mobile: +61 438 251 652

Acknowledgement

Craig Bretton

Managing Director
Business Performance Improvement

Craig is a managing director and Protiviti's business performance improvement solution lead. He has 31 years' experience in business advisory and strategy, procurement, outsourcing and probity, organisational reform, business improvement, portfolio, program and project management, assurance, audit, and risk management.

Email: craig.bretton@protiviti.com.au

Mobile: +61 421 579 300

Vikas Sharma

Director
Business Performance Improvement

Vikas has 13+ years of experience across strategy design, operational improvement and technology implementation. He has delivered key projects across multiple industry sectors, including federal government, health, aviation, education and retail. He is accomplished at designing and embedding project portfolio, program and project functions. He is also skilled at workshop facilitation and senior stakeholder engagement. Vikas sits within the business performance improvement practice of Protiviti with a focus on operations management and transformation.

Email: vikas.sharma@protiviti.com.au

Mobile: +61 433 944 297

Protiviti (www.protiviti.com/au-en) is a global consulting firm that delivers deep expertise, objective insights, a tailored approach, and unparalleled collaboration to help leaders confidently face the future. Protiviti and its independent and locally owned Member Firms provide clients with consulting and managed solutions in finance, technology, operations, data, digital, legal, governance, risk and internal audit through its network of more than 85 offices in over 25 countries.

Named to the [2022 Fortune 100 Best Companies to Work For](#)[®] list, Protiviti has served more than 80 percent of *Fortune* 100 and nearly 80 percent of *Fortune* 500 companies. The firm also works with smaller, growing companies, including those looking to go public, as well as with government agencies. Protiviti is a wholly owned subsidiary of Robert Half (NYSE: [RHI](#)). Founded in 1948, Robert Half is a member of the S&P 500 index.