

## Chapter 72

# Linking Organization's Strategy and Strategic Planning With Portfolio Management

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### ABSTRACT

*The strategy of any organisation and strategic planning are related to Portfolio Management. This chapter is focused on the relationship between the Organization's strategy and portfolio management. The purpose of this chapter is to explain the importance of strategic planning and its relationship with portfolio management. The focus of this chapter is to explain first the main elements of the organization's strategy based on the research from different authors and researchers plus the author's experience, then to explain the relationship between strategic planning and the portfolio management process, following with the explanation of the portfolio management context elements, defining the concepts of the mission, vision and objectives. The use of a case study tries to add value and achieve a better understanding of all the concepts explained in this chapter.*

### INTRODUCTION

Most of companies exist to achieve results and to produce some benefits. Every firm tries to satisfy some market or customer needs, but on the other hand, their motivations and “bottom line” are certainly different. For example, the author, a project and portfolio management practitioner, created his own consulting company fourteen years ago. If anybody were asking the author why did he create his organization, his answer would be “because he wanted to help organizations to develop a positive attitude to manage their projects, programs and portfolios adding some value to his customers and stakeholders”. That's the author's approach as an example.

Looking at competitors in the project management consulting's field, every company has a different strategy and approach. However, it never has been found the perfect organization, which always assured excellent results over the years. Perhaps one of the reasons is the constant change in our environment,

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that is inevitable. Using a metaphor, the plants in a garden change depending on the weather, insects, and amount of raining and so on. Plants survive being adapted to the change conditions, and because somebody takes care of them. Then, in a similar way, organizations need to be able to adapt to the changing conditions if they want to succeed in long term; and their managers need to spend some time to help on that adoption to the changing environment. Organization's objectives generate some pressure among managers and employees in organizations, taking into account that most of the organizations want to achieve benefits as soon as possible.

One of the main concerns from executives is to achieve better results from the projects they are managing in their organizations and better collaboration from other departments or business units affected by those projects. In the author experience, some projects are unlinked to the strategy, and usually when you ask to different executives in the organization, most of them are not aware of the total number of projects they have. Therefore, a common sentence heard in many meetings, workshops and conferences is "*we are managing too many projects*". Organizations need to select projects linked to the organizational strategy because that would help to solve such problems and, it is a good starting point to put together the appropriate elements that may create a better environment for project success.

This chapter covers a series of steps for linking organization's strategy and strategic planning with portfolio management. These steps constitute a process that may applied to any endeavor. Included throughout are suggestions for action as well as guidelines to navigate many pitfalls along the path. Process tools help illustrate ways to prioritize projects. The lessons learned are from consulting with many firms over a long time and from personal experiences in applying the lessons within several multinational companies worldwide. Managers in organizations are more and more concerned about getting better results from the projects under way in their organizations and getting better cross-organizational cooperation. Project managers on projects are looking for help when setting project goals. When project managers understand organizational strategy, they have a guide for action. It definitely helps them to define the goals of the project. On the other hand, the author found project managers in organizations who did not know their organization's strategy. The lack of communication among project managers and managers is unfortunately very common in organizations.

## **BACKGROUND**

Organizations implement only 63% of their strategies' potential value according to Mankins and Steele. On the other hand, 66% of corporate strategy is never implemented (Mankins and Steele, 2005). The major focus on strategy research has been on their formulation (Grundy, 1998; Morris & Jamieson, 2005). But according to Hrebiniak (Hrebiniak, 2013), it is more difficult to make strategy work than to make strategy. Then, organizations have some room for improvement in terms of linking their strategy with their project portfolio.

Understanding the strategy may also be a motivational factor for project managers. A necessary question at the beginning of a project is, "why the organization is doing this project?" Understanding how their project is a part of a total system to achieve these types of goals will help motivate project managers. The project manager needs to ask his or her sponsor that question. More clear links to strategy helps develop cooperation among projects and people. In the author experience projects, generally speaking, do not usually have dedicated resources; they need to share them with other projects and with

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