The Role of Project and Portfolio Management Systems in Driving Business and IT Strategy Execution
Introduction

The need to link strategy and project execution is not new. Much has been written about why it is important, but very little describes in any detail how it can be accomplished with the help of project portfolio management (PPM) software.

This white paper

- Surveys the current status of efforts to link strategy and project execution
- Advocates for a top-down strategy execution process
- Describes how to integrate resource utilization and cost considerations
- Illustrates a simple systematic approach to driving strategy execution
- Discusses strategy execution governance
- Explores specific technology capabilities and options

It focuses particularly on Oracle’s industry-leading Instantis EnterpriseTrack project portfolio management solution for integrating strategy execution management. This solution has been successfully deployed at a diverse range of enterprises.
Linking Strategy and Project Execution

According to Gartner research, a key business driver for CIOs is better alignment of IT with business strategies and priorities. Very few organizations do a good job of consistently linking IT projects and initiatives with broader corporate priorities. In fact, few CIOs are satisfied with their ability to tightly link IT project activity with their department’s strategic goals and objectives.

When projects are linked with strategic objectives or initiatives, it is usually a bottom-up process wherein project ideas or in-flight projects are aligned with important strategies. Although this serves an important purpose of providing line-of-sight visibility between project activities and higher-level corporate priorities, it is not a comprehensive approach to strategy execution. Further, the alignment process can be abused by project leaders who make spurious connections to the strategic agenda to justify pet projects.

To drive strategy execution, organizations need to develop and execute a strategy-driven project pipeline. This means project requests generally follow strategy (in response to the question “What do we need to do to implement this strategy?”). In this scenario, the exercise of aligning existing demand and ongoing project activity with the strategic agenda becomes the exception rather than the rule.

A process for top-down strategy execution is what is necessary to complement bottom-up strategy alignment. This process starts with articulation of business goals and business metrics. This can take the form of any strategy framework or methodology, such as Balanced Scorecard, hoshin kanri, key performance indicators (KPIs), or performance pillars. Once goals and metrics are articulated and communicated, they can be further broken down into IT strategy initiatives and IT metrics for execution purposes. For example, IT strategic initiatives can be organized into a series of programs or portfolios. Programs may consist of several projects that have been identified to deliver on program-level objectives. Program results are, in turn, rolled up to the IT and business strategic initiative levels.

Project Portfolio Management Systems’ Role in Strategy Execution

A PPM system with state-of-the-art strategy management capability can play a critical role in automating the strategy execution process. With a single system of record such as a balanced scorecard for strategy and project portfolios, C-level executives can achieve both project activity visibility and project team accountability.

Real-time strategy execution visibility is facilitated, with the ability to drill down into the status of activities at the strategic component, program, or project levels and to roll up project-level results. The system also supports better project team accountability, by ensuring executive and stakeholder line of sight to project activity and assigned resources.
PPM systems also manage resources as a core function. A single system of record for managing a portfolio of strategies, projects, and resources, promises to further strengthen strategy execution by not only ensuring optimal linkage of strategy and project activity but also reinforcing the alignment between strategy and resource investment. Integrating strategy and resource information gives management direct visibility into planned and actual effort and cost by strategic initiative and not just by project portfolio or program.

Business and IT Strategy Execution in Action

Here is a conceptual overview of a top-down business and IT strategy execution system in action.
Step 1: Articulate Your Business or IT Strategy

Figure 2 shows a CIO-level strategy hierarchy. The CIO strategy tree ideally represents a branch of a larger corporate business strategy hierarchy articulated by the CEO. In this example, the CIO has articulated the following three strategy components:

- Reduce costs through IT modernization
- Improve workforce effectiveness
- Increase use of information and analytics

The IT modernization strategy itself also has three components:

- Application portfolio
- Business process portfolio
- Technology portfolio

And the application portfolio component, in turn, organizes applications into three categories:

- Packaged application deployments
- Cloud services
- ERP upgrade

Step 2: Prioritize and Select Projects

State-of-the-art PPM systems provide robust and flexible functionality for capturing and filtering project demand and requests as well as enforcing consistent scoring, approval processes, and workflows. Any number of methods can be used to select and display project priorities.

Step 3: Execute Projects

Once a project has been approved, the traditional project management functions come into play. These might include

- Work breakdown structure (WBS) development
- Resource request, approval, and scheduling workflow
- Financial and nonfinancial metric definitions and assignments

Step 4: Calculate, Roll Up, and Display Project and Resource Information

Frequently the exercise of calculating and rolling up strategic results from component programs and projects is done offline or with desktop tools such as Microsoft Excel. Ideally, the PPM system can handle the following:
• Computing (roll-up) of metrics and trend indicators from “child” components

• Setting and displaying alert indicators and notifications

• Aggregating resource utilization information (such as planned and actual) by strategy

Figure 3. This screen shot shows an actual Instantis EnterpriseTrack IT strategy tree (see top left). The top right panel is configured to display summary information for the specific IT strategic initiatives, such as status and trend indicators, the owner, and key metrics. The bottom panel provides various tabs for direct drill-down into additional portfolio information details as well as linked projects, reports, and documents.

Solutions for Strategy Management

Most enterprise-class project portfolio management systems support strategy alignment, which enables you to link (or tag) projects to established business or IT objectives so that project team members can gain line-of-sight visibility between their project activities and higher-level corporate and IT priorities and performance targets. As such, this is a bottom-up approach that assumes that a project exists at the idea, proposal, or execution stage. This contrasts with a top-down approach that may begin with a hierarchical articulation of strategic objectives in the Strategy Manager feature of Instantis EnterpriseTrack. Projects can then be requested, selected, and executed based on their ability to drive strategy execution—not just alignment with corporate priorities. Instantis EnterpriseTrack is the only software platform in its category that offers the unique ability to drive strategy execution and track resource utilization against strategies.
Simple Bottom-Up Strategy Alignment Options

PPM systems can support one or both of the following methods for ensuring simple strategy alignment. Instantis EnterpriseTrack supports both.

First, some systems enable organizations to create a custom field associated with projects and enter the name in free-form text. This approach does not require any special setup in the administration interface, and users can enter any strategy name. Based on these field entries, simple reports such as “List of all projects associated with the Data Center Consolidation initiative” can be run. To be effective, this approach requires that users know the strategy names and enter them consistently. As a result, it may not be effective for anything but small deployments.

A variation of this simple strategy alignment approach is to select strategies from a drop-down menu. Within Instantis EnterpriseTrack, you can accomplish this by either using one of the available Instantis EnterpriseTrack classification fields or creating a strategy custom field whose type is “drop-down.” This eliminates the possibility of human error in entering strategies, but it does require the administrator to perform a simple setup procedure.

These simple strategy alignment options are standard features of Instantis EnterpriseTrack, representing the maximum level of strategy-related functionality of most competitive systems.

Sophisticated Top-Down Strategy Execution Options

A top-down strategy execution system must provide a tool that enables an organization to define a business/IT strategy portfolio. Such a tool might use a Windows folder metaphor for organization. Once the portfolio is defined, strategic objectives or priorities can drive project selection and execution. The following are suggested capabilities for consideration as part of a comprehensive strategy portfolio management solution:

Strategy Hierarchy

The tool should support the ability to define a business strategy hierarchy such as hoshin kanri, Balanced Scorecard, or performance targets. In addition, it must enable companies to define a set of strategic IT initiatives such as application performance management (APM), vendor management, IT infrastructure modernization, or data center consolidation. This includes the ability to create strategies both as standalone objectives and as a hierarchy of objectives—as well as the ability to decompose higher-level objectives into any number of lower-level objectives.

Strategy Knowledge Management

The tool should support the ability to create a repository of business or IT strategy knowledge. Individuals should be able to attach strategy documents such as business plans and business cases to any node on the strategy hierarchy.
Metrics and Roll-Ups

The system should enable you to define strategy and scorecard metrics and track them at any level of the hierarchy. Roll-ups should easily handle multiple-component metrics for calculating aggregate strategy metrics, leveraging Excel-like formulas. For each objective (node) defined in the strategy hierarchy, the setting of financial and nonfinancial project metrics should be supported. You should be able to distribute a single project’s contribution across multiple objectives.

Alerts and Notifications

The system should enable you to set traffic light indicators of strategy implementation status and send automatic alerts and notifications via e-mail to strategy owners, based on strategy scorecard measures.

Dashboards

Leading-edge tools enable individuals to build (drag and drop) personalized dashboard views and scorecards of strategy and initiative goals and objectives, including plan versus actual results for performance metrics. Once built, personalized dashboards and reports should be accessible in real time. A next-generation solution enables you to display dashboards and charts that show detailed resource information by strategy (see Figure 4).

Resource Management

An advanced tool can display the resource utilization plan and actual effort (in hours or cost) by day, week, quarter, and strategic initiative.

Project Management

The system should support the feeding of strategy performance metrics into the project management ideation (demand) subsystem and should not prevent you from linking project ideas, requests, or proposals to strategies as well as approved or in-flight projects. The flexibility to assign projects to multiple objectives is important for improved impact-tracking accuracy.

Instantis EnterpriseTrack, with its powerful Strategy Manager module, is the only system in the marketplace that supports all these capabilities.
Figure 4. This financial dashboard displays key financial metrics by strategic initiative.

Strategy Execution Governance

Who should own strategy execution? Clearly, the CEO and the senior IT officer own the business and IT strategies (the “what”), respectively. The process for communicating strategic objectives and priorities, defining tactics (the “how”), monitoring progress, reporting results, and making course adjustments depends on the individual organizational structure and culture.

One option at the corporate business or IT level is to create a project management office (PMO) to manage strategy execution or assign this function to an existing PMO. A business PMO, either hosted by IT or in the business unit, may be in an ideal position to own the bridge between business objectives and IT strategic initiatives. Many are already responsible for the “resource portfolio” and “project portfolio” view, so adding the “strategy portfolio” view may be a natural extension of their mission. Some PMOs are charged with reconciling demand such as project work requests with supply or resource capacity through some kind of project prioritization process. This process should not be carried out without the ability to directly integrate business and IT strategy considerations.

However the work of articulating, communicating, and executing strategy through project and nonproject work is carried out, a PPM system with strategy execution functionality needs to be flexible enough to support a wide variety of organizational structures, strategy methodologies, and decision-making processes and workflows. That is, the system must be able to support multiple strategy hierarchies and, if necessary, the ability to link across trees and branches (for example, to ascribe a project’s contribution to two different objectives in two different strategic domains). This also implies the ability to accommodate a variety of measures—financial or nonfinancial, computed or manually input, and so forth.

Instantis EnterpriseTrack is uniquely suited to providing a real-world solution to what has traditionally been viewed as fodder for ivory tower theorists.
Conclusion

Project and portfolio management systems can not only play an important role in aligning ideas, proposals, and ongoing projects with business and IT strategy objectives but also have the potential to play a critical role in driving strategy execution.

Most of the market-leading PPM systems support strategy alignment functionality. Instantis EnterpriseTrack is unique in that its dedicated Strategy Manager module provides deep, proven functionality—in use at several global deployments—for driving strategy execution from the top down.