Closing the Strategy to Execution Gap

May 2009
Topics

- Current Business Issues
- The Gap Between Strategy and Execution
- Project Portfolio Management (PPM)
- Conclusions
Business Problem

Companies struggle with formulating realistic strategic goals and turning strategy into outcomes

“90% of Corporate Strategies Are Never Implemented” – Balanced Scorecard Collaborative, 2007
Business Underachievement
Converting Business Goals into Action

Project Portfolio Management connects strategy to execution

**Why?**
- Because it encourages a discipline of strategic investing
- It provides transparency
- It addresses a commonly neglected issue – ‘is the strategic plan feasible?’
- It helps the organization focus on value delivery and execution
Turning Your Strategy into Reality

Envision
- Strategic Planning
  - Vision
  - Objectives
  - Priorities
  - How?

Roadmap Development
- Governance
- Projects
- Outcomes
- Resources
- Barriers

Align
- Org. Alignment
  - Accountability
  - Teams
  - Direction

Manage
- Portfolio Oversight
  - Stewardship
  - Risk Mgmt.
  - Performance

Implement
- Project Execution
  - PM Skills
  - Metrics
  - Change
  - Learning

PPM
What is Project Portfolio Management?

Applying the tools and discipline of financial management to project management
Project Portfolio Management Goals

- Align projects to strategy
- Facilitate the transformation of strategy into results
- Eliminate marginal and poor project investments
- Provide a way to evaluate, prioritize, and sequence projects
- Optimize resource utilization
PPM Benefits

• Project investments discussed *strategically*
• Feasibility and risk issues mitigated before investing
• Transparency to stakeholders
• Resources deployed on only the highest-value projects
• Detailed trade-offs understood when new ideas are suggested
Breaking PPM Down

The Process of PPM

1. Construct Portfolio
   - Account For All Projects

2. Evaluate
   - Review Investment / Resource Allocations

3. Prioritize
   - Match Investments to Opportunities, Align with Business

4. Execute
   - Program/Project Management

5. Assess Results
   - Financial Retrospectives, Project Post Mortems
## Constructing a Portfolio

<table>
<thead>
<tr>
<th>Project</th>
<th>Line of Bus.</th>
<th>Business Initiative</th>
<th>Type</th>
<th>Financial Contribution</th>
<th>Motive</th>
<th>Funded</th>
<th>Segment Gross Margin</th>
<th>Segment Growth</th>
<th>Investment (budget)</th>
<th>Investment as Percent of Total</th>
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</thead>
<tbody>
<tr>
<td>P14</td>
<td>Internal</td>
<td>Fulfillment Throughput</td>
<td>Maintenance</td>
<td>Operational</td>
<td>Discretionary</td>
<td>Y</td>
<td>63%</td>
<td>15%</td>
<td>$11,233,456</td>
<td>27%</td>
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<tr>
<td>P18</td>
<td>LOB-A</td>
<td>Customer Support</td>
<td>Maintenance</td>
<td>Operational</td>
<td>Discretionary</td>
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<td>71%</td>
<td>5%</td>
<td>$8,607,643</td>
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<td>LOB-A</td>
<td>Fulfillment Throughput</td>
<td>Enhancement</td>
<td>Operational</td>
<td>Discretionary</td>
<td>Y</td>
<td>71%</td>
<td>5%</td>
<td>$7,000,000</td>
<td>17%</td>
</tr>
<tr>
<td>P3</td>
<td>Internal</td>
<td>Customer Support</td>
<td>Enhancement</td>
<td>Revenue</td>
<td>Discretionary</td>
<td>Y</td>
<td>71%</td>
<td>5%</td>
<td>$3,569,540</td>
<td>9%</td>
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<tr>
<td>P7</td>
<td>LOB-B</td>
<td>Grow US Sales</td>
<td>New</td>
<td>Operational</td>
<td>Strategic</td>
<td>Y</td>
<td>43%</td>
<td>7%</td>
<td>$2,000,000</td>
<td>5%</td>
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<tr>
<td>P16</td>
<td>LOB-D</td>
<td>Grow US Sales</td>
<td>Enhancement</td>
<td>Revenue</td>
<td>Discretionary</td>
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<td>60%</td>
<td>13%</td>
<td>$965,432</td>
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<td>SOX</td>
<td>Maintenance</td>
<td>Operational</td>
<td>Compliance</td>
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<td>63%</td>
<td>15%</td>
<td>$890,755</td>
<td>2%</td>
</tr>
</tbody>
</table>

**Project Name**

**Metadata**

**Cost**
The Portfolio is Your Strategy

Aligning Business and IT

Investment By Line of Business

Investment By Initiative

Proposed
Funded

LOB 1
LOB 2
LOB 3
LOB 4
Internal

Initiative-1
Initiative-2
Initiative-3
Initiative-4
Initiative-5

$0.00
$200,000.00
$400,000.00
$600,000.00
$800,000.00
$1,000,000.00
$1,200,000.00
$1,400,000.00
$1,600,000.00
$1,800,000.00

$0.00
$200,000.00
$400,000.00
$600,000.00
$800,000.00
$1,000,000.00
$1,200,000.00
$1,400,000.00
$1,600,000.00
$1,800,000.00
Using PPM To Increase Strategic Results

Two Key Pitfalls PPM Can address:

• Inadequate Resource Management
• Inadequate Risk Management
Supply and Demand

People

Projects
Capacity Planning

Total Staffing

UI

Do you have enough of the right resources?
The Project Investors Gamble

Probability of Technical Success

Probability of Customer Success

Success

Failure

Develop-
ment

Launch

Re-group

End

New Idea

Approve?

Yes

No

Adapted from Cooper, Product Development Institute Inc., 2001-2007
Portfolio Risk Management

Key Factors Contributing to Risk

- Political Exposure
  - Internal / external politics
- Impact on Core Business
  - Degree of change
- Ability to Deliver
  - Experience, skill
Risk DNA – Contributing Factors

- Do we control the plan?
- Do we know what we are doing?
- Do we have the commitment to deliver?
Assessing Risk

- Political Exposure
  - High: X
  - Med: 
  - Low: 

- Impact on Core Business
  - High: 
  - Med: X
  - Low: 

- Ability to Deliver
  - High: 
  - Med: 
  - Low: X
Visualizing Risk Using PPM

Portfolio Mix
(bubble size = investment)

Balance?
PPM Summary

• Project Portfolio Management involves applying the tools and discipline of financial management to project management

• PPM requires competencies in strategic planning, financial and project management

• Overall objective of PPM: Manage projects, people, processes, and information assets for maximum business benefit
Call to Action

- Are your business strategies advancing your company?
- Is your project portfolio producing significant value?
- Can you count on your current project portfolio to align business and IT?

*If not, then consider applying project portfolio management to bridge the gap between strategy and execution.*
Contact Information

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About Point B

Point B is the first professional services firm focused on project leadership and execution. Founded in 1995, the firm provides a diverse and experienced team of locally-based project leaders to companies in Seattle, Denver, Portland, Phoenix, San Francisco, Los Angeles and Chicago. Organizations ranging in size from startups to Fortune 100 corporations turn to Point B for its ability to step into any segment or role of a mission-critical project and help lead it to success. And, unlike many professional services firms, Point B works exclusively for its clients and does not enter into alliances, reseller agreements, or other relationships that might compromise the firm's objectivity. Point B has attracted top project leaders from various industries by offering a culture that promotes flexible work schedules and well-rounded lifestyles for its more than 300 professionals. Additional information on the firm and its offerings can be viewed online at http://www.pointb.com.