

MANAGING THE PORTFOLIO SERIES

Prioritising and compromising: six indicators of high performance



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“A key role of portfolio management is to help senior decision-makers find and use the right management information”

Foreword

I am delighted to introduce the third instalment in the 'Managing the Portfolio' series of four thought-leadership reports from APM's Portfolio Management Specific Interest Group (SIG). The series provides practical insight into the role of portfolio management.

As speakers and delegates at this year's SIG conference told us, the environment within which organisations have to plan and implement change is becoming more complex and unstable. In some sectors, the pace of progress as a result of adapting to, and adopting, new technologies means that what was deemed strategically important last year may no longer be. In other areas, there is greater stability, and a need to look long term, especially with large infrastructure investments.

A key role of portfolio management is to help senior decision-makers find and use the right management information to make the hard choices necessary to ensure their organisations survive and thrive. However, information and processes are only part of the picture. As this report will outline, a critical factor is the human element. The many facets of behaviour within organisations are at the heart of this story, as is how they interact with one another amid the many challenges of choosing the right change portfolio.

Meaningful insight

This series of reports will step through four key stages of thinking, providing meaningful insight into the practical issues facing leaders of change across all industry sectors. The reports challenge existing thinking and provide a fresh perspective on what makes portfolio management successful in delivering corporate strategy.

The four reports are:

- *Recognising the need to change: six telling signs* – published May 2017;
- *Making sense of change and gaining visibility: six signals of success* – published May 2018;
- *Prioritising and compromising: six indicators of high performance*; and
- *Leading and optimising the change: delivering the overall prize*.

This third report provides insight into the 'indicators of high performance' that can help make organisations more effective in their decision-making in such turbulent times. I am sure you will find it useful, and I look forward to hearing your thoughts and views.

Stephen Parrett

Co-chair, APM Portfolio Management Specific Interest Group



“Public expectations are rising, and political stakes are high, based on future electoral promises that are by no means certain”

Facing the challenge: adapt, prioritise and compromise

The business landscape across the UK and Europe is rapidly changing against the backdrop of ongoing political and economic uncertainty; there is a reluctant acceptance of this environment becoming 'business-as-usual' for the next three to five years or longer. The impact is increased pressure on executives to meet stakeholder expectations, creating a more challenging decision-making environment where the stakes are becoming higher. Organisations are responding through shorter business planning cycles to mitigate the impact of uncertainty and volatility. There is a new focus on return on investment, with decisions only being made where there is a watertight business case; marginal decisions are no longer given the benefit of the doubt. Organisations have invested significantly in portfolio management in recent years. However, one critical question stands out: can their approach respond adequately to the unprecedented challenge that lies ahead?

Indications suggest that, in the public sector, the age of austerity is easing, and with this comes increasing investment, creating a need to refocus prioritising scarce government resources. Public expectations are rising, and political stakes are high, based on future electoral promises that are by no means certain – not least within healthcare, where the agenda for increased investment has been clearly laid out. The social care time bomb still hangs over the country, and the need to accelerate priority infrastructure investment is clear, particularly rail and airport capacity. The need to prioritise government investment in change is critical, yet decision-making will be shaped by political agendas that may or may not be sustainable. Time will shape the outcome, and prioritising the government's major project portfolio will become more critical than ever.

The business landscape is shifting, and the pace of this change is accelerating, with many factors at play. Robotics and process automation will drive the single biggest change in organisations in the last 50 years, significantly altering the shape of the workforce and the types of jobs that will exist in the future. The retail sector is also changing, with a sizeable shift towards online over high street shopping; the impact is visibly evident. The economic fabric of Europe and beyond is changing, and foreign direct investment will be subject to new political and economic factors that are only starting to emerge.

Overall, the landscape for change within organisations will be subject to uncertainty and volatility in the next few years, alongside a longer-term major change with the application of new technology and radical new ways of working. The key question is: how can organisations create the resilience to manage this period of change, and the innovation and flexibility to seize the opportunities it presents? The imperative to prioritise the organisation's investment in change and compromise has never been greater. This may appear a simplistic cliché, yet the most successful organisations in the future will be those which embrace this imperative and accelerate their response.

Peter Glynn

Author, Pathfinder (UK and Ireland) and APM Portfolio Management Specific Interest Group

Shaping the pathway: an accelerated response

There has been significant investment in portfolio management in recent years and this has provided a major benefit within organisations; the feedback has been very positive. Timing is everything, and portfolio management empowers organisations to deliver its change through supporting the executive to make the right decisions at the right time. The enormity of the current economic and political challenge demands that organisations rapidly accelerate their maturity in response. There is not a 'do nothing' option, and many organisations are ill-prepared for the challenge ahead; the uncertainty is simply too much.

“Prioritising the organisation’s change and dealing with compromise involve breaking down boundaries and establishing new ways of working”

The successful organisations will be those which can plan, prepare and deliver the beneficial change necessary to stay competitive during sustained periods of uncertainty and volatility. Prioritising the organisation's change and dealing with compromise involve breaking down boundaries and establishing new ways of working. The pathway is not easy; there will be many successes and many challenges. The ability to respond rapidly is dependent on good organisational governance, a mature capability in portfolio management and having the right team to successfully navigate the politics. It requires emotional intelligence, commitment, resilience and a desire to get to the end result quickly. The organisations that are successful in delivering their portfolio of change will be those that can thrive in a future that will be very different from today; time will tell.

Six indicators of high performance

This report, the third in the 'Managing the Portfolio' series, presents six indicators of high performance for any organisation that wants to shape the pathway for their portfolio of change. They are:

1. Prioritising the right portfolio: materiality is critical.
2. Supporting critical decision-making: objectivity and professionalism.
3. Successfully navigating the impact of pet project influence.
4. Dealing with negative emotion: heavy lifting behind the scenes.
5. Recognising the shoehorn reaction.
6. The importance of the executive-level mediator.

The remainder of this report discusses the above in more detail.

“While a level of confidence can be established through assurance reviews and sign-off approvals, the reality is that timelines are typically set against a looming deadline for executive decision-making”

1. Prioritising the right portfolio: materiality is critical

Organisations are always challenged to gain full visibility of their change portfolio, particularly those that operate globally or as part of a multi-organisation grouping. The reality is that success will be determined by politics, culture and ways of working. The critical point is to establish materiality in the view of the portfolio, enabling executive confidence in targeted and timely decision-making: the typical 80:20 factor. The quest to secure visibility is highly iterative, presenting a dynamic view that can change rapidly in times of high uncertainty or volatility. While a level of confidence can be established through assurance reviews and sign-off approvals, the reality is that timelines are typically set against a looming deadline for executive decision-making. Yet why do so many organisations struggle to get the right balance and risk skewing prioritisation? Success is knowing the point where material visibility has been reached, recognising that additional effort is subject to the law of rapidly diminishing returns – a task for the highly skilled harvester diplomat who fully understands the context of the organisation's change.

2. Supporting critical decision-making: objectivity and professionalism

Clearly, in any organisation, the quality of critical decision-making is highly dependent on the quality of available information and the effectiveness of organisational governance. Portfolio management is about empowering executive decision-making on change with many supporting tools and techniques available to assist, from prioritisation matrices to decision trees to summary risk analysis. Organisations often risk skewing their decision-making through deliberate or unconscious bias in how the information is structured or presented. While targeted portfolio information supports effective decision-making, inclusive and helpful executive challenge is always a necessary confidence test. For example, a prioritisation matrix may suggest a weighted order of priority that appears sensible, yet this may go against specific market intelligence or 'gut feel' executive decision-making. Whether around the boardroom table or through behind the scenes consultation, recognising the difference between valid challenge and disruptive challenge is a skill set rooted in contextual experience and political diplomacy. Professionalism is the order of the day; approach unprepared at your peril.

3. Successfully navigating the impact of pet project influence

Leadership is driven by vision, and personal style and agendas are not always directly aligned to the strategy of the organisation. In times of rapid change or volatility, the imperative to ensure selection of the right change portfolio is at its most critical. Yet why do so many organisations acknowledge this and then avoid dealing with the really difficult issues? Prioritising the portfolio will invariably lead to compromise that cuts across organisational boundaries and politics. The impact of executive pet project influence on shaping the change portfolio can be significant, not least in the public sector, where short-term electoral politics and longer-term organisational strategies may not be aligned. There is no one-size-fits-all response to pet project influence; it is inextricably caught up in the organisation's culture and ways of working. Dealing with the impact of such compromise requires strong emotional intelligence, great influencing skills and, most of all, the credibility to support the executive group to collectively make the right decisions. Emotions run high when personal agendas are impacted, and navigating the waters under the stewardship of an executive-level mediator is critical – often, the CEO or equivalent. Without this, compromise will quickly turn into active resistance.

“Portfolio planning cycles will invariably result in emotive conversations as priorities are set and trade-offs are agreed around the table”

4. Dealing with negative emotion: heavy lifting behind the scenes

The investment that any organisation can make in change is finite, with willingness to invest also driven by collective risk appetite. The impact of the economic and political environment has set clear boundaries for organisations to carefully consider their acceptable level of risk. Portfolio planning cycles will invariably result in emotive conversations as priorities are set and trade-offs are agreed around the table. Emotions run high as one project gets traded off against another, with the ensuing debate at risk of being played out across the wider organisation. The words 'no' or 'not at this time' need to be carefully managed to avoid political fallout across the wider organisation, particularly at middle management level, where the detail of a meaningful executive debate may be somewhat distant. While this appears a statement of the obvious, it is surprising how many organisations struggle to get this right. The organisation's informal channels are critical to ensuring that these debates are carefully managed, with the more challenging conversations taking place away from the boardroom table to be formally discussed and agreed once there are clear options for the way forward. Prioritising and compromising require a high degree of emotional intelligence, along with good communication skills supported by an executive-level mediator to steer the challenging conversations to the right outcome. One factor is certain: the current uncertainty and volatility will result in many challenging conversations across organisations as change portfolios are impacted by risk appetite and available funding.

5. Recognising the shoehorn reaction

The next few years will be challenging for organisations, with an unrelenting need to review business strategy against a continually shifting economic and political landscape. In an already fast-paced world, this is placing additional pressure on stressed organisations and executives. The integrity of the change portfolio is critical to delivering beneficial change, with the opportunity for regular review and robust challenge the cornerstone of effective portfolio management. Yet these reviews can provide a behavioural opportunity for previously rejected projects to re-emerge in a different guise, or broken into several smaller projects to get in under the radar, 'the shoehorn reaction'. Forcing prioritisation can lead to an 'all high priority' schedule, placing unrealistic demands on the organisation's resources and creating expectations that cannot realistically be delivered. The challenge for leaders is to proactively manage the change portfolio by pre-empting behaviours before negative emotion impacts integrity. Compromise is the backbone of business, with budget, available resourcing and collective attitude to risk setting the agenda for the organisation's change portfolio. No one will debate the importance of this principle, yet time will tell how effective organisations are in delivering their change portfolio against the uncertainty of the road ahead.

“Dealing with conflict is a measure of success for any executive team, particularly when emotions run high”

6. The importance of the executive-level mediator

Given the enormity of the challenge ahead, it is a given that there will be difficult conversations when prioritising the organisation's change portfolio. Dealing with conflict is a measure of success for any executive team, particularly when emotions run high and behaviours seek to push forward personal agendas not necessarily aligned to those of the organisation. The success of the change portfolio is dependent on the effectiveness of organisational governance and decision-making, with the executive board typically having ultimate ownership. The role of the executive-level mediator is critical, ensuring objectivity and integrity around the boardroom table. CEOs or equivalents are typically undertaking this role. However, there is an increasing trend to use a highly experienced non-executive director, supported by the CEO as the next point of escalation. Success is highly dependent on the effectiveness of informal 'behind the scenes' conversations as challenging issues are mediated away from the boardroom table to be formally discussed and agreed afterwards. Success is also dependent on the independence and quality of the portfolio management team in supporting the executive-level mediator. The key question is: how prepared are organisations for the challenging prioritisation conversations that lie ahead over the next few years?

Prioritising and compromising: winning friends and influencing people

“Success in prioritising the organisation’s change portfolio and agreeing compromise is subject to many emotive and behavioural influences”

The organisations that successfully prepare for the road ahead will be those that experience the least disruptive journey. One factor is certain: the road will have many twists and turns. Success in prioritising the organisation's change portfolio and agreeing compromise is subject to many emotive and behavioural influences. It is all too easy to accept current ways of working and status quo political influences across the organisation. The most successful leaders of change will be those who accelerate their response to the challenge through a robust approach to portfolio management, effective governance and the emotional intelligence to steer the organisation to the right outcome. Successfully shaping the pathway requires high performance at all levels to make a sustainable difference, not least at the executive level. It requires an ability to win over friends and influence critical people at all levels of the organisation. Are organisations really prepared for change and capable of responding to the economic and political challenges ahead?

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