

MANAGING THE PORTFOLIO SERIES

# Recognising the need to change: six telling signs

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## Foreword

It gives me great pleasure to introduce the first in a series of four thought-leadership reports from APM's Portfolio Management Specific Interest Group that will provide practical insight into the role of portfolio management. This is a highly prized capability that brings the ability to balance organisational change priorities with operational activity to ensure that the overall strategy delivers.

In today's world, organisations and senior executives face more and more challenges due to the increasing number and complexity of changes. However, although this may be nothing new, the range of drivers for change is increasing at a faster pace than ever. The consequences of this are often seen in extra pressure on decision-makers, who are charged with utilising scarce change-focused resources on the right priorities for the organisation. There is no silver bullet to address this challenge, and every organisation must seek the right answers within its own context and culture.

## 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'
- 'Making sense of all of the change and gaining visibility: clearing the fog'
- 'Prioritising and compromising: shaping the pathway'
- 'Leading and optimising the change: delivering the overall prize'

This first report, 'Recognising the need to change: six telling signs', provides insight into the 'telling signs' that highlight the need for effective portfolio management. I am sure that you will find it useful, and I look forward to hearing your thoughts and views.

**Stephen Parrett**

Chair

*APM Portfolio Management Specific Interest Group*



## Seeing the big picture

Organisations in the public and private sectors are facing an increasingly complex set of decisions to ensure that they deliver on their commitments. The business landscape across the UK and Europe is changing rapidly. Brexit is driving major political and economic change; uncertainty is high and financial markets are responding.

Overall, the challenge is unprecedented and enormous. The impact of Brexit will be reflected across every organisation, in some more critically than others. In addition, infrastructure spending is set to rise over the coming years, with the government committing to increasing investment to help offset some of Brexit's impact. All of this reflects the critical need to align overall investment in change with organisational priorities, against the backdrop of uncertainty. Although this may sound like a cliché, can organisations continue to invest in the hope that they get it right?

## Project, programme and portfolio management

The ever-increasing professionalism in project and programme management is resulting in increased focus at executive level – not least in leadership and benefits realisation. In recent years, lessons learned through large-scale cost-reduction initiatives have shaped the way organisations plan, deliver and embed change. The ability for an organisation to successfully balance change and operational priorities is critical to success – yet, for many, this continues to be elusive. Each organisation must view this through its own prism and work to find its own answer. It will be an answer inextricably linked to the unique circumstances, culture and ways of working.

Every organisation struggles to some degree with overseeing change, whether through lack of timely information to make informed decisions, siloed behaviour or the inevitable game of organisational politics. The development of project and programme management over the past 20 years – and, more recently, the emergence of portfolio management – put the focus heavily on technical compliance and skill-set certification. In recent years, there has been a welcome focus on the importance and impact of positive behaviours, soft skills and benefits-driven outcomes.

## Six telling signs

Recognising the need for effective portfolio management is the first step on the journey towards success; yet, so often, the symptoms or 'telling signs' are complex and caught up in a myriad of organisational issues that are not always evident to leaders.

In summary, there are six telling signs that can highlight the need for effective portfolio management within an organisation. They are:

1. lack of coordination or alignment to business strategy;
2. scope of programmes not clear or overlapping;
3. behaviours that 'tell a story';
4. inability to quickly re-prioritise to changing circumstances;
5. inability to balance resources with projects and programmes; and
6. ineffective communication on change and organisational priorities.

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

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## 1. Lack of coordination or alignment to business strategy

Every organisation experiences changing priorities, albeit aligned to a coordinated business-planning cycle. The challenge facing executive leadership is ensuring that the totality of the organisation's change successfully delivers the agreed strategy. Although management practitioners will argue that this is the primary ingredient of success, many organisations fail to align change to the organisation's overall priorities. Why? The reality is complex, political and caught up within the organisation's culture and ways of working.

In broad terms, there are three high-level factors:

“The reality is complex, political and caught up within the organisation's culture and ways of working”

- 1. Individual behaviours

Siloed or competing strategies within the organisation can be a telling sign of poor leadership and direction. Every organisation is impacted by this factor to some extent. However, weak senior leadership can intensify the situation, leaving a lack of clarity on the totality of change and what it will achieve. Almost inevitably, this is caused either through siloed behaviour or the 'pet' projects of senior executives not being aligned to the organisation's strategy.

- 2. Organisational ways of working

Frequent changes to strategy for whatever reason can leave the change portfolio lagging behind. In addition, frequent changes to executive leadership can result in changing priorities. Although these factors are often beyond reasonable control, the challenge is to recognise them and pre-empt their impact before it is too late.

- 3. External drivers

Many organisations operate in rapidly changing markets where the scale and pace of change is complex. In addition, the sectors that are subject to regulatory change – such as financial services or pharmaceuticals – experience changing requirements that impact the change portfolio, leaving the need to re-evaluate priorities. The challenge is to identify and understand the drivers at the early stages, and plan to minimise impact.

The impact of all of these factors can also be intensified by the tendency to isolate strategic planning from delivery of change, resulting in continually playing 'catch up'.



## 2. Scope of programmes not clear or overlapping

Every organisation has experienced individual programmes that are not clear or overlapping in scope. Where this is a recurring factor, it strongly indicates a need to holistically review and restructure the overall set of change, ensuring that programmes are aligned to the desired strategy to minimise critical interdependencies. Although no one would disagree with this objective, it proves challenging within many organisations. Why?

The reality is that vested interest, along with overly possessive executive ownership of programmes, can make the task difficult in the absence of a strong chief executive or equivalent senior leader.

Can organisations afford the cost of programmes with unclear scope or overlapping responsibility? Experience has proven time and time again that ignoring the issue will almost certainly lead to programme failure at some point in the future. Often programmes limp along until another trigger brings the issue to a head at significant cost and reputational damage. The challenge is to recognise this factor early, build executive commitment and navigate organisational politics with minimal disruption.

“Often programmes limp along until another trigger brings the issue to a head”



### 3. Behaviours that 'tell a story'

Can senior leaders afford to ignore the impact of executive stress and negative behaviours during periods of intense or imposed change? The answer is clear and self-evident.

#### Executive stress

Excessive executive stress relating to the pace and complexity of change can be a primary signal of the need for effective portfolio management – not least through overlapping responsibilities and accountabilities for delivery at senior management level. Clearly, such executive stress can have a destructive impact on any organisation, and this intensifies during periods of imposed change.

Although this stress is an unavoidable factor in any organisation, the challenge is to identify the cause and, where appropriate, put in place effective strategies around portfolio management. But this is easier said than done. The key to success is to implement this in parallel with chief executive or senior executive support and buy-in.

Inability, for whatever reason, to bring both factors together at the same time can result in a 'management 101' failure – the age-old 'process without relevance and commitment' paradigm.

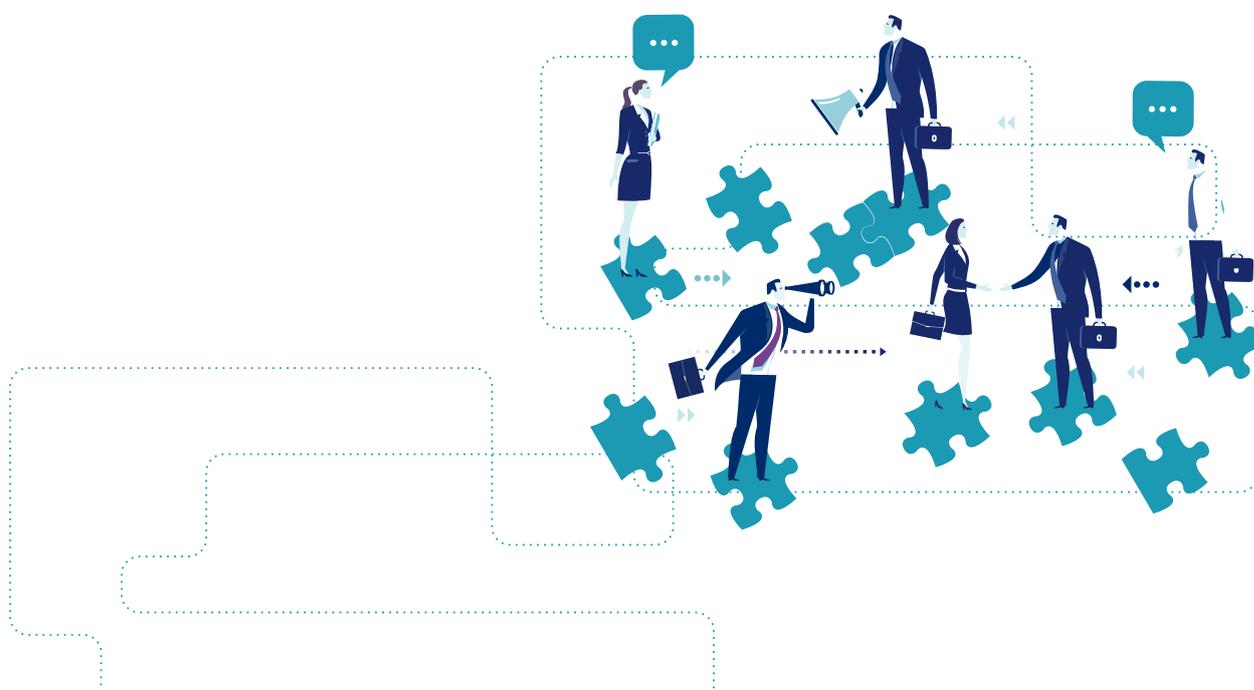
#### Confusion and angst

In addition, confusion and angst over change within operating units is a primary signal highlighting the need for effective portfolio management. Such angst can result from:

- confusion in ownership,
- unclear leadership,
- misinformation, and
- a range of other factors.

The challenge is understanding the root cause and planning strategies to accelerate an effective approach to portfolio management, along with parallel executive commitment. Those that are successful are adept at connecting people, information and resources to deliver through complex networks across the organisation.

“The challenge is to identify the cause of stress and, where appropriate, put in place effective strategies around portfolio management”



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**“The ability to be successful is highly dependent on continually reviewing the strategic landscape and re-prioritising where this adds value”**

## **4. Inability to quickly re-prioritise to changing circumstances**

Every organisation operates in a dynamic environment where change is a constant. The ability to be successful is highly dependent on continually reviewing the strategic landscape and re-prioritising where this adds value.

Whether operating in commercial markets or in a government organisation, the principle is universal. For example, the financial services industry has been subjected to many regulatory changes in recent years, often necessitating the need for timely re-prioritisation of change.

Where the organisation is unable to respond to changing circumstances in a timely way, the consequences are far-reaching – the ‘change or die’ paradigm.

Where an organisation cannot easily re-prioritise its change, this is a primary signal highlighting the need for effective portfolio management.

## **5. Inability to balance resources with projects and programmes**

The two lifelines of projects and programmes are people and money; getting this wrong is the nemesis of all leaders of change. People, money and time are the three resource factors to flex on any project or programme.

### **Resource and requirement – do they match?**

The tendency to repeatedly mismatch the organisation’s resources with project needs, or to not align cash flow with project need, highlights the requirement for effective portfolio management. The principles of effective resource planning and the ability to flex to meet the demands of the change portfolio are straightforward; the management 101 theory is well documented and understood, yet the reality is that this is a complex and emotive area. It cuts across organisational divisions and can end up competing with operational day-to-day priorities where senior managers are not necessarily aligned to what the change seeks to achieve.

### **Navigating politics**

Crucial conversations and skilled diplomacy often save the day in the absence of effective resource prioritisation. The challenge is balancing the need to manage resources at the portfolio level with the individual expectations of the executive team, and the inevitable organisational politics that accompany it – a task for those adept at navigating organisational politics and ways of working. One thing is clear: portfolio management creates the environment and the infrastructure to avoid reactive scenarios where resources are prioritised based on short-term goals or the ‘shout the loudest’ principle.

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**“The challenge is balancing the need to manage resources at the portfolio level with the individual expectations of the executive team”**

## 6. Ineffective communication on change and organisational priorities

Successful communication is the lifeline of effective change. Without it, organisations are reliant on hearsay and rumour, which can be destructive or, even worse, result in failure. Timing, accuracy and relevance drive successful communication. Where there is conflicting communication or mixed messaging across the overall set of change within the organisation, it points to the need for effective portfolio management. Few would disagree with this basic premise – but the reality suggests that such problems are more commonplace than one would think.

### Reputation rests on change

Organisations thrive on their reputation. Consequently, change can either enhance or damage this principle. Where organisations operate in a media-scrutinised sector, the effect of reputational damage can be far-reaching, particularly where it impacts share price or political credibility. The communications function seeks to protect the organisation's reputation. Why do so many organisations focus on operational 'day to day' communications at the expense of less frequent and more complex change communications?

There are many high-profile examples of failing change programmes where reputational damage has taken years to overcome. Effective portfolio management provides the link from operational to change communications, ensuring that messaging priorities are balanced and consistent.

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“Timing, accuracy and relevance drive successful communication”



“It is all too easy for organisations to settle into acceptance of current ways of working”

## First steps

Ambition differentiates organisations that move from good to great. Recognising the need for portfolio management is only the first step on a journey towards successful organisational management of change. Notwithstanding this, it is all too easy for organisations to settle into acceptance of current ways of working and situational challenges without the ambition to be great and really make a difference.

Portfolio management integrated into organisational ways of working should be seamless and not perceived as overly agonistic, technical or complex. Often the challenge is getting beyond executive fears of misplaced structure, and lower-value processes getting in the way of getting the job done.

Project and programme management is not traditionally seen as a 'boardroom' skill set; however, this is changing rapidly.

Successful organisations embrace innovation and welcome beneficial change. Portfolio management is a highly prized capability that brings the ability to balance organisational change priorities with operational activity to ensure that the overall strategy delivers. The challenge is to successfully identify the need, secure buy-in, embrace the change and reap the benefits – the sign of a true leader.





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