# PPM: aligning projects with organisational strategy........

*"Your idea for developing a three legged, semi-circular network storage offering sounds really groovy and looks like it could make us very rich, but how does it align to our strategy?"*

The last few years have seen an uptake in Project Portfolio Management (PPM) across Australia and the region, but is not yet understood or embraced by many medium to large organisations in a formal sense. More recently there has been a significant amount of discussion about how to align projects with organisational strategy or more precisely how to prioritise projects that have greater alignment with organisational strategy. But how important is this really?

Let's consider for a moment the outcome we want from applying a PPM process or system. A PPM process should provide a balanced selection of projects prioritised in order of greatest to least value, where value is the incremental benefit the organisation expects to receive in return for doing the project. Assuming we accept this premise for a moment, what do we mean by value?

There are a range of factors that can contribute to value including;

**Financial:** Whether we use IRR, ROI, NPV or other means to determine and compare the financial benefit we predict from this spend, it plays a crucial role in determining value.

**Risk:** What chance exists for the predicted benefit being unobtainable?

**Customer Growth / Retention:** What is the value to the organisation of growth and/or retention?

**Brand / Reputation:** To what extent will this project enhance or impact our brand?

**Staff Satisfaction / Engagement:** Will the project enhance or impact on staff satisfaction?

**Enablement:** Does it enable capabilities beyond those sought by this specific project?

**Statutory:** Are we proposing the project to meet statutory requirements and/or avoid the effects of being non-compliant with a statutory requirement? What value does this offer, is it simply the inverse of the applicable fine?

The challenge is in how we rate each factor and give it weight in our overall determination of value. How important is financial return compared with reputation?

How do we put a value on enablement when we have no idea if a future initiative will make use of the capability we have enabled?

It is worth noting that many organisation strategic statements include elements from the above list, so by determining the value, one automatically is determining the degree of alignment with strategy. However, value rather than alignment should be the focus.

We earlier referred to a balanced selection of projects. Balance refers to having a range of project types and sizes, much the same as a balanced investment portfolio to ensure diversification. It also relates to balancing the overall portfolio with organisational capacity. Most organisations have constraints that limit the amount of concurrent work or investment they can achieve including:

> **Human Resources:** How many projects can we work on concurrently given our existing capacity and the additional capacity we can draw down on within our timeframes?
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> **Physical Resources:** Available physical Office Space, desks, computers are all constraints that need to be considered
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> **Cash flow:** How much cash the organization can afford to spend in a given period.
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> **Window of opportunity:** Is the window of opportunity for realising the predicted benefits large or small. How crucial is the timing of delivery?
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> **Risk:** How much risk the organisation is prepared to accept at a given point in time. Are we running too many or too few high risk projects in parallel?
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> **Size of investment:** Relates to the proportion of overall investment required by the project compared to others and compared with the overall spend.
>
> **Appetite for Change:** Assuming each project imposes some degree of change on the day to day operations of the organisation, how much change can the organisation realistically accept and adapt to within a given period of time.

Portfolios that are not balanced generally result in contention, competing priorities, squeakiest wheel syndrome and eventually ineffective use of the resources the organisation does have. A balanced portfolio, well managed, will optimise resource utilisation, resulting in an organisation which has an improved delivery capability and capacity. A well balanced portfolio will also allow a specified amount of "over-demand". Just as Qantas overbooks planes in the expectation some passengers won't arrive in time for the flight, project portfolios must be planned to expect some projects may be delayed, cancelled or underspend the capital planned and allow for this.

This does not mean alignment to strategy is unimportant; in fact projects that do not align with organisation strategy can severely impact the future success of that organisation. There can be a big difference between achieving the ROI through revenue growth vs cost reduction. There is little use in pursuing a project that provides a return but doubles the size of the operations team, if the organisational strategy is cost reduction.

So our decision on whether or not the three legged, semi-circular network storage offering forms part of our portfolio of projects is not determined solely or primarily by alignment to strategy. It is determined by the value it offers and the degree to which it supports a balanced portfolio, which as a whole contributes to the strategic intent of the organisation. Maybe not!