

Strategic Portfolio Management Is Agile

Vision: The Strategic Planning And Portfolio Playbook

by Margo Visitacion

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Why Read This Report

Agility is now a prerequisite for successful firms and enterprise architecture (EA) professionals delivering on digital strategies. Fast-paced, continuous delivery renders traditional budgeting and planning practices ineffective. As digital business becomes mainstream, Agile portfolio management plays a critical role in these strategies.

Forrester reviews and revises this report periodically for continued relevance and accuracy; we are updating it now to reflect our latest thinking on strategic planning and portfolio management.

Key Takeaways

Disciplines Don't Change: Orientation Does

Portfolio management only becomes strategic when EA uses it to create focus on what's important to the organization.

Portfolio Management Is A Specific Skill Set

An effective portfolio manager must combine the skills of a business architect, a program manager, and an entrepreneur.

Traditional Annual Planning Hinders Innovation

Seizing strategic opportunities is difficult when the budget is the starting point of annual planning.

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We have based this report on ongoing research into the key success factors of high-performance business technology investment strategies and portfolio management. Specific inputs came from extensive discussions with the members of Forrester's CIO, Application Development & Delivery, and Enterprise Architecture Councils.

Related Research Documents

[The CIO Mandate: Engaging Customers With Business Technology](#)

[Drive Customer-Obsessed Strategies With A Formalized Business Architecture](#)

[Organize Strategic Planning And Portfolio Execution To Drive Greater Collaboration](#)

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Today's Portfolio Management Practices Are So Yesterday's News

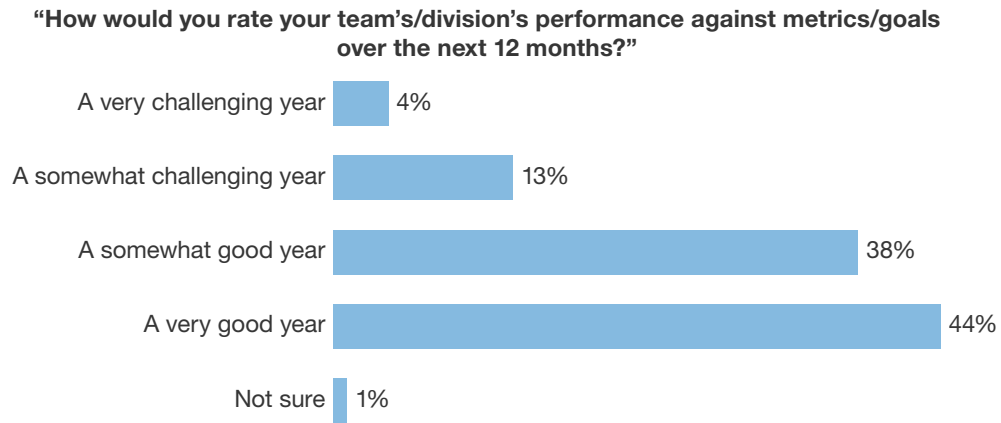
When customer experience is at the forefront of company strategic priorities, long-term corporate vision may not change, but firms and EA pros must still position themselves to react to competitive changes in their markets. Unfortunately, traditional annual planning and portfolio management practices don't support nimble planning and execution practices. According to the Project Management Institute (PMI), only 53% of organizations categorizing themselves as having fair collaboration, communication, and flexible planning practices saw projects meeting business goals, versus 81% of those defining themselves as excellent to very good.¹

Budget/Plan/Execute Fails To Anticipate Change

Traditional annual planning exercises that begin with identifying a budget and then carving out a selection of projects lock organizations into plans that, according to Forrester's Global Business Technographics® Budgets Survey, 2015, only 44% of respondents say their teams expect to achieve successfully over the next 12 months (see Figure 1).² This sequential approach:

- › **Prevents companies from pivoting when business changes.** Traditional planning lacks the flexibility to allow companies to respond to changing customer needs or market shifts. As a result, business functions such as eCommerce, customer experience (CX), and new media are bypassing technology management to build their own technology teams. Thirty-two percent of business and technology decision-makers feel that having application and technology teams reporting directly to the business is a high/critical priority, while 33% concede it is a moderate one.³
- › **Hinders innovative thinking.** Traditional approaches starve innovation. Sixty-four percent of budget decision-makers expect an increase in research and development of emerging technologies.⁴ However, 42% of tech budgets are dedicated to ongoing operations and maintenance, and 27% are dedicated to replacement or expansion of capacity to support business growth. Of the 32% dedicated to new projects, 21% goes to improving IT operations, and only 14% goes to sell-side business operations.⁵

FIGURE 1 A Majority Of Teams Don't Expect To Have "A Very Good Year" With Their Goals



Base: 4,720 global budget decision-makers

Source: Forrester's Global Business Technographics® Budgets Survey, 2015

Strategic Portfolio Management: Plan/Invest/Execute Brings Agility

In the age of the customer, customers must be at the center of corporate strategy. To obtain the best insights, planning and execution must become a broad, integrated exercise engaging all parts of the organization. Breaking the tyranny of annual planning to go to a continuous planning process requires a robust portfolio management process.

Seven Elements Of Strategic Portfolio Management

Portfolio management capabilities support the translation of strategy into actual business value through the delivery of work initiatives. Optimally, portfolio management becomes the communication and analysis vehicle for the entire organization. Key elements of strategic portfolio management are:

- › **Themes.** The outcomes of the strategic plan become the themes of the portfolio; identifying desired outcomes, time constraints, and risk thresholds for the portfolio helps assess the quality and strategic alignment of the requests. For example, TD Ameritrade's strategic themes are asset gathering, share in trading markets, growing investment products' revenue streams, and providing fiduciary advice.⁶
- › **The change request funnel.** Portfolios become the repository for strategic plans, ideas, and demand for change. Requests funnel into the portfolio repository for assessment, selection, and prioritization. This would include new product ideas, business capability enhancements, or initiatives that support goals set to deliver on strategic themes.

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- › **Assessment.** Portfolio owners select initiatives worthy of investment. Assessment examines more than cost and risk; it should also explicitly identify the potential business value of the initiative. Assessments determine if a requested change's impact on business models and current capabilities is worth the cost and risk.
- › **Tradeoff analysis.** This includes identification of value-maximizing choices among all initiatives as well as establishing the priority of those choices. Capacity, risk, cost, and capabilities are among the criteria used to determine selection. For example, using external market data, a company may decide to lead with web products over mobile, or using financial and industry research, it may make the decision to deploy container services to prevent storage issues in virtualized environments.
- › **Backlog.** This is the prioritized list of choices that will result in products, features, or services. Revisit this backlog on a consistent, periodic basis as work comes in and priorities change. This backlog includes strategic initiatives, architectural enablers, and required business or technology enhancements.
- › **Performance monitoring.** This includes reports on the status of the portfolio delivered in a regular cadence. Leveraging accurate data to gather standard measures and KPIs demonstrates the ability to deliver business value. Rolled-up performance and status information provide insight into dependencies. Examples of KPIs at the portfolio level include improving strategic program delivery, time-to-market, or overall portfolio delivery.
- › **A retrospective.** This involves performance reviews and business outcome measurement to validate business value delivery, including measures of project contributions as well as the portfolio management practice.

Critical Success Factors Build Strategic Portfolio Management Agility

The greatest power of portfolio management is using the process and the data to anticipate change and pivot to a different direction, all while minimizing organizational chaos. Portfolios can only be as agile as the organization; however, competency in these practices can foster confidence in making the transition. As fast-paced digital strategies accelerate, companies need to embrace portfolio management as a method to control the chaos by:

- › **Using data to break down the silos among business and tech leaders.** You can break down silos of planning and thought with data insights that unite planning priorities. Careful data governance that focuses on creating traceability between strategic themes and actual execution can bring clarity to what's important.

“2015 was the first year our executives had a view into the portfolio and business drivers. We found that we were working on a ton of stuff that didn't provide the value they thought.” (Shawn Whitmore, Agile practice leader and transformation agent, Wells Fargo)

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- › **Getting the right portfolio management skill set.** Portfolio managers have distinctly different skills than project managers. Their role is to identify significant opportunities while effectively delivering on small-to-moderate initiatives that drive growth. They need to combine skills from multiple functions and possess an entrepreneurial and innovative spirit that helps identify opportunities and anticipate risks to deliver on a portfolio's objectives.

"The portfolio manager is a lot less about tactically managing a group of projects and more a blend of a business architect, a program manager, and a business leader for an area." (Senior business and technology leader, national healthcare system)

- › **Using capability mapping and value streams for collaborative portfolio optimization.** Prioritization based purely on departmental or line-of-business units enforces silos. Using architectural frameworks that contain business models and business capability maps, planning teams can identify the impact of a strategic decision on the operating model and on every type of resource.⁷ Value streams enable teams to visualize the total investment in an initiative as well as the dependent work required to deliver on a business capability enhancement.

"It's easy to lose sight of value streams in large companies, but using them helps trigger collaboration across the organization to identify the continuous flow of value across the organization." (Dean Leffingwell, director and chief methodologist, Scaled Agile)

- › **Embracing ceremonies to maintain transparency.** In Scrum parlance, "ceremonies" are meetings. The purpose of ceremonies is to set up teams for success. Sprint planning, for example, brings the team, Scrum master, and product owner to a two-hour meeting at the beginning of a sprint to hammer out the details of the sprint and build consensus to make a commitment. This collaborative process, applied at the portfolio level and hosted by the portfolio management office (PMO), provides product owners, business owners, and relevant stakeholders with the opportunity to discuss dependencies, changes in demand, and portfolio performance (see Figure 2).⁸

"We hold ceremonies at the appropriate times at the appropriate level. At the top level, corporate steering is held four times a year, as are our planning increment meetings; they're offset by one week. Our product managers meet weekly. Our policy is to be consistent but as simple and lightweight as possible. That frees our Scrum teams to focus on getting things done." (Ryan Polk, VP of product development, CA Technologies)

FIGURE 2 Ceremonies Support Continuous Planning

Strategic themes					
Funnel	Assessment	Tradeoff analysis	Backlog	Monitor	Retrospective
Epics	Alignment	Business model	Products	Performance	Outcome
Initiatives	Business value	Capabilities	Features	KPIs	Performance
Ideas	Cost	Capacity	Services	Value	
Request for change	Risk	Cost		Quality	
		Risk		Cost	
				Risk	

Recommendations

Strategic Portfolio Management Requires A New Focus

Strategic portfolio management is critical for customer-obsessed organizations and enterprise architects because it creates focus on achieving specific outcomes to achieve strategic objectives. Building proficiency here requires that EA pros:

- › **Prepare for organizational change.** Firms that embrace agility in planning are willing to accept change and recognize that there will be some initial dips in productivity before it becomes comfortable. By adopting the right level of discipline, being willing to adapt to improve, and measuring results, organizations will see changed behaviors.
- › **Get smart about tools, data, and collaboration.** While tools have their own specific audiences, bringing together relevant business and technology data to gather insights must result in a portfolio ecosystem that enables both collaborative planning and decentralized decision-making supported by continuous feedback.

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- › **Understand that discipline is essential, but base actions on logic.** Standardized practices help drive efficiency, but they're effective only if there are proven results. Portfolio management disciplines retain their agility when supported by empirically accepted measures.

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Supplemental Material

Survey Methodology

Forrester's Global Business Technographics Budgets Survey, 2015 is an online survey fielded between July and September of 2015 of 4,720 business and technology decision-makers located in Australia, Brazil, Canada, China, France, Germany, India, New Zealand, the UK, and the US from companies with 100 or more employees.

Forrester's Business Technographics provides demand-side insight into the priorities, investments, and customer journeys of business and technology decision-makers and the workforce across the globe. Forrester collects data insights from qualified respondents in 10 countries spanning the Americas, Europe, and Asia. Business Technographics uses only superior data sources and advanced data-cleaning techniques to ensure the highest data quality.

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Endnotes

- ¹ Source: “Capturing The Value Of Project Management Through Organizational Agility,” Project Management Institute, 2015 (<http://www.pmi.org/~media/PDF/learning/translations/2015/capture-value-organizational-agility.ashx>).
- ² Over the next 12 months, 44% of respondents’ teams expect to have a very good year performing against metrics and goals, and 38% expect to have a somewhat good year. Source: Forrester’s Global Business Technographics Budgets Survey, 2015.
- ³ Source: Forrester’s Global Business Technographics Priorities And Journey Survey, 2016.
- ⁴ Source: Forrester’s Global Business Technographics Budgets Survey, 2015.
- ⁵ The myopic approach to tech planning prevents strong alignment between CIOs and customer-centric strategies. See the “[The CIO Mandate: Engaging Customers With Business Technology](#)” Forrester report.
- ⁶ Source: Jason Hall, “Exclusive In-Depth Interview With TD Ameritrade Holding Corp. CEO Fred Tomczyk,” The Motley Fool, May 15, 2016 (<http://www.fool.com/investing/general/2016/05/15/exclusive-in-depth-interview-with-td-ameritrade-ho.aspx>).
- ⁷ BT strategy and investment decisions are becoming increasingly complex. To solve this problem, successful enterprise architecture practices are embedding business architecture techniques into their strategic planning processes. See the “[Drive Customer-Obsessed Strategies With A Formalized Business Architecture](#)” Forrester report.
- ⁸ Sustained agility must come from the top to set expectations that a team approach is an integral part of the planning process. Executives should expect their teams to participate, empower them to act, and hold them responsible for the outcome. See the “[Organize Strategic Planning And Portfolio Execution To Drive Greater Collaboration](#)” Forrester report.

We work with business and technology leaders to develop customer-obsessed strategies that drive growth.

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