

MANAGING THE PORTFOLIO SERIES

# Leading and optimising the change: six pathways to success

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## Foreword

We are delighted to introduce the fourth report in the 'Managing the Portfolio' series of four thought-leadership reports from APM's Portfolio Management Specific Interest Group that provide practical insight into the role of portfolio management.

We are in changing times and effective portfolio management is critical to the success of organisations as they navigate their way through the journey ahead. Effective portfolio management is about continually improving the organisation's capability to collectively manage its change and not just about embedding new ways of working. Much has been achieved in the maturity of portfolio management over recent years and feedback indicates that organisations are now more confident in their ability to manage ever more complex and interdependent change. The successful organisations will be those that can innovate and transform in response to the challenge ahead.

## Meaningful insight

This series of reports steps 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* – published September 2018
- *Leading and optimising the change: six pathways to success*

This fourth report, *Leading and optimising the change: six pathways to success*, provides insight into what it takes to establish a business-as-usual operating rhythm for the organisation's change portfolio, ensuring that it becomes an integral way of working. We are sure that you will find it useful and we look forward to your thoughts and views.

**“This report provides insight into what it takes to establish a business-as-usual operating rhythm for the organisation's change portfolio”**

**Steve Leary and Lynne Ratcliffe**

Co-chairs, APM Portfolio Management Specific Interest Group



## Certain change in uncertain times

Organisations are facing continued uncertainty in prioritising and delivering their change portfolio against a backdrop of sustained political and economic ambiguity. Uncertainty has become the new norm across the UK and Europe and is becoming a global trend. This is placing additional pressure on executives to make the right investment decisions against an environment of sustained uncertainty. The impact is stark; decisions are taking longer, with other contingent options held in close reserve as a 'just in case' strategy. Yet the pressure for change within organisations is at an unprecedented level and building.

Change portfolios are adapting to the need for rapid, continuous and high-impact change, yet not every organisation is primed for such success. A strong delivery culture is critical to stay relevant where the public, private and third sectors are subject to increasing customer expectations and where digital by default is now expected. Successful portfolio management is playing a critical role in driving the agility of organisations to respond to the uncertain and challenging road ahead.

The digital economy is driving significant disruption in long-established markets and the impact is evident. Businesses formed with digital technologies integrated into their business models are a significant threat within their markets. The fintech sector is rapidly challenging the dominance of well-established financial markets. Mobility is changing rapidly with autonomous driving, digital connectivity and the electrification of vehicles. One fact is certain: the ability of organisations to respond rapidly to change is making the difference between success and hard failure. Can organisations continue to invest in a portfolio of projects where delivery is not optimised to achieve rapid and continuous change?

The workplace of the near future will be very different from today, with significant people and cultural implications that organisations are now starting to prepare for. The pace of technology-led business change is gathering a new impetus as robotics and artificial intelligence start to get a foothold within organisations. Recent research from Microsoft highlights that 93 per cent of high-growth companies intend to invest in decision-making artificial intelligence in 1–3 years, 53 per cent of which expect to do so in the next 12 months, as compared to 33 per cent of lower-growth companies. Ambition differentiates between good and great.

Change leaders are increasingly calling out analogue business processes as digital transformation continues to be a major priority. Old-fashioned business processes and legacy technologies now stand in sharp contrast. Yet organisations are still struggling to integrate agile ways of working within existing cultures and legacy business processes. Organisations need a vision and journey of continuous, wholesale transformation, which makes the organisation more immediately adaptive to change. Leaders need to design their businesses for agility to survive the uncertainty of the road ahead. Change portfolios need to be optimised for success with effective portfolio management embedded within day-to-day ways of working. The challenge is clear, and one thing is certain: time will shape the outcome.

**Peter Glynn**

Author, APM Portfolio Management Specific Interest Group and Microsoft

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**“One fact is certain: the ability of organisations to respond rapidly to change is making the difference between success and hard failure”**

## Leading and optimising the change: making it stick

The business imperative to successfully lead and optimise change across organisations has never been greater, with economic and political uncertainty at play along with further technology-led disruption on the horizon. The maturity of portfolio management has grown rapidly in recent years and there are many great examples of good practice that have been celebrated and widely shared. This increase in maturity is highly welcome. However, there remains a significant challenge for organisations to prepare for the enormity of the change journey ahead. The successful organisations will be those that can plan, prepare and deliver beneficial change during sustained periods of uncertainty and volatility. How prepared are organisations for this challenge?

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**“Success is the integration of portfolio management into day-to-day ways of working across the executive and beyond”**

It is relatively easy to introduce new ways of working, particularly where they are proven and tested in similar organisations and widely recognised as good practice. It is more challenging to build a sustainable rhythm that maintains relevance and value for the medium to long term, making it stick. This involves understanding the organisation's DNA, navigating politics and maintaining high levels of energy to succeed. Success is the integration of portfolio management into day-to-day ways of working across the executive and beyond, often characterised by a relentless focus on the outcome and less focus on terminology and technicalities. The successful organisations are those that respond and lead rather than those that react and follow.

### Six pathways to success

This report, the fourth in the 'Managing the Portfolio' series, presents six pathways to success for any organisation wanting to lead and optimise change through business-as-usual portfolio management. They are:

1. Shaping the portfolio into a sustainable business rhythm
2. Knowing when too much is too much
3. Delivery confidence: the critical second opinion
4. Knowing when to say stop
5. Connecting with the benefits; delivering the overall prize
6. Robust challenge without political consequence

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

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**“If expectations are not managed correctly, the business rhythm can fade away and become irrelevant or limp along until overtaken by the next executive-level priority”**

## **1. Shaping the portfolio into a sustainable business rhythm**

Maturing the change portfolio into a sustainable business-as-usual rhythm for the organisation's executive is easier said than done. The need to collectively review, discuss and reshape the change portfolio is a repeatable ask of the executive with the frequency driven by culture, ways of working, risk appetite and financial priorities. In times of uncertainty, the challenge to maintain relevance, leadership and accountability is even greater. Success is dependent on confidence, accurate and targeted management information and applying sustainable leadership to get the job done within the right cadence. It is surprising how many organisations fail to get this right, despite best intentions. Energy can wane and other priorities take precedence, particularly in times of uncertainty and volatility. The business rhythm also needs to be robust to survive leadership changes around the executive table. Portfolio management can be misperceived as the latest passing management fad or overly associated with negative leadership behaviours, including perceived political 'land grabs'. Every new approach has an implementation and an embedding period to build confidence; this period is not infinite. If expectations are not managed correctly, the business rhythm can fade away and become irrelevant or limp along until overtaken by the next executive-level priority. A lesson learnt for even the most experienced project professional.

## **2. Knowing when too much is too much**

Every organisation has an ambition, a finite capacity for change, a risk appetite and limited financial resources. This is a given for any change portfolio, yet the challenges faced by organisations due to political and economic uncertainty bring a new sense of urgency to preparing for the road ahead. The volume and pace of change are driven by internal and external factors over which the executive may have limited control or influence. It is critical for the organisation's executive to recognise the tolerance limit for change to avoid overheating and increasing the risk of failure. The imperative for large-scale change may be compelling, and ambition may drive an urgent sense of achievability, yet the reality is that the organisation needs to be grounded in the risk-versus-reward debate, even in such challenging times. The ability to recognise when the organisation is absorbing too much change into its portfolio is critical. Few would argue with this principle; however, it is surprising how many organisations fail to recognise the signals or deliberately push the organisation beyond the boundaries of its upper limits. This can be a factor driven by an overly ambitious executive or CEO where the principles of faster, better and cheaper become a major pressure on the organisation's change capacity. The key question is: will organisations successfully balance ambition, risk and capacity when faced with the enormity of the change agenda over the next few years?

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**“The quality of management information on the change portfolio will always be influenced by populist opinion and desired messaging, and subject to errors in the production of data”**

### **3. Delivery confidence: the critical second opinion**

There has never been a more important time to ensure that executive decisions on change are based on accurate information, grounded in reality and in the best interests of the organisation. While this sounds like a typical management cliché, time will tell how many organisations get this right against the backdrop of political and economic uncertainty. In these times, executives are facing tough decisions involving change that can have far-reaching consequences for the organisation, and beyond. This is a given, yet the quality of management information on the change portfolio will always be influenced by populist opinion and desired messaging, and subject to errors in the production of data. The age-old adage 'how red is red?' is a question that challenges many executive reviews of RAG ratings across the change portfolio. It can be an emotive theme that can drive challenging conversations or elicit justification against political positioning around the executive table. The independent second opinion is important to maintaining confidence in critical decision-making. Whether this assurance comes from within the organisation or externally is a matter of choice, priority or cost. Integrated assurance is driving a sense check across organisations to bring together a unified, independent view of the quality of the organisation's projects and programmes, not asking the same probing questions time and time again through different investigative teams. The important point is that integrated assurance minimises the invasive effort and provides a sense check for the executive to ensure that they are making the right decisions on a firm footing. Can organisations continue to make critical decisions in the current climate without a unified second opinion of their most important projects and programmes?

### **4. Knowing when to say stop**

Challenging times bring the need for challenging decisions and none more so than a decision to stop a critical project or programme in flight. Knowing when to say stop at the right time takes leadership and courage, particularly where the stakes are high and there is uncertainty in the end outcome. In testing times, this principle becomes more important than ever. These decisions are never taken lightly; however, they can be highly political, fraught with commercial implications and often subject to legal risk. The consequences can be far-reaching, particularly when there is negative political impact or where shareholder expectations may be damaged. While making the decision to stop may appear a 'management 101 principle' it is often seen as an easier option to let the project or programme limp on until overtaken by another initiative or a change in strategic direction: a convenient diversion. It is often surprising how few projects or programmes are actually stopped in flight and decommissioned. In such uncertain times, one thing is certain: all organisations need to understand their appetite to make these difficult decisions when faced with the challenge. One day, the sustainability of the organisation may depend on it.

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“The answer to sustainability lies in the integration of portfolio-level benefits realisation into the executive business planning cycle”

## 5. Connecting with the benefits; delivering the overall prize

Benefits are the only reason that projects are delivered and they contribute significantly, in some cases wholly, to achieving the organisation's business strategy. There is no other rationale for project success. In the current environment of uncertainty and technological disruption, the stakes are high and timing is everything in the challenge to successfully transform the organisation. There is an important prize to be delivered and the right leadership is required to get the job done. The link between strategy, project delivery, change management and benefits realisation is the backbone of how organisations succeed and thrive, particularly at a time when political and economic uncertainty prevails. Time and time again this message is communicated, understood and lauded, yet organisations continue to struggle with benefits realisation, not least at the portfolio level. The challenges relate to attributing the benefits, proving causality against multiple other business factors, fear of negative external publicity and unhelpful behaviours around the executive table. The answer to sustainability lies in the integration of portfolio-level benefits realisation into the executive business planning cycle and integration of the organisation's priority performance management metrics into measurement of the benefits. Without this approach, energy and enthusiasm will wane against competing or overlapping initiatives. It is clear that benefits realisation will always come second to the well-established rhythm of the organisation's business planning cycle and operational performance management reviews. The challenge is to drive seamless integration where benefits realisation, business planning and operational performance are at one. The organisation's ability to turn around benefit metrics when they are off track is also critical to success. Time will differentiate the successful organisations.

## 6. Robust challenge without political consequence

Successful decision-making thrives on targeted management information and robust challenge, not least when times are uncertain. The regular review of the change portfolio is an opportunity for the executive to constructively challenge and shape the direction of the organisation's change, ensuring that it remains aligned to overall budget and strategy. Yet for some organisations such reviews can, over time, become transactional and low-value, impacting confidence and sustainability. There has never been a more important time for executives to consider how robust their challenge is; the stakes are too high.

There are a number of key factors, including:

- maintaining quality of management information to support ease of enquiry and robust challenge;
- maximising the value of lead indicator metrics and pre-empting challenging situations before they occur;
- executive members feeling empowered to constructively challenge without fear of political consequence or retribution;
- the effectiveness of the behind-the-scenes informal conversations to avoid unhelpful surprises around the table; and
- continuous improvement in management information and engagement with the executive.

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**“Overall robust challenge is critical to good governance, making sure that the organisation’s portfolio of change is steered in the right direction for success”**

The role of the non-executive director is to provide independent thinking and challenge along with a fresh perspective on what can make things different. Whether on the main executive or a portfolio-level board, this independent voice can provide welcome and timely challenge, often with a perspective drawn from similar or different sectors. Overall robust challenge is critical to good governance, making sure that the organisation's portfolio of change is steered in the right direction for success. The key question facing leaders of change is: how prepared is your board for the twists and turns in the change journey ahead? One thing is certain: there will be many.

## **Leading and optimising the change: opportunity for continual improvement**

The next few years will bring significant change to all organisations, not least with the economic and political uncertainty at play. The journey to embed portfolio management across the organisation is not the last milestone on the road to success. It is the start of business as usual and continuous improvement. There are always important opportunities to bring innovation, good practice or valuable technology to the table. Whether this is a regular refresh of governance or harnessing the latest digital technology to access management information, the important factor is keeping the approach relevant and valuable to the organisation. Continuous improvement is critical to long-term sustainability, ensuring that the approach to portfolio management keeps pace with the challenges faced through the enormity of the change agenda over coming years. The key question is: are leaders of change prepared for the road ahead and proactive in seeking the opportunities to innovate and continually improve?

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