5 Steps to Achieving Adaptive Portfolio Planning & Funding

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The pace and scale of change today is extraordinary. Continual business disruptions, coupled with macroeconomic headwinds, mean leadership teams must carefully examine organizational practices.

Predictable and consistent value delivery is essential to build confidence with customers and shareholders. But, to continue operating smoothly and delivering value in today's shifting market, organizations must reexamine their foundational processes related to planning, funding, and execution.

When assessing and rethinking processes, adaptability should be a key consideration – flexible processes enable fast pivots when priorities shift, market conditions evolve, and new opportunities arise. But achieving adaptability is nearly impossible when your organization is beholden to complex planning processes, rigid governance, annual funding cycles, and command-and-control leadership.

Adaptive portfolio planning lays down an operational foundation that enables organizations to be flexible while keeping value delivery high and fast. However, it requires making some challenging swings in attitudes, practices, and processes. Read on to discover the five steps portfolio leaders must take to prepare their organization for enhanced adaptability.

Organize for speed of response.

Fast-moving organizations report:

- **2.1x higher operational resilience**
- **2.5x higher financial performance**
- **3.0 times higher growth**
- **4.8 times higher innovation**

– McKinsey

Why Your Organization Needs to Evolve

Adaptive portfolio planning gives companies greater flexibility while helping them drive value delivery. Portfolio leaders who undertake this evolution can champion new operational processes by highlighting the future benefits, such as:

- **Confident strategic decisions:** Customers expect the quick delivery of new products, features, and better experiences. This requires a fine balance of prioritizing new work with work that improves existing products and services. By aligning the organization to strategic outcomes and the desired results, decisions and trade-offs can be made with the confidence that the highest value work will remain a prioritiy.

- **Aligning governance and funding with priorities:** A flexible governance framework enables leaders to reallocate funding when market conditions or strategic priorities change. Performance-based funding ensures money goes to initiatives with the greatest potential.

- **Improved responsiveness to change:** Adaptive portfolio planning helps organizations react to shifting expectations and disruptions. It allows strategic leaders to make data-driven changes based on how their investments perform.

The Five Steps to Adaptive Portfolio Planning & Funding

Before we dive in, it's important to keep in mind that **changing how your organization operates is a marathon, not a sprint**.

Don't expect your annual planning and funding cycles to change overnight, nor your governance models. Be patient and understand your goals. Soon, you'll be on your way to a nimbler organization.

> For leaders, adaptability is the critical success factor during periods of transformation and systemic change.
>
> — McKinsey

STEP 1: Change the Way Your Organization Plans

Move to continuous planning	Top-down continuous planning gives leaders insight into whether portfolios, strategies, and funding remain aligned with their business outcomes. This helps the organization drive value and stay competitive in the face of ongoing change.
Break long-term plans and initiatives into iterations	Business outcome-based planning requires breaking high-level plans into shorter, more flexible iterations. This type of planning includes: • Strategic planning • Initiative or investment planning • Roadmapping and outcome planning • Capacity & resource planning This approach allows portfolio leaders, EPMOs, and PMOs the ability to **constantly iterate, revisit assumptions, and revise their plans accordingly**.
Use scenario planning	Scenario planning helps leaders determine how to adjust plans without jeopardizing execution. Using this method, leaders can model the impact of potential changes, balance trade-offs, and confidently shift investment priorities. Create and compare multiple scenarios to answer key questions such as: • How would the delivery of portfolio outcomes be affected by alternative staffing or funding? • If you shifted resources, what would the impact be on your overall portfolio costs and your Return on Investment (ROI)? Surfacing these questions is important for determining prioritization, funding, and staffing across portfolios. .
Lighten governance	Remove cumbersome governance processes that obstruct decision-making and efficiency. Apply just enough governance to ensure that the strategy and initiatives align with the intended outcomes.
Fund incrementally	Tie funding to short-term programs and outcomes. Incremental funding gives you the flexibility to take calculated risks, capitalize on opportunities that arise, and even fail fast so you can learn from your mistakes.

Explore ***"Dynamic Planning: 5 Steps to Rapidly Replan, Reprioritize, and Effectively Execute"*** to learn more about creating plans that enable faster pivots.

STEP 2: Switch to Portfolio and Product-Centric Planning and Funding

Adopting an approach that increases customer-centricity, drives innovation, and accelerates time to market requires your organization to shift funding constructs from projects to products.

Here's how you can put this in motion.

Fund and deliver portfolios and products	Project-based funding is too limiting. Portfolio-based funding is about return and value.
Make outcome-based investment decisions	Fund based on how well the investment ties to strategy and objectives. Don't fund based on tactical metrics such as scope and requirements.
Prioritize portfolios by their associated values	Use measures of return such as ROI, Net Present Value (NPV), Internal Rate of Return (IRR) and outcome achievement to prioritize investments based on objective criteria, rather than who shouts the loudest.
Modify portfolios when needed	Move investments from longer-term programs to shorter-term epics with prioritized outcomes.

If your organization is making the transition to product-centric planning, organize around the product itself.

This approach enables organizations to ensure the work delivered is always tied to strategy. By planning and managing across portfolios, strategic portfolio managers can continuously monitor progress, resolve resource conflicts, manage dependencies, reallocate funding, and realign quicker as change happens.

STEP 3: Connect Roadmaps with Strategic Objectives

Strategic roadmaps are an essential part of transformation and adaptive portfolio planning. They demonstrate where the organization wants to go and how far they've already traveled.

Portfolios and roadmaps must be connected to your organization's strategic objectives. Stakeholders need accurate, up-to-date information on the portfolios. They also need context to help them make sense of this information. Context-specific content could relate to:

- **Business applications:** How decisions about business applications impact the success of strategic initiatives;
- **Business products:** How product deliveries, upgrades, and removals can influence company goals;
- **Business services:** How capabilities and services help delivery, and how dependencies and bottlenecks could hinder it;
- **Technology infrastructure:** How changes to the technology infrastructure and the business capabilities landscape can influence company goals.

The goal is to provide enough context so shareholders from different departments can make informed decisions. That way, the organization gets a clear picture of how their portfolios are performing and whether they're aligning with the company's overarching strategy.

STEP 4: Focus on Outcomes and Benefits

Engage in portfolio planning with the intention of achieving business results, not tactical outputs. Demonstrating value to executives and key stakeholders is essential. To do this, you need access to the right information and a clear idea of how to measure progress.

Leaders need high visibility to accurate, timely data captured from across the organization in a single place. This data may include status, costs, interdependencies, Key Performance Indicators (KPIs), risk, strategy, benefits, and forecasts.

Work with stakeholders to gain access to this data and decide what the KPIs should be. Leading indicators quickly alert strategic portfolio leaders to the need to pivot, adjust funding or capacity, or even put an initiative on pause.

A goal-oriented framework such as Objectives and Key Results (OKRs) can help EPMOs, strategy, and transformation leaders maintain their focus on outcomes and benefits. OKRs enable departments across the organization to decide what they want to accomplish (Objectives) and how they will measure success (Key Results). This outcome-based approach allows value delivery to be measured across a diverse portfolio of investments.

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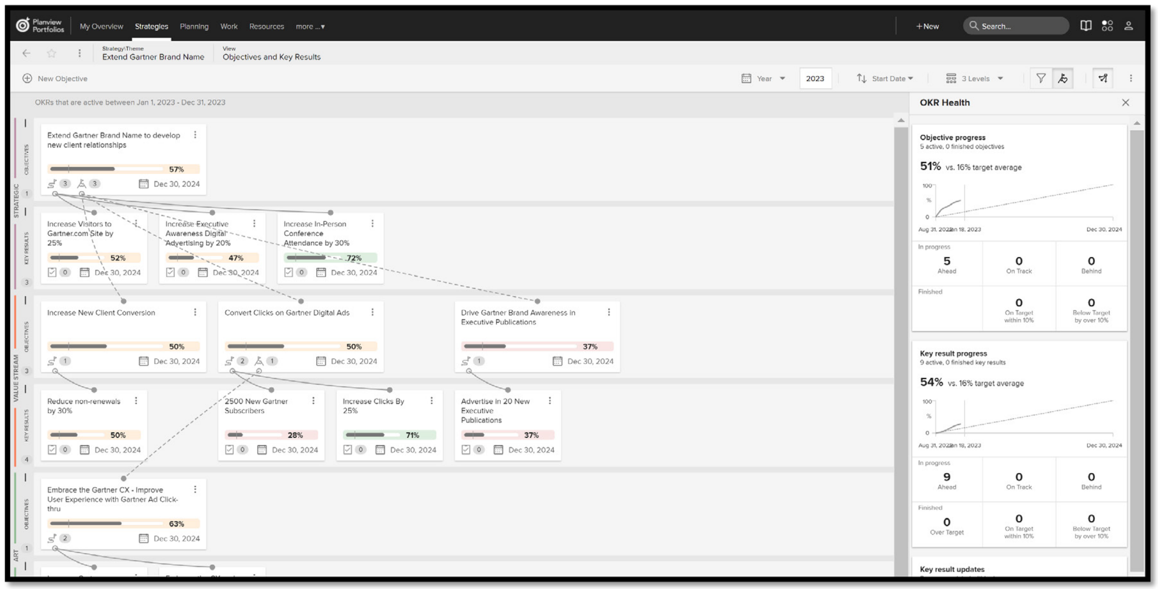

STEP 5: Conduct Quarterly Checkpoints

Quarterly checkpoints allow you to evaluate the results from the previous quarter, ensure deliverables are on target, make go/no-go decisions, and approve incremental funding. Since you are only funding the increment (as opposed to funding an entire year under the traditional method), continued funding is dependent on the results produced.

During these checkpoints, consider the following crucial questions...

- What do we know now and does this change the priority?
- Do we need more or less capacity to deliver the outcome?
- If results haven't been met, do we continue to fund regardless of the outcome, or do we shift funding to another investment?

Adopting checkpoints as part of an adaptive funding process also supports the move towards continuous planning. Take a page from Agile methodologies and make time each quarter to reflect on how to connect work across your organization in a way that embraces agility—then make those changes.

Obstacles That Undermine Adaptive Portfolio Planning and the Journey

Pitfalls are bound to materialize due to human error, inefficient processes, and suboptimal technologies. Organizations must overcome the following obstacles when undergoing a strategic transformation.

- **Ineffective technology:** Your technology and applications should be suitable for teams and organizations that deliver work using mixed and/or hybrid methodologies. Outdated and disconnected tools, like spreadsheets and traditional Project and Portfolio Management (PPM) software, don't provide a complete picture. It's essential to connect execution to strategy and to measure the value being delivered to the organization.
- **Cultural resistance:** Resistance to change is common, especially when you're asking people to alter or discard entrenched business orthodoxy and practices. That's why it's essential to gain top-down buy-in and show everyone why these changes matter.
- **Infrequent portfolio reviews:** Organizations that rarely perform portfolio reviews struggle to reassess performance and pivot when needed.
- **Hoarding data:** Collecting data for the sake of it and not knowing how it applies to current business operations or future needs often leads to data gaps, which prevent transformational leaders from seeing the bigger picture and making informed decisions.
- **Existing processes:** Holding on to outdated, bureaucratic processes can impede progress. This is one of the biggest barriers to becoming more adaptive.
- **Siloed data:** Creating roadmaps in functional silos prevents stakeholders from getting a holistic understanding of the portfolios and programs within that department.

Minimize roadblocks with the help of an effective strategic portfolio management solution that connects your strategic initiatives to portfolio funding and to the value delivered within your organization.

"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, adapting to improve, and measuring results, organizations will see behavior change."

Forrester: Strategic Portfolio Management Is Agile

Make the Shift and Become an Adaptive Organization

Business today is a whirlwind, causing transformations up, down, and across organizations. With adaptive portfolio planning, your enterprise can evolve alongside it.

Take these five steps to jump-start the journey and enable strategic portfolio management within your organization. Move from a reactive, traditional business to a proactive, modern entity. Maximize the benefits of change and ensure that execution is always tied to strategy and outcomes. It's a shift worth making.

READY TO LEARN MORE?

See how Planview's strategic portfolio management solution enables executives, finance, and EPMOs to drive their organizations' initiatives, adapt planning and funding practices, and increase confidence in strategic decisions during times of change.

Watch the Strategic Portfolio Management demo now.

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