

# How to lead your portfolio

*Creating long-term value off a portfolio of initiatives takes sound leadership and structured decision-making*



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**A**s an insightful blog by Antonio Nieto-Rodriguez of GSK on selection and prioritisation of strategic initiatives made clear, when transferring many theoretical approaches to the real world, they tend to result in discussions on process and data instead of a more desirable focus on strategy execution and decision-making. From my experience working with everything from multinational corporations like Siemens Healthcare, Novozymes, and Maersk Logistics to start-ups at the other end of the spectrum, I know that most executives and their leadership teams already have what is needed to succeed with their portfolios.

The irony is, that while getting lost in theory and heavy processes will most likely sink you



portfolio-based approach like a stone, the most important precondition for efficient dialogue on trade-offs and allocation of resources is structure. If you as a leader repeatedly allow a group to have free flowing discussions on strategy and priorities without insisting on a structured basis, you can expect meetings that fall in a spectrum ranging from inefficient to intolerable. The trick is to make that structured approach an integrated part of how you work with your team, freeing up time and energy



for the group to talk about the important stuff, and have meaningful conversations about the big picture.

The role of the leader then, becomes to instil that creative discipline, ensuring that the team works together according to a clear and well-understood set of high-level guidelines, which the management team can unite around. At first, it can seem counter-intuitive that the leader in this setting oftentimes will act more as a conductor than a star performer. The reason is two-fold:

1. You want to foster alignment and shared understanding in the group.
2. To further robust execution, you want a cascading effect where each member of the management team is capable of leading his or hers team according to the overall strategic priorities.

Keeping that in mind, now let us look at some good guidelines for leading your team to manage your portfolio successfully.

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## Design: Stay in the helicopter

When designing your portfolio screen: *Focus on strategic fit and value*. That sounds innocent enough, but in reality, it is a great opportunity to assess your organization's maturity when it comes to making good business decisions in a repeatable fashion. Consider the questions:

- What are our value drivers?
- How well does the initiative support our business growth?
- What is the net present value of a given initiative?
- Are there timing dependencies (e.g. windows of opportunity? License to operate?)

Only when each and every member of the management team can answer the above in their sleep, can you rest assured that you can stay clear of the gory details in the meetings, and even more importantly: That your management team is collectively focussed on the most important issues.

Readers with experience in portfolio management will have noticed that there are both qualitative and quantitative answers to the questions above. In a separate article, we will visit why subjective assessments like estimating the strategic fit are worth it, and take a closer look at ideas for doing the actual prioritization of initiatives.

The ability to answer the above questions will simultaneously give you a good idea of who should be present at the portfolio management meetings. I once consulted with a company where the responsible executives, which made it hard to reach consensus around anything but stalling, sent half of the people present at the project board meetings. We turned that around by letting the most senior executive lead these meetings, which effectively ended the practice of sending proxies.



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## Implementation: You want an approach not just a set of processes

If structure is the way forward, we must surely need an implementation programme, SAP integration, project servers, project quality czars, etc... On the contrary, those kinds of phenomena are often signs of sub-optimization and bureaucracy of the value-destroying kind. Integration to cloud based portfolio management systems and online dashboards can be nice add-ons to the mature organization, but are far from essential. You want a top management approach throughout with a *sharp focus on strategy execution*.

As a leader, you can emphasize this by stressing a pragmatic approach and keep the methodology zealots and solution consultants in check. Many portfolio management initiatives fail to create value because the leaders lose track of the end goal, i.e. to enable prioritization on a strategic level, and end up with complex, ineffective, expensive and IT-oriented beasts. Depending on the size of your company, begin with the top 10 initiatives according to strategic importance, and crosscheck that with the top 10 initiatives by cost, and finally the top 10 by net present value. This way you will most likely end up with 10 - 15 initiatives on your list. If you have more, something is probably out of tune related to how you assign strategic priority or how much you pay for non-strategic projects. In most organizations, this list holds more than 80 % of X of the initiatives pipeline, where X can be net present value, cost, and headcount etc. Allocating most of your management team's time to this list and delegating the remainder (frequently the remaining initiatives amount to less than 10 % of CAPEX) often makes a lot of sense.

OK, so now we have a list of the most important stuff and have agreed to a way of bringing that list about, how do we put it to good use?

**Coordinate ceaselessly:** As argued by Donald Sull et al in the brilliant piece [\*Why strategy execution unravels\*](#), execution is all about the ability to seize opportunities aligned with strategy while coordinating with other parts of the organization on an ongoing basis, and avoiding blindly chasing vertical alignment. By frequently discussing horizontal, strategic initiatives with your senior managers, you can significantly increase the number of decisions that are made to the benefit of the whole.

**Insist on ruthless realism:** To me, one of the most important principles to come from the Toyoda management system and its descendants (Lean, Agile, etc.) is the idea of aiming for around 80 % utilization saving spare capacity to handle unplanned events, and avoiding to waste resources on delays, re-planning, failure-work, and more. Making sure that the initiatives that will deliver against your strategic priorities are tied to real capacity is critical, and that means keeping the members of your team honest about consequences of decisions.

**Drive management performance.** This idea is one of my favourites. Sometimes you see organizations where leadership is mistaken for following up on KPI's, and where performance means hitting your own targets. Needless to say, if you adopt the mind-set described here, you are well on your way to get rid of that kind of sub-optimization. So how do you drive performance? Periodic meetings where you discuss your strategic priorities, your value drivers, how your portfolio is aligned, what you can do as a team to deliver etc.



will quickly make it clear to what extent members of your team that is both willing and capable of succeeding in a team, and can translate management decisions to productive actions within her/his own domain.

**Delegate systematically.** Finally, when there exists a clear understanding of what are the most important initiatives and why, it becomes much easier to give precise mandates to members of the management team, programme managers, and consultants. Take advantage of this to delegate authority and use the framework to follow up on progress in a strategic context.

As a final consideration regarding implementation, many will wonder if they need a strategy office/PMO to make this work? After all, both the responsibility and the initiative sits predominantly with the executives in the line organization when you take the approach outlined here, so what role will it play?

My take is that you in no way *need* a strategy office/PMO to pull it off. In fact, it can be counter-productive if you do not already have one, and decide to create such an entity as part of aligning your portfolio and execution to your strategic priorities. One reason is that you risk losing focus on the big picture and get lost in details and standards as described

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above. Even more important, you want the members of your team to take ownership and coordinate with each other. Too often, the PMO ends up acting as a hub, which coordinate with each business unit bilaterally and/or take responsibility for data quality, decisions, and deadlines. Again, you want your management team to own that.

Of course, depending on your type of business and culture, your organization may well benefit from having a strategy office, but in that case, it must be clearly demonstrable how it adds value, and it should be clear that it exists to support leaders and project managers, nothing more.

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## Consolidation: How to make it stick, quick!

The single most important factor in instilling a portfolio leadership mind set in your organization is, just as with most other cultural transformations, executive ownership. The top leaders must be out in front and live the approach themselves, and implement the necessary discipline in the leadership team. Besides that, there are a number of things that can help accelerate the adoption:

**Lead congruently.** Evaluation and prioritization of initiatives lends itself to a structured approach. Use that to structure the meetings with an elaborate and recurring agenda, pre-reads, decision summaries, and structured meeting management.

Fundamentally, leading a portfolio can be described as a discipline of “human economy”, i.e. leading a group of people to manage scarce resources for maximum mutual benefit. When every meeting participant experiences on a personal level, that they are being productive and contribute to the effectiveness of the group, they will automatically feel on a deeper level, that they are acting in accordance with the big, underlying idea. Making the leadership team feel that you as a group do what you say you do, goes a long way towards integrating portfolio leadership in your culture.





**Design for going fast: Be over-prepared and ready to facilitate.** Assume that every meeting participant came well prepared. Goes without saying that you should be well prepared yourself. To make this work in a busy schedule, delegate the fact checking and preparation of materials to others, but make sure to understand and own the materials on your own.

Project managers, internal strategy consultants, and executive assistants make good candidates for helping out with these tasks, and will often be appreciative of the learning opportunity and being close to the decision making process. When these people are involved in the actual initiatives, this has the added benefit that they know what is really happening on the ground, and can draw on this knowledge to improve the materials.'

**"An organization's ability to learn, and translate that learning into action rapidly, is the ultimate competitive advantage."**

No matter how the meeting inputs came about, each member of the leadership team is 100 % responsible for the quality of his or her materials. Improving the materials is a matter that is dealt with outside the portfolio board meetings, as are other administrative matters.

Until working together in this manner has become second nature for your team, it often works well to elect a meeting participant to facilitate the meeting and manage the process. In the beginning, you can e.g. assign yourself this role, and then transition to a model where members of your leadership team alternates.

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**Be execution-biased.** There is a time for reflection and discussion and a time for taking action. When we make *informed* decisions and then make them *count*, we are doing a good job as leaders. Until a discussion leads to an observable decision, we might as well not have had the meeting to begin with.

In that vein, here's a simple way to enhance the productivity of your meetings, and ensure you're your good discussions make a real difference:

1. Agenda points lead to a decision.
2. Decisions lead to action points.
3. Action points have owners and deadlines.
4. Following up on progress on action points is a recurring agenda item

I am not sure that Jack Welch, known for transforming General Electric via a style of leadership that put an emphasis on effectiveness, ran his meetings in this manner. But in any case this quote has been attributed to him, and I think it sums it up quite well: "An organization's ability to learn, and translate that learning into action rapidly, is the ultimate competitive advantage."




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## Conclusion: The more you evolve a mind-set the more efficient you will become

Leading a portfolio of initiatives is all about installing and cultivating an approach shared by managers, not about implementing complex business processes and IT systems.

Often the most important success factor is the leading by example and discipline displayed by the high-level sponsors.

When it has become a mind-set, it has become part of your organisational capabilities to lead this way. You can accelerate this process by making it create value on a personal level, in that it free up time to focus on leadership and conversation as opposed to management and administration, once the structure and approach has become a tacit part of how you do things.

When you reach that level, there will open up exciting opportunities to venture beyond the basics, and play with how to visualize priorities and progress for the whole organization to see, how to engage people from the whole organization in providing data for decision-making, and how to lead your delivery organization from a value creation perspective as opposed to a cost or activity perspective [*which you can read more about here*]. 

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