



# STRATEGIC REALIZATION

HELPS WIN THE WAR FOR

# BUSINESS SUCCESS

Business leaders love talking about strategy, using words like *strategic advantage*, *strategic intent*, and *strategic alignment*. We often refer to “strategy” as if we have discovered something new and tantalizing—even though formal strategy development dates back to at least 400 B.C., when Sun Tzu wrote *The Art of War*.

After decades in a leadership role working with hundreds of companies, I have concluded that strategy has only two essential components, and both are designed for warfare. Whether on the battlefield or in the boardroom, strategy is designed to either defend or attack in order to achieve a desired vision or outcome.

In business, we develop strategy to mitigate known or anticipated threats (competitive or otherwise), or to pursue opportunities. Just as in sports, consistently winning teams have well-developed strategies addressing both defense and offense. But while most organizations are adept at developing strategies, many struggle to transform strategy into sustainable results while efficiently running the business. Focusing resources to strategy and compromising day-to-day performance is a recipe for disaster. The organization must do both well and not confuse the two. This is why strategic portfolio management (SPM) and the associated resource planning are so critically important.

The typical business strategy consists of specific goals and imperatives identified by the executive team; strategic initiatives developed by functional heads and/or business unit heads with input from respective staffs; and programs and projects developed to support and assure realization of the initiatives. Although operations and other functional groups initiate projects to drive continuous improvement or address other opportunities, these projects are seldom generated as a direct result

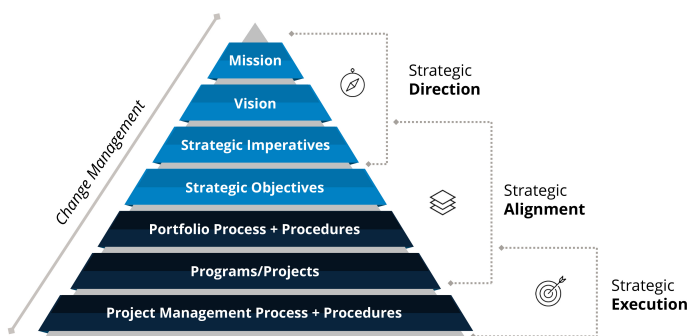


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of the business's strategic plan or "cascading" strategic initiatives. However, the projects are important because they typically support the base business and either maintain or improve operational performance. They are best validated, prioritized, and resource-planned through a project portfolio management system.

Strategy realization requires an organization that is well positioned to carry out its strategy and achieve the corresponding benefits. This is best accomplished with an organizational structure and processes designed specifically to ensure focus.

Focus is absolutely critical to assuring execution. This has been proven time and again by our military and high-performing innovative organizations that must evolve quickly to remain relevant. Most businesses today would benefit greatly from establishing a discrete strategic portfolio—a technique used for years in many industries, including technology, life sciences, and aerospace.

A strategic portfolio (SP) includes the initiatives (programs and projects) that most directly address the strategic imperatives and goals identified and defined by the executive team. The SP is managed by a strategic realization executive, typically VP level, who leads the Strategic Realization Office (SRO).

The SRO is responsible for strategic communications up and down the organization. It ensures that the strategic imperatives are communicated to functional or unit heads and that the strategic initiatives, generated by these individuals, are properly vetted for alignment and justification.

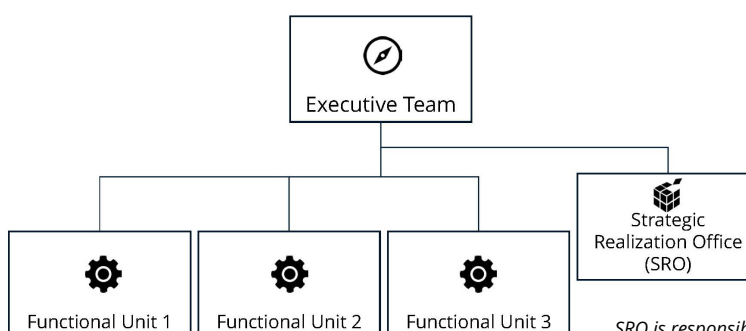
The SRO assembles the strategic portfolio along with

resource requirements (people and dollars) and recommends it to the executive team for approval. This includes a determination of whether to invest the resources or determine the appropriate level of investment. This is often referred to as "drawing the line." Projects "above the line" are deemed critical and will receive the people and funding to assure completion. Projects "below the line" are postponed, held for future consideration, or dropped.

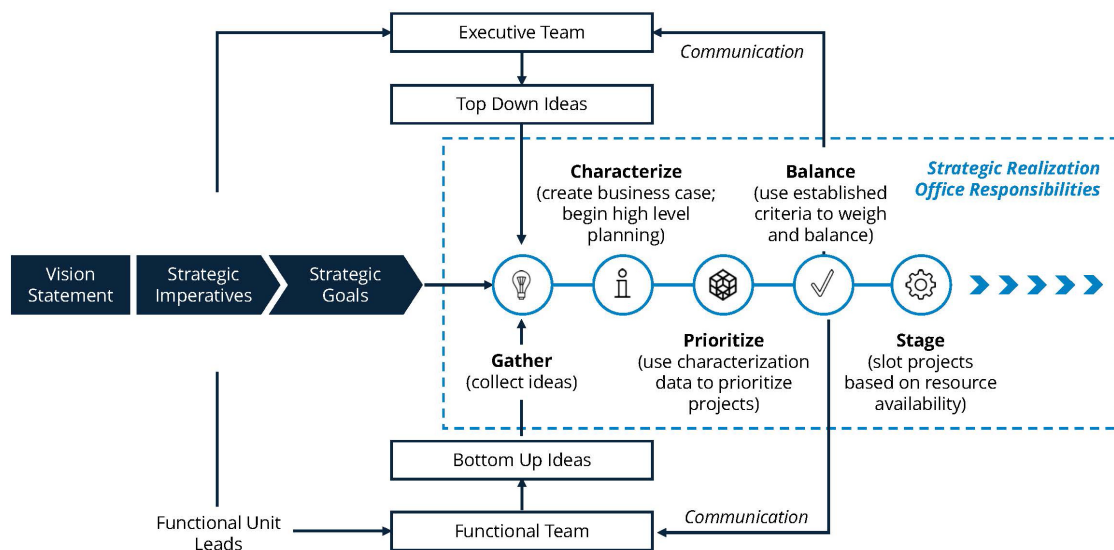
Once the strategic portfolio is approved, the SRO resources are responsible for assuring the efficient planning and execution of the strategic initiatives (programs and/or projects). They are also responsible for establishing the project management tools, processes, and systems to assure consistent application through the enterprise, especially communications. If the executive team adds or deletes projects, the SRO "rebalances the portfolio" to assure proper resource allocation.

Because many strategic initiatives are cross-functional, they directly or indirectly influence the work and resources within the functional groups. As part of resource planning, the SRO determines whether or to what extent the functions can support a strategic initiative or look to augment staff with outside resources. If a project has been deemed a priority by the executive team, it must be internally or externally resourced.

Projects generated through the annual budgeting process should also be well-defined, justified, prioritized—and entered into a project portfolio. This list typically far exceeds the organization's resource capacity and the acceptable spending threshold. Depending on the size of the organization, this portfolio can either be managed by the SRO, or, in the case of a large operation, by individual SROs and, in some cases, supporting PMOs that may reside at a functional level (IT, Engineering). The optimal model depends on the size and complexity of the organi-



*SRO is responsible for defining the process and governance for project evaluation and execution*



zation, the aggressiveness of the strategy, and the sizes of what are considered “typical” strategic and operational portfolios.

Establishing the SRO and putting in place all of the processes to assure that the right and highest value-generating projects are identified, prioritized, and resourced still does not guarantee success. Foundational to achieving strategy objectives is the ability to plan and execute reliably and consistently. This is where program and project management come to the forefront.

Industry statistics show that the average life span of most PMOs is only four years. The reason is simple: They fail to deliver value. After almost 30 years of professional project management, I can attest that the primary reasons for failure are lack of leadership and discipline. Too often organizations establishing PMOs or SROs look to a subject matter expert rather than individuals who can inspire and engage. Without the right people, the United States would have no Special Forces who constantly achieve their critical missions. Likewise, without the right people and

the disciplined application of project management and change management practices, the likelihood of executing project portfolios efficiently and reliably is diminished.

It is important in all cases that the organizations’ limited resources be focused to those things that will generate the greatest enterprise value. These are the activities that assure the highest ongoing operational performance and will enable the organization to best defend itself against major threats and position itself to maximize opportunities.

Strategic Portfolio Management and the Strategic Realization Office are but components of a business model. The “magic” is not in the model, the tools, or processes, but in executive commitment, discipline of process application, selecting the right people for the SRO, employing change management in adopting the model, and establishing, applying, and maintaining high performing project management capabilities. Remember, nothing matters if you cannot execute well.

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**Vision** – A long-range projection of the organization, typically five years or more in the future, and its aspirational position and achievements in the marketplace, providing an overarching, value-focused objective that aligns and inspires the organization. This could include a description of intended model, market position and prominence, size, capabilities, and brand identity.

**Strategic Goals** – Clear, measurable objectives established by the executive team to drive organizational focus and measure progress toward the vision.

**Strategic Imperatives** – The “must do” components of the strategic plan, as identified by the executive team. Strategic imperatives answer the question, “What is of highest strategic importance to achieve strategic goals?”

**Strategic Initiatives** – Programs or projects, often multi-year, designed to accomplish the strategic imperatives.

**Strategic Plan** – A two- to five-year business plan that develops and/or continually refines the strategy and its associated imperatives and initiatives to capitalize on market opportunities or mitigate threats.

**Strategic Realization Office (SRO)** – An executive-level functional center responsible for identifying, planning, and assuring implementation of strategic initiatives in support of strategic imperatives. The SRO is ultimately responsible for orchestrating the transformation of strategy to sustainable results, and for assuring that resource requirements to support the strategic initiatives are identified and endorsed by the executive team.

**Strategic Portfolio (SP)** – The list of programs and projects deemed to be critical to addressing the strategic imperatives and achieving the strategic goals.

**Strategic Portfolio Management (SPM)** – The process applied by the SRO to identify, define, justify, prioritize, plan, resource, and execute strategic initiatives.

**Program** – A complex and typically cross-functional undertaking consisting of multiple inter-related projects, most often established to achieve a strategic initiative.

**Project** – A planned undertaking with a defined beginning and end to achieve a specific objective either as part of a program or independently.



**NOTHING MATTERS IF YOU CANNOT EXECUTE WELL**

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