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## **Project portfolio management as an effective mean to strategy implementation**

### **Abstract**

Strategy is the overarching concept of the organization indicating the key directions and objectives of development - the master plan of changes and transformation of the organization. Its development involves a considerable investment of manpower and resources, while its implementation poses significant difficulties to organizations. The difficulties stem from the high level planning and shortcomings of tools and methods to effectively translate strategic goals into activities on a tactical and operational level.

Despite extensive output of strategic management discipline solutions to these problems are hard to find within this area. Existing practices, such as the BSC and programs are partial and fragmentary, solving some problems, and leave many others outside the scope of support. As a result, organizations have sought solutions to the implementation of the strategy in other places.

Projects and project management fill the gap. Project management has been traditionally associated (and by some still is) with the operational management and seen through network techniques such as critical path method. However, over the years the area has evolved significantly expanding its reach, complementing perfectly so far underdeveloped level of management at the tactical level.

Projects, programs and portfolios pair with the strategic management to become an effective tool in translating long-term development plans into the practical and pragmatic projects initiatives.

By managing projects, programs and portfolios, organizations can identify projects focusing its efforts on those creating the most value, plan and organize their execution with regard to resource constraints, as well as constantly and carefully monitor their progress through the appropriate management structures. From both the theoretical and practical perspective projects today are undoubtedly effective tool to ensure the success of the implementation of strategic plans.

### **Key words:**

**project management, strategy, portfolio management**

## Introduction

The study, whose selected problems are presented in this article, is aimed at a complex analysis of achievements in the area of strategic management with regard to strategy implementation as well as the indication of the way the project, programme and project portfolio management may contribute to the solution to these problems. The author intended to strongly and permanently bridge the thoughts and concepts of strategic management and the achievements of project management in order to point to a coherent integrated concept of organisation management from the lowest to the highest levels.

The exploratory research was conducted according to the methodology of this type of research. The research goals are to be achieved through analysis of the Polish and foreign literature on strategic management and project management as well as the analysis of other authors' research.

## Significance of strategy in the organisation

The term strategy was first used by ancient Greeks. According to K. Obój the source is to be found in Greek *strate-gos*, which is derived from *stratos* meaning *army* and *agein* meaning *leadership*.<sup>1</sup> In ancient Greece the title of strategist (Greek *stratēgós* meaning *army leader*) was given to the highest ranked people within the army and navy structures operating in the military and civilian authorities. In Sparta they were nominated in the time of war and they could replace the king to become commanders-in-chief. For example, Pericles in the 5th century BC and Aratus of Sicyon in the 3rd century BC<sup>2</sup> were formally acting strategists. According to M. Romanowska, the idea of strategy was transferred from the military area, where it was developed by Sun Tzu<sup>3</sup> or Carl Von Clausewitz,<sup>4</sup> to economy as late as in the 1950s, when it began to be used to describe "the programme of activity determining the major corporate goals and the ways to achieve them."<sup>5</sup>

According to K. Andrews, one of the early researchers working on the problem, "corporate strategy is the pattern of decisions in a company that determines and reveals its objectives, purposes, or goals, produces the principal policies and plans for achieving those goals, and defines the range of business the company is to pursue, the kind of economic and human

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<sup>1</sup> Obój K., *Strategia Organizacji (Strategy of organisation)*, PWE, Warsaw 2014, p.15

<sup>2</sup> Internetowa Encyklopedia PWN (PWN Internet Encyclopaedia), <http://encyklopedia.pwn.pl/haslo/Perykles:3956161.html>

<sup>3</sup> McCreddie K., Sun Tzu. *Sztuka wojny (The art of war)*, Wydawnictwo Studio EMKA 2012

<sup>4</sup> Von Clausewitz C., *O wojnie. Podręcznik stratega (On war. Strategist's manual)*, OnePress 2013

<sup>5</sup> *Leksykon Zarządzania (Management Lexicon)*, ed. M. Romanowska, Difin, Warsaw 2004, p. 529

organization it is or intends to be, and the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers, and communities.”<sup>6</sup> For A.D. Chandler, strategy is primarily a **process** of setting long term goals and plans as well as the related allocation of organisation’s resources in places which guarantee their achievement.<sup>7</sup> E. P. Learned, C.R. Chistensen and K.R. Andrews defined strategy as a set of tasks and plans specifying in which direction the company should go in order to accomplish the adopted assumptions.<sup>8</sup> Long term goals are also dealt with by R.Ackoff, according to whom, the strategy as a method of achieving them affects the system as a whole.<sup>9</sup> Presently, strategy is primarily identified as a plan of activities in a certain area<sup>10</sup>, which is complex<sup>11</sup> and definitely related to long term activities.<sup>12</sup>

### **Problems connected with strategy implementation**

The development of a proper strategy is a difficult and complex task. Nevertheless, the creation of favourable conditions to implement it is even more difficult. The survey conducted by magazine *Fortune* in 1999 proves that only 10% of properly formulated strategies were correctly implemented.<sup>13</sup> The authors indicate that “the problem results from the fact that the present fascination with strategy and vision contributes to spreading a false opinion that the working out a proper strategy will enable the company to beat the competitors. In fact, the strategy itself is only a battle won, not a war. In the majority of cases (70%), according to our

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<sup>6</sup> Andrews K., What Strategy Is? [in] B. de Wit, R. Meyer, M. Huygens, *Strategy Process, Content, Context. An International Perspective*, West Publishing Company, New York 1994, p.40 [cited in] Gregorczyk S., Ogonek K., *Rola projektów we wdrażaniu strategii (Role of projects in implementation of strategies)* [in] *Strategiczne zarządzanie projektami (Strategic project management)*, ed. M. Trocki, E. Sońta-Drączkowska, Bizarre, Warsaw 2009, p. 16

<sup>7</sup> A.D. Chandler, *Strategy and Structure. Chapters In History of Industrial Enterprise*. MIT Press, Cambridge 1962, p.10; [cited in: T. Gołębiowski, op. cit.]

<sup>8</sup> . P. Learned, C.R. Chistensen and K.R. Andrews, *Business Policy*, R.D. Irwin, Homewood Il., 1965 [cited in: T. Gołębiowski, *Zarządzanie strategiczne. Planowanie i kontrola (Strategic management. Planning and controlling)*, Difin, 2001]

<sup>9</sup> R. Ackoff, *Redesigning the Future*, J.Wiley, New York 1974, p.29 [cited in: T. Gołębiowski, op. cit.]

<sup>10</sup> Internetowy Słownik Języka Polskiego PWN, <http://sjp.pwn.pl/szukaj/strategia.html>

<sup>11</sup> Griffin R.W., *Podstawy zarządzania organizacjami (Rudiments of organisation management)*, Wydawnictwo Naukowe PWN, Warsaw 2004, p. 245

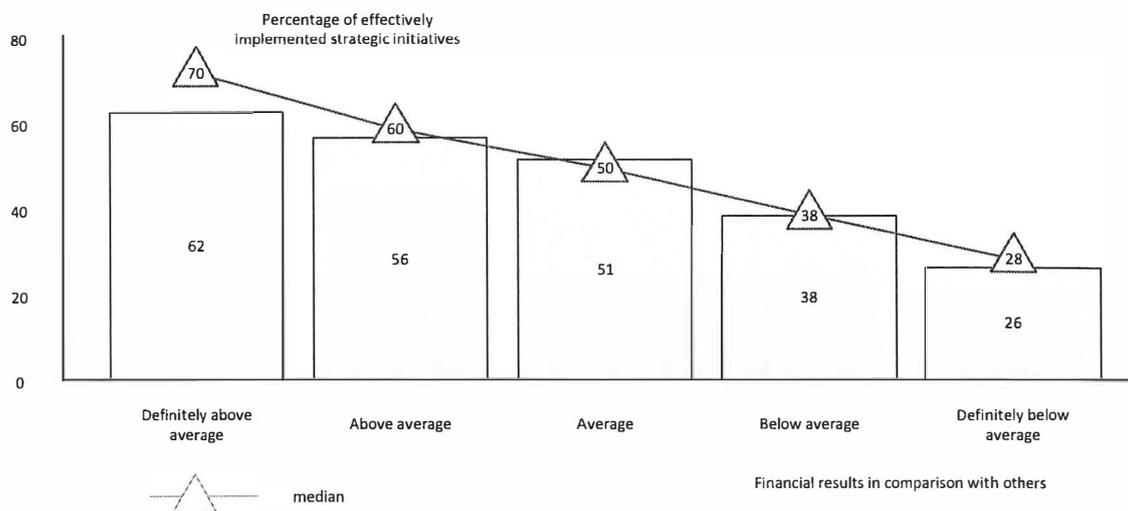
<sup>12</sup> *Leksykon Zarządzania (Management Lexicon)*, (ed.) M. Romanowska, Difin, Warsaw 2004, p. 529

<sup>13</sup> R. Charan, G. Colvin, *Why CEO’s Fail*, *Fortune* 1999, No 6/21 [cited in] S. Gregorczyk, K. Ogonek, *Rola projektów we wdrażaniu strategii (Role of projects in implementation of strategies)* [in] *Strategiczne zarządzanie projektami (Strategic project management)*, ed. M. Trocki, E. Sońta-Drączkowska, Bizarre, Warsaw 2009, p.19

estimates, the problem does not result from a wrong strategy but from its wrong implementation.”<sup>14</sup>

The observations included in the *Fortune* article retain their validity despite the lapse of time. The Economist Intelligence Unit conducted a research in March 2013, which may serve as an example, on a sample of 587 members of management from all over the world.<sup>15</sup> 58% of them were employed in companies with more than US\$ 1 billion worth of income, and 25% in companies exceeding US\$ 10 billion. The board members admit that they are aware of the significance of the implementation of strategies (58% regarded it as indispensable or very important), but the majority: 61% claimed that their organisations all the time could not cope with combining the work on of strategy with everyday duties. They assess that within only three years 56% of strategic initiatives were correctly implemented. It means that strategic directives affect what is happening in the organisations only to a slight degree. The EIU researchers managed to point to the direct relation between the level of strategy implementation and corporate financial results.

**Figure 1. Relation between the degree of strategy implementation and corporate financial results**



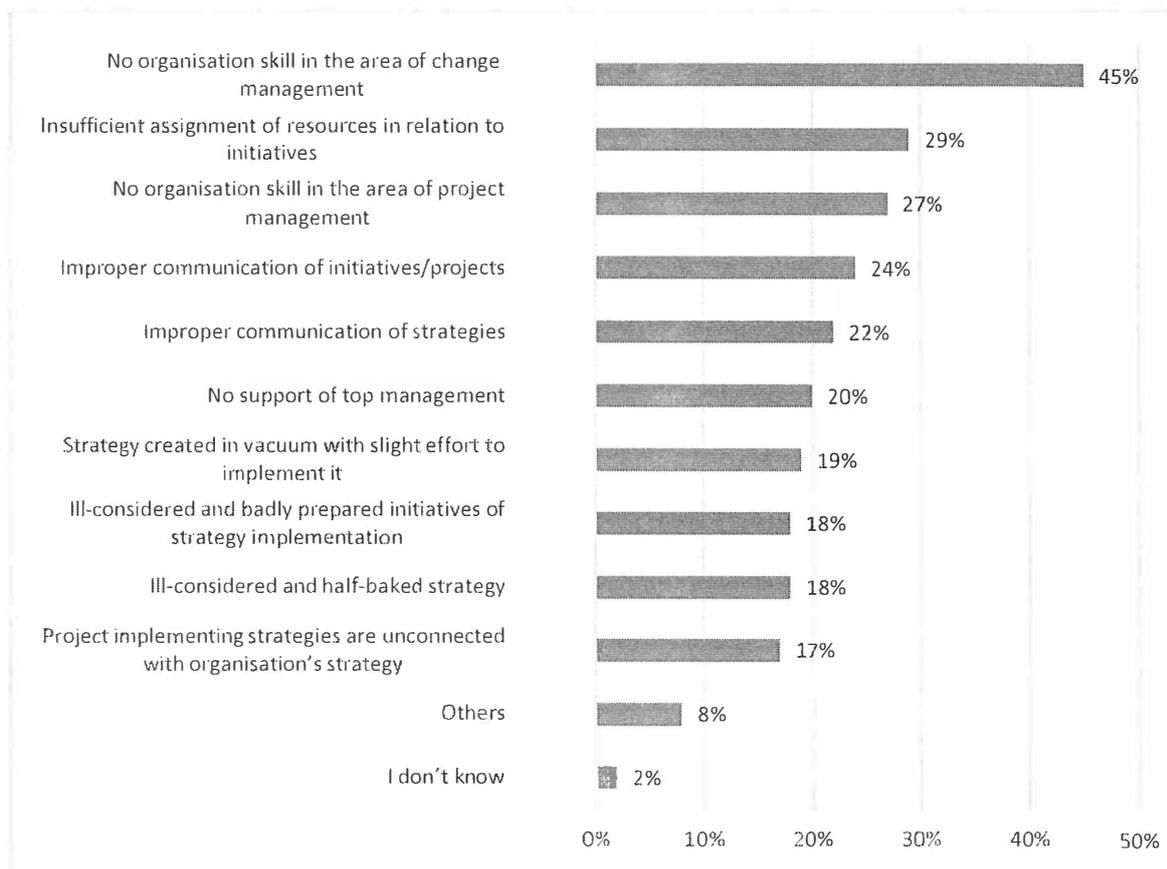
Source: BCG, Strategic Initiative Management, The PMO Imperative, BCG&PMI, November 2013

<sup>14</sup> R. Charan, G. Colvin, Why CEO's Fail, *Fortune* 1999, No. 6/21 [cited in] S. Gregorczyk, K. Ogonek, Rola projektów we wdrażaniu strategii (Role of projects in implementation of strategies) [in] *Strategiczne zarządzanie projektami (Strategic project management)*, ed. M. Trocki, E. Sońta-Drączkowska, Bizarre, Warsaw 2009, p.20

<sup>15</sup> The Economist Intelligence Unit, Why good strategies fail Lessons for the C-suite, The Economist Intelligence Unit Limited 2013

As barriers to strategy implementation the respondents declared the lack of skills related to change management in the organisation, difficulties in application of suitable resources and a low level of competence in the area of project management.

**Fig 2. Major barriers to strategy implementation**



Source: The Economist Intelligence Unit, Why good strategies fail Lessons for the C-suite, The Economist Intelligence Unit Limited 2013

The EIU diagnosis may be developed if the Polish experience is taken into account. S. Gregorczyk and K. Ogonek indicate the following the key problems connected with the process of strategy implementation in Polish companies:<sup>16</sup>

- the lack of internal coherence of strategy at the level of the Management Board or key company areas (the so-called ensilaging)
- slight understanding of real strategic corporate goals among shop floor workers of even middle management

<sup>16</sup> S. Gregorczyk, K. Ogonek, Rola projektów we wdrażaniu strategii (Role of projects in implementation of strategies) [in] Strategiczne zarządzanie projektami (Strategic project management), ed. M. Trocki, E. Sońta-Drażczkowska, Bizarre, Warsaw 2009, pp.24-28

- difficulty in focusing on corporate strategy, instead - involvement in secondary though sometimes impressive projects
- traditional attachment to strategy implementation through the budget.

### **Solutions to strategy implementation**

From the perspective of strategic management achievements in the area of strategy implementation, the most frequent reference is made to the so-called programmes. The programmes in this case are perceived as “single plans of a comprehensive set of activities.”<sup>17</sup>

The implementation of strategies based on programmes is mentioned for example by A. Kaleta, who proposed that the process should consist of three stages:<sup>18</sup>

1. development of the most detailed and pragmatic programme of strategy implementation
2. delegation of strategic tasks followed by the assignment of resources determining their completion
3. strategic control ensuring enforcement and if necessary correction of strategic tasks.

According to this suggestion, the programme of implementation of strategies should ensure the transition from tasks formulated at the strategic level to their tactical perspective, i.e. it should decompose strategy into programmes, tasks and medium or short term plans as well as projects.<sup>19</sup> The condition of their effective completion is the assignment of the responsibility for tasks to specific people and providing them with indispensable resources. Interestingly, A. Kaleta indicates the following sources of difficulties in the implementation of strategic tasks: considerable risk, going beyond routine corporate activities, new and difficult duties for the staff who have been charged with work so far. The features mentioned by the researcher are very close to a book definition used to describe projects.<sup>20</sup>

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<sup>17</sup> Griffin R.W., *Podstawy zarządzania organizacjami (Rudiments of organisation management)*, Wydawnictwo Naukowe PWN, Warsaw 2004, p. 228

<sup>18</sup> Kaleta A., *Realizacja strategii (Implementation of strategics)*, PWE, Warsaw 2013, p. 123

<sup>19</sup> Kaleta A., *Realizacja strategii (Implementation of strategics)*, PWE, Warsaw 2013, p. 124

<sup>20</sup> Cf.: H. Kerzner, *Project Management, A systems approach to planning, scheduling and controlling*, 8th edition, John Wiley & Sons, USA 2003, p. 2; J.M. Nickolas, H. Steyn, *Project Management for Business, Engineering and Technology – Principles and Practice*, 3rd edition, Butterworth-Heinemann, Oxford 2008, p. xxvi; *Zarządzanie projektem europejskim (European project management)*, ed. M. Trocki and B. Grucza, PWE,

Considering the problems of strategy implementation, it is worth referring to the thought of Professor Krzysztof Obój. He indicates that a problem often ignored by top management is the transmission of strategy into the so-called functional programmes of activity.<sup>21</sup> These programmes are to ensure, according to him, the transition of strategic concept into specific activities in the company and everyday work done by every worker. The areas affected by these programmes include marketing, finance and costs, human management, production and technology, as well as structure and processes.<sup>22</sup>

Theoretical concepts of strategic management seldom refer to the method of creation, assessment and planning of these programmes. Strategic initiatives or projects are sometimes mentioned. The author has an impression that it is a serious mistake as the implementation of strategy plays an important role in the corporate success and it will be proved in the further part of the study that projects are effective mechanisms to implement strategies through any activities undertaken in the company. An example of the organisation which practically executes this postulate is for example American space agency NASA, whose procedures of management and strategic supervision directly refer to the connection of strategic planning, implementation and monitoring of programmes and projects.

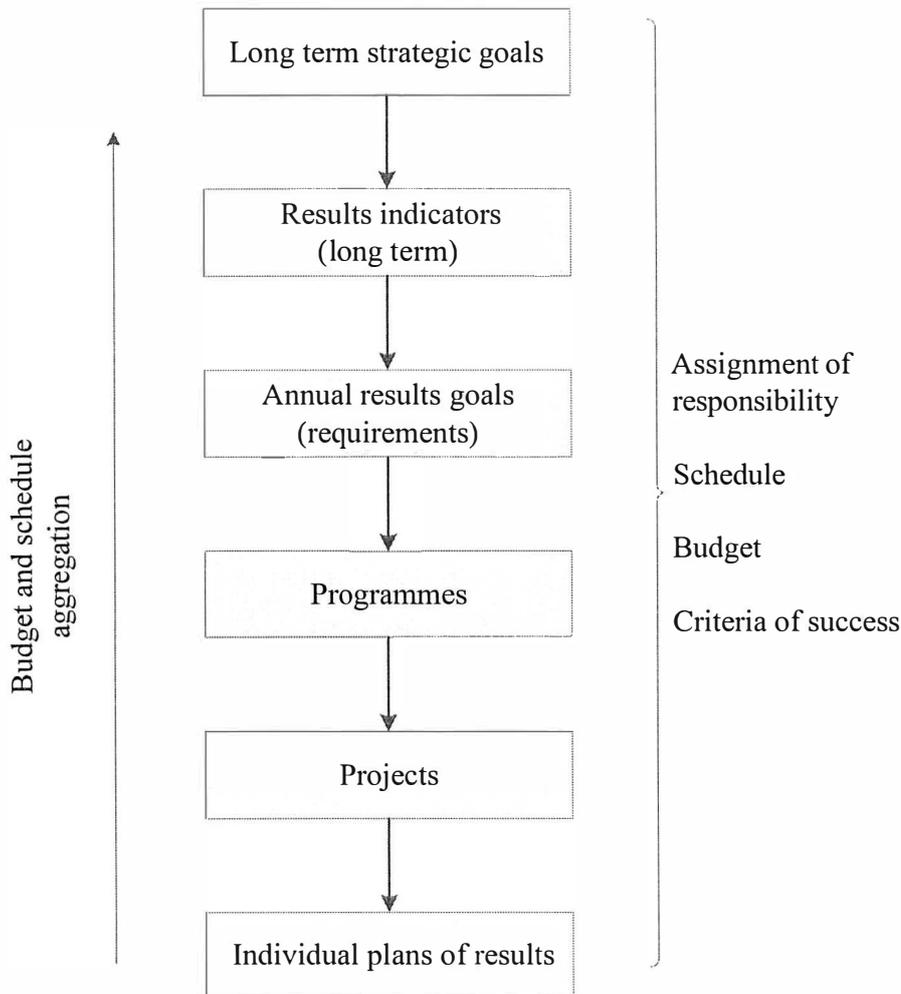
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Warsaw 2007, p. 14, Kozarkiewicz A., Zarządzanie portfelem projektów (Project portfolio management), PWN, Warsaw 2012

<sup>21</sup> Obój K., Strategia Organizacji (Organisation strategy), PWE, Warsaw 2014, p.331

<sup>22</sup> Obój K., Strategia Organizacji (Organisation strategy), PWE, Warsaw 2014, p.23

Figure 3. Levels of implementation of strategy (delegation of strategic goals) in NASA



Source: NPD 1000.0, NASA Strategic Management and Governance Handbook, Office Of The Chief Engineer, August 2005

Although the theory of strategic management avoids integration with project management, these relations are indicated in the case studies describing the implementation of strategy in companies and organisations examined by the same experts in the area of strategy.

K. Obój quotes the example the Royal Łazienki Museum in Warsaw, which in the middle of 2010 made an effort to change strategy in order to create a professionally managed museum focused on spreading the ideas of Enlightenment and knowledge of the epoch of king Stanisław August Poniatowski.<sup>23</sup> The museum made use of the Balanced Scorecard method. The strategy map was made, goals and measures of completion were set and key programmes

<sup>23</sup> Obój K., *Strategia Organizacji (Strategy of organisation)*, PWE, Warsaw 2014, p.395

were selected to enable the achievement of them. The selection of areas and direction of development allowed for the formulation of five strategic programmes:

- Spreading knowledge and raising service standards
- Retention and development of museum resources
- Strengthening of identity and prestige
- Stimulating of innovativeness and strengthening of continuous improvement culture
- Providing funds to enable stable growth.<sup>24</sup>

The description of the case gives information about detailed initiatives pursued in the area of five priorities. A dominating majority of them are single projects or groups of projects connected with each other with a common goal, called *project programme* or *programme* in project management. They include:

- founding the Museum Education Centre to conduct educational projects, e.g. Education Festival
- programme "Improvement of Tourist Movement" in the period 2011-2015 including adaptation of premises, implementation of electronic ticket sales, introduction of audio-guides in seven languages
- programme "Revitalisation of the Royal Łazienki" – renovation projects co-funded by the EU
- projects completed in co-operation with Łazienki's partners, including educational projects, conferences or websites
- restructuring projects of divisions and departments, training projects
- numerous projects of exhibitions, events, outdoor galleries and others.

All programmes and projects comprising them had their owners, budgets and clear contribution in the implementation of strategic goals. Their state and progress were subject to monitoring and control of during periodical management meetings.

Similar observations were made by A. Kaleta when while analysing corporate experience in the area of strategy implementation. Two-year-long research (2009-2011) referred 30 companies of different sizes and sectors. The group include: Almi Decor, Bombardier Transportation Polska Sp. z o.o., HascoLek S.A., Impel S.A., KGHM Polska Miedź S.A. or

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<sup>24</sup> Obój K., *Strategia Organizacji (Strategy of organisation)*, PWE, Warsaw 2014, pp.395-403

Kruk S.A. The research was based on the interviews described later in the form of case studies.

The research questions included those dealing with the method of decomposition of strategy into components as well as methods and tools of transformation of strategy into operational activities. In a great majority, 24 companies, out of 30 examined, applied or introduced project management in order to ensure effective implementation of strategic initiatives.

**Table 1. Methods decomposition and implementation of strategies in the examined companies**

Kind of solution	Companies
A. Unformalised transformation of strategies directly into operational plans	<ol style="list-style-type: none"> <li>1. Kret i S-ka</li> <li>2. Matusiewicz Budowa Maszyn</li> </ol>
B. Unformalised transformation of strategies directly into operational plans through project management	<ol style="list-style-type: none"> <li>1. Dolnośląska Fabryka Maszyn Elektrycznych</li> <li>2. Almi Decor</li> <li>3. Vitbis</li> </ol>
C. Long term strategic plans broken down into plans of consecutive years	<ol style="list-style-type: none"> <li>1. NG2</li> <li>2. Huta Oława</li> <li>3. Ecoren</li> <li>4. Key</li> <li>5. Mirosław Wróbel</li> <li>6. KEA</li> </ol>
D. Long term strategic plans broken down into plans of consecutive years, and simultaneously into projects	<ol style="list-style-type: none"> <li>1. Lukas Bank</li> <li>2. Bombardier</li> <li>3. Magit</li> <li>4. HascoLek</li> <li>5. PCC Rokita</li> <li>6. Odra</li> <li>7. Koelner</li> <li>8. Fortum</li> <li>9. Góraźdże Cement</li> <li>10. Selena</li> <li>11. Hak</li> <li>12. Teta</li> <li>13. Kruk</li> <li>14. Cermag</li> </ol>
E. Strategy of transformation into implementation tasks by means of Strategic Scorecard, supported by project management	<ol style="list-style-type: none"> <li>1. Impel</li> <li>2. Zetkama</li> <li>3. Work Service</li> <li>4. KGHM Polska Miedź</li> <li>5. EnergiaPro</li> </ol>

The largest group of organisations (D) implemented their strategies through the decomposition of long term plans into current plans together with a simultaneous use of project management. Current plans were applied to typical activities within the responsibilities of different organisational units, while the project approach was used in the case of specific non-standard initiatives of great strategic significance. In Bombardier the position of project managers (champions) was even stronger than that of functional management, which must have resulted from the adoption of a strong project matrix structure by the organisation.

Importantly, the last group of companies used the Strategic Scorecard to cascade strategic goals. A. Kaleta observes that "in none of these cases was this instrument considered sufficient and supported by project management on every occasion."<sup>25</sup> Strategic Scorecard may be regarded as a method of operationalisation and cascading of goals, and due to this used to identify and monitor effects of strategic project implementation; however, practice shows that this tool is insufficient to pursue complex strategy implementation management.

In the case of questions about the control of strategy implementation the domination of project management was not so clear. It may be supposed that strategic projects are subject to control compliant with project management solutions. Cyclical reviews were conducted for example by: KGHM S.A., Dolnośląska Fabryka Maszyn Elektrycznych, Kret and Company, Huta Oława, Hasco Lek, Koelner, PCC Rokita, Teta and Selena. In the case of Lukas Bank, everyday detailed project control was assigned to the Quality Management Department co-operating with the Controlling and Strategy Department as well as functionally oriented Board Committees.

Summarising his research Professor Kaleta indicates the key significance of strategic programmes in preparation of the strategy implementation path. He also claims that strategy implementation programmes should be made more precise at a later stage through strategic project identification as well as the development of medium term plans. He thinks that **"project management is an excellent tool to make strategic tasks precise and to compose them into the practical system of corporate activity management. Project, as a matter of principle, deals with occasional single activities within a closed space area not subordinated to particular functional units, often running across the organisation**

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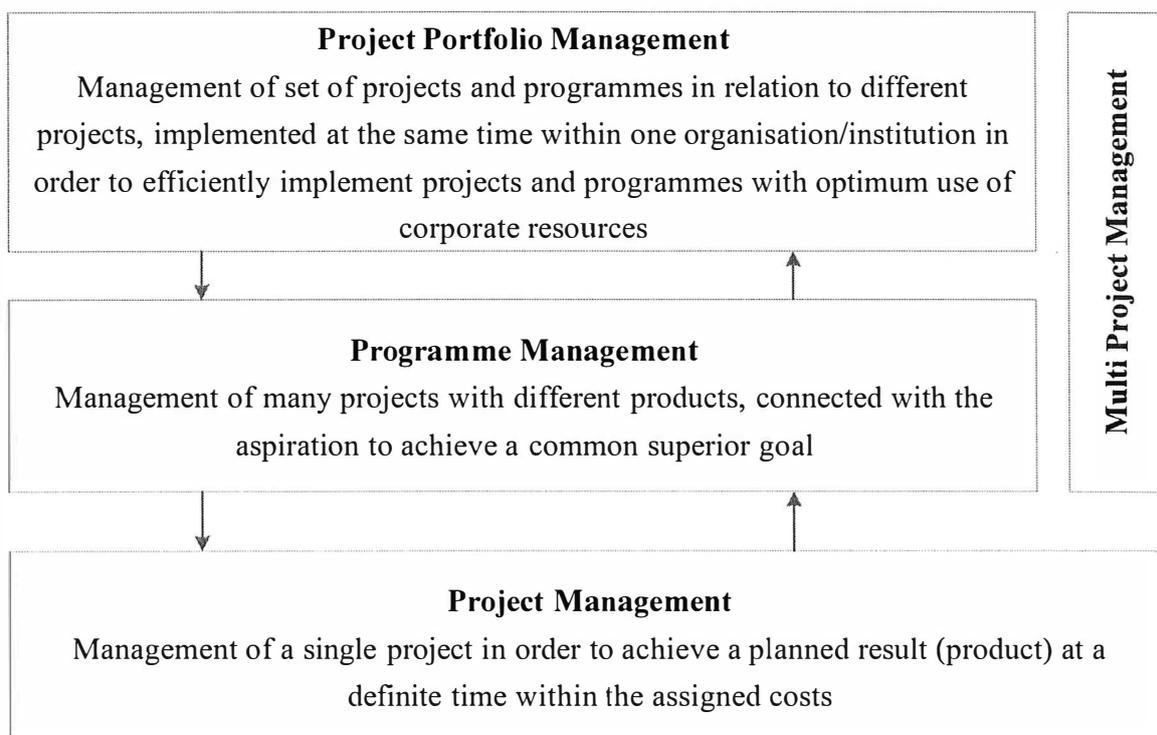
<sup>25</sup> Source: Kaleta A., *Realizacja strategii (Implementation of strategies)*, PWE, Warsaw 2013, p. 159

corporate structures. It is well matched with the specificity of strategic ventures, which as a rule are the same in character.”<sup>26</sup>

### Strategic advantages of combining projects in portfolios

Due to numerous ideas with regard to organisation development and limitations determining them in an organisation and its environment in today’s business, good management of ventures alone is not sufficient – organisations have to well manage appropriate ventures. It caused a necessity of shifting the interest higher to the tactical and strategic level of organisation, which results in the creation of a vast area of multi-project management as well as programmes management and project portfolio management.<sup>27, 28</sup>

Figure 4. Relations between project, programme and portfolio management



Source: M. Trocki, Introduction to project management, unpublished lecture materials, Postgraduate Project Management Studies, Warsaw School of Economics, Warsaw, 2014

<sup>26</sup> Source: Kaleta A., Realizacja strategii (Implementation of strategies), PWE, Warsaw 2013, p. 201

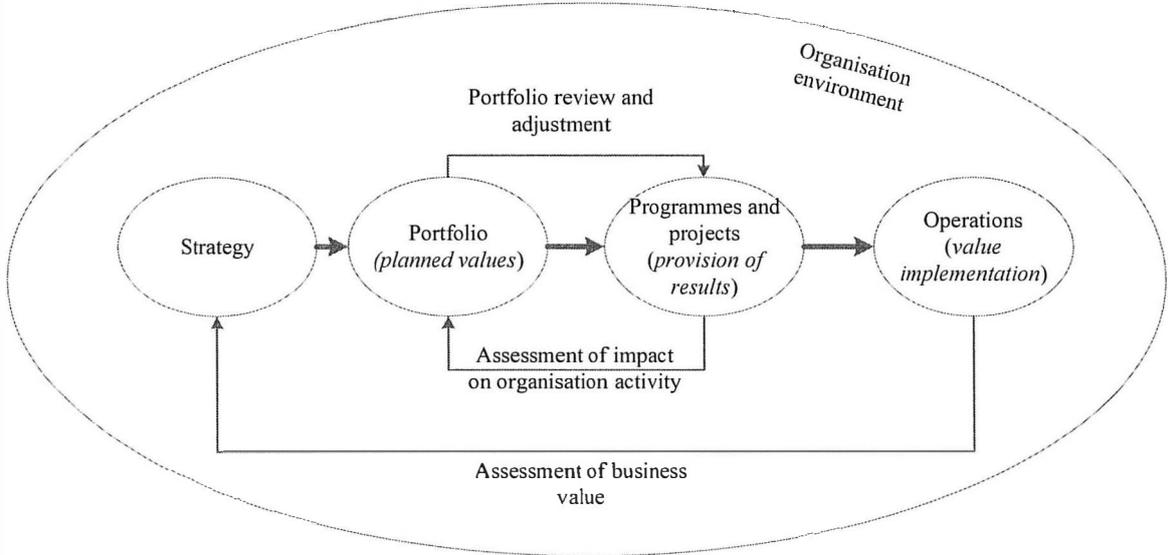
<sup>27</sup> E. Sońta-Drażczkowska, M. Trocki, *Przedmowa (Introduction)* [in:] *Strategiczne zarządzanie projektami (Strategic project management)*, ed. M. Trocki, E. Sońta-Drażczkowska, Bizarre, Warsaw 2009, p. 11

<sup>28</sup> Kozarkiewicz A., *Zarządzanie portfelem projektów (Project portfolio management)*, PWN, Warsaw 2012

**Portfolio** is a set of projects or/and programmes implemented at the same time, not necessarily connected with each other with a common goal, grouped to enable control, coordination and optimisation of implemented ventures.<sup>29</sup> Management from the point of view of all the ventures, not only individual initiatives, is favourable with regard for example to the optimisation of the use of resources, balancing the risk level portfolio, coordination within the parent organisation or focus on the person of performer of sponsor.<sup>30</sup>

Portfolio management ties ventures implemented in the organisation with the strategy through the selection of appropriate programmes and projects and prioritising work and provision of required resources. Programme management focuses on harmonising the course of programmes and projects comprising it as well as accurate management of mutual interdependencies in order to provide the organisation with definite advantages. Project management should concern planning and coordination of activities aimed at results (project products) according to the adopted scope and in the way compliant with the guidelines of the programme and portfolio.<sup>31</sup>

**Figure 5. System of implementation of strategies through projects according to the guidelines of PMI, Organizational Project Management Maturity Model**



Source: Implementing Organizational Project Management: A Practice Guide, Project Management Institute 2014

<sup>29</sup> PMI, *The Standard for Portfolio Management*, 2nd edition, Project Management Institute, USA 2008, pp. 4-5  
<sup>30</sup> B. Gruzca, M. Trocki, E. Bukłaha, M. Juchniewicz, P. Wyrozębski, *Zarządzanie projektami* [in:] *Zarządzanie w warunkach zmiany (Change Management)*, Ministerstwo Spraw Zagranicznych, Demos Polska, Warsaw 2009, p. 6  
<sup>31</sup> PMI, *The Standard for Portfolio Management— Third Edition*, PMI 2013, p. 7

The implementation of appropriate initiatives is a key issue for the market success. From the perspective of company top management, projects and programmes are tools, measures by means of which the organisation executes and achieves the planned strategic goals. In the process of project portfolio management goals which have different forms, e.g. “to be a cost leader or to offer services of superior quality” are transformed into definite initiatives of projects which are to lead the organisation to the desired state.

The lack of determined project portfolio management processes may result in serious difficulties in the implementation of strategies, including for example a low number of initiatives due to the lack of areas of project intervention, unclear criteria of projects selection, permanent shortage of resources as a result of the lack of coordination of their assignment and use or insufficient information about the project status.

The results of research of benefits which organisations get from the implementation solutions to project portfolio management are explicit. The IDC report presenting the analysis of 13 organisations which introduced such a change among effects indicates a rise in implemented projects, decline in project costs, decline in the number of “bad” projects, rise in efficiency of human resources and lower percentage of project failures. An average return on investment in implementation amounted to 557% (ROI) and took effect in the period of 7.4 month.<sup>32</sup>

Similar benefits are also indicated by others. In the report conducted by research company Forrester, Craig Symons argues that the conducted research shows a 15 % decline in project failures, decline in excess costs, shorter time of project duration and resignation from projects raising the organisation value by less than 10%.<sup>33</sup>

The research conducted in 2012 by the Project Management Institute on a sample of 443 portfolio managers from organisations all over the world confirm again the image of benefits obtained in earlier studies. The authors conclude by indicating that the introduction and improvement of portfolio management in organisation translates into the improvement of financial indicator (ROI), the decline in risk level and rise in organisation value.<sup>34</sup>

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<sup>32</sup> Randy Perry, Eric Hatcher, How Project and Portfolio Management Solutions Are Delivering Value to Organizations, September 2008,

<sup>33</sup> Craig Symons, The ROI Of Project Portfolio Management Tools 2009, Forrester Research, Inc., pp.2-3

<sup>34</sup> PMI's 2012 *Pulse of the Profession In-Depth Report: Portfolio Management*, p.9, [www.pmi.org](http://www.pmi.org)

Portfolio management is taking bigger and bigger interest of organisations which want to achieve outstanding results.<sup>35</sup> The application of approach based on measures of value creation in Eastman Chemical brought the organisation a double value of research and development value.<sup>36</sup> R.G. Cooper, S.J. Edgett and E.J. Kleinschmidt proved that all 20 best companies implementing R&D project portfolios introduced earlier the organisation-wide solutions to project portfolio management.<sup>37</sup> And coherent and overall management of the set of 25 R&D projects in SmithKline Beecham (currently GlaxoSmithKline) allowed this firm to generate additional value amounting to USD 2.6 billion.<sup>38</sup> According to research conducted by magazine CIO, firms with implemented mechanisms of project portfolio management, achieve a 50 % higher income growth rate when developing new products.<sup>39</sup> The report made by research company Aberdeen Group claims that companies best managing product portfolios realise 25% higher profits from new products and 4 times more frequently achieve 75% higher margins.<sup>40</sup> Aberdeen Group also indicated that among arguments for the interest of companies in project portfolio management was a rise in exposition to risk in implemented ventures (38%), difficulties in the acquisition of qualified resources to implement projects (36%), improvement of cooperation between dispersed project teams (30%) and intensity of competitive struggle forcing companies to reduce or freeze prices (28%).<sup>41</sup>

## Conclusions

Organisation strategy is a superordinate concept indicating the key directions and development plans of the organisation – a superordinate plan of changes and transformations of the organisation. Its preparation requires a considerable outlay of manpower and equipment, and at the same time its implementation brings considerable difficulties to organisations. These difficulties result from a high level of strategic planning and shortages of tools to transfer them to tactical and operational activities.

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<sup>35</sup> Lee, Merkhover Consulting, Competing on Analytics, <http://www.prioritysystem.com/reasons6d.html>

<sup>36</sup> J. D. Holmes and G. E. McGraw, "White Water Ahead: Eastman Prepares for Turbulent Times," Research Technology Management, p 22, September-October 1994

<sup>37</sup> R. G. Cooper, S. J. Edgett, and E. J. Kleinschmidt, "Portfolio Management for New Product Development: Results of an Industry Practices Study," R&D Management, pp 381-389, October 2001

<sup>38</sup> P. Sharpe and T. Keelin, "How SmithKline Beecham Makes Better Resource-Allocation Decisions," Harvard Business Review, Reprint 98210, 1998.

<sup>39</sup> Pittiglio, Rabin, Todd & McGrath (PRTM), "Product Development Benchmarking Series, PRTM, Performance Measurement Group, 2000; L. Cosgrove, "Analyzing Product Development," CIO Magazine, March 1, 2002.

<sup>40</sup> The Aberdeen Group, "Managing the Innovation Portfolio." August 2009; The Aberdeen Group, "The Product Portfolio Management Benchmark Report," August 2006.

<sup>41</sup> PricewaterhouseCoopers, *Strategic portfolio management. How governance and financial discipline can improve portfolio performance*, June 2012.

Despite great achievements of the strategic management thought, the solutions to these issues are hard to find within this area. The existing solutions like the Strategic Scorecard and programmes of activities are partial and fragmentary. They solve some problems but leave many others beyond the scope of support.

As a result, organisations looked for the solutions to strategy implementation elsewhere. Projects and project management perfectly suit the situation. Project management was traditionally connected (and some say it still is) with operational management and identified with network techniques, e.g. critical path method.

For many years this area has considerably evolved broadening its scope, and perfectly completing the so-far poorly developed level of management at a tactical level. The combination of strategic management, projects, programmes and portfolios became an effective tool to transform long term development into pragmatic venture initiatives. Thanks to project, programme and portfolio management, organisations are able to identify the conducted ventures, focus their effort on those creating the biggest value, plan and run their execution taking into account the resource capacity as well as, through appropriate management structures, permanently and accurately monitor their progress, and as a consequence the progress in aspiration to achieve the target business model of the organisation. From the model as well as empirical perspective, projects are currently an efficient tool to ensure success in the implementation of strategic plans.

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