A LITERATURE REVIEW ON THE USE OF PROJECT PORTFOLIOS IN EFFECTIVE STRATEGY EXECUTION: A PROPOSED APPROACH TO IMPROVE BUSINESS SUCCESS

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ABSTRACT

This articles explores the use of project portfolios in effective strategy execution. Literature indicate that organisations are still battling with strategy execution and fail to realise their objectives thus not delivering on the maximum value that could be achieved from business activities. Literature was reviewed to understand the reasons why organisations fall short of realising their corporate strategy and objectives, and how project portfolios could contribute towards the realisation of the company strategy to improve business success. The outcome of the review of the literature indicate that there are a number of frameworks which were developed by various researchers which organisations could explore. Only one was found at this stage which links project, strategy and business success but it has not been verified empirically. One of the outcomes of the literature review is a conceptual model that will be verified as further work in the study. The proposed conceptual model expands beyond the strategy execution process and incorporates project portfolios including other key components that were identified as contributors to the realisation of corporate strategy. The review of the literature also highlighted that there is a need for management to also consider soft factors such as leadership, change management and communication among others, since they improve the chance of successfully executing the corporate strategy to realise business value. The overall objective of this paper is to propose a conceptual model, derived from the review of the literature, which business leaders could adopt when using project portfolios to execute corporate strategy in order to realise value for the business.

Key words: Strategy Execution, Effective Strategy Execution, Project Portfolios, Economic Value

INTRODUCTION

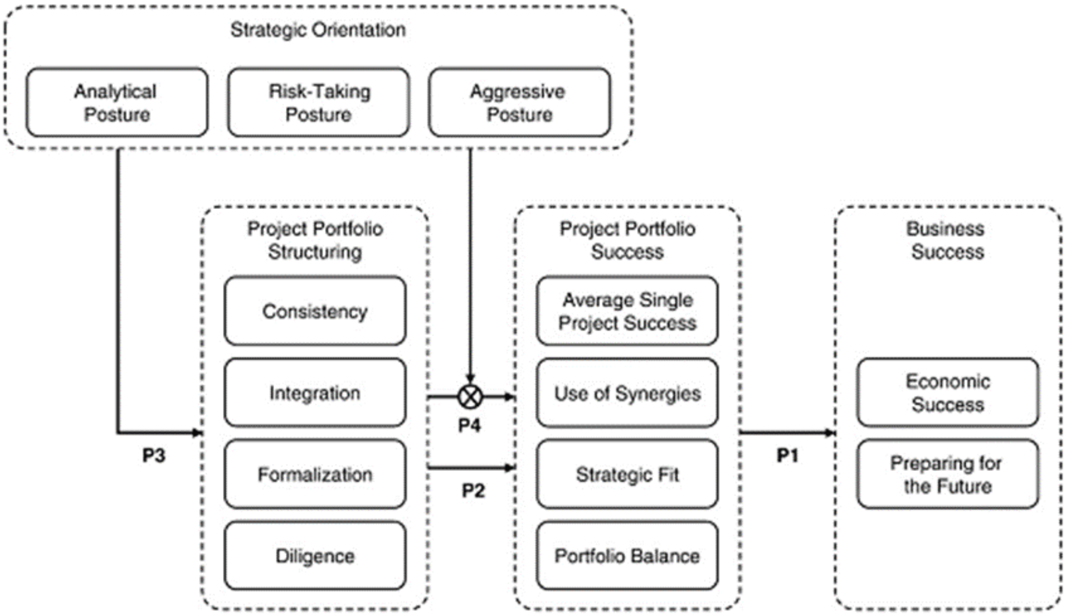
The importance for organisations to realise their strategic objectives and create value cannot be over emphasised. Getz and Lee (2012) remarked that “a key cause for missing strategy goals is that leaders do not invest the same amount of time, energy and resources in managing the implementation of the strategy as they do in setting the strategy". It is tragic that when leaders are asked to implement strategy, they do not know what to do, even though successful strategy implementation provides a competitive advantage (Speculand, 2014). According to Getz and Lee (2012) management do not realise that managing strategy execution requires well-orchestrated management processes and need to thoughtfully manage the way the strategy is implemented. Maddalena (2012) exclaimed that executive leaders can increase the effectiveness of their organisation's strategic planning processes and improve accountability by incorporating project management principles during the implementation phase of the strategy. It is with these critical observations that this study was initiated. The review of the literature resulted in a conceptual model which was adapted from the one proposed by Meskendahl (2010). He proposed a conceptual model that incorporates the relationship between strategic orientation, project portfolio management and business success. However, the conceptual model had not been verified empirically. Furthermore, literature indicate that a framework alone is insufficient and that the human element needs to be considered. The review of the literature thus provide studies which identified factors that contribute to effective strategy execution (Hrebiniak, 2008 and Cock, 2010).

CLEAR VISION STATEMENT

The desire for business leaders to be successful, drives them to be inspired by the future (Aurik, Fabel and Jonk, 2015). They further indicate that as a result "the emphasis shifts from focusing on research, analyses and generalisations of current issues to looking to the future for strategic inspiration and purpose". It is with this view in mind that Lukac and Frazier (2012) point out that strategy often starts with a vision of how the company positions itself in the market and influence how it wants to be seen. They emphasise that a company must define and give concrete meaning to its overall vision. This is done by articulating its strategic objectives which will help it determine the extent to which it achieves its vision (Lukac and Frazier, 2012). They challenge management to be deliberate about the initiatives chosen as well as those that are not chosen. They added that stakeholders have different needs from an organisation and thus want to see the connection between the selected initiatives, the effectiveness of strategy execution and the value realised by the organisation.

Meskendahl (2010) proposed a conceptual model that links the strategy of the organisation to value, which is shown in figure 1. He emphasised that "business strategy thereby describes the way in which a firm decides to compete in the industry in comparison to its competitors".

Figure 1: Conceptual model on the relationship between strategic orientation, project portfolio management and business success, Source: Meskendahl, 2010.



Meskendahl (2010) realised that there is little guidance about how strategy gets translated into projects during execution. He conducted a review of the literature where he discovered a poor connection between strategy execution and the management of projects to achieve business success.

It became apparent from the review of the literature that strategy execution is complex and not well understood. The challenge is further exacerbated by misguided actions although taken with good faith. Friis, Holmgren and Eskildsen (2014) acknowledged that "many organisations have experienced that developing a strategy is time-consuming; the strategy becomes outdated rapidly or will not be implemented at all". This highlights one of the main contributors to failed strategies since the delayed decision making process may lead to the organisation missing the window of opportunity in the market. Furthermore Friis *et al* (2014) highlight the need for management to not only understand their strategy but also how they are going to implement it. Townsend (2007) concur that "a firm's strategy determines the course it will try to pursue over several years; strategy guides the allocation of resources – financial, physical, and human". There is a need therefore to gain insight in how organisations could execute their strategy better in order to realise value, which is the objective of this study.

Strategy formulation

The starting point in corporate strategy is its formulation given the vision of the organisation, its positioning in the market and strategic direction. Srivannaboon and Milosevic 2006 clarified the difference between corporate and business strategy by pointing out that "corporate strategy describes a company's overall direction in term of its general attitude towards growth and the management of its various businesses and product line, while business strategy occurs at the business unit or product level and it emphasises improvement of the competitive position of a corporation's products or services". Cocks (2010) dictates that strategy formulation should not end at executive level but needs input from the operational level to bring reliable insights into organisational capabilities and resource constraints. He advocates for this to encourage meaningful participation of operational people as a result of the understanding of why the strategy is implemented the way it is thus gaining support and buy in.

Literature indicate that strategy formulation should not be done in isolation of execution. Cocks (2010) adds that skills for strategy formulation and execution are important. He however points out that it is unusual to find people who are able to integrate both strategy formulation and execution to become successful general managers. Lukac and Frazier (2012) shared that formulating strategy is a difficult task and add that making strategy work is even more difficult thus highlighting the need for better support for business leaders in this area. They also say that successful implementation of strategy takes more time than its formulation which may overwhelm management which might end up being destructed due to the lack of guidance on the path to follow. The danger of the destruction is that the organisation may take longer to realise its objectives and some of the expected benefits from the strategy may be eroded.

Cocks (2010) highlights that execution of strategy is extremely broad and complex, creating a need for structured ways for management to lead the implementation of strategy while bearing in mind the changes in the market that may negatively or positively impact the organisation. He therefore recommends three important drivers that are required for effective strategy implementation:

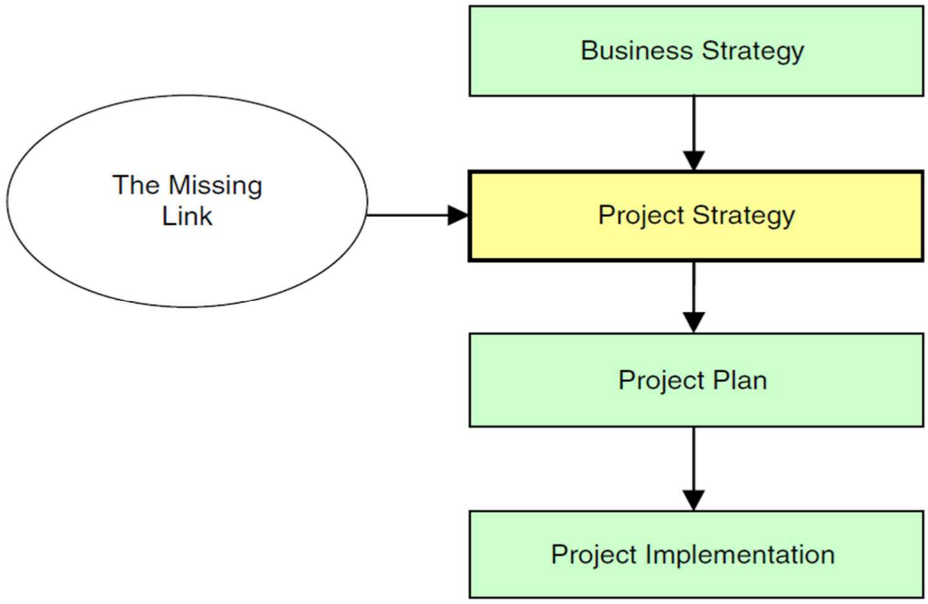
i. Focused leadership of the right people.
ii. Communication through visible management systems.
iii. Use of project management techniques.

Cocks (2010) offer advice that "effective strategy execution, like project management, needs regular and structured meetings and communication. People issues and resources should head the agenda at review meetings. Assuming the plan is clear and has been communicated, the next step is to allocate the best people with the right skills to the right jobs. If execution is still not proceeding to plan, it is likely that inadequate resources have been allocated or people need different skills to get the job done". The complexity of strategy execution is not only as a result of a lack of an appropriate framework to guide the efforts of managers, but also due to the soft elements that need to be managed in organisations. These dynamics create a fluid environment which is difficult to fully understand which then pose a challenge to the management team.

Strategy planning

Literature indicate that there is a need to integrate strategy planning and implementation (Cocks, 2010). The starting point of strategy execution is a plan to guide the actions that will be taken by the organisation (Lukac and Frazier, 2012). The plan requires resources to be executed and Lukac and Frazier (2012) point out that to execute the strategic initiatives requires business capabilities which is something an organisation has in terms of either knowledge or know-how. They say that "to achieve strategic objectives, an organisation must develop short-term measurable objectives that relate logically to strategy and how the organization plans to compete". The understanding of how an organisation is going to execute on its strategy as well as defining how it is going to measure progress made enables it to adopt a focused approach. In the case where an organisation executes its strategy through projects, it is important to create a link between strategy and the project through defining the project strategy (Srivannaboon and Milosevic 2006).

Figure 2: The missing link between business strategy and the project plan, Source: Srivannaboon and Milosevic 2006.



It is worth noting that by nature, strategy implementation will require more role players compared to formulation and therefore the process of execution must be dynamic and adaptive, responding to unanticipated events (Lukac and Frazier, 2012). It is therefore necessary to define roles and responsibilities for role players in a clear manner through the use of a tool such as a responsibility matrix (Lukac and Frazier, 2012). Lukac and Frazier (2012) caution that "without this clarification of roles and responsibilities for critical tasks, decisions, and outcomes, making strategy work is difficult, at best." The different activities and role players need to be well coordinated with governance oversight in order to overcome resistance and achieve strategic success (Lukac and Frazier, 2012). One tools, which is structured, that is at management's disposal is project management techniques. Cocks (2010) encourages management to adopt project management techniques in order to assist them to deploy the strategic plan.

The value of projects in strategy execution

The review of literature indicates that an increasing number of researchers are exploring the link between strategy and projects including the value of projects in strategy execution. It was noted during the review of the literature that these studies are not limited to project based organisations only and that they cover both the private and the public sector. It was reported by Srivannaboon and Milosevic (2006) that one of the reasons that project management and business strategy alignment has gained importance is that companies must develop and execute innovative business strategies in order to stay competitive.

The work done by Alsudiri, Al-Karaghouli and Eldabi (2013) revealed that models are available for the alignment between corporate strategies and projects, however they lack empirical verification to share insight on the different processes of implementing the corporate strategy, down to the project management level done during the planning processes for the execution of the project. Researchers Serra and Kunc (2015) concur that due to the need for organisational change, business strategies usually require the development of projects. They however cautioned that “organisations fail in implementing their strategies even though they employ project, programme and portfolio management technique”. One of the research project done by Young, Young, Jordan and O’Connor (2012) support this observation since they found that there is little guidance about how strategy gets translated into projects. Further work done by Young and Grant (2014) led them to conclude that projects require a conducive environment to make some contribution to strategy. They further added that they suspect that stable strategic goals is one of the important factors in this regard.

Projects should not be initiated in isolation since they consume resources but they need to be selected based on the strategy adopted by the company. It is important to create the link between the project and strategy in order to maintain the value of the project. This is supported by Serra and Kunc (2015) who said that “after organisations set their visions and create their strategy, the management team initiate individual projects or programmes, which are groups of projects managed together, to deliver the business strategy”. They further point out that due to limited resources, management need to ensure that projects will deliver the most valuable results in the most effective and efficient way. They explain that this requires an organisation to establish project portfolio management methods equipped with balanced selection criteria, comprising of financial and non-financial measures in order to select and prioritise the best set of projects.

The value of project portfolio management

It was noted from the review of the literature that once the strategic objectives of the company have been reduced to measurable targets, the project portfolio management function is able to link projects in the portfolio to the strategy through the use of selection criteria. It was said by Serra and Kunc (2015) that measurable objectives enable management to quantify the value that would be gained from executing the selected projects that are in their strategic plan. Literature contain a number of studies that advocate that project portfolios are vehicles for strategy implementation (Unger, Kock, Gemunden, and Jonas, 2011). They highlight that the challenge of managing multiple sets of projects simultaneously to implement their strategic objectives is overcome through the use of project portfolio management. Unger *et al* (2011) see the project portfolio manager “as a central coordination unit that supports the senior management with its specialised knowledge about project portfolio practices”.

Patanakul (2015) say that “project portfolio management (PPM) can be broadly defined as the coordinated management of a collection of projects or programs to achieve specific organisational objectives”. He infers that “the accomplishment of an organisation's strategic business objectives is a typical focus of PPM”. Meskendahl (2010) cites Hrebiniak (2006) who stated that project portfolios are powerful strategic weapons since it is more difficult to make strategy work. Meskendal (2010) explains that this is because project portfolios are considered as a central building block in implementing the intended strategy.

It is also recommended that the portfolio manager should evaluated their portfolio and Patanakul (2015) suggests that portfolio management performance can be measured based on the following criteria:

i. Having an appropriate number of projects in the portfolio for the resources available,
ii. Undertaking projects on time and in a time-efficient manner,
iii. Having a portfolio of high-value projects,
iv. Having a balanced portfolio,
v. Having a portfolio of projects that are aligned with the business's strategy, and
vi. Having a portfolio whose spending breakdown mirrors the business' strategy and strategic priorities.

It is suggested that portfolios should also be managed based on risk given their close proximity to business strategy, that is exposed to changes in the market including internal factors. This is still an area of uncertainty as pointed out by Teller and Kock (2013) who observed that research on risk management and its success in a project portfolio context is scarce although the positive effects of single project risk management have widely been acknowledged in project management literature.

Portfolio management is an intricate process which could benefit from the use of a system and Patanakul (2015) notes that such management systems can be assessed from process effectiveness, portfolio success, and portfolio-related corporate success. He adds that the following constructs should be considered when evaluating the effectiveness of a portfolio:

i. Information quality—transparency that is achieved over the whole scope of projects of a certain project portfolio;
ii. Allocation quality—effective and efficient distribution of human resources within the portfolio; and
iii. Cooperation quality—the interplay between different management roles typically involved during a PPM process cycle.

The effectiveness of managing a project portfolio could also be assessed using the following guidelines which are provided by Patanakul (2015):

i. PPM effectiveness is a multidimensional construct representing different perspectives of stakeholders.
ii. The dimensions (attributes) of PPM effectiveness include factors representing the accomplishment of multiple PPM goals from different perspectives of stakeholders.
iii. PPM effectiveness can be broadly defined based on the attainment of the project portfolio management outcomes with respect to multiple goals of PPM and relevant constraints.

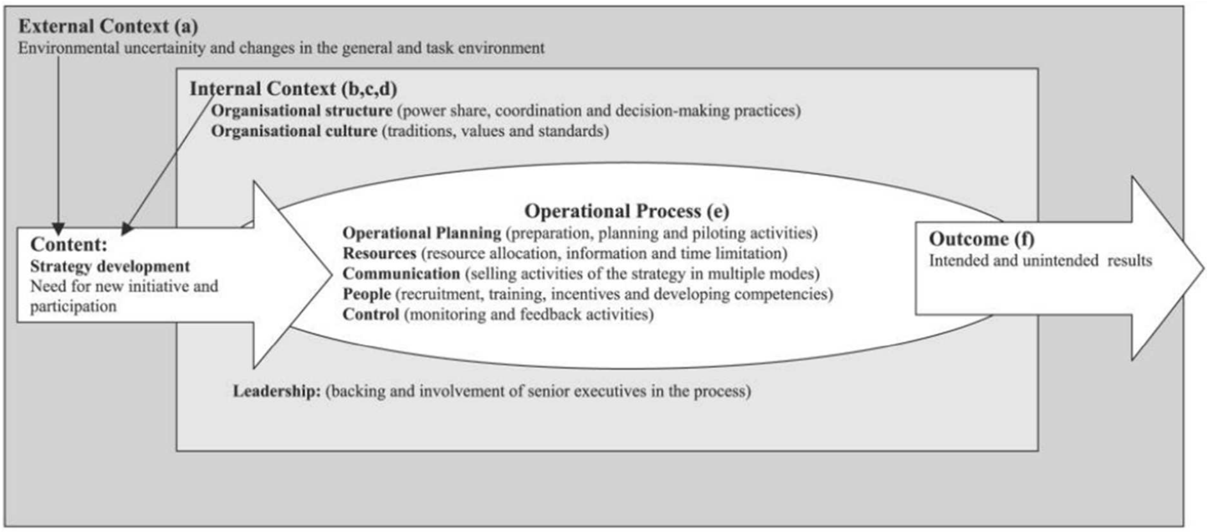
Patanakul (2015) adds that measurable evaluation criterial should be used to assess and measure the effectiveness of the portfolio of projects in achieving the set goals. This will also be used to make decisions on the projects and their value in the portfolio. Projects may become redundant due to changes that occur and they therefore need to be assessed for relevance, failing which they need to be terminated to preserve resources that they may consume. It was noted during the review of the literature that project termination is a contagious issue and as such it should be handled with care. However, stakeholders need to consider and do what is in the best interests of the organisation given that the project portfolio is used to execute the strategy of the organisation.

Strategy execution frameworks

It is acknowledged in literature that strategy execution is a complex and dynamic process and Ranjbar, Shirazi, and Blooki (2014) say that management should realise that managing strategy implementation requires well-orchestrated management processes that need to go beyond the routine course of business processes to realise the strategy. It is on this basis that Kazmi (2008) recommends that a framework would be beneficial and serve as a beacon to guide managers at various levels within the organisation. The importance of the need for a framework is echoed by Lukac and Frazier (2012) who said that without guidance management try their best to do the things they think are important, often resulting in uncoordinated, divergent, even conflicting decisions and actions. They expand by saying that having a model or roadmap bodes well for execution as not having one leads to execution failure and frustration due to the lack of a logical approach to inform the steps that should be taken by management.

It was also noted by Kazmi (2008) that the area of strategy implementation has few models or frameworks available for consideration by management and this is felt by industry. He attributes this to the fact that strategy implementation involves an extremely complex set of tasks and managers need guidance to know which sequence of steps they should follow, why they are necessary, the extent of scalability of the framework or model and which activities are optional. Kazmi (2008) cites Okumus (2003) who highlighted that implementation is too complex to be presented by a linear model that depicts the implementation process as something that is rational and systematic. The strategy implementation framework proposed by Okumus (2003) is depicted in figure 3.

Figure 3: Strategy implementation framework, Source: Okumus, 2003.

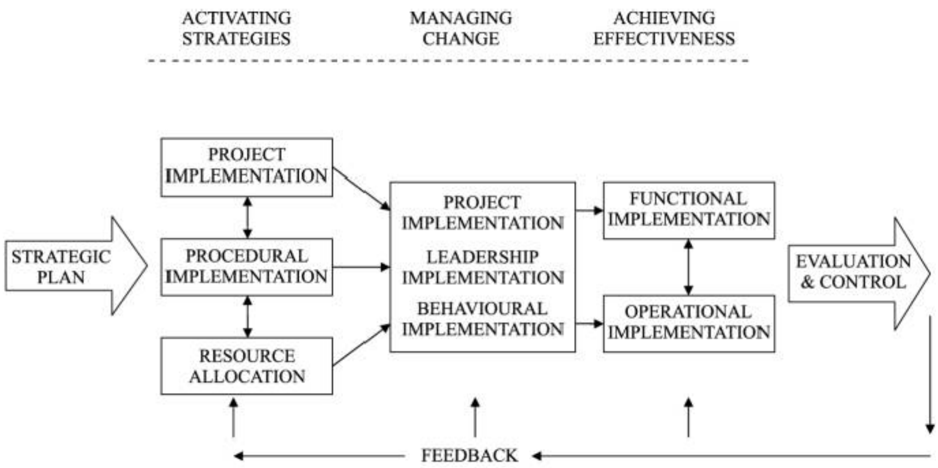


Key

a Changes in the external environment influence the strategic context and force organizations to deploy new initiatives.
b Problems and inconsistencies in the internal context require new initiatives.
c The strategy is implemented in the internal context, and the characteristics of organizational structure, culture and leadership influence the process factors.
d Having an organizational context that is receptive to change is essential for the successful implementation of strategy.
e The process factors are primarily used on a continuous basis to implement the strategy and manipulate the internal context.
f The characteristics of the context and process factors and how they are used directly influence the outcomes.

It was noted by Kazmi (2008) that the strategy implementation framework proposed by Okumus (2003) is comprehensive as it attempts to take into account an array of variables and binds them into a compact model. He also noted that researchers and practicing managers should be able to make informed judgments about the strategy implementation process and adapt it to their environment. He, however, found that there could still be scope for improvement on the framework. His improved framework is presented in figure 4.

Figure 4: The proposed framework of strategy implementation, Source: Kazmi, 2008.



It is observed that the framework presented by Kazmi (2008) (Figure 4) cuts across the strategic management process from planning to evaluation and control, incorporating a feedback loop. The framework is grouped into major themes in strategy implementation and the activities that make up each theme are depicted. The forward linkage from strategic plan, which stems from formulation, guides the implementation process.

It is worth noting that there are further aspects that need to be considered in strategy implementation and Kazmi (2008) cites Hrebiniak (2006) who presented general, salient factors that impede strategy implementation. Hrebiniak (2006) reported that managers are often trained to plan and not to execute strategies. He draws attention to prevailing practice where top managers are reluctant to be involved in implementation which leads to strategy formulation and implementation led by two groups of management, executives and senior management respectively. He discourages this practice and highlights a critical point that formulation and implementation are interdependent. He further points out that implementation involves more people and take longer than formulation thus putting pressure on the managers to show results.

The review of the literature found one framework by Meskendahl (2010) that encapsulates strategy execution through project portfolios. This was also noted by Meskendahl (2010) who pointed out that he could not find a framework that covers the entire cycle from strategic planning through project portfolio management to business success. He proposed the framework depicted in figure 1. However the framework was not verified empirically, which is the objective of further work in this study.

STRATEGY EXECUTION

A number of researchers surveyed share Kazmi's (2008) sentiment who notes that "the apathy to strategy implementation can be ascribed to several reasons, among them: greater likelihood of failures in implementing strategies; higher complexity in the process of strategy implementation; strategy implementation being considered to be less glamorous than formulation; and practical difficulties in research involving middle-level managers." Yet the importance of executing strategy effectively and successfully cannot be over emphasised as it is a source of sustainable competitive advantage for organisations (Cocks, 2010). Cocks (2010) provides a practical visualisation of how this could unfold by saying that "an approach can be conceived with strategy execution which involves breaking the strategic plan into required activities and defined tasks. Each task has its own objective, consumes resources, has a time line and can be scheduled. Identifying tasks and putting resources against them and using a Gantt chart to display their chronological order will ensure that the strategy is possible. Identifying task dependencies can be done using a network diagram and locating the critical path that will determine if the implementation plan can be completed on time." In this case, Cocks (2012) describes the technique of project management.

Literature highlights the criticality and nature of strategy execution and Kazmi (2008) shares the means to overcome the barriers to strategy implementation which revolve around the following three main suggestions:

i. Adopting a clear model of strategy implementation. Often, implementation activities take place according to the abilities and initiatives of managers involved in them. Though a process, implementation moves in fits and starts. This uneven progress of the process does not do much good for the effectiveness of implementation efforts.

ii. Effective management of change in complex situations. Implementation almost always creates the need to manage change in complex organizational contexts. Many of these areas of change are behavioural in nature and are therefore multifaceted and messy in nature.

iii. Setting down clear measures of effectiveness. Many of the failures in implementation of strategies can be attributed to the lacunae in setting down clear measures of effectiveness. If there are clear measures of effectiveness the likelihood of implementation succeeding is enhanced.

Cocks (2010) explains that implementation is not merely about operationalising the strategy by exercising command over resources, employees and their work. He highlights that "effective execution requires unique, creative skills including leadership, precision, attention to detail, breaking down complexity into digestible tasks and activities, including communicating in clear and concise ways throughout the organisation as well as to all its stakeholders". He further adds that "intricate control and feedback mechanisms are also necessary to hone the operations to align with business strategy".

Benefits realisation

The notion of benefits realisation was introduced as a result of a mismatch in what was perceived as project success. It is added in to promote the realisation of the benefits and business case that was presented to an investment committee to obtain the approval for a project. Benefits realisation proves to be critical to the use of project portfolios in strategy execution. Projects are no longer evaluated only on whether they were delivered on time, within budget and at the correct quality but the evaluation criteria is extended to assess whether the expected benefits as articulated in the business case were achieved or not. The use of project portfolios gain strength as the measure of success is more meaningful to portfolio managers and they are primarily focused on the benefits delivered through their portfolio to achieve strategic objectives. This further enables the strategy evaluation process to not only review performance against key performance indicators (KPIs) but the extent to which the strategic intent is achieved.

It goes without saying that the process of benefits realisation management is critical not only for project management but for project portfolio management, and ultimately to demonstrate the value created by the organisation through projects that were executed to realise the corporate strategy. This sentiment is echoed by Chih and Zwikael (2015) who remarked that “successful realisation of project benefits is strongly associated with organisational performance”. They pointed out the importance of formulating project target benefits since they are regarded as the first and critical step in the benefit management process. They also concur that projects are initiated to implement organisational strategies and as a result their target benefits should align with organisational strategic goals.

This will enable the evaluation process as performance will not only be measured against the outcomes achieved in the project but the extent to which the outcomes contribute to strategy realisation. Chih and Zwikael (2015) echo this sentiment and said that “formulating and appraising project target benefits are considered the first and critical step to ensure successful benefit realisation. In particular, project target benefits form a vital part of the business case, which is the basis for project funding and prioritisation decisions (Young, 2006). Once approved, target benefits become the basis for ongoing project performance review. A proper formulation and appraisal of such information is thus essential”.

It was a finding in the study done by Serra and Kunc (2015) that “organisations fail in implementing their strategies even though they employ project, programme and portfolio management techniques”. It is anticipated that the use of benefits realisation could contribute toward improving this observation. Serra and Kunc (2015) introduce “Benefits Realisation Management (BRM) as a set of processes structured to close the gap between strategy planning and execution by ensuring the implementation of the most valuable initiatives”. However, they indicate that they were not able to locate empirical evidence of the effectiveness of BRM.

The study conducted by Chih and Zwikael (2015) reports that “literature places an increasing emphasis on the management of project benefits to ensure organisational strategic goals are achieved”. They also support the point that properly formulated target benefits can support informed project funding decisions when business plans are presented for investment, and also ensure appropriate strategic attention from project managers and team members. They add that target benefits must be measurable so that they could be quantified when they are realised. They recommend that there should be a formal benefit formulation process to ensure successful benefit realisation.

It was noted during the review of the literature that even though the area of BRM is gaining attention, there is still a need for further work to gain better understanding of how it is managed empirically. It was noted that since some of the benefits may take a while to be realised given that they occur post project closure. Therefore management of the benefits realisation process, once a project is closed, need to be improved. It is anticipated that the effective link of project portfolio management and project management would contribute in this regard.

Strategy evaluation

Management is results orientated and the use of performance management systems is widespread. It is with this in mind that Micheli and Mura (2017) say that performance measurement systems (PMS) can play a fundamental role in strategy implementation since it creates organisational alignment and facilitates the process of translating strategy into action. Another importance and contribution of PMS is its use in communicating the performance achieved in the execution of the strategy (Micheli and Mura, 2017). They contributed that management need to be aware of the use of diverse types of performance indicators which need to be a balance of financial and non-financial measures. They also pointed out that "the use of non-financial indicators is tightly intertwined with organisational effectiveness". In addition to enabling communication, Micheli and Mura (2017) highlighted that relating strategy and performance measurement could align attitudes and behaviours of employees facilitating the attainment of organisational goals. Furthermore they report that the effective implementation of a PMS may lead to improved organisational and innovative performance.

The introduction of the Balanced Scorecard saw its adoption by industry and different organisations apply the tool to meet their commercial objectives. Kaplan (2005) presented a balanced scorecard measurement approach that organises performance objectives and measures in four perspectives:

i. The financial perspective describes the tangible outcomes of the strategy in traditional financial terms, such as return on investment (ROI), shareholder value, profitability, revenue growth, and lower unit costs.

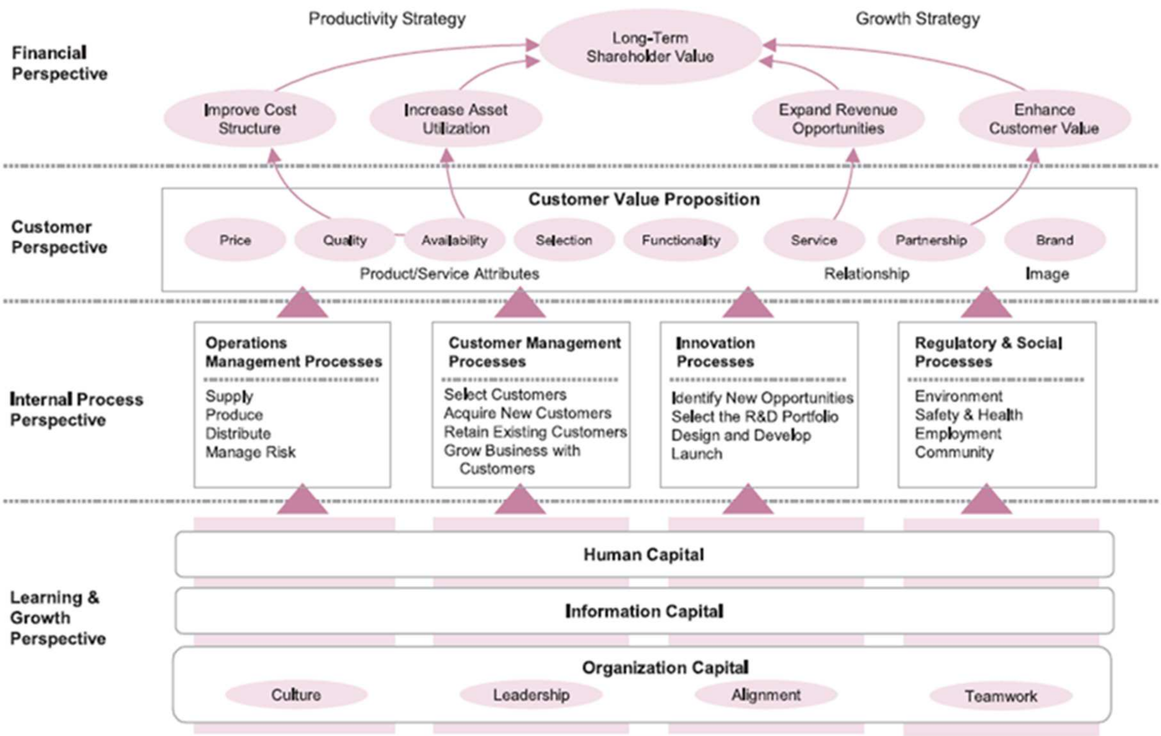
ii. The customer perspective defines the drivers of revenue growth. It includes generic customer outcomes, such as satisfaction, acquisition, retention, and growth, as well as the differentiating value proposition the organization intends to offer to generate sales and loyalty from targeted customers.

iii. The internal process perspective identifies the operating, customer management, innovation, and regulatory and social process objectives for creating and delivering the customer value proposition and improving the quality and productivity of operating processes.

iv. The learning and growth perspective identifies the intangible assets that are most important to the strategy. The objectives in this perspective identify which jobs (the human capital), which systems (the information capital), and what kind of climate (the organization capital) are required to support the value creating internal processes. Managers use the scorecard to describe and communicate their strategy, to align business units and shared services to create synergies, to set priorities for strategic initiatives, and to report on and guide the implementation of the strategy.

Business managers value tools that are practical, which enables them to gain insights in order to make informed decisions. It could be inferred that the Balanced Scorecard was widely adopted by industry due to the value it brought to organisations. Its wide use and vast application has led to insight which enabled Kaplan (2005) to expand its value through the development of strategy maps (figure 5) that show how performance measures are linked to strategy.

Figure 5: Balanced Scorecard strategy map, Source: Kaplan, 2005.



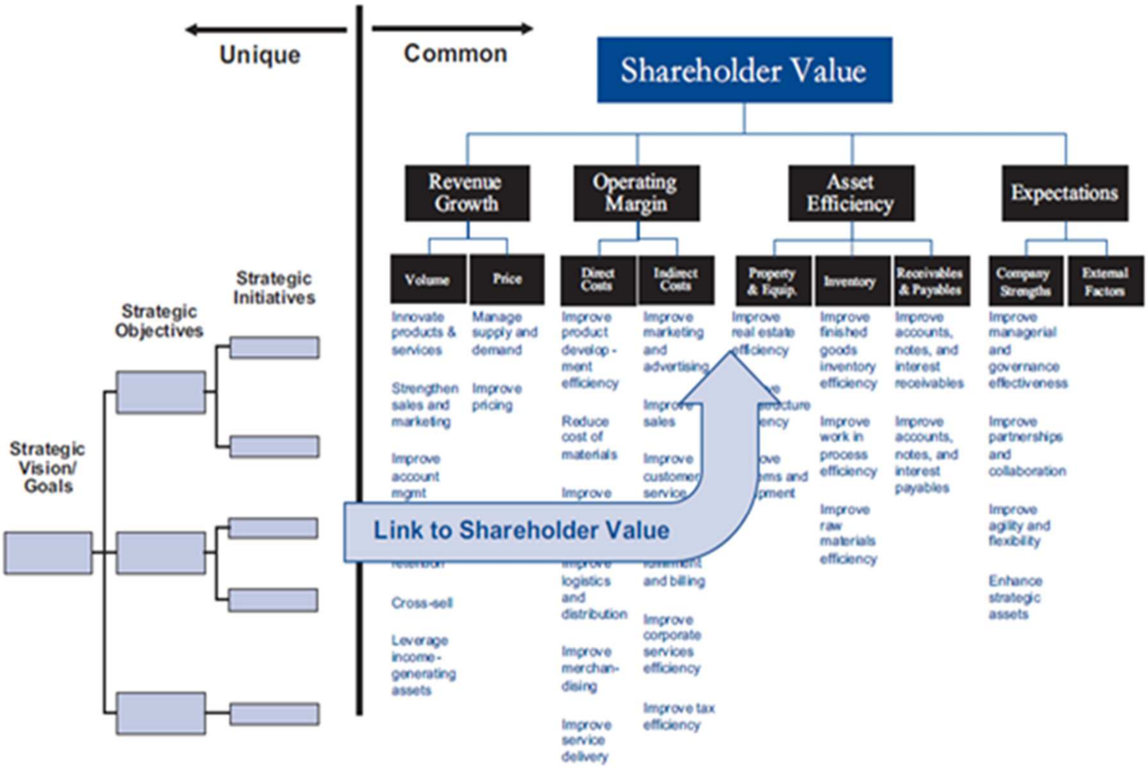
Other models on performance management were noted and the vastly available literature on these models demonstrate that researchers are presenting alternative models to enable management to report on the value created by the organisation.

Business success

Enterprises exist to create value through the realisation of their strategy. It is important to measure performance against the different strategic objectives but it is more important to articulate the achievements in terms of the corporate strategy. It is with this in mind that Lukac and Frazier (2012) stated that "senior executives, therefore, should be adept both at developing strategic plans that provide competitive advantage and at communicating how they will provide shareholder value. They should be able to link strategy to value". It was found by Meskendahl (2010) that "there are a few studies exploring single aspects of the linkage between strategy, project portfolio management, and business success". Serra and Kunc (2015) clarified that successful projects deliver the expected benefits thus creating strategic value to the business. They explain that "careful management of each project ensures the delivery of outputs, enables outcomes, and then supports the realisation of the right benefits. Although benefits are not the only criteria to evaluate project success, they are a measurement of how valuable a project is".

It is emphasised by Cocks (2010) that effective execution of the corporate strategy is a key attribute of successful organisations. Serra and Kunc (2015) concur that "good business strategies are those that deliver stakeholder value, which is the organisation's long-term cash generating capability or the ability to provide value". They point out that benefits are derived and achieved from projects through the use of programme and project management techniques. They confirm that the creation of value for business, through the successful execution of the business strategy, strongly depends on programmes and projects delivering the expected benefits. They presented a way in which organisation could demonstrate the shareholder value derived from the execution of strategic initiatives, which is depicted in figure 6 below.

Figure 6: The proposed framework of strategy implementation, Source: Lukac and Frazier, 2012.

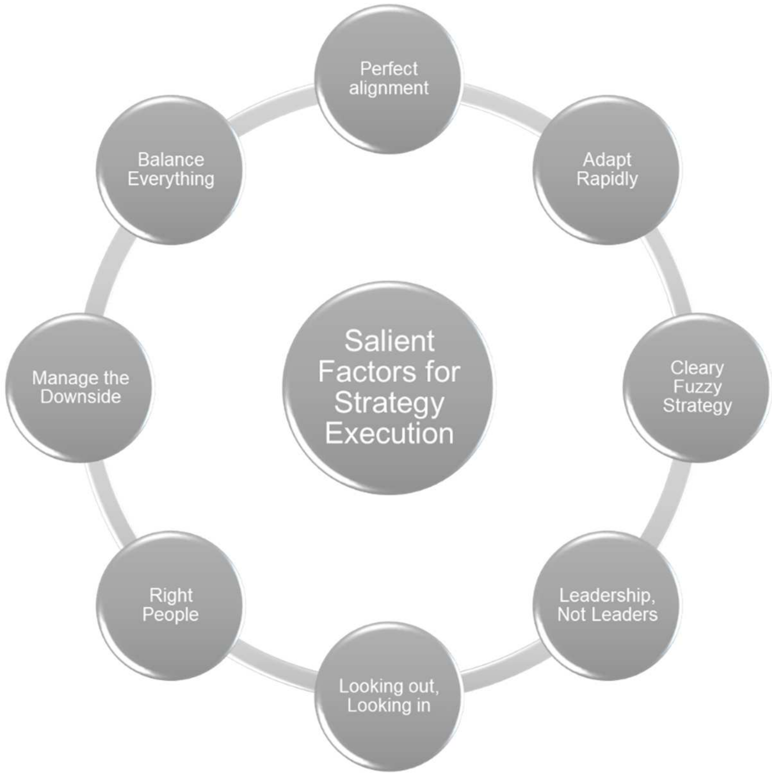


The framework of strategy implementation thus demonstrates how strategic initiatives could be linked to shareholder value. Furthermore, it enables business leaders to evaluate how well they have realised the business strategy by relooking at the strategic objects that aim to achieve the vision and mission of the organisation.

SALIENT FACTORS

The review of the literature showed a number of studies in which soft factors were also highlighted as key to effective strategy execution. Organisations are made up of individuals and the human element of strategy execution consistently came through as an area that requires attention and consideration. It was noted from a report by Srivastava and Sushil (2013) that “there is a lack of literature on strategic performance factors and their role in effective strategy execution, which turns out to be a barrier to the success of strategy execution”. Cock (2010) concluded a study in which he identified nine common elements for long-term success: effective execution, perfect alignment, adapting rapidly, clear and fuzzy strategy, leadership not leaders, looking out and looking in, right people, managing the downside and balancing everything that are also depicted in figure 7.

Figure 7: Effective Execution Framework, Source: Cock, 2010.



It is important for business leaders to appreciate the factors presented by Cock (2010) and their contribution to how they lead the execution of strategy in their organisations. The factors are a good guide and a good place to start from. He further points out that ”the pivotal role of effective execution that is depicted as both an element of the framework and as representing the outcome of the total framework”. The other elements of the “winning wheel” are connected together to make the wheel work and steer the organisation towards its mission and goals. The power of the model lies in its integrative approach – there is no “start” or “finish” to the wheel. All elements are important and change in one precipitates change to others and it is organisations that execute effectively that defines them as winners.”

Another study was concluded by Hrebiniak (2008) who presented the following salient factors that are key to make strategy work:

i. Remembering that sound strategy comes first.
ii. Structure is important to successful implementation.
iii. Care must be taken to translate strategic objectives into short-term operating metrics.
iv. Having an implementation model to guide execution thoughts and actions.
v. Clear responsibility and accountability are a must for effective execution.
vi. Reward the right things, use incentives to support execution processes and outcomes.
vii. Ensure the development and appropriate capabilities and managerial skills to make strategy work.

viii. Focus on managing change.

It is anticipated that balancing the technical aspects of strategy execution through a framework while incorporating the factors above would enable business leaders to improve the effectiveness of strategy execution through project portfolios to realise business value.

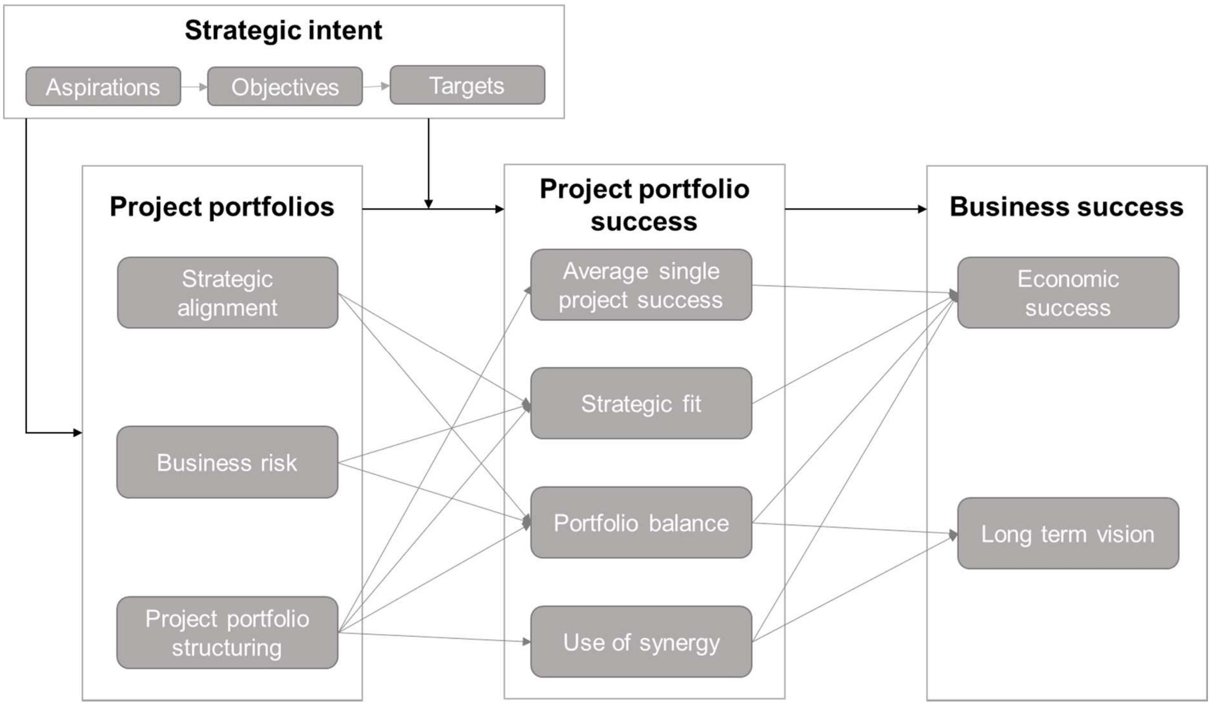
PROPOSED CONCEPTUAL MODEL

It was noted during the review of the literature that one of the main gaps is the lack of a validated framework that would be used to provide guidance during strategy execution through project portolios. A conceptual framework proposed by Meskendahl (2010) together with a conceptual model proposed by Lukac and Frazier (2012) were found to be closely aligned to the objective of the research. Furthermore, both of them need to be verified and validated, which is the desire of this study.

The advantage of the study conducted by Meskendahl (2010) is that he proposed a linkage between business strategy, project portfolio management, and business success to close the gap between strategy formulation and implementation. It is therefore important that one understands the factors and elements that make up the strategic management process and how they contribute to the effective execution of strategy. Furthermore, there are enabling processes such as project portfolio management, value management, change management and performance management that need to be integrated effectively into the strategic management process in order to enable the realisation of strategic objectives of the organisation.

The conceptual model proposed by Meskendahl (2010) was adapted based on the insight gained from the review of the literature to propose a conceptual model that would provide guidance on how to direct the strategy execution process. The proposed conceptual model (figure 8) also takes into consideration the need to manage interdependencies and risks within the strategy execution process. The interdependencies could be between and among the elements of the strategic intent, project portfolio success, and business success.

Figure 8: Proposed conceptual model



The review of the literature indicates that strategic orientation goes beyond the understanding of external factors but takes into consideration internal capabilities that enable the organisation to respond to market demands. The assumption made by Meskendahl (2010) on strategic orientation is aligned with literature since it focuses on industry structure, changes in the external market, competitiveness of the market and the position of the organisation in the market (Oliver, 2001), Porter, 1996 and Caroll, 1982). However, it is important for management to also consider the company's capacity and capability given its operational domain, resources required to deliver on the corporate strategy at both the strategic and operational level, and also ensure that the company is matched to its environment in order to realise its business objectives (Davies, 2000, Certo, Peter and Ottensmeyer, 1995, Dandira, 2012, David, 2003). The strategic orientation component was therefore revised to strategic intent to incorporate the strategic management process of the organisation to realise its strategic objectives.

The project portfolio structuring component of the model proposed by Meskendahl (2010) was expanded with strategic alignment and business risk management to incorporate the observations noted as key requirements in defining project portfolios to deliver strategic objectives. The review of literature points out that the management of project portfolios is a complex process due to the need to manage the successful delivery of multiple projects in a way to enhance the long-term strategic value of the portfolio (Martinsuo and Killen, 2014). The process therefore requires that project portfolio managers need to consider aspects such as strategic alignment, business risk management, selection of the right projects, portfolio balance and exploitation of synergies as they focus on strategic priorities (Martinsuo and Killen (2014), Shenhar, Dvir, Levy and Maltz, (2001) and Crawford, Hobbs and Turner, (2006)). These key observations were therefore embedded into the proposed framework in order to take advantage of outcomes from studies on the use of project portfolios in delivering strategy.

The project portfolio success component was not modified. This is due to the observations from the review of the literature on project portfolio success. It was noted during the review of the literature that project portfolio success hinges on the successful execution of individual projects in order to deliver on the portfolios (Meskendahl, 2010 and Kaiser et al, 2015) which when selected and evaluated effectively would directly affect organisational productivity and profitability (Ghapanchi, Tavana, Khakbaz and Low, 2012). Literature thus supports the recommendation by Meskendahl on the project portfolio success component.

The business success component was also largely left as proposed by Meskendahl (2010) but the element on preparing for the future was revised to long term vision to clarify the intention. Literature proposes that business strategy drives business success (Pina, Romao and Oliveira, 2013), that shareholder value creation should be the ultimate goal of strategy (Kaiser, Arbi and Ahlemann, 2015) which should be used to evaluate both strategic plans and manager's performance (Rappaport, 1983) and that value based management focuses on both the short and long term horizon of the business (Copeland and Meenan, 1994).

Kock and Gemünden (2016) expanded on the work done by Meskendahl (2010) and define the following concepts which are covered by the model which Meskendahl (2010) put forward:

i. Strategic implementation success is defined by the strategic fit of the project portfolio and the perceived implementation success of the strategy.
ii. Portfolio balance concerns the equilibrium of risk, long- and short-term opportunities and the steady utilisation of resources within the project portfolio's execution.
iii. Average product success is measured by the commercial success of project outcomes which determine in their entirety the quality and success of the strategy implementation.
iv. Synergy exploitation represents the added value that emerges from dedicated portfolio management over and above contributions from individual projects through capitalising on interdependencies and avoid redundancies.

The proposed conceptual model still comprises of four components namely strategic intent, project portfolios, project portfolio success and business success. The company's strategy is articulated through its intent which is broken down into aspirations that are converted into strategic objectives with measurable targets. The project portfolio is structured in such a way that there is alignment with strategic objectives. This link is crucial as it enables the translation of the objectives into projects that are key to the achievement of the corporate strategy. The project portfolios are structured to achieve success given time and resource constraints. This success is defined in terms of value created (economic success) and the long term vision of the organisation.

CONCLUSION

The use of project portfolios in effective strategy execution through the proposed conceptual model and salient factors without ignoring the insight gleaned from the review of the literature is expected to enable organisations to improve their understanding of what happens during strategy execution. It is anticipated that the insight will enable business leaders to review how they implement their strategies and improve their practices where necessary in order to realise business success.

Future work will involve empirically verifying the conceptual model that was developed from the outcome of the literature review. The verification process will be done through case studies of organisations that were selected and meet predetermined criteria. The data collected from case organisations will be used to verify the proposed model.

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