

The role of Project Portfolio Management for Corporate Strategy Implementation

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Abstract The paper considers an up-to-date issue in project management, namely the implementation of the project portfolio management approach in contemporary organizations and its relation to the corporate strategy. It emphasizes on the premise that only if project portfolio management is effectively aligned with the corporate strategy a synergetic effect can be achieved facilitating the portfolio success. The theoretical grounds outlined here are supported by evidence from the practice on the basis of a case study reviewing the system of project portfolio management in Telenor Group Bulgaria at three levels – unit within the organization, organization within the group, and the group of organizations as a whole. A conclusion is derived regarding the establishment and management of project portfolio as inherent function necessary for the effective control over projects execution providing their successful realization in a multi-unit environment of a business group.

Index Terms: project portfolio, project portfolio management, corporate strategy, Telenor

JEL: M10; O22; L29

I. INTRODUCTION

During the last decade issues related to project portfolio management as well as project office management sustainably evolve worldwide in the specialized literature and studies in the field of project management. The role of project portfolio management intensifies mainly due to the identified necessity for achieving organizational flexibility in projects realization along with diversification and specialization of project activity results – all this in an accelerating dynamics and increased complexity of the business environment in which the project oriented organizations operate. More and more managers – including Bulgarian ones – focus their project management efforts on the activities and decisions which will not only lead to the success of the any particular project but rather improve the results of the organization as a whole. This is done with the clear understanding that the implementation of the approach of managing a portfolio of projects is a powerful lever for implementing the organizational strategy and a specific source of competitiveness.

The project portfolio is defined as a group of projects that are executed jointly and in parallel by a particular organization (Archer & Ghasemzadeh, 1999). Usually, the organization does not have all necessary resources for

supporting the realization of all project proposals, each project has to compete for the provision of its required resources (human, financial, material, information, etc.). The management of a project portfolio is a complex activity requiring assessment, selection, and synchronized execution of projects oriented to the implementation of the overall strategy of the organization (Alexandrova et al., 2015). Compared to the operational decisions within the project oriented organization – which are typically related to the management of any project – the project portfolio management is considered as a natural component of the strategic management of the organization (PMI, 2013).

II. INTERRELATION BETWEEN CORPORATE STRATEGY AND PROJECT PORTFOLIO MANAGEMENT

As noted above, the interrelation between the project portfolio and strategic priorities of the organization is a central issue considered in the literature as well as a critical task of Project Portfolio Management /PPM/. Before anything else, any project strives to achieve a specific business objective through the utilization of particular competitive advantage.

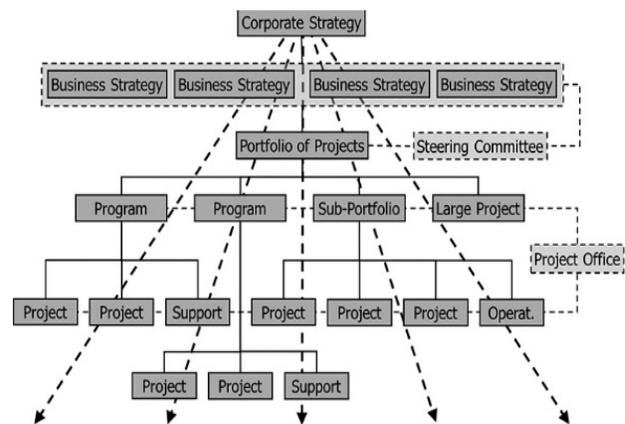


Fig. 1. Hierarchical structure of project portfolio
Source: Thiry, M., Organizational Context. Chapter 2 in: Thiry, M., D. Dalcher (Eds), Program Management. 2nd Edn. Gower Publishing, 2015.

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Figure 1 depicts a general model which demonstrates how the different strategic goals can be linked to the realization of programs represented by a respective

portfolio of relevant projects. Any strategic change in an organization within such a “cascade” model can be realized through a set of projects which selection and execution is coordinated in the framework of a separate portfolio in order to achieve a package of results (benefits, advantages) aligned with a particular strategic goal.

Most of the studies emphasize on the interrelation between project management and business strategy considered in the process of selection of project for the portfolio. However, during the recent two decades interlinks between project management and organizational strategy are studied in a much more comprehensive manner (Artto & Dietrich, 2004; Jamieson & Morris, 2004). More over, theoretical frameworks are developed which the companies could transform into mechanisms that should guarantee the success of strategy implementation processes (Srivannaboon & Milosevic, 2004; Anguelov & Angelova, 2016).

The strategic priorities at functional level are related to the operation of the organization’s functional units (Joshi et al., 2003). Of main concern here are R&D, production, HR management, IT management, etc. Surprisingly, project management is rarely considered as a functional strategy though the projects have fundamental role for the strategic orientation of many companies. For this reason interlinks between business strategy and project management depend on the degree to which project management priorities are compatible with business strategy targets in a particular organization (Srivannaboon & Milosevic, 2006; Tamosiuniene & Anguelov, 2011).

The problem of the lack of such interrelation is considered in a study conducted among 30 companies including 128 in-depth interviews (Blichfeldt & Eskerod, 2008). It finds that PPM covers just a particular subgroup of projects while the other projects (not included in the portfolio) utilize as much as possible resources assigned to predominantly to those in the portfolio. The authors emphasize on the necessity for encompassing all projects of the organization into the portfolio. From the other side, the lack of interlinks between the strategy and project management leads to some obstruction for the utilization of new marketing opportunities and for resisting to a stronger competitive pressure.

We can distinguish between three models for the interrelation between PPM and all business units (Filippov et al., 2010):

Model 1: Partial scope – PPM covers the business operations only partially. The majority of organizational activities are performed by the functional units and only specific tasks are executed in the form of projects.

Model 2: Sectoral scope – PPM covers only a specific operational sector (e.g. IT management). Only activities in this sector are organized and executed as projects and all other activities are performed on a functional basis. The main reasons for this are the impossibility (due to their nature) for them to be organized on a project basis (e.g. Distribution sector) or a lack of managerial ambition to implement a project based approach to their execution.

Model 3: Full scope – PPM covers all operations of the organization which can be defined as „projectification“ of the organization. An example for this is the Philips Research company (in the group of Royal Philips Electronics) where almost all activities are performed in the form of projects with minor residual functional operations (e.g. supporting activities like financial, HR or IT management). In the framework of the whole organization PPM appears to be a natural business process whereas companies operating under model 1 or 2 face more difficulties to rebase their everyday routine activities with the project-based operations.

Nowadays it is a frequently met practice to start projects and initiatives oriented to improving the financial results through achieving some business goal. Nevertheless, it is still rarely linked to the introduction of PPM which assumes a comprehensive procedures for projects selection, simultaneous execution, continuous monitoring and control are comprehensively considered following the strategic goals of the organization (fig.2). If correctly performed, PPM focuses not only on the corporate strategy implementation but also on its enhancement and development.

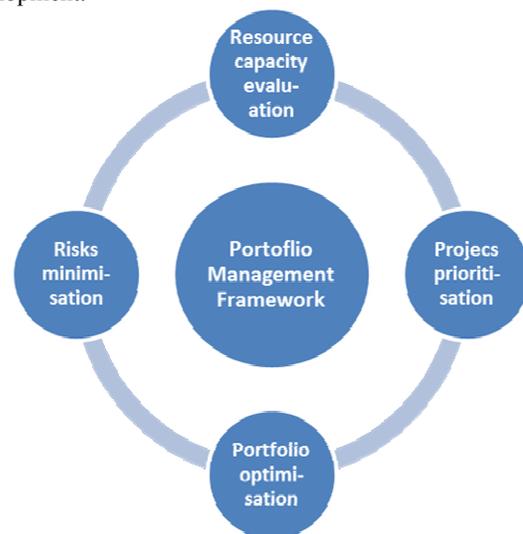


Fig. 2. Project portfolio management framework

In other words, PPM implies the management of the process of transforming the strategic goals into project objectives – and subsequently focusing on the execution of respective projects to achieve these objectives. This way PPM supports the managers in performing their roles for prioritizing and directing the efforts towards those projects that are expected to have strongest impact on the achievement of strategic goals. The construction of an integrated portfolio related to a particular strategic goal through the PPM approach not only suggests a clear link between strategy, goals, and projects but also provides transparency of the decision making process. In such conditions the managerial bodies can be much better informed and capable to act successfully for achieving these goals (Staneva et al., 2015).

III. PROJECT PORTFOLIO MANAGEMENT IN TELENOR GROUP

Telenor Group is an established leader on the world telecommunications market with almost 160 years of experience. The company has over 176 million customers and operates in 13 countries in Europe and Asia (Telenor website, 2016). Telenor Group also holds 33% of the capital and 43% of the common shares capital of the Russian telecom VimpelCom which provides services in 17 countries. The central office of Telenor Group is located in Oslo (Norway), the company is listed on the Oslo Stock Exchange and its revenues for 2013 amount to almost 12 billion EUR (104 billion NOK). With its 33,000 staff members worldwide, ranked among the top 500 of the international companies by market value (according to Financial Times rankings for 2012), Telenor Group performs among the best according to the Dow Jones Sustainability Index (DJSI Europe and Eurozone Index).

Telenor Bulgaria is a leading telecommunication company in the country offering the full package of services (mobile, fixed, and data transfer) to over 4 million active customers in Bulgaria. The company is a member of Telenor Group since August 2013 and operates using the “Telenor” brand name since November 4th 2014. Up to that time a mobile company operates on the Bulgarian market using “Globul” brand name since 2001. In 2008 the company invested over half million BGN (quarter million EUR) in personnel training aimed in enhancing the effectiveness of customer service and achieving a higher level of client satisfaction. During the same year the company launched its long-term strategy for environmental sustainability which assumes undertaking of various initiatives targeted in the company’s impact on natural environment, encouraging recycling and secondary usage

of mobile devices, as well as supporting significant social events in this aspect.

Telenor operates in large extent as a project oriented organization. However, due to the high degree of internationalization of its operations the control of any project management from the central executive level at some business units within the group appears to be quite complicated. This obstructs the exchange of experience regarding the successful realization of projects having similar characteristics between the different divisions of the group. In this respect, in order to uphold projects execution processes Telenor developed a global corporate model for project management providing a general framework for project initiation, execution, and finalization (fig.3). The ultimate goal of this model is to simplify, clarify and support the process of projects execution following a unified business process involving:

- a general system of concepts and terminology;
- common understandings about the roles and responsibilities;
- common types for the managerial documentation;
- general framework of decision making concerning the initiation and finalization of projects in the organization;
- common structure of planning and monitoring of projects;
- detailed descriptions of the processes at different phases of their execution;
- additional requirements regarding the results formulated at each decision point;
- definitions for a range of additional roles.

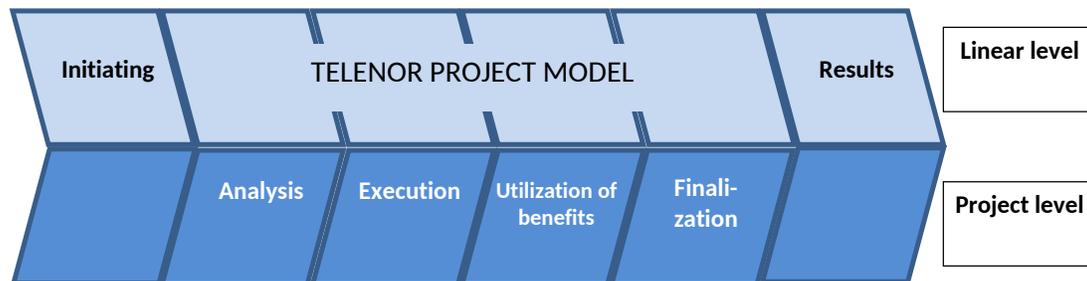


Fig. 3. Telenor global model for project management

The model of project management at Telenor is divided into 6 phases. The mode of implementation of the global model varies according to the specifics of different organizations within the group, however, the procedure is unified and keeps a standard terminology. In order to adapt to different project characteristics and needs the Telenor global model for project management is designed to be open and flexible – it integrates the good practices acquired in Telenor Group regarding the management of projects.

Telenor as a multinational corporation typically implements a unified development strategy, standard

policies and synchronized budgeting of all business units in the group. On the other side, the different business units have a freedom of choice regarding their individual policy to achieve the respective goals aligned to Telenor Group’s strategy. This way the system for project management in Telenor has actually transformed into a PPM system operating at three organizational levels.

The first level considers the management of projects at the Group level. This level experiences a three-year cycle for updating the company strategy in respect of its development goals. This strategy is communicated with

each business unit in the group and thus becoming a leading one for them. Each business unit – apart of following the general corporate strategy goals – executes particular projects reflecting the specifics of the local market where it operates. Those projects selected into the portfolio of the respective unit that are directly aligned with the pursuit of the Group’s strategic goals are monitored and controlled as part of the Group’s portfolio by a project management office outside the respective unit.

On the basis of project proposals collection a Commission selects projects that best fit in the needs of the corporate strategy. After this selection choice is made, it is not recommended that new projects are additionally initiated because of the achievement of practically full resource utilization. Any project in the Group’s portfolio is executed by the respective business unit. It should be taken into account that projects included in the portfolio are not executed by separate functional divisions of the organization – all sectors that are responsible for strategy implementation provide their representatives for the respective project team. Such projects have a priority within Telenor Group and they can count on additional resource mobilization from other units of the Group. Typically, a project which is part of the Group’s portfolio, is controlled by a project manager appointed centrally.

Along with the strategic portfolio another kind – the so called “group portfolio” is also structured at the Group’s level. It encompasses all significant projects of Telenor that are realized in every business unit. The goal here is to provide a centralized monitoring and control of these projects as far as they are of significant importance to the business unit and support the development of the whole group. Examples of such projects are an introduction of new standardized equipment in some of the business units or re-branding of Telenor products.

The second layer of PPM is realized at the level of separate company within the Group, e.g. Telenor Bulgaria. Similarly to the group level, each project selected into the unit’s portfolio should be aligned to the strategic goals of the Group – however, projects reflecting the local needs and specifics of the business unit operations can also be included in the company’s portfolio. Two approaches are still possible here:

- an overall portfolio of the company including heterogeneous projects that are jointly aligned to the company’s strategy;
- each division (directorate or department) in the company can compose and manage its own portfolio of projects that concern its specific activity.

The details of each project must fit in the general model for project management in Telenor. In order to be included into the portfolio, a project proposal must be based on a business case study that is defended before an Investment Commission of the company which determines its importance. For example, the minimum amount of the investment must be 250 thousand BGN which can show the Commission that this project could be treated as a strategically important initiative for Telenor Bulgaria. After all projects are currently selected for the portfolio a

managing team is constructed with the participation of the Executive Director of the company /CEO/, the Financial Director as well as the director of any division that has suggested one or more projects finally selected in the portfolio for execution.

The first task of this managing team is to perform projects prioritization in order to find the most effective allocation of available resources. Advantage is given to those projects that have the clearest fit to the Group’s strategy; after them come the projects with local importance (i.e. relevant only to the company’s strategy). For example, such project of Telenor Bulgaria was the change of the brand name (and related marketing communications) from Globul to Telenor. The managing team conducts regular work meetings – at least once per week – on which each division participating in the portfolio with at least one project presents a report for its current execution. Due to the dynamic nature of the industry in which Telenor operates, in a particular moment one or more projects could be removed from the portfolio due to assessed ineffectiveness of its expected results. Typically, no new projects are inserted on their place because of limited possibilities to update the annual budget approved for the company of the Group.

The third level of portfolio construction relates to the management of projects by a particular division of given company within the Group. This level assumes management of a portfolio of projects initiated, executed and controlled by a particular directorate of the company. The procedure here does not deviate substantially from the one applied at the company level. Initially, a project idea is presented at the respective director after being approved by the operative (line) manager of the project initiator or team. There is no minimum budget amount required but any project idea must take into consideration the overall budget of the directorate – a the project idea have no chance to develop into a project is the required budget is prohibitively large as compared to the financial capacity of the directorate. The typical approach here is to judge the project proposals after a cost-benefit analysis is performed.

The specific feature of the process here is that any directorate must apply a unified project management framework which gives clear directions about the management of its portfolio. At the current stage such a framework is approved and applied only at the technology and trade directorates of the company, and is reviewed and approved each year. It is not obligatory that all projects in the portfolio must follow only the strategic goals of the company – a project can be incorporated also if it has a direct contribution to the realization of a sectoral strategy of the directorate. Such project can, for example, target in systematical reduction of operating costs (aiming in keeping the budget parameters close to the planned figures), improving of the working environment for the workforce as well as other clearly linked to the directorate activity but with little relation to the corporate strategy of Telenor Bulgaria.

Other specific feature of the third level is the possibility for current selection of new projects in the portfolio –

except the initially launched – due to the fact that in a dynamic environment of the branch the end product must require a renewal or new kind of support because of severe competition and introduction of innovations. This calls for the initiation of another project which will guarantee a rapid and adequate reaction to the changed environment. Good examples here are projects related to the upgrade of personnel qualifications and competencies, renewal of branded clothing, etc.

CONCLUSION

Project and portfolio management continuously increases its importance for contemporary business organizations in their efforts to company's strategy implementation. This undoubtedly contributes to the renewal and sustainable development in national, regional, and global aspect. Telenor Group utilizes the potential of project portfolio management in order to efficiently achieve its strategic goals. As far as it encompasses several business units, the construction and management of portfolio of projects proved to be a necessary organizational function for their monitoring, controlling, and successful accomplishment.

Telenor Group has developed a successful model for managing projects that facilitates the initiation, planning, executing, and controlling of organizational projects. Along with this, the model contributes to the knowledge transfer process and sharing of experience in managing a set of integrated projects based on unified standards, documents, and procedures. This way a portfolio of projects becomes much more goal-oriented from the point of view of organizational strategy implementation. A good practice in the organization is the development of specific unit dealing predominantly with initiating and realizing own methodology (standards and procedures) for managing projects and project portfolios – a clear argument for the advanced stage of development not only of Telenor Group but also the telecommunication industry in a global context.

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