Strategic project portfolio management in multinational companies: a case study

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Abstract
The study examines how projects are identified, assessed and prioritized in order to contribute to the strategies chosen by companies. A case study in the Brazilian branch of a multinational automaker compares what is proposed by the literature with what actually takes place in practice.

Keywords: project management, portfolio management, strategy planning, strategy execution

Introduction
The Strategic Plan implementation in a company is made possible by the implementation of integrated and coordinated activities in order to achieve a particular goal. It must comply the constraints of time, human resources, available capital, technology, etc., similar to what is done in project execution. According to Nieto-Rodriguez (2012, p.59) the company needs to be focused and use project management practices to have an effective and successful strategy implementation.

The projects, which are part of management, compose the group of activities that focus on the implementation of improvements and business development ("change-the-business"). There is also a group of repetitive and continuous activities in the operations ("run-the-business") (Nieto-Rodriguez 2012; Shenhar and Dvir 2010). Some companies treat projects with utmost importance applying modern and complex methods recommended in the literature. Others develop their own methodologies beside others that simply run their projects based on empirical experience of its employees and not recognizing project management as a core activity of the company. The temporary nature of projects indicates that a project has a beginning and an end (PMBOK 2013, p.3) becoming in some cases the strategy itself. According to Artto et al. (2008) project strategy depends on two dimensions in the environment in which the project is developed: independence of the project and number of interested strong stakeholders in the organization. But, it was only in recent years that companies began organizing work around projects and when the tools, techniques and methods used have become standard in the industry, a new discipline came up: Project Management (Shenhar and Dvir 2010). These tools contributed to start grouping the projects into programs and portfolios in accordance with the strategies and goals of the company. In this research we interviewed 24 professionals for whom language and work culture related to projects are not unknown (22 executives, 1 specialist and 1 consultant) in an automaker installed in Brazil since the sixties. As the interviewed persons were
not statistically selected, the sample could be biased. In spite of this, they indicate a significant difference between the theoretical models and what is done in practice, suggesting that new models and standards should eventually be developed and/or adapted. Finally, we propose an answer to the research question: "How strategic project portfolio management is used in order to contribute to the strategies chosen by companies?"

Theoretical Background
Although projects often take quite tactical roles (Artto et al. 2004) they have been considered important tools to implement strategies and promote changes (Johnson and Parente 2013; Patanakul and Shenhar 2012; Nieto-Rodriguez 2012; MacLennan 2011; Guedes et al. 2011; Turner 2009; Srivannaboon 2009; Morgan et al. 2007; Morris and Jamieson 2004; 2005; Artto et al. 2004; Longman and Mullins 2004; Pellegrinelli and Bowman 1994; Lord 1993). When organizations conduct their projects linked to strategy, they are more able to achieve their organizational goals (Milosevic and Srivannaboon 2006).

When a project is created or approved for execution, it has a special purpose, a strategy. Project strategy is a guideline that contributes to success of the project in its environment (Artto et al. 2008). According to the authors the project strategy depends on two dimensions in the environment in which the project is located: independence of the project and number of strong stakeholders interested in the project (Figure 1).

Figure 1 – Project strategy according two dimensions (Artto et al. 2008)

The project with obedient servant strategy considers its parent organization as the most important stakeholders in their environment. In this case the project supports the business strategy. The project as independent innovator strategy sets its direction, encouraging innovative and independent behavior to find or keep business content and purpose of the project itself. It can originate from an independent action. Project as flexible mediator strategy finds its meaning by defining its operational environment, such between the group of strong stakeholders, sharing goals. Finally, the project as a strong leader strategy selects its direction, creating a strong independent culture and sense of importance of becoming a success. The project is able to establish a single and focused vision of the various stakeholders.

A project can be created to meet the need of a strategy (deliberate or emergent), then they are being chosen by selection tools to integrate the portfolio that fits the business strategy. According to Mintzberg (1978) deliberate strategies are those desired and performed while
emergent strategies are strategies that, normally, never had an intention or those that were obtained along the way. Emergent strategies exist simultaneously to deliberate strategies (Mintzberg and Waters 1985; Mariotto 2003) in an interdependent process.

Morris and Jamieson (2004; 2005) consider the project strategy as the project objectives and explore the process of transforming corporate strategy into project strategy. The authors define corporate strategy as a way of thinking and articulating how corporate goals and objectives of the organization are achieved. This strategy is then, typically, operationalized at the level of a "strategic" business unit. Strategic initiatives are then often grouped into portfolios of programs and projects for implementation (Morris and Jamieson 2004; 2005). From this definition the authors explore the basic model presented by Turner (2009) (originally published in the second edition in 1999) to connect, in a cascade, the corporate strategy to project strategy (Figure 2).

Figure 2 – Connecting the corporate strategy with project strategy (Morris and Jamieson 2004; 2005)

In this process, portfolio management is connected directly with the corporate business strategy. To be neatly implemented and in order to rationalize the use of scarce resources in the company, there are guidelines and tools for project portfolio management, which has become an important topic in recent years (Urli and Terrien 2010). An improved definition of portfolio management is presented by Cooper et al. (1999), where the "portfolio management is a dynamic decision process, in which a list of active projects is constantly updated and revised, where new projects are evaluated, selected and prioritized, others are put on hold and resources are allocated in the active projects". The portfolio management is from the strategic point of view the same as the project management from tactical point of view (Urli and Terrien 2010). Although, the portfolio management does not ensure success in achieving strategic objectives, an effective portfolio management process can increase the chances of selecting and completing the projects that best meet the organizational objectives and that are aligned with the organization's vision (Bible and Bivins 2012). The annual report PMI's Pulse of the Profession (2012) reinforces the importance of portfolio management and point out that matter as one of the main trends for the coming years.

Project, program and portfolio management (PPPM) has been neglected over the years. It is not common for the most recognized authors in Business Management refer to project management as an important business methodology or a critical component for implementing
strategy (Nieto-Rodriguez 2012), but no longer simply a middle management tool for planning, organizing and controlling human and other resources, project management can now be regarded as an essential means of turning strategic objectives into operational ventures (Lord 1993). Although many executives believe that the alignment of project management with business strategy improve significantly the scope of organizational success in terms of strategy and performance, the literature on this subject is still in its beginning (Srivannaboon 2009). When organizations have their projects related to strategy, they better achieve their organizational goals (Milosevic and Srivannaboon 2006). Longman and Mullins (2004) consider the project management an essential tool for implementing strategies and say that project management must be practical and relevant for the organization. People, at various levels, must realize the benefits of project management day-by-day in strategy implementation.

Methodology
This research is a qualitative descriptive one and seeks to identify, in an automotive car maker installed in Brazil for many years, how projects are identified, assessed and prioritized in order to contribute to the strategies chosen by companies. The philosophical conception is pragmatist focusing on the consequence of actions, problem-centered, pluralistic and oriented to the practice in real world (Creswell 2010), with constant comparison of these practices with those described in the literature. It was used as a methodological approach combination of qualitative methods as shown in Figure 3.

Figure 3 – Methodological approach: combination of qualitative methods (from the authors)

Data collection
Interviews: we applied the individual interviews method with open-end structure (Vergara 2009), where interviewees has the role of respondents (the most common model of interviews, in which participants are asked and share their own experiences about the subject) ( Alvesson and Ashcraft 2012), and describes internal processes that help to understand how this phenomenon occurs. Our position as interviewers was neo-positivist, focused on the facts and practices existent on the environment and context, but a novelist position (Alvesson and Ashcraft 2012) was not abandoned, with appreciation of human interaction and build of a confidence process. We interviewed 24 people in the automaker, for whom language and work culture for projects are not
unknown: 22 executives, 1 specialist and 1 internal consultant. The last two, although not being executives, are responsible for implementing projects in the company. We attempted to obtain a multidisciplinary overview of processes focusing on those departments dealing with projects and strategy formation. The most represented areas are extremely active in projects of product development, capacity and structure of factories, the core categories of projects for the business development (Table 1).

Table 1 – Areas participant in the interviews (from the authors)

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<td>Manufacturing Engineering</td>
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<td>Information Technology</td>
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<td>Sustainability Management</td>
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<td>Product Engineering</td>
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<td>Corporate Strategy</td>
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<td>Governance, Risks and Compliance</td>
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<td>Quality Assurance</td>
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<td>Human Resources</td>
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TOTAL = 24

The applied questionnaire had 17 questions elaborated from the studies of Mintzberg (1978), Mintzberg and Waters (1982; 1985) and Mintzberg and McHugh (1985), Mariotto (2003), Bower (1970), Burgelman (1983), Weick (1979), March (1976), Waldrop (1992), Anderson (1999), Weaver (2007), Artto et al. (2008) and Archibald (2004). The total amount of interviews is enough to reveal the main codes (Guest et al. 2006; Griffin and Hauser 1993).

Participant observation: it is based on direct contact between the researcher and the phenomenon of interest (Brannan and Oultram 2012). We followed the complete participation mode, where the role of observer and observational goals are reserved for other participants.

Use of documents (Lee 2012): in this research we used only primary documents provided by the interviewees and others from various departments, excerpts of meetings where the method of participant observation were used, internal newspapers and intranet data. These documents, beyond reveal important phenomena for research, validate the information given by the interviewees.

Data Analysis

Template analysis: according to King (2012), Template Analysis is a style of thematic analysis that balances a high degree of structure in textual data analysis with flexibility to fit the needs of a particular study process. This model has been widely used to analyze data from individual interviews. It is a more flexible technique with few specific procedures, allowing researchers to adapt these techniques to their needs. According to the author, three aspects influence the choice of this technique by the researcher: 1. flexibility of the structure data encoding 2. the use of a priori theme 3. use of an initial template. The method follows some specific steps:

1. Defining themes and codes
2. Hierarchical coding
3. Parallel coding
4. Integrative themes
5. Displaying the template into list and/or mind maps
6. Quality checks
Results
The interviews were coded in Figure 4 shown in a Mind Map. The first layer shows the f. The second one shows the main points found to each category. The third one show the points emerged into each point found in the second layer and finally, the forth layer shows the main points that emerged in each point described in the third layer.

Figure 4: Main codes found using the Template Analysis (from the authors)
Discussion and Conclusion
The content of the Template Analysis, from the surveyed people’s point of view, shows some similarities between the results and the theoretical models, but also brings some significant differences between what is actually used and experienced by them. The main points refer to:
1. **Strategy:** the process shown in Figure 2 is noticeable in the company, mainly with the portfolio of projects related to products and new launchings. The corporate processes followed (like those used in the Headquarter) helps the company in Brazil to achieve the milestones and results according to the targets. The same process is not identified to projects related to structure, capacity and “non-product” (diverse projects with no relation to the products of the company, e.g., projects like improvement of performance, training, sustainability, etc.).

The Strategic Map illustrates the objectives managed through the Balanced Scorecard (Kaplan and Norton 2007). These objectives are deployed to the managerial level until the operational one, than controlled through indicators. Strategy formation/creation is a complex process with many inputs, mainly from the Headquarter and Marketing area according to the results of some indicators, like customer satisfaction, movements from the competitors, and so on. It was also identified a lot of internal and external sources of strategy changes were the process of planned strategy exists together the emergent strategy in a complex interrelated process.

2. **Operational:** often, during the execution of strategies, new projects emerge, influenced by the sources of changes. They can be big or small ones to correct the course of the ongoing strategy. But these projects can be aborted before they achieve the appreciation from the Board of the company that approves or not a new project. There are lots of factor that inhibits new ideas/projects, like bureaucracy, conflicts of interest and limitation of resources.

3. **PPPM:** a project born from official and structured processes followed in the company or from emergent processes. Each project has a strategy and the four types of project strategy described for Artto et al. (2008) were identified. The projects as obedient servant strategy were cited 30 times during the interviews. Projects related to structure and capacity of the factories are the main representatives. Projects as flexible mediator strategy were cited 29 times and the product projects are the main representatives. Projects as independent innovator strategy were cited less, 15 times followed by the projects as strong leader strategy, just 5 times. Both are represented by projects classified as non-product.

Depends on the strategy and purpose of the project it is approved or not by the Board of the company and can integrate the strategic portfolio of projects, but a systematic to classify the project was not identified in this research. The projects are mainly approved according to their financial return and pay-back period. Some good and important projects, but with not so good results, can be approved over some that are not technically so important, if the business case promises good financial results. Quality issues are also important, but not over the financial ones.

In general, the authority of the Project Manager is lower than the Functional Manager. This leads to low motivation and commitment to project results, as well as conflicts between the operation and the needs of strategic goals accomplishment. The same occurs in allocation and prioritization of resources.
We concluded that the alignment between the portfolio of projects and corporate strategy occurs, but just considering the projects of products development. A structured systematic according to the Headquarter procedures were identified and it is essential for this alignment occurs. This methodology can be explored in order to identify some new process not described in the literature, but used by the company with good acceptance and results. For the other category of projects there are many gaps in process from the role of the Project Manager until the selection process for projects. Given this the misalignment our study indicates that many of the basic practices of portfolio management are ignored or misused by the responsible people, opening a huge opportunity for improvement of operational performance, better allocation and use of resources and improvement of management practices. The findings also encourage the development and adaptation of new models and standards to approach the practices proposed in the literature with that actually used daily by executives.

References