

# **Effective Strategic Portfolio Management Drives Better Business Outcomes**

By Robert Handler, Lorri Callahan,  
Will McHenry, Shilpa Pental

## Effective Strategic Portfolio Management Drives Better Business Outcomes

Published 25 June 2021 - ID G00749956 - 9 min read

By Analyst(s): Robert Handler, Lorri Callahan, Will McHenry, Shilpa Pental

Initiatives: PMO Evolution for Digital

Organizations that are highly effective at strategic portfolio management are twice as likely to achieve better business outcomes as those that aren't. IT leaders responsible for portfolio management can become effective at SPM by following four specific recommendations.

### Overview

#### Key Findings

- Organizations that effectively connect portfolio management processes to enterprise strategies are 3.2 times more likely to achieve strategic portfolio management than those that don't.
- Organizations that expose the dependencies between work and strategic goals significantly increase the likelihood of achieving SPM.
- As organizations scale product-centric delivery models, involving solution delivery teams in portfolio reprioritization decisions boosts the odds of attaining SPM by 2.7X.
- Organizations that dynamically reallocate resources based on changing strategic priorities are 5X more likely to achieve SPM.

#### Recommendations

To achieve the better business benefits of effective SPM, IT leaders responsible for portfolio management must go beyond narrowly focusing on on-time and on-budget delivery, and take a series of specific actions:

- Connect enterprise strategy to portfolio management processes; ensure relevance of strategy is clear and enables proper trade-off decisions by incorporating it into the prioritization process and rubric.

- Discover dependencies and trace the work of delivery teams to strategic goals; proactively communicate how the work of solution delivery and technology teams connects to strategic goals through intuitive portfolio views, coupled with value metrics.
- Increase the involvement of delivery teams in portfolio reprioritization decisions; drive effective strategic portfolio management by increasing the involvement of delivery teams in portfolio reprioritization decisions, while scaling product management.
- Augment a cyclical reprioritization of resources with an event-based approach; enable dynamic reprioritization processes to prepare for disruption by augmenting a cyclical reprioritization cadence with an event-based approach to preempt changes in strategic priorities.

## Survey Objective

This research is based on an online survey conducted between October and December 2020 among 310 respondents in North America; Europe, the Middle East and Africa (EMEA); and the Asia/Pacific (APAC) region across industries and functions, and from organizations with \$500 million or more in annual revenue.

The primary objective of this survey was to determine the markers of effective strategic portfolio management that enable business agility and drive digital business outcomes. Gartner used statistical modeling to determine the drivers that influence desirable business outcomes. This model demonstrates how attributes of strategic portfolio management directly affect business outcomes and describes the specific qualities of these attributes needed to achieve them. The analysis further reveals specific actions that organizations should take to increase their likelihood of achieving strategic portfolio management (SPM).

## Data Insights

### Introduction

Findings from Gartner's "Portfolio Management in the Digital Business" survey demonstrate that achieving effective SPM entails the following three attributes:

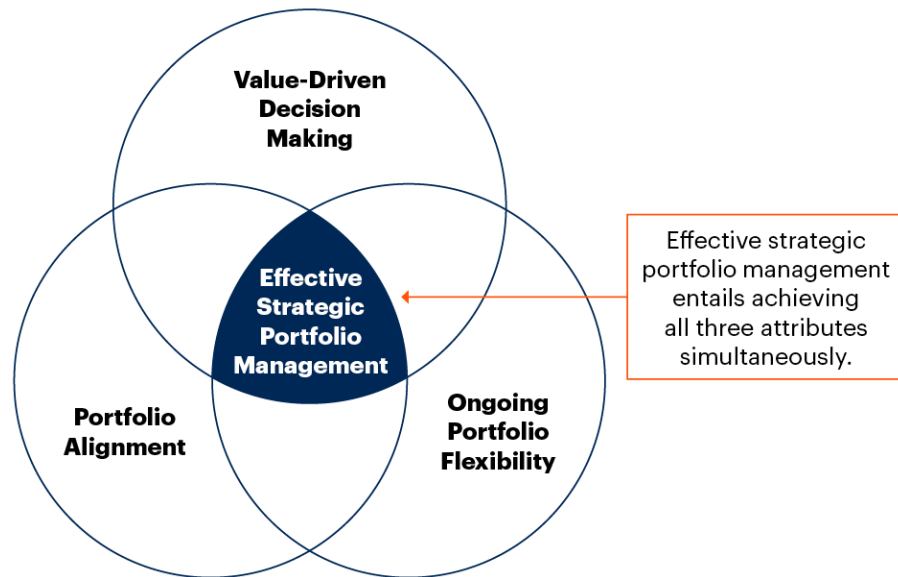
- Portfolio alignment
- Ongoing portfolio flexibility

- Value-driven decision making (see Figure 1).

Although this model is abstract, it demonstrates how becoming highly effective at specific drivers and attributes, as well as their respective subcomponents, increases the likelihood of achieving better business outcomes.

**Figure 1: Three Attributes of Effective Strategic Portfolio Management**

### Three Attributes of Effective Strategic Portfolio Management



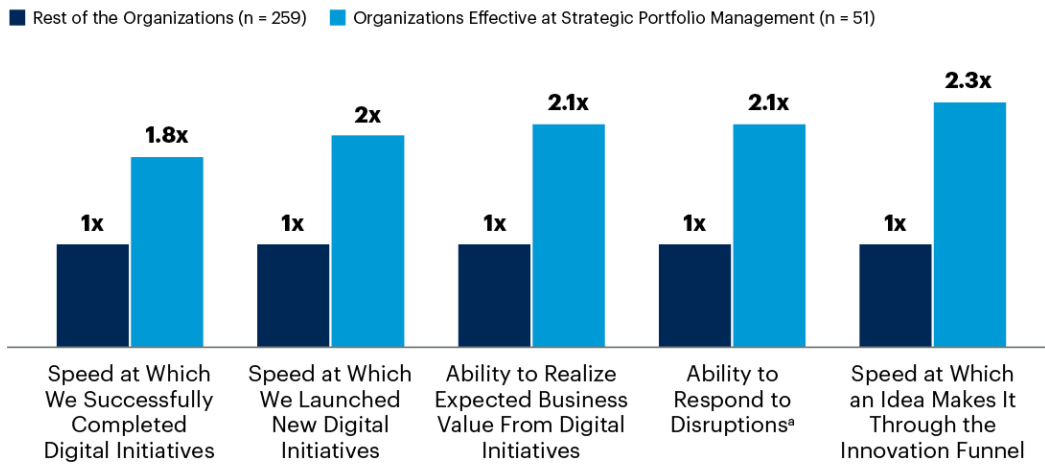
Source: Gartner Portfolio Management in the Digital Business Survey  
749956\_C

**Gartner.**

The survey found that organizations that are highly effective at all three attributes are twice as likely to drive better business outcomes, such as realizing business value and responding to disruptions including COVID-19, than their peers (see Figure 2). More specifically, the survey defined disruptions as including major or large-scale external disruptions of the business environment, internal, organizational disruptions, and ongoing external or internal change.

Figure 2: Benefits of Effective Strategic Portfolio Management

**Likelihood of Achieving Positive Business Outcomes From Effective Strategic Portfolio Management**



n = 310 respondents

Q. Based on the last 6 months, how would you characterize your enterprise's overall performance on the following outcomes, relative to peers/competitors?

Source: 2020 Gartner Portfolio Management in the Digital Business Survey

<sup>a</sup>Disruptions include major or large-scale external disruptions of your business environment, internal, organizational disruptions and ongoing external or internal changes.

749956\_C



In contrast, organizations that focus only on delivering their portfolios on-time and on-budget have no significant impact on achieving these business outcomes. However, only 16% of organizations simultaneously achieve high effectiveness in all three attributes of SPM. Accordingly, there is considerable opportunity for IT leaders responsible for portfolio management to update and improve their practices for achieving SPM.

The table below details the subattributes of the three aspects of SPM that were identified through the survey:

- Portfolio alignment
- Ongoing portfolio flexibility
- Value-driven decision making

Organizations should use Table 1 as a roadmap to develop more-mature and effective portfolio management practices.

**Table 1**

Column 1	Column 2
Portfolio Alignment	The portfolio was designed to strongly align with enterprise strategic objectives
	The portfolio was designed to effectively balance trade-offs between managing risks and driving innovation
	The portfolio was designed to effectively balance trade-offs between team/local and enterprise outcomes
Value-Driven Decision Making	In their understanding of the business opportunities and risks associated with technology and digital investments
	In their understanding about the impact of their decisions on their peers or other parts of the organization
	That their decisions would drive long-term value for the organization
	That their decisions would drive value for customers
Ongoing Portfolio Flexibility	It was easy to pause unnecessary work that did not align to strategic goals
	It was easy to stop unnecessary work that did not align to strategic goals
	It was easy to reallocate resources and funds, change vision/scope or redefine outcomes in response to major or large-scale external disruptions of your business environment

## Data Insights

Gartner's Portfolio Management in the Digital Business Survey further reveals the following specific actions that organizations should take to become more effective in SPM.

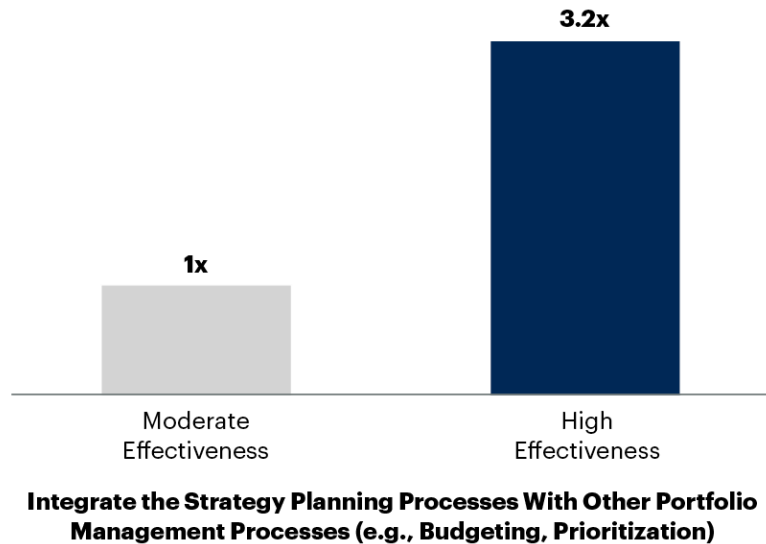
### Connect Enterprise Strategy to Portfolio Management Processes

Portfolio management is an investment management approach that aligns resources with strategy and objectives. Organizations that effectively connect enterprise strategy to their portfolio management process are 3.2X more likely to demonstrate effective strategic portfolio management. However, only 37% of organizations are able to effectively align resources with strategy and objectives (see Figure 3).

Figure 3: Connect Enterprise Strategy to the Portfolio Management Process

**The Payoff From Increasing the Effectiveness of Aligning Portfolio Management Processes with Enterprise Strategy**

Likelihood of Achieving Effective Strategic Portfolio Management



n = 308 respondents

Q. How would you rate the effectiveness of your 2020 enterprise strategy planning process on the following attributes?

Source: 2020 Gartner Portfolio Management in the Digital Business Survey

749956\_C



**Recommendation**

Validate your organization’s strategy and incorporate it into the prioritization process and rubric, ensuring its relevance is clear and enables proper trade-off decisions (e.g., the trade-off between local and enterprise needs (see Align Projects, Products and Outcome Metrics to Business Goals).

**Surface Dependencies and Trace the Work of Delivery Teams to Strategic Goals**

Two related drivers in the survey significantly increased the likelihood of achieving effective SPM:

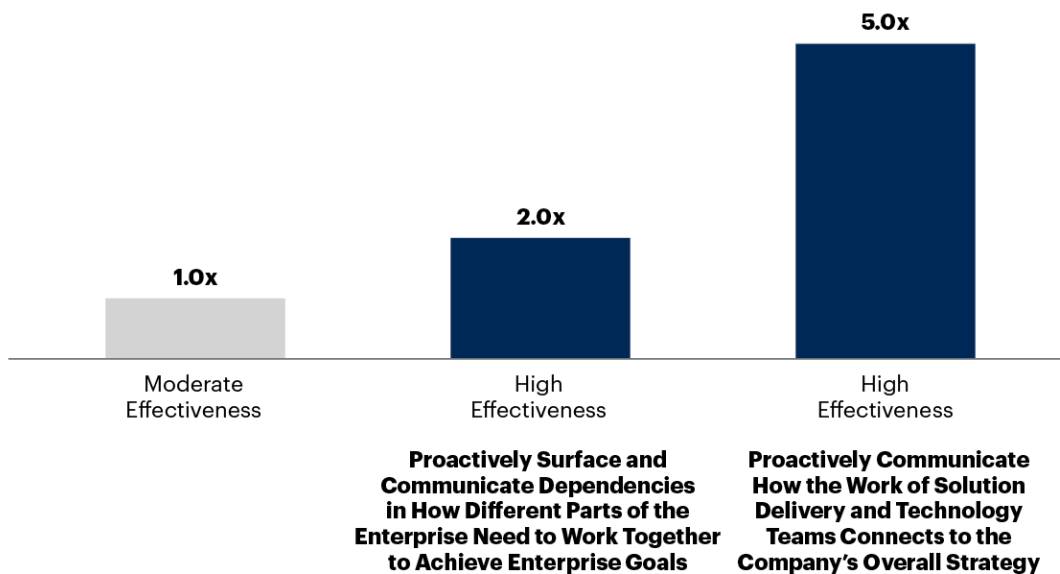
- Proactively surface and communicate dependencies in how different parts of the enterprise need to work together to achieve enterprise goals.
- Proactively communicate how the work of solution delivery and technology teams connects to the company’s overall strategy.

These two drivers are related, because both involve managing dependencies, which is challenging and worthwhile. IT leaders responsible for portfolio management often find it difficult to alleviate their product and initiative teams’ reliance on systems and resources outside their core teams, which can slow value delivery. To overcome this common challenge, they should understand that, although effective dependency management increases the likelihood of effective SPM by 2.0X, effectiveness at proactively communicating how the solution delivery team’s work connects to strategy increases the likelihood of achieving SPM by 5.0X (see Figure 4). Thus, it makes more sense to focus on ensuring the connection between teamwork and overall strategy is clearly and effectively communicated upfront.

**Figure 4: Surface Dependencies and Trace Work of Delivery Teams to Strategic Goals**

**The Payoff From Increasing the Effectiveness of Surfacing Dependencies and Tracing the Work of Delivery Teams to Strategic Goals**

Likelihood of Achieving Effective Strategic Portfolio Management



n = 308, 310 respondents

Q. How would you rate the effectiveness of your 2020 enterprise strategy planning process on the following attributes?

Source: 2020 Gartner Portfolio Management in the Digital Business Survey

749956\_C

**Recommendations**

- Proactively communicate how the work of solution delivery and technology teams is likely to connect to the company’s overall strategy through intuitive portfolio views, coupled with value metrics.



- Proactively surface dependencies in how different parts of the enterprise are likely to work together to achieve enterprise goals through product roadmapping (3 Steps to Managing Distributed Portfolios in an Increasingly Digital World).
- Use this time-tested, knowledge-sharing approach to proactively surface dependencies, and create dedicated teams responsible for coordinating and managing insurmountable dependencies (see Case Study: Accelerated Product Team Delivery Through Strategic Dependency Management [Ford]).

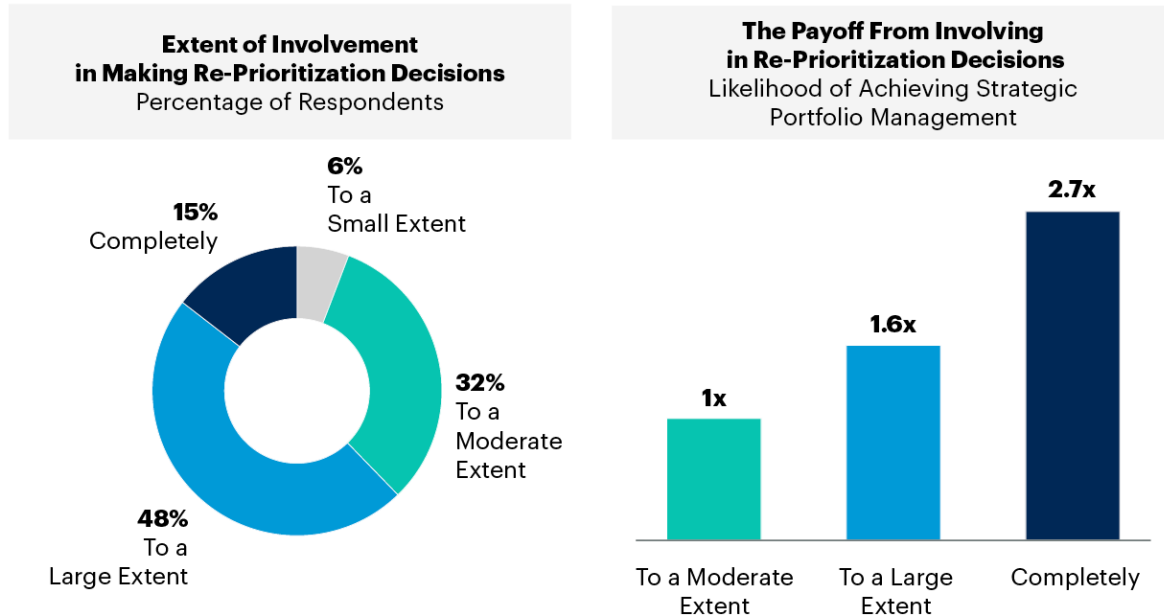
## **Increase the Involvement of Delivery Teams in Portfolio Reprioritization Decisions**

With the shift to product management, the focus on autonomy has made it difficult for many organizations to share feedback from distributed delivery teams with portfolio decision makers. In fact, the involvement of solution delivery and execution teams in portfolio decisions varies widely in organizations, with only a small percentage of teams being fully involved in these decision-making processes. Involvement of delivery and execution teams, however, increases as organizations scale their product-centric delivery models across the enterprise. These survey results are from respondents with and without portfolios that included products.

In a product-centric delivery model, these autonomous teams often have the best understanding of shifting customer preferences, as well as how strategy is being executed. As one IT leader recently noted, “Product managers basically represent the customer, so feedback from them is vital.” They can also provide portfolio decision makers with critical assessments of the resource feasibility of a priority as put to them. Accordingly, survey results indicate that increasing involvement of solution delivery and execution teams in reprioritization decisions drives effective SPM (see Figure 5).

Figure 5: Increase Involvement of Solution Delivery and Execution Teams in Reprioritization

**Increase in Involvement of Solution Delivery and Execution Teams in Re-Prioritization**



n = 310 respondents

Q. To what extent were the solutions delivery and execution teams involved in making re-prioritization decisions for the portfolio in the last 6 months?

Source: 2020 Gartner Portfolio Management in the Digital Business Survey

Note: Involvement of delivery and execution teams increases as organizations scale their product-centric deliver model across the enterprise.

749956\_C

**Recommendation**

Involve solution delivery teams in the reprioritization process when using the product-centric delivery model.

**Augment a Cyclical Reprioritization of Resources With an Event-Based Approach**

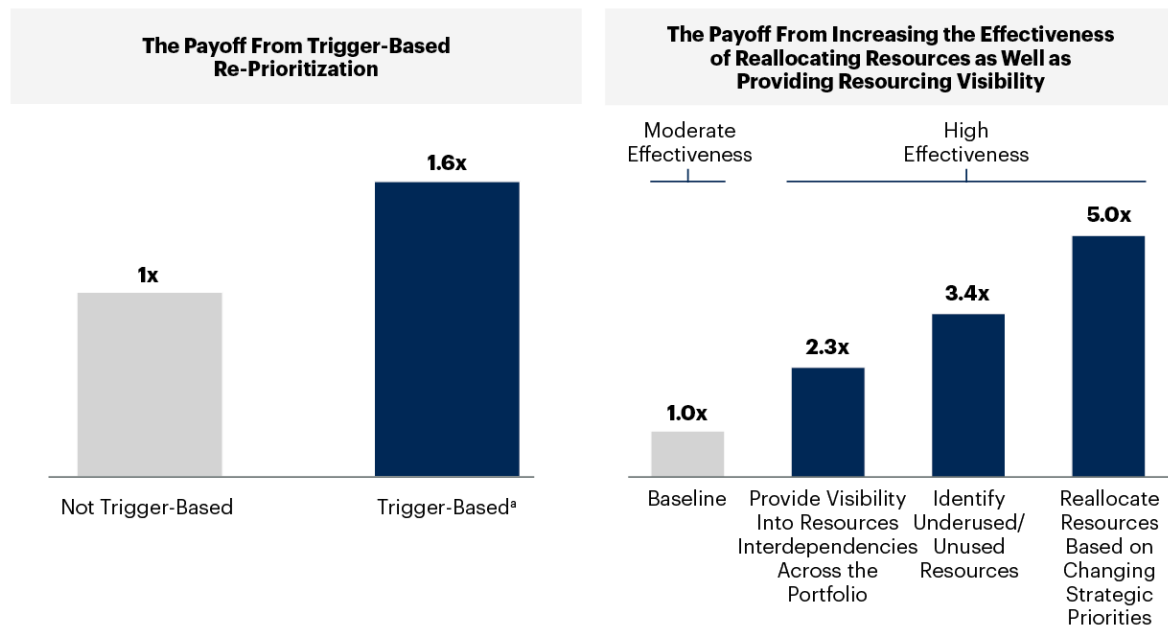
Organizations use a variety of different cadences to revisit portfolio decisions and reprioritize their portfolios. Based on survey results, the most common reprioritization frequency was quarterly (67% of survey respondents) followed by monthly and annually. A cyclical approach is wholly appropriate, because it enables the organization to reprioritize in response to normal environmental changes.

However, extraordinary events sometimes warrant out-of-cycle portfolio reprioritization. Survey analysis revealed that using a trigger-based reprioritization approach drives effective SPM (see the graphic on the left of Figure 6 below), in combination with an annual, monthly or quarterly cadence. This data was collected during the COVID-19 pandemic; thus, COVID-19 provided a unique opportunity to test a hypothesis that event-driven prioritization provided utility. In fact, organizations who allowed for trigger-based reprioritization were 1.6X more likely to drive effective SPM.

**Figure 6: Augment a Cyclical Reprioritization of Resources With an Event-Based Approach**

**Augment a Cyclical Re-Prioritization of Resources With an Event-Based Approach**

Likelihood of Achieving Effective Strategic Portfolio Management



n = 310 respondents; multiple responses allowed

Q. How frequently is the portfolio re-prioritized (reviewed and adjusted)?

Source: 2020 Gartner Portfolio Management in the Digital Business Survey

<sup>a</sup>These organizations use trigger-based re-prioritization in combination with annual, monthly or quarterly cadence.

749956\_C

n = 309, 310, 310 respondents

Q. In your opinion, how effective was the re-prioritization process in including or informing adjustments and reallocation of resources (I.e., FTEs and/or skills) for the portfolio in the following areas?

Source: 2020 Gartner Portfolio Management in the Digital Business Survey

Source: Gartner’s Portfolio Management in the Digital Business Survey

Trigger-based reprioritization is defined as reviewing and adjusting the portfolio based on internal or external triggers (e.g., launch of a new product from a competitor, change in business strategy or missed strategic milestone). More specifically, using trigger-based reprioritization enables organizations to proactively respond to disruption, rather than react to it.

More broadly, when revisiting portfolio decisions and reprioritizing portfolios, it is commonly understood to focus on reallocating resources based on changing strategic priorities. Survey results demonstrate that organizations saw significant payoff from dynamically reallocating resources according to shifts in priorities, but there is also evidence that providing resourcing visibility drives effective SPM (see the right side of Figure 6 above).

## Recommendations

- IT leaders responsible for portfolio management can implement this approach by tracking early indicators of impending internal or external change, to understand when to trigger a reprioritization before disruptions occur.
- Consider partnering with other functions, such as the corporate strategy team, to identify and curate the right indicators of potential disruptions.
- To succeed in the current disruptive business environment, allow for event-based reprioritization, with guardrails, to augment a cyclical reprioritization process to respond proactively to disruptions.
- Provide transparency and coordination to dynamically reallocate resources based on changing business priorities by using portfolio analytics (see Case Study: Providing Portfolio Visibility in Product Management (TD Ameritrade)).

*This data view was written in collaboration with Will McHenry, a Senior Research Specialist in PPM research at Gartner, and with contributions from Shilpa Pental, a Gartner Research Vice President.*

## Presentation Deck

Presentation Deck

## Evidence

This research is based on an online survey conducted between October and December 2020 among 310 respondents in North America, EMEA and APAC, across industries and functions, and from organizations with \$500 million or more in annual revenue. Respondents were responsible for managing (i.e., involved in resource allocation, funding and prioritization decisions) a portfolio of IT and/or digital initiatives or external customer-facing information technology or data products or services in their organizations. The likelihood of achieving effective SPM is calculated by comparing two statistical estimates: the predicted value when effectiveness of a driver is relatively “high” versus “moderate” or the predicted value when a driver is “present” vs “absent.” The effects of all drivers are modeled using various multivariate regressions.

**Disclaimer:** The results of this study do not represent global findings or the market as a whole, but reflect sentiment of the respondents and companies surveyed.

---

## Recommended by the Authors

Some documents may not be available as part of your current Gartner subscription.

3 Steps to Managing Distributed Portfolios in an Increasingly Digital World

Case Study: Accelerated Product Team Delivery Through Strategic Dependency Management (Ford)

6 Practices for Effective Portfolio Management

Case Study: Providing Portfolio Visibility in Product Management (TD Ameritrade)

Critical Capabilities for Strategic Portfolio Management

Magic Quadrant for Strategic Portfolio Management

Align Projects, Products and Outcome Metrics to Business Goals

---

© 2021 Gartner, Inc. and/or its affiliates. All rights reserved. Gartner is a registered trademark of Gartner, Inc. and its affiliates. This publication may not be reproduced or distributed in any form without Gartner's prior written permission. It consists of the opinions of Gartner's research organization, which should not be construed as statements of fact. While the information contained in this publication has been obtained from sources believed to be reliable, Gartner disclaims all warranties as to the accuracy, completeness or adequacy of such information. Although Gartner research may address legal and financial issues, Gartner does not provide legal or investment advice and its research should not be construed or used as such. Your access and use of this publication are governed by [Gartner's Usage Policy](#). Gartner prides itself on its reputation for independence and objectivity. Its research is produced independently by its research organization without input or influence from any third party. For further information, see "[Guiding Principles on Independence and Objectivity](#)."

# Actionable, objective insight

Position your IT organization for success. Explore these additional complimentary resources and tools for software engineering leaders.

## Research



### Shift PMO Priorities to Support a Digital Enterprise

Learn how PMOs can build strategy-related PPM capabilities.

[Download Research](#)

## Webinar



### Leverage Strategic Portfolio Management to Enable Business Agility

Discover how CIOs and IT leaders can use 3 key SPM attributes to scale and harvest digital business investments.

## Article



### 3 Steps to Start Lean Portfolio Management

Organizations are increasingly looking to agile frameworks to manage costs while delivering value and agility effectively.

[Read Article](#)

## Resource Hub



### PPM Insights

Drive stronger performance on your most critical priorities.

[Learn More](#)

Already a client?

Get access to even more resources in your client portal. [Log In](#)

# Get More.

Get actionable, objective insight to deliver on your most critical priorities. Our expert guidance and tools enable faster, smarter decisions and stronger performance. Contact us to become a client:

**U.S.:** 1 800 213 4848

**International:** +44 (0) 3331 306 809

[Become a Client](#)

Learn more about **Gartner for IT Leaders**  
[gartner.com/en/information-technology](https://gartner.com/en/information-technology)

Stay connected to the latest insights

