

# Incorporating Strategies and Tactics into Project Business Management

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## Introduction

Strategic and tactical planning are actions that the executive and senior management of an enterprise can take to assure the successful implementation of projects. Many enterprises have so many initiatives that generate many projects, which often need to be assembled into programs and portfolios for effective management and status reporting. Strategic and tactical planning processes assist executives establish the necessary planning and scheduling that identifies cost effective performance requirements. These performance requirements can be used to determine if portfolios, programs, and projects should be undertaken and if they can deliver the benefits and value desired by the enterprise. This evaluation is also necessary to determine if the planned portfolios, programs, and projects can be accomplished in accordance with the enterprise's time to market, profitability requirements, or other business needs.

Management needs a structure in which to document and review strategic planning and tactical information in order create an effective strategic business plan. In addition, the enterprise must identify and incorporate appropriate and specific tactics to ensure that only the right projects are performed and assure those projects are initiated at the right time and receive the resources necessary to be completed successfully.

The following discussion emphasizes the necessary steps required to perform effective strategic and tactical planning processes that affect the establishment, definition, and selection of portfolios, programs, and projects.

## General Business Management versus Project Business Management (PBM)

Two key aspects of general business management are operations management and project management. Operations business management (see Exhibit 1) includes the various aspects of strategic planning, tactical planning, objectives development, and those operational portfolios, programs, and projects that are managed by one major internal business unit that are performed using routine operational processes. True project work is very different in many areas versus operational work. Project management is used to perform projects using project management processes and normally involves multiple business units and can require external resources. However, the planning and management of projects cannot be done on a standalone basis, but rather it must be integrated with the business management aspects of the enterprise.

### PROJECT BUSINESS MANAGEMENT

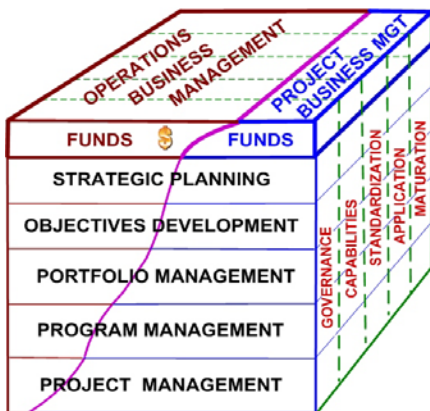


Exhibit 1, PBM – A Three-Dimensional View

- ❖ Integrates and harmonizes management concepts, processes, and practices contained in PMI's Standards for Project, Program, and Portfolio Management with those of Business Management.
- ❖ Integrates Strategic and Tactical Planning of Operational Objectives with Non-Operational Objectives.
- ❖ Applies and manages resources in direct alignment with strategic initiatives, and business objectives.
- ❖ Processes are adjustable to various enterprise sizes.

To accomplish the enterprise's strategic initiatives and business objectives, projects need to be an integral part of the enterprise's business. A clear understanding of what is and is not a project; what projects are operations specific; what is required to satisfactorily complete a project, and how to combine projects into programs and portfolios. The enterprise's ability to successfully manage projects depends on the proper application of specific project management processes, knowledge, skills, tools, and techniques. The proper application of these aspects of project management will have a significant impact on time to market, cost to market, and quality to market of the enterprise's projects.

Hence, the principles, concepts, and processes of project-related portfolio management, program management, and project management need to be blended with the principles, concepts, and varied processes of general business management related to a project, which provides the basis for the concept of *Project Business Management*. *Project Business Management (PBM)* PBM is defined by the authors of this paper in their book *The Power of Enterprise-Wide Project Management*, as the utilization of *general business management* and *project management* knowledge, skills, tools, and techniques in applying portfolio, program, and project processes to meet or exceed stakeholder needs, and to derive benefits from and capture value through any project-related actions and activities used to accomplish the enterprise's business objectives and related strategic initiatives.

Exhibit 1 shows how operational business management and project business management processes and practices are related and need to be integrated to effectively manage an overall enterprise. However, PBM is only concerned with the planning and management of the non-operational portfolios, programs, and projects. The graphic also shows how, for some enterprises, about two-thirds of the funds are distributed to operational work while about one-third goes to non-operational work. This fact leads one to draw the conclusion that many processes, procedures and management methods have been developed and deployed by most enterprises for the operational side of the business, while the non-operational work side has been neglected. Consequently, the products and services delivered by non-operational work, which can shape the financial success and business future of the enterprise are not given the level of strategic planning and tactical execution required to increase the bottom line.

The PBM methodology blends the terminology from the vocabularies of both general business management and project management. In the PBM methodology, an enterprise can be a company, business, firm, partnership, corporation, or governmental agency, and includes associations, societies, for-profit entities, and not-for-profit entities. The PBM methodology as illustrated in Exhibit 1 is a comprehensive, practical, and simple top-down hierarchically integrated blend of the various aspects of strategic, tactical, portfolio, program, and project management and associated processes. In addition, PBM distinguishes between those portfolios, programs, and projects that are managed as part of the enterprise's operations and those that need to be managed using project management methodologies and processes.

Project business management and the PBM methodology are a unique approach and structured solution to managing the project-related business of an enterprise. The set of processes and the steps within each PBM process can be adjusted and modified to suit the business size of the enterprise employing the PBM methodology. The purpose of the PBM methodology is to implement project management to serve the enterprise's strategic business initiatives and business objectives and to harness the enterprise's existing project management capabilities. The outputs of the processes contained in the PBM methodology flow down from strategies, to objectives, to portfolios, to programs, and to projects. This hierarchically integrated set of processes is used to produce the required deliverables and to assure the values and benefits desired by the enterprise can be attained. Knowing what specific actions are required and how to proceed after executive management gives the go-ahead is a key objective of the PBM methodology.

The PBM practices and process for strategic and tactical planning are taken from business management and include the use of business cases. There are two primary business related actions and a set of execution related actions that can be taken by an enterprise.

### **Business Strategic Planning**

The first business action in PBM is for executive management, with the support of senior management, to perform the transformational processes of strategic planning that focus on the effectiveness of the enterprise in identifying the right business strategic initiatives. In addition, any requirement to accomplish business strategies through the use of many projects, complex projects, or large scale projects leads to the related requirement for project business management to be involved with operations management during strategy development.

Strategic planning is the art or skill of using stratagems in business endeavors and is a common business exercise performed to a greater or lesser extent in all enterprises. It addresses market forces that can affect an enterprise's purpose or mission. It considers the impacts of internal and external *enterprise environmental factors* that influence the enterprise's ability to successfully execute its strategies. *Enterprise environmental factors* are any or all external environmental factors and internal organizational environmental factors that surround or influence any initiatives, portfolios, programs, or project's success. These factors come from all of the various enterprises involved in accomplishing a strategic initiative and its associated business objectives and include organizational culture and structure, infrastructure, existing resources, commercial databases, market conditions, and software. Strategic planning also develops *key performance indicators* (KPIs) and *accomplishment metrics* to measure the level of strategy implementation. Strategic planning begins with preparing updated vision and mission statements for the enterprise and creating the strategic initiatives, with the end result being a set of documented and ranked strategic business cases in a strategic business plan for the next business cycle.

A key factor in the successful development and implementation of any strategic initiatives is developing and documenting the business case supporting that business strategy.

### **Documenting the Business Cases and Business Plan**

To significantly increase the probability of accomplishing the intent of the enterprise's business strategies, each business strategy is documented in one or more business cases. The business case articulates the intent of a specific strategy in a feasibility study format. Each business case provides the bases for authorizing further PBM planning activities, so that an adequate definition of the intent of each strategic initiative and supporting business objective can eventually be developed. Each business case applies the business implications of the known *enterprise environmental factors* to determine if the strategic initiative is plausible.

In PBM a *business case* is a document that establishes the intent and desired benefits of a specific business strategy. The purpose of the business case is to:

- Be the official document by which the results of the business analysis of a proposed business opportunity or identified threat are communicated within the enterprise.
- Document the upfront market, technical, operational and financial analysis for the initiative.
- Serve as an initial basis for prioritization of the initiative, its funding, and the allocation of other enterprise resources.
- Provide the parameters for measurement how well the initiative was accomplished
- Set the milestones by which the initiative will be tracked.
- Establish accountability and documentation for the benefits being proposed.

The business case answer's the following business related questions:

- How did the initiative come about?

- What is the opportunity/threat/issue/improvement/etc. being addressed?
- Why, in clear and concise terms, is the initiative necessary?
- What is the desired product, service, or result being sought?
- What is the nature of any improvement?
- What are the benefits to the enterprise and customers?
- What are the qualitative benefits, such as customer satisfaction, strategic value, cycle time improvements, etc.?
- What are the linkages to the enterprise's vision, mission, and value drivers, i.e., service, market, quality, efficiency, etc.
- Why will the initiative succeed?
- What must be invested to get the desired product, service, result, or benefit?
- What are the expected incremental productions or operational costs for the new or modified product, service or production process?
- What are the proposed spending reductions, revenue improvements or profit improvements related to just the initiative?
- What is the enterprise's capacity to successfully implement the initiative while meeting financial objectives?
- What are other factors that materially impact the potential success of the initiative such as additional services, required efficiencies, minimum or maximum quantities, required product quality, and deployment objectives?
- What are the concerns, issues, and risks?
- What are the parameters and criteria to be used for prioritizing the initiative with respect to other business strategic initiatives?
- What is the exit strategy if the strategic initiative is not returning investment

The business case document provides a common basis and format for supplying the information that is required for both business management and project business management planning. The basic information supplied begins with the initiative identification and the final information aids in developing the supporting business objectives and assists in the business objective prioritization and selection processes. Initial business case submissions should be able to adequately substantiate the request for any initial or incremental funding to further develop the initiative by establishing the:

- Need for incremental funding
- Resource allocation as it relates to incremental funding
- Benefits to be derived
- Corporation's ability to execute the initiative
- Program's ability to provide adequate financial return

A business case document is typically divided into specific sections that reflect the type of business case being created. For example, it could be in the form of an internal proposal for market or technical trial funding. Another simple example is a service enterprise with a business strategy to acquire larger competitive contracts that would have more than one project. This would begin in the form of a marketing document identifying opportunities sufficiently in the future for the enterprise to position itself to be competitive. Each opportunity would then be incorporated into a bid or no-bid decision document. Each opportunity with a positive bid decision would then be articulated in a comprehensive business case document.

The business plan is simply an annual packaging of the executive management approved strategic initiative business cases in simple format of a table of contents, executive summary, each approved business case, and appendix of support material. Each business strategy with its business case

document(s) in the initial business plan is flowed-down from the strategic planning into a tactical planning phase.

### **Tactical and Business Objective Planning**

Tactical planning is the second action in the PBM transformational processes that focus on being effective in identifying the right supporting objectives, portfolios, programs and projects. The tactical planning process is used to identify the enterprise's business goals and objectives. Development of business objectives identifies specific actions that will be required to accomplish them. Those actions are translated into list of programs and projects, which comprise the annual portfolios of projects. Senior management, under the direction of executive management, develops and documents the specific business objectives and actions, down through the business unit level, required to accomplish each strategic initiative. It considers the impacts of the *organizational process assets* on the enterprise's ability to successfully accomplish each business objective. *Organizational process assets* are any or all process related assets, from any or all of the organizations involved in the programs and projects that are or can be used to influence success. Those assets include items such as plans, policies, procedures, guidelines, and financial controls. The process assets also include the knowledge bases such as lessons learned and historical information. Tactical Planning also considers the influence of those *enterprise environmental factors* related to resource availability and financial capability on the enterprise's ability to perform each objective.

Tactical planning also develops the key performance indicators and accomplishment metrics to measure the level of objective accomplishment. This first phase of tactical planning is accomplished using a set of simple process steps to develop the business objectives that will support the enterprise's strategic initiatives. This phase begins by using the ranked strategic business cases to develop supporting business objectives and related action items and it ends with a set of documented profiles and impact study packages for each business objective.

During both strategic and tactical planning executives and senior management establish the values and benefits to be derived from the strategic initiatives and associated business objectives and include them in the business case. Performance measures and key performance indicators, related to each value and benefit, are also developed as tools to be used during management of the work. This methodology requires that executive management operate the strategic management process until the strategic initiative and associated business objectives have been accomplished. This includes appraising results against desired benefits, redirecting as needed the strategies and objectives, and monitoring the tactical implementation of the associated portfolios, programs and projects through mandatory status reporting.

### **Project, Program, and Portfolio Planning, Prioritization, and Selection**

The next phase of tactical planning is the project, program, and portfolio planning, prioritization, and selection processes. The portfolios, programs and projects supporting each selected business objective are next planned in detail. *Enterprise environmental factors* and *organizational process assets* that need to be applied during planning or re-planning activities or that will be used to manage programs and projects are also identified and documented. The plans and products from the portfolio management processes flow down into the program management processes, whose plans and products flow down into the project management processes.

The prioritization process is employed to rate each of the enterprises business objectives using the information gathered and documented in the objective/project profile document and associated potential impact study. During the objective/project selection process is when the management team makes the decision that a business objective is simple enough to be left to be accomplished using a few business-unit action items assigned to one or two functional organizations with each specific action item to be performed independently by the associated business unit as part of its functionally managed and

controlled work. Also during the objective/project selection process is when the management team makes the decision that since a business objective is complex, is significant in size, or has a number of large and interdependent business-unit action items that it needs to be handled as a project, program or portfolio.

Specific performance measurement metrics related to each business objective are also developed at the portfolio, program and project levels. These performance metrics are used as measurement tools during management of the work. This set of metrics must be both necessary and sufficient to determine if a portfolio, program or project can be re-planned, should be terminated early, or was successful. The business objectives and associated portfolios, programs, and projects are next prioritized and selected for execution and final key performance indicators are set.

### **Authorization**

The third major action in PBM is performing the *transactional processes* focused on being efficient in performing the work and completing each selected portfolio, program and project. One of the biggest challenges faced by executives is distributing the enterprises' limited resources to the right programs and projects at the right time. To manage limited resources effectively, management needs to have a clear, accurate, and timely understanding of the capability and capacity that is necessary to perform and manage programs and projects. Operationally an enterprise does understand its production capability and capacity; however, the same enterprise does not usually understand its capability and capacity to implement programs and projects due to the lack of consistent gathering and analysis of associated metrics.

An authorization process is employed by management to authorize and initiate approved work to ensure the resources used are in alignment with corporate strategic initiatives and supporting business objectives. The portfolio, program, and project authorization process starts with each new business cycle or fiscal year. The process begins with using the selected and prioritized list of business objectives, portfolios, programs, and projects. It ends with authorizing the selected portfolios, programs, and projects by issuing a charter.

### **Execution**

The fourth major action in PBM is performing the *transactional processes* focused on applying the standardized PBM portfolio, program and project execution processes. These processes begin with the chartering of each selected and authorized portfolio, program, and project. The methodology maintains project alignment with the associated business objectives and, their related strategic initiatives and ends when the portfolio, program or project is completed or terminated. It employs the defined key performance indicators and accomplishment metrics to establish: 1) the completion of deliverables, 2) the degree to which project requirements were met, 3) the level of portfolio, program, and project accomplishment, and 4) the level of desired benefits and value obtained.

### **Conclusion**

Strategic and tactical planning are well established tools in the business management discipline and are becoming recognized and used as tools in project business management. Strategic planning blends the business requirements of operations with those of portfolio, programs, and projects that support the future of the enterprise. Enterprises can effectively incorporate the organization's business strategies, the business unit level objectives, and the specific tactics into their portfolios and programs of projects so only the right projects are performed, are initiated at the right time, receive the resources necessary to be successfully completed, and deliver the benefits and value desired by the enterprise.

Executive management must not only support, but must also take an active role in the development and establishment of the strategic plan for the enterprise to reap the business and economic benefits that such a planning methodology can provide. It is executive management's responsibility, with the support of portfolio management, to assure that the correct business objectives and supporting projects are

authorized at the correct time. It is the responsibility of program and project management to ensure that the selected projects are properly completed and meet the enterprise's performance measures. However, the success each enterprise will experience from strategic and tactical planning depends directly on the maturity of its project business management methodology and the associated involvement by executive and senior managements in not only strategic and tactical planning processes but also the initiating and authorizing processes.

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