

1.4 The Link With Organizational Strategy

Figure 1-2 shows the general relationships among the strategic and tactical processes in the organization. From the vision and mission, the organizational strategy and objectives are developed. Execution of the strategy requires the application of strategic management processes, systems, and tools to define and develop:

- High-level operations planning and management
- Portfolio planning and management.

This leads to tactical implementation of operational and project-related activities.

The top of the triangle (“Vision,” “Mission,” and “Organizational Strategy and Objectives”) illustrates the components used to set the targets or goals. These components direct all further organizational actions. Please note the arrows in Figure 1-2 provide the general context of influencing relationships among the elements.

The middle of the triangle (“High-level Operations Planning and Management” and “Project Portfolio Planning and Management”) represents the processes that establish appropriate actions required to meet the goals. These processes interact with the bottom of the triangle, in which the contribution of all operational activities must be compared to ongoing value creation, and the contribution of all project activities must be compared to the creation of new value.

“Management of On-going Operations” and “Management of Authorized Programs and Projects,” which appear at the bottom of the triangle, correspond to those components that ensure the organization’s operations and portfolios are executed effectively and efficiently.

Both the operational and project aspects of an organization must be considered in portfolio management. The operational side of the organization uses recurrent activities and operations management processes that facilitate effective high level planning and management. The project side of the organization uses program/project management processes that enable efficient project planning and implementation activities. At the tactical management level, the question is : “Is this operation or project managed efficiently with optimal results, from an optimum use of resources, with optimum effort, and complying with organizational values and standards?”

Organizations rely on projects and programs in order to achieve their strategic intent. The application of portfolio management allows this interconnection by the sharing of goals and the allocation of resources. The flow of control is as follows:

1. Strategic intent and prioritization provide direction for determining the financial resources that should be allocated to the portfolio.
2. The strategic intent is mapped onto a set of portfolio components (i.e., projects and programs), including their resource allocations. These components are managed according to the portfolio management principles outlined in this standard.
3. Each program corresponds to the delegated subset of the overall strategic intent, which it will deliver by means of the allocated resources.
4. Each project is defined by its contribution to the portfolio’s strategic intent, and can then be managed according to the principles in the PMBOK Guide and other principles as appropriate.