

Enhancing Strategic Alignment in Capital Project and Portfolio Management

Executive Summary

Strategically aligning your capital project selection to your organization's goals is crucial to the success of your capital project portfolio. By selecting capital projects that directly contribute to the organization's current goals and vision for future growth, you can more effectively optimize your portfolio. Top organizations can improve strategic alignment by identifying important goals and pain points, communicating more openly with stakeholders, adjusting project selection criteria, and continuously tracking portfolio growth progress.

1. Introduction

In recent years, many industry-leading organizations have adopted a new approach to managing their capital project portfolio because they realized that traditional capital project management processes were insufficient for achieving the results desired. In a competitive marketplace, leading capital portfolio directors recognize they need to select projects that align with their organization's vision and goals to ensure they maximize the ROI of their capital spend.

When it comes to capital project and portfolio management (CPPM), strategic alignment is an approach that organizations take to align their chosen capital projects and initiatives with their long-term strategy and goals. By doing this, companies often see increased efficiency, better resource allocation, higher output from operations teams, more streamlined communication, and improved stakeholder relationships as well as short and long-term goal attainment enabling consistent business growth.

This whitepaper will explore the frameworks and best practices that organizations often use to strategically align, the challenges they have faced, and steps that can be taken to implement strategic alignment with your organization.

2. The Importance of Strategic Alignment in CPPM

To optimize your CPPM, aligning your organizational strategy and project completion frameworks with your goals is essential. Many organizations may be able to come up with

smart projects or ideas, and are likely to be very successful. However, the key to maximizing the ROI of your portfolio is to select projects that align with the organization's goals.

Therefore, the right strategic alignment plan can serve as a massive advantage to your organization. It can guide project managers and operations teams to shape and recommend capital projects and portfolios that map to core company goals. These may include increased revenue, reduced costs, sustainability and corporate responsibility, operational efficiency, quality improvement, safety and compliance, risk management, and return on investment (ROI), among others.

This leads to more focused work, better resource allocation, and more consistent communication across departments, leading to higher rates of project success. Moreover, strategic alignment eliminates information silos that may have existed within your organization, and ensures that all parties involved in capital projects are on the same page.

Equally important to consider is how strategic alignment in your CPPM can help your organization hold a competitive advantage over other companies with less aligned portfolios. Moreover, it also enables your team to respond faster to sudden market challenges and new opportunities, which can promote long-term company growth and sustainability. Your new capital project portfolio will be much more balanced and sustainable, capable of sustaining both short and long-term objectives with ease.

Perhaps one of the most notable strategic alignment examples would be [ExxonMobil and their Upstream strategic alignment plan](#). They are committed to becoming an industry-leading energy provider, reaching net-zero emissions within the next few years, and catering their future capital projects to a low-emission future. ExxonMobil plans on using their Upstream business model and portfolio to reduce greenhouse gas emissions and expand access to reliable, affordable energy.

They stated, "...we have identified more than 100 potential modifications to reduce emissions across all upstream operated assets including energy efficiency measures and equipment upgrades. Examples include carbon capture and storage at operations in the United States, Australia, and Canada; electrification of compressors and heaters in our Permian operations; and replacement of pneumatic devices with electrical or mechanical devices to eliminate fugitive emissions in natural gas operations."

With this company-wide strategic vision, ExxonMobil will be able to gain a competitive edge over organizations with higher emissions and a less focused capital project portfolio.

Without strategic alignment, teams will feel disconnected, projects will lack value and direction, and your company will not be able to make the most out of its resources. Optimizing capital projects and knowing how to pick the ones that align with your main strategy is paramount for your success.

3. Current Challenges in Achieving Strategic Alignment in CPPM

There are many impediments to achieving the strategic alignment necessary for CPPM success. They include stakeholder miscommunication, insufficient resources or governance structures, a lack of a clear strategic vision, and limited portfolio visibility. Inconsistent or unclear project governance and portfolio structure may also be present.

These challenges are common and widespread across numerous organizations, both small and large. In fact, estimates show that [90% of organizations have struggled to connect project strategy and completion due to not having well-defined strategic goals](#).

Some challenges to aligning projects to strategic goals are specific to that industry. Healthcare organizations, for example, face strict regulatory frameworks that take precedence over other parts of their strategic vision because they serve the public. Changing equipment costs and increasing patient inflow can also affect their projects and goals, since they won't want to sacrifice quality of care to complete a less important project.

Industrial manufacturing is another sector that deals with strategic challenges, particularly related to the global supply chain. An ever-changing economy can have major impacts on available supplies and manpower at any given time.

In some circumstances, increasingly complex technology and AI may also present barriers for alignment between operations teams, project managers, and stakeholders. This may be because some teams, especially those with a less advanced approach, may find it difficult to implement AI and new technology into capital projects, while also meeting deadlines, undergoing training for new tools, and focusing on other objectives.

This isn't always the case, however. Keep in mind that AI and cutting-edge software can cohesively align with your company's strategic vision and provide many valuable benefits. These can include more streamlined processes, more centralized data, more defined and actionable projects, and new insights into project outcomes are available. It's up to you and your team to collaborate and decide on whether to use AI and advanced technology in your

strategic alignment plan. Compare the benefits and risks that are present for your capital project portfolio and think about what your long-term goals are.

Though challenges are often unexpected and can disrupt your organization's strategic vision, there are several frameworks and methodologies that you can employ to counteract these issues effectively, and ultimately reach your long-term goals.

4. Frameworks and Methodologies for Strategic Alignment

Most companies using strategic alignment for their CPPM likely have a framework or methodology in place. Having a pre-established structure helps project managers and stakeholders to visualize how their strategic alignment plan will be implemented. A simple, easy-to-follow process for strategic alignment will save time, promote interdepartmental collaboration, clearly define individual roles, and provide a clearer way to track project progress.

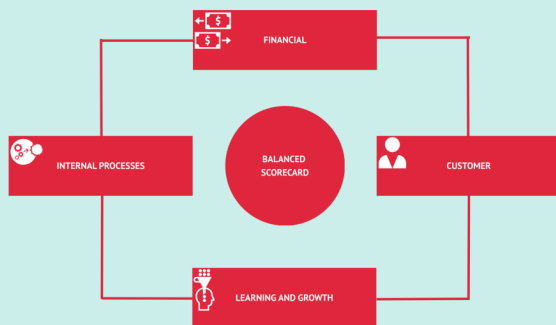
Here are five of the most beneficial frameworks and methodologies for enhancing strategic alignment in your organization:

Balanced Scorecard

The Balanced Scorecard is a strategy planning and performance management tool for project managers. It has four organizational perspectives that you can use to track and improve strategic performance within your portfolio: Financial, Customer, Internal Processes, and Learning & Growth.

Balanced Scorecard In A Nutshell

First proposed by accounting academic Robert Kaplan, the balanced scorecard is a management system that allows an organization to focus on big-picture strategic goals. The four perspectives of the balanced scorecard include financial, customer, business process, and organizational capacity. From there, according to the balanced scorecard, it's possible to have a holistic view of the business.



FourWeekMBA

Source: <https://fourweekmba.com/balanced-scorecard/>

With the Balanced Scorecard, your team can stay aligned around key metrics, quickly collect data, implement new strategies, and facilitate easier communication and performance tracking.

As a hypothetical example, let's say a multinational construction company was asked to build ten buildings and fifty homes in a small new town. This would let them build out a new capital project portfolio, develop internal governance structures and processes, and establish themselves as a leading construction provider in a budding area.

The construction company can use the Balanced Scorecard to track costs, revenue growth, project completion time, and other KPIs across all four perspectives. In turn, the company can directly link their strategic visions to the capital projects that they take on and cater their capital portfolio to their long-term mission.

Hoshin Kanri

This is a seven-step framework process used in strategic project planning and portfolio alignment. It bridges any gaps between strategy planning and execution, so that you can both plan and act on your company's long-term goals. The seven steps in the Hoshin Kanri strategizing framework are:

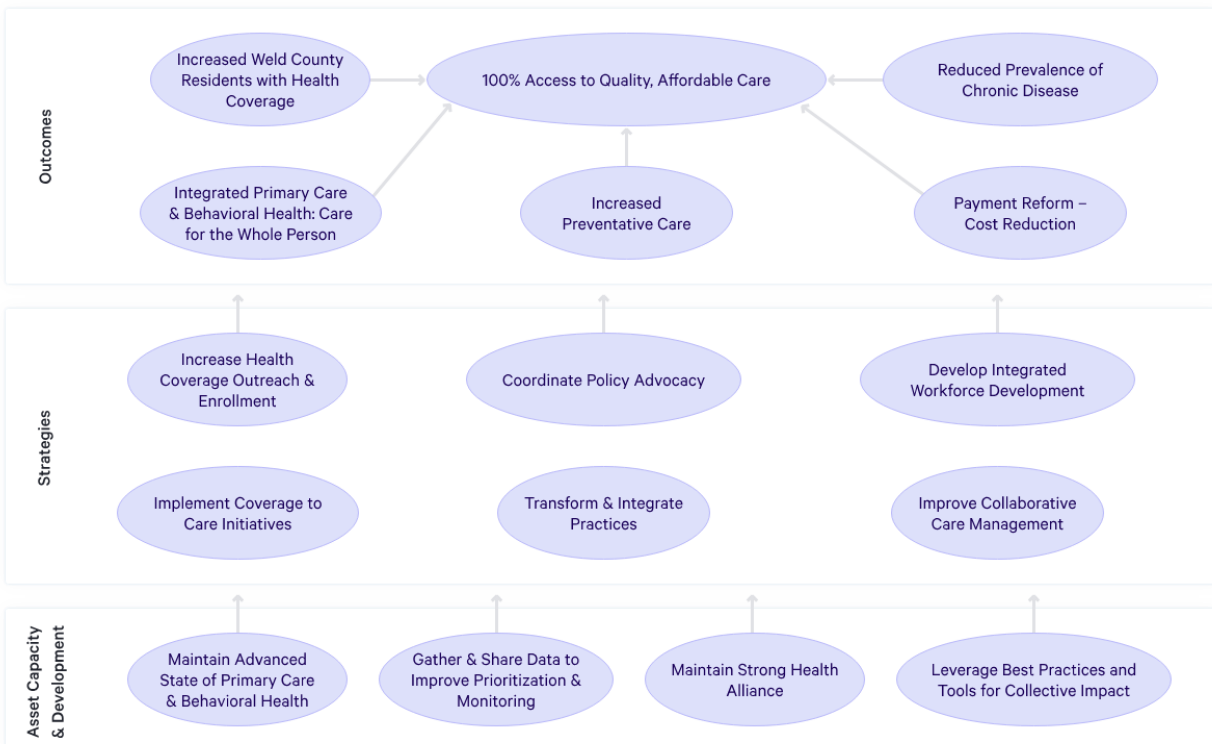
1. **Define Mission, Vision, and Key Metrics.**
2. **Identify Breakthrough Objectives.**
3. **Set Annual Objectives.**
4. **Deploy via Catchball:** a top-down system of two-way feedback loops between managers and their direct reports that's used to deploy annual objectives

5. **Review Results on a Weekly, Monthly, and Annual Basis.**
6. **Problem Solving.**
7. **Reflect and Learn.**

Strategic Mapping

A core element of the Balanced Scorecard, the Strategic Mapping methodology is a graphic used to clearly illustrate the cause-and-effect relationship between strategic objectives within your portfolio. It's incredibly helpful for team members who are visual learners, and allows everyone to easily see how they will be contributing to a particular capital project.

Look at this example from Weld County, a healthcare provider.



Source: <https://www.spiderstrategies.com/strategy-map/>

They organized their strategy map based on current asset capacity, specific strategies and potential capital projects, and predicted outcomes. We highly suggest creating your own map for your strategic alignment plan, as it can make it easier for your team to see how certain projects can contribute to your organization's long-term success.

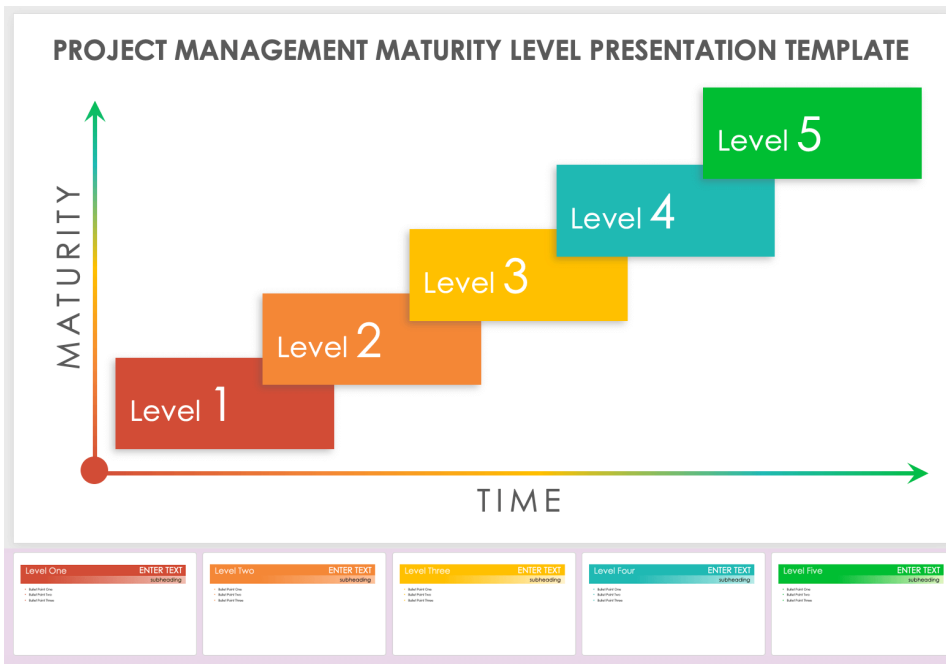
Objective and Key Results (OKRs)

Objectives and Key Results, also known as OKRs, is a strategic goal-setting methodology that teams use to establish achievable yet challenging objectives. The objectives are concrete, action-based, and significant milestones to reach, while the key results are more specific, time-bound indicators that track your progress towards an objective. OKR statements are typically written as “I will (Objective) as measured by (Key Results).”

OKRs are incredibly useful for simplifying complex project goals, and transforming them into actionable, easy-to-understand objectives that your whole team can use.

Take HumanFirst, a rapidly growing SaaS healthcare startup, for example. They [implemented top-line OKRs](#) that align with current strategic goals. When they were focused on new pipeline development one quarter, they shifted their daily tasks and goals to have more of an emphasis on sales and marketing initiatives. They drove more inbound and outbound efforts to achieve their quarterly objectives, and ultimately align their portfolio with an overall company vision.

Portfolio Management Maturity Models



(Design, please use images above as inspiration for our own version of this model)

Portfolio Management Maturity Models are used to track how a project portfolio grows and changes over time. These 5-stage matrixes are very helpful for seeing where your project management and strategy workflow started becoming more optimized, and where some pain points may have developed.

The five stages of these models are Initiation (for new portfolios with no standards or management processes), Developing (for portfolios with immature management processes), Defined, Managed, and Optimized.

The Defined stage (level 3) means that your organization has implemented a well-defined portfolio management process, while the Managed and Optimized stages (levels 4 and 5) prove that your organization has thoroughly refined and universally integrated your CPPM processes at every level. The Managed and Optimized stages are excellent targets for any organization, though the Defined stage is also a solid benchmark for your CPPM.

It's okay if your capital projects and portfolios aren't managed optimally right now. It takes time to find the best methods and workflows for your team. In fact, many other organizations have a lot more room to optimize their portfolios. Approximately "80% of PMO's are level 1 or level 2 maturity", according to [this article from Gartner](#), which means that most organizations' portfolios are either severely underdeveloped or lack any sort of management process.

This demonstrates that most project managers can still hone their skills and learn new techniques to more effectively handle their capital project portfolios. Regardless, seeing how your portfolio has grown, and how your capital project and portfolio management processes can become more efficient going forward, is essential for setting up your organization for future success.

5. Best Practices for Improving Strategic Alignment

Improving strategic alignment within your organization's CPPM is a major undertaking, as some team members may not have recently updated their approach. A team can have many different opinions and perspectives, so it might be difficult to get everyone in agreement right away.

Luckily, with the right strategy, you can increase the alignment of your company's projects and goals. Below we'll list some of the best practices that you and your organization can use to get aligned on capital projects:

- **Creating a Set Workflow to Establish a Clear Strategic Vision and Objectives:** Without a list of measurable objectives and a clear strategic vision for your capital project portfolio, it will be very difficult for your team to be on the same page for future goals. Use a CPPM software tool to route new project requests through a universal approval workflow, so that everyone is in alignment on your company's objectives and strategy.
- **Enhancing Communication and Collaboration Among Stakeholders:** Keeping stakeholders connected and updated at every stage of the strategic alignment process is vital for success. We recommend setting up times for weekly meetings, so you can brief them on your organization's upcoming projects and strategic ideas. You can also let stakeholders view your portfolio and any CPPM software that you use, enabling them to visually track where you and your team are headed.
- **Developing Robust Governance Structures:** Everyone on your team should have a defined role, and every project should have a clear, streamlined workflow with standardized phase gates. Governance structures provide core responsibilities for

every member of the team, and ensure that your projects run smoothly and according to plan.

- **Aligning Project Selection Criteria with Strategic Goals:** When deciding on which projects you and your team want to tackle, utilize specific criteria centered around your company's long-term vision. Select projects based on their scope, budget, timeframe, potential earnings, and alignment with potential future projects. Certain software tools let you see key information about project ideas, helping you to carefully select projects based on complexity, cost justification payback, teams required, risks, and opportunities.
- **Utilizing Data and Analytics for Informed Decision-Making:** Data is one of the most valuable assets for strategic alignment in your CPPM. There are many analytics tools that will enable you to see what's working and what's not. Information such as project completion time, monthly cost forecasts versus actual costs, earned revenue, and other data will guide you to fix whatever isn't working effectively within your plan.

6. Tools and Technologies to Support Strategic Alignment

You're not alone if you've ever felt overwhelmed about enhancing strategic alignment in your CPPM. Many project managers express frustration or confusion when trying to better manage their capital project portfolio. Luckily, there are numerous CPPM software solutions on the market that are designed to support your strategic alignment plan.

The best CPPM software includes a variety of customizable features that you can configure to fit your specific needs. Here are some ways that you can utilize CPPM software to aid your strategic alignment:

- **Project Planning and Scheduling:** CPPM software creates detailed project plans and schedules, including defining tasks, milestones, and timelines, to allocate resources more effectively and keep projects on the right track. Some tools have comprehensive phase gate management processes to keep project phases organized and on the right track.
- **Budget Management:** CPPM software tools often include features for forecasting, cost estimation, and variance analysis. The right tool should enable you to project forecast snapshots, fully route a budget from review to approval, and compare budget versions to create streamlined annual budgeting cycles.
- **Resource Allocation and Optimization:** You'll be able to allocate resources, such as personnel, equipment, and materials, to projects based on priority, requirements,

availability, and skills. This will help you optimize resource utilization and better manage resource conflicts.

- **Risk Management:** With reliable CPPM software, you'll be able to identify, assess, and mitigate risks to your most valuable projects, as well as track and manage project risks throughout the project lifecycle, to minimize the impact on project outcomes.
- **Project Prioritization and Selection Tools:** You can use project prioritization and selection tools to set up specific criteria for prioritizing certain projects. Compare and contrast project revenue and expenditures using what-if scenarios. Define strategic objectives within your CPPM software, assess how these objectives align with new projects, and develop portfolios based on your goals.
- **Document Management:** CPPM software usually offers document management capabilities for organizing and storing project-related documents, such as contracts, specifications, drawings, and correspondence. These give teams access to the latest information and documentation.
- **Real-Time Performance Tracking and Reporting:** Using the best CPPM tools, you can track capital project performance, monitor key performance indicators (KPIs), and generate custom reports for stakeholders. You can also view insights into project progress, identify areas for improvement, and support data-driven decision-making. Your CPPM tool should let you leverage cost data from your Enterprise Resource Planning (ERP) system and scheduling data from P6 to evaluate project performance.
- **Integration with Enterprise Systems:** Most CPPM software typically integrates with other enterprise systems, such as an ERP, Computerized Maintenance Management System (CMMS), or Enterprise Asset Management (EAM), including SAP, IBM Maximo, and Oracle.

A survey by IDC Energy Insights showed that [energy companies that use a cost-tracking portfolio management tool are nearly 40% more efficient with their projects than those that don't](#). Moreover, 87% of the organizations surveyed used an enterprise-level project management tool to make decisions on capital projects.

We highly recommend using a CPPM software tool to keep your capital projects organized and efficient once you've developed a strategic alignment plan. You will be able to better manage risks, documents, and resources, while also tracking real-time performance and KPIs to measure project success.

7. Achieving Optimized Strategic Process Alignment – Xytalis

Xyotalis, a leading advising company in capital project and portfolio management, has worked with dozens of companies that struggled with strategic alignment. Founders Tom Martin and Mike Cate have over 20 years of experience in guiding businesses to manage their capital project portfolios more effectively. They work primarily in SAP, and also provide solutions for shutdown, turnaround, and outage (STO) events and enterprise portfolio and project management (ePPM).

One of the biggest challenges that Tom and Mike have experienced over the years was managing the data entry process for new capital projects. They realized that maintaining a data funnel, or a single entry point for data, was essential for keeping capital projects optimized and organized. Without that data in one place for everyone to view it, companies would struggle with comparing projects and aligning their portfolio with their strategic vision.

Therefore, one of the core components of Xyotalis and its solutions is a cohesive CPPM funnel for project data entry. This was developed by ensuring all key members within an organization can properly enter requests for new capital projects, and that all users are properly trained on how to add new data for a project.

Tom and Mike made sure that standardized processes and technologies were implemented at every stage of the project approval process. Their CPPM model allowed companies to assess, prioritize, and approve projects and expenditure requests, with financials, what-if scenarios, risk matrixes, questionnaires, and scoring templates. Xyotalis also guides companies to use universal approval systems that everyone can see, even executives, so that all parties can strategize and stay on the same page regarding capital projects and expenditure approvals.

Mike Cate puts it best: “When everyone was working from home during COVID, there’s been projects in recent memory with companies where a request for capital has been routed through interoffice mail-in envelopes. And thinking back again to COVID, that could be a problem: how do you get the approvals to happen? Justification for projects often comes through those expenditure requests.”

“What we’ve implemented so far are approvals for the original budget and approvals for supplements, then based them on systematic approval levels that are usually financially generated,” Cate says. “We put them into the system and use the workflow to access those tables, which get the proper approvals all the way up to the CEO or the board, depending on the size of the project.”

Xyotalis is just one of many examples of an organization that has optimized its strategic alignment process for CPPM. With a streamlined and standardized workflow, clear

communication, and an organized entry system for data, you can guide your team to developing a more strategic, connected, and valuable project portfolio.

8. Steps to Implement Strategic Alignment in Your Organization

Once it's time to put your strategic alignment plan into effect, you will want to have a concrete course of action to follow. If you plan well and know how to proceed through each phase of your strategic alignment, you're sure to end up with stronger KPIs, enhanced communication, more efficient resource allocation, and faster results.

Your entire operations team, as well as key stakeholders, will greatly appreciate you taking the time to lay out all the steps for your strategic alignment. Here are a few of our suggestions to get you started:

1. **Assessing Current Alignment and Identifying Gaps:** Sit with your team and lay out your current project portfolio. See what's working, what can be improved, and how you and your team can successfully fill any gaps.
2. **Developing a Strategic Alignment Plan:** Clearly define your organization's values, strengths, weaknesses, and vision. Establish long-term goals and objectives that support your vision. Identify key performance indicators (KPIs) you can use to measure progress towards these main goals.
3. **Engaging Stakeholders and Securing Buy-In:** Ensure that all stakeholders and organization leaders understand and agree with your strategic direction. Communicate your rationale behind the strategic alignment, and convey how influential it will be to the organization's success.
4. **Implementing Changes and Monitoring Progress:** Establish performance management systems and KPIs to regularly monitor and evaluate progress towards strategic objectives. Encourage open communication from team members or stakeholders for any feedback or questions. Share feedback with project teams on performance, and make necessary adjustments to stay on track. Some digital solutions let you forecast project contingency needs, route change requests through project-specific approvals, and fully visualize project deviations.
5. **Continuous Improvement and Adaptation:** Foster a culture of continuous improvement, where both successes and failures can be used to refine your strategic alignment plan. Use feedback from employees at all levels to make improvements to your strategy and its implementation.

9. Conclusion

Capital projects are a fundamental part of your organization's success, so you want to make sure that they are aligned with the company's long-term strategy and objectives. Strategic alignment in CPPM is critical to maximizing the value of your capital projects, optimizing resource allocation, and facilitating better decision-making and communication throughout your entire team. Moreover, you can rely on strategic alignment to result in greater stakeholder engagement, smarter project prioritization, and larger company profit and success.

To ensure your strategic alignment plan is successfully implemented, you should establish clear roles for your team, key performance indicators that you can use to track progress, and governance structures to maintain an organized hierarchy and project workflow. Communicate with stakeholders and keep them updated about capital projects, accept feedback from your team, and don't hesitate to make changes if something isn't working effectively.

All organizations, no matter their size or revenue, should prioritize strategic alignment and smart project portfolios. After all, what good is CPPM if it isn't helping your company grow and achieve long-term goals?

Remember, making the most out of your team's time and resources will allow your company to strategically hit big milestones and earn new opportunities, all while staying true to its values and overall mission. **To learn more about how Prometheus Construction Management (CM) can help you centralize your capital project and portfolio management, [reach out to us](#) today.**