Linking Strategy to Outcomes

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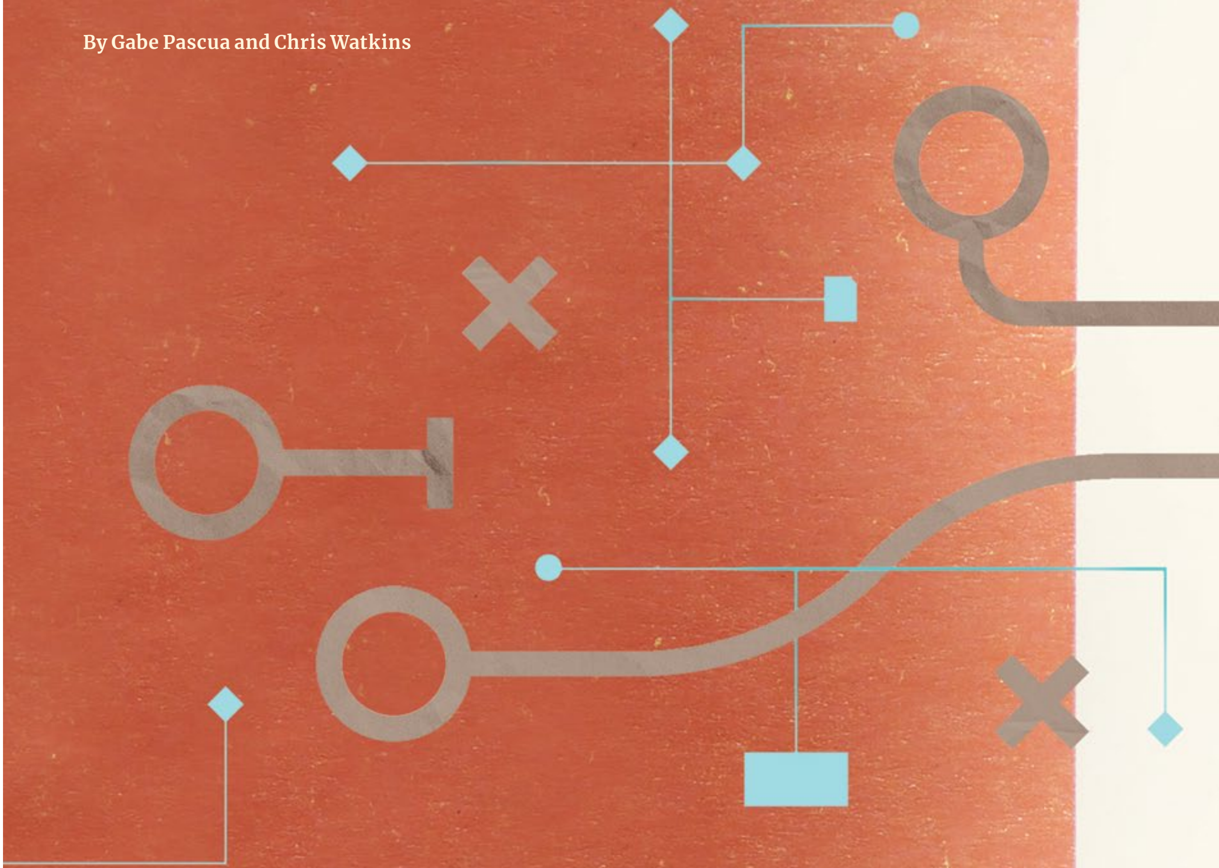

How properly implemented portfolio management strategies can help companies balance resources, align investments with strategy—and even help them say "no" once in a while.

The top priorities for many leading organizations range from innovating their business model or their products to improving customer experience and driving profitable growth. These priorities fill the air of corporate boardrooms, often documented in slick strategic planning decks. But more often than not, they don't translate into actual action.

When it is time to see if a company has put its money where its mouth is, reviewing which projects and programs the company actually funds provides the clearest view into what its leadership thinks is important. Examining how a company invests time, money, and people illuminates its true *priorities*.

THE PROBLEM:

Every company is faced with too many priorities and not enough resources to complete them. In too many organizations, the rule is that whoever screams the loudest or uses side-door contacts succeeds in pushing through their initiatives.

Unfortunately, this is not an effective way to manage resources. It is a poor way to align necessary change to a company's strategic goals. It is completely reactive to the business environment and it is generally focused on putting out operational fires.

THE SOLUTION:

Beginning with Harry Markowitz's 1952 essay "Portfolio Selection," concepts such as balancing investment risk through diversification began to establish a framework for aligning efficient investments with one's goals.

Markowitz's mathematical framework assembled a portfolio of financial assets in a way that maximized return for a given level of risk. The approach continued to gain steam, and as early as the 1980s, it made the jump from guiding Wall Street thinking to influencing other industries.

Nonfinancial business leaders in technology and operations started to use portfolio management concepts to guide their resource allocation

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strategies in a way that promoted whole business thinking. Investment asset classes were defined to align with strategic goals such as:

- Improving customer experience
- Employee engagement
- Product innovation
- Business process or systems efficiency
- Reducing risk
- Scale expansion and growth
- Day-to-day operations

Once the goals are established, investment targets are set. These targets are used to balance the way resources are allocated—how they are invested—across strategic goals in order to manage competing priorities efficiently.

Over the years, portfolio management has continued to mature into a discipline with many tools and well-defined best practices. Still, operationalizing the framework continues to be a challenge. The governance process and mechanisms associated with portfolio management are often greeted with skepticism and seen as unneeded bureaucracy.

Organizations also find initiative planning, execution, and financial management to be difficult—though each is required to gain the full benefit of portfolio management.

An organization looking to build its portfolio management capability could take a lesson from Assurant, a leading risk management products and services company. Assurant's first step: taking a hard look at its initiative intake and demand management functions.

Assurant's lending solutions group has made significant investments in a multiyear enterprise transformation effort focused on optimizing cost structure and improving the quality and customer experience of its mainstay processes. But even with the great strides made through these vast re-engineering efforts, the company struggled with consistent and effective demand management and control for change requests.

Change requests result in projects that affect process, technology, reporting, app development, procedural work instructions, regulatory compliance, new service, new client updates, or changes in operations service delivery to its clients.

Assurant was processing approximately 16,000 change requests annually across its various fulfillment channels with competing priorities vying for the same resources. Often, one-off solutions were deployed where common practices already existed. Management was roiled by multiple channels for change initiation across technology, process, and business change.

Knowing that it was about to implement an entirely new processing platform, the Assurant management team used this opportunity to initiate some of the key practices associated with portfolio management.

Leaders took this initial step in order to create a common request intake and governance methodology, allowing change execution to be managed, measured, and prioritized more effectively and consistently across the operation.

Leaders had to consider many complexities in the legacy environment as they put their new intake and governance process in place: Assurant had to create a process

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that considered and accounted for multiple complexities.

For example, with more than 40 client portfolios across multiple technology platforms, clients differed significantly in how they interpreted regulation, demanding different processes across their customers.

The different processes for requesting technology and non-technology changes presented an additional challenge. Clients had more than a dozen different ways to initiate a change in the environment. And, of course, different departments—sales, product development, account management, and operations—had different criteria for setting priorities.

Assurant brought in Jabian to help define a new and improved intake and demand management governance process. Our first step was to scope out every type of change in the environment. The inventory included IT-related changes, process changes, training needs, reporting needs, business rule changes, and quality/compliance requests.

After sorting through the way each fulfillment channel handled requests in Assurant's existing environment, the team recognized that much of the change required the efforts of multiple departments acting in concert to achieve the intended result.

For example: An IT-related platform change might also require a training change and a reporting or metrics change. The team also had to consider all the sources of change requests and determine who should be the gatekeeper for future change requests.

As the team better understood the current environment and how change was occurring, team members set out to design a new process for intake and governance. That process included supporting technology for tracking and routing across the enterprise. Four core principles were used to design the new process.

- All change requests would come through a common portal.
- All change requests would be evaluated by business process experts to identify all of the necessary fulfillment channels required to satisfy the request.
- All changes would be tracked, monitored, and reported.
- A common governance board—comprised of cross-functional representatives from sales, product, IT, operations, and account management—would set priorities and resolve resource conflicts.

Assurant has since deployed its intake demand and governance platform. It has trained the organization to effectively use the process. Starting with a pilot client, the team tested the process and its supporting application.

Now, requests for multiple lines of business flow through a change portal where the requestor completes a simple form indicating the business need. A process expert evaluates the request. Tasks are assigned to all necessary functions to estimate the required effort.

A governance board meets biweekly to evaluate requests, greenlight or kill projects, and set priorities based on how well a project aligns with strategy, client needs, or regulatory pressures.

A key benefit from the single change request portal is the availably of volume-metric data as well as change origination: from clients, product, compliance, or operations, etc. Additionally, managers have better visibility into request throughput and turnaround times for executing on changes. They can better predict the level of service required by type of change.

The Assurant management team has also realized an additional and unexpected benefit: the ability to say no to requests. Reducing the volume of requests—thanks to more robust screening and triage on the front end—allowed change managers to execute more effectively and better align resources to strategy.

After the successful rollout, Assurant continues to evolve the process in its journey up the portfolio management maturity curve. This year, the company plans to expand the use of the intake and demand management platform more broadly across the organization. It aims to enhance the process by grouping demand into portfolios that are aligned with quantified objectives and enterprise-wide goals.

Portfolio management can be an extremely effective tool to align strategic goals with resources. As organizations begin to embrace portfolio management, they will find modifying behaviors and evolving the culture to be challenging.

Squeaky wheels will remain. Effective change management and education will be critical to success. Company leadership must fully explaining the expected value and enforce compliance. When implementing portfolio management, pace trumps perfection and simplicity outweighs formality.

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