Predicts 2022: Shift Toward Strategic Portfolio Management to Enable Organizational Agility

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Initiatives: Program and Portfolio Management Leaders

The increasing pace of change and environmental turbulence creates unsustainable strain for organizations. The need for agility will drive strategic portfolio leaders to increase adoption of strategic portfolio management, evolve EPMO capabilities, and change supporting tooling and metrics.

Additional Perspectives

- Summary Translation: Predicts 2022: Shift Toward Strategic Portfolio Management to Enable Organizational Agility (07 December 2021)

Overview

Key Findings

- Only 16% of organizations are highly effective at all three key attributes of strategic portfolio management (SPM) — portfolio alignment, ongoing portfolio flexibility and value-driven decision making.

- A fragmented approach to designing the future of work can lead to excessive costs due to conflicting priorities, redundant processes and misaligned goals.

- In a distributed delivery environment, business leaders overemphasize local customer needs while making decisions and unintentionally pull the enterprise away from its strategic objectives.

- Sustainability investments have increased by more than 5% over the last five years; however, management paradigms have not changed to support this shift.
Recommendations

Strategic portfolio leaders striving to achieve better business outcomes for their enterprises must:

- Include enterprise strategy in prioritization processes by ensuring the relevance of enterprise strategy in portfolio management processes is clear and enables effective trade-off decisions.
- Expand the influence of the enterprise program management office (EPMO) to review scenarios and trigger actions by anticipating changes impacting the organization.
- Resolve emergent business disruptions by investing in strategic portfolio management technologies and the processes supporting continuous delivery.
- Incorporate sustainability focus across the enterprise by identifying the mindset shifts needed and developing a sustainability metrics dashboard that aligns with enterprise sustainability objectives.

Strategic Planning Assumptions

- By 2025, 70% of digital investments will fail to deliver the expected business outcomes due to the absence of a strategic portfolio management approach.
- By 2024, half of EPMOs will have the ability to rapidly sense and orchestrate changing conditions and become the central nervous system for the enterprise.
- By 2024, 80% of digital businesses will integrate SPM and execution technologies, and adopt new frameworks and standards to achieve valued business outcomes.
- By 2023, 50% of portfolio offices will include sustainability metrics, like water usage and carbon footprint, in their strategic portfolio dashboards.
**Analysis**

**What You Need to Know**

The increasing need to deliver value from digital initiatives is giving rise to strategic portfolio management, a digital investment management discipline that enables strategy realization in complex and dynamic environments.

SPM for technology initiatives and digital investments has three key attributes, as seen in Figure 1:

1. **Portfolio alignment**
2. **Value-driven decision making**
3. **Ongoing portfolio flexibility**

A recent Gartner study shows that organizations that are highly effective at all three attributes are approximately twice as likely to drive positive business outcomes. ¹

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

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¹ Source: Gartner Portfolio Management in the Digital Business Survey

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Gartner, Inc.

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For SPM to succeed, organizations must develop a digital nervous system, connecting all of the interdependent work efforts via consciously selected tools. The digital nervous system must be stewarded by a responsible entity, such as an EPMO. The digital nervous system will be monitored through dashboards that will necessarily evolve from a focus on business outcomes that includes attainment of sustainability goals.
Strategic Planning Assumptions

Strategic Planning Assumption: By 2025, 70% of digital investments will fail to deliver the expected business outcomes due to the absence of a strategic portfolio management approach.

Analysis by: Robert Handler

Key Findings:

Nearly all organizations are accelerating their evolution to digital business. As these organizations scale, the size and complexity of the digital business investments increase to a level where they cannot be managed by hand nor luck. Effective and disciplined investment practices are required:

- Organizations struggle to reprioritize and realign their technology portfolios during turbulent times.
- Our study discovered that organizations effective at SPM are approximately twice as likely to achieve better business outcomes. 1
- Organizations that only focus on delivering their technology initiative and digital product portfolios on time and on budget had no significant impact on driving better business outcomes.
- As more consumers and organizations rely on digital, organizations must manage their investments in digital effectively. However, our survey found that only 16% did. While this is the basis for our prediction, we believe some investments will succeed by chance, but most by discipline.

Market Implications:

The market implications of this prediction are extreme. Those who get SPM right will outperform their competitors. The data showed that those who got it right were roughly twice as likely to achieve the following business outcomes relative to competitors:

- Speed to successfully complete digital initiatives
- Speed to launch new digital initiatives
- Ability to realize expected business value from digital initiatives
With the shift to digital business, many markets and industries are impacted by network economics. With network economics, organizations that are faster and better can rapidly capture disproportionately more customers, often creating a winner-take-all situation. This is especially true of consumer-facing markets, like retail, but other industries and markets are susceptible too. In markets that have adopted properties of network economics, effective SPM can lead to market domination.

From a technology perspective, expect growth in SPM tools as described in a subsequent prediction in this document. Also expect adjacent markets, such as enterprise architecture tools, to add capabilities to provide SPM capabilities.

**Recommendations:**

- Ability to respond to disruptions
- Speed at which an idea makes it through the innovation funnel

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From a technology perspective, expect growth in SPM tools as described in a subsequent prediction in this document. Also expect adjacent markets, such as enterprise architecture tools, to add capabilities to provide SPM capabilities.

**Recommendations:**

- Ensure relevance of business and product strategy are clear and enable better trade-off decisions by incorporating them into the prioritization processes and rubrics.
- Proactively communicate how the work of solution delivery and technology teams connects to strategic goals through intuitive portfolio views and narratives coupled with value metrics, like customer impact and financial metrics.
- Enable rapid response to environmental triggers by augmenting regular cyclical portfolio reprioritization with dynamic event-driven reprioritization.
- Increase the involvement of delivery teams in portfolio reprioritization decisions while scaling implementation of product management to drive effective SPM.

**Recommended Research:**

- Magic Quadrant for Strategic Portfolio Management
- Critical Capabilities for Strategic Portfolio Management
- Case Study: Responsive Portfolio Management Decisions for Business Leaders (ElevenShift*)
- Case Study: Value Realization in Product Management (Nationwide Building Society)
**Strategic Planning Assumption:** By 2024, half of EPMOs will have the ability to rapidly sense and orchestrate changing conditions and become the central nervous system for the enterprise.

**Analysis by:** Elise Olding, Lorri Callahan

**Key Findings:**

The future of work demands EPMOs step up and reinvent themselves. Now is the time to insulate the enterprise from future uncertainty. We have reached a critical junction in the evolution of work: The normalization of remote work has reset expectations for a predominantly hybrid model:

- The reality of our current and future environment is that disruptive change will be the norm. Our research shows that the average employee has experienced 12 organizational changes in the past year.  

- Confirmation bias can cloud the ability of executive leaders to challenge the status quo, causing them to miss opportunities that will enable the flexibility needed to navigate an uncertain future.

- Centralized decision making will be rapidly replaced with federated decision making, with more autonomy for product and fusion teams.

**Market Implications:**

The pandemic demonstrated that many program and portfolio work assumptions are archaic, unnecessarily limiting and now begging for reinvention. The shift to product-centric delivery models and the adoption of agile practices has created the opportunity to expand the influence and impact of the EPMO. The pace of digital transformation and scaling will require the ability to constantly test, learn and adapt the business and IT capabilities, and the approach to ensure they deliver value to business and IT stakeholders:

- Sensing when change needs to happen and creatively responding will be table stakes for every enterprise. There is still a need for execution, but execution without the keen ability to sense a changing environment will fail to deliver on planned or expected business outcomes.
Recommendations:

- The sensing EPMO will enable mechanisms that work in concert to identify “change pulses” outside the enterprise. Responses will be swift, with the EPMO having already identified multiple scenarios, overcoming confirmation bias.  

- Value-driven decision making will be a critical practice as the EPMO extends its services into SPM.  

Recommended Research:

Leadership Vision for 2022: Program and Portfolio Management

Deploy Value Challenge Teams to Ensure Investments Pay Off in an Uncertain World

Seize the Moment — IT Leaders Must Evolve for the Future of Work

**Strategic Planning Assumption:** By 2024, 80% of digital businesses will integrate SPM and execution technologies, and adopt new frameworks and standards to achieve valued business outcomes.

**Analysis by:** Daniel Stang, Anthony Henderson
Key Findings:

Digital leaders are increasingly identifying SPM as a critical set of enterprise-level capabilities required to drive digital business acceleration:

- Acquiring suitable portfolio management technology and integrating it with modern work and project management tools supporting continuous delivery helps enterprises accelerate digital pursuits. As a result, top strategists are able to communicate strategy changes and shifts in priorities, and redefine any new goals and outcomes that emerge, especially when major disruptions occur.

- Clearly communicated changes and shifts can prompt downstream project leaders and work teams to adjust, through reprioritization, their finite spend — people and money — in time, in project or agile work. This will support their goal of spending only on the most critical of business needs. SPM technologies can ensure that adaptation of detailed execution occurs, reducing waste and ensuring those responsible for detailed execution respond to any changing priorities in a volatile business climate.

- For digital business acceleration, enterprises will increasingly choose and adopt the right mix of technologies supporting portfolio decision making, strategic alignment and continuous delivery. This mix will include advanced portfolio management, and modern work and project management technologies that can interoperate but also support the distinct needs of multiple interest groups. These groups can include strategists and planners versus project leaders and contributors.

- New standards and frameworks for decision making will be created to support and leverage maturing portfolio management practices in the use of connected SPM and adaptive project management technologies. This will allow digital enterprises to use enterprisewide portfolio management as the communication mechanism for true strategy-to-execution alignment and business agility.

- An increase in the awareness of the value of SPM will require enterprises to consider the distinct technology needs for portfolio decision making and strategic alignment. In tandem, these enterprises will need to also consider technology needs for delivery teams’ execution in support of different modes of continuous delivery.

Market Implications:
Connecting portfolios by their dependencies and supporting cross-communication between strategists, portfolio managers, project and product leaders, and contributors is critical to digital business success. The overall Program and Portfolio Management (PPM) market recognizes this, and more providers are diversifying their offerings to support the distinct technology needs of both portfolio decision makers and the contributors focused on detailed delivery.

Market implications of these trends include:

- Digital business transformation is driving bifurcation of the overall PPM market offerings into two innovative and distinct technology solution types — SPM and adaptive project management (PM) and reporting.

- Enterprises that do not adopt technology supporting SPM will not be fully successful in digital business or in resolving emergent business disruptions. This is due to an inability to make informed investment decisions and ensure those decisions prompt adaptation at lower levels of detailed execution.

- PPM market messaging suggests SPM and adaptive PM and reporting are achievable using a single PPM technology, which can confuse customers and prospects and lead to failed technology investments.

**Recommendations:**

- Recognize the bifurcation of PPM market offerings into SPM and adaptive PM and reporting technologies, and evaluate these two distinct sets of capabilities.

- Adopt SPM processes, and acquire a suitable SPM technology.

- Adopt processes supporting continuous delivery, and acquire suitable adaptive PM and reporting technologies.

- Increasingly integrate SPM technologies and adaptive PM and reporting technologies where required to maintain the continuum between strategy articulation and continuous delivery.

- Scrutinize PPM or technology platform providers claiming that a single PPM technology can support both SPM and adaptive PM and reporting needs.

**Recommended Research:**
Master 4 Management Capabilities for Digital Strategy and Execution Success

Leadership Vision for 2022: Program and Portfolio Management

Magic Quadrant for Strategic Portfolio Management

Critical Capabilities for Strategic Portfolio Management

**Strategic Planning Assumption:** By 2023, 50% of portfolio offices will include sustainability metrics, like water usage and carbon footprint, in their strategic portfolio dashboards.

**Analysis by:** Aditi Pant, Sarah Davies, Shailesh C Muvera

**Key Findings:**

Sustainability, including environmental, social and governance (ESG) efforts, is receiving a lot of attention across the globe. Stakeholders including investors, regulatory bodies, governments, rating agencies and customers are increasing pressure on organizations to incorporate sustainability into their strategic plans and company reports:

- Gartner client inquiries on the topics of sustainability and ESG reporting increased by 75% in 2020 and doubled in the first quarter of 2021 compared to the same period in 2020.  
  8
- Nine in 10 executives who worked on sustainability issues reported in November and December of 2020 that investments have increased since 2017 and will continue accelerating along a similar trajectory over the next three years.  
  9
- A growing number of policymakers across geographies are stepping up their adoption of sustainability-related and climate mandates. For instance, the current United States administration is likely to consider carbon pricing to reduce greenhouse gases (GHGs).  
  10 The Swiss government recently announced mandated climate reporting for public companies.  
  11
- Organizations are looking to accelerate sustainability activities by integrating these across business units and delivery teams, and setting up a reporting structure that gives them true visibility into ESG alignment across their products and services portfolios.
Market Implications:

With sustainability initiatives being an integral part of enterprise strategy and business goals, program and portfolio management leaders responsible for strategy and change leadership will be expected to play an important role in this endeavor. They will have to explore ways to incorporate sustainability across all enterprise levels and build the right values and behaviors:

- Depending on the strategic focus within their organizations, strategic portfolio leaders will lead or co-lead development of methods to integrate sustainability reporting into the management of programs, products and projects. This will include developing, standardizing and tracking metrics that assess sustainability performance of products/programs/projects and taking decisions regarding portfolio selection, prioritization and resource allocation.

- PMO groups may also be expected to work on governance mechanisms tracking sustainability performance, accountability and compliance responsibility among teams.

- PPM leaders will be viewed as change agents who encourage the right behaviors and instill mindset shifts for teams to ensure their activities align to the overall sustainability strategy.

Recommendations:

- Find out what sustainability programs are being planned at the business strategy level, and convert the organization's strategy into concrete, product- or program-level business objectives and team-level performance targets.

- Develop a sustainability metrics dashboard or framework (such as a sustainability scorecard) that aligns with enterprise sustainability measures and objectives. Create an interim team dedicated to embedding outcome-based metrics across all product and program levels.

- Define the mindset shifts needed to build a sustainability culture in the organization. This includes building a change communication strategy that will help teams shift toward sustainable business thinking. Create an action plan that reinforces these values and behaviors regularly.

Recommended Research:
The Role of the CIO and Technology in the Enterprise Sustainability and ESG Endeavor

Emerging Technologies: Top Sustainability Trends for Technology and Service Providers

Leadership Vision for 2022: Program and Portfolio Management

A Look Back

_In response to your requests, we are taking a look back at some key predictions from previous years. We have intentionally selected predictions from opposite ends of the scale—one where we were wholly or largely on target, as well as one we missed._

**On Target: 2018 Prediction** — By 2021, 50% of large organizations will have integrated disparate business and IT PMOs into EPMO hubs to enable digital transformation.

While we may not be able to confirm the accuracy of the percentage or the precise timing, this prediction is directionally accurate. In 2018, we forecast this prediction based upon 2016 survey data and trends. The rationale was that as digital business scaled in large organizations, a hub would be required to coordinate the work. In 2020, a majority of organizations accelerated their digital initiatives in response to lockdowns. We saw increased interest in EPMOs and would expect the percentage of large organizations with EPMOs coordinating some aspect of digital business to be at least 50%.

**Missed: 2018 Prediction** — By 2021, the traditional project management discipline will be largely supplanted by modern, dynamic methods for the bulk of digital and IT projects.

In our 2021 Trends in IT Financial Management study, which surveyed 310 IT financial professionals, 58% were still using a project-centric model for software delivery. Only 38% were using a product-centric approach, which is arguably the most prevalent modern dynamic method for digital and IT “projects.” Thus, we believe we were overly aggressive in our forecast. While we still believe modern dynamic delivery methods will eventually prevail, we cannot say that they largely supplanted traditional project management in 2021.
### Acronym Key and Glossary Terms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Digital business</td>
<td>Digital business is the creation of new business designs by blurring the digital and physical worlds.</td>
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<td>EPMO</td>
<td>An EPMO is a function or group that operates at a strategic level in collaboration with senior executives across the enterprise and is responsible for coordination, orchestration and/or execution of portfolios, initiatives, programs, and/or products to achieve desired business outcomes.</td>
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<tr>
<td>Fusion Teams</td>
<td>A fusion team is a multidisciplinary team that blends technology or analytics and business domain expertise and shares accountability for business and technology outcomes.</td>
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<td>Future of Work</td>
<td>The future of work describes changes in how work will get done over the next decade, influenced by technological, generational and social shifts.</td>
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<td>Network Economics</td>
<td>Network economics refers to the application of the network effect to economics. With network economics, the value of a network often increases exponentially as the size of a network grows. Network economies are often winner take all, with few participants garnering the majority of market share largely based on speed to market and utility.</td>
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<tr>
<td>Product Management</td>
<td>In digital business, product management is the process of conceiving, defining, delivering, monitoring and refining products in, and withdrawing products from, a market in order to maximize business results.</td>
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### Evidence

1. Our 2021 Portfolio Management in the Digital Business Survey was conducted from October through 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.

2. In our 2020 CIO Survey, only 2% of respondents had no digital business ambition (n = 1,070).

3. Our 2020 Building Digital Platforms Survey found that nearly two-thirds of respondents accelerated their digital business plans in response to the pandemic (n = 204).

4. How to Reduce Employees’ Risk of Change Fatigue
Position your IT organization for success. Explore these additional complimentary resources and tools for PPM and IT leaders:

**Research**

Market Guide for Adaptive Project Management and Reporting

Establish and adopt adaptive approaches to project and work management to support continuous delivery.

**Resource Center**

Program and Portfolio Management Strategy

Access insights, advice and tools to help PPM leaders address their top challenges.

**Roadmap**

How to Shift from Project to Product

Implement the Gartner Value-Optimizing IT Operating Model to support a product-centric organization.

**Article**

6 Practices for Effective Portfolio Management

Identify challenges and associated root causes to deliver expected portfolio results.

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