



Mechanisms for Developing a Portfolio of Projects Based on the Organization's Sustainability Strategy

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Keywords:

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Abstract: A large number of organizations choose sustainable development as their strategy. At the same time, the project format of the strategy implementation is growing, project management and strategic management are increasingly used in interconnections. However, the lack of mechanisms for translating the sustainable development strategy into the project portfolio is a pressing issue. The purpose of our research is to study the practice of translating a sustainability strategy into the projects of organizations, identify challenges and propose mechanisms for integrating a sustainability strategy in the formation of a project portfolio. The main method applied for the research is the method of analyzing case studies. We studied 3 cases of three organizations on the implementation of strategic principles of sustainability in specific projects of digitalization and telecommunications. The study demonstrated the lack of clear mechanisms for translating the sustainability strategy into a portfolio of projects. The authors' proposals, firstly, contribute to the development of the theory and methodology of project management and strategic management in their relationship; secondly, they may be of interest to professionals and managers developing a sustainability strategy and forming portfolios of projects for this strategy.

1. INTRODUCTION

The sustainable development concept first mentioned in 1987 in Brundtland Report, before known as World Commission on Environment and Development (WCED), has been widely spreading over the last few years in many countries, sectors of economy and enterprises. More and more organisations both in the public sector and business choose sustainability as one of the key strategic directions in their activities.

The sustainable development concept has become the important driver for the growth of the regions allowing them to create improved methods and tools for managing regional development. In the approach proposed by Kurganov M. (2020), special attention needs to be paid to systematization of “existing paradigms and approaches to organizing the management of programs and projects for the regional development within the perspective of the sustainable development concept”. According to Vafina K. and Gabrielov A. (2019), “sustainable development (SD) of territories is becoming an increasingly important task both at the national and regional level”.

Implementation of the sustainability concept into the strategies of organisations applies in modern life to all industries and sectors of the economy. The IT sector is one of the rapidly growing, develops new approaches into the formation of the projects portfolio taking into account the sustainability aspects of the organisational strategy. The attempt of analysis of the implementation of the sustainability strategy in IT companies has been made by Telkov O. (2019) when studying the possible effective ways to form and fulfill the sustainable development projects with the focus on the impact of

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“sustainable development projects in various companies in the IT industry and its relationship with financial and economic indicators and the overall level of sustainable development of the company”.

Introducing the importance of the social, economic and environmental aspects in the goals and objectives of the organisations, the modern leaders agree that this brings their companies to success in the long term perspective. They see the sustainability approach as one of the key factors to have a competitive advantage, minimizing the reputational risks and strengthening the brand.

The importance of developing the sustainability strategy in the organisation and its impact on the success has been studied by such authors as Müller R., Schoper Y. et al, Dalcher D., Silvius G. et al, Lobzov A., McGrath S., Duncan W. et al, Apenko S. N., Fomina Yu., Robertson M., Gareis R., Huemann M., Martinuzzi A., Weninger C., Sedlacko M. and others.

The growth and development of the organisations depend on the projects, programs and portfolios realization. Corporate project management systems implemented and maintained within the organisations aim to be based and fully aligned with the strategy, as well as goals and objectives. The attempts of the researchers have been made in defining the methods and tools for breaking down the strategic goals and objectives into the projects, programs and portfolios of the organisations. Specific approaches of implementation the project management system in the public sector authorities has been described in the work of Klimenko O., Kulakov V., Trofimov S., Ushenin A. (2018) with evaluating the “the importance of corporate culture adaptation to the implementation process”. According to Zyulyaeva V. and Perceva E. (2018), the problem of project portfolio formation is that many companies “face a large number of challenges at the implementation stage”. The authors see the project management system as one of the tools for implementation of the strategy, they propose the criteria to project portfolio selection.

However, the lack of mechanisms for translating the sustainable development strategy into the project portfolio is a pressing issue. The scientific literature and practice do not provide a clear answer to the question of how to take sustainability strategy into account when building a portfolio of projects.

2. PURPOSE AND OBJECTIVES

The purpose of this research is to study the practice of translating a sustainability strategy into the projects of organizations, identify challenges and propose mechanisms for integrating a sustainability strategy in the formation of a project portfolio.

3. RESEARCH METHODOLOGY

The main method applied for the research is the method of analyzing case studies. Three cases of three organizations have been chosen and analysed. The cases describe the implementation of strategic principles of sustainability in specific projects of digitalization and telecommunications. Due to the confidentiality policy, the names of the companies could not be provided in the paper.

The objects of the research are the three leading companies from the telecommunication industry, all of them located in the Russian Federation. The subject of the research has been defined as the strategy of sustainable development and the ways of its translation into the projects portfolios in these organisations. For this purpose, the open-source of sustainability reports for 2019 of the three companies have been used from the Russian Sustainability Reports Register (www.rspp.ru).

To be able to collate the data from all three cases the proposed structure has been developed for analysis. The proposed structure is presented in the table 1.

Table 1. Case studies proposed structure

	Feature / characteristic	Description
1. Strategy	<ul style="list-style-type: none"> • Sustainability concept and the strategy of the organisation? • Social aspect in the strategy • Economic aspect in the strategy • Environmental aspect in the strategy • Additional aspects (ESG-related, institutional) 	<ul style="list-style-type: none"> • Is sustainability concept taken into consideration in the strategy of the organisation? • Is the social aspect defined in the organisation's strategy? • Is the economic aspect defined in the organisation's strategy? • Is the environmental aspect defined in the organisation's strategy? • Are there any additional aspects defined in the organisation's strategy? What are they?
2. Projects Portfolio	<ul style="list-style-type: none"> • Number of portfolios • Types of projects (internal/ external) • Alignment of the strategy with the project portfolio(s) 	<ul style="list-style-type: none"> • How many portfolios are being implemented in the organisation? • What types of projects have been selected into the portfolio(s)? • Are the project portfolios aligned with the sustainable strategy of the organisation?
3. Mechanisms of Translation the Sustainability Strategy into Project Portfolios	<ul style="list-style-type: none"> • Ways of breaking down the sustainability strategy into projects portfolios • Methods, tools, mechanisms used by the organisations for this purpose 	<ul style="list-style-type: none"> • How does organisation break down the sustainability strategy into project portfolio(s)? • What methods, tools and mechanisms do the organisation use for this purpose?

Source: Compiled by the authors.

The three cases have been analysed according to the proposed structure and the consolidated data presented in the paper.

4. CASE STUDY 1

The large telecommunication company with more than 30 years of being in the market as one of the leading online services providers with branches in European countries and the USA. The ESG - report for 2019 was issued and published by the company in June 2020.

4.1. Strategy

The sustainability concept is taken into consideration in the business strategy of the organisation, the key message of which is that technology together with experience must serve people. The strategy covers both the Headquarter and all the subsidiaries that show the good and overall implementation of the sustainability strategy.

All the three aspects of sustainability (social, economic and environmental) are defined in the strategy of organisation.

In addition, ESG strategy exists in the organisation and is incorporated into the overall corporate business strategy. This shows the high level of commitment of the organisation to follow the sustainability principles.

One more additional fact is that the organisation has developed many corporate standard and policies related to sustainability topics (risk management, Code of Ethics, Code of Business Conduct, Legal Compliance Charter, etc.). This might show the high level of understanding and adoption of the sustainability principles in the everyday activities in the organisation.

4.2. Projects Portfolio

The company fulfills both external (B2B, large scale) projects and internal projects.

The company fulfills a great variety of projects, the main types of them are:

- Social projects (Charity, Donor's days, language learn days, etc.),
- IT education (for technical and non-technical students, both for hard and soft skills),
- Multimedia,
- Partnership projects, joint projects,
- Supporting other providers' projects (solutions for other IT platforms).

Some of the projects are fulfilled with the company's partners, e.g. Pets' project (with food producers for pets).

As stated in the report, 7% of the revenue in the consolidated revenue structure belongs to the new initiatives (meaning, projects).

The company fulfils also programs, some of them were implemented for the first time driven by the corona crisis and restrictions.

There was an adaptable Covid-19 response made by the company, many new initiatives launched, digital transformation implemented in a wider range (AI, etc.), new services provided for the customers who were in lockdown restrictions.

The number of projects increases every year. One of the examples is the special platform for fundraising that the company launched in 2017. The number of successful projects that used this platform is growing 8% (from 2017 to 2018) and 20% (from 2018 to 2019).

As stated in the report, the projects portfolio consists of 100 plus projects in 2019.

At the same time, there is very little information about projects portfolios. Thus, the term "portfolio" is mentioned only 2 times in the report. One is the "product portfolio" and the second one is just stating the numbers of projects in the yearly portfolio. This could be a sign of the low maturity level of PP&P management and there is room for improvement.

4.3. Mechanisms of Translation the Sustainability Strategy into Project Portfolios

One of the tools the company uses is specific organizational structures. To implement the strategy through the project's portfolio realization the company introduced the specific governing

ESG bodies such as the Board of Directors and the Management Board, which are responsible for incorporating the ESG strategy into the corporate business strategy. The next level for the support of planning, consolidation and implementation of the ESG initiatives is carried out by the Directors (HR Director, Social Project Director and IR Director).

The training for raising the awareness of the company's employees is mentioned in the report. The training as a method to raise the level of awareness of the sustainability aspects in the organizational strategy is applied.

There is no evidence provided in the report about the specific mechanisms for translating the sustainability strategy into the project's portfolios. Also, it is not clear how the organisation applies all the corporate standards and policies for the realization of the projects and portfolios.

5. CASE STUDY 2

The largest integrated provider of digital services in the Russian Federation with branches in all the areas and regions of the country. The Sustainability report for 2019 was issued and published by the company in 2020.

5.1. Strategy

The business strategy was approved in 2018 and aimed for 2018-2022. The main message is to move from the role of the telecommunication operator and to become the digital partner. The business strategy is well defined, the SDGs are incorporated into the strategy in a very harmonized way.

Corporate standards and policies include the principles of sustainability and SDGs. The report stated that all the aspects are taken seriously into consideration – social, environmental and governance. The priorities in ESG are very well defined. It is stated in the report that the company acts to support and develop the sustainable social, environmental, cultural and economic growth of Russia.

5.2. Projects Portfolio

Among types of projects, it is mentioned that the company fulfills both external and internal projects. The company has also a well-defined classification of the projects with different dimensions (e.g. scale, localization, profit/non-profit, etc.).

There are external projects:

- big data,
- AI,
- digital transformation of Russian Federation,
- development and implementation of the new products and services,
- acquisition of other companies and businesses,
- cross-sector/industry programs and projects (in partnership with nuclear power companies, oil and gas companies, and others).

The company fulfills many social programs and projects, all of them are very well aligned with SDGs.

Among the social programs and projects the company mentions:

- educational projects (online University and others),
- conquests among the internet users in the “age” group (the oldest winner is 95 years old),
- training in soft skills and hard skills,
- charity projects,
- volunteers projects,
- corporate social responsibility projects.

At the same time, there is very little information about projects portfolios. Thus, the term “portfolio” is mentioned in the meaning “real estate portfolio” only 3 times in the report. This could be a sign of the low maturity level of PP&P management and there is room for improvement.

5.3. Mechanisms of Translation the Sustainability Strategy into Project Portfolios

The way of translating the business strategy into the project’s portfolio includes strategy development and prioritizing the SDGs for the company. The company defines the SDGs with priority 1 (what is very important) and priority 2 (what is important).

One of the mechanisms described in the report is the development of KPIs of the programs and projects based on the business strategy and SDGs:

- Step 1. Define the key SDGs for the company (priority 1, priority 2),
- Step 2. Define the main directions, goals and objectives of the company from the strategy that are related to key SDGs,
- Step 3. Analyze the results of the main programs and projects and define if (and how) they contributed to the SDGs,
- Step 4. Plan the future programs and projects,
- Step 5. Define the KPIs of each program and project,

While making these steps, the company pays attention to the interrelated SDGs and adjusts programs and projects scopes accordingly.

As stated in the report, the company uses programs and projects quite successfully, while the portfolio management seems to be not very well developed and/or implemented. Thus, the above-described approach works well for the strategic level, program and portfolio level while the portfolio level has the lack of mechanisms for its formation in the organisation. If the company implements portfolio management, it could make the activities related to SDGs analysis more effective at a more consolidated level.

6. CASE STUDY 3

The company was founded in 2003, it is the youngest compared with the case 1 and case 2 organisations. The company works in more than 35 areas and regions of the Russian Federation.

6.1. Strategy

The main idea of the strategy is that corporate social responsibility is more than a company’s policy. It is a philosophy.

According to the report, mission, vision, strategy, goals and objectives, as well as main development directions and values are set and well defined. The company developed its business strategy 2018 – 2022 as the sustainable development strategy. The values are broken down to all business processes, as stated in the report. At the same time, the projects are not mentioned.

Among the values, corporate social responsibility seems to be one of the most important.

SDGs are well analyzed and priorities defined.

6.2. Projects Portfolio

The company fulfills external and internal projects.

Among the internal projects are:

- training for personnel,
- educational platforms (free lectures for all the people of Russia),
- new ideas from the employees,
- partnership projects,
- charity projects,
- social entrepreneurs competition.

The external projects are fulfilled for supporting, maintaining and developing the products and services of the company.

The term “portfolio” is used in the report in the meaning of “product portfolio” and that could mean that the PP&P management, and portfolio management, in particular, has a lot of room for improvement. There is no evidence in the report about the formation of projects portfolios.

6.3. Mechanisms of Translation the Sustainability Strategy into Project Portfolios

One of the ways to ensure that the corporate management includes the strategic goals and objectives into the project's portfolios is the specific structure. The company introduced specific Bodies that report directly to the CEO of the company.

The company analyzed the SDGs concerning the strategy of the organisation.

There is no evidence in the presented report about the specific mechanisms for translating the sustainability strategy into the project's portfolios. In addition, it is not clear how the organisation applies all the corporate standards and policies for the realization of the projects and portfolios.

The three cases have been analyzed and described according to the proposed structure. The consolidated data are presented in the table 2.

7. FUTURE RESEARCH DIRECTIONS

The analysis of three cases showed that the following are promising areas for the development of both the theory and practice of forming a project portfolio based on a sustainable development strategy. First, there is a need for a more pronounced institutional framework for the formation of

Table 2. Consolidated Data form Case Studies Analysis

	Feature / characteristic	Description	Case 1	Case 2	Case 3
1. Strategy	<ul style="list-style-type: none"> Sustainability concept and the strategy of the organisation? Social aspect in the strategy Economic aspect in the strategy Environmental aspect in the strategy Additional aspects (ESG-related, institutional, etc.) 	<ul style="list-style-type: none"> Is sustainability concept taken into consideration in the strategy of the organisation? Is the social aspect defined in the organisation's strategy? Is the economic aspect defined in the organisation's strategy? Is the environmental aspect defined in the organisation's strategy? Are there any additional aspects defined in the organisation's strategy? What are they? 	<ul style="list-style-type: none"> Yes Yes Yes Yes Yes (ESG, institutional Bodies and Standards, disaster responses) 	<ul style="list-style-type: none"> Yes Yes Yes Yes Yes (ESG, SDGs, disaster responses, cultural development, Bodies and Policies) 	<ul style="list-style-type: none"> Yes Yes Yes Yes Yes (SDGs, Bodies and Policies)
2. Projects Portfolio	<ul style="list-style-type: none"> Number of portfolios Types of projects (internal/external) Alignment of the strategy with the project portfolio(s) 	<ul style="list-style-type: none"> How many portfolios are being implemented in the organisation? What types of projects have been selected into the portfolio(s)? Are the project portfolios aligned with the sustainable strategy of the organisation? 	<ul style="list-style-type: none"> Two portfolios, as well as programs. Number of projects - 100 plus. Internal and External (External mostly for finance and economic reasons, internal for social and environmental aspects) Yes 	<ul style="list-style-type: none"> No data presented in the report Internal and External programs and projects Partially. All the programs and projects are very well aligned with the strategy as well as SDGs 	<ul style="list-style-type: none"> No data presented in the report Internal and External programs and projects No data presented in the report
3. Mechanisms of Translation the Sustainability Strategy into Project Portfolios	<ul style="list-style-type: none"> Ways of breaking down the sustainability strategy into projects portfolios Methods, tools, mechanisms used by the organisations for this purpose 	<ul style="list-style-type: none"> How does organisation break down the sustainability strategy into project portfolio(s)? What methods, tools and mechanisms do the organisation use for this purpose? 	<ul style="list-style-type: none"> Way. Specific organisational structure (specific Bodies and Roles fo Directors) Method. Training to raise the awareness of the sustainability aspects of organisational strategy of the company's employees No mechanisms provided in the report 	<ul style="list-style-type: none"> Way. Prioritisation of the SDGs for the company (priority 1 and priority 2). Mechanism of setting KPIs of programs and projects based on key SDGs and key strategic goals and objectives. At the same time the is no evidence in the report about the formation of project portfolios and setting the KPIs on the portfolio level. No mechanisms provided in the report 	<ul style="list-style-type: none"> Way. Specific organisational structure Way. The SDGs analyzed in relation to the strategy of the company No evidence of projects portfolio selection/formatation No mechanisms provided in the report

Source: Compiled by the authors.

a project portfolio. The companies have projects and programs combined into portfolios. However, there are no methodological approaches, regulations and procedures for the formation of project portfolios. It is portfolio management that is still being paid little attention in organizations, which is a factor constraining organizational development. Secondly, it is necessary to link the management of portfolios of projects and strategies of organizations based on the principles of sustainability. At the moment, there is a gap between, on the one hand, fairly well-developed sustainability strategies, on the other hand, portfolios of projects and programs. Third, it is necessary to develop various mechanisms for integrating the sustainability strategy into portfolio management.

The analyzed cases showed that some mechanisms are available. They are associated with the presence of management entities responsible for integrating the sustainability policy into the management of projects and programs, as well as with the availability of an appropriate KPI system. However, such mechanisms are not enough and it is necessary to expand their range.

Promising mechanisms include the formation of institutions for the implementation of a sustainable development strategy in project portfolios (management structures and subjects, technologies and methods, procedures); the expansion of the use of KPIs that are consistent with both sustainability criteria and success indicators of the project portfolio; the formation of motivation of employees of organizations to comply with the principles of sustainability in the formation and implementation of the project portfolio.

8. CONCLUSION

The study confirmed the importance of the task of combining the processes of strategic sustainable development of organizations and the formation of a portfolio of projects and programs in these organizations. The facts of the presence of a set of measures for sustainable development in organizations, for the inclusion of the principles of sustainability in the organization's strategies, for the implementation of sustainability in various projects and programs of organizations were revealed. All these are positive facts that demonstrate the progress of companies towards implementing sustainable growth strategies through their projects. However, the fact that there are no sufficiently detailed and diverse mechanisms for taking into account the sustainability strategy in the process of forming a project portfolio was also recorded. Conclusions are drawn about the need for the development of such mechanisms, the most promising mechanisms that require research and elaboration are named.

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