WHITE PAPER • DECEMBER 2017

# Strategic or Bust: Why Project Execution Needs to Change

The only reason organizations invest in projects is to achieve business results—that's something that's forgotten way too often.

**Andy Jordan**
CA Project & Portfolio Management

At the most fundamental level an organization only does two things: operations and changes to operations. Regardless of the industry an organization is part of, or whether it is private or public sector, large or small, there is a constant drive to protect and improve operational aspects. Whether it is launching a new product or service, decreasing costs, protecting infrastructure from failure or preventing regulatory noncompliance, there are numerous areas where an organization wants to change something about how it operates. That's where projects come in. They are the vehicles by which organizational change is implemented, and no organization could survive long-term without ongoing investment in them. Project investment is significant, and while there are never any guarantees, an organization must do everything it can to ensure the majority of projects achieve the results they were designed to deliver—generating a return on the investment that justifies the time, effort, money and risk expended. Yet consistently that doesn't happen, and it's been that way for a very long time.

In today's technology-driven, highly competitive world, organizations that cannot deliver the business results they are seeking not only lose ground to their rivals, they jeopardize their own existence. Customers are far less forgiving of failure and much less willing to wait than in the past, and those high expectations translate just as much in the public sector, where stakeholders are not only more widespread, but failures may be much more visible and accountability severe. In this whitepaper we look at what causes projects to fail so regularly and offer a sustainable approach for improving performance consistently.

## The wrong projects can never deliver

To begin our exploration of how to improve project performance we have to look at the beginning of the process, where project proposals are developed and approved. Every organization has finite resources; the money and effort that can be committed to projects is limited, and once spent it can never be retrieved. It is therefore vitally important to ensure decisions on how and where to make those investments are driven by organizational strategy. An organization must determine the goals and objectives it wants to set for the next operating period and then focus its investments on initiatives that optimize the ability to deliver against those objectives.

Selecting investments successfully is a combination of three different elements:

- Identification of opportunities that can be exploited and challenges that must be addressed to achieve required results
- Development of realistic estimates for the costs (project and ongoing) and benefits (amount, timing and duration) for each proposed initiative
- Decision-making that balances performance with risk to deliver a sustainable portfolio of approved projects

If any one of those factors is managed incorrectly the organization will struggle to achieve results, and frequently that is the case. Most organizations believe they are skilled at identifying the opportunities and challenges they face and will spend little time focused on this first element. That is a mistake for a number of reasons. First, most organizations have no idea whether they have identified 1percent of potential opportunities or 99 percent; they simply know there are more than they could possibly deliver against in a single year, so they stop looking for new projects. That leaves an untapped potential of completely unknown size and may well leave the biggest potential benefits ignored before work even begins.

The other significant problem with opportunity identification is the focus on symptoms rather than the cause. Many organizations will identify work that needs doing from their existing operations: IT help desk tickets that become small projects contained within IT, for example. These items will never be elevated to the strategic layers of the organization, and significant amounts of effort and money will be spent treating one-off problems as they arise. Similar situations exist in other business areas. Some of this work is unavoidable, but greater levels of strategic awareness will allow for a big-picture view of the challenges and the development of solutions to the underlying problems—out-of-date systems, inefficient processes, etc.—rather than to the individual occurrences of difficulties.

In contrast to the perception that opportunity identification is generally fairly good, most organizations recognize that planning is challenged, but they seem powerless to do anything about it. Business cases or proposals are necessarily developed with high-level estimates; that's why they are called planning estimates in the first place. But those estimates are rarely revisited and adjusted. Instead, the cost estimates become "locked" as the budget the project must deliver against while benefit estimates are frequently ignored entirely. Often there is no consideration of any of the post-project costs—the financial and resource obligations required to support the project's output after delivery—and what benefit projections there are will generally only capture the first one to three years. It can be very difficult to develop benefit forecasts that far out, especially for projects that generate less measurable benefits, but that should be identified up front and factored into the decision on whether to approve the project. There is also a lack of consistency in how estimates are developed from one project to the next, resulting in business cases that often appear more like sales pitches for each department's preferred projects rather than an objective assessment of the initiatives that will deliver the best results against goals.

The final aspect that results in the wrong projects being chosen is the decision making process itself. Building from the concept of business cases designed to champion the preferences of department heads, the selection process for major enterprise initiatives is often little more than a vote among senior management. This results in the selection of the most popular projects, not necessarily the most appropriate. If there is an analysis of the preferred projects it is often little more than a consideration of whether there are enough resources available to assign to the projects and whether any supplementary resources need to be added to the project resource pool.

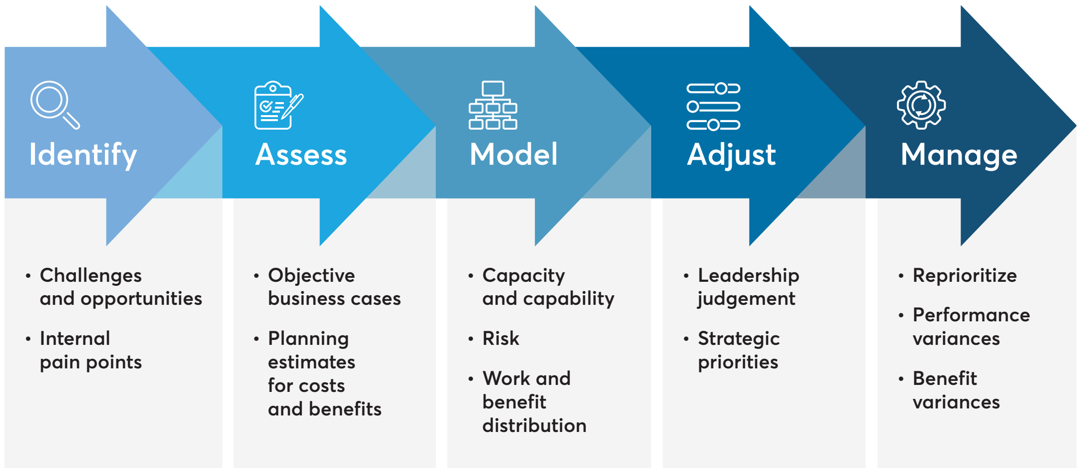
When these different elements are combined, it's no surprise that organizations fail to deliver consistent performance against objectives. Many have created a situation where it is impossible to achieve results, even with perfect execution of the approved portfolio.

To maximize the chances of success organizations must take the following strategically driven approach:

1. **Identify all opportunities and challenges faced by the organization.** This requires reaching to the front lines of each business area to understand not just what is happening (or not happening), but why. Only then can the best possible project candidates be identified, and they can then be consolidated and prioritized based on contribution, feasibility and alignment.
2. **Develop objective business cases for the best potential candidates.** Business cases have to allow for realistic comparison between proposals to ensure the best initiatives are included in the final selection list.
3. **Perform comprehensive portfolio modeling.** The projects that promise the best return on investment as standalone initiatives will rarely be the best combination of projects to form the approved portfolio. The optimal mix is a trade-off of contribution to different goals, distribution of work across business areas, immediate versus long term benefits, the capacity and capability to deliver, the risk exposure and ability to manage that risk, etc. Only when all of these factors are identified and assessed can the right portfolio mix be established.
4. **Include subjective criteria in final approvals.** Senior leadership holds the positions they do because of their skills and experience. They need to apply those factors to ensure that a subset of the portfolio is invested in projects that go beyond the objective criteria and offer the chance of developing game-changer solutions that will ultimately deliver benefits beyond any business case.
5. **Manage the portfolio as a living entity.** Regardless of how well the portfolio of investments is planned, the initiatives approved are only the right ones at that moment in time. During the course of the delivery period the organization's priorities will evolve, actual costs and benefits will vary from the plan, and countless other factors will impact the ability to deliver. Projects still waiting to begin must be managed as an ongoing backlog that is continuously reprioritized, and in-progress initiatives must be reassessed for their ability to deliver.

That fifth point takes us nicely to our next consideration for strategic project management: the execution phase.

FIGURE 1.
Five-Step Process to Strategic Project Selection




## "What" is far less important than "why"

One of the biggest problems with projects is that they tend to focus on what they are trying to deliver. The traditional triple constraint of budget, schedule and scope is a prime example. Projects are considered successful if they deliver all of the defined requirements within the set timeframe and within the effort and/or financial limitations established at the outset. This continues to be the almost exclusive focus of those projects we considered earlier that treat the symptoms identified within IT and other business areas, but the simple truth is that these are inaccurate and misleading measurements. At the outset of this paper we acknowledged that projects are conducted to improve one or more aspects of operations, and that is how they must be managed. The organization will not benefit from a project delivered on time and in scope and budget but that fails to deliver the contribution to goals and objectives that were expected, while a project that is light on functionality, runs late and costs more but still enables the organization to meet its objectives is a success by any definition.

Agile has started to take organizations down this path away from a constraints focus, but many agile initiatives are still focused on the "what" rather than the "why." They seek to deliver a set of features and functionality that align with the customer's expectations rather than ones that maximize the ability to achieve business goals. The customer or their representative must hold some of the accountability for that, in both agile and waterfall execution models, but the project team is the driving force behind the initiative and should be ensuring the focus is always on optimizing the ability to achieve the long-term business goals.

That may well mean that the project changes significantly during execution, with the timing, cost and specific deliverables evolving in order to protect the initiative's contribution to the organization's goals and objectives. It may also mean the project is cancelled and resources diverted elsewhere if delivery of those goals—to meet the "why" that was the reason for the project's approval—is no longer possible. These are decisions that can only be made during project execution, and they require a strategic view of project delivery. Project managers must understand not just what they are delivering, but how those deliverables support the organization's objectives—managing to enable business results, if you will.

For that to occur, organizations must invest in a PMO infrastructure that connects leadership and strategy with project teams. Project managers must be able to rely on the PMO to guide them in evolving goals and objectives and support them in their project level decisions to optimize alignment with those goals. This type of strategic execution infrastructure can only succeed with support from organizational leadership, recognizing that individual projects need to manage as "sub-portfolio" elements, working together as part of an integrated project ecosystem that collectively delivers the goals of the organization and enables the advancement of business capability that was the reason for the investment in the projects in the first place. This focus on delivering projects for business results is critical, but it's not enough on its own, which takes us to the final element of strategic project management.

## Accountability for delivering results

We noted earlier that benefit estimates in business cases are frequently ignored after the project is approved. Inevitably those estimates will be high-level, and in many cases the benefits that will be achieved may not be capable of specific measurement. That's perfectly reasonable, but it doesn't remove the need to ensure those benefits occur. In the business case, if a benefit is hard to measure then that should be stated, and any business case benefit expectation should be revisited during and after project completion with adjustments being made as necessary. Once the project has finished and the deliverables have been handed over to the client group, the accountability for achieving benefits must remain.

All of the work we have described so far will have been wasted if the solutions delivered to client groups—the products, services, systems, process enhancements, etc.—are not leveraged to achieve the business improvements required. Using the adage of managing what we measure, the owners of the deliverables must be held accountable by organizational leadership for the achievement of the benefits they committed to in the business case. It is unacceptable to claim that a set of new features in an existing product will deliver $1 million in net new revenue and then claim after delivery that it is impossible to attribute revenue specifically to those features. Put simply, if it is impossible after delivery, it was impossible prior to project approval.

Strategic project management must enable effective and efficient measurement of performance and detailed tracking of individual features in an attempt to identify whether the financial benefit they deliver is not a good use of resources. Instead, when the project is approved, the claimed revenue lift should simply be "baked in" to the revenue baseline for the product—next year's revenue number is increased by the claimed $1 million benefit before other incremental improvement expectations are overlaid. The same can be done with cost savings and efficiency improvements.

Accountability implies repercussions for failing to meet goals, and leadership must create and manage that environment. If the organization as a whole fails to achieve its goals and objectives, the share price or value suffers, the leaders are held accountable and ultimately changes are made. Leadership can only drive success if the owners of the individual project outcomes drive success for their subset of accountability, and that simply doesn't happen frequently enough in many organizations.

## Conclusions

Achieving organizational goals and objectives is the primary purpose for an enterprise's existence. In the private sector, it defines the way that success is measured; in the public sector it optimizes the ability to deliver value for money to the constituents the body serves; and in the nonprofit, space it ensures the most benefit can be delivered to the supported causes. While operational areas of a business can deliver gradual, evolutionary improvements, the significant steps forward in achieving objectives will only ever come from redefining those operations to a greater or lesser extent, and that's done through completing the right projects at the right time and ensuring they achieve the expected outcomes. That can only happen consistently if project execution is viewed as what it is: a strategic discipline focused on business results.

Virtually all organizations are adept at delivering projects on an individual basis, and at achieving at least reasonably consistent performance against the constraints of those projects. What's missing is the strategic thread that ties that all of those projects into a cohesive, interconnected ecosystem of initiatives focused on achieving business improvement. Changing that is more mindset than mechanics and requires organizations to:

- Create a strategic project management backbone that connects planning with delivery and benefits management. That backbone must connect leadership at the enterprise and department level, the PMO, project teams and the owners of project outputs.

- Consolidate project approval decisions at the enterprise level, ensuring the focus is always on root cause rather than symptoms and that solutions are strategic rather than tactical. There will always be a need for department-level initiatives over and above the strategic projects, but those should only be funded after the major enterprise goals are supported. Allowing work to be defined at an individual department level first is a case of "the tail wagging the dog" and will never result in consistent success.

- Actively manage both goals and objectives and project investments to ensure the focus is always on meeting the current business needs, not on the objectives the organization had three quarters ago. This is yet another reason why department driven projects in lieu of strategic projects are a bad idea—departments lack the enterprise-wide perspective that is required.
- Manage every element of project delivery, from idea capture to benefits attainment, with a laser-like focus on why the work is being done and with a conscious acknowledgement that project deliverables are merely vehicles for delivering benefits.

Achieving these changes may not be easy, but it is simple, and that is all any organization should ask for: a clear path forward to improved performance against goals. Perhaps that should be one of next year's objectives.

## About the Author

Andy Jordan is president of Roffensian Consulting Inc., a consulting firm with a strong emphasis on organizational transformation, portfolio management and PMOs. Andy has a track record of success managing business-critical projects, programs and portfolios in Europe and North America in industries as diverse as investment banking, software development, call centers, telecommunications and corporate education.

To learn more about CA Project & Portfolio Management supports financial management, visit **ca.com/PPM**



CS200-326340_1217