

Excellence is not enough

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Exploring challenges faced by organisations seeking to optimise their total portfolio of projects through the effective combination of project management, sponsorship and portfolio management.

The only reason for undertaking a project is to add value to an organisation in pursuit of strategic objectives. A project which does not do this is useless or a sink for scarce resources.

Projects, however, do not directly create value. Projects deliver new capability to an organisation, but it is the organisation itself which creates value by using the capabilities. Value creation (benefits realisation) usually happens after a project has been completed and so cannot solely relate to a project but applies to the organisation as a whole.

Add to that the fact that many projects and day-to-day activities may contribute to the same benefit measure, it is often impossible to separate which activity or project produced which effect. A pragmatist may argue if the total benefit is achieved within any overall constraints, it is not essential for such back analysis to happen. Most business leaders are pragmatists!

If a project is truly a vehicle of change which will add value, it must have:

- alignment – it is aligned to the company strategy
- priority – it has high priority relative to other change initiatives which may use the same resources
- positive impact – it impacts somebody's budget somewhere in the organisation, either by decreased costs or increased revenues

The meaning of success

When talking about successful projects we must understand what the word 'successful' means. Success is too often interpreted through the differing eyes of stakeholders.

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Successful project management ensures the delivery of a specified scope, on time and to budget. It is related to how efficiently a project is managed. This should be assessed during the project closure review, documented in a project closure report and measured by timeliness of delivery milestones, adherence to budgets and quality. This is associated with the role of the project manager.

A successful project realises the business objectives it was set up to achieve as stated in a business case. It is related to the effectiveness of the project in meeting the objectives set. The post implementation review (post-project review) assesses this. Measures of success here must be indicative of the business objectives being achieved. This review therefore has to happen some time after the output of the project has been put into use. It is associated with the role of the project sponsor.^{(3), (4)}

A successful company drives towards its strategic objectives while fulfilling expectations of shareholders, managers, employees and other stakeholders. Measures for this are at a corporate level and should be financial and non-financial, such as a balanced score card. This is associated with the role of the chief executive.

A project which has been successfully 'project managed', however, may actually deliver little of value to the organisation. Further, a 'successful project' may not further the strategic objectives of the organisation, as its objectives may be out of alignment

with corporate objectives. A failing company can be full of 'successful project management' and 'successful projects' all driving in different directions.

What actually counts is whether the organisation, as a whole, is successful or not. The likelihood of business success is increased if the projects undertaken align with the organisation's strategy. Success can be enhanced if best practice project management is undertaken. The aim is to ensure the linkage from successful project management to successful projects to a successful company remains effective.

For benefits realisation and measurement to be effective therefore, an organisation must have:

- a business strategy and goals communicated in sufficient detail to be useful to decision makers: this will facilitate strategic alignment
- a business plan, which explicitly demonstrates how the company's resources are to be used in operating the organisation in its current state and investing in future capabilities in order to achieve future benefits
- measures by which the whole organisation can monitor its progress towards strategic objectives and may be used to aid prioritisation decisions

Without these three fundamentals, business-led or benefits-driven project management has little to tie into, regardless of how well each individual project is managed or directed.

The importance of leadership at all levels

Measures can be used to aid project prioritisation and allocate resources but just because we have resources to undertake a project, it does not mean it is right to do it. Similarly, if we have insufficient resources, we need to select the most effective use for those resources. In both cases it is better to think in terms of prioritising benefits rather than projects! It can often be more beneficial NOT to do a project at all.

The theory of constraints⁽¹⁾ shows that undertaking fewer projects at a time can actually lead to greater throughput. This is at the heart of portfolio management.

Without prioritisation, the portfolio of projects being undertaken will merely be a bottom-up set of suggestions rather than a top-down set of strategic imperatives. In the absence of a communicated strategy, business plan and targets, this is the only

way to proceed. It is, in effect, an abdication by senior management to middle management – the organisation is driven by the question what to do, rather than why to do it. If this is happening in your organisation, the challenge is to turn it on its head. But who has the power to make the change?

If benefits realisation primarily happens after the point of delivery, it is inappropriate for the project manager to have direct accountability for it. The project manager's role is to manage the individual project, ensuring the right capabilities and conditions are created for downstream benefit realisation.

The operation of the business, using the capabilities the projects produce actually creates the value. It is therefore essential that an alternative role(s) has accountability for benefits realisation – the project sponsor. The focus of a project sponsor is benefits realisation rather than project delivery.

A successful company however, requires a person (or people) above the project sponsors, accountable for the sum total of benefits to be realised from all the projects in the company (its portfolio). In a small organisation this would be the chief executive officer (CEO). In larger organisations, the CEO may delegate this role to a number of people, sometimes called portfolio managers. If the CEO is wise, it will not be sliced up on functional lines!⁽⁵⁾

Mindset before process

The development of such directive and leadership accountabilities is vital as processes and organisations do not run themselves. People create change and people constrain change⁽⁶⁾, regardless of the processes or tools available to them. If faced with the complexity of rational benefits measurements, you could take the view that effective benefits realisation is more about mindset and the way an organisation is directed and led, than about being a process or tool set. This is fundamental to portfolio management. Without the right mindset, excellent project management, sophisticated tools or clever consultants will not make the critical difference required for company success.

Different projects produce different payoffs

For example:

- business process re-engineering – improved competitiveness and reduced costs

- improved support operations – enhanced sales and reduced costs
- development projects – improved time to market and market share
- information technology projects – bottom line cost improvements through greater efficiency or by creating competitive advantage
- new or refurbished facilities – improved return on assets, reduced operating costs

This shows it is simplistic to assume that a small number of direct measures can be applied to all projects and costs and benefits may be derived from any or many parts of the organisation.

Accountability for benefits realisation cannot lie in one particular department.

Just as project management is cross-functional, benefits realisation and, by implication, the roles of the project sponsor and portfolio manager must also be cross-functional.

Effective portfolio management pays off

One of the greatest obstacles to the use of portfolio management is corporate culture with respect to cross-company accountabilities. PRTM has developed a maturity model for hi-technology product development (below), which illustrates this.

PRTM's research⁽²⁾ shows productivity can increase by up to 50 per cent for organisations at Stage 4 as opposed to Stage 1, with commensurate improvements in growth, profit and time to delivery.

Notice also, stages 0-2 can, to a greater or lesser extent, be driven by forward-thinking middle managers, whereas, stages 3 and 4 are impossible to attain unless senior management are involved.

Portfolio excellence really does come down to a question of: "How do we want to direct our company?" If you are a business leader, that's your choice.

References:

- 1 Goldratt, E M, *Critical Chain*, The North River Press (1997)
- 2 The Performance Management Group *Pipeline/Portfolio Best Practices Yield Higher Profits*; published in *Signals of Performance*, Vol 3 No 1 (2002)
- 3 Buttrick, R A, (2003) *The Role of the Executive Project Sponsor*, Financial Times Executive Briefings.
- 4 Buttrick R A *Effective Project Sponsorship: turning the vision into the reality of success*, Project Manager Today, (July 2003, September 2003, October 2003, March 2004, April 2004)
- 5 Buttrick, R A, *The Project Workout*, FT Prentice Hall (2005)
- 6 Obeng, E, *All Change!: Project Leader's Secret Handbook*, FT Prentice Hall (1995)

• **This article is relevant to sections 1.1, 1.3, 1.4, 1.5, 2.1, 5.1 of the APM Body of Knowledge 5th edition.**

STAGE 0	INFORMAL	INFORMAL PRACTICES BASED ON INDIVIDUAL EXPERIENCE
STAGE 1	FUNCTIONAL	EXCELLENCE WITHIN FUNCTIONS, BUT NOT ACROSS FUNCTIONS
STAGE 2	PROJECT EXCELLENCE	FUNCTIONS ALIGNED FOR EFFECTIVE EXECUTION FROM CONCEPT TO MARKET
STAGE 3	PORTFOLIO EXCELLENCE	PROCESSES IN PLACE TO ACHIEVE ALIGNED PRODUCT AND CORPORATE STRATEGY, PLATFORM & TECHNOLOGY LEVERAGE, PORTFOLIO BALANCE AND EXCELLENCE IN PROJECT SELECTION AND EXECUTION
STAGE 4	CO-DEVELOPMENT EXCELLENCE	CORE PROCESSES LINKED ACROSS TO INTERNAL AND EXTERNAL BUSINESS PARTNERS FOR MAXIMUM LEVERAGE

Figure 1