concept

GOVERNANCE OF MAJOR INVESTMENT PROJECTS

CONCEPT SYMPOSIUM 2008

Learning to manage projects as though they mattered:

implementing strategy, adding value, and delivering benefits through project management

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Management Solutions

1 :Strategy Implementation

1.1 Projects and programs are the normal vehicles for managing capital expenditure and, some would argue, for managing a wider variety of change.

- ***'Project management' should thus have a role in implementing business strategy; in doing so, project management can and should add value to the evolving strategy***

1.2 The business literature fails to recognise this role for p.m.

1.3 This failure is partly the fault of the project management community for not presenting itself and its contribution to strategic management better. We are using inadequate conceptual and linguistic models.

2. Project Management: Paradigm Lost

2.1 Project management as a discipline – a domain – should be about the management of projects (or programs) as organisational entities:

- *what needs to be managed in developing and defining projects as well as in building (and sometimes even operating) them.*

2.2 PMI's 'standards' for Project Management (PMBOK®), Program Management, and Portfolio Management position project management as execution management ; front-end definition is by someone else

- *"the application of knowledge, skills, tools and techniques to project activities to meet project requirements" (PMBOK®, 2004: page 8)*

2.3 Research [and practice] suggests that front-end definition is crucial to project success. PMI's definition misses the areas we should be focusing on.

- *Research-led alternative p.m.models, e.g. APM's and ENAA's, are broader*

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Morris and Hough 1987, Morris, 1992), Miller and Lessard (2001), Flyvbjerg et al. (2003) and the CIA (Meier, 2008), supported by analyses such as those by Standish (1994); Williams (2005); Cooke-Davies (2004); Dvir, Raz and Shenhar (2003); Laufer and Hoffman (2000); Lechcler (1998); Munns and Bjeirmi (1996); Shenhar, Dvir and.Levy (1997); Wateridge (1995).

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3. Project Management's contribution to Strategy

3.1 The P.M. community recognises plans but hardly strategies

- *Artto et al. (2008): "Project Strategy is a direction in a project that contributes to success of the project in its environment". Strategy shapes, and gives momentum to, the project's course: the project and its strategy are dynamic*
- *And (Artto): projects and their strategies, don't have to adopt "an obedient servant's role" with respect to their sponsors; there is opportunity for the project to exercise a pro-active role in strategy formulation and implementation*
- *Emergent Strategy - realising the Plan*

3.2 Strategic Plans:

- *'Project Execution Plan' is common, but how often is there an earlier Project Development Plan/ Strategy?*
- *Cf. [Systems Engineering] Management Plan*

4. More than just about competitiveness

4.1 Technology

- *Major cause of disruption and failure on many projects pre the mid 90s.*
- *Understanding of how to manage and achieve technological innovation and uncertainty has improved in recent years for example via prototyping, rapid applications, improved requirements management, fast-tracking and concurrent engineering*
  - *though lack of alignment between corporate and project/programme technology strategies still major source of cost growth/ schedule slippage in US DOD and Intelligence sectors.*

4.2 Resource management

- *Capacity planning, processes (dynamic capabilities),[core] competences, even Supply Chain Management: all can be major issues in setting up projects and carrying them out.*

4.3 Other: HSSE, Supply Chain/ Procurement, etc

4.4.Importance of Leadership: providing direction; vision, communication

4 (ctd.) : typical project strategy contents

- *description of the business opportunity;*
- *overall objectives of the project and how these should be achieved (and verified);*
- *assumptions concerning the nature of the project, its development and its deliverables;*
- *project scope, what is and what is not included;*
- *estimates of the time required, including phasing, possible major work packages;*
- *project budget;*
- *project's resourcing needs;*
- *quality policy for the project;*
- *relevant health, safety and environmental policies;*
- *project risk management strategy;*
- *project team organization, roles and responsibilities.*

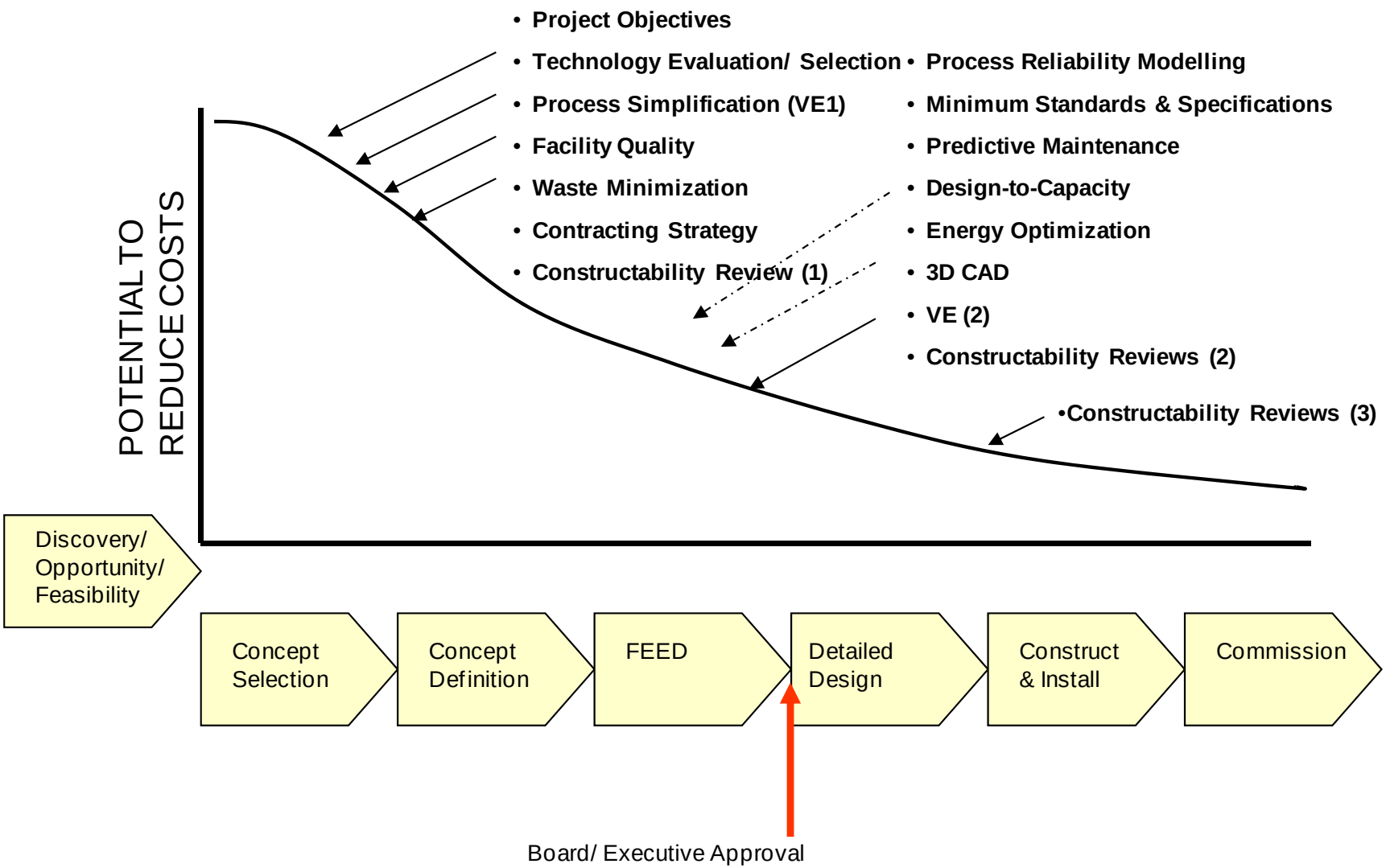
5. Managing the front-end project definition stages

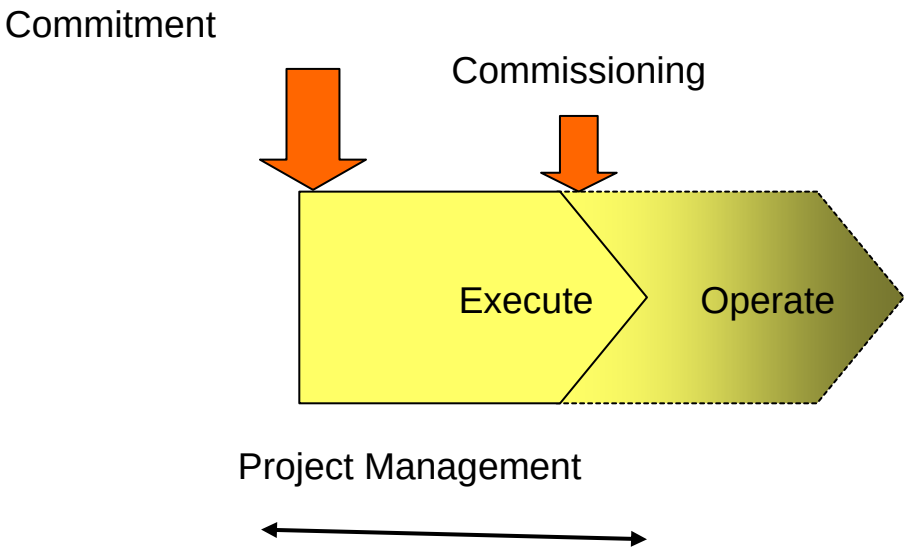
5.1 Tendency to spend insufficient time in the front-end developing a robust project definition

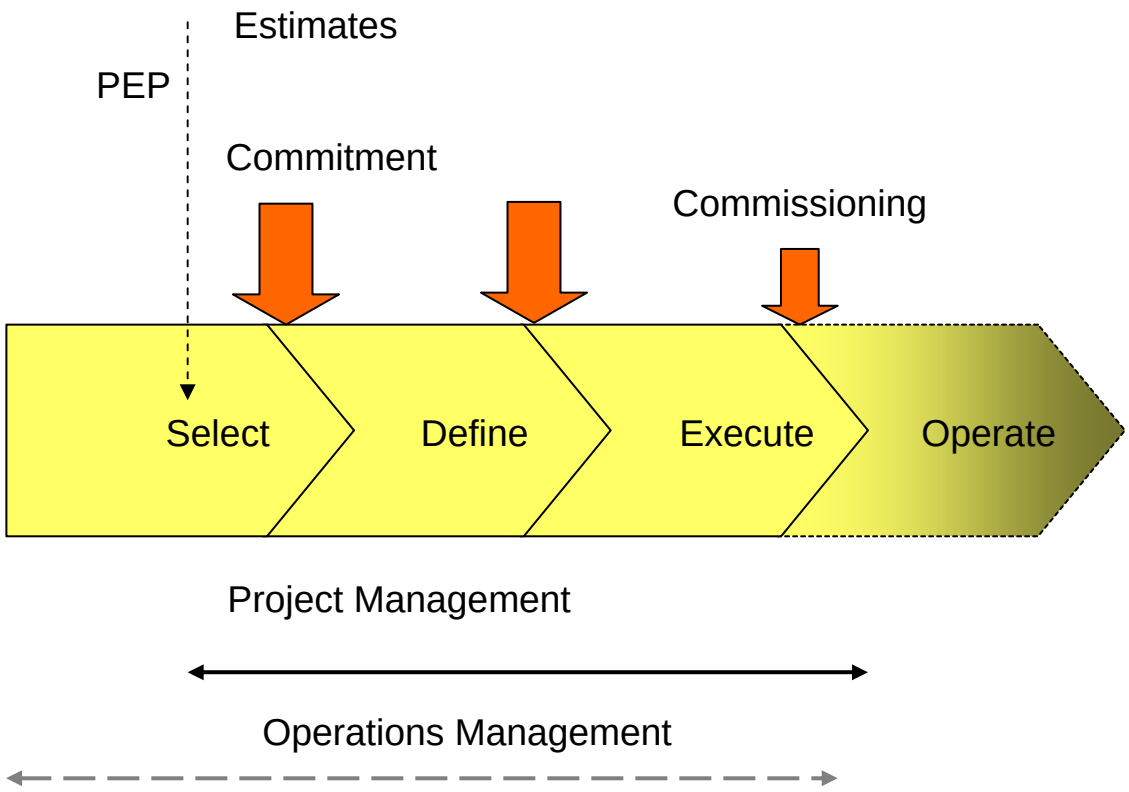
- *'Front-End Loading': problems of definition and homogeneity in establishing metrics*
- *Standish (1994, 2004): requirements inadequately defined, inadequate involvement of the user, inappropriate choice of technology.*
- *Agile: schizophrenic ignorance of the front-end*

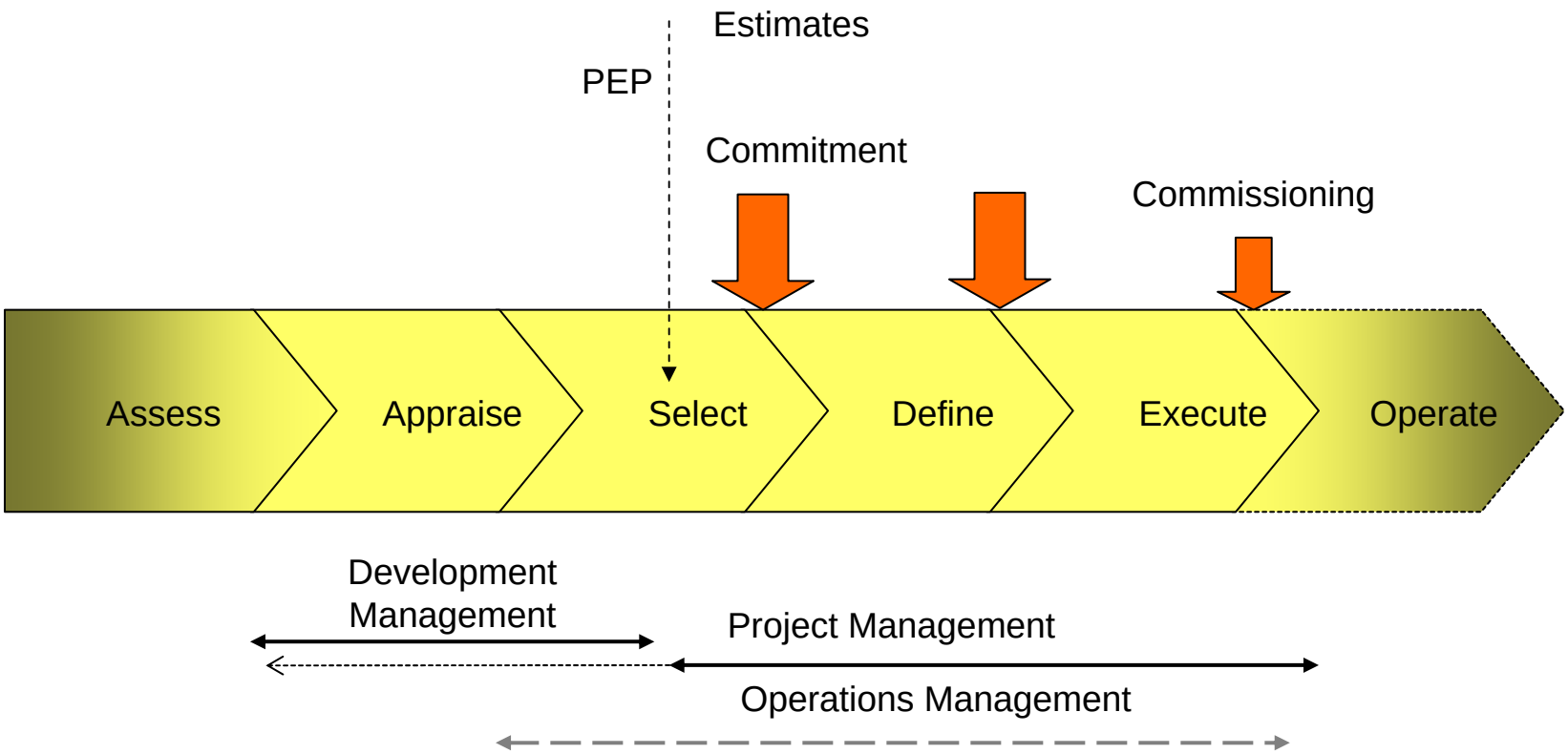
5.2 Project management has two roles in managing the front-end: (1) bringing in execution knowledge (2) managing the front-end activities

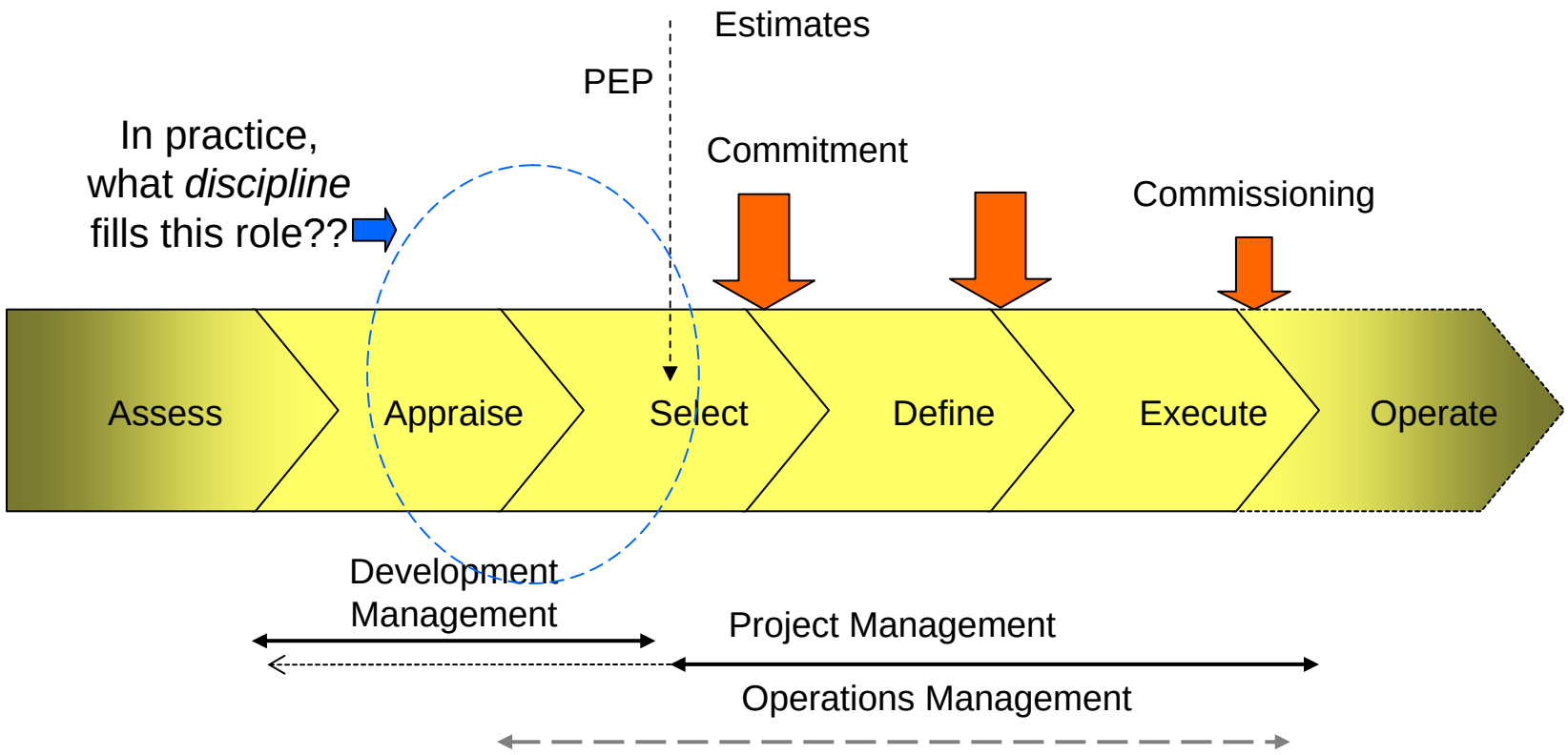
- *Key roles of*
  - *The Sponsor*
  - *The Developer*


• Project Objectives
• Technology Evaluation/ Selection
• Process Simplification (VE1)
• Facility Quality
• Waste Minimization
• Contracting Strategy
• Constructability Review (1)
• Process Reliability Modelling
• Minimum Standards & Specifications
• Predictive Maintenance
• Design-to-Capacity
• Energy Optimization
• 3D CAD
• VE (2)
• Constructability Reviews (2)
•Constructability Reviews (3)
POTENTIAL TO REDUCE COSTS
Discovery/ Opportunity/ Feasibility
Concept Selection
Concept Definition
FEED
Detailed Design
Construct & Install
Commission
Board/ Executive Approval


Commitment
Commissioning
Execute
Operate
Project Management


Estimates
PEP
Commitment
Commissioning
Select
Define
Execute
Operate
Project Management
Operations Management


Estimates
PEP
Commitment
Commissioning
Assess
Appraise
Select
Define
Execute
Operate
Development Management
Project Management
Operations Management


Estimates
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In practice,
what *discipline*
fills this role??
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Assess
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Select
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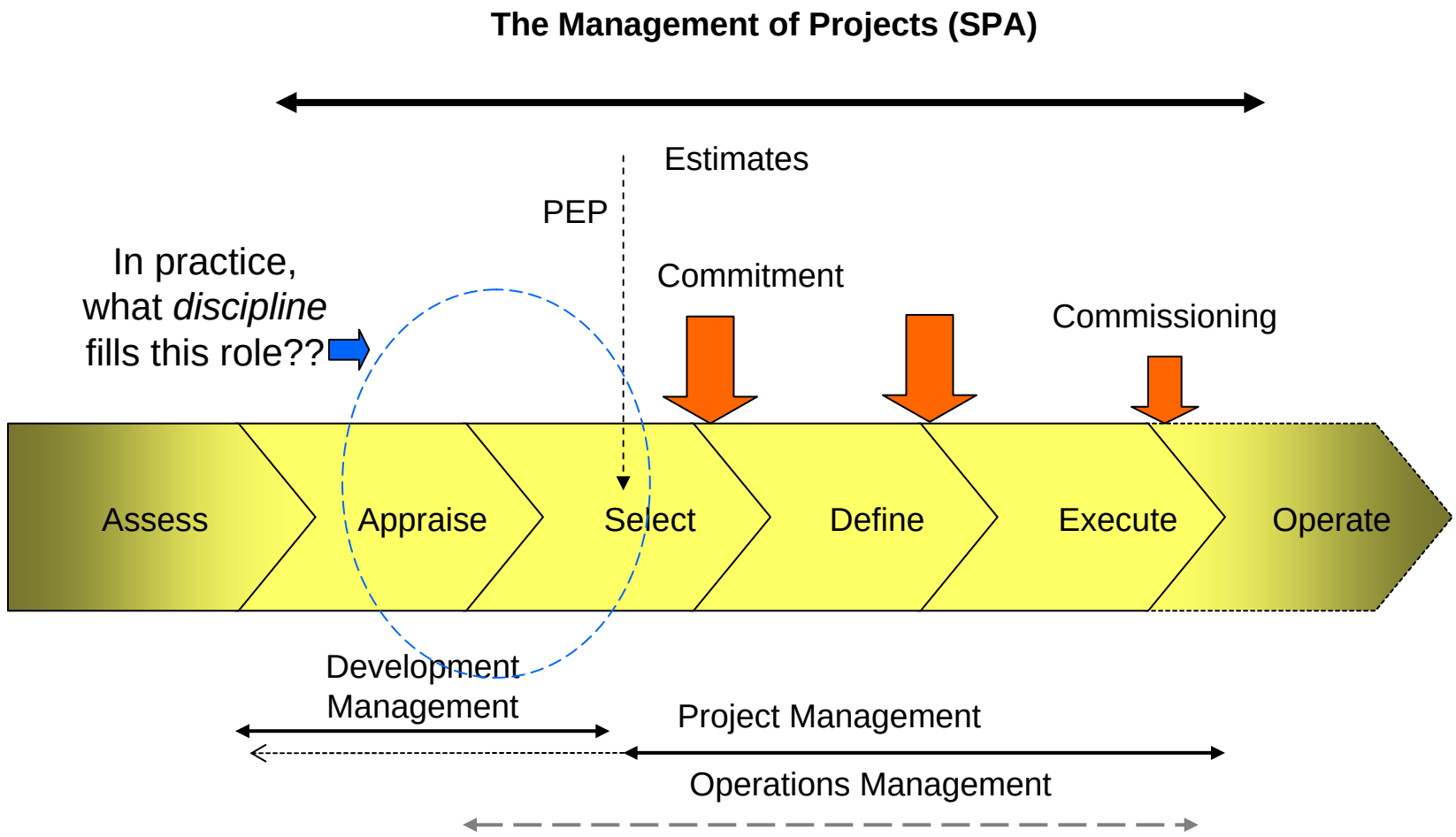
Operate
Development
Management
Project Management
Operations Management


The Management of Projects (SPA)
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PEP
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6. Creating value and reaping benefits: the purpose of projects

6.1 Effectiveness measures are generally more important than efficiency ones.

- *The 60 large engineering projects Miller and Lessard studied did a lot worse on effectiveness (45% met their objectives, 18% were alright without crises, 17% had to be restructured after crises, 20% were abandoned or taken over) than on efficiency (82% met cost targets, 72% schedule)*
- *"more important to achieve business benefit and value for money than mere completion to an estimated future cost or schedule target"*

6.2 Value improvement should be a fundamental contribution of project management

- *VM and VE are very common in the engineering, manufacturing and construction-based industries though less so in ICT/software development, They are almost completely missing from PMBOK®.*

7. Benefits & strategy: project or program management responsibility?

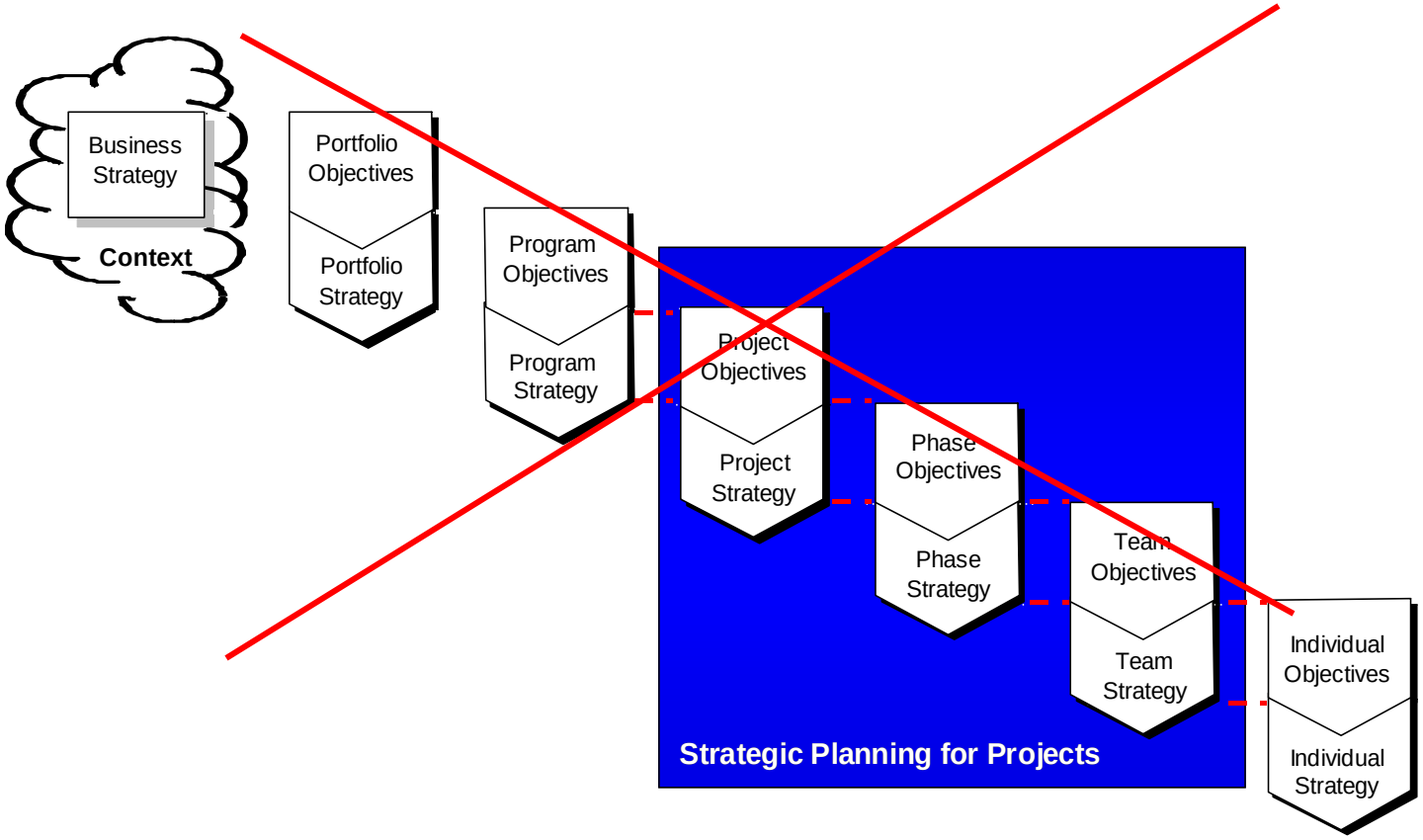
7.1 The prevailing view within the (UK) project management community is that benefits management is the provenance of program rather than project management. This is rubbish.

7.2 The need to relate front-end, value-adding development activities and back-end benefits' realisation activities is confused with the distinction between projects and programs. This is illogical, unnecessary and unhelpful.

7.3 Elements of program management are found on projects

- *The principles of program management would appear to apply (a) the larger or more complex the project/undertaking or (b) the higher up the WBS one is working and the more interaction of disparate work-packages [projects] one has to manage.*
- *Project Management shouldn't be so differentiated from Program Management*

8. Projects and programs don't necessarily come in a hierarchic sequence



This is a classic p.m. diagram (Turner, 1999; Youker, 1993) suggesting a hierarchical cascade from portfolios to programmes to projects – and omitting any feedback loops! In fact the hierarchy need not apply at all: portfolios can exist below programmes; projects do not necessarily have to be subservient to programmes

9. Leadership

9.1 Importance of Leadership in shaping strategy and building value (vision, communication)

9.2 PMBOK® clearly represents a model of p.m. based on Management, not Leadership – Kotter (2000)

	Management	**Leadership**
Creating an agenda	Planning and budgeting	Establishing Direction
Developing a human network for achieving the agenda	Organizing and Staffing	Aligning people
Execution	Controlling and Problem Solving	Motivating and Inspiring
Outcomes	Predictability and order; consistent delivery	Produces change

Efficiency **Effectiveness**

10. Governance

- Requires assurance that the enterprise strategy is being implemented, risks and opportunities managed, and status accurately reported.
- Governance should require that project management is doing this
  - Aligning strategy
  - Managing front-end development
  - Adding value, reaping benefits
- The attitudes and diligence of Governance in ensuring this will often be significant

This presentation, if it's succeeded, has

1. shown that business strategy is naturally implemented via project management, but that p.m. itself fails to acknowledge this;
2. outlined the elements of project strategy;
3. noted the confusion which has crept into perceptions of what program and project management are;
4. illustrated the importance of managing the project 'front-end';
5. shown that project management, as a discipline, should cover all this;
6. stressed why value and benefits and other measures of effectiveness may be more significant than the traditional project management efficiency measures;
7. shown how leadership is important in this enlarged view of the discipline
8. emphasised the role of Governance in ensuring this happens properly.