Enterprise Project Governance[1]

How to Manage Projects Successfully Across the Organization

The Execution Gap

By Paul Dinsmore & Luiz Rocha

Putting strategic initiatives into effect in organizations is like turning an ocean liner at full steam. Although the captain's command may echo loud and clear, and the turning procedure may be under way, for the first few moments no direction change is apparent. The inertia of these giant vessels, measuring over three football fields in length, is so great, that a quick response is out of the question. It takes planning ahead and allowance for reaction time to make the right change in an ocean liner's course.

This same challenge permeates the corporate world. While top decision-makers may mandate a given strategy, overcoming business-as-usual inertia takes time. So allowing for the inertia-related time is crucial for the success of strategic projects. Therefore, the time lapse for the course-changing process has to be built into the components of enterprise project governance.

The starting point is the strategy itself. This assumes that a solid portrait of the desired results exists, formalized in terms of strategic initiatives. That overall strategy then acts as the bedrock that sustains the implementation of the projects designed to paint the picture visualized by the organization´s strategists. When the strategies are swiftly and effectively put into place, the odds are good they will bear benefits.

Actual success rates for implementing strategies, however, leave room for improvement. Research from Insead professors Michael Jarret and Quy Huy shows that "most companies believe that after careful strategic review, analysis and planning, they have a winning strategy. However, 70 per cent of companies fail to get what they want out of their strategic plan and the problems usually begin with execution. The result of this is both organizational failure and individual stress and frustration, especially for the executives charged with implementation".

Clearly, the ability to transform strategic plans into action is a universal concern. Larry Bossidy and Ram Charan demonstrate in Execution: The Discipline of Getting Things Done that the ultimate difference between an organization and its competitors is the ability to execute. Execution is the missing link between good intentions and results, and as such, making it happen is the business leader's most important job.

[1] *This series includes articles by Paul Dinsmore and Luiz Rocha, authors of the book Enterprise Project Governance, published by AMACOM in the USA in 2012. The articles are extracts and summaries of key topics from their book, providing information and guidance on one of the most important aspects of portfolio, program and project management today – governance. For information about the book, go to http://www.amacombooks.org/book.cfm?isbn=9780814417461.*

Welborn and Kasten in their book, Get It Done! A Blueprint for Business Execution, try to explain why getting things done is so difficult: "Conflicting organizational activities, silos, redundant processes, and confusing governance policies block effective, consistent execution. It's a big, big problem".

Four Views for Getting Things Done

The enduring success of organizations is dependent on two dimensions: strategy (decision on the paths to follow) and execution (getting things done along the pathways). These dimensions unfold into the four performance quadrants as shown below.

Performance quadrants

Firefighting - Companies operating in this quadrant are focused on operations, using poor processes, involving management and employees that are overworked, confused and feeling hopeless due to the critical issues without resolution. Robert Kaplan, author of several books on the Balanced Scorecard says "Though executives may formulate an excellent strategy, it easily fades from memory as the organization tackles day-to-day operations issues." He adds that this creates a situation of "fighting fires making employees react to issues within the business rather than managing the business itself." Since strategy is weak, and the execution is chaotic, the priority is for resolving the always urgent and present issues leaving the future for a tomorrow that never comes.

Movie Watching - In this quadrant, a business has a strong strategy poorly executed which means that the organization will stay where it is. The strategy is like a powerful creative movie but with an audience simply passively watching it without being motivated. Although a clear vision is established, the organization is incapable of

moving towards that direction. The dreams are not translated into the desired outcomes and benefits.

Spinning the Wheel –A business without a strategy, or a bad one, but good at execution may do well for a while but sooner or later it will fall victim to a competitor or the ever-mutant environment. However, no amount of operational excellence can prevent failure stemming from poor decisions and a bad strategy. For firms that want to remain competitive at the market place, operational excellence is necessary but not sufficient. Such firms may go under or become targets for takeovers.

Bridge Building – Requires a disciplined organization - one that addresses the needs of today yet builds for tomorrow. In this quadrant, good strategy is matched with good execution. This means consistently maintaining the right strategies along with agile execution of the strategic projects. Organizations in this quadrant are capable of correcting building the bridges between strategy and execution.

How to Transform Strategies into Reality

A principal function of enterprise project governance is to make sure that policies are defined and put in place for the right composition of projects to be managed effectively. Here are key management actions for making sure the portfolio of projects spawns the benefits aspired to by corporate decision makers: 1) keeping the portfolio balanced; 2) use program management to group and coordinate related projects; 3) maintain standardized project life cycles; 4) apply stage gates for better monitoring and control; 5) keeping benefits realization on track.

Keeping the Portfolio Balanced

This balance is vital for successful implementing the organization's strategy. The right design of project mix sets the stage for turning strategy into results. Yet, portfolio design and planning are only part of the equation. Other factors are crucial to optimize desired results. For instance, keeping the portfolio balanced over time is as important as starting off right. For that equilibrium to remain, periodic reviews are required. These may happen semi-annually, quarterly or as often as monthly depending on organization dynamics.

Portfolio reviews are worth the effort as they force upper management to size up benefits over time. They are fruitful when proactive decisions are made like: accelerating projects, putting some on hold, and aborting others. Here are issues that merit reflection during a project portfolio review session:

- Balance between short term and long term projects;
- Budget adjustments as time progresses;
- Balance between risks and rewards;
- Cash flow implications;
- Operational impacts of the projects once completed.

Portfolio reviews take place in various organizational settings, for instance:

Strategic PMO. Typically the scope of strategic PMOs includes running periodic portfolio alignment reviews. This involves participation of appropriate stakeholders, which may vary depending on the projects under review.

Portfolio Management Committee. Another option is for the portfolio reviews to be carried out by a committee convened for this purpose.

Executive Committee. Ultimately, the review may land on the agenda of an executive committee, tasked with overall management responsibilities.

Where the review takes place is not important as long as it is effective, touches on the right topics, and results in pro-active decision-making. It is ultimately the responsibility of EPG to make sure that firm policies are fixed so that effective project portfolio reviews are carried out periodically.

Use program management to group and coordinate related projects

Continuous alignment of related projects can be guaranteed by gathering them under the umbrella of an over-arching program. Program management is designed to direct interrelated projects toward achieving strategic results. The links between projects in a given program vary from being tight to loosely-connected. Such is the case of the overall space exploration program managed by NASA which includes specific programs of interconnected projects aimed at: earth-related studies, manned space flight, planets and asteroids, science and technology, stars and the cosmos, and the sun. Each of these groups congregates interrelated projects, and the programs themselves are also loosely linked as they are all space related.

Designing standardized projects life cycles

Making strategies happen depends on the implementation of the projects that unfold from the strategies. That implementation requires focus on completing projects within cost parameters, time constraints and quality specifications. For that to occur, the best practices of project management come into play.

Projects are carried out over a time frame, known as the project life cycle. This is true for projects of all natures, whether strategic, operational or for innovation. Since projects are finite by definition like people, they are designed to be born and to be terminated. Projects also live a life and go through distinct phases. According to Russell Archibald, the purposes of designing and documenting the overall project life cycle process for any project or project category are to (1) enable the project community within the organization to use the same processes throughout the life of the project and (2) capture and document the best practices so that the processes can be improved continually;

It is necessary to have cycles initiating before project authorization and extending after project completion and handover. Although the project temporary organization is extinguished with project completion, the permanent organization must evaluate the benefits resulting from operations during the product life cycle. In reality you cannot look at a project life cycle only but at the complete life cycle, from product birth to termination, considering seven broad generic phases:

Conceive – Some need is identified, driven internally by the organization's strategy, or external changes in the organization's context;

Conception – the need, problem or opportunity is confirmed and a feasibility study undertaken. The preferred option is selected and the business case produced;

Plan – Plans are produced for the management and implementation of the project;

Implementation – the project plan is executed, monitored and controlled. The design is completed and the deliverables produced;

Handover and closeout – the final phase of the project involves acceptance testing and formal handover of the deliverables and a post project review to establish lessons learnt and recommendations for improvements;

Operations – users set the product to work and benefits are obtained;

Termination – when the product is no longer useful, it is discontinued.

It is important to systematically consider all relevant costs and revenues associated with the development, operation, and disposal of a product or service. The analysis should also be designed to evaluate the end-to-end socio-environmental-economic impacts. Creating value is an ongoing pursuit of organizations although the challenges are daunting and unlocking the value that is "trapped" along the phases must always be balanced with the identified risks.

A product or service life cycle approach implies that everyone in the whole chain from cradle to grave, has a responsibility and a role to play, taking into account all the economic-socio-environmental impacts and enables the stakeholders to make choices for the longer term.

Apply stage gates for better monitoring and control

Stage gates are check points along a project's pathway to completion aimed at ensuring that the previous stages have been completed and that all is clear to move on to the next stage. These gates shine a light on status, help size-up the business situation, and evaluate assigned resources. Stage gates provide decision makers with the information to review status in the light of new developments.

The gated approach provides several benefits that may be summarised as follows: effective control with check points to examine the validity and viability of the project; allows risks and uncertainties to be evaluated thoroughly at gates; estimating accuracy should improve as the project progresses; and gates provide an opportunity to review lessons and plan improvements for following phases and stages.

The conception and planning phases are critical especially for capital expenditure projects and are frequently called front-end loading or front-end planning. Front-end planning is, in many senses, the most fundamental one since the decisions made in this phase constrain and support all the actions downstream and often determine the ultimate success or failure of the project. Mega projects in particular have an appropriate pace to be developed and executed successfully. When the calendar rather than the needs drives the schedule the project fails. According to Merrow in his book Industrial Megaprojects, "defining and planning an industrial megaproject takes 3 to 5 % of eventual capital cost. Let's be clear: on a megaproject that is a lot of money. The cost, however, of not spending the money is much, much more".

In this front-end model the first three phases are planning activities: the first one refers to kickoff activities such as project charter development and initial feasibility; the second embodies alternatives discussion and selection; and the third includes detailing the alternative selected.

On top of the three planning phases, other phases must be evaluated. Effective Enterprise Project Governance policies do not specify the number of stages nor their content yet do determine the use of a stage-gated approach for making sure that projects are strategically monitored.

Keeping benefits realization on track

Execution is the crucial step in realizing benefits. Execution can free up resources or can transform the organizational portfolio into a never-ending story of great goals. Execution is the interface between strategy carriers, programs and projects, and operations. Failure to achieve successful execution leaves strategies incomplete and resources unavailable for other projects.

Benefits are the reason any project is created and implemented. Benefits management helps to start with the end in mind. When the connection between the project's deliverables and the organizational needs is weak there is a risk that value creation and the desired return on investment may be lost along the way. Projects, especially the ones with long duration, tend to change over their lifecycles. That's why it's important to focus on benefits, and not just on the project's timely completion. According to the Department of Finance and Personnel in northern Ireland (www.dfpni.gov.uk/benefits-management-mainsection1-3), "focusing on benefits and how they will be managed helps provide focus for the programme/project and ensures that benefits continue to be realised throughout the change process (often beyond the actual life of the project

delivering the new capability). It provides the necessary link between project delivery (i.e. improved capability) and the achievement of business transformation."

In his book The Information Paradox, John Thorp makes the point that current governance processes are woefully inadequate. There is a need to a process that manages the full investment cycle, from concept to cash, responding to changes in the internal and external environment, and if execution is delivering what is expected. Without such a process, the risk of ending up in the wrong place with undesirable business consequences is significantly amplified. His value assessment is based on four questions:

- **Are we doing the right things?** - addressing the definition of business and its direction
- **Are we doing them the right way?** - addressing the organizational structure and the process
- **Are we getting them done well?** - addressing capability resources and infrastructure
- **Are we getting the expected benefits?** - addressing the entire process

As mentioned on the sixth series article Promoting Strategic Alignment, the Why-How framework is a good start to link strategy deployment, down to the project product, with the benefits resulting from the product use and operation. The project product or service is only the very first step to the value creation intended at the project conception.

Bridge Building

Vision without execution is hallucination, warned Thomas Edison. Over the years people have been struggling on how to create a model for successful strategy implementation. Getting from strategy to execution requires a coherent and reinforcing set of supporting practices and structures necessary to bridge the gap. Since it takes projects to implement strategies, the basics of project management were outlined.

Richard Lepsinger, author of the book Closing The Execution Gap: How Great Leaders and Their Companies Get Results, surveyed executives in 409 companies 400 and found that 49 percent reported a gap between their organization's ability to formulate and communicate a vision and strategy, and its ability to deliver results. However, only 36 percent of leaders who thought their company had an execution gap responded positively to the statement, "I have confidence in my organization's ability to close the gap between strategy and execution." That means a staggering 64 percent of leaders who saw an execution problem didn't believe their company could fix it.

The author uncovered five bridges that enable to traverse the execution gap:

- **The Ability to Manage Change**

Change is inevitable. You *can't* run a successful business if you can't adjust to changes in the marketplace and if you're not flexible enough to bend like a palm tree or a bamboo with the winds of change;

- **A Structure That Supports Execution**

Many companies go to great lengths to develop an exciting vision, develop a robust strategy, and get employees engaged. But then they just assume the current organizational structure will support the new strategy. Often, this is not true and adjustments may be necessary to enhance accountability, coordination, and communication.

- **Shared Decision Making**

To make good decisions, you must seek out the perspectives of a wide range of people. Involving employees in decisions gets them focused on generating solutions to problems rather than complaining or waiting to be told what to do.

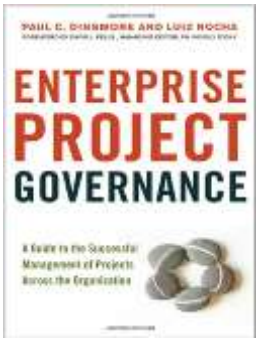
- **Alignment Between Leader Actions and Company Values and Priorities**

When leaders say one thing and do another, business suffers. Although we all know that the leader behavior is relevant keep always in mind that execution depends on how consistent your behavior is with organizational values and priorities.

- **Company-wide Coordination and Cooperation**

Ensuring that decisions and actions are coordinated across organizational boundaries requires more than faith and words alone. It takes shared goals, clear communication, and well-defined roles and clear performance expectations to encourage and reinforce appropriate behavior during execution.

The point made by the author is that organizations are built of people with ambitions, fears, insecurities and agendas to promote. Logical approaches without considering the resulting behaviors resulting from their use will be useless. Effective EPG prescribes policies to ensure that the methodological and behavioural practices outlined in this article are ingrained in the project management culture of the organization for an execution that delivers the expected benefits.



Enterprise Project Governance describes proven techniques for dealing with simultaneous initiatives and ensuring that programs and projects align with the priorities, resources, and strategies of the organization - and ultimately create value. Containing examples and case studies, the book provides readers with practical methods for incorporating enterprise project governance into their organization's culture, synchronizing it with corporate governance, and maximizing efficiency and results across departments.

Whether one's view is from the boardroom, the executive suite, the project management office, or the project trenches, this is an important guide for anyone managing multiple projects. For more about the book, go to http://www.amacombooks.org/book.cfm?isbn=9780814417461.

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