

## **THE EMERGENT ROLE OF CHIEF PROGRAMME OFFICER (CPO)**

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### **SYNOPSIS**

A recent IBM survey found consensus amongst CEOs that organisations are bombarded by change and that many are struggling to cope with the transformation. The gap between expected change and the ability to manage the required transformation has almost tripled since IBM's previous study in 2006. CEOs are moving aggressively towards global business designs, deeply changing capabilities, and partnering more extensively. This trend has great significance for the programme approach to managing the enterprise value chain. It necessitates the introduction of cross-functional programme management structures to create synergy in monitoring and controlling operations. To succeed, CEOs and the full staff complement of the enterprise of the future need to be well versed in the principles of project and programme management. Importantly, as programme offices in the organisational structure grow in numbers, the need for an executive position where programme managers report increases. It would be unthinkable that they all report to the CEO who, according to the IBM survey, is already "bombarded by change" and "struggling to cope". The emergent role of Chief Programme Officer or "CPO" aims to solve this problem.

### **The Enterprise of the Future**

In a recent IBM study, entitled "IBM Global CEO Study: The Enterprise of the Future", over 1000 CEOs from around the world were asked their opinions (IBM, 2008). The study found that CEOs are rapidly repositioning their businesses to capture growth opportunities more effectively and efficiently. There is consensus amongst them that organisations are bombarded by change and that many are struggling to cope with the transformation. The gap between expected change and the ability to manage the required transformation has almost tripled since IBM's previous study in 2006. No more are demanding customers viewed as a threat but as an opportunity to differentiate. It may be added that the impact of the financial crisis that hit the global economy in the latter part of 2008 is accelerating the need for organisational transformation even more.

All CEOs are adapting their business models, and at least two thirds are implementing extensive innovations, while reconfiguring to take advantage of global integration opportunities. In this respect it is then not surprising that for example, customer relationship management (CRM), as a cross-functional process, has become very important in the enterprise of the future. A recent dissertation by Chris

van Heerden, a Masters graduate from Cranefield College, convincingly demonstrates that global integration and coordination are best achieved through programme management structures and processes (Van Heerden, 2009). Moreover, the result of the IBM study indicates that CEOs are moving aggressively towards global business designs, deeply changing capabilities, and partnering more extensively. According to Brane Semolic this prompts organisations to create a virtual network of partners that can serve to stimulate innovations and lead to improved competitiveness (Semolic, 2009).

Both the internal environment of organisations and the external environment that they operate in have become much more volatile since the beginning of the current decade. Accelerated information flow inspiring change, requires that management decisions be made more frequently and more quickly (Steyn, 2001). External to the organisation, the marketplace is likewise experiencing volatility. Changes in external environmental dimensions such as economic outlook, socio-cultural issues, politics, ecology and innovative technologies, also impact heavily on the way modern organisations are managed. Improved technologies probably have the greatest impact of all. It motivates organisations to apply innovative continuous improvement by re-engineering their systems and business processes. This, in turn, requires that the knowledge, skills and behaviour of the human resources component in the organisation be continuously improved to sustain a competitive advantage, coupled with effective and efficient knowledge management.

The abovementioned trend has great significance for the programme approach to managing the enterprise value chain. It necessitates the introduction of cross-functional programme management structures to create synergy in monitoring and controlling operations, and includes the virtual network of partners mentioned above, that link to the organisational value chain. The intended focus of a programme management structure for virtual networks of partners is to manage the potential threats, opportunities and innovations that these linkages introduce to the organisation. Cross-functional project management processes are commonplace today, but the urgency to structure an increasing number of non-project operations processes cross-functionally, is becoming more important to organisations as they struggle to escape bureaucratic practises and transform towards learning cultures.

According to Richard Lynch two types of changes impact on the organisation's environment. Firstly, prescriptive change, which is brought about by a top-down strategic approach and formal control processes, and results from deliberate analysis and planning. Secondly, emergent change, which is triggered by unpredictable events in the external and internal environment of the organization (Lynch, 2006). These events are often unplanned or emanate from experiential learning inside the organisation, and are coupled with great uncertainty, requiring reactive and adaptive strategies that are negotiation-based, uncertainty-based and human-resource-based. In light of the abovementioned issues, organisations can no longer rely solely on prescriptive strategies, such as profit maximisation, but have to rely progressively more on the emergent approaches to strategy development and implementation. Hence, in order to cope with the turbulence (sometimes even chaos) that the IBM survey alludes to, organisations are reverting to emergent

approaches such as survival-based, uncertainty-based and human-resource-based theories and strategies. The last-mentioned category entails viewing human talent and their collective creativity as the most important assets of the organisation.

### **Coping with Transformation and Change**

It is clear that traditional organisation forms and ways of managing organisations are becoming obsolete. Rigid functional approaches to management can no longer cope with the demands of situations. Communication in traditional organisation structures is much too cumbersome, impeding the flow of information and managerial decision-making. This problem is exacerbated by poor bureaucratic leadership. Management in such organisations tends to lack both strategic purpose and customer focus. Partington (Turner, 2000) asserts that for project and programme management this has become a real challenge, since most of what has been assumed in the past decades no longer befits current reality. Building on the platform of an accelerated technological revolution, the wave of innovation and knowledge explosion, all of society now has to cope with the information revolution and globalisation of the economy. Human creativity within teams is becoming increasingly important within the context of the emergent and virtual team-management environment. Managers are entering more and more into a culture of risk, in that business outcomes are predictable only in the short term. Having to lead and manage in this new emergent culture of risk and uncertainty, organisational structures, leadership and management are compelled to undergo more radical changes than at any time in the past. Moreover, these new structures need to be highly flexible.

David Partington states that to cope with transformation and change in the new millennium, managers have to “blend agility with direction, creativity with control, and flexibility with structure” (Turner, 2000). This means that the rate of change of pace now requires high levels of coordination and integration of strategy implementation, which can be achieved only through effective and efficient programme management. Partington deplors the fact that strategy literature concentrates on theories about how best to formulate and plan strategy, while at the same time underestimating the difficulty of developing and implementing strategy at the corporate, business and operational levels. He contends that organisational transformation and change can best be achieved through programme management structures and paradigms. Maximum flexibility and control are provided by the progress reviews adopted in the programme approach. Its team-based structures are multifunctional and cater for authority, responsibility, accountability, expertise, quick response and cooperation. Moreover, “its structured approach to change allows for the acquisition and diffusion of knowledge in true learning organisation spirit, while its skills are relevant to strategic change programmes”.

### **How Learning Organisations Structure Programmes**

One of the best known project structures is found in project-driven organisations, like construction and information technology enterprises that do projects for external customers (see Figure1). Projects are secured through a process where the customer provides project-driven enterprises with a request for proposal, and

receives project proposals in return. The organisation that submits the winning proposal is then awarded the contract. Steyn (2003) asserts that these organisations often function in a variety of market segments and will generate dedicated project-portfolio groupings for each segment. In larger organisations this results in the appointment of programme managers for each market segment to whom the project-portfolio managers in each segment report.

According to Steyn (2006) organisations can structure their programmes in a variety of ways to accelerate progress towards maturing as learning organisations. Semolic (2009) asserts that a further programme structure, the virtual network of partners that delivers effectiveness through innovations to the organisational value chain, is emerging (see Figure 1). This programme structure may contain cross-functional project-portfolios and operations-portfolios where the portfolio managers report to a single programme manager.

Through investigating how organisations shape their cross-functional programmes, Murray-Webster and Thiry indicate three additional ways in which project-portfolios are created (Turner, 2000). Firstly, strategic (also labelled goal-oriented) project-portfolios are grouped into a programme, secondly, innovative continuous improvement project-portfolios, and thirdly, capital expenditure project-portfolios. The three cross-functional programmes serve internal customers and predominantly focus on enhancing the effectiveness, and/or efficiency of the organisational value chain. Steyn (2001) asserts that a fourth initiative in the programme management approach can be added to the above, namely, cross-functional process-portfolios consisting of normal operations activities.

These cross-functional programme structures are operational in character and programme management (PM) focuses on improved service delivery to internal or external customers. Figure 1 is a schematic illustration of how learning organisations structure the cross-functional programmes alluded to above in their value chains. In addition, the figure indicates how the balanced scorecard (BS) is integrated into the system that incorporates the appraisal and review of strategic benefits.

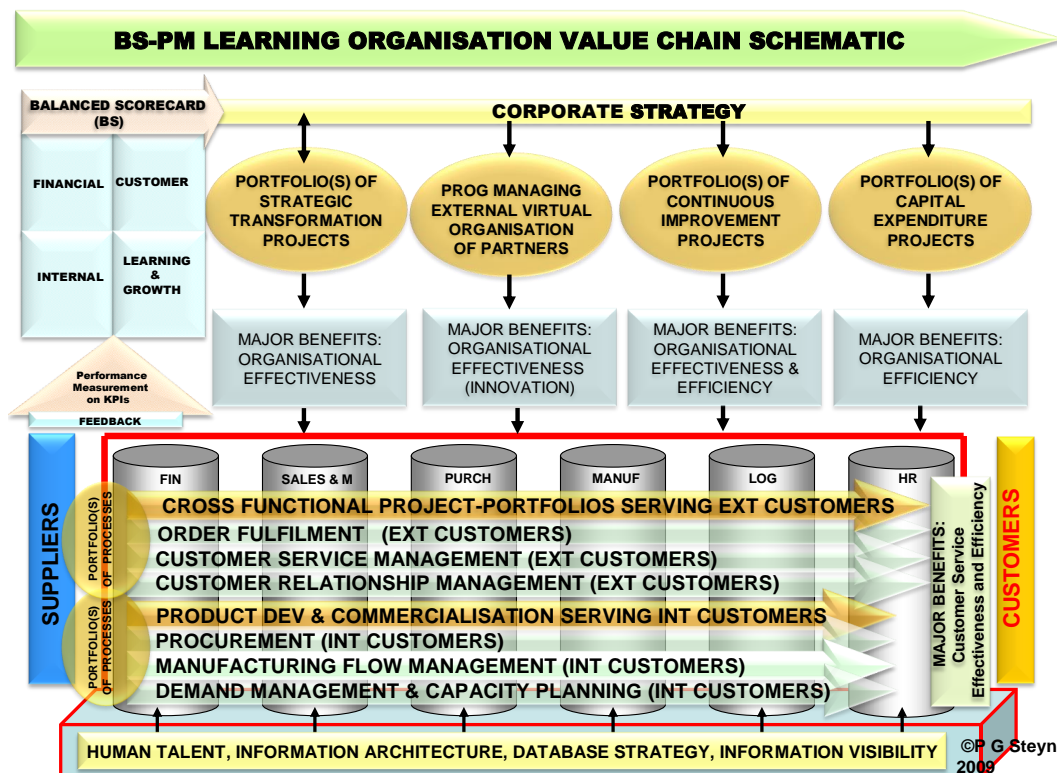


Figure 1: The Balanced Scorecard- Programme Management Learning Organisation Value Chain Schematic

## The Strategic Transformation Programme Office

A strategic transformation programme arises as a result of development and implementation of both prescriptive and emergent strategies. This programme structure focuses on implementing strategies to enhance the organisation's effectiveness (doing the right things). Implementations of projects in this category generally result in radical transformation and change regarding the organisation's behaviours, structures and operations, and result in improved value chain performance. The strategic transformation programme office is not a permanent structure and will only exist for the duration of the strategy implementation.

As the organisation matures towards a learning organisation the tasks of this office progressively diminish. Eventually the strategic transformation programme office can be phased out and only revived when the organisation is again in need of more radical strategic review. An important strategy for this office to implement is the establishment of an innovative continuous programme office. Since projects implemented by the latter cater for effectiveness as well, it gradually takes over the functions of the former.

According to Murray-Webster and Thiry, strategic programmes are grouped around a common frame or purpose, such as a strategic objective where uncertainty exists about the final outcome, strategic scope changes may occur, and projects are added or removed from a portfolio accordingly (Turner, 2000). Major benefits that accrue from the outcomes of projects in strategic portfolios are: firstly, strategies are translated into tangible actions; secondly, emergent changes to strategies during implementation are dealt with efficiently within the structures of programme management; thirdly, risk and uncertainty are reduced through iterative programme development; finally, the deliverable of each project which constitutes an implementation of strategy, is subject to integrated review and approval based on measurement of key performance indicators. A strategic transformation programme concentrates mainly on doing the right things, such as making certain that the right strategies to enhance the performance of the value chain and best achieve the organisation's vision and mission are implemented.

### **The Innovative Continuous Improvement Programme Office**

Innovative continuous improvement projects result from business initiatives generated from various sources in the value chain. The requests for proposal take the form of business cases prepared by internal customers, also referred to as sponsors. The projects that result from business cases are prioritised on the basis of benefits of strategic importance. Those projects that will bring the best benefits to the organisation are assigned the highest priority for implementation.

Learning organisations, as opposed to bureaucracies, follow a policy of continuous improvement in everything that they do. Bureaucratic organisations fail to adhere to total quality management principles and degenerate over time, losing their competitiveness and getting bogged down in ineffectiveness and inefficiency. Organisations that follow a policy of innovative continuous improvement are always busy with continuous upgrading of human talent, processes, infrastructure, technology and systems. For this reason innovative continuous improvement is closely associated with an organisation's Quality Management System and generally present in the structures of ISO 9001 certified organisations.

As a result they hardly ever reach a stage where radical transformation is required. Projects of this kind only lead to adaptive or innovative transformation and change in the organisation. Major benefits that accrue from this approach are multiple and emanate from the appraisal and review of process outputs. Innovative top-down and bottom-up initiatives can be effectively dealt with in a systemic way. As suggested by Murray-Webster and Thiry, multiple initiatives are grouped to create actions that are coherent and efficient, while short-term actions can be fitted into a long-term strategy. Appraisal of derived benefits, based on key performance indicators, can be made with clear perspective (Turner, 2000). The innovative continuous improvement programme approach enables coordination and integration of continuous improvement initiatives across the whole organisational value chain. The main gains are organisational effectiveness and efficiency (doing the right things and doing them right the first time).

A cross-functional project management process, product development and commercialisation, represents a specialised form of innovative continuous innovative improvement project-portfolios (see Figure 1). These innovative projects lead to the coordination and integration of continuous product improvement initiatives across the whole organisational value chain. The main gains are organisational effectiveness and efficiency pertaining to customer service. To recap, effectiveness is about doing the right things, whereas efficiency relates to doing things right the first time. Unlike other project management processes the product development initiative is funded from an operational budget, not a strategic budget. The reason for this deviation from the norm is that research and development initiatives are open ended projects that are difficult to plan. This is due to uncertainties related to breakthroughs in innovation. Product development and commercialisation is a highly specialised field with great importance to an organisation in terms of knowledge management and gaining a competitive advantage in the market.

### **The Capital Expenditure Programme Office**

A capital expenditure programme is highly prescriptive or specified, and grouped around common themes such a business unit, specific groups of resources, or knowledge areas. Murray-Webster and Thiry (Turner, 2000) allude to the fact that the benefits include better prioritisation of and control over multiple projects, better allocation and utilisation of resources, and appropriate identification and management of dependencies between projects. These are large capital investment projects such as new plant, equipment and buildings. The main gain of the capital expenditure programme approach is improved organisational efficiency. These projects are also prioritised on the basis of benefits of strategic importance.

Capital expenditure projects result from business initiatives generated from various sources in the value chain. These are typically the need for new buildings or plant. As is the case with innovative continuous improvement projects, the requests for proposal also take the form of business cases prepared by internal customers. The proposals emanating as a result of these needs normally demand detailed technical specifications, drawings and bills of quantities. Since these projects are generally subject to discounted cash flow parameters utilising net present value calculations and requiring specific internal rates of return, no deviation from the baseline plan is tolerated.

Those capital expenditure projects that will bring the best benefits to the organisation are assigned the highest priority for implementation and lead to improved efficiency in the value chain. Transformation and change linked to capital expenditure project portfolios are generally only adaptive, as long as staff members who deal directly with new technologies that may be introduced are adequately trained. Capital expenditure projects must only be pursued on the basis of organic growth. In the bureaucratic organisations that have little regard for innovative continuous improvement, capital expenditure projects often result from a need to accommodate waste.

## The Cross-functional Operations Programme Offices

According to Steyn (2001), normal operations programmes are activity orientated and focus on improved customer service. For this reason, these programmes are generally grouped around initiatives that coordinate and integrate an array of functional and outsourced activities pertaining to cross-functional processes serving the organisation's internal or external customers. Major benefits derived are organisational effectiveness and efficiency in respect of internal or external customer service delivery. These initiatives comprise normal operations process groupings of a cross-functional nature serving internal clients such as procurement, demand management and capacity planning, and manufacturing-flow management. They are grouped into portfolios that warrant a dedicated programme office. Moreover, business processes such as order fulfilment, customer relationship management, and customer service management that serve external customers, are likewise grouped into portfolios that warrant a dedicated programme office (see Figure 1). The product development and commercialisation process plus the abovementioned six business processes are referred to as the "supply chain management processes" by James Stock and Douglas Lambert (Stock & Lambert, 2001).

## Conclusion

To succeed, executives must come to realise that value creation opportunities of organisations are shifting away from managing tangible assets, such as inventory, plant, property and equipment, to managing knowledge-based strategies, deploying the organisation's intangible assets (Kaplan & Norton, 2001). These intangible assets include, *inter alia*, strategy-focussed leadership, a healthy organisational climate, innovative products and processes, employee knowledge and competency, and excellent customer relationships and service. This means that the organisation of the future will be compelled to shed old ways of leading and managing in favour of a knowledge-based approach that embraces innovation and learning.

Professor D A Garvin, from Harvard Business School, describes a learning organisation as "skilled at creating, acquiring and transferring knowledge, and at modifying its behavior to reflect new knowledge and insights" (Garvin, 1993). According to Kaplan and Norton, intangible assets will make the biggest contribution to the competitive advantage of the future organisation, supported by the capabilities and relationships created by innovative staff. This requires that strategy formulation and implementation must become a participative continuous process that aligns all employees with the critical success factors (CSFs) of the organisation. The behavioural strategy variables alluded to above are extremely important, but are not sufficient *per se*. The future organisation will also have to pay careful attention to its structural strategy requirements to bolster relationships among staff and stakeholders. In order to manage the knowledge-based strategies effectively and efficiently, many processes need to be organised cross-functionally into a matrix. In addition to a multitude of matrix project management process types, other processes, such as customer relationship management (CRM), customer service management, order fulfilment, demand management and capacity planning, procurement, as also manufacturing flow management, should be structured cross-



functionally. The process for managing the virtual external network of partners alluded earlier should also be structured cross-functionally (see Figure 1).

This has great significance for the programme and project approach to managing and reviewing the enterprise of the future. Programme management best provides the mechanisms to effectively and efficiently lead, monitor, control, coordinate and integrate these cross-functional processes into a single system that potentially delivers organisational benefits of strategic importance. Moreover, the programme management approach enables effective measurement of key performance indicators (KPIs), appraisal of strategic benefits, and performance of organisation-wide reviews that lead to performance improvement and stimulate transformation and change. To succeed, CEOs and the full staff complement of the enterprise of the future need to be well versed in the principles of project and programme management. This will require comprehensive re-education at all levels of the enterprise. Importantly, as programme offices in the organisational structure grow in numbers as illustrated in Figure 1, the need for an executive position where programme managers report increases. It would be unthinkable that they all report to the CEO who, according to the IBM survey, is already “bombarded by change” and “struggling to cope”. This is the emergent role of Chief Programme Officer or CPO as illustrated in Figure 2. The CPO should come from the ranks of the programme structures where a cross-functional mindset is cultured and will significantly support the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Chief Operating Officer (COO) with strategic appraisals and reviews at the executive leadership level.

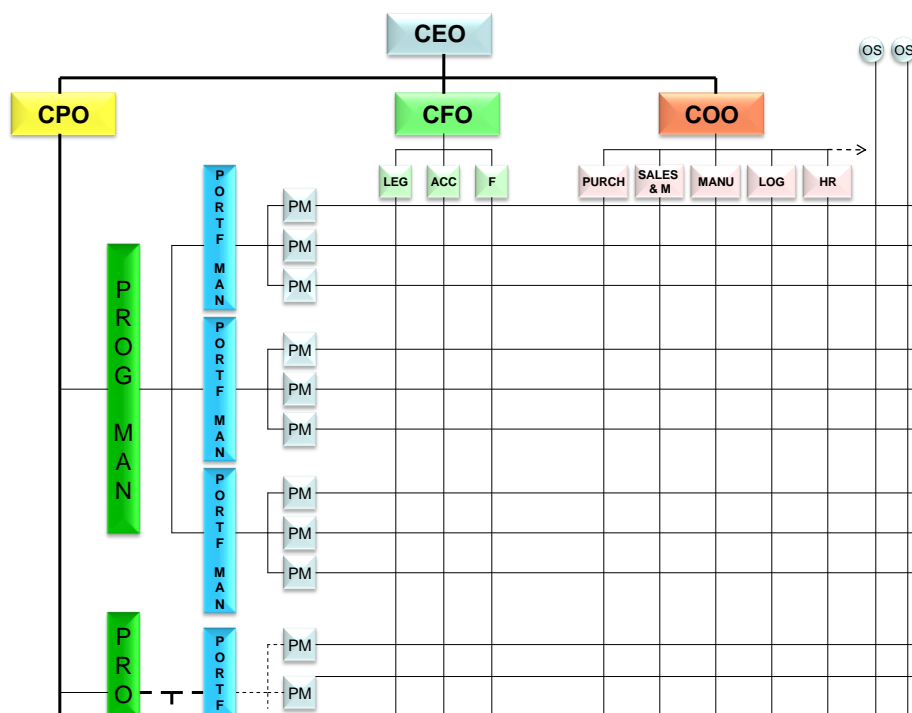


Figure 2: The Emergent Role of Chief Programme Officer (CPO)

There is great confusion in both literature and practice about the definition and application of programme management. A March 9, 2009 publication by Gartner Research (Gartner, 2009) heavily criticises the Project Management Institute's (PMI) December 2008 document entitled: "The Standard for Program Management". They express an opinion that the document demonstrates little understanding that the two disciplines of programme management and project management, although related, are distinctly different. Programmes are mistakenly seen by the collection of authors of the PMI document as "simply overly large projects".

According to Gartner the document provides practices that are disappointing and largely composed of "reused project centric contents and approaches" and demonstrates an overall poor understanding of programme management as a complex discipline. Moreover, Gartner advises their clients not to utilise any of the contents of the PMI document until a proper review has been done. Unfortunately, the vast majority of existing publications on the subject of programme management suffer from the same deficiencies. The current author's research paper was delivered at the IPMA Expert Seminar in Celje, Slovenia in September 2009 and aims to comprehensively address these deficiencies and put modern programme management, including the emergent role of Chief Programme Officer, into perspective.

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## About the Author



### Prof. Dr. Pieter Steyn

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**Dr. Pieter Steyn** is Founder and Principal of Cranefield College of Project and Programme Management, a South African Council on Higher Education / Dept of Education accredited and registered Private Higher Education Institution offering an Advanced Diploma, Postgraduate Diploma and Master's Degree in project and programme-based leadership and management. Professor Steyn holds an engineering degree (BSc Eng), MBA and Doctorate in business management and is a registered Professional Engineer. Dr. Steyn founded consulting engineering firm Steyn & Van Rensburg (SVR) in 1970. (Projects included First National Bank Head Office (Bank City), Standard Bank Head Office, Mandela Square (all in Johannesburg), Game City and The Wheel Shopping Centres (Durban)). He was appointed professor in the Department of Management, University of South Africa (1976), was Founder Chairperson (1977) of the Production Management Institute of South Africa, and helped pioneer Project Management as a university subject at the post-graduate level in 1979 at the University of South Africa.

Pieter was professor of Project and Operations Management at the TUKS Graduate School of Management, University of Pretoria from 1990 until retiring in 1998. Pieter was Chairperson of the Commission of Enquiry into the Swaziland Civil Service in 1993; Project Leader of the Strategic Management Team for the Gauteng Government's Welfare Department and Corporate Core, 1994 to 1996. He founded the Cranefield College of Project and Programme Management in 1998. Pieter is co-author of the "*International Handbook of Production and Operations Management*," (Cassell, London, 1989, ed. Ray Wild) and author of many articles and papers on leadership and management.

Pieter is a founder Fellow of the Production Management Institute of South Africa, and a member of the Association of Business Leadership, Industrial Engineering Institute, Engineering Association of South Africa and Project Management South Africa (PMSA). He is founder and past President of the Association of Project Management, South Africa (APMSA) and South Africa's former representative on the Council of Delegates of the International Project Management Association (IPMA), 2000-2005. He is currently a member of IPMA's Research Management Board (since 2007). Pieter is also Director of the De Doornkraal Wine Estate in Riversdale, Western Cape. Prof Steyn can be contacted at [cranefield2@cranefield.ac.za](mailto:cranefield2@cranefield.ac.za). For information about Cranefield College, visit [ww.cranefield.ac.za](http://ww.cranefield.ac.za).