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Organizational strategic plans, projects & strategic outcomes
Series on achieving broader ends
Series Article   by Alan Stretton

Series on increasing project management contributions to helping achieve broader ends[1]

Article 3 of 4

Organizational strategic plans, projects, and strategic outcomes

By Alan Stretton

BACKGROUND

In the project management world, all too often the project is viewed as an end in itself. The focus is usually on delivering planned project outputs. However, this viewpoint loses sight of the bigger picture. It is virtually always the case that projects are really only part of a means to help achieve broader ends. If we focus more on the latter, opportunities can emerge to increase the contributions project managers can make towards the achievement of such ends. I believe it is important for the project management industry to understand and embrace this broader context, because it provides a platform for project managers to add more value to customers. This series looks at how project management can add value through three mechanisms.

- Helping convert project outputs to actual realisation of customers' planned business (or equivalent) outcomes;
- Helping customers determine their business needs, plan for appropriate outcomes, and establish requirements of projects to help realise these outcomes;
- Helping organizations determine their strategic objectives, plan for achieving them, and develop an appropriate portfolio of projects to help such achievement.

The first two articles of the series (Stretton 2016b,c) addressed the first two bullet points. This third article is concerned with the last bullet point.

INTRODUCTION

In the previous articles I discussed project outputs and customers' outcomes, and customers' needs and project requirements. Both were essentially concerned with individual projects and their customers. However, in a broader organizational context, these can be seen as components of organisational strategic planning activities, which generally include developing portfolios of projects to help achieve strategic goals. This article is concerned with such strategic planning processes.

But first we distinguish between two different types of organisations.

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[1] Editor's note: This series of articles on increasing project management contributions to helping achieve broader outcomes is by Alan Stretton, PhD (Hon), Life Fellow of AIPM (Australia), a pioneer in the field of professional project management and one of the most widely recognized voices in the practice of program and project management.   Long retired, Alan is still accepting some of the most challenging research and writing assignments; he is a frequent contributor to the *PM World Journal*. See his author profile at end of this article.

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TWO DIFFERENT TYPES OF ORGANIZATIONS THAT UNDERTAKE PROJECTS

As will be noted in all four articles of this series, there are two quite different types of organizations that plan and execute projects. I follow Cooke-Davies 2002 in describing them as project-based and production-based organizations, and borrow from Archibald et al 2012 (who use different descriptors) in defining them:

- *Project-based organizations* derive most (if not all) of their revenue and/or other benefits from creating and delivering projects.

- *Production-based organizations* derive most (if not all) of their revenue and/or benefits from producing and selling products and services. They utilize projects to create or improve new products and services, enter new markets, or otherwise improve or change their organizations.

As will be seen in more detail in later discussions, the scope of involvement by project managers in project-based organisations is normally far greater than in production-based organisations.

ORGANISATIONAL STRATEGIC PLANNING & PORTFOLIOS OF PROJECTS

Organisational strategic planning processes

The following flow-sheet of organizational strategic planning and its implementation by programs and projects was presented and discussed in Stretton 2015d in this journal. It is a combination of materials from the project management literature which includes Van Den Broecke 2005, PMI 2006a, PMI 2006b, Archibald 2009, and Archer & Ghasemzadeh 2004, 1999, all of which I discussed in this journal in Stretton 2013k.
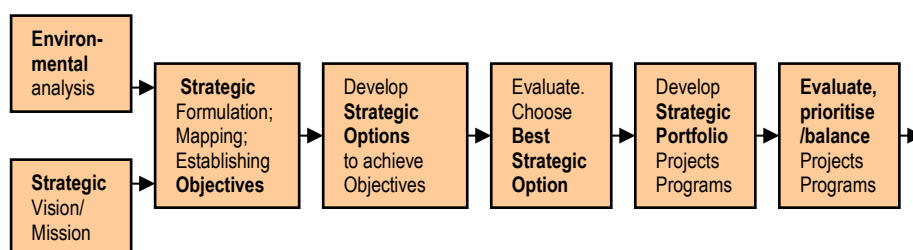

Figure 1: A basic strategic formulation and planning flow-sheet
(from Stretton 2015d, Figure 5-2)

For our purposes in this article I have abbreviated the above as shown in Figure 2 to facilitate discussion.

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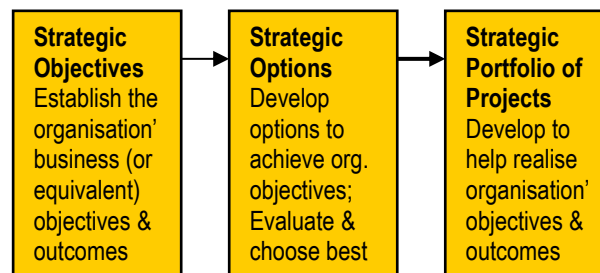| Strategic Objectives Establish the organisation' business (or equivalent) objectives & outcomes	→	Strategic Options Develop options to achieve org. objectives; Evaluate & choose best	→	Strategic Portfolio of Projects Develop to help realise organisation' objectives & outcomes

Figure 2: An abbreviated organisational strategic planning sequence

We look at each of these processes in turn, and explore the case for project management to have an active role in these processes.

Establishing strategic objectives

It appears that failure to properly establish organisational strategic objectives, and thence the desired organisational business (or equivalent) outcomes, may be rather more common than one might expect. For example, speaking in the context of large complex projects, which tend to have high failure rates, Prieto 2015:39 said,

> A characteristic of underperforming large projects is often a failure by the owner's senior most management to articulate these strategic business outcomes that they are seeking to achieve.

In my experience, Prieto's observation also applies, perhaps all too often, in the domain of "lesser" projects. As I noted in the second article of this series (Stretton 2016c), from the 1960s, Civil & Civic's project managers became increasingly heavily involved in helping customers capture their own immediate business (or equivalent) needs (which we called Client Needs Determination – CND). With many of these customers, particularly those with relatively small operations, we found that, in the course of doing this, we were actually helping them define and establish their organisation's strategic objectives, which they had not previously undertaken. In many instances, establishing the organisation's strategic objectives, and CND, went hand in hand.

This was certainly so often the case with Civil & Civic customers that, over a period, we developed specialist people and teams in different industries specifically to help such client organisations better articulate their desired business outcomes. This became a key feature of our project management service.

I should also note here that, in the project-based organisations I have worked in, establishing strategic objectives was invariably done by project managers (or those who had been active project managers). On a personal note, I did this work (which was part-time for me) for Lend Lease Corporation for seven years, and for its main subsidiary company of the time, Civil & Civic, for over fifteen years.

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So, we have abundant evidence of project managers having contributed heavily to establishing organisational strategic objectives, in two different contexts.

However, this situation does not appear to apply very often in more substantial production-based organisations which undertake many projects to help them achieve their planned strategic objectives.

Emergent strategies/outcomes

In the time of my involvement with Lend Lease's strategic planning and management, emergent strategies tended to be a good deal more important and relevant than more static ones. In the literature, Prieto 2015 is particularly concerned with emergent business outcomes on large complex projects with extended time frames. As he says (p.40)

> In some instances projects may be faced with emergent SBOs [Strategic Business Outcomes], especially when "influencing flows" cross a semi-permeable boundary over an extended time frame.

Prieto regards outcomes as critical to successful management of large complex projects, and no doubt emergent outcomes would reinforce his insistence that

> Strategic Business Outcomes must be articulated, agreed to, and continuously communicated to all stakeholders - both internal and external. Commitment by all stakeholders to these outcomes is essential.

However, it should not be assumed that emergent outcomes, and associated emergent strategies, are confined to large complex projects. In a more general context, I discussed emergent strategies in Stretton 2015d – Approaches to increasing Level 3: "Business" success. In that article I drew heavily on Mintzberg & Walters 1985, who developed an eight-type categorization of organizational strategies, ranging from wholly planned 'deliberate' strategies at one end, to wholly imposed 'emergent' strategies at the other. Their research indicates that, in practice, most strategies have components of both.

This suggests that emergent strategies, and outcomes, play a much more important role than is normally recognised in the project management literature – and that they are far from being confined to large complex projects.

It is also observed that smaller emergent projects still tend to have more-than-usual ambiguity and complexity, and that these types of project are evidently most appropriately handled by project practitioners who are skilled in managing in such contexts.

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Developing strategic options, and choosing the best

As already noted, developing strategic options, and choosing the best, is typical planning work. Project managers are more familiar with these types of planning activities than most, so that there is a strong case for including them in these planning processes.

This may often be reinforced by the fact that this initiating activity tends to overlap with the next activity, to which we now turn.

Developing a strategic portfolio of projects

There is a modest amount of material on this activity in the project management literature, some of which I discussed in Stretton 2013k. The development of a strategic portfolio involves first selecting those component projects (and programs) that are likely to make the most effective contribution to realising the desired organisational outcomes. These then need to be prioritised to maximise their combined contributions, and key resources allocated to ensure that this can happen.

In the literature, the selection and prioritization of component programs and projects is generally seen as the responsibility of a strategic portfolio manager – evidently in the context of production-based organisations.

It is difficult for me to see how a strategic portfolio manager who is not also an experienced project manager could do an effective job of selecting and prioritizing the portfolio's component programs and projects. There appears to me to be an unarguable case for heavily involving relevant project managers (and program managers, when applicable, in these processes.

As Jaafari 2010 says,

> It is wrong to assume that project managers should not get involved or be interested in project selection, development and continuous business alignment, …

When the selection and prioritising of the portfolio's projects have been completed, we then need to move on to looking at the management of these individual projects, and programs of projects.

FROM STRATEGIC PORTFOLIOS OF PROJECTS TO INDIVIDUAL PROJECTS

In Figure 3 below, we can see that Cooke-Davies 2002 has effectively represented the three stages of Figure 2 in the two sets of processes which also have gold infill colouring.

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This particular figure does not indicate the processes involved between what is essentially selecting the portfolio of projects and resourcing them, and the processes relating to individual projects which precede the delivery of their outputs.
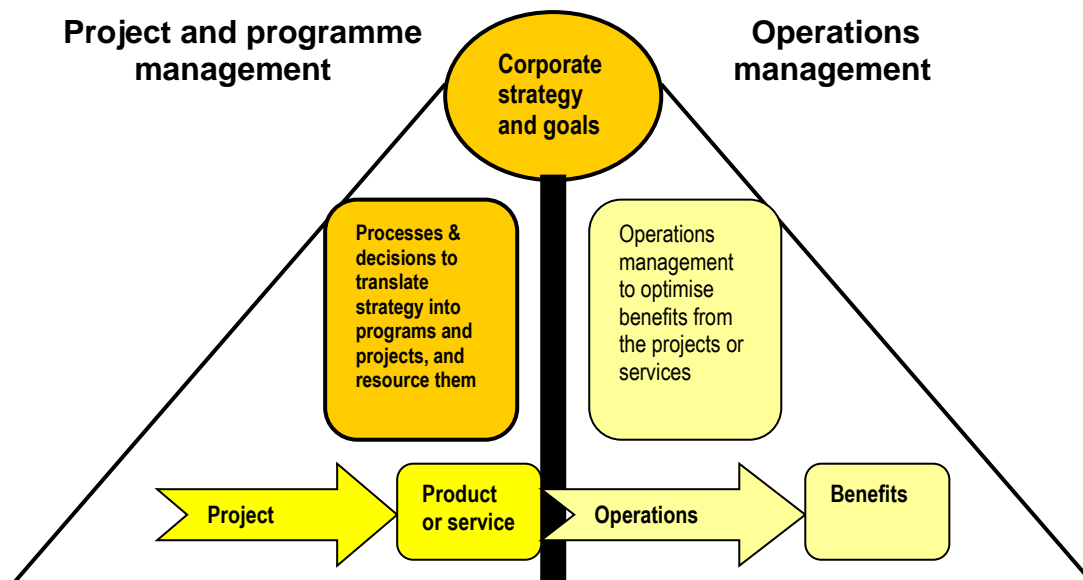

Figure 3: Showing strategic planning processes (in gold) preceding individual project deliveries
Adapted from Cooke-Davies 2002, Figure 3 – The importance of project management and operations management working together to derive beneficial change from projects

In the previous article in this series (Stretton 2016c), we discussed these processes for individual projects under the headings of

- helping customers determine their business needs,
- planning for appropriate outcomes, and
- establishing requirements of projects to help realise these outcomes,

before proceeding to project execution and delivery.

ORGANISATIONAL OUTCOMES REALISATION

Finally, there is the question of project managers helping ensure that the organisation's strategic objectives – i.e. the realisation of organisation-wide business (or equivalent) outcomes – have been achieved. There is more to this than merely the sum of the outcomes of component projects of the strategic portfolio – i.e. the sum of the benefits depicted in Figure 3. As with the realisation of outcomes discussed in Stretton 2016b, non-project inputs will also be required to achieve realisation of organisation-wide outcomes.

Additionally, the extent to which project management can get involved in the actual realisation of the organisational outcomes/benefits will vary greatly with circumstances. We will discuss this further in the next article of the series.

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SUMMARY

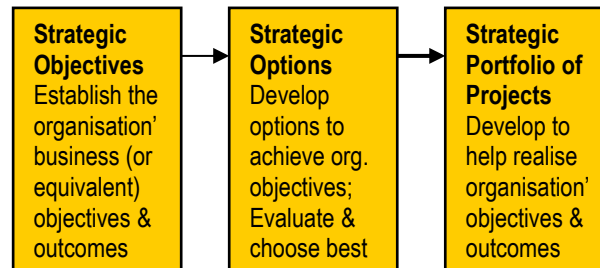We started with organisational strategic planning processes, which are summarised in the following figure.

Figure 2: An abbreviated organisational strategic planning sequence

First, it should be said that, in the project-based organisations in which I worked, project managers undertook all three of the above organisational strategic planning steps as a matter of course. I was personally heavily involved in doing this work in Lend Lease Corporation itself for over seven years, and in Civil & Civic for over fifteen years.

The above steps in organisational strategic planning are summarised as follows.

Organisational strategic objectives

- This first step establishes the organisation's business (or equivalent) objectives, and thence the desired organisational outcomes.

- There is substantial evidence that this work is often poorly done, or poorly communicated. Prieto claims this often happens with large organisations.

- Civil & Civic found this applied also with many smaller organisations, and frequently had to help such organisations define their strategic objectives, before capturing their more immediate business needs. Some of our project managers became quite expert and specialised in this work.

Developing strategic options

- This step involves developing strategic options for achieving the organisational objectives, evaluating these options, and choosing the best.

- This type of planning work is bread-and-butter for project managers, so that there is a very strong case for involving them in this work.

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Developing a strategic portfolio of projects

- This step involves first selecting those component projects that are likely to make the most effective contribution to realising the desired organisational outcomes; prioritised them to maximise their combined contributions; and allocating key resources to ensure that this can happen.

- There appears to be an unanswerable case for heavily involving project managers in this work.

We then briefly discussed the transition from developing strategic portfolios of projects, and more detailed initiation processes involved with each individual project, discussed in the second article of this series.

Realising organisation-wide outcomes

Finally, it was recognised that the realisation of organisation-wide business (or equivalent) outcomes involve more than just the sum of the outcomes of component projects of the portfolio, as non-project inputs will also be required. The extent to which project management can contribute to this will vary widely in practice.

The next article in this series

The next, and final, article in this series will amalgamate the progressively increasing scopes of project management discussed in the first three articles, and present a summary and overview on potential (and in many cases actual) contributions project management can make (and has made) in helping customers achieve their broader business (or equivalent) beneficial outcomes.

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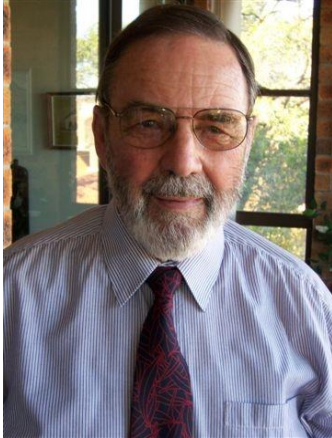
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Alan Stretton is one of the pioneers of modern project
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