

Advances in Project Management Series¹

Managing Strategic Initiatives

By Terry Cooke-Davies, PhD

Introduction

It is commonplace to hear the word “Strategy” used in conversations between executives, managers and staff when the topic of an organizations’ intentions, aims and objectives are being discussed. Similarly, organizations’ leaders are prone to launch “initiatives” that are designed to change something about the business, to help implement its “strategy”. Such “strategic initiatives”, therefore, are highly likely to consist of work that can best be viewed as projects, programmes or collections of projects and programmes.

An important study sponsored by the Project Management Institute as a part of its 2013 Thought Leadership series (Economist Intelligence Unit, 2013) reported that during the three years prior to publication, an average of just 56% of strategic initiatives had been successful. The report defined a strategic initiative as, “a project, portfolio of projects, other discrete programme or series of actions undertaken to implement or continue the execution of a strategy, or that is otherwise essential for the successful implementation or execution of a strategy. This includes some—usually high priority—projects, but does not entail the entire project portfolio”.

Given how prominent a role projects and programmes play in such strategic initiatives, and the newspaper headlines that so frequently report on the failure of this or that major programme (especially if paid for out of taxpayers’ funds), then this should come as a surprise to no-one. There is considerable evidence from the field of projects and programmes to suggest that the low success rate is not particularly abnormal. Whether the data comes from the field of information technology projects e.g. (El Emam, 2008), from major infrastructure projects e.g. (Flyvbjerg, 2014) or from major organizational initiatives e.g. (Lovallo & Kahnemann, 2003) all the results point to a higher rate of failure than might be expected, given the importance of projects and programmes.

It isn’t as if the critical success factors for projects and programmes are not well documented – they have been extensively researched since the 1970s and are not controversial. Summaries can be found in many papers such as (Fortune & White, 2006) or (Cooke-Davies, 2004).

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The trouble is that, like losing weight or giving up smoking, the principles are easy to grasp, but the behaviour (in this case organizational behaviour) is very hard to change. The more so because transformational change involves large numbers of people needing to do things differently.

Since the 1960s, however, management research and management “gurus” have wrestled with the problem of bringing about transformational change and, in the course of this journey, have learned a lot about why it is so challenging. You could categorize the most important of these lessons into four key areas or “strands of thinking”

1. The first strand concerns what you could call the “nuts and bolts” of good programme and project management. Being clear about what you need to accomplish, knowing how well you are progressing towards those goals, and having the right means to make course corrections along the way.
2. The second concerns the people who are impacted in some way by the change. The past 20 or 30 years has seen tremendous advances in our understanding of what makes us humans tick, as fields such as cognitive neuroscience and psychology have started to gain insights from each other, and new fields such as behavioural economics have been developed.
3. Thirdly, it is being recognized just how important it is to design programmes in different ways from projects, but incorporating projects and project management, while at the same time avoiding all forms of dysfunctional complexity. CEOs increasingly see complexity as a major challenge facing their organizations, yet they doubt that their organizations have the necessary capabilities to respond to it effectively.
4. Finally, there is a shift in dialogue away from “managing” transformational programmes towards “leading” them. An increasing emphasis is being placed on leadership and on talent management.

Each of these four strands of thinking has contributed important lessons that must be learned if strategic initiatives are to be delivered successfully, so it is worth summarizing just what those lessons are.

Outcome, process and control

This first strand itself pulls together several different sets of insights and the research that underpins them.

Fundamental to all strategic initiatives is the question, “What is it that you are trying to accomplish?” Indeed, during the 1980s the emphasis was all on this aspect of transformation. Business Process Reengineering, for example, seemed to be very much the order of the day, particularly when the then newly developed practice of “benchmarking” allowed Xerox to thrive in the face of intense competition from the Japanese photocopying manufacturers (Camp, 1989), or pointed to massive efficiency gains that could be made such as in Ford Motor Company’s accounts receivable department, which employed 500 people, while Mazda’s, admittedly dealing with only a half of the volume that Ford’s did, had only five (Hammer, 1990).

But in many cases, the focus on process reengineering alone failed to deliver the results that it promised, and so we learned how important it was to start from the outcomes that needed to be achieved, rather than on the activities needing to be changed or those needed to bring about the change (Schaffer & Thomson, 1992). The concept of “key performance indicators” (KPIs) began to appear as measures of outcome, rather than as measures of improved activity.

Interestingly, the logical conclusion of this in the world of projects and programmes, has still failed to be universally recognized, let alone widely practiced. Many organizations have not yet recognized how important it is to adopt a benefits realization perspective (Crawford & Cooke-Davies, 2012), although there is increasing evidence of the influence of benefits realization management in project and programme success (Serra & Kunc, 2015).

Project management, implemented poorly, can become a bureaucratic burden on an organization. And all too easily, programme management can be seen as a way of imposing top-down control on project management (H. Maylor, Brady, Cooke-Davies, & Hodgson, 2006). What is needed is smart processes that are understood by all, and that minimise misunderstandings between leadership, management and people doing the work (Sirkin, Keenan, & Jackson, 2005). Techniques such as Boston Consulting Group’s “DICE” and “Rigor Testing” provide management with ways of testing that all is well, and that all remains on track, but to be effective the underpinning methods used to manage projects and programmes must also be simplified, and crucial checkpoints such as “milestones” must be related to outcome measures of strategic value to the organization, allowing the impact of changes to be assessed not simply in terms of the traditional cost, schedule and scope, but more significantly in terms of the value or benefit to the organization.

Transparent control is the goal of such smart processes and value-related progress checkpoints, which is why different control tools are important for strategic initiatives. Programmes cannot be adequately controlled using just the tools of project management: there needs to be a programme structure that knits together the projects, copes with an increased level of uncertainty, and allows project managers to focus their efforts on the specific outputs and deliverables that their project needs to produce (Pellegrinelli, Murray-Webster, & Turner, 2015)

Strategic initiatives often impact many different divisions, functions or regions within an organization, and thus the controls and processes employed to manage and implement them need to be common to all the different units involved. That in turn calls for a framework of project and programme management that is consistent and coherent throughout the organization, and aligned to the demands of its strategy (Cooke-Davies, Crawford, & Lechler, 2009). If these practices are not the norm in an organization, then it is now understood that the process of introducing them is itself a significant programme of management innovation, that needs to be approached as carefully as any other strategic initiative. There are many ways of approaching it, not all of which are successful. (Thomas, Cicmil, & George, 2012)

Engagement of people

The second strand of thinking concerns the “people” side of transformational change – perhaps the area that has seen the greatest strides, at least in our understanding, if not our practice, during the past 10 years or so.

Perhaps the first thing to be said in this very broad field, is that the leadership of strategic initiatives is not simply the responsibility of the programme managers who are tasked with responsibility for implementing the initiative. All too frequently, the cause of difficulties lies with the lack of intelligent involvement of senior executives, as highlighted in the Economist Intelligence Unit report that was referenced right at the start of this article (Economist Intelligence Unit, 2013). This is, however, not a problem restricted to strategic initiatives. Even from the humble viewpoint of project management there has been a growing recognition of the important role played by the executive sponsor (Crawford et al., 2008). Leadership of all such initiatives requires a partnership between senior executives and programme managers that allows their two very different perspectives to lead to balanced decisions on the basis of shared understanding – something that is easier to say than it is to achieve.

Coherent leadership, however, is only the first of the people-related challenges facing strategic initiatives. As a result of the failure of so many process reengineering programmes in the 1980s, the 1990s saw an emphasis on the importance of “engagement programmes” to win the “hearts and minds” of those who need to change (Beer & Nohria, 2000), an insight that is backed up by current evidence, as shown in a recent report from the Project Management Institute (PMI, 2014). This is particularly important, given what we now know to be our human biases (Kahneman & Tversky, 2000), and the need for leaders of change to demonstrate high emotional intelligence (EQ).

Since the benefits of a strategic initiative are experienced not in the programme itself, but in the operations that use the programmes outputs, there is a growing recognition of, on the one hand the need to involve operational units in the benefits realization process (Serra & Kunc, 2015), whilst at the same time avoiding placing too great a burden on them in the form of voluntary, unpaid overtime in the form of incremental effort to help the programme to deliver change to them (Sirkin et al., 2005).

An area in which there have been great strides during the 21st Century has been the confluence of psychology, neuroscience and behavioural economics. The person who strides this field like a giant is Daniel Kahneman, a psychologist who in 2002 won the Nobel Prize for economics, for proving beyond doubt that people do not make economic choices rationally. The theory for which he was awarded the Nobel Prize is known as “Prospect Theory” (Kahnemann & Tversky, 1979), and it shows that human beings are loss averse: we go to great lengths to avoid losing what we already have.

Building on this foundational work, our understanding of human biases has been widely investigated for the impact they have on our judgement, decision-making and behaviour. Our apparent lack of rationality (Sutherland, 2009) underpins many of the behavioural challenges encountered in the management of strategic initiatives, and anyone wishing to explore the topic in greater depth could do no better than to read

Daniel Kahneman's masterful and beautifully-written book, "Thinking Fast and Slow" (Kahnemann, 2011).

In his keynote address to the 2006 PMI research conference in Montreal, Professor Bent Flyvbjerg traced the link from Kahneman's work to his own work on "Megaprojects and Risk" (Flyvbjerg, Brunelius, & Rothengatter, 2003), which has become a classic. He also made the point that, left to their own devices, both the promoters of projects, and the contractors who bid for the work, conspire in a series of lies: the one because they want to believe that the project will be affordable, and the other in order to win the work. Specific examination of the costs of Olympic Games held since 1960 appears to provide compelling evidence to support this (Flyvbjerg & Stewart, 2012).

The impact of these human behaviours on complexity has been explored elsewhere (Cooke-Davies, 2011), and it is to complexity that our attention now turns.

Complexity

There are many different definitions of complexity, but none really does it justice. Almost by definition, complexity is beyond logical definition, which is why Terry Williams' description seems to me to be so apt, "If you don't know what will happen when you kick it, then it is complex." (Williams 2008)

Its worth distinguishing between complex and complicated. Something can be said to be complicated if it is composed of many interconnected and inter-related parts. Complexity, on the other hand, is not only related to the number of moving parts and how they relate to each other, but it is also to the predictability of each one, and thus of the ability of the pieces to be melded together in ways that are foreseeable. Traditional project management tools, such as work breakdown structure, are excellent for complicated projects, but on their own, are inadequate for complexity.

Complexity is also relative to what we know – at the boundary, our most ambitious efforts will always seem complex. Ancient building projects such as the Pyramids or Stonehenge must have seemed highly complex at the time, particularly with respect to the surrounding logistics, but they are very simple today in comparison with modern strategic initiatives such as the massively international programme to develop the Lockheed Martin F35 Lightning fighter aircraft.

Generally, it isn't technology that provides the greatest challenge in such complex programmes. A team at Cranfield University in UK (Harvey Maylor, Turner, & Murray-Webster, 2013) has demonstrated the preponderance of problems caused by either what they call "socio-political complexity", or by "emergent complexity". The first of these, socio-political complexity, refers not only to the behavioural challenges that were described in the prior section, but also to the cultural and political dynamics not only within the programme team itself, but also within the wider stakeholder communities. The second, emergent complexity, refers to the inherent uncertainty that arises from the intermixing of novel technological, human and social arrangements which give rise to unforeseen and unforeseeable consequences – what you might call the unknown and unknowable unknowns. Such phenomena are those that have been explored by the

collection of scientific disciplines loosely known as “complexity science” and explored in such works as Melanie Mitchell’s “Complexity” (Mitchell, 2009).

A particular aspect of the socio-political complexity involved in many strategic initiatives is that they themselves are embedded within an organization, like a cuckoo’s egg in a nest, and the systems established to run the business often clash horribly with the systems in place to run the organization.

Writing in the McKinsey Quarterly, Suzanne Heywood and her colleagues distinguish between two types of complexity – dubbed by them as “institutional complexity” and “individual complexity”. The former arises out of the strategic choices an organization makes, the external context within which it operates and the management and operating systems that it employs to supply its products or services. The latter, on the other hand, refers to the ways that individuals operating within the organization experience and deal with complexity – “how hard it is for them to get things done”. (Heywood, Spungin, & Turnbull, 2007)

As individual complexity rises, so employees find it harder to work efficiently and effectively, and both the individuals’ and the organizations performance suffers accordingly. When hard-pressed individuals are then expected to contribute to strategic initiatives on top of their already challenging “day jobs”, it is easy to see why this particular form of complexity provides so many challenges for strategic initiatives (Sirkin et al., 2005)

All this means that complexity has to be *navigated* (as the early navigators such as Vasco da Gama or Christopher Columbus did) rather than *managed*. And this calls for highly developed qualities of leadership at the head of strategic management – the fourth of our strands of thinking

Leadership

The classic work on leading organizational change is from John Kotter (Kotter, 1995) of Harvard University. Maintaining that transformation is a process rather than an event, he argues that transformation efforts advance through a number of stages that build on each other. When managers are pressured for results too early, they skip stages, and as a consequence fail. Having been around for more than twenty years, these stages are pretty familiar and have given rise to many imitators. Nevertheless, stages such as establish a sense of urgency, form a powerful guiding coalition, create a vision, communicate the vision, empower others to act on the vision, plan for and create short term wins, consolidate improvements and produce more change and institutionalize new approaches still make sense in many strategic initiatives that involve transformational change.

Not all strategic initiatives, however, are only, or even mainly, about transformational change, even though many of them will include such elements. Under these circumstances, more general advice on leadership that is more broadly applicable is useful. Just such good advice grounded in extensive experience is provided by Ronald Heifetz (Heifetz & Laurie, 1997), who talks in terms of the *adaptive challenges* faced by people in organizations when confronted by the execution of new strategies (i.e. by

strategic initiatives or their consequences) and the role of leaders in mobilizing them to make the necessary behavioural changes.

Bringing this back more closely to the topic of programme management, the Project Management Institute introduced in 2013 (PMI, 2013) what it called “The new triple constraint of project management skills”—Technical project management, Leadership, and Strategic and business management. It has subsequently renamed these the “Talent Triangle”. Surveys such as (PMI, 2013) place the weighting heavily on the leadership end. The general recognition is that the technical skills are the easiest to train, whereas the leadership skills are the most important and the hardest to train.

Pulling it all together: managing Strategic Initiatives for Success

Each of the four strands of thinking that we have identified, points to a different imperative if strategic initiatives are to be successful:

- Smart processes focused on the delivery of value that enable senior executives to provide strategic direction to empowered management;
- Engaged people throughout the organization working to implement the initiative in their own units, and aligned behind the initiative’s purpose and concept;
- Flexible navigation of inevitable complexity and avoidance of unnecessary dysfunctional complexity; and
- Capable and knowledgeable leadership that delivers the first three imperatives.

Books, papers and articles abound about each of them. There is no shortage of good advice, or of evidence of the high cost of deficiencies.

Since this article is appearing in a journal focused on project management, it should be emphasised once more that each of these four imperatives is *necessary* to manage strategic initiatives successfully, but even collectively they are *not sufficient* to guarantee success. They will deliver success only if the organizations involved in the strategic initiative have taken the time to develop those organizational capabilities that are essential pre-requisites to good project, programme and portfolio management. (Cooke-Davies, 2015)

However, strategic initiatives play an extremely important role in the world’s economy. A recent article in Harvard Business Review described the problem: “Since Michael Porter’s seminal work in the 1980s we have had a clear and widely accepted definition of what strategy is—but we know a lot less about translating a strategy into results. Books and articles on strategy outnumber those on execution by an order of magnitude.” (Sull & Spinosa, 2015)

Put that together with the alarming data already referred to from the Economist Intelligence Unit (Economist Intelligence Unit, 2013) from Boston Consulting Group (Keenan et al., 2013) and from the Project Management Institute (PMI, 2014) and the need to improve the management of strategic initiatives comes into a sharp focus.

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About the Author



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Terry Cooke-Davies has been a practitioner of both general and project management since the end of the 1960s and a consultant to blue-chip organisations for over twenty years. He was the founder and Executive Chairman of Human Systems International, a global consulting firm which assesses the excellence of organizations' project, program and portfolio management capability, and operates a leading-edge knowledge management network.

With a PhD in Project Management, a bachelor's degree in Theology, and qualifications in electrical engineering, management accounting and counselling, Terry has worked alongside senior leaders and managers in both the public and the private sectors, to ensure the delivery of business critical change programmes and enhance the quality of leadership. He is co-author with Paul C Dinsmore of 'The Right Projects, Done Right', published by Jossey-Bass in October 2005.

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In October 2006, the Association for Project Management awarded Terry its premier Award, the Sir Monty Finneston Award, for his outstanding contributions to the development of project management as a vehicle for effective change.