

An organizational strategic framework, and project and other contributions to achieving strategic objectives

By Alan Stretton

INTRODUCTION

In the last issue of this journal (Stretton 2017k) I discussed the origins of projects within an organizational strategic planning context. In this article I want to:

- Represent the organizational strategic business planning framework which was used to summarise the main issues discussed in that article, with some explanatory notes.
- Extend that strategic business planning framework to include strategic execution, and the achievement of planned business (or equivalent) outcomes, and the realization of ensuing benefits.
- Illustrate how project planning and execution, and ensuing project outputs facilitate achievement of strategic outcomes and benefits.
- Show how other initiatives are also needed to facilitate achievement of strategic outcomes and benefits.
- Discuss matters relating to the achievement of business outcomes and the realisation benefits, such as who manages these processes, and what part project management has to play in helping these achievements.
- Discuss some differences in terminologies and perspective relating to projects, programs, and benefits realization.

SUMMARY OF REPRESENTING ORIGINS OF PROJECTS IN AN ORGANIZATIONAL STRATEGIC BUSINESS PLANNING CONTEXT

My previous article began by noting that writers on project management tend to discuss how projects are initiated in two different contexts – the first in the context of organizational strategic business planning, and the second in basically ad hoc contexts, via an idea, or perceived opportunity, or similar.

I had been looking for a way to examine the origins of projects in a single context, and found one in an organizational strategy continuum of eight strategies identified by Mintzberg & Waters 1985. They represented the more formal strategic business planning context above as being at what they call the *deliberate* end of their continuum, and the more ad hoc context at the opposite *emergent* end. They also recognise that *emergent* strategies eventually become actual or de facto *deliberate* ones. This then becomes the key to adopting a single contextual background for strategic initiatives.

In other words, one can regard an ad hoc or opportunistic (“emergent”) initiative as being just as much a strategic initiative as a formally planned (“deliberate”) one. So, rather than separate the two approaches, I was able to adopt a single strategic background in investigating origins of projects.

I then proposed a basic three-stage strategic business planning sequence which is based on some of my earlier work. The development of this strategic business planning sequence, and the relation of projects to its stages, was summarised in the representation shown in Figure 1 below.

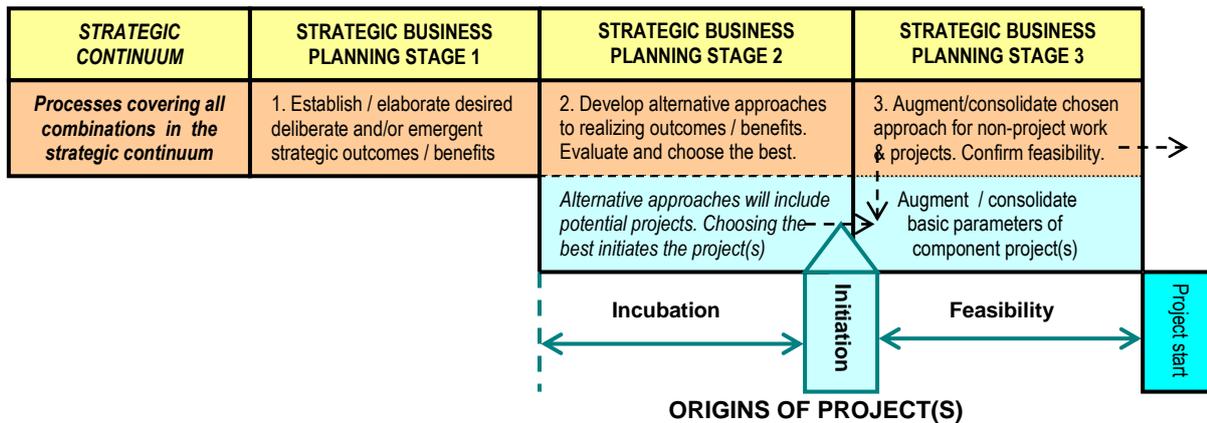


Figure 1: Representation of project origins related to strategic planning stages (Stretton 2017k)

I made the following broad comments with regard to the origins of projects.

- As indicated in Figure 1, the development of alternative approaches to realizing strategic outcomes and benefits invariably involves potential projects;
- Evaluating the alternative approaches will require order-of-magnitude estimates of costs, timing, scope, and similar for the project(s) within these alternatives;
- When the best alternative is chosen, so is/are its component project/s which will be further developed, along with their order-of-magnitude estimates.
- I have borrowed from Archibald et al 2012 in describing the above processes as the project *incubation* stage. I have called the end of this stage the *project initiation* stage-gate.
- The next stage augments/ consolidates both the non-project and project components of the chosen approach. The latter involving elaboration of the basic project parameters so that their feasibility can be more precisely assessed. I follow Archibald et al 2012, and many others, in describing this as a *feasibility* stage.
- If the feasibility is confirmed, the project enters what Archibald et al 2012 describe as the *Starting Phase*, which I indicated in Figure 1 by “*Project start*”. There are still some representations of projects which appear to imply that projects originate at this point – but, as that article clearly showed, projects actually originate much earlier.

We now move on to extend the organisational strategic business planning model in Figure 1 to include strategy execution, and the achievement of business outcomes and realization of benefits. We will also be expanding on project management contributions to these outcomes and benefits.

EXTENDING THE STRATEGIC PLANNING FRAMEWORK TO INCLUDE EXECUTION, AND ACHIEVEMENT OF PLANNED OUTCOMES/BENEFITS

In Figure 2 following I have compressed Figure 1 laterally to give room for its extension into execution stages/phases. I will start by commenting on the extended strategic business framework, its three broader components, and its five specific stages. This will be followed by commenting on the project planning and execution phases, and their interactions with the broader strategic stages.

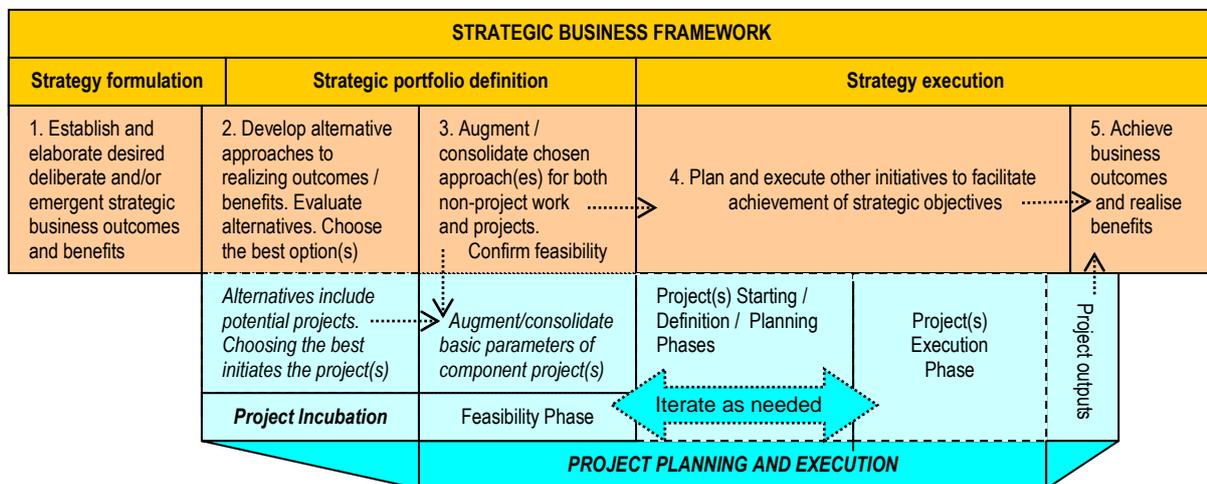


Figure 2: Project management within an extended strategic business framework

THE STRATEGIC BUSINESS COMPONENT OF THE FRAMEWORK

Three broad strategy components: Formulation, Portfolio definition, Execution

I have followed Butler 2008 in adopting these three broader headings, as follows.

Strategy formulation: Butler gives quite an extensive overview of *Strategy Formulation*, a subject which has received very substantial coverage in the management literature over many decades, along with many models and tools and techniques for formulating organizational strategy.

By way of contrast, Butler points out that there is comparatively little practical literature on strategic execution. Further, she says that in practice many organisations pay more attention to strategy formulation than to strategy execution, and that “the vast majority of organisations simply do not execute their strategies effectively”. She then introduces a key element to link *Strategy Formulation* with *Strategy Execution*, in the form of a phase which she describes as *Strategic Portfolio Definition*.

Strategic portfolio definition: Butler discusses the nature of her *Strategic Portfolio Definition* phase as follows.

The [Butler] Strategy Execution Framework demonstrates that the strategic intent, which has been developed in the Strategy Formulation phase, is then translated in the Strategic Portfolio Definition phase. In this phase, a portfolio of strategic initiatives is identified, business justified, scoped into themes, programs and projects, prioritised and appropriately resourced. This definition and prioritisation of the strategic portfolio is the critical link between strategy formulation and strategy execution.

It is this explicit Strategic Portfolio Definition phase that is usually missed in most organisations.

APM 2012:46 labels this phase *Strategic Choice*, which it describes as follows.

Strategic choice involves the generation, evaluation and selection of strategic options. Inputs to this process include:

- stakeholders' expectations and aspirations;
- the organisation's strengths;
- the opportunities created by the external environment;
- demands imposed by external influences.

I will stay with Butler's descriptors of the three strategic phases, as shown in the Strategic Business Framework in Figure 2.

Strategy execution: Butler's own Strategy Execution Framework is much more heavily project-based than my Strategic Business Framework, to which we now return. We start by looking in more detail at the Stage 4 component of strategy execution.

Strategic Business Framework: Stage 4. Plan and execute other initiatives to facilitate achievement of strategic objectives

Realising value from the investment requires action beyond the mere delivery of IT systems; it necessitates real change within the organisation to enable the new systems to be utilised. The change would often impact many other aspects including: the nature of the business itself; business processes; skills and competencies; and the organization. Such change, which is not IT-specific, or even project related, could often account for up to 80% of the total investment. (Dalcher 2017)

This very substantial quotation from Dalcher 2017 helps us put project management into the broader perspective of organizational strategic management at large. In effect, he is saying that the contribution of a project to the realization of benefits to the organization in relation to IT projects could be as little as 20% of the total investment in that strategic initiative.

Hudson 2017 partly echoes Dalcher in the following step he recommends in a section on planning for benefits realization.

Plans for stakeholder engagement, communications and capability deployment identifying the changes required to ensure adoption, minimize risks and realize benefits. The work required to realize the benefits of change is often under-estimated by those involved in delivering the capability.

The last sentence in this quotation tends to reflect Butler’s observations above that there is comparatively little practical literature on strategic execution, and that “the vast majority of organisations simply do not execute their strategies effectively”.

Therefore, there is a real need to focus on the planning and execution of other initiatives to facilitate achievement of strategic objectives, as well as on the planning and execution of the relevant projects, to which we now turn.

THE PROJECT MANAGEMENT COMPONENT OF THE FRAMEWORK

The next phases of project planning and execution

With regard to the project component of Figure 2, I have added generalised representations of phases of a project life-cycle, plus *project outputs*, to project incubation and the feasibility phase in Figure 1. I have nominated just one pre-execution phase after the feasibility phase, which is described as the *Project Starting / Definition / Planning Phase*. This combines the *Starting, Definition and Planning Phases* of Archibald et al 2012. The latter two also coincide with the classical project phases of Shenhar & Dvir 2007 (see Figure 3).

As the PMBOK Guide (PMI 2004:20) said, “There is no single best way to define an ideal project life cycle”. I am concerned with representing not only traditional project life-cycle phases, in which the basic parameters can be well defined at the outset, but also non-traditional projects which have initial high levels of uncertainty about the goals and/or methods (e.g. Turner & Cochrane 1993). According to Shenhar & Dvir, Laufer 1996 described these as “what” and “how” uncertainties, while Shenhar & Dvir describe them as market and technological uncertainties.

Accounting for iterations within phases of the project life-cycle (PLC)

Shenhar & Dvir 2007:162 show the following figure of classical project phases modified to an adaptive iterative approach. In their words,

In the real world, project activities reiterate between phases, and often you need to go back to a previous phase to repeat or correct an earlier activity or decision. In its simplest form, this reality is illustrated in figure 9-1.

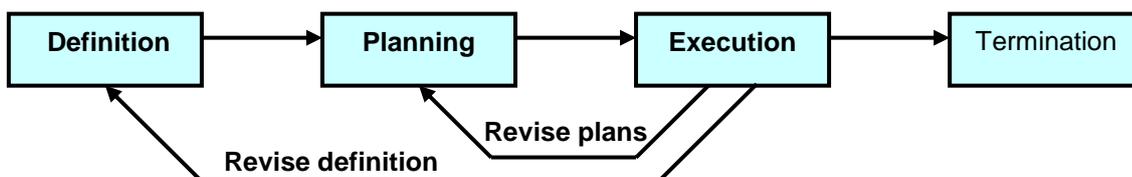
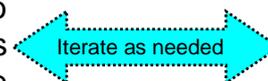


Figure 3: Adapted from Shenhar & Dvir 2007:162, Figure 9-1

Shenhar & Dvir then go on discuss managing project uncertainties in some detail. At the heart of these discussions is the need for iterative approaches to manage such uncertainties, and they discuss cases where many iterations may be required. This is exemplified for instance in their Figure 9-4 (p.169), which illustrates iterative process of requirements and design freeze, where a number of design cycles, and a number of requirements change cycles, are needed.

Following the lead of Shenhar & Dvir, I have endeavoured to cover both traditional and high-initial-uncertainty project types by inserting the double- arrowed “Iterate as needed” in the depiction of project life-cycle in Figure 2 above.



Rather than following Shenhar & Dvir in using a *termination* phase in the project life-cycle, I have opted to specify *project outputs*, which lead into Stage 5 of the broader *strategic business framework* stream.

STRATEGIC FRAMEWORK STAGE 5: ACHIEVE BUSINESS OUTCOMES AND REALISE BENEFITS

As we have seen, there are two sets of inputs to Stage 5. One comprises the project outputs, and the other comprises the initiatives from Stage 4 discussed earlier.

Relevant materials in the project management literature

There is some guidance in the literature on processes for ensuring the achievement of business outcomes and benefits, but it varies a little, and is relatively modest. The most detailed coverage of Stage 5 I have seen is Chapter 18 of *Managing Successful Programmes* (OGC 2007), under the following main headings.

18. Realising the Benefits

- | | |
|-----------------------------|-----------------------------|
| 18.1 Introduction; | 18.3 Manage Transition; |
| 18.2 Manage Pre-Transition; | 18.4 Manage Post-Transition |

Other prominent contributions to Stage 5 in the literature on benefits management are in PMI's *Standard for Program Management* (PMI 2013), and APM's *Body of Knowledge* (APM 2012).

Amongst unanswered questions relating to the above are, “Who manages the achievement of business outcomes and the realization of benefits”, and “What part does project management have in this?” The answer to each appears to be, “It depends on the circumstances.”

Who manages the achievement of business outcomes and the realisation of benefits?

Hudson 2017 says that “Benefits realization is the responsibility of the programme's benefit owners not the programme”.

In the context of production-based organizations, Cooke-Davies 2002 sees operations management as being responsible for optimising benefits from the product or service outputs from projects:

...benefits are not delivered by the project manager or the project team, they require the actions of operations management.

On a much broader canvas, Driver & Seath 2015 put it this way:

Organisations run *Projects* that produce *Results*, which citizens or communities *Use* to create *Benefits*.

PMI 2013:33 suggests a different range of possibilities.

Some benefits, such as expanded market presence, improved financial performance, or operational efficiency, may be realized by the organization performing the program while other program benefits may be realized by the organization's customers or the program's intended beneficiaries.

Further, as Dalcher 2016 points out, "...outcomes occur beyond delivery and handover. More critically, benefits accrue over an extended time period as the new or improved asset or system goes into use", and that "The conflation of different timeframes and time scales associated with projects and benefits is far from helpful".

I have not seen anything in the literature which suggests that there may be a generalised answer to the above question. This is hardly surprising when one considers the huge variety of project types, organizations, and application contexts.

What part has project management to play in helping achieve business outcomes and the realization of benefits?

My own hands-on experience was with project-based organizations that provided project management services mainly to external customers. As I discussed in Stretton 2016b, we recognised three different types of contractual situations:

- Contracted hand-over of project outputs, with few possibilities to further help
- Contracted hand-over of project outputs, but with opportunities to further help
- Ongoing contractual obligations to help use project outputs effectively

As suppliers of project management services, it was very much in our interest to help the client organization achieve its desired outcomes and benefits, for obvious reasons. So, even when not contractually obliged to do so, we would make every effort to create opportunities to provide such help.

I don't know how useful the above classification of contractual situation might be for production-based organizations which do most of the above in-house.

In any event, it appears that the amount of help project management actually give in helping organizations achieve their desired outcomes and benefits after project delivery can vary from nil to very substantial indeed. However, there are possibilities for project management to help much earlier than this, to which we now turn.

Relating benefits realization back to strategic business planning and the origination of projects

As discussed in some detail in Stretton 2017k, and summarised in Figures 1 and 2 above, projects first appear in the Stage 2 of the strategic business planning process. In this stage alternative approaches to delivering the desired business outcomes and consequent benefits are developed, and these alternatives will invariably include potential projects. The process of evaluating alternatives necessitates that order-of-magnitude estimates of key parameters of each potential project within each alternative be made. When the best alternative approach is chosen, its component project(s), with its/their order-of-magnitude estimates of key parameters, are also chosen. I followed Archibald et al 2012 in describing this as the project incubation phase. This is how and where the individual component project(s) which will be undertaken are initiated.

Now, it is obvious that if the project component of the chosen approach is not the “right project” for the task, and/or if the order-of-magnitude estimates for the project(s) have not been reasonably accurate, then the chances of ultimately achieving the desired business outcomes and benefits will be greatly reduced.

So, this appears to be an early opportunity area for project management to help the ultimate realization of benefits from the organizational strategic management effort. Indeed, involvement by project managers with appropriate skills in this area would appear to be essential to help get the right project(s) initiated. But evidently, all too often they are not involved.

I will be discussing possibilities for increased project management involvement in this, and other pre-execution phases, in future articles.

SUMMARY

This article follows on from a previous article in which I represented origins of projects in an organizational strategic planning context. In this article I have put this representation into a broader context, by adding *Strategy Execution* to strategic planning, and splitting the latter into two components, *Strategy Formulation* and *Strategic Portfolio Definition*.

This then provided an extended strategic business framework up to, and including, the achievement of the planned strategic business outcomes and realization of benefits.

Importantly for the purposes of this article, in discussing Stage 4 of the strategic business framework, I have also shown that other initiatives, in addition to project contributions, are needed to facilitate the achievement of strategic outcomes and benefits. These non-project initiatives are all too seldom acknowledged in the project management literature, and this is a point that I wish to emphasise.

I have correspondingly extended the project management role in helping achieve these objectives, moving from the project Incubation and Feasibility phases associated with strategic planning, through a Starting/ Definition/ Planning phase to an Execution phase. I also endeavoured to broaden the project life-cycle to include those with high initial uncertainties, by adding an iterative component. Finally, I have specifically provided for project outputs, and have indicated their role in helping the achievement of strategic outcomes and benefits, together with outputs from Stage 4 of the strategic business framework.

We went on to discuss matters relating to the achievement of business outcomes and the realisation benefits. One issue is about who manages these processes. Many different answers to this question are found in the literature, which is hardly surprising when one considers the huge variety of project types and application contexts. So, the answer is very much of the “it depends” nature. Much the same answer appears to apply to the question as to what part project management has to play in helping the achievements.

However, I did introduce one qualifier to the latter, which goes back to the origination of projects. If project managers could be involved in Stages 2 and 3 of the strategic business planning process, they could do much to help ensure that the project component of the chosen approach is the “right project” for the task, and/or that the order-of-magnitude estimates for the project(s) have been reasonably accurate. This would be a major contribution to helping ensure the achievement of the desired business outcomes and realization of the benefits there-from.

Overall, I have tried to put project management into a broader contextual framework – in this case an organizational strategic business framework – to demonstrate how projects are always only part of a broader environment; and, that to understand projects properly, you need to understand the environment in which they operate and to which they contribute, and just how they make their contributions.

In the next article in this journal I propose to relate causes of project failure from an earlier article to the above organizational strategic business framework.

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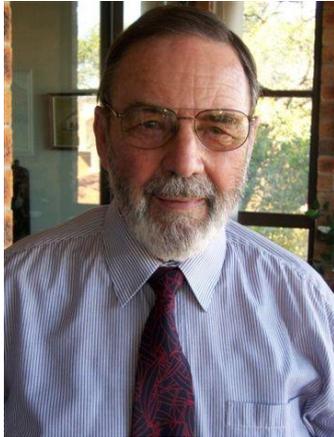
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