PROJECT WORKOUT

What is project success?

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This paper explores the challenges faced by organisations seeking to optimize their total portfolio of projects through the effective combination of project management, sponsorship and portfolio management.

Why excellence in project management is not enough

The only reason for undertaking a project is to add value to an organisation in pursuit of strategic objectives. A project, which does not do this is useless or a sink for scarce resources.

Projects, however, do not directly create value. Projects can deliver new capability and outcomes to an organisation, but it is the organisation itself, which creates on going value by using those capabilities and sustaining the outcomes. The bulk of value is usually created (benefits realisation) after a project has been completed. Therefore benefits realisation cannot solely relate to a project but applies to the organisation as a whole. Add to that the fact that many projects and day-to-day activities might contribute to the same benefit measure, it is often impossible to separate which activity or project produced which effect. A pragmatist might argue if the total benefit is achieved within the overall constraints, it is not essential for such back analysis to happen. Most business leaders are pragmatists!
If a project is truly a vehicle of change which will add value, it must have:

- **alignment**: it is aligned to the company strategy (we want and need it!)
- **priority**: it has high priority relative to other change initiatives which could draw on the same resources,
- **positive impact**: it impacts somebody's budget, somewhere in the organisation either by decreased costs or increased revenues.

The meaning of "success"

When talking about successful projects we must understand what the word 'successful' means. Success is often interpreted through the differing eyes of stakeholders and relates to their own perceptions and needs.

Successful project management ensures the delivery of a specified scope, on time and to budget. It is related to how *efficiently* a project is managed. This should be assessed during the project closure review, documented in a project closure report and measured by timeliness of delivery milestones, adherence to budgets and quality of outputs. This has traditionally been associated with the role of the project manager.

A successful project realises the business objectives it was set up to achieve as stated in a business case. It is related to the *effectiveness* of the project in meeting the project's objectives. For a business-led project, measures of success need to be indicative of the business objectives being achieved and should relate to the outcomes and benefits. This review therefore has to happen some time after the output of the project has been put into use. It is associated with the role of the project sponsor [3] [4].

A successful company drives towards its strategic objectives whilst fulfilling expectations of shareholders, managers, employees and other stakeholders. Measures for this are at a corporate level and should be financial and non-financial (e.g. balanced score card). This is associated with the role of the Chief Executive. If the project is part of a programme or a business portfolio, the programme sponsor and/or the portfolio sponsor would take on this accountability at an intermediate level.

A project which has been successfully 'project managed', however, might actually deliver little of value to the organisation. Further, a 'successful project' might not further the strategic objectives of the organisation, as its objectives could be out of alignment with corporate objectives. A failing company can be full of 'successful project management' and 'successful projects' all driving in different directions.

What really counts is whether the organisation, as a whole, is successful. The likelihood of business success is increased if the projects undertaken align with the organisation's strategy. Success can be enhanced if best practice project management is undertaken. The aim is to ensure the linkage from successful project management to successful projects to a successful company remains intact. For benefits realisation and measurement to be effective therefore, an organisation must have:

- **a business strategy** and goals communicated in sufficient detail to be useful to decision makers: this will facilitate strategic alignment;
- **a business plan**, which explicitly demonstrates how the company's resources are to be used in operating the organisation in its current state and investing in future capabilities in order to achieve future benefits;
- **measures** by which the whole organisation can monitor its progress towards strategic objectives and may be used to aid prioritisation decisions.

Without these three fundamentals, business-led, or benefits-driven project management has little to tie into, regardless of how well each individual project is directed and managed.

The importance of leadership at all levels

Measures can be used to aid project prioritisation and allocate resources but just because we have resources to undertake a project, it does not mean it is right to do it. Similarly, if we have insufficient resources, we need to select the most effective use for those resources. In both cases it is better to think in terms of prioritising **benefits** rather than **projects**! It can often be more beneficial to an organization NOT to do a project at all than waste money on an unaligned and dubious project. The theory of constraints [1] shows undertaking fewer projects at a time,

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can lead to greater throughput. This is at the heart of '**portfolio management**'.

Without prioritisation, the projects being undertaken will merely be a bottom up set of suggestions rather than a top-down set of strategic imperatives. In the absence of a communicated strategy, business plan and targets, this is the only way for middle managers to proceed. It is, in effect, an abdication by senior management to middle management: the organisation becomes driven by the question 'what' to do, rather than 'why' to do it. If this is happening in your organisation, the challenge is to turn it on its head. But who has the power to make the change?

If benefits realisation primarily happens after the point of delivery, it is inappropriate for the project manager to have direct accountability for it. The project manager's role is to manage the individual project, ensuring the right capabilities and conditions are created to achieve the required outcomes and trigger downstream benefit realisation. The operation of the business, using the capabilities the projects produce actually creates the on-going value. It is therefore essential that an alternative role(s) has accountability for benefits realisation: the 'project sponsor'. **The focus of a project sponsor is sustained outcomes and benefits realisation rather than project delivery**.

A 'successful company' however, requires a person (or people), above the project sponsors, who is accountable for the way the organization works and the totality of benefits to be realised from **all the projects and operational activities** in the company (its portfolio). In a small organisation this would be the Chief Executive Officer. In larger organisations, the CEO can delegate this role to a number of people, sometimes called "**portfolio managers**". If the CEO is wise, it will not be sliced up on functional lines! [5]

Mindset before process

The development of such directive and leadership accountabilities is vital as processes and organisations do not run themselves. People create change and people constrain change [6], regardless of the processes or tools available to them. If faced with the complexity of rational benefits measurements, you could take the view that **effective benefits realisation is more about mindset and the way an organisation is directed and led, than about being a process or tool set**. This is fundamental to portfolio management. Without the right mindset, 'excellent project management', sophisticated tools or clever consultants will not make the critical difference required for company success.

Different types of project produce different payoffs. For example:

- Business process re-engineering: improved competitiveness and reduced costs.
- Improved support operations: enhanced sales and reduced costs.
- Development projects: improved time to market and market share.
- Information technology projects: bottom line cost improvements through greater efficiency or by creating competitive advantage.
- New or refurbished facilities: improved return on assets, reduced operating costs.

This shows it is simplistic to assume a small number of direct measures can be applied to all projects, and that costs and benefits can be driven from any or many parts of the organisation. Accountability for benefits realisation cannot lie in one particular department. Just as project management is cross-functional, benefits realisation and, by implication, the roles of the project, programme and portfolio sponsor and manager must also be cross-functional.

References

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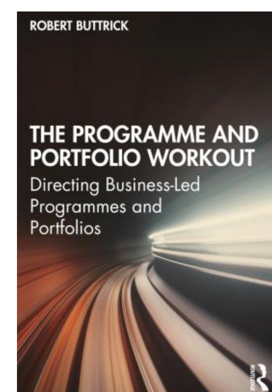
This paper is adapted from The Programme and Portfolio Workout, 1st edition, Robert Buttrick, Routledge, 2020.
See projectworkout.com for more articles on this approach.



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