ACHIEVING THE ENTERPRISE STRATEGY THROUGH PROJECT EXECUTION

Why CEOs need transparency to make strategic projects successful

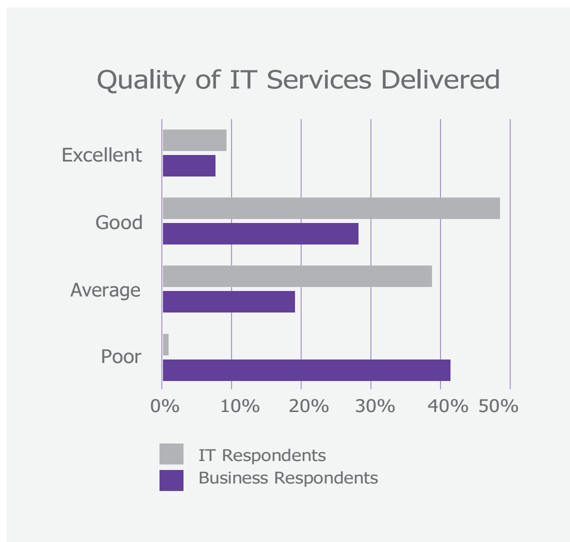
In today's global marketplace, business change is the norm. Maintaining competitive position and market leadership requires that we are able to shift business strategy on a dime. As such, the health of a business has become dependent on its ability to successfully execute changes—typically found in the form of executing a series of projects with budgets ranging from relatively small to multi-million dollar spends.

Projects that enable the strategic agenda often fundamentally alter the way business is conducted: driving down cost structures, transforming business processes to increase service levels, providing market and customer intelligence, and, importantly, reducing cycle times. The ability to compete is intimately tied with the ability to successfully execute these transformative projects. Nearly all have IT content.

Still, few projects are completed on time or on budget. A survey conducted by the *Harvard Business Review* found the average technology project budget overage to be 27%. While not initially surprising, further research revealed that a full one in six projects had staggering cost overruns averaging 200%, and schedule overruns of nearly 70%.[1] Can your company afford to be surprised by such dramatic underperformance on projects crucial to its health and competitiveness?

CEOs cannot execute on the business strategy without being able to effectively execute on the projects that underpin and enable that strategy.

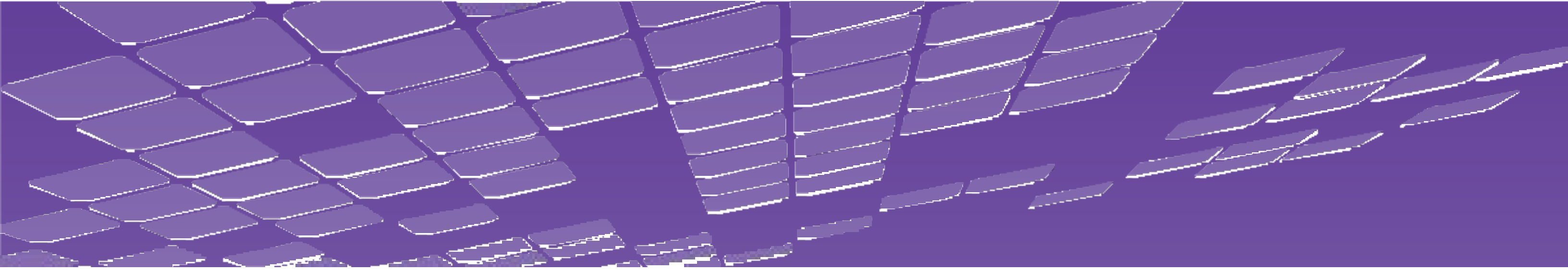
The challenge is in eliminating the surprises. CEOs need clear visibility into the progress of each strategy-enabling project throughout its lifecycle. Projects that encounter difficulty can be put back on track if the difficulty is known in time to correct its course. However, findings show a significant disconnect exists between IT and the business when discussing project status and success. This disconnect has been identified time and time again from dozens of project assessments the Tramore Group has conducted for its clients.



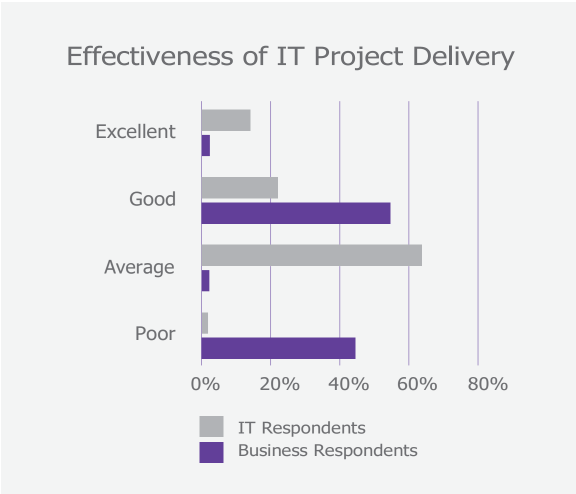
THE IT-BUSINESS DISCONNECT

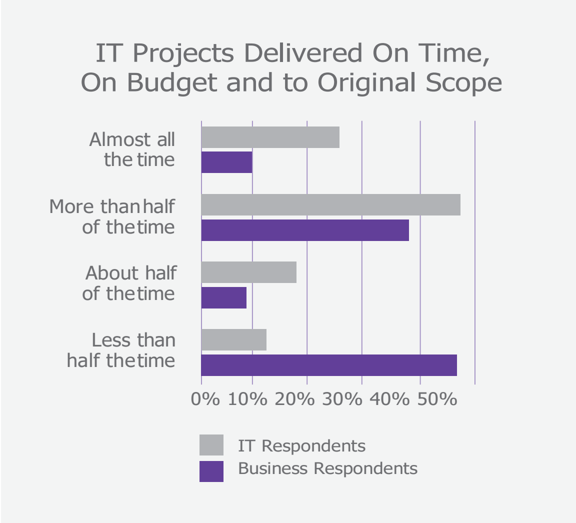
In surveying the IT executives and the CEO's direct reports at one of Tramore Group's clients, this disconnect became strikingly clear. Approximately 70% of IT executives said projects were delivered on time, on budget and to the original scope all of the time or more than half the time, while almost half of the business' executives said this happened less than half of the time.

1: Bent Flyvbjerg and Alexander Budzier, "Why Your IT Project May Be Riskier Than You Think", *Harvard Business Review*, Harvard Business Publishing, September 2011.



Unfortunately the divide didn't stop there. Over 90% of IT executives felt that the effectiveness of project delivery was "average" or better, while more than 40% of the CEO's direct reports rated project delivery effectiveness as "poor". Ultimately, an even more dramatic delta existed between the IT executives' self-assessment of IT service quality with almost 40% of IT respondents rating IT service quality as "average" and more than 60% saying is it either "good" or "excellent". By stark contrast, more than 40% of the CEO's direct reports cited quality as "poor".





This telling example is, unfortunately, a fairly typical result of a problem seen over and over again. Frequently, increased communication and greater transparency would have allowed disconnects in the perceptions of project execution to be addressed throughout the lifecycle of the project, resulting in greater alignment of business and IT management perceptions.

LACK OF PROJECT TRANSPARENCY

There exists between the project teams and CEOs a "broken telephone" that skews towards positive results. Typically this does not happen on purpose. Project status reported to each manager becomes adjusted and sanitized as it climbs the ladder to the C-suite until risks become masked or appear immaterial. What happens too frequently is that each manager sees increasingly more manageable problems that they feel can be steered back on track, until it's ultimately too late and a crucial project becomes undeliverable at a time when it's needed.

It's well known that few projects with budgets greater than $1 million are delivered on time; however, armed early enough with the right information, a CEO can make the tough strategic decisions. If the project must be delivered with the feature set required and on time, additional resources can be allocated to get the project back on track. Similarly, with early warnings, its scope can be reduced to those features most strategic to the initiative, allowing for on-time delivery of the features that matter most. Lastly, if the strategy permits, the project can be delivered late with the new delivery date carefully monitored to ensure that no further delays occur. Without timely, accurate data, CEOs are often left without the runway needed to make any of these changes—often resulting in the inability of the enterprise to achieve its strategic agenda on a timely basis.

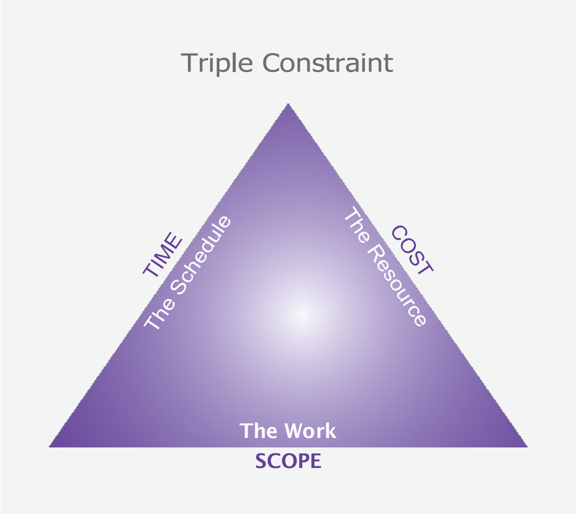
CREATING VISIBILITY AND ACCURACY

It's clear that to effectively achieve a business's strategy, CEOs and senior management must have complete and accurate information reaching the organization's top echelons. Based on competitive forces, it might be more important that a project be delivered on time than within scope—but that decision can only be made with accurate and timely information on project status.

To do this, a culture must be established where the free flow of accurate information is viewed as more important than good-looking information. Today, it is not uncommon for managers to order their project managers to flag all project status green. This is to make their department's performance look good and they genuinely feel that they can get back on track before the project is due to be delivered. How can accurate reporting reach decision makers in such an environment?

Alternatively, in other environments, risks are consistently "dumbed down" as they work their way up to the CEO until they ultimately are shown as being managed, and the CEO sees challenged-but-deliverable projects. Finally, the status report is typically delivered in the form of countless presentation decks, with bad news buried in a lengthy report that is hard to review on a busy CEO's schedule.

The solution is two-fold. First, it must be culturally acceptable to tell it like it is. Bad news is never rewarded but accurate information must be preferred over sanitized information for businesses to execute on their projects. Second, this information should flow in a concise, standardized manner. One page that tells management at every level up to and including the CEO the status of the project including the most important elements requiring management's attention. Tramore Group has assisted many private



and public sector organizations to report on all of their key initiatives in a concise manner. It can work on a project of any scope. Still, it is not as simple as it seems.

Project status reporting through the organization must be standardized, so that the single page holds all necessary information for the senior team and in the exact same format for speed and ease of review. Through such consistency, senior staff can immediately see what they're looking for.

Once implemented, senior executives receive information on every one of their projects in the same fashion and the same format, and develop a manner to ask questions; it creates the transparency and visibility needed to act.

The ability to absorb information is also improved dramatically when senior executives can review project status in 10 to 12 minutes rather than over hours of mind-numbing PowerPoint. Over time, line managers also learn that they should not hide bad news from the senior team, while at the same time the fear of delivering it falls off. What becomes more important is the focus of getting projects back on track and minimizing the impact on business strategy.

COMMUNICATE RISKS AND IMPACT

At the same time a focused conversation must take place regarding risks and project impact. Project sponsors need to be discussing risk with the project management team in a meaningful way and mitigation strategies must be discussed—all the time. These strategies include formulating plans to minimize the chance that the risk will materialize and a response strategy to the risk if it does. Project sponsors need to sit down regularly and discuss the probability that an event affecting project delivery will occur, and its impact to the organization in dollars, time, and senior management's ability to execute on strategy.

As CEO, the impact could be that a project critical to your strategy might be dead in the water. If that strategy is one you require to stay competitive or to improve your top line, the business could join the project in missing its targets. A number of businesses have followed a poorly-delivered project into bankruptcy, often without the project team knowing how critical it was to the success of the enterprise.

CONCLUSION

There is no question in today's world that successfully delivering projects is intrinsically linked to business strategy. Implementing change (often through implementing projects) allows you to achieve the strategy. CEOs are too often provided critical data on project status too late to ensure their success. If a project is falling behind, a CEO has the ability to take action to get the project back on track, but only if information is accurate, transparent and timely.

The "broken telephone" is experienced by organizations of all sizes and in all industries, but it can also be overcome through simplified, clear communication and a top-down familiarity with project risk and business impact. Senior executives have zero problem making decisions, but only when they are equipped with the right information can they make the ones that cause their businesses to succeed.

WHAT PROJECTS NEED TO SUCCEED

Tramore Group has interviewed hundreds of executives and project management professionals in numerous large organizations to determine the best opportunities to improve organizational project delivery effectiveness. After conducting dozens of effectiveness improvement engagements, the following improvement opportunities appear in our findings again and again.

1. **Assign the right people.** Project managers must be appropriately senior and possess relevant experience. They must have both the science and art skills required to be effective.

2. **Report project status concisely and accurately.** If all management (not just project management) has an accurate view of the project status, course corrections will occur as needed to optimize the chance of successful project delivery.

3. **Manage risks and issues.** Pay attention to the risks and issues every day. Preventing risks from occurring is truly "the ounce of prevention that is worth a pound of cure".

4. **Rigorously manage scope.** Scope creep is arguably the biggest enemy of successful project delivery. Out-of-scope work should only be undertaken after the impact of the proposed change is well understood and formally approved.

5. **Standardize key methodologies, templates and tools.** Standards makes it easier for everyone to contribute to project success – especially if they are involved on more than one project or move from project to project.