

# **Manufacturing and Service Operations Planning Spring 2019**

## *Managing Projects in Turbulent Times*

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THE STRATEGY EXECUTION SOURCE

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*By Ed Barrows and Andy Neely*

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# Managing Projects in Turbulent Times

By Ed Barrows and Andy Neely

*Strategic initiatives are major drivers of organizational progress and are designed to transform enterprise processes or knowledge assets. Unfortunately, many initiatives suffer from poor project management—they are launched without clear business cases, paid too little attention from senior leaders, and managed without strong project governance. The costs of these and other mistakes are significant. In this article—an excerpt from their new book Managing Performance in Turbulent Times: Insight and Analytics—performance management experts Ed Barrows and Andy Neely describe four practices organizations can implement right away to improve their project management and, in so doing, improve their overall strategy execution.*

Utter the words “project management” to senior managers and thoughts of detailed project plans, excruciating milestone reviews, and painful budget overruns are brought to mind. Although project management is essential to organizational effectiveness, many executives shudder at the thought of digging into the particulars of how they manage vital projects. Top managers feel that project management—and certainly the details thereof—are better left to the rank and file far from the influences of the boardroom. But it is this attitude that prevents many organizations from becoming the effective project executors they need to be. In today’s environment, where conditions are changing rapidly and in some cases unpredictably, managers need to be attuned to their organizations’ major projects so projects can not only be completed but also dynamically managed to deliver the results needed across the entire business. In this article, we discuss how organizations can improve project management activities and in so doing yield improved business results.

## State of the Practice—In Need of an Overhaul

Every year, organizations spend tens of billions of dollars on initiatives—high-level projects intended to transform their enterprises. Some are classic operational improvement initiatives, such as Lean Six Sigma applied in manufacturing. Others are truly transformational, like redesigning the new-product development process. Regardless of the particular type, many of these initiatives are victims of poor project management. These projects are poorly designed, misaligned from important organizational objectives, and badly managed by senior executives—to name just a few of the challenges that major initiatives suffer from in organizations. In fact, in a study of more than 10,000 projects within 200 companies and across 30 industries, consultants for PricewaterhouseCoopers (PwC) found that only 2.5% were completed on time, within scope, and with the intended business benefit. Further, PwC found that 60% of organizations said they wanted to improve their project management maturity.<sup>1</sup> Clearly, this isn’t great news. But with as few as four basic changes to project

management practices, we’ve found that organizations can significantly tip the odds in their favor. We’ll talk about each of these after we review the factors for project success.

## Seven Factors for Project Success

To set the foundation for improved project management, it’s important to understand what contributes to a project’s success. According to researchers Richard Discenza of the University of Colorado and James Forman of Microsoft in a paper presented at the proceedings of the Project Management Institute, seven factors need to be present for project success.<sup>2</sup> They are as follows:

1. Focus on business value, not technical detail.
2. Establish clear accountability for measured results.
3. Have a consistent process for managing unambiguous checkpoints.
4. Have a consistent methodology for planning and executing projects.
5. Include customers at the beginning of the project and involve them as things change.
6. Manage and motivate people so that project efforts will experience a zone of optimal performance.
7. Provide the project team members the tools and techniques they need to produce constantly successful projects.

*Source: Richard Discenza and James Forman, “Seven Causes of Project Failure: How to Recognize Them and How to Initiate Project Recovery.”*

Discenza and Forman note that the seven factors can be grouped into three broad categories: people, process, and communication. We will keep these categories in mind as we present the best practices we see in project management used today.

1 A. Nieto-Rodriguez, D. Evrard, “Boosting Business Performance Through Programme and Project Management,” PricewaterhouseCoopers. Belgium, 2004.

2 R. Discenza, J. Forman, “Seven Causes of Project Failure: How to Recognize Them and How to Initiate Project Recovery,” PMI Global Conference Proceedings. 2007.

## 1. Show Me the Business Case

It is not uncommon for organizations to launch projects without a clear business case. When we say business case, we mean more than just the rationale that explains why the project is being started. Almost every project launched in an organization has some rationale—to improve the order fulfillment process, to build employee business acumen, or to improve internal communications are examples. But what projects often lack are particulars like a clear purpose, the direct linkage to critical objectives, the explicit documentation of intended benefits, and a host of other information types essential to the project's ultimate success.

Business cases are not developed because, in a word, they are difficult. For many managers, it seems easier to launch a project and worry about the benefits later than take the time up front to construct the business case. And, although projects consume large amounts of time and energy, developing a business case to justify the project does not. We have never run across an organization that has complained it is spending too much time on business cases. Recall the survey cited earlier that found only 2.5% of the projects sampled delivered the full benefits intended. Business cases are the best tools available to tip the scale in favor of project success.

A good business case contains a set of critical information. An example of a one-page business case format is shown in *Figure 1*.

As shown in the graphic, a business case contains a section that provides the project's basic information. It also contains strategic information about the project as well as basic financial information such as cost, revenue increase, and NPV. The business impact should be identified as well in both qualitative and quantitative terms. If several different options are under consideration, each should be summarized and evaluated at a high level. Actual costs in terms of time and money should be described

Basic Information																									
Project Name:						Date Submitted:																			
Project Description:						Project Owner:																			
						Project Sponsor:																			
Strategic Information																									
Linked Objective(s):						Impact on Objective(s):																			
Financial Information																									
NPV: Time to Payback:		Year 1			Year 2			Year 3			Year 4														
Revenue Increase (\$)																									
Cost Reduction (\$)																									
Cost To Implement (\$)																									
Summary Project Information																									
Milestones		Year 1												Year 2											
		1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12
TBD																									
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**FIGURE 1: SAMPLE BUSINESS CASE FORMAT**

***It is always helpful to create a business case for every strategic initiative or project. Identify the relevant strategic objective and financial benefits that the effort will produce. Milestones help determine whether the project is on track or whether it needs to be modified to achieve its intended impact.***

over the project period along with a high-level project plan. Risks can be discussed along with assumptions and key constraints in the project description. Depending on the needs of the organization, other fields can be added as well.

Business cases are not new. But many organizations lack the discipline to use them effectively. We find they are essential to structuring for success in the world of fast-paced performance management.

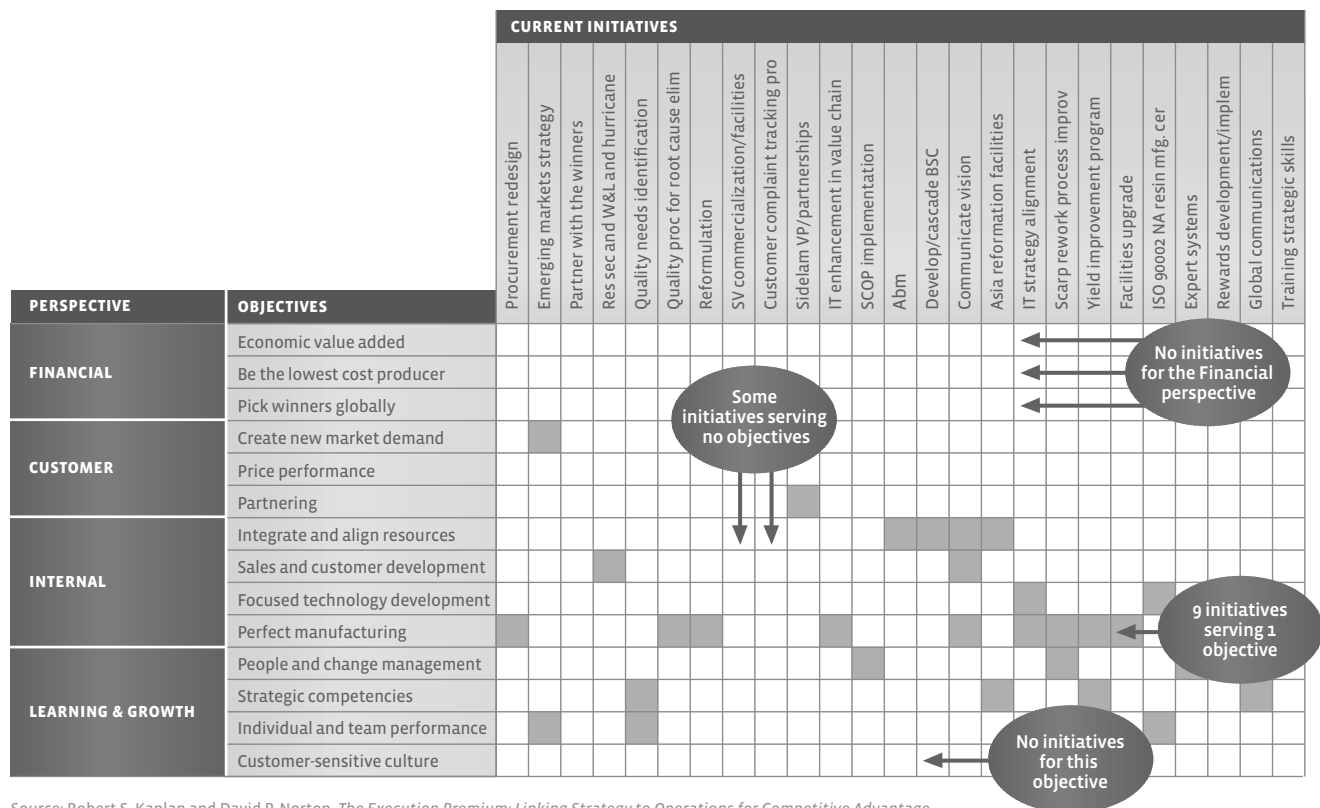
## 2. Use Project Alignment Tools

Because it is commonplace for managers to launch projects without the use of business cases or other project structuring tools, the result is a proliferation of projects throughout organizations. From the PwC study cited earlier, 42% of the 200 respondents ran more than 50 projects per year and 26% ran a whopping 100 per year or more. Only 10% of organizations in the sample managed fewer than five. This “peanut buttering,” or the spreading of finite resources across a large number of

projects, is a possible explanation for why project failure rates in organizations are so high.

One way organizations improve project effectiveness, especially in the case of strategic projects, is by aligning projects to strategic performance objectives. This involves collecting projects and matching or mapping them to high-level objectives. In their book, *The Execution Premium*, Balanced Scorecard creators Robert Kaplan and David Norton present what they call an initiative alignment matrix. An example is shown in *Figure 2*.

What this simple matrix enables organizations to do is see where alignment exists between major projects and critical objectives. Where there is overage, an opportunity exists to rationalize projects. When gaps are present, this may indicate a need to add projects. Although the tool won't make the decision, what it does do is force managers to consider where projects align to their key objectives. Other tools similar to this matrix exist, but this is one of the more useful ones available.



Source: Robert S. Kaplan and David P. Norton, *The Execution Premium: Linking Strategy to Operations for Competitive Advantage*.

## FIGURE 2: INITIATIVE ALIGNMENT MATRIX

**Strategic initiatives should be rationalized by examining how they align with the full set of strategic objectives. In this example there are initiatives that don't align with any strategic objectives and there are objectives that are not supported by any strategic initiatives. Financial objectives typically do not have initiatives assigned to them.**

### 3. Form Executive Project Teams

In a 2006 survey of almost 800 executives, consultants McKinsey and Company found that only 56% of respondents track execution of their strategic initiatives. This is unfortunate, given that the primary drivers of progress in an organization are the vital projects we're discussing here. One of the best ways to improve project execution is through the development of project teams staffed with key executives. Executives at the top especially need to maintain responsibility for the critical work of the organization, and that critical work is many times in the form of projects.

The vital projects we're referring to are most often projects tied to the organization's strategy. Projects like entering a new market, accelerating development of a second-generation

product, or deepening the bench behind the top team can represent the most important projects in the enterprise. Projects of this magnitude and importance must be managed by top leaders; otherwise, it sends the message to employees that they aren't very important. Where senior leaders are not involved, midlevel managers and rank-and-file employees will quickly lose interest, dooming the most important projects of the organization to standard execution—if they end up being executed at all.

We have found that creating high-level project teams for each major project is a key driver of success. Usually the team is championed by an executive who maintains cognizance and overall accountability for the project. But other senior leaders can be accountable on the project as well—for specific action

items, typically. Senior executive monitoring and management of these vital projects are important components of overall project management success.

### 4. Create Project Portfolios

The final observation we have found effective in practice is the organization of projects into discrete portfolios of projects with specific purposes. Although this technique itself is not new, its effective use is.

In June 2002, Lowell Bryan, director of McKinsey and Company, wrote an article titled "Just-in-time Strategy for a Turbulent World." In the article, Bryan points out that in the past, managers could analytically determine a company's strategy and then chart a course of action to get there. But in the turbulent world of today, he asserts that this approach is untenable. There are too many variables, and the world

is far too complex to accommodate a static strategy.

“Strategy today has to align itself to the fluid nature of this external environment. It must be flexible enough to change constantly and to adapt to outside and internal conditions even as the aspiration to deliver favorable outcomes for shareholders remains constant.”<sup>3</sup>

Bryan highlights what he calls a portfolio of initiatives approach—putting projects into groups where they can be managed dynamically depending on the time frame the organization is operating in as well as the level of risk it is facing.

At the simplest level, projects can be separated into two categories—those that are strategic and those that are operational. Further, they can be subdivided into categories such as high and low risk or rapid or long-term payback. In reality, portfolios of projects can be created using a host of different criteria. The most important consideration isn’t the specific factors used, but that projects are grouped using logical criteria that facilitate better management. In cases where projects don’t align with the results desired by leaders, priorities should be changed, and the portfolio of projects should be managed accordingly.

### **A Final Note on Project Management: The Odds Are Against You**

Despair.com is the purveyor of demotivating posters (offering an antidote to platitudinous success posters found in many organizations). One of its posters is titled “Overconfidence.” The poster shows two skiers ahead of what appears to be an avalanche rushing toward them from behind. The caption reads:

Before you attempt to beat the odds, be sure you can survive the odds beating you.

This quote provides a valuable summary point in the area of project management: The odds are against most organizations when it comes to effective project execution; the data we’ve presented bears this out. That said, managers need to take deliberate action to tip the scales in their favor. The four practices presented in this article provide a major step toward gaining the improved project focus that many organizations desperately need. ■



*Ed Barrows is an authority and consultant on business performance. He holds adjunct teaching posts at Boston College, teaching Strategic Management and International Consulting, and at Babson College, where he teaches Operations and Strategic Management as well as executive education. Previously he held advisory positions at Deloitte, GE Capital, and The Palladium Group.*



*Andy Neely is an authority on organizational performance measurement and management. He is Deputy Director of the Advanced Institute of Management Research, the UK’s management research initiative. He also holds teaching posts at the University of Cambridge and Cranfield School of Management, where he teaches both full-time and executive-education courses.*

#### **To learn more**

*Ed Barrows and Andy Neely have just published a new book, *Managing Performance in Turbulent Times: Insight and Analytics* (published by Wiley), from which this article was excerpted.*

*Also, see:*

*“Rebalance Your Initiative Portfolio to Manage Risk and Maximize Performance,” BSR September–October 2008 (Reprint B0809D).*

*“Leading in an Uncertain World: Make Better Decisions (and Make Decisions Better),” BSR May–June 2009 (Reprint B0905C).*

*“Maximize Your ‘Return on Initiatives’ with the Initiative Portfolio Review Process,” BSR May–June 2008 (Reprint B0805C).*

REPRINT #B1201D

<sup>3</sup> L. Bryan, “Just-in-Time Strategy for a Turbulent World,” *McKinsey Quarterly* (2002).