



MANNAZ ARTICLE

Projects bring strategies to life

SURVEY: THE BUSINESS VALUE OF PROJECT LEADERSHIP

SUCCESSFUL STRATEGY EXECUTION

When Mannaz works with businesses to develop project managers and leaders, we focus on successful strategy execution, the speed of innovation, higher project margins and lower write-downs. In fact, we believe that project leadership is one of the most important capabilities in an organisation for generating real business value.

But how do we quantify project leadership and the generated business value? In order to answer these questions, we invited a number of practitioners to share their experiences in the survey 'Business Value of Project Leadership', which was carried out in 2013–2014.

One theme we set out to investigate was if and how projects bring business value. The main findings are described in this article.

Companies often deliver their products, services and solutions through projects, because when a strategy has been formulated it generates several strategic initiatives that cascade into the organisation in the form of multiple projects. In other words, projects bring the strategy to life. The execution of projects is therefore crucial for the success of a company as a whole, which was also evidenced by the survey.

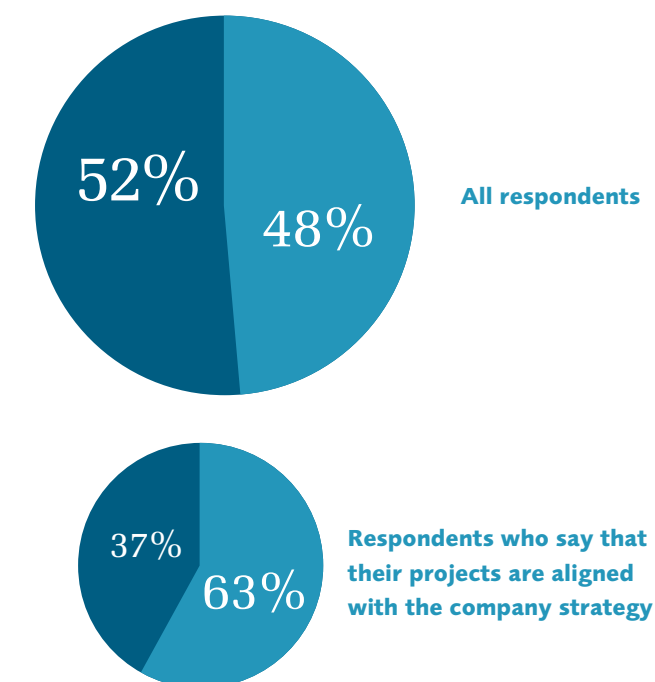


PROJECTS DELIVERING STRATEGIC OBJECTIVES

The vast majority of practitioners – 81 per cent – say that their projects are aligned with the company strategy, and the majority of the respondents find the alignment critical for successful strategy execution.

However, just 48 per cent of the total respondents are satisfied with the actual performance of projects delivering strategic objectives. Of the 81 per cent who believed their projects were aligned to the corporate strategy, the number is slightly higher: here 63 per cent are satisfied with the performance of projects delivering strategic objectives. Therefore, there seems to be a correlation between aligning the strategy with projects and the ability to successfully deliver business value. However, aligning projects to strategy is not the only criterion needed to deliver business value from projects.

Figure 1: *The more projects are aligned to the strategy, the higher the satisfaction with project performance*



- Percentage of respondents who are satisfied with the performance of projects.
- Percentage of respondents who are not satisfied with the performance of projects.

According to the survey the most important – but also the most challenging – prerequisites in ensuring projects deliver strategic objectives are:

- Defining KPIs and securing the alignment around the purpose and objectives with stakeholders
- Having clear roles and responsibilities
- Ensuring that the necessary resources are available to avoid constraints
- Meeting the lack of predictability with flexibility and agility
- Keeping costs down and, for delivery projects, keeping margins at a satisfactory level.

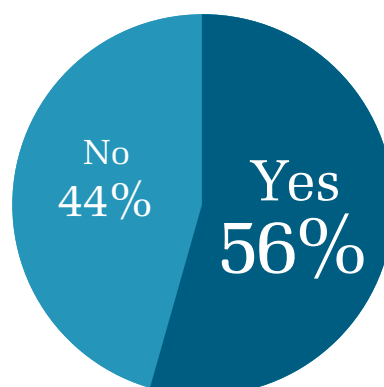
Figure 2: *Top five prerequisites to ensure projects deliver strategic objectives*



THE 'WE CAN'T' MENTALITY OFTEN RULES WHEN IT COMES TO MEASURING THE VALUE OF PROJECTS

Projects are selected and prioritised, if this happens at all, based on projected future benefits. But once they have been set in motion projects are often measured on deliverables and rarely on the realised benefits generated from deliverables. A significant number – 44 per cent – also responded that they don't measure the business benefits of projects, and many of them believe it is impossible. On the other hand, 56 per cent answered that they are able to measure the value generated from projects, which also corresponds to our experience. However, it is easier said than done.

Figure 3: *Do you formally identify and measure business benefits from projects?*



There are many factors within and outside the project which may affect the actual realised benefits. When an initiative is launched, the baseline and success criteria are agreed up front. Examples include launching a new product, where the number of new customers and revenue are measured, the implementation of a new IT system, where the number of users is measured and the implementation of a leadership development programme, where employee satisfaction is measured. In all these examples it's important to remember that the results can be influenced by several factors. In the same way project leadership can be assessed: by measuring relevant project KPIs in a certain period.

A good place to start is to look at the business case for the project and make sure it is signed off and that there is continual feedback and communication with all stakeholders. And that's where the shoe pinches, as the 44 per cent who do not measure the benefits of projects also don't prepare business cases with clear KPIs for their projects. This means, that when time comes to measure the harvest of project deliverables, no one knows **what** to measure or **how**.

LUCKILY, THERE ARE MANY PEOPLE ACCOUNTABLE

Another major challenge related to measuring benefits of projects is the lack of clarity of roles and responsibilities in the project, which results in everyone being responsible and thus no one is really held accountable.

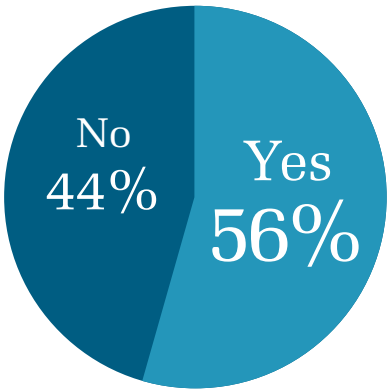
Only 37 per cent answered that the accountability for benefit realisation lies with the steering committee or project sponsor and not the project manager. But it is the steering committee or sponsor that has the necessary authority and mandate to take decisions and to change priorities if needed to secure the expected benefits during project execution and after project closure. In addition, often the benefits from a project delivery are gained several years after the project is terminated, which is also why the business has to be accountable, and not the project manager. See figure 4.

Figure 4: Who is accountable?

Steering committee /sponsor	Project manager
Purpose	Deliverables
Meeting the success criteria	Meeting the acceptance criteria

Formal steering committees or boards with similar responsibilities are found in 56 per cent of respondents, which indicates a huge risk that many projects live a quiet life with no top management focus and obligations to deliver measurable business value.

Figure 5: Are steering committees or boards used to formally ensure top management focus more on projects?



With no top management focus there is no interest in measuring the benefits. The value is often different from what was in the original business case because things change (and they are meant to change, as we grow wiser). If there is no management focus, who wants to be accountable?

THE USUAL SUSPECTS

A lack of resources is a challenge mentioned repeatedly in the survey, and it is not unusual that good project managers are working on multiple projects simultaneously while they continue to cope with daily operational tasks. Just 15 per cent have a centrally-allocated function with project resources to draw on in order to maximise benefit realisation and avoid unnecessary drains on department resources.

There is a tendency that a lack of resources and competencies required for effective project management is more pronounced on internal projects than on external projects, where businesses delivering projects to customers (e.g. consulting and construction) are better at prioritising recourses on business potential and availability.

‘LUCK FAVOURS THE WELL PREPARED’...

The financial situation in the last five years has led to an increased pressure to deliver positive financial results, often in volatile markets and in industries characterised by rapid technical developments. This calls for flexible strategising, and many organisations have already replaced 3-5-year strategy plans with 6-12-month plans. Likewise, the business value from projects is more likely to be realised with flexible planning, where projects are lead in a strategic context. Project managers who master change management and have a commercial mindset are able to act quickly on both social and market factors that can influence the project. Project managers with these project leadership competences are more likely to deliver the expected value and will therefore become the experienced and valued project managers of tomorrow.

PROJECTS DO DELIVER BUSINESS VALUE – YOU JUST HAVE TO FOCUS ON IT

Under the right circumstances, organisations have a lot to gain in terms of securing the business value of projects. The few companies in the survey who not only have aligned their projects to the corporate strategy but have also developed business cases and have ensured sponsorship with ongoing monitoring of the outcome of projects, have gained a lot in return in the form of learning key information to constantly improve future business case estimates. They have proved that teaming up with stakeholders (internal or external) to understand and act on core needs and ensure commitment to project objectives will generate increased business value such as improved margins, reduced write-offs, increased revenue and client satisfaction.

If you would like to learn more about the survey or how Mannaz can support your organisation in Project Leadership please contact:



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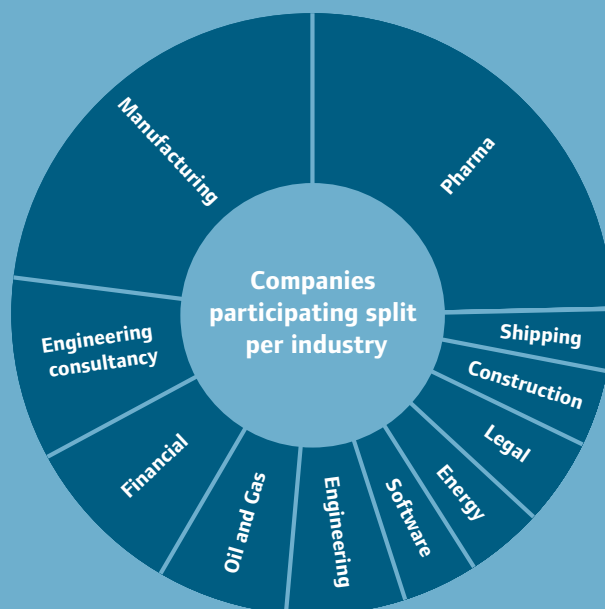
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ABOUT THE SURVEY: BUSINESS VALUE OF PROJECT LEADERSHIP

- 45 practitioners from 30 international companies participated in the survey.
- The survey is based on semi-structured interviews, following a fixed questionnaire around the following themes:
 - Strategy execution and projects
 - Tactical orientation, programmes and benefit realisation
 - Project environment, uncertainty and complexity
 - Project leadership, capabilities and competences.
- Answers have following been clustered and quantified to draw conclusions.
- The survey was conducted in 2013/2014.



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