



# The business value of project leadership

A Mannaz project management survey

# Executive summary

**Project leadership can – and does – deliver high value to organisations, where executives and senior management consciously create the context that projects deliver strategic objectives.**

This is the key finding to emerge from Mannaz survey on the Value of Project Leadership, conducted over a period of eight months from September 2013 to April 2014. Data for the survey was gathered from 48 interviews with project management professionals or senior executives (primarily from European companies) in a wide range of industrial sectors.

The information we have collected forms a coherent picture about the way projects are embedded and led in a diverse cross-section of industries. From 36 topic areas across the spectrum of project management, four key findings emerge:

1. **Complexity is frequently evident in the project environment.** Typical symptoms of complexity included ambiguous project goals, unclear and changing internal and external allegiances affecting the project, frequent resource allocation changes, non-alignment of the prioritisation of projects between key stakeholders, and rapidly changing market conditions.
2. **A strong connection between corporate strategy and projects facilitates project delivery.** When senior and executive management make a direct link between corporate strategy and project delivery (projects delivering strategic objectives), there is often a real sense of empowerment in the project leader community. Project leaders then operate and are regarded as senior business people.

3. **Delivery of business benefits is often poorly accomplished.** This is despite projects successfully achieving the objectives set for them. Accountability for the realisation of benefits rests with the sponsor, and benefits typically only begin to accrue after the project completes. We suspect many organisations lack clarity on this fundamental aspect of the sponsor role.
4. **The application of ‘standard’ models of project management must be adapted to suit the specific organisational context.** It’s clear from the survey that project structures, processes, and practices are most effective where they are adapted to meet the organisational context, and particularly where that context has been consciously set to facilitate projects to deliver effectively. We find that there is no such thing as a standard project model.

## THE VALUE OF PROJECT LEADERSHIP

*The key competencies to deliver projects in complex situations are wide, business-orientated, and predominantly people-focused. The value project leadership can bring is fundamentally the value associated with the successful achievement of corporate strategic objectives in a complex world. Many organisations unconsciously recognise the value project leadership brings, but do not consciously ‘allow’ this value to be surfaced and reflected in the political environment. Organisations that promote, build, and recognise project leadership as one of THE core organisational competencies will gain significant competitive advantage.*

It's worth noting the wide range of business-orientated competencies identified as vital for effective project leadership. The full list of competencies can be found in Appendix 2. The table below shows the competencies most often desired in project leaders.

Reflecting on these key findings, in the context of the survey information, leads us to conclude there are three implications for firms that want to maximise the value they can achieve through their project management models and project leadership competencies.

### **1. Consciously adapt the organisational context to reflect the degree of complexity in the project delivery environment**

It is clear that complexity exists in project environments – and in many cases, almost by default, firms recognise that complexity needs ‘non-standard’ approaches to project management and project leadership.

*Executive and senior management need to understand the impact of complexity on managing projects successfully, and actively ensure an organisational context is created that supports project leaders, including:*

- Structures adapted for complexity, such as project governance, stage-gate control, project team formation, steering committees, etc.
- Processes and practices that are fine-tuned to the actual need of projects in the specific circumstances of the firm – ‘standard’ project processes and practices are unlikely to provide maximum operational effectiveness.
- Roles and responsibilities defined to reflect the drivers of, and impacts from, complexity within and outside the organisation.

### **2. Directly link achievement of corporate strategy to project delivery and improve benefits realisation**

Where projects are seen as the mechanism for delivery of strategic objectives, a clear link is established between corporate strategy and project delivery. This clear connection gives ‘soft’ power to the project community, as resisting the project leadership’s effort to deliver is seen as resisting the corporate strategy.

Sometimes the link to business benefits that need to be realised to achieve the strategic objectives is also made by senior management, although this is far less commonly understood. *Raising awareness and building processes to ensure business benefits are more consistently realised after project completion will make a major impact on the effectiveness of projects to deliver strategic objectives.*

#### **MOST DESIRED COMPETENCIES IN PROJECT LEADERS**

1. Effective communication
2. Business acumen
3. Commercial acumen
4. Goal-orientated
5. Motivated
6. Project management tools
7. Stakeholder analysis/management skills
8. Clarity
9. Political skills/flair
10. Provides direction
11. Drive and energy
12. Ability to create trust

### **3. Project leaders need to have wide-ranging and business-focused competencies**

Clear and direct linking of corporate strategy to projects tends to create contexts in which project leadership is valued. Competencies for project leaders most cited in the survey are the ability to communicate effectively, having business and commercial acumen, being people-orientated, as well as having operational flexibility and political skills. Additionally, project leaders are also often expected to be able to use relevant project management tools, either from the project management toolbox provided through the firm’s project model, or ones that they invent or borrow from others. *The key point is that the complete set of project leadership competencies is totally dependent on the organisational context created by senior and executive management.*

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# The value of project leadership

## Introduction

Mannaz conducted a detailed survey on the business value of project leadership over a period of eight months from September 2013 to April 2014. The data for the survey was gathered from 48 interviews with project management professionals or senior executives from primarily European companies in a wide range of industrial sectors: automotive, construction, engineering consultancy, energy, engineering, finance, legal, manufacturing, biopharmaceutical, oil and gas, shipping, software engineering, and food and beverage. The size of the firms ranged from 1,100 employees to 550,000 employees, with turnovers from €209 million to €193 billion.

The information we have collected paints a coherent picture about the way projects are embedded and led in a diverse cross-section of industries. The issues reported in the first section of this paper start with a description of the overall context in which projects are delivered, moving onto the importance of a strong link between corporate strategy and project delivery, then to the importance of context in the shaping of project models (the structures and processes within which projects operate), to the criticality of specifying 'correct' context-dependent project leader competencies for a given organisation.

The second section goes on to identify key emergent findings from the survey, particularly related to the connection between the value of project leadership and the organisational context created by executive and senior management.

Finally we discuss the implications of these findings in the pursuit of maximum value creation by, and through, project leadership.

There are two appendices providing information on the survey data, and a list of project leader competencies gathered from the firms participating in the survey.

Throughout the report you will find a number of quotes from the project management professionals and senior executives participating in the survey. I would like to thank every one of the interviewees for their contribution without which the research and this report would not have been possible.

I hope you find this report stimulating as you contemplate the future development of your own firm's approach to delivering strategic objectives through high-value project leadership. I and my team at Mannaz are ready and willing to engage with you on anything you find of interest in this paper – please contact us!



**Claus Havemann Andersen**  
Executive Vice President  
Project Management, Mannaz A/S

# Issues identified from the project management survey

The data collected from the survey interviews comprises over 600 statements about the management of projects. When these statements are analysed, 36 groups of topics emerge; some very large (complexity, strategic links, project leadership competencies, project model), some were very small (AGILE methodology, knowledge management, supply chain) and the remainder somewhere in between. In reality, the large groups break down into several related topics. It is the information in the large groups of statements that inform the bulk of the findings reported here. (Appendix 1 contains a detailed breakdown of the groups formed from the complete set of statements.)

## MANAGING PROJECTS IN COMPLEX ENVIRONMENTS

No fewer than 26 companies actively identify complexity as a defining aspect of the world in which they deliver projects (of which nine actively classify projects by their complexity, and use that classification to adjust how they manage those projects). Many people we spoke to discussed complexity and its impact on projects. We did not seek to get a common definition of what was meant by the word complexity, but instead asked what the sources of complexity were. Five common themes arise:

### 1. Uncertainty

Although ‘uncertainty’ is something of a catch-all description, the phrase most often used to describe the phenomenon was *‘dealing with the unknown unknowns’*. These unknown unknowns by definition will arrive as complete surprises, and often have a huge impact – including the cancellation of projects or other significant detrimental effects. The impact created on projects by insecurity and lack of predictability is significant. Strongly related to the issue of uncertainty is the management of risk and opportunity, and this is discussed later. But the hard fact is that managing risks and opportunities will not reduce unknown unknowns. All the other themes related to complexity can be seen through the lens of uncertainty.



*We try to predict where the problems are, both when they arise, and before they arise. But where should we focus? We lack predictability.*

### 2. Internal political behaviour

The political environment in which projects operate is frequently unpredictable and driven by many different factors, including resistance to internal organisational change, the existence of too many projects to adequately resource in order to achieve planned objectives, multi-location (or ‘virtual’) project teams, and the existence of ‘pet’ projects (projects driven through, or even bypassing, the selection process solely or mainly due to the advocacy of a powerful individual). Projects delivered externally also have to deal with the political situation within the client’s environment as well as within the ‘home’ company. Political behaviour can only be dealt with by personal interaction and effective marshalling of stakeholders. It is important to realise that politics in and of itself is simply a fact of organisational life, and does not imply either a negative or positive impact. Politics is seen by most people as unavoidable in the context of projects.



*The political and stakeholder situation creates uncertainty and complexity.*

### 3. Stakeholder influence

With flatter organisational hierarchies, more work being organised as projects, and an expectation generally that all employees contribute insight and knowledge to the working environment – directly or indirectly – projects involve many more stakeholders than was the case even 10 years ago. It is clear from the survey that the ability to effectively identify, analyse the intentions of, and safely marshal stakeholders is a critical project activity. It is also understood that the stakeholder community in project environments creates a great deal of complexity – and therefore at times stakeholders will behave quite unpredictably.



*To make a small change is very difficult, because of the many decision makers: to change everything is easy, as that decision is made by one person.*

#### 4. Cultural impact

Different expectations of what is considered ‘normal’ are frequently driven by culture, at national, racial, and organisational levels. Even on relatively small and contained projects, we expect project leaders, team members, and stakeholders to have multiple different cultural expectations. Even understanding the particular cultural expectations of an individual can be a challenge. Extrapolating this idea to large, multi-site, multi-year, technically complicated projects, and high-cost (and low-margin) projects makes clear how enormous complexity can be introduced into projects.

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*Mostly we work in multicultural teams. Danish, Swedish, and German people tend to see the same issues in different ways. It is important to take account of the impacts of this on our project.*

#### 5. Market convergence

Uncertainty and complexity in the market have a significant impact on projects: more obviously on those delivering externally (either business-to-business, such as construction and engineering projects, or in business-to-consumer, such as new product development projects). The changing market means that it's often unclear what product will be needed from the start of the project, or that the expected product changes significantly over the life of the project, or the expectations of an external business customer (e.g. on a construction project) change dramatically in the time frame of the project. In addition, there is significant market convergence. Differentiation of products is more difficult, as margins that can be earned are constantly shrinking. These factors all lead to additional complexity being generated for projects, on top of the uncertainties, stakeholder-, political-, and culturally-generated complexities the project is already facing.

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*We are working in a moveable market – the goals change from start to finish.*

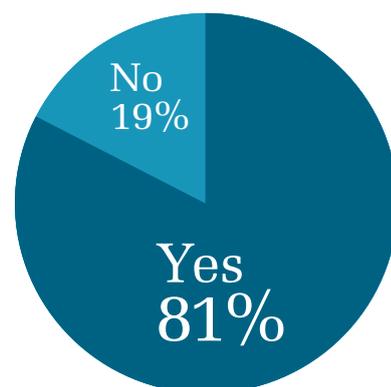
#### STRATEGIC LINKS

A significant number of companies in the survey (29) make a direct connection between corporate strategy and the projects created and run to execute the strategy. The strength of the connection varies from strong and direct (*‘Projects are considered to be strategy execution; if a project is not linked to a “Must-win battle” there is no project!’*), to obvious (*‘There is a clear link between projects and strategic goals’*), to a general agreement that links exists (*‘I think we do [link strategy to projects]. Projects do support strategy’*).

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*This is a finely-tuned process: every year the overall strategic action plan is converted all the way through the business units [into projects]. The process gives a pretty good knowledge of the strategy in the organisation and a clear picture of project priorities.*

**Figure 1:** Are projects initiated based on a strategic fit?



#### The importance of context setting for project delivery

The connection between corporate strategy/strategic objectives and projects is facilitated by senior executives. They understand the critical importance of effective project delivery to the achievement of strategic objectives. This is important because the direct involvement of senior management in linking strategy to projects does several things to create the context for project management:

1. Clarity is established within the organisation that successful project delivery is critical to the achievement of strategy – and hence it automatically empowers the project community.
2. Resources (money, people, equipment, etc.) are allocated to projects more effectively; normally through the portfolio management process.
3. Monitoring and reporting of project progress is considered an important business activity, and is emphasised.
4. Organisational architecture that supports projects tends to be better defined, including governance structure, team structure, and project and portfolio processes (the Project Model).
5. Acknowledgement of the needed competencies to lead projects is more likely to occur among senior managers and, in some cases at least, there is acceptance of the need for project leaders to exhibit significant flexibility in how they ‘get projects done’.

The importance of senior management attitude to strategy execution, and hence in the creation of the organisational context in which projects exist, is reinforced by negative examples. In organisations where senior management don’t actively support the links between strategy and projects, project delivery suffers. Unhelpful changes to project objectives can be difficult for project leadership to resist, the project community are not engaged in project initiation/project strategy early enough or at all, and progress can be slow, difficult, and ultimately lead to failure.

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*Many projects are driven by changing external conditions; there is a mismatch in the projects relative to strategy. The projects are short-sighted, the focus changes, and they are not carried through completely.*

#### Resourcing projects effectively to deliver strategy

The portfolio process is a mechanism to ensure the *right* projects actually exist to deliver the strategy, as well as to allocate resources to the set of projects that will best achieve the strategic objectives. Additionally, the process

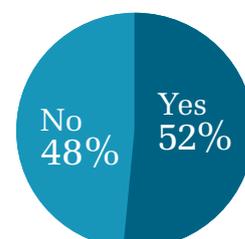
prioritises projects to ensure the most important ones receive priority of resource allocation, and priority of decision-making by senior management. The portfolio process is also a tool for driving regular and consistent project progress reporting.

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*Our advanced portfolio management system... allocates budget to projects chosen to meet strategic priorities. Everybody can see status of the projects on cost, scope, and risks.*

Interestingly, even in the companies in our survey where there is a clear link between strategy and projects, not all operate a formal portfolio process. And in some of those that do, they don’t make a very good job of it. (Firms delivering a pipeline of new products to market almost always operate a portfolio process, some with more success than others.) An issue repeatedly mentioned is the lack of consistent, reliable data from projects into the portfolio. Without a ‘single source of true data’ it is difficult to make consistently good, rational business decisions about resourcing, prioritisation, etc. at the portfolio level. The upshot of the lack of clear prioritisation of projects is that resource allocation is haphazard, and project progress is seriously impacted. Especially in firms with a weak matrix (where the project manager has little authority compared to technical function management), resource prioritisation can be ignored by the functional departments. Getting resources onto projects in those situations is almost entirely dependent on the ability of the project leader to influence function management, rather than on rational business decision-making.

**Figure 2:** Does your organisation kill projects from time to time?



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*Resource allocation is done through the prioritisation of projects... but we don't do this on a fact-based foundation. Also, the functions prioritise differently [to the projects]. We have built-in conflicts of interest. When it does work, it is due to personal relations.*

The final important finding related to managing the portfolio of projects is that many firms struggle to kill off projects that are no longer needed, or are under-performing. The cause of this appears to be two-fold: in cases where there is no effective portfolio process there is no mechanism of really knowing what is happening to the set of projects that exist (reporting is not enforced by the portfolio) – under-performance or loss of relevance of projects never surfaces; and in cases where there is a portfolio process, inconsistent decision-making criteria are often the culprit – if the basis against which portfolio decisions are made is not clear and agreed, the need to kill a project can be fudged (that is to say ‘reasons’ can be found to *not* kill the project). Especially in organisations where it is not easy to report failure, projects that need to be killed for good reasons may be kept on life-support indefinitely! Failure to kill unneeded projects leads to resources being wasted, and significant frustration can build up at all levels of the firm, as needed project work is de-prioritised in favour of allowing unnecessary project work to be done instead.

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*We have many open projects that we know won't be completed... the consequence is resource drain. And it costs money and frustration. People are busy but they don't accomplish anything.'*

### Delivering business benefits from projects

Our survey identified a significant difference in the idea of what project value means: internally-delivered projects talk of delivering *business benefits*, while externally-delivered projects are focused on the *value* of the project, i.e. what margin will the project earn. This difference is perhaps inevitable as internal projects *don't* earn a margin on what they deliver. The connection with value delivered to the firm is much more distant – the value is achieved in financial terms through an improvement in the company's performance as it achieves its strategic objectives.

Figure 3: Are projects based on business cases?

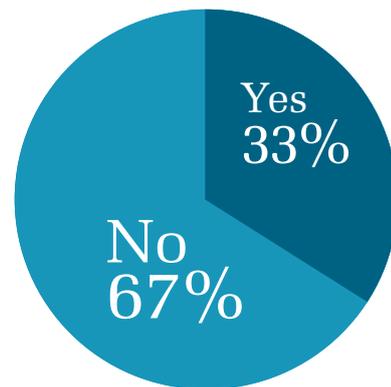
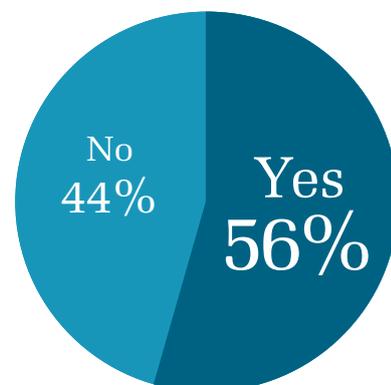


Figure 4: Do you formally identify and measure business benefits from projects?



This lack of a direct connection between project and financial performance may be explained by the frequent lack of effective benefit management processes in many of the firms we surveyed. Even when business benefits are identified for internal projects and included in the business case, the work to ensure the benefits actually

materialise is rarely carried out. There is often simply no follow-up on benefit realisation (bringing benefits into the organisation to earn value for the firm), and little accountability for the benefit realisation: ‘The project is finished, let’s all move on’ seems to be the mantra. The result is a systematic lack of focus on the real benefits achieved from projects – meaning that high-quality deliverables from such projects are often not put to as good use as they could be. The project was a success, but business benefit was not fully (or, in some cases, at all) achieved. That’s just wasting time, money and scarce resources.

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*We request that projects have value for the business, but there is no follow-up on projects, and no follow-up on benefits realisation.*

For projects delivered to external clients a different pattern emerges: understandably, the project manager is highly focused (hopefully) on ensuring the ‘*sold margin*’ is achieved (the margin the project is expected to earn for the agreed contract price). The downside of this is that there is often no significant focus from the project team on the business benefit *the client* is expecting to achieve from the project. This leads to a lack of alignment between client and project team, and too often a breakdown in the relationship between the parties. The balance between delivering margin and achieving clients’ business benefits must of course be carefully managed – but these are not mutually exclusive objectives. (Client advocacy by the project manager within his/her own firm is one serious response to improve this situation.)

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*It is the project managers that create surplus or deficit on the project. Good project management ensures our bottom line.*

#### **Ownership of projects**

The final aspect of linking projects to strategy is the ownership of projects – by which we mean ownership

of the business benefits/value that a project is expected to deliver. The issue of project ownership ought to be fairly clear in a firm. If the project is internal, it exists to deliver all or part of a strategic objective. (If it doesn’t pass that test, the project should not exist.) A senior executive will have accountability for the achievement of the particular strategic objective to be addressed by the project. Therefore there should be a clear and direct link between the executive accountable for the strategic objective and the person responsible for ensuring the project(s) deliver to meet that strategic objective. All too frequently accountability in this manner is diffuse and not concentrated on one individual, leading to a lack of direction for projects.

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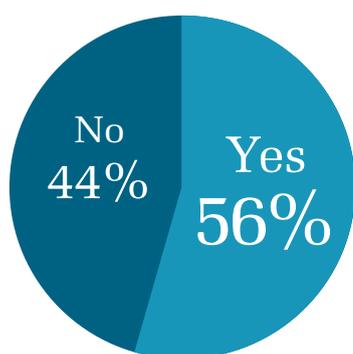
*The HR director says to the board, “We want this system for HR”, and that director is the project owner.*

The link between executive and project leader is the project sponsor (the executive may take the role of sponsor, but it’s often delegated into the general or line management strata). This means the role of the sponsor is clear: *to ensure the project is set up correctly, is well-managed, and that the business benefits are achieved.* Our survey showed distinctly mixed competence in project sponsorship. Many firms reported that project sponsors are disengaged from the project, and frequently don’t recognise in their role the continued need for a sponsor after project completion. Often sponsorship exists at high levels in the business, and the executives have little time to devote to the projects. Where there is a clear and well-defined project sponsor role, business benefits are described better in the project business case, and benefits more effectively realised – the project owner and project sponsor (where they are different people) have a personal investment in the performance of the project, and a direct interest in the realisation of benefits, because those benefits are bringing about the achievement of corporate strategy.

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*Sponsors are ambassadors on the surface, but know little about the project.*

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



In projects delivering to external clients the project owner is typically considered to be the client, and accountability for commercial performance of the project normally lies with business unit heads in the company delivering the project.

### ORGANISING TO DELIVER PROJECTS

Organisational structures, processes, practices, and communication channels together form the project model within a given firm. These aspects of operational delivery are strongly related to each other. Evidence from the survey demonstrates that the project models in use are frequently far from the ‘standard’ project models found in the various project management bodies of knowledge. Although the starting point for the way projects are organised may be some notion of a standard project model, the actual, in-use models have been flexed, adapted, and contextualised to the needs of the specific organisation. In at least one firm in the study the concept of organising for project delivery is dismissed as unnecessary, and project managers don’t even have that title.

#### Structure

In many firms organisational structure to support project delivery has emerged from predominantly line-driven structures. To some extent this is inevitable, as the move towards project-orientation has happened after the establishment of the predominant operating model of the company, based on the technical specialisation the company relies on (banking, drug development, automotive, construction, engineering, professional services, etc.). As the idea that projects deliver strategic objectives has spread across industries, so structures to facilitate effective project delivery have evolved

within each firm. What appears in the survey data is that organisations that are focused on *projects delivering strategy* have also more consciously-built structures (and processes etc.) that support effective project delivery. (There is also some tentative evidence that lower-margin industries build project models more consciously and deliberately than higher-margin industries.) It is a self-evident truth that the way an organisation structures itself is determined by executive management. Therefore it is obvious that structures consciously created to support project delivery are the result of executive and senior management attention and management action. When the most senior strata of an organisation understand that projects deliver strategy, they organise the company to deliver those projects effectively.

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*The projects are highly effective. They are closely linked to strategy and have management focus. The Stage-Gate model ensures that projects are monitored continuously and issues are handled proactively.*

Conscious attention to structure also helps to ensure accountability and ownership for projects are properly allocated. In these firms the executive and senior management responsible for achieving strategic goals have accountability for the delivery of projects to achieve those goals, and they have an organisational structure that reflects this. Where the accountability for strategy is diffuse, structures are less clear, and so is the accountability for project delivery.

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*We have a growth strategy and our organisation has to support this growth. We need further alignment between the silos/kingdoms and a clearer strategy to follow. We need clearer structures and processes and we need systems that work together.*

### Processes and practices to support project delivery

Significant differences in the consistency of project processes exist within the firms we surveyed. Some organisations had little in the way of ‘standard’ formal processes, with project planning, risk management, and reporting carried out differently by different teams. Other companies had project processes that were mandatory, with significant pressure applied to teams to comply with the organisational standards. The third arrangement identified is organisations that have relatively limited mandatory processes and reporting – normally related to financial performance – and expect project leaders to use relevant processes and practices to carry out the project.



*Business process management supports the largest projects and leaders. They have manuals and guidelines for “good project leadership”, which are ISO-certified. It gets increasingly difficult to deviate from corporate standards.*

The interesting finding from the survey is that the degree of standardised process and practice did not appear to predict the performance of the projects, or the overall success of the business. In some cases the firms wanted more processes to bring better control to project performance, but in others the degree of freedom *to do whatever it takes* to get projects delivered is deliberate, and is seen as a positive approach to deal with wide-ranging complexity in the operating environment. This does not mean to imply that some of the firms we surveyed did not want to create further standardisation: some do. It does seem to be the case though that there is an optimum level of standardisation of process and practice that suits the specific situation in each organisation. Finding the exact degree of standardisation leads to maximum operational efficiency.



*There is a model, I’ve heard about it – but I work on experience and gut feeling.*

One particular topic that cropped up frequently in the survey is the management of risk. Many firms in the survey have a strong focus on risk in their projects (and see risk as only having a negative impact on projects), with very few recognising that inherent uncertainty also brings upside opportunities to projects. In some organisations the level of risk expected in a project is reflected in the use of range estimating (where single-point estimates are shunned in favour of three-point estimates, i.e. optimistic/realistic/pessimistic) for time and budget – but, interestingly, not for estimated value to be created. Quite a wide range of sources of risk are identified, including political, financial, technical and management competence, resource, legal, safety, and so on. Some project teams also include the steering committee and sponsor in their risk analysis, which perhaps reflects the risks presented by the complexity of internal politics. Most firms surveyed either had sound risk management processes, or had a desire to have a better and more formal approach to manage uncertainties. The identification and maximisation of opportunities is one aspect in the management of uncertainty that deserves more attention.



*Our sponsor can be a major risk and so can the steering committee; planning risks where we have a lot of input from different sources creates uncertainty.*

### PEOPLE DELIVERING PROJECTS

Given that the purpose of the survey was to understand the business value of project leadership, it is not surprising that we collected a lot of information on the people side of project management. The main topic areas are: professionalisation of project management, training, and career progression; the shortage of high quality project management talent; and the competencies needed to be a successful project leader.

#### Professionalisation of project management, training, and career progression

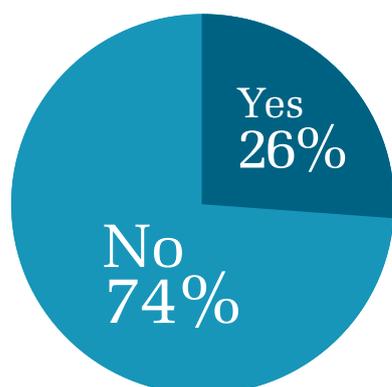
Project management academies exist in several of the firms we surveyed. Others had no developmental courses whatsoever for project leaders, and see no need for specialist training. Some of the academies are run

by external support firms, some are entirely staffed by internal people, and others operate with a combination of external and internal trainers. Many of the organisations that do provide training for the project leader community also ask their people to attain a certain level of certification, typically IPMA (International Project Management Association) or PMI (Project Management Institute) qualifications.

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*The academy is not targeted at project leaders enough – it should not be a tools course. They need a common language and leadership tools to get a platform for development.*

**Figure 6:** Does your organisation support, acknowledge and reward good leadership in projects?



The level of certification asked for rarely matches the desired level of expertise and project delivery performance required. The most common certifications are PMI's PMP, IPMA Level D, and PRINCE 2. These qualifications are all generic by their very nature, and are based on relatively linear approaches to project management: aspects of complexity in project management are only fleetingly referenced. These qualifications are based on the ability to retain 'standard' project management knowledge, with some evidence of competence needing to be demonstrated. This is a strange situation: project leaders in the firms surveyed were,

in most cases, being asked to manage projects that are understood to be delivering parts of corporate strategic objectives, in environments acknowledged (by some) to be complex, and yet certification is required at no more than a relatively basic level. A closer inspection of the courses that project leaders are attending however helps to clear up the apparent disparity. Project leaders, either within firm's own academies, or by attending external training, are learning about change management, working in the matrix, presentation and communication skills, and in many cases attending standard (i.e. non-project-based) leadership courses. This appears to again confirm that the project community, and in some cases executive management, consciously recognise the need for project leaders to have competencies to help them manage projects in complex environments, where resorting to 'standard' project processes and practices can only partially ensure project success.

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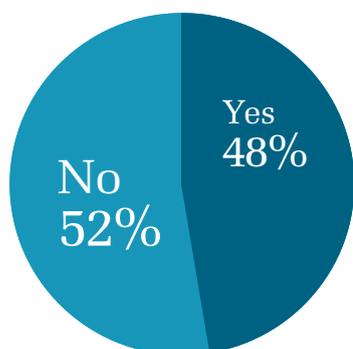
*You don't need formal training; it all depends on strengths. They need to know what they don't know, and to have a minimum knowledge of industry, gained through experience.*

Formal career progression pathways for project leaders vary enormously, from those which are defined and clearly aligned to line management pathways to those which are non-existent. The extent to which formal pathways have relevance where they exist also varies. Some firms recognise the value of the project leader pathway, and actively move people up through the various levels of expertise and competence, but in other organisations the pathway is not considered important or particularly relevant for achieving senior management levels. Although there is no direct correlation across all the firms we surveyed, there is some indication that formal career pathways for project leaders are considered more important where these people deliver external projects to clients – where they clearly are accountable for delivery of margins. Project leader pathways for people delivering internal projects are sometimes seen as relatively unimportant.

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*There are few positions for advancement – either you are a line manager or a specialist. This is a challenge with the new generation that want to move quickly to something different.*

**Figure 7:** Is there a career path for project managers?



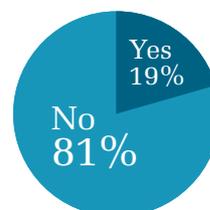
### A shortage of high-quality project management talent

The inability to resource projects with high-quality project leadership is a recurrent theme in the survey. In general terms, there appears to be a lack of sufficiently skilled and experienced people available. The lack of the right people in the right positions leads to multiple issues with project delivery, such as constraints on growth into new geographies and product areas, sub-optimal sizes of product pipelines to meet demand, more ideas than people capable of delivering them, poor delivery due to over-commitment of project leaders (meaning attention paid to multiple projects is insufficient to guarantee effective performance), and more generally unpredictable business performance.

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*Resource allocation is a major challenge... we have scarce resources and competencies. In this respect it is a challenge for the project manager not to over-commit.*

**Figure 8:** Do you formally identify project management talents?



Some firms consciously and deliberately use the career pathway as a route for the development of project leaders, with attention given to ensuring sufficient people will be available to meet future demand. This is far more prevalent where the firm delivers external projects, where it is much clearer to senior management that the failure to build a pipeline of project leader talent will directly impact on the ability of the firm to deliver margins. These firms are actively looking for ‘young shining hopes’ to become the project leaders of tomorrow. The challenge is to take these future project leaders from technical specialist roles (often with some experience contributing to project teams) and develop their competencies in managing people in projects – which is quite a different skill set.

### Competencies needed to be a successful project leader

The survey asked firms to list the core competencies needed to be able to operate effectively as a project leader in their organisations. A very wide range of answers was provided, covering an enormous spectrum of the ways in which people need to behave to be successful in the companies in the survey.

**Figure 9:** Most desired competencies in project leaders

1. Effective communication (x14)
2. Business acumen (x11)
3. Commercial acumen (x10)
4. Goal-orientated (x10)
5. Motivated (x10)
6. Project management tools (x9)
7. Stakeholder analysis/management skills (x9)
8. Clarity (x8)
9. Political skills/flair (x7)
10. Provides direction (x6)
11. Drive and energy (x5)
12. Ability to create trust (x5)

The wide range of needed competencies is a vital finding in itself – the competencies needed by a project leader in a given environment must be contextually matched to what is required in that specific environment. Several firms expect that project leaders should be able to use project management tools (work scoping, estimating, scheduling, budgeting, resource management, risk and opportunity management, etc.), but this requirement is swamped by the sheer number of competencies that are associated with the ability to understand and operate in a strategic environment.

Figure 9 shows the most frequently mentioned project leader competencies from firms in the survey. It is fascinating that the competencies most desired of project leaders are focused on the ability to operate effectively within the commercial and business community of the organisations we surveyed. The relative importance of the highly-desired competencies matches much more closely the areas identified in recent research on the management of complexity in projects than the ‘standard’ publicly available professional project manager competence frameworks. For example, the International Centre for Complex Project Management identifies the following critical competence areas: strategy; business; change; innovation; organisational development; leadership; culture; and probity. (Other research by Cooke-Davies et al, Smith & Winter, and others comes to similar conclusions<sup>1</sup>.)

”

*We need more generalist project leaders, as they are working with diffuse issues. They need to:*

- *be agile*
- *be intelligent*
- *have drive*
- *have structure*
- *be socially intelligent.*

A clear finding from the survey is that the desired competencies of project leaders are more strategy-, business-, and people-orientated in nature in firms with a clearer and more direct connection between strategy and projects. One of the ways in which these competencies can be seen is where the project leader is focused on the client’s clients, whether they be internal or external clients. The better the understanding in senior management that projects deliver strategic objectives – whether the projects are delivered to internal or external clients – the more business-focused the desired competencies are. This may appear to be an obvious statement, but the implications are significant. *Building a community of project leaders who are able to deliver projects successfully in complex environments requires the conscious engagement of executive and senior management, through the creation of an organisational context in which delivery of strategic objectives is directly linked to the delivery of projects.*

”

*The project manager is the CEO of the project.*

The full list of project leader competencies provided by participants in the survey is provided in Appendix 2.

<sup>1</sup> Cooke-Davies, T., Crawford, L., Patton J., and Stevens, C. (2011) *Aspects of Complexity: Managing Projects in a Complex World*, Project Management Institute. Smith, C., & Winter, M. (2010). *The craft of project shaping*. *International Journal of Managing Projects in Business*, 3(1), 46-60.

## Key emergent findings

There are several key findings that emerge from this survey on the value of project leadership. These relate to the common experiences of survey participants:

- There is often complexity and ambiguity in project environments.
- Effective project delivery is more likely where senior management recognise and consciously encourage the concept that projects deliver strategy.
- Business benefits are frequently not realised effectively due to poor understanding of the sponsor's role.
- Project leadership competencies vary widely, and are dependent on the context within which projects deliver.

”

*It is clear that project leadership can, and does, deliver high value to organisations where there is understanding and conscious input from executive and senior management to set the context that projects deliver strategic objectives.*

### COMPLEXITY IS FREQUENTLY EVIDENT IN THE PROJECT ENVIRONMENT

Complexity as a lens for viewing project management has been appearing in the academic literature for the last ten years or so. Several books have been published on the topic, and the academic journals in the field have many papers covering complexity in the project environment. Our survey has reinforced that project leaders, their immediate bosses, and senior and executive management all identify complexity in the environments in which projects are delivered. The term complexity was not offered in our survey questions – it was a description offered by many people we asked about the challenges they see projects facing. Typical symptoms of complexity included ambiguous project goals, unclear and changing internal and external allegiances affecting the project, frequent resource allocation changes, differing views on the prioritisation of projects between key stakeholders, and rapidly-changing market conditions.

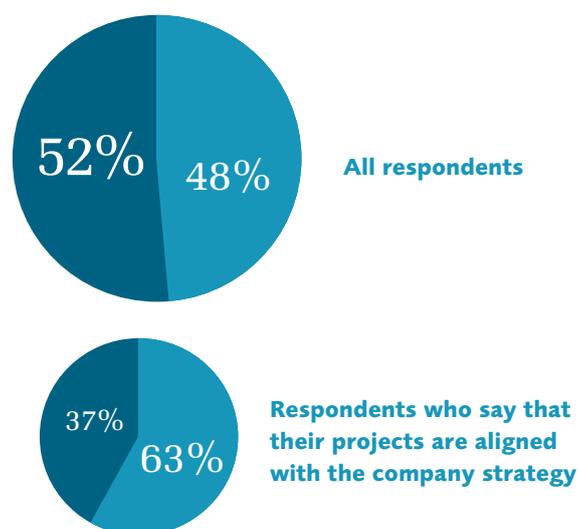
The response that we see to these very difficult and often unresolvable challenges is to require project leaders to

have the sort of competencies that enable project delivery despite the ambiguous and unclear expectations on the project. Project leaders are asked to have high-level competencies in communications, commercial and business acumen, high energy and commitment, be able to operate effectively in a political environment, and motivate teams of people over which they frequently have no formal authority.

### A STRONG CONNECTION OF CORPORATE STRATEGY TO PROJECTS FACILITATES PROJECT DELIVERY

Where senior and executive management make a direct link between corporate strategy and project delivery – projects delivering strategic objectives – there is frequently a real sense of empowerment in the project leader community. The infrastructure to support those projects may be relatively weak, and project leaders and project managers as distinct roles may not even be that obvious; yet often the people asked to deliver projects in these environments are successful despite the lack of a consistent and enforced project model. Project leaders are expected to behave like senior business people, using the competencies normally expected at that level – with the added requirements of being able to motivate teams, and act politically, with little to no formal authority.

**Figure 10:** *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.

There are nevertheless also plenty of firms in our survey where the direct link between strategy and projects has been used, consciously and unconsciously, to facilitate the creation of formal, rigorously-enforced project models and organisational structures. Generally speaking, firms operating in lower margin environments tend to have more well-defined and enforced project management approaches than firms in higher margin environments.

### **DELIVERY OF BUSINESS BENEFITS IS OFTEN POORLY ACCOMPLISHED**

Across many of the firms in the survey, the deliberate and formal realisation of benefits delivered by projects was mostly poorly done, particularly for projects delivered to internal clients. Most companies delivering internal projects required some form of business case, although this was not universally true. The usefulness of those business cases was variable: some firm's business cases seem to be considerable undertakings, with high-quality financial and non-financial assessments required of the proposed project. Other organisations required a minimal business case; more a document, presentation, or statement giving some type of justification for the project. Insufficient attention to the business case did seem to be somewhat correlated to firms with little or no formal portfolio management process. Interestingly, the lack of insistence on formally ensuring a business benefit is achieved does not seem to correlate with the quality of the business case presented. It is this disconnect that suggests to us that the reason is poor understanding of the role of the project sponsor. The accountability for realisation of benefit rests with the sponsor. We suspect many organisations lack clarity on this fundamental aspect of the sponsor role.

For projects delivering to external clients the issue is different. The fundamental driver of the successful delivery of the project is the margin the company will earn on the delivery of the project to the client. (In such cases, the sponsor is within the client – the deliverable from the project will create business benefit for the client.) This ensures a great deal of focus is put on the financial performance of the project by the project leader. The measure of the project in such cases is project value. Companies delivering internal projects could usefully learn from the rigour with which project value is managed on externally delivered projects, although the project value is less directly connected to organisational performance. However, this again *reinforces the need for direct connection between the achievement of strategic goals and the projects delivering those goals!*

We believe this points to a change in the key measure of performance of projects. Continuing to measure delivery of projects to time, cost, and quality/scope should become a second-order measure. A more direct and useful key performance indicator (KPI) for projects ought to be: *the business benefit achieved/due to be achieved by the project*. After all, this is the key measure of success! This could even be reframed to more directly reflect the point of the projects: *Have we/Are we still going to deliver the strategic objective through this project?*

Interestingly, this measure could also be used to assess the effectiveness of external projects: Will this project still achieve our client's strategic objective? Such a measure might build a great deal of trust between the client and the project team, and could support the attitude amongst the project leader community that the real objective is to satisfy the client's client.

### **THE VALUE OF PROJECT LEADERSHIP**

*The key competencies to deliver projects in complex situations are wide, business-orientated, and predominantly people-focused. The value project leadership can bring is fundamentally the value associated with the successful achievement of corporate strategic objectives in a complex world. Many organisations unconsciously recognise the value project leadership brings, but do not consciously 'allow' this value to be surfaced and reflected in the political environment. Organisations that promote, build, and recognise project leadership as one of THE core organisational competencies will gain significant competitive advantage.*

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### **THE APPLICATION OF STANDARD MODELS OF PROJECT MANAGEMENT MUST BE ADAPTED TO SUIT THE SPECIFIC ORGANISATIONAL CONTEXT**

Project models in use in the firms in the survey are wide-ranging, mostly do not conform to 'standard' project models of structure, process, and practice, and reflect the context in which they exist. This is not to say they could not be improved – almost all the organisations in our survey would benefit from improvement in some aspect of their particular model. We were told of highly-structured processes and practices with clear governance structures, that were seen as inflexible and low value-adding, while other firms had little to no formal project models, yet had project leaders with high impact delivering strategic objectives.

A story emerges from the survey that project structures, processes, and practices are most effective where they are adapted to meet the organisational context, and particularly where that context has been consciously set to facilitate projects to deliver effectively. These are contexts where senior management understand the need for projects to deliver strategic objectives – but often have delegated the creation of structure, processes, and practice to project professionals who know best how to organise themselves. We find that there is no such thing as a standard project model.

# Implications for project leadership

The findings from the survey point towards three important implications for the delivery of projects. The importance of conscious active engagement by executive and senior management is emphasised in all three.

*However, it is also critical that the project community help to bring this knowledge and understanding of how to improve project delivery to executive and senior management.* The project community must actively engage and be prepared to build structures, processes, and practices, and create competencies that match the context of complex project environments.

## 1. CONSCIOUSLY ADAPT THE ORGANISATIONAL CONTEXT TO REFLECT THE DEGREE OF COMPLEXITY IN THE PROJECT DELIVERY ENVIRONMENT

It is clear that complexity exists in project environments – and in many cases, almost by default, firms recognise that complexity needs ‘non-standard’ approaches to project management and project leadership. Since we can see that complexity exists, and that in many cases firms are attempting ‘unconsciously’ to adapt to it, the obvious recommendation is that conscious adaptation is made!

The implication is that executive and senior management need to understand the impact of complexity on managing projects successfully, and actively ensure organisational context is created that supports project leaders, including:

- Structures adapted for complexity such as project governance, Stage-Gate control, project team formation, steering committees, etc.
- Process and practices that are fine tuned to the actual need of projects in the specific circumstances of the firm – ‘standard’ project processes and practices are unlikely to provide maximum operational effectiveness.
- Roles and responsibilities defined to reflect the drivers of, and impact from, complexity within and outside the organisation.

## 2. DIRECTLY LINK THE ACHIEVEMENT OF CORPORATE STRATEGY TO PROJECT DELIVERY AND IMPROVE BENEFITS REALISATION

Project leaders work within widely diverse environments, with various degrees of understanding from senior management of their real role in ensuring strategic objectives are delivered. Where projects are positively seen as the mechanism for delivery of strategic objectives, a clear link is established from corporate strategy to project delivery. The clear connection provides ‘soft’

power to the project community, as resisting the project leadership’s effort to deliver is understood to be resisting the achievement of corporate strategy.

Sometimes the link to business benefits that need to be realised to achieve the strategic objectives is also made by senior management, although this is far less commonly understood. Raising awareness and building process to ensure business benefits are more consistently realised after project completion will make a major impact on the effectiveness of projects to deliver strategic objectives.

## 3. REQUIRE PROJECT LEADERS TO HAVE WIDE-RANGING AND BUSINESS-FOCUSED COMPETENCIES

Clear and direct linking of corporate strategy to projects tends to create contexts in which project leadership is valued. One outcome of this is that project leader competencies evolve that reflect the value of that leadership to the business: consequently, projects have a better chance of succeeding.

Competencies for project leaders most cited in the survey are the ability to communicate effectively, having business and commercial acumen, and being people-orientated, as well as having operational flexibility and political skills. Additionally, project leaders are also often expected to be able to use the relevant project management tools, either from the project management toolbox provided through the firm’s project model, or ones that they invent or borrow from others. The key point is that the complete set of project leadership competencies is totally dependent on the organisational context created by senior and executive management, and that the project leadership competencies makes the project management toolbox work.

## INFORMATION ABOUT THE PROJECT MANAGEMENT SURVEY DATA

Topics identified and amount of attention given to the topics by the respondents

AREA	TOPIC	NO OF STATEMENTS	% PER TOPIC	% PER AREA
<b>Complexity</b>	Uncertainty	9	1.7	12.7
	Market	9	1.7	
	Actively classify complexity	11	2.1	
	Portfolio/strategic decisions	12	2.2	
	Culture	6	1.1	
	Politics	11	2.1	
	Stakeholder influencing	10	1.9	
<b>Strategy</b>	Strategy	46	8.6	8.6
<b>Governance</b>	Sponsor/owner	18	3.4	3.4
	Stage-Gate control	3	0.6	
	Executive and senior management	9	1.7	
<b>Project value/benefit</b>	Benefits	26	4.9	13.8
	Value	14	2.6	
	Business case	17	3.2	
	Project strategy	17	3.2	
<b>Project model</b>	Tolerances	9	1.7	20.4
	Front end activities	8	1.5	
	Scope	8	1.5	
	Risk and opportunity management	29	5.4	
	Process model	45	8.4	
	Change control	1	0.2	
	AGILE methodology	2	0.4	
	Structure	7	1.3	
<b>People</b>	Project decisions	5	0.9	33.6
	Performance management	17	3.2	
	Competencies	97	18.1	
	Professionalisation	14	2.6	
	Career	13	2.4	
	Training	23	4.3	
	Shortage of talent	11	2.1	
<b>Extra</b>	Selling project management	9	1.7	5.2
	Regulatory authority	2	0.4	
	Relative value	2	0.4	
	Supply chain	6	1.1	
	Innovation	5	0.9	
	Knowledge management	4	0.8	
<b>Total statements</b>		535		

## COMPETENCIES DESCRIBED FOR PROJECT LEADERS

Total statements = 235

Figures in parenthesis = number of times competence was stated in the survey.

- |  |   |   |
|--|---|---|
| 1. Effective communication (x14)                   | 33. Empathy (x2)                                    | 66. Human understanding                         |
| 2. Business acumen (x11)                           | 34. Facilitator (x2)                                | 67. Identifies danger signs early               |
| 3. Commercial acumen (x10)                         | 35. Finds creative solutions (x2)                   | 68. Influential                                 |
| 4. Goal-orientated (x10)                           | 36. Flexible and adaptable (x2)                     | 69. Integrity                                   |
| 5. Motivated (x10)                                 | 37. Operates at all levels (x2)                     | 70. Intelligent                                 |
| 6. Project management tools (x9)                   | 38. Problem solver (x2)                             | 71. Juggles                                     |
| 7. Stakeholder analysis/<br>management skills (x9) | 39. Reflexive (x2)                                  | 72. Knows own<br>organisation–navigation        |
| 8. Clarity (x8)                                    | 40. Social skills (x2)                              | 73. Knows the rules of the game                 |
| 9. Political skills/flair (x7)                     | 41. Takes responsibility (x2)                       | 74. Leads people with no authority              |
| 10. Provides direction (x6)                        | 42. Agility   | 75. Listens to the water pipes                  |
| 11. Ability to create trust (x5)                   | 43. Asks good questions                             | 76. Manages at a distance                       |
| 12. Drive and energy (x5)                          | 44. Autonomy  | 77. Open and honest                             |
| 13. Professional (x4)                              | 45. Is a magnet                                     | 78. Planner                                     |
| 14. Can take an overview (x4)                      | 46. Is like a department leader                     | 79. Positioning                                 |
| 15. Technical knowledge (x4)                       | 47. Builds the team                                 | 80. Presence                                    |
| 16. Action-orientated (x3)                         | 48. Controls and steers                             | 81. Prioritises own and team<br>members' time   |
| 17. Challenges the team (x3)                       | 49. Coordinates information                         | 82. Reliable                                    |
| 18. Decisive (x3)                                  | 50. Copes under high pressure<br>with few resources | 83. Robust                                      |
| 19. Drives the team (x3)                           | 51. Creates structure                               | 84. See contexts and consequences               |
| 20. Empowering (x3)                                | 52. Creates team performance                        | 85. Sells results                               |
| 21. Enables people to work<br>together (x3)        | 53. Cultural skills                                 | 86. Social intelligence                         |
| 22. Engages effectively (x3)                       | 54. Determined                                      | 87. Solution-orientated                         |
| 23. Executes and delivers (x3)                     | 55. Diplomatic                                      | 88. Strategic                                   |
| 24. Handles conflict (x3)                          | 56. Drives decision making                          | 89. Structured                                  |
| 25. Handles uncertainty (x3)                       | 57. Enthusiasm                                      | 90. Uses facts correctly and with<br>conviction |
| 26. Leadership capacity (x3)                       | 58. Experience                                      | 91. Value chain understanding                   |
| 27. Listens (x3)                                   | 59. Finds the right allies                          | 92. Visionary                                   |
| 28. Makes room (x3)                                | 60. Follows up                                      | 93. Walks the walk                              |
| 29. Presents effectively (x3)                      | 61. Gives and receives feedback                     | 94. Works across boundaries<br>effectively      |
| 30. Collaborative (x2)                             | 62. Good at handling people                         | 95. Works together                              |
| 31. Delegates (x2)                                 | 63. Handles complexity                              |   |
| 32. Develops and maintains<br>relations (x2)       | 64. Handles contradictions                          |   |
|  | 65. High commitment and<br>reliability              |   |

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