

Changing project and programme management

By Professor Colin Coulson-Thomas.

Rightly or wrongly, project management might once have been viewed as a specialist branch of management for those leading ad hoc and self contained initiatives that do not fit into normal corporate structures and timetables. More tasks in many organisations are now being undertaken as projects and more of these projects can be of strategic significance. Is there a case for reassessing the significance and practice of project management? Are there additional project and programme governance dimensions to consider? Should directors be more concerned with them?

Does the way we structure, govern and manage many companies reflect the importance of project and programme management and governance for the achievement of corporate objectives? For many companies, is the more flexible handling of certain projects and programmes now an essential requirement for remaining current and relevant, effective operation and corporate survival in an uncertain business environment? Does the focus of many boards, their allocation of responsibilities and their monitoring and decision making practices reflect the significance of projects?

The effective governance of projects and programmes of projects can increase their contribution and beneficial impact, independently of traditional project management. This article which draws upon a briefing on project governance I prepared for the Institute of Directors, India examines this additional dimension and the above questions. More project managers are having to reconcile managing upwards with the leadership



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of their project teams, and governance considerations need a higher priority in the development of project managers. Many project managers may find their project management skills are a good grounding for directorial and other governance roles.

Changing governance requirements

Contemporary companies are often portfolios of projects and relationships some of which are much more important than others. Board scrutiny should reflect their contribution and relative significance. Yet the governance, management and reporting arrangements applied to different activities are often similar or even the same. Board membership and reports also often reflect functional departments rather than the ownership and importance of critical projects.

As far back as 1992, in my book *Transforming the Company* I put the case for moving away from forms of corporate organisation with relatively hard internal boundaries and external shells which have been structured and managed like machines, to a model that made greater use of multi-functional projects, working parties and teams. I set out the requirements for creating and managing more open, connected, porous and flexible forms of network organisation that could organically evolve and adapt to changing conditions, requirements and priorities.

Today, the transformation to governance models and management practices that are more flexible, better able to learn and adapt, and which can better handle diversity, is needed more than ever. From a board perspective, in relation to project management and governance, it is especially important that directors identify and ensure an appropriate focus upon strategic projects and relationships. The two may be inter-related in the case of project partners.

Nature of project management and direction

An early investigation I undertook for what is now the Association for Project Management revealed that directors and project managers can face similar issues and they require similar qualities and competences (Coulson-Thomas, 1990a & b). Both need to understand the environment in which they operate, their stakeholders, challenges and opportunities and factors helping and hindering the achievement of their objectives. Both must be capable of articulating, communicating and sharing a clear vision, values and goals. Where different parties are involved, their visions, goals and objectives should be aligned. Ideally, project managers should engage and motivate team members and enable them to judge how their decisions and actions can best support project objectives.





Both boards and project managers should ensure they have access to the people, know-how, finance, technology and other resources they will need to achieve their objectives as and when they require them. In a competitive world, the challenge is often to have just enough capability and to avoid an excess of resource, or the gold plating that might result in an outcome becoming unaffordable. There is little point having capabilities that cannot be utilised when a need arises.

Directors and project managers face similar pressures, whether financial constraints, rising expectations or the reality that in times of uncertainty and insecurity requirements and priorities may need to change. New challenges and opportunities can arise during implementation and one should ensure organisational and governance structures, procedures and practices do not frustrate the adaptation required to deliver affordable, flexible and sustainable responses.

Coping with changing contexts and requirements

Corporate and project planning need to be able to cope with changing situations, requirements and priorities, and sudden shocks such as an unexpected fall or increase in the price of oil, or a technological innovation. In uncertain and shifting conditions, would intelligently steering in a desired direction make more sense than trying to implement a project plan conceived in a different situation? Would probabilities better reflect realities and possibilities than single figures in plans, reports and accounts? Might living models and scenarios be more easily updated and useful than traditional plans that are less frequently revised due to the cost and disruption involved?

Directors and project managers need to ensure that strategic projects are not oversold, over committed and under resourced. They should be alert to risks such as 'groupthink' and a lack of challenge to those managing projects or activities within major projects. As with a board, project teams can benefit from a mix of overview knowledge and sector experience. A lack focus and/or a sense of proportion, and dealing with symptoms rather than root causes should trigger alarm bells. Directors and programme managers should ensure the scrutiny of strategic projects is alert to evidence of rationalisation, concealment and reactive, defensive and rudderless behaviour.

Certain strategic projects may run for a number of years and involve large budgets and the involvement of significant external partners. They can develop a life of their own and create strong vested interests in their continuance. Large and complex projects can outlive the terms of office of the directors that approved them and secure a degree of independence from normal oversight. As key decision makers come and go, project managers may face a series of reviews and pressures to justify a continuation of their projects or suggest amendments to match a changing situation.

Managers of major projects should expect scrutiny. While some new board members may lack the confidence and understanding to question specific project leadership decisions, a board collectively should be alert to dependencies, divided loyalties, external interference, gaming, hidden agendas and special interests. Project and programme oversight activity might need to pay particular attention to opportunities for favouritism, nepotism, fraud, theft, corruption and bribery when appointments and financial commitments are made.

Directors should also consider whether financial reports and accounts allow them to understand the risks and uncertainties associated with strategic projects.

Confidence and flexibility to address opportunities

Project managers face many challenges, but they may also have opportunities. Breakthroughs, innovations and revolutions can and do occur in many areas. Directors must ensure that project governance arrangements are not so focused upon downside risks that project managers concentrate on problem solving and delivering what was initially commissioned, but miss opportunities to deliver greater value. Are they just dealing with problems? Are they also alert to new possibilities? Do they look for better and more cost-effective ways of meeting changing requirements? Confident project managers that earn trust can be less defensive and more proactive in managing upwards.

Historically, project managers have sought to avoid interference. Many of them have viewed change requests as threats to providing what was originally agreed. By the time they deliver the world may have moved on. Some inflexible projects are cancelled and the costs they have incurred are written off. Others are overtaken by events to the extent that, while on track to achieve the objectives set for them, their deliverables are no longer required, or cannot be used without much modification.

Increasingly, directors and project managers must ensure that project management and governance arrangements are sufficiently flexible to allow priorities and deliverables to be changed. Contracts and other agreements, and relationships between parties, need to be far less rigid than they have been in the past. They should allow flexibility and ensure fair treatment when changes occur.

Rather than just measure achievement against an original brief, directors and project managers need to periodically ensure that initial direction and objectives remain valid. Understanding the purpose and priorities of an organisation can allow an original commission to be amended in the light of a changing situation and different circumstances. Is learning built into each stage of an organisation's project management processes? Are those involved actively looking for ways of remaining current and relevant and seeking opportunities to simplify, reduce costs, save time and deliver more value?

Initiation of strategic projects

How decisions are made when strategic projects are initiated is of critical importance. Major projects have led to the downfall of respected companies. Other projects have resulted in missed opportunities. Significant resources have also been devoted to cancelled projects. Wrong calls and choices have been made. Requirements are repeatedly overtaken by events.

A first step is to ensure a proposed project's strategic fit

with corporate purpose, vision, values, goals, priorities and risk appetite. Only when a green light is given at this initial stage should further investigatory work be commissioned. In the case of a complex project such as a large development or acquisition, due diligence should go beyond finances and a business case and embrace other considerations such as capability to deliver and compatibility of systems. At this stage, even if a board gives a further green light, a project should not be commissioned until – following negotiation with external parties – the contractual terms and relationship framework are agreed.

The success rates of change, transformation and development projects have traditionally been low. Most of them fail to live up to expectations. The scoping of such projects can benefit from a review process that takes inputs from monitoring, opportunity and competitive analysis, and customers and prospects via market research, customer surveys and account review. Important questions are whether proposed projects address key problem areas and priority arenas of opportunity.

Establishing a company's approach, goal setting and opportunity seeking should precede detailed analysis. Directors should ensure the nature of change and transformation projects is appropriate to the problems and opportunities they address. In areas where being just good enough is acceptable little change may be required and perhaps one should analyse and improve what exists. Where a company is unacceptably deficient or there is a significant opportunity, one should instead consider the design of a better alternative rather than seek to improve an existing activity or process.

A board should establish criteria for the selection and approval of improvement and transformation projects. For example, would their results be visible and a potential source of differentiation and competitive advantage? Have risks, resource and delivery requirements and inter-dependencies with other projects and corporate initiatives been addressed? Longer-term and particularly significant projects should be plugged into corporate models whose variables they could influence and corporate reporting and decision making processes. If too many projects that appear to meet acceptance guidelines are approved, systems, processes and governance mechanisms might become overloaded and danger signals may be missed. Trying to juggle too many balls can result in all of them being dropped.

Project monitoring and reporting

At a corporate level the challenge may be how best to direct and manage a portfolio of projects. For many companies where individual projects can have a significant impact on their future, directors need to ensure that programme management

arrangements can cope with the cost, complexity and time-scales of diverse projects and ensure proper scrutiny and appropriate reporting.

Many boards have to monitor and evaluate strategic project implementation in evolving situations. Adaptation to meet changing requirements can be more important than persistence in achieving original but outdated requirements. Some companies have a standard approach to evaluating project performance. The level of scrutiny should be proportionate to project importance and the risks and exposure involved. Strategic projects deserve greater scrutiny. In a corporate context projects rarely exist in a vacuum. Is sufficient attention devoted to opportunity costs and how these are likely to change in relation to cancellation and/or crawl out costs?

Project monitoring and reporting should focus on key indicators and milestones on critical paths. Showing trends over time can reveal whether a situation is improving or deteriorating. Performance comparisons across projects or different areas within a project can enable the identification of opportunities for some to learn from others. Those reporting problems such as cost overruns or falling behind a schedule should be asked to provide a root cause analysis and recommendations for recovery and/or next steps. A project team is closer to the context than a programme manager or board receiving their report and so should be better informed of the situation. Key questions are whether reports identify underlying drivers of under performance and their suggestions are sensible.

Directors should also consider whether financial reports and accounts allow them to understand the risks and uncertainties associated with strategic projects. The value of single numbers depends upon the assumptions behind them, which are often lost in the 'small print'. In comparison, the use of confidence

accounting, which can involve reporting probabilities by means of bell or distribution curves, can better communicate the reality of project situations. The nature and potential consequences of risk can often be quickly grasped from the shape of probability distribution curves.

Responding to financial constraints

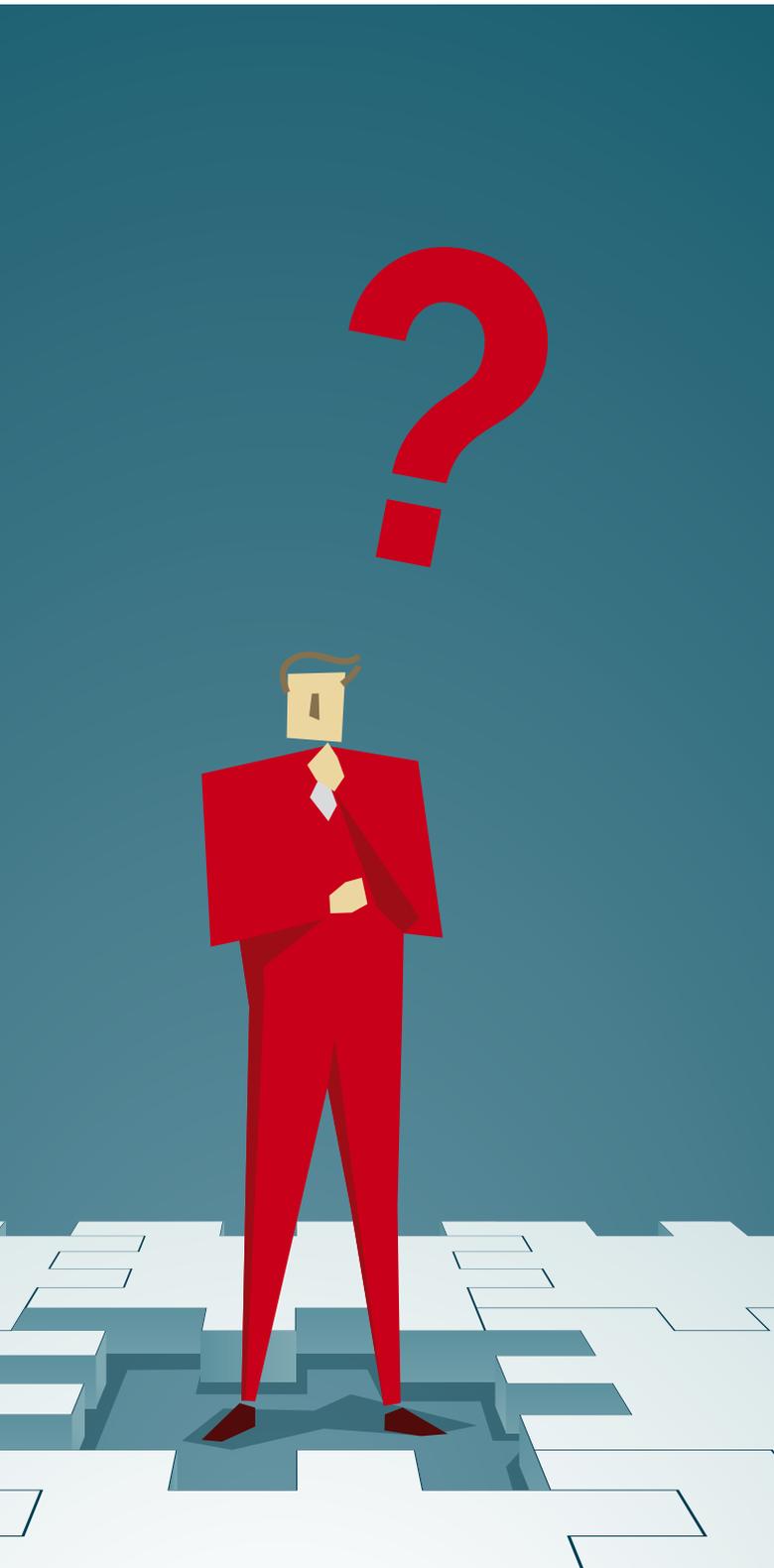
An acid test for project and programme management and governance is how an organisation reacts to changed circumstances and a significant reduction in budgets and funding. Sometimes the nettle is grasped by quickly ranking projects and then cancelling some of them, the ones with the lowest penalties and crawl out costs sometimes being the first to be sacrificed. Certain decisions taken in haste can have serious negative longer-term consequences. Other developments might have been dependent upon a cancelled project. Are such project related possibilities included in risk reports?

A more mature and responsible approach is to re-prioritise and re-scope in relation to dependencies, implications and changing corporate requirements and priorities. Can projects be re-phased or amalgamated? Are there new possibilities and better options for delivering the essence of what projects are about? Might movement along a learning curve, or the removing of gold-plating and padding, allow budgets to be reduced? Can projects be re-negotiated rather than cancelled? Some boards ensure multiple criteria are used, for example scope and degree of impact, implementation capability and probability, and incremental costs and revenues as well as strategic importance.

Where greater flexibility is required, project managers and partners should be chosen with care. In relatively fixed and stable situations, a cautious approach could involve favouring

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a legalistic and protective approach, with an emphasis upon technical competence, damage limitation, risk avoidance and sticking to an original brief. In more uncertain and dynamic contexts where there is upside potential, one should look for more creativity. Greater emphasis could be put upon openness, learning, innovation, accepting challenges, new approaches, relevance, adding value and a willingness to share risks. There is an increasing requirement for project entrepreneurs and partners.

Project entrepreneurs and partners

Directors and project managers should ensure that changes of circumstances result in the collective search for effective responses rather than defensive and protective behaviour and legal cases. A key area to focus upon is the nature of the relationship with external parties in strategic projects. Are the various parties working as one joined-up team and in a positive-sum way? Does this embrace users? Do the parties have agreed, shared and mutually beneficial objectives? Does the relationship involve partnering and risk sharing?

Is the project team and community alert to new possibilities, efficiency savings and committed to continued and measured improvements? Do the parties share benefits or savings? Is there transparency and open book accounting? Are there direct links between staff from the contributing parties? Is there a simple and quick dispute resolution process in place that can address issues before they escalate? One also needs to ensure that possibly sensitive but potentially important areas such as the ownership of intellectual property, conflicts of interest and fraud are not overlooked.

Where the failure of any one of a small number of strategic projects could severely prejudice the future of an organisation, board scrutiny should be appropriate, persistent and proportionate. Individually and collectively, directors should ensure project management, governance and reporting arrangements address realities and are flexible, resilient and conducive of creativity and innovation.

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About the Author

Professor Colin Coulson-Thomas has helped entrepreneurs, companies and public and professional bodies in over 40 countries to harness more of the potential of directors, boards, management teams and corporate organisations in order to build a business or deliver better services, improve performance and simultaneously deliver multiple objectives. In addition to board and academic roles, he is Director-General, IOD India, UK and Europe, leads the International Governance Initiative of the Order of St Lazarus and is Chancellor of the School for the Creative Arts and chair of the Audit and Risk Committee of United Learning. Colin has served on public sector boards at national and local level. Author of over 60 books and reports he has held professorial appointments in Europe, North and South America, Africa, the Middle East, India and China. He was educated at the London School of Economics, the London Business School, UNISA and the Universities of Aston, Chicago and Southern California. A fellow of seven chartered bodies he secured first place prizes in the final examinations of three professions. He can be contacted at colin@coulson-thomas.com. His latest books and reports are available from www.policypublications.com.