

Integration of Organisation Strategy with Projects

Every project should have a clear link to organisation strategy

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Overview

1. Linking projects to a firms strategy
2. Implementing strategy through projects
3. Establishing a PMO
4. Categorising and prioritising projects
5. Project Governance
6. Australian Institute of Project Management (AIPM)
7. Resource Based View (RBV)
8. Questions

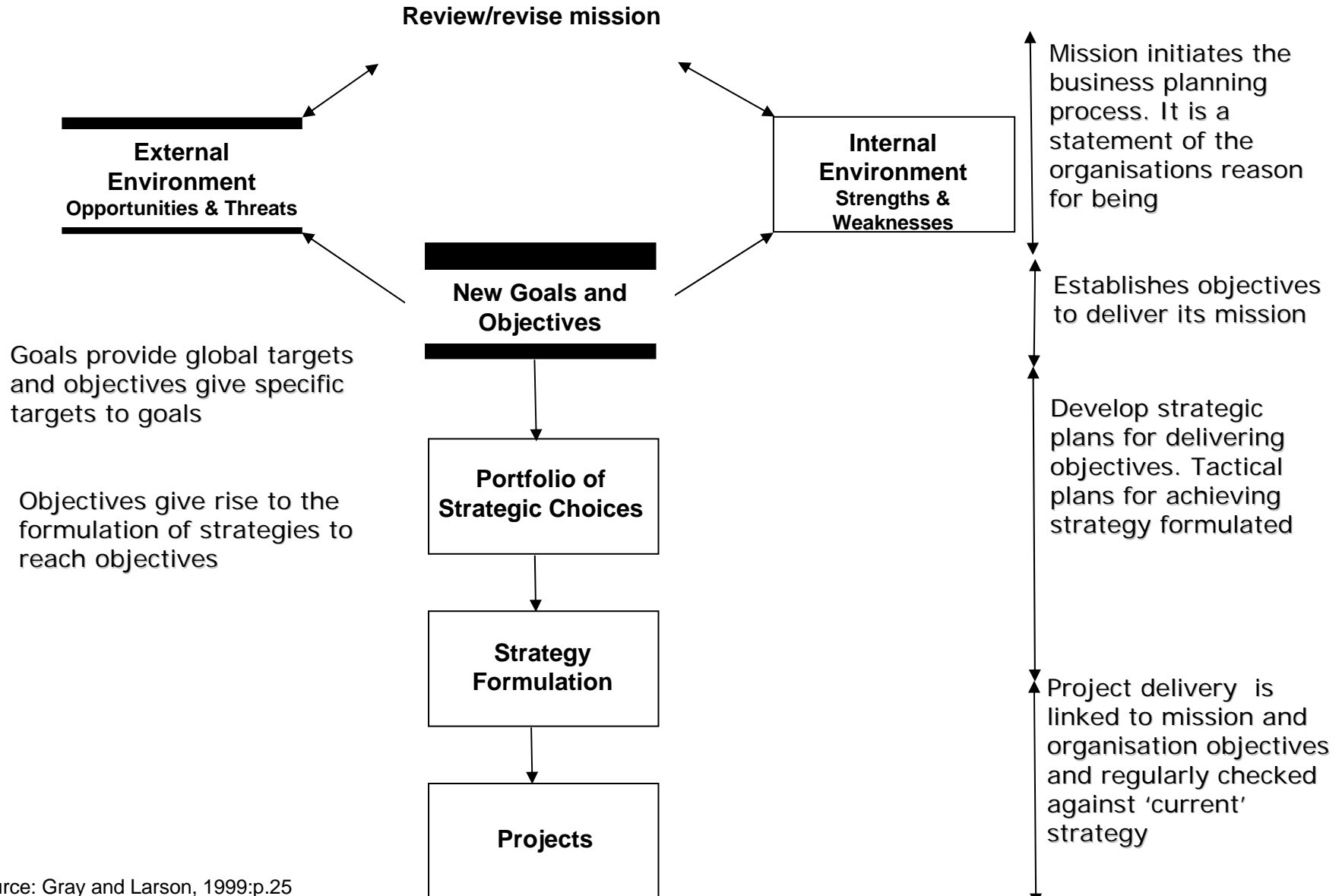
Managing Projects in Organisations

- Every project should contribute to the organisations strategic plan, as it is designed to meet the needs of its customers
- Linking projects to the organisations strategic direction is critical for their success
- Identifying this linkage is essential!

Questions to ask

- Why are we doing this project?
- Who initiated this project (project sponsor)?
- What is the priority of this project in relation to other projects?
- Do we have sufficient resources?
- Should we continue with this project?

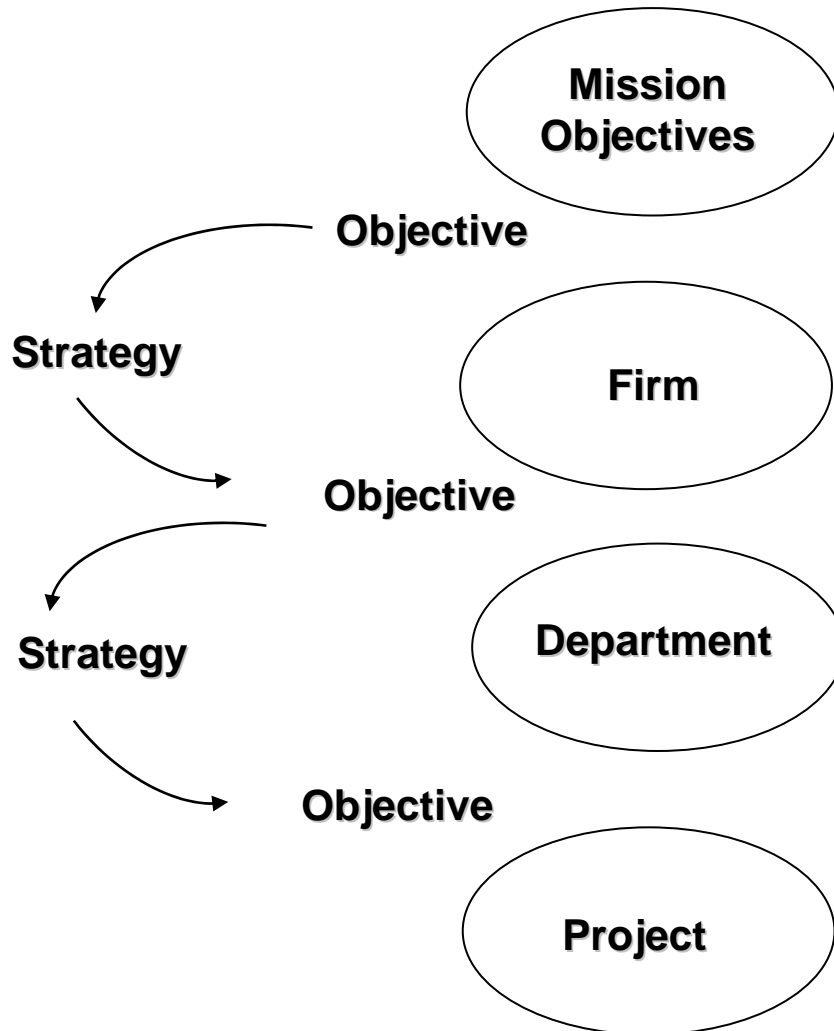
Strategic Management Process



Questions to ask

- Are we taking advantage of our core competencies?
- Are we exploiting our competitive advantage?
- Does our strategy meet our customers needs?
- Is the risk in implementing the strategy acceptable?

Strategy, Objectives and Project Linkages



☞ Each level below the organisational objectives should support the higher level objectives

☞ What type of objectives has your organisation identified as being contributors to its strategy?

Implement Strategy Through Projects

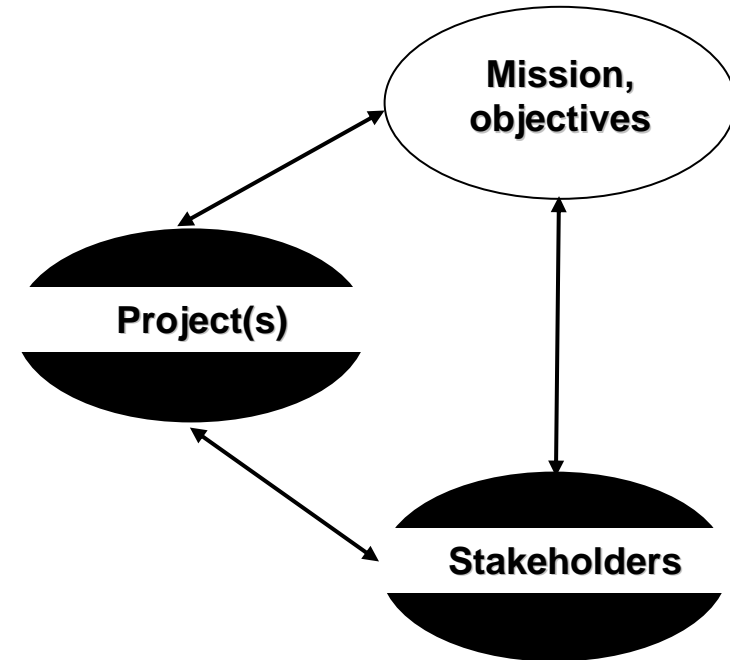
- Implementation refers to **HOW** strategies will be realised given available resources
- Implementation requires action and the completion of tasks. Attention to be given to:
 - Completing tasks requires the allocation of resources such as funds, people, technology etc (☞ *Multiple objectives place conflicting demands on resources*).
 - Implementation requires a formal and informal organisation that supports strategy and projects strategy (structure and culture
 - Planning and control systems must be in place to ensure strategies are achieved
 - Motivation of project participants
 - Prioritising projects

The Implementation Gap

- Strategy formulation undertaken by senior managers and implementation by functional managers
- Made independently at different levels
- Missions, objectives and strategies set by senior managers tend to lack detail, provide a general direction and set major constraints
- Resourcing is never mentioned!
- Projects become late, experience cost overruns etc
- Implementation gap refers to lack of understanding and consensus between top and middle managers

Selecting Projects

- Alignment with the strategic needs of the organisation
- Stakeholders (identify all)
- Understanding requirements
- Tools and techniques
- IT project selection
 - IT investment planning and analysis
 - screening of projects
 - analysis and ranking of projects
 - Selection of the IT project portfolio
 - IT implementation and monitoring



The PMO

- Program/Project Management offices (PMO) are arguably a well accepted and growing trend in the management of projects within organisations.
- PMO's are seen to assist in ensuring the programs and projects align with corporate strategy and focus on the delivery of the required benefits

The PMO (cont)

- Can be an instrument for:
 - Project analysis
 - Project prioritising
 - Portfolio balancing
- PMO's operating for more than 4 years are able to demonstrate a 65% increase in the success rate [in projects] – (CIO Magazine 2003)

PMO Functions

- Define project interdependencies
- Provide program direction
- Implement the communication plan
- Track benefits
- Resolve issues
- Monitor risk

Project Categorisation

- All projects should be categorised
- Examples of categories
 - Effort (resources required)
 - Duration (expressed in man hours)
 - Complexity (do we have the expertise/prior knowledge)
 - Risk
 - ROI

Prioritising Projects

- Selection of projects should be driven ‘top-down’ from business plans
- Projects should **ONLY** be adopted if adequate resources are made available
- Projects often compete for resources with other operations within the organisation
- Projects often provided with minimal resources because they are adopted at a low level within the organisation

Priority System

(not to be confused with a categorisation system)

- The major value of the systems presented are not the numbers but rather identifying areas of disagreement and gaining consensus on direction.
- A priority system provides focus at all levels of the organisation and provides the basis for allocating resources
- Stakeholders can be accommodated as well as bottom-up proposals
- Only one priority system should exist – all projects should be evaluated using the same criteria. Ensures people stay focused on the organisations objectives

Project Selection Models

Meredith, JR & Mantel, SJ 1995, Project Management: A Managerial Approach

- Realism
 - Needs to take into account common measurement (from project categorization)
- Capability
 - Able to deal with multiple time periods, various situations both internal and external (strikes, interest rate changes, currency fluctuations)

Project Selection Models (cont)

Meredith, JR & Mantel, SJ 1995, Project Management: A Managerial Approach

- Flexibility
 - Cope with a range of conditions
 - Easily modified
 - Tax laws, technology, risk, goals
- Ease of use
 - Readily understood (not require specialist interpretation)
 - Easy to adjust

Project Selection Models (cont)

Meredith, JR & Mantel, SJ 1995, Project Management: A Managerial Approach

- Cost
 - Data gathering
 - Be aware of the costs associated with:
 - Data management
 - Running the models
- Easy
 - To gather information
 - To store information
 - To manipulate information

What is Project Governance?

- Project Governance extends the principle of Governance into the management of individual projects.
- Today, many organisations are developing 'Project Governance Structures'.
- A Project Governance structure is different to an Organisation Structure in that it defines accountabilities and responsibilities for strategic decision-making per project.
- This can be particularly useful to project management processes such as change control and strategic (project) decision-making.

Project Governance

- Provide clear direction and effective processes for key governance activities;
- clearly define the governance organisation and reporting relationships;
- describe roles and responsibilities for governance organisation; and
- establish a clear process for managing and mitigating project risks.

Project Governance

Good governance is valuable. Organisations that have good governance practices in place are able to realize a premium of more than 20 percent from their investors. (McKinsey's Investors Opinion survey, June 2000).

Stakeholder involvement in project Governance

- A stakeholder is any person or organisation who may be positively or negatively affected by the activities involved in the project and its outcomes and products.

Don't upset the Stakeholders!



Who is AIPM?

- The peak body for project management in Australia
- Not-for-profit organisation incorporated in 1978 (formed in 1976 as the Project Managers' Forum)
- Representing and promoting the profession of project management in Australia for almost 30 years
- Over 7,200 members
- Chapters in all States and Territories
- National Office based in Sydney

AIPM Levels of Accreditation

- **QPP:** Qualified Project Practitioner
(project team member)
- **RPM:** Registered Project Manager
(project manager)
- **MPD:** Master Project Director
(oversees multiple projects)

Resource Based View (RBV)

Birger Wernerfelt – SMJ VOL 5, 171-80 (1984)

- Resources and Products are two sides of the same coin
- Most products require the services of several resources and most resources can be used in several products
- By specifying market activity you can specify the required resources
- By specifying a resource profile you can define optimal market activities

Resource Based View (RBV)

Birger Wernerfelt – SMJ VOL 5, 171-80 (1984)

- On which of the firm's current resources should diversification be based?
- Identify which resources lead to higher profits
- Which resources should be developed?

RBV

- Knowledge specialization has created significant implications for a firm's strategy
- Great care needs to be taken when deciding to 'contract out' or develop 'In-house'
- Should you stretch your production boundaries beyond your knowledge boundaries?

RBV

- Should firms be willing to 'trade' resources?
- Should firms be more 'Specialised' thereby making it more difficult for the human resources to be 'bid away'?

Thank You

Questions

