



MANNAZ ARTICLE

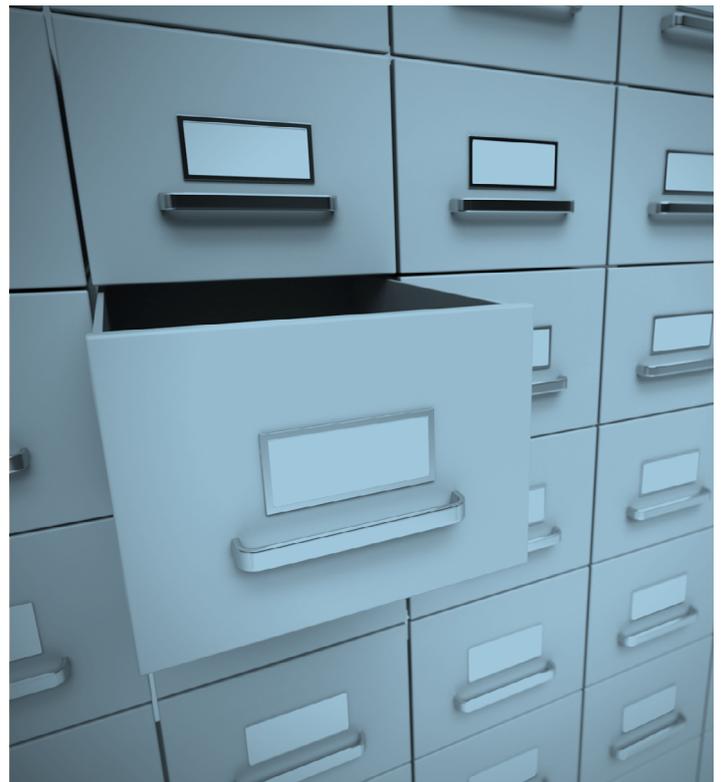
We don't kill projects - we start new ones

SURVEY: THE BUSINESS VALUE OF PROJECT LEADERSHIP

Successful strategy execution, speed of innovation development, higher project margins, and lower write-downs are all focal points when Mannaz help develop the skills of project managers and leaders around the world. In fact, we believe that project leadership is one of the most important capabilities an organisation can have in order to generate real business value.

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

One issue we set out to investigate was why many organisations find it difficult to terminate projects which no longer create business value. Even in stagnation these projects steal away focus and resources and thus have a major impact on other critical projects, and yet organisations hesitate to discontinue them. The main findings are described in this article.

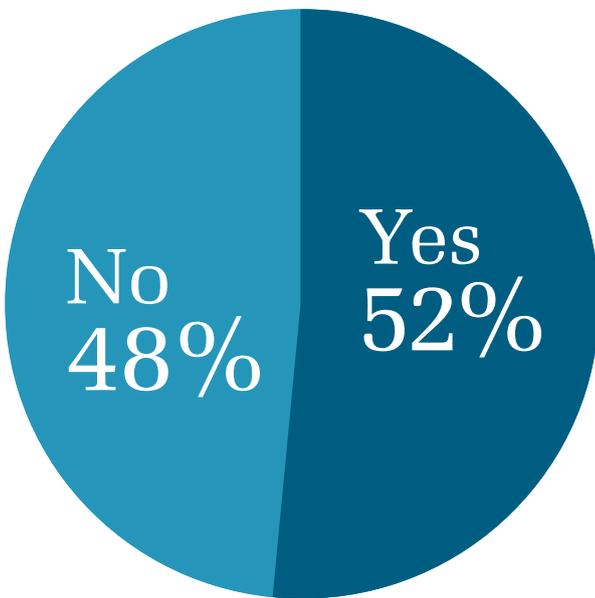


WE DON'T KILL OUR OFFSPRING

Strategic portfolio management focuses on what projects to initiate in order to execute the business strategy, and is often the responsibility of top management and line managers. The financial situation in the last five years has led to an increased pressure to deliver positive financial results in an often volatile marketplace, which in turn increases the need to be constantly launching new initiatives to solve the 'current situation'. The overall strategy might be the same, but the markets and financial situations are changing, which calls for new initiatives – and new projects!

You would think that starting new projects also means shutting down projects that no longer support the corporate strategy. However, according to the survey, there is a large degree of inertia when it comes to discontinuing projects, even though some projects may no longer be able to generate the business benefits originally planned for.

Figure 1: Does your organisation kill projects from time to time?



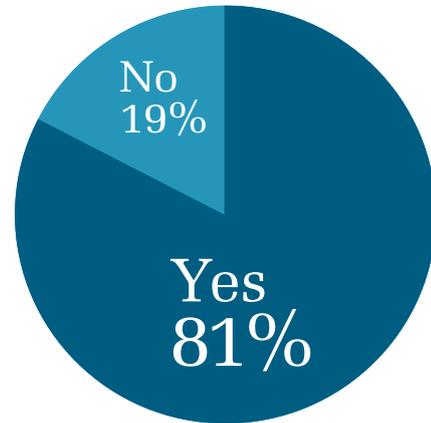
Just less than half (48%) of organisations never kill projects, and several respondents report how this has a direct impact on the ability to run projects effectively. As a senior project manager at an engineering company explains: 'There are too many projects ongoing at the same time. It is unrealistic to carry out all of them and they just compete with each other for resources'.

It's an odd, but not uncommon, phenomenon that many organisations find it almost impossible to kill unprofitable projects. According to the survey, some of the reasons are:

Lack of business cases

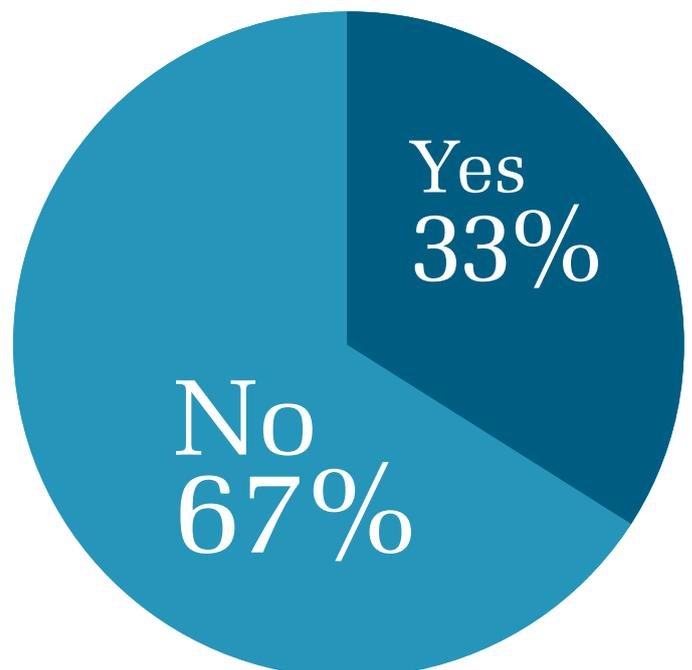
Projects are mostly being initiated based on a strategic fit – at least according to 81% of practitioners, who respond that their company strategy is aligned to the project portfolio.

Figure 2: Are projects initiated based on a strategic fit?



However, just a third of companies choose their projects based on business cases, where the reason for initiating a project and the cost/benefit analysis are outlined. Without a business case, it is quite difficult to ascertain whether the project is actually capable of generating the projected benefit, and it also means that management is unable to prioritise the project against others, thus failing to ensure that the organisation's resources are allocated to the highest-value opportunities. As a department head at a manufacturing company says: 'We don't know the scope before we start a project, because we don't take the time to do a thorough analysis'.

Figure 3: Are projects based on business cases?



Lack of courage to make a cut

Many organisations think that they are good at putting projects on hold ‘for better times’. However putting projects on hold is almost as bad as, and sometimes even worse than, not closing down a project entirely, because it still takes away focus and resources from important projects. Several of the participants in the survey argue how frustrating it is to have ‘zombie projects’ in an organisation. Zombie projects are down-prioritised projects that just won’t die, and the odds are against them ever being successful. As an associate director at a pharmaceutical company puts it, ‘That’s another problem – we put projects on hold. They remain in the system; they drain resources and waste time’.

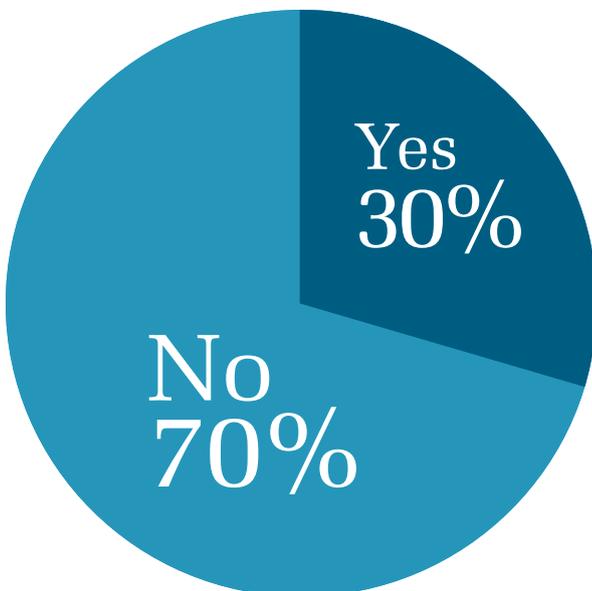
Prestige

There is also a certain amount of prestige in running large projects, which project owners may find difficult to relinquish. Not only for internal political reasons, but often because these projects may be the project owner’s own idea and thus covers his/her individual business needs. Often many resources have been used on these projects. Terminating a project means having a very visible write-off, and who wants to be accountable for that?

Lack of project governance

Parallel with strategic initiatives, many organisations develop projects in a patchwork-like pattern, with projects being initiated seemingly spontaneously, bypassing a real assessment or alignment to the company strategy.

Figure 4: Does your organisation use a stage-gate model?



Only 30% of respondents mention that they have a formal project governance structure implemented or that they use a stage-gate model. A stage-gate model is a value-creating business process which ensures that certain criteria are met before initiating projects, before entering into new project phases, and for closing of projects.

As illustrated in figure 5, selection and prioritisation of the right projects are essential in creating true business value. Even if a company is thorough in the selection process, clear in the scoping and highly capable of good project management, if it doesn’t kill projects when they turn out not to create the expected value, it will not be able to create project value to the business as a whole.

PROJECT VALUE TO BUSINESS

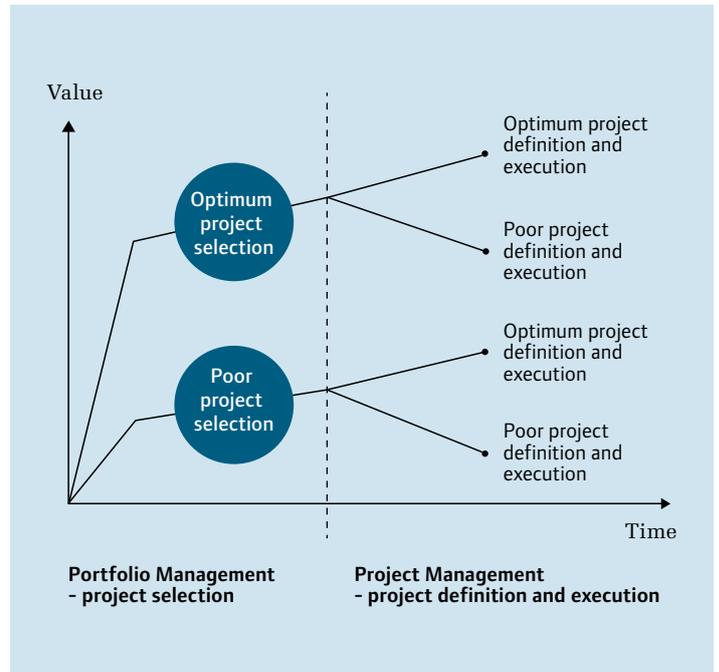


Figure 5: Project value to business – Selecting the right projects is key

Killing projects is not only a structural problem. Responsibility also lies with the individual project sponsors, who have the mandate to discontinue a project (even though it may not bring them either fame or glory) and who have the benefit of being able to see it in a larger context. Thus, the best opportunities to execute and focus on the most value-creating projects are created when organisations have a combination of implementation of good project governance together with managers who think of the organisation’s best interests, rather than personal benefits.

In an insurance company where project governance is implemented, the head of projects portfolio explains: ‘Management re-evaluates the business case financially, looks at the whole development of the project, and kills projects of less strategic importance. Furthermore, we now have a dedicated resource to develop project leadership behaviour, which overall has improved project performance and increased the value delivered significantly’.

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



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**ABOUT THE SURVEY:
BUSINESS VALUE OF PROJECT LEADERSHIP**

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



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