Great Strategy… Lack of Execution!

I was sitting in a project progress meeting with the executive team of a company with over a few billion dollars in sales. The PMO office had 18 major initiatives presented on slides with many of the initiatives backed by multiple projects. Well over 30 million dollars was allocated to the initiatives and many of them were struggling. At a pause in the review I asked, **"How can you tell on the slides which projects are the priority"**. No answer came from the PMO head and after a long pause the business development VP then said "see that's what I told you guys we need priorities". There was another long pause, and then the CFO stepped up to the plate and said, "They are all a priority".

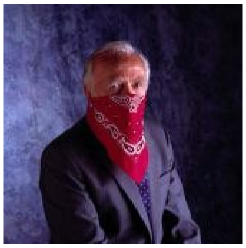
I chose the execution of strategy as this month's topic because many companies I have worked with have a difficult time executing. In addition, low throughput can have such a dramatic negative impact on the financial performance of a company. Often, people are overloaded with many projects, activities and tasks. Extensive bottlenecks arise at both a technology and management of technology level. So, what do managers need to toughen up to improve execution and financial performance? Read this month's articles to explore the issues and possible solutions.

PPM – Why you are likely drowning in IT Projects – Execs to IT Admin's

Upwards of 70% of projects fail largely because most corporations focus on bottom-up project management to the exclusion of top-down executive involvement. The impact can be dramatic with less strategy getting into operation resulting in lower revenue and lost competitive advantages in the long term. One solution to the top-down void executives are experiencing is Portfolio Project Management (a.k.a. PPM).

Although evidence suggests over 50% of companies are using PPM they almost entirely exclude a key top-down component - PPM analytics. Analytics is critical to executives making near real-time decisions about project resources and progress. This suggests either ignorance of PPM's capabilities by executives or a leadership culture that is abdicating involvement. Another fact is that PPM tends to provide the greatest benefit to industries such as finance and telecommunications that use technology to achieve a competitive advantage. The suggested solution to the problem is two-fold. One, construct an environment in which projects can succeed and executives have the right tools to make decisions. Accomplish this using PPM. Second, implement PPM using a change framework such as the one outlined in Murray's Fast Forward. The philosophy of this approach is change through a combination of achieving "critical mass of resources" and "high velocity of implementation".

The Bogus Project – How your budget gets hijacked.



Stock analyst and corporate heads lambaste Wall Street for being too short sighted when it comes to earnings reports. North American markets focus on quarterly reporting and if they are not good, "the street" drops the stock price. Corporate heads cry that this is not fair because new products and innovations take time. In some instances, this is true as is the case with new innovative technology and its slow rate of adoption by consumers. However, for the majority of companies, short periods of accountability make sense because it guards investors against management putting their interests ahead of shareholders – in financial terms it's called "agency costs". Likewise, projects should have tough accountability requirements in terms of "real" quarterly reports.

In the past, some less than honourable corporate leaders used "smoke and mirror" tactics to keep the "numbers" up for their companies financial reporting. Because GAAP (a.k.a., Generally Accepted Accounting Principles) is very much open to interpretation, some heads of corporations have (e.g. Enron, WorldCom and others) evaded bad news and poor results- often for years. Tactics include stuffing the companies distribution channels with $10's of millions of unsold products, legally accounting for it as sold and then recognizing the revenue in the current reporting period. Next, they collect the big multi-million dollar salary and bonuses for that extended period instead of being held accountable or possibly fired for the poor results. Eventually, the markets find out, the stock price falls and the CEO is terminated. He moves to the Bahamas and retires on his winnings. That scenario is supposed to be mitigated by the new Sarbanes-Oxley regulations reinforced by several prison terms recently handed out to bad CEO's. But what about projects in corporations? Time will tell. But how does this apply to projects?

In the **Bogus Project**, managers have ways to shift around poorly completed deliverables just as CEO's can shift around revenue recognition. This affects unsuspecting internal or external clients. As with CEO's, PM's and their teams get to continue their annuity (a.k.a., a series of low risk incoming cash flow vehicles such as either salaries or contract obligations). But in fact, the project should be halted or slowed until corrections in the course of the project can be made. Two key issues that limit accountability are:

Deliverables that cannot be demonstrated – Deliverable #1 cannot be demonstrated to agreed to reliability/scalability/performance requirements until deliverable #5 is done. Deliverable #5 is not scheduled until 12 months away. This is plain bad business accountability. Result: The client does not know if they have received anything of value yet.

Poorly completed deliverables will be fixed later: When later comes the entire project is in the same low calibre state. Nevertheless, more money will fix it. The deliverable sort of works but often fails or fails under the agreed load requirements. The supplier's PM says not to worry it will be fixed in the end. Two issues exist. One, the bad practices used on the current deliverable is propagated into the rest of the project. Two, the supplier's PM locks the client into "sinking" more cost (sunk cost) into the project, which typically the PM hopes will convince the client to keep spending. A good cost accountant knows sunk cost should not be considered in future decisions. However, for many managers with little accounting training, the psychological temptation of including sunk cost in decisions is very appealing.

Whose coin is paying for all your PM's apprenticeship?

The most widely accepted and likely most valued designation I currently see in North America for execution-based effort is the PMP designation. The benefit to companies is that organizations are assured that the PM has attained a minimum level of understanding of the discipline. In my view, not knowing the basics in any discipline is going to cost you to burn through significant cash until your people finally stumble on the right things to do – you hope. Regardless, you have to ask the question - Do you really want your people extending their apprenticeship on your company's coin? Past the basic PMP training, Stanford's Advance Project Management program in my view is the best in North America with the most mature PPM approach.

Training typically increases the individual's probability of success, regardless of the discipline. Tiger Woods gets instruction almost every day. Many individuals in corporations do not get instruction even once a year. US companies for years have known training and standards matter. In comparison, the designation in Canada is becoming almost mandatory for PM's in most large companies. The problem for Canada is that typically Canadian companies spend 50% of what the US spends on training.

Best of the Best PPM and PM Training – But it will Cost you!

The Stanford Advance Project Management program is excellent in our view and was rated #1 in the US for non-degree curriculum in 2005. We chose it because it focused on where most problems arise in projects - the social versus the technical side of projects. The program was one of the only few programs that addressed the problem of how to put high-level organizational strategy into action. For the technical side of project management get Eric Uyttewaal, "Dynamic Scheduling" book. The book maps MS-Project to the PMBOK process. He also does courses but again it will cost you much more than many other trainers that may be local. Remember the saying in sales the next time you buy, "The price was good, but the cost was high".

Happy shopping this holiday season!