Reaping the rewards

Does your organisation create or destroy value from the investments it makes in projects? asks PIP PEEL

High-performing companies create tremendous value from their investments in transformation and change. But many others waste time, money and opportunity – and they destroy shareholder value by investing in the wrong initiatives or in executing those initiatives poorly. Do you know how your company performs? And if it is the latter, where is the value lost?

In February 2015, P2 Consulting published the results of a survey that focused on the value that companies derive from project and programme management. The survey was conducted with over 1,000 industry leaders and project management practitioners from more than 300 enterprises. The survey sought to discover how good organisations are at delivering shareholder value from the investments that they make in business transformation projects.

The findings highlighted a huge discrepancy in the returns that companies gain from their strategic investments. They also illustrated where in the programme life cycle companies are failing. This article assesses the results of the survey and goes on to categorise common features of investment portfolios.

The survey focused on the four key phases of the investment life cycle:

Back the right ideas
Selecting the right strategies and opportunities.

Set up for success
Planning, mobilising and organising these ideas into solid, tangible initiatives.

Execute with excellence
Executing these initiatives/projects well.

Reap the rewards
The results that an organisation derives from these initiatives and how they drive out the value to the business.

CHARACTERISTICS OF HIGH PERFORMANCE

High-performing organisations will be adept in all four of these investment life-cycle phases. They systematically identify, size up and prioritise the best investment strategies, and ensure that the organisation has the capability and capacity to deliver.

They are robust in taking these ideas, planning their implementation, and establishing the right team and management infrastructure to guide them to success. Their project execution skills are second-to-none and project delivery rates are typically very high. Importantly, on delivering a project, the business is geared up to drive out the benefits and derive the maximum possible value from each initiative – this is a key differentiator of high-performing enterprises.

Although this is the utopian ideal, however, it is rare for all but the highest-performing companies to achieve anywhere near this level of competency.

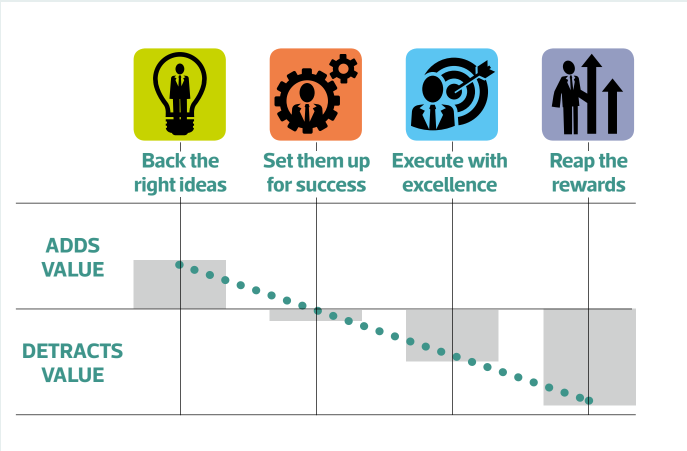
WEAK SPOTS

Most organisations are strong in one or two areas across the investment life cycle. In areas where they are not strong, it is imperative that they understand and accept their 'weak spots' with a view to improving these competencies as a priority.

Most importantly, organisations need to understand the end-to-end picture, and spend time and effort improving the areas that will provide the best improvement in return on investment.

This may not be simply improving project delivery capability. In fact, many organisations would drive up shareholder value by stopping any further investment in project management skills and infrastructure until they have raised the bar across ▸

Figure 1 Measuring the organisation's capability across the four areas of the investment life cycle (example for illustrative purposes only)



the other phases of the investment life cycle, especially with regards to project selection.

Most notably, the majority of organisations are poor in backing the right ideas. The majority of those surveyed are trying to undertake too much change at one time without the capacity, or the management mechanisms, to effectively control these initiatives, let alone drive out the full business benefits capacity.

By measuring the organisation's effectiveness across all four areas of the investment life cycle, senior management can start to determine where investment value is being eroded and take action. An example is shown in Figure 1 (see page 59).

The organisation in Figure 1 is clearly astute at determining the right opportunities for value creation. Yet it is mediocre at then turning these opportunities into sound initiatives that are properly constituted, designed, planned and resourced. It displays below-average capability in project management/delivery and, more significantly, is poor at realising the potential benefits from whatever is eventually delivered. Executing poorly and failing to drive out the benefits detract from shareholder value in this example.

There are, of course, multiple theoretical types of organisation, according to this framework. The results of our survey suggest, however, that most organisations fall into one of six types. These are described further in Figure 2, right.

ROOM FOR IMPROVEMENT

The P2 Consulting survey indicates the most common profile to be the Down-Grader. Many of the survey's respondents would admit that project management capability across their organisation could be improved but they cited the lack of business engagement, capability and capacity to drive out value from projects as being of greater importance.

Organisations taking on too much change activity, without understanding the ability of the enterprise to deliver outcomes, is the biggest inhibitor to value creation.

There is almost universal acceptance that project and programme management is a critical capability for organisations to survive and thrive in today's corporate climate.

The majority of companies are good at backing the right ideas that align with and – on the face of it – drive them towards strategic goals. Indeed, individual projects seem to be well supported at senior executive level. The big challenge for organisations, then, is how to manage the complexity of a multi-project environment. Strong portfolio governance is a prerequisite, not just in taking the ideas and turning them into winning outcomes, but in prioritising the most valuable initiatives and taking the bold decision to trim the project portfolio to meet the capacity of the enterprise – turning the Down-Grader into a high-performer.

The results from P2 Consulting's survey are available to download from www.p2consulting.com

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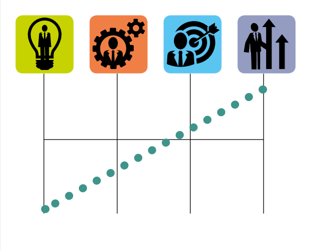
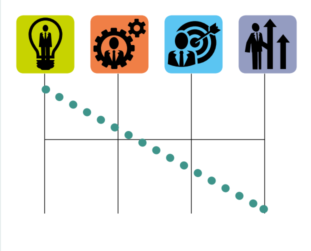
Figure 2 **Most organisations fall into six categories when assessed for their performance in delivering value from strategic investments**



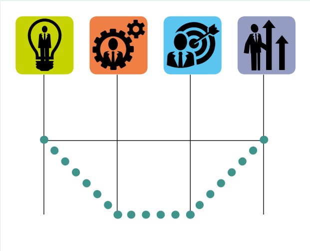
MIRACLE WORKER

Yes – they do exist! Despite poor project selection, set-up and mediocre delivery, the business drives value from change, but this is rarely sustainable and usually has a major impact on day-to-day operations.



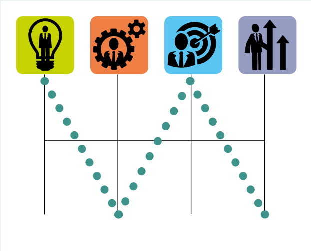
DOWN-GRADER

The strategy is good but value leaks through poor execution and even worse business readiness and benefits delivery. Action is required to prevent good money being thrown after bad.



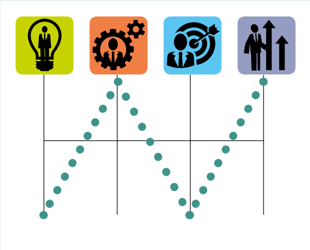
LATE FLOURISHER

With poor project set-up and pathetic project management, the business backs the right opportunities and snatches victory from the jaws of defeat – marginally better than the Miracle Worker.



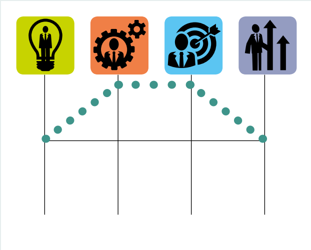
PATCHY LOSS-MAKER

If only projects were designed, planned and mobilised better and the business geared up to generate value from investments... if only!



PATCHY HERO

Despite its woeful strategic planning department, the party doesn't end in tears thanks to strong corporate governance and heroics from the operations teams.



POOR FINISHER

Strategic thinking is average, but the project team makes the best of a poor start. Without the right business leadership and accountability, however, the *Titanic* still sinks.