Do “business change” projects really change the business?

T. J. Cooke-Davies

Human Systems International Limited, United Kingdom.

University of Technology, Sydney

University College, London

Abstract

In any organization, projects exist more or less uneasily alongside a functional structure that is predominantly concerned with business as usual. Issues such as the strength of the matrix, the separation of project governance from ongoing control, many aspects of resource management and the quality of project sponsorship continually crop up as problems for project sponsors and managers in organizations.

Recent attempts by organizations in a variety of industries to deal with these issues have led to advances in the practice of benefits realization, stakeholder management and the management of change.

What do these improved practices look like? How are leading organizations ensuring that sponsors and other stakeholders are aligned behind what they want from the project, in ensuring that the planned benefits are actually realized, and in developing an approach to project management across the organization that delivers effective change?

Drawing on leading edge practices from more than seventy organizations in Europe, USA and Australia, this session will explore real-life examples of good practice, and outline proven ways of avoiding the pitfalls that await the unwary.

Introduction

“The performance improvement efforts of many companies have as much impact on operational and financial results as a ceremonial rain dance has on the weather.” Sentiments such as this one, taken from no less prestigious a journal than Harvard Business Review (Schaffer and Thomson 1992, p80), give vent to management’s frustration at the apparent inability of organisations to transform themselves in response to changing circumstances. There are plenty of statistics to back them up (e.g. in KPMG 1997; Hall, Rosenthal, and Wade 1993; Schaffer and Thomson 1992; Beer and Eisenstat 1990).

Indeed, it is the existence of these statistics that prompted the rhetorical question with which this paper is entitled. As projects account for a higher percentage of today’s work effort, and as the pace of change continues to accelerate, the failure of so many “business change” projects represents a significant challenge to the credibility of project management.

So how are organisations responding to this challenge, if they have serious ambitions to achieve world-class performance in the management of change? That is the real question that this paper will answer, but in order to understand the significance of the improved practices that will be described, it is first necessary to answer two additional questions: “what are the problems that ‘business change’ projects encounter?” and “where does the ‘voice’ of project management fit into the change management ‘chorus’?”

Where does the ‘voice’ of project management fit into the change management ‘chorus’?

Where “business change” projects fit into organisations.

In parallel with the growing recognition during the past decade or so of the relevance of project management to many aspects of business life, there has been a growing recognition that project management is often used as an engine for strategic change. As such, project management can be seen as quintessentially about managing change. This is true, regardless of the organisational context within which projects are managed.

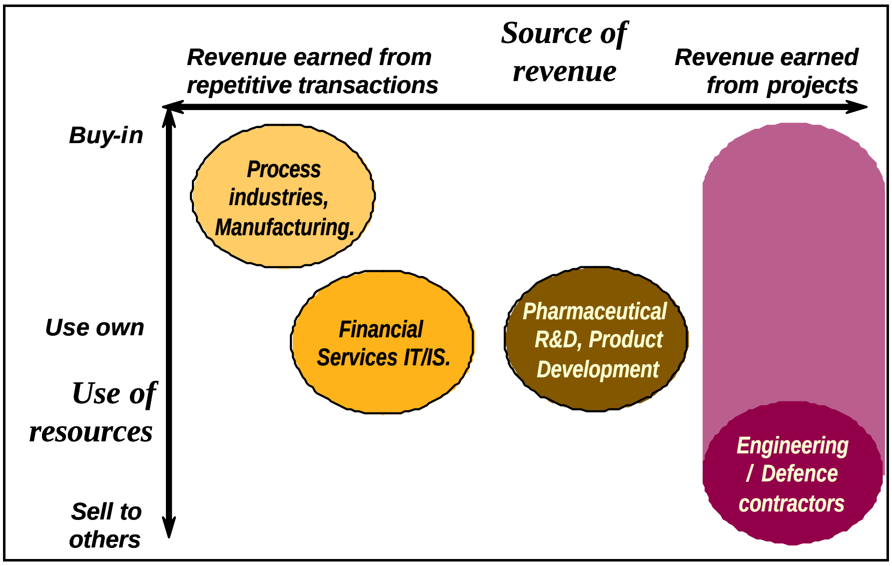

Exhibit 1: Projects in Organisations

Projects of many different kinds are undertaken in many different organisations, and they can be characterized on a grid as shown in Exhibit 1. Project management clearly has a different "voice" in a traditional project-based engineering environment such as those on the right-hand side of the diagram, than it does in those nearer to the left. The vertical axis also plays a part – the more the revenue of an organisation depends on the efficient and effective use of their own resources on projects (i.e. the nearer to the bottom of the diagram), the greater the commercial pressures on that organisation to develop a world-class corporate capability in project management. This perhaps accounts for the evidence that engineering suppliers to the process industries have the highest project management maturity of any industry (Cooke-Davies and Arzymanow 2002).

"Business change" projects, of course, are a sub-set of the total universe of projects. For a start, they are perhaps better regarded as "programmes" than as projects, since even the most modest of changes to an organisation is likely to involve a "penumbra" of activities connected with the "soft" side of projects, and to call for management competencies in addition to those normally encompassed by the term "project management". (Storm 1996) Secondly, regardless of where on the "map" shown in Exhibit 1 an organisation appears, "business change" projects will cut across all the generally accepted lines of management that are concerned with the production of revenue and profit (or other strategic service goals) from the organisations' existing customer base. This is illustrated in Exhibit 2.

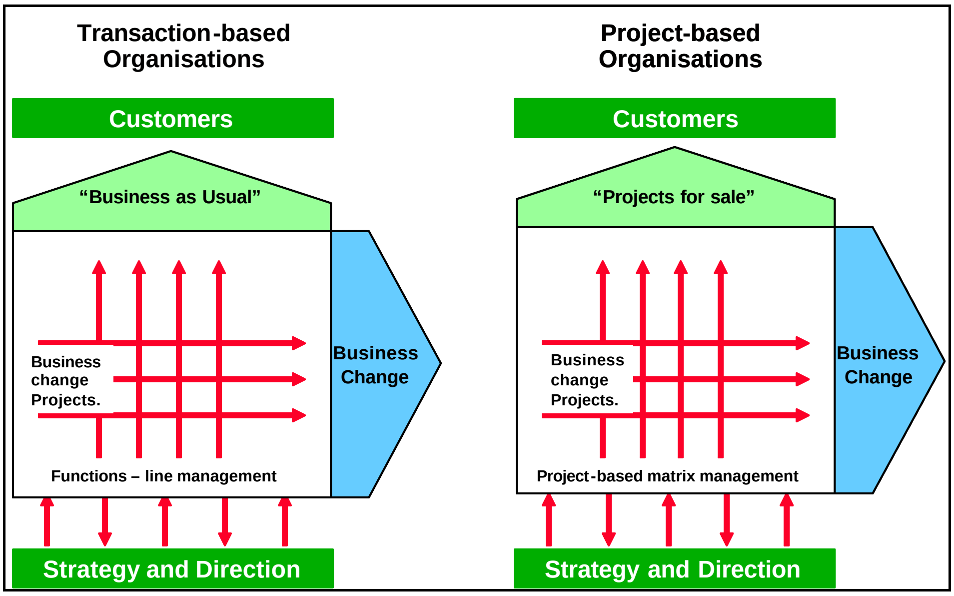

Exhibit 2: "Business change" projects in organisations.

This means that, in order for "business change" projects to succeed, the voice of project management needs to be in dialogue with the voice of general management.

Sadly, there is little evidence from the published literature that this is the case.

The mismatch between the "worldviews" of project management and general management.

Leading proponents of project management such as Barnes (1990) or Turner (1993) argue that project management can be defined as the management of beneficial change.

Business Process Re-engineering (BPR) is an important discipline for implementing transformational change in an organisation. An entire issue of a leading journal (IJPM Vol. 14 No. 6, December 1996) has been devoted to different aspects of the role that project management can play in BPR. Perhaps this was in response to the apparent indifference of authoritative writers on BPR, who seem far from convinced of the significance of project management to their discipline. Two of the most influential books on the topic (Hammer and Champy 1993; Davenport 1993) manage to avoid any mention of project management. In response, Tuman (1996) shows how project management can make a substantial contribution to the success of BPR, providing that the focus is on the right project management practices, but the careful reader of both management literature and project management literature will be struck by the different mental models underlying the two streams of thought.

More generally, I have highlighted elsewhere (Cooke-Davies 1994) the mismatch between the perception of the management of change held by business general managers, and that becoming rapidly espoused in the project management world. There is a real need for a constructive dialogue between the two differing points of view, and Partington (1996) calls for a more detailed study of the practices of project management as they apply to the management of organisational transformation.

This "disconnect of perspectives" becomes apparent when the corpus of project management literature is contrasted with general management literature. There appear to be dissimilar mental models informing the thought processes of the two communities (the project management community and the business management community), and where there are areas of common interest (such as the nature of teamwork) this could be a contributory factor to the misunderstandings that lead to less than optimal project performance. Turner & Keegan (1999) offer an interesting hypothesis about this disconnect.

One detailed study from the world of system dynamics (Wolstenholme, Henderson, and Gavine 1993) has drawn attention to the consequences of two different communities being engaged on a common task but with dissimilar mental models, and it is reasonable to assume that similar consequences arise in the world of "business change" projects in organisations. Certainly, that seems to be the thinking behind the refreshingly "bilingual" writings and presentations of Eddie Obeng. (e.g. 1996)

What are the problems that 'business change' projects encounter?

Given the mismatch between the two perspectives, how, then, do the two different communities view the problems encountered by attempts to change the business? The evidence from the 1990s is that the general management community was very clear about the causes of problems encountered by "business change" projects, and that the project management community began to appreciate that the classic tools of project management provide only an incomplete answer.

Problems, from the perspective of general managers

Described below are the seven most common problems that account for the failure of "business change" projects, culled from an analysis of nine influential articles from Harvard Business Review: (Strebel 1996; Kotter 1995; Hall, Rosenthal, and Wade 1993; Goss, Pascale, and Athos 1993; Duck 1993; Schaffer and Thomson 1992; Argyris 1991; Beer and Eisenstat 1990; Lawrence 1954). The list represents the "accepted wisdom", from the point of view of general management literature, of the most significant problems facing "business change" projects.

1 Defining the scope of the project

By far the most common set of "failure factors" in the literature analysed is the failure to define an appropriate scope for the "business change" project.

Objectives of many failed projects were not keyed to specific business results. Sometimes because the project was too large scale and diffused, and sometimes because the project mistakenly embraced a flawed theory of "programmatic" change that suggested that change started with individuals, their values and their beliefs.

A second set of factors involved failing to identify the specific set of processes, roles, responsibilities, relationships and changed competencies that were necessary to create the context for transformed performance. Both insufficient breadth to the process being redesigned and insufficient depth of business change to the process were identified as factors leading to failure. Some failed from settling for the status quo, rather than embracing the necessary changes; from seeking incremental change, when something more radical was needed; and from treating symptoms of under-performance rather than fundamental problems.

2 Underestimating the impact of human factors

"Resistance to change" is the headline that encapsulates the second most common factor cited as a cause of "business change" project failure. Regardless of the seniority of people in the organisation undergoing change, change involves an emotional roller coaster that can easily get out of control if it is not managed appropriately. Senior managers became embroiled in what Argyris calls "defensive thinking" and thus avoided doing any real and necessary learning, and the sponsors of many failed projects did not take sufficient account of the "personal compacts" and networks of relationships that characterized the primary context for individuals' motivation to commit to the organisation's goals.

3 Ineffective sponsorship from the top of the organisation

"Business change" projects that lacked firm and visible commitment from the top of the organisation were more liable to fail than others. Factors cited included both the lack of effective commitment on the part of top managers themselves, and the failure to create a sufficiently powerful guiding coalition to provide broadly-based support for the project. Lack of vision, and staff- or consultant-led projects were also highlighted as causes of failure.

4 Inadequate communication

Under communicating the vision by a factor of ten, declaring victory too soon, poor communication with the organisation outside of the project team, and failing to take sufficient account of the need to communicate were each causes of failure in some "business change" projects studied by the HBR authors.

5 Inappropriate or inadequate metrics

Three problems were identified with regard to metrics: failing to link the project progress metrics to actual business results; measuring the progress of the plan, rather than the change that was accomplished; and providing "delusional measurements" of activity, such as the number of attendees at training courses.

6 Inappropriate programme or project structure

These problems, while closely related to those already described under "sponsorship", were subtly different. They included the assignment of only "average performers" to the project team, the construction of an elite "task force" working "behind closed doors" and reporting directly to the CEO, and a failure to plan the project in such a way that activities could be directly related to business results.

7 Insufficient empowerment of people with "know-how"

The last of the factors highlighted concerned the "marginalization" of people affected by the change and who had important "know-how" that was never adequately incorporated into the project. One reason for this was identified as a "bias to orthodoxy" rather than to empiricism.

Responses from the perspective of project managers

The important issue of the International Journal of Project Management dealing exclusively with Business Process Re-engineering (IJPM Volume 14 No. 6 December 1996) contained an interesting mixed bag of articles approaching the problem from the project managers' viewpoint.

Yeo (1996) argued in the guest editorial that project management needed to move beyond the "control" paradigm if it was to make a valuable contribution to the management of change, and both McElroy (1996) and Levene & Braganza (1996) suggested that programme management might provide the answer. The majority of the remaining articles were about classic project management techniques as applied to process reengineering, or about the reengineering of project management processes. One notable exception was

Jaafari & Filinov (1996) who paradoxically described a process flow that resembled a programme management approach rather more than a project management one, applied to the training of a large community in the skills of project management.

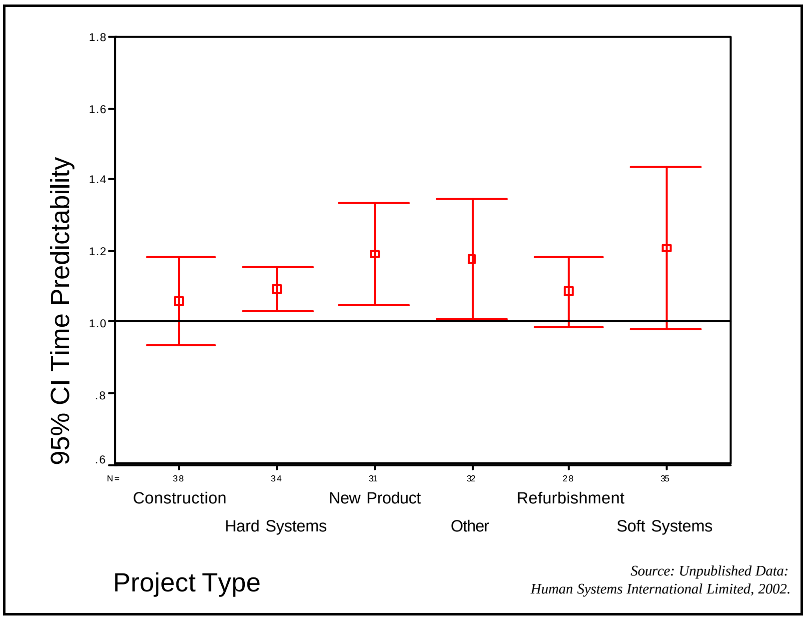

Exhibit 3: Predictability of different types of project.

From a rather different perspective, a recent analysis of the results of more than 200 projects and the practices employed on them has demonstrated that "business change" projects (described in Exhibit 3 as "soft systems" projects) perform significantly worse against predicted schedule than other types of project.

In Exhibit 3, the "I" represents the extent of the likely out-turn for which one can have 95% confidence (i.e. the results within which 95 out of every 100 projects will accomplish) and the little square, the most likely out-turn. Exhibit 3 makes clear that the most likely out-turn for "business change" projects is 20% delay, although the likely range is from on-time to more than 40% late. This compares very unfavourably with "hard systems", construction or refurbishment projects.

How are organisations responding to the challenge?

So having reviewed where the "voice" of project management fits into the "chorus" on change, and having looked at the problems encountered by "business change" projects, it is now possible to assess how leading organisations are responding to the challenge.

Workshops and case study presentations between members of Human Systems' global Network have shown clearly that leading organisations are working hard to improve the way they conduct "business change" projects. They are improving their practices for programme management, stakeholder management, portfolio management & project metrics, and benefits realisation. How these relate to the problems that have been described above is shown in Exhibit 4.

Solution / Problem	Programme management	Stakeholder management	Portfolio mgmt & metrics	Benefits realization
Project Scope	¦		¦	¦
Human factors		¦		
Sponsorship	¦	¦	¦	¦
Communication	¦	¦		¦
Metrics			¦	¦
Programme structure	¦			
Empowerment		¦		
Time predictability	¦			¦

Exhibit 4: Practices as solutions to problems

Each of the practices described below is currently being employed by at least one organisation with results that are sufficiently promising to enjoy the backing of senior management.

Programme management

An example of the advances in programme management practice that have been introduced during the past three or four years comes from one leading pharmaceutical R&D organisation that has introduced a comprehensive approach to and a framework for business change that includes four elements, paying attention to:

The programme purpose that ensures that; the vision and objectives are clearly documented and consistently articulated; the business case is clearly defined and bought into by the businesses affected; and the scope of the programme defined and under change control.

External interactions so that: the right sponsors for the programme are actively engaged in its governance; key stakeholders have been identified and are being managed; the programme understands the business and its needs; the programme understands the business processes that will be changed; and all interdependencies are being managed effectively.

Programme operation such that: an appropriate programme structure and governance model is in place; programme roles and responsibilities are clearly defined and in place; the programme is adequately resourced with an appropriate budget and cost controls in place.

Programme processes with: an effective programme office operating effective processes to manage the programme and its information; effective change management and communications; a benefits realisation approach; and issues resolution and risk management processes.

The framework is supported by three levels of assessment; formal programme health checks on behalf of the sponsor; informal programme assessments on behalf of the programme leader; and programme learning reviews on behalf of any part of the programme team.

It is also noticeable that organisations employing PRINCE 2 as a project management methodology are starting to embrace the complementary “Managing Successful Programmes” framework that is provided by the Office of Government Commerce in UK. (1999)

Stakeholder management

Leading organisations are recognizing stakeholder management as an area that needs improving, and that is crucial to the successful management of change. Theory isn’t enough – there is little disagreement about what <u>should</u> be done. The difficulties emerge with putting the theory into practice.

Stakeholder management is more than the sum of the tools, techniques and processes that are recommended – it is essentially about managing all of the “soft” factors on the project. The “change manager” is emerging as an explicit role within a change programme, to ensure that change can be assimilated into the organisation. There is also a tendency to use graphical illustrations to show degrees of buy-in and “do-ability” across the organisation.

One leading government organisation undertakes the procurement of major projects from external contractors, often involving multiple sub-contractors, alliances and partnerships, has taken the lead in creating a framework that doesn’t include “stakeholder management” processes so much as ensuring that each project team promotes activities that inevitably involve the management of stakeholders.

This is accomplished by the action of asking all stakeholders in any given project independently to assess the team maturity of the project, using a specially-designed team maturity matrix. What matters is not so much what answer the different parties to the project come up with, but the dialogue between all parties that ensues.

Portfolio management and project metrics

Good portfolio management makes a difference. One retail bank reduced their project portfolio by 75% which resulted in a 500% increase in project delivery in the first year. Many organisations still take on far too many projects for their capability. Good portfolio management is a lot more than project prioritization – its the active management of the portfolio, rather than simply its administration.

Organisations are increasingly introducing formal governance structures that separate the governance of portfolios and programmes from the management of individual projects. This calls for different competencies than is usually found in line management or project management, and so special training programmes are necessary for sponsors and for governance bodies.

Much attention is being paid to the development of suites of metrics. The best run project based businesses use a taxonomy of consistent metrics from top to bottom of the organisation. The stream of metrics can be tailored to have impact and provide clear messages at different levels in the organisation, although there is considerable scope for reducing the cost and effort in gathering and reporting metrics in most organisations.

Benefits realisation

By now, the principles are well understood, and have been described elsewhere (e.g. Cooke-Davies 2001; OGC 1999) and many organisations are incorporating the principles into their practices for all "business change" projects.

One large UK transaction-based organisation that has worked hard and consistently towards becoming world-class in the management of change has not only introduced the practice of "benefits mapping" as one element in a benefits realisation process that is applied to all "business change" projects, but has recognized that the ability to realize benefits is closely related to the organisations capacity for change. As a result, it has introduced a high-level governance committee that looks across all business units to assess the total programme of change and how this will impact "business as usual" units.

Conclusion

This paper is entitled "do 'business change' projects really change the business?" to which the only sensible answer is, "some do and some don't". In reviewing the current state of project management practice, however, it is apparent that some organisations have learned from the lessons of the management of change failures during the 1990s, and have incorporated these lessons into their practices. The topics that were dominating general management discussions of the "management of change" during the 1990s are now finding their way into the project management practices of the 2000s. There are real signs that the worlds of project management and of general management are converging!

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