Getting Your Projects to Meet Strategic Goals

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Introduction

Project management and organizational strategy should be natural partners in any business. Project managers can and should play a strong role in executing organizational strategy. They also should provide critical information to the executives who set organizational strategy. Unfortunately, many project managers still do not see how their work aligns with strategic goals and cannot demonstrate that alignment to others.

In the past a project that was on time and on budget was considered a success. With rapidly changing and evolving organizational goals, it is more important than ever for project managers and senior managers to understand how to connect strategy to projects. Companies can form a tight partnership between strategy and projects by using strategic planning, project portfolio management, project charters, and metrics.

Organizational Strategy

Defining "Strategy"

The word "strategy" is used commonly and loosely in business. It involves planning to meet a goal in most situations. Often it is used to mean long-term plans while "tactics" are short-term plans. Mintzberg, Ahlstrand, and Lampel offer five different definitions for "strategy" involving

- Plans
- Patterns of behavior over time
- Positions in the market
- Unique perspectives of a company
- Ploys used to outsmart competitors (Mintzberg et al, 1998, pp. 9-15)

This confusing use of words can serve to keep people out of the world of strategic planning. If an outsider attempts to critique or change a strategy document, it is easy for a seasoned strategic planner to state, "That is not the whole picture. That is not the whole strategy." A strategist can use acronyms, jargon, or terms that a project manager does not know. These tactics can keep project managers from participating in discussions of strategy.

This paper will use the definition of "strategy" given by Michael Porter: "Strategy is the creation of a unique and valuable position, involved a different set of activities." (Porter, 1996, p. 68) By introducing the notion of different or unique activities, Porter offers a bridge into the world of project management.

"Strategy" is different from a mission or a vision. A mission statement defines what the organization is, what it stands for, and whom it serves. A vision statement describes a desired, future state. A vision might include internal goals as well as goals in the competitive marketplace.

Senior managers and strategic planners are responsible for formulating and setting strategy. The goal of the project manager is not to take over the role of strategic planning, but instead to understand and execute that strategy.

Organizational strategy is multi-dimensional. It is not a simple plan or sequence of steps. Strategy is based on models of the market, long-established patterns of behavior in the organization or the market, key strengths and weaknesses of competitors, and many other factors. In many organizations, strategy shifts fluidly and suddenly, not obeying the change-control processes that exist in many projects.

A common struggle for many strategic planners and senior executives is to ensure that the organization actually executes the strategic plan, once it is set. To execute the plan, senior managers must be able to explain it, gain the support of the organization to actually implement it, and then make sure that managers and staff actually break the strategy into concrete tasks and goals that they execute.

Project management has a unique and powerful role to play. It is the tool to ensure execution of the strategic plan.

Discovering Your Organization's Strategy

Mission and vision statements are usually shared freely in an organization. They are posted on web sites, intranet sites, and sometimes handed to employees on laminated business cards. Strategic plans may not be shared as widely throughout an organization. Some parts of the strategic plan may be shared freely, but other parts may be secret or confidential.

Most business executives recognize the value of strategy, but not all recognize the value of communicating strategy widely. "The idea that only senior manager of the organization need to know and understand the strategic plan has been around for a long time, with enormously negative consequences." (Goodstein, Nolan, Pfeiffer, 1993, p. 354) Some senior managers may feel that the project manager does not have a need to know the company strategy. Others may not trust the project manager to keep company secrets contained in the strategy. To discover the company strategy, a project manager may need to overcome these objections.

Project managers may face other challenges when discovering the company strategy:

- Strategic plans that are discussed but never written down
- Separate strategic plans for each business unit, with only a loose federation of these plans at the top executive level

In some organizations, a project manager looking for the strategic plan might just need to ask; he or she will get a printed copy. In other organizations, the project manager will need to engage in detective work or advocacy.

A project manager may be able to determine parts of the organization’s strategy from the following sources:

- Company annual reports
- Government and stock-exchange filings
- Public and internal speeches by top management
- The actions of the company over time

Annual reports and government filings usually have the most useful information in footnotes and endnotes. These may discuss the impact that different events had on the business, future plans for expansion, or abandoned plans. The leading material on these reports tends to be written as marketing or public-relations pieces. It often does not reveal very much about the company.

Executive speeches can be an excellent source of information. New product launches and announcements may contain information future product strategy. Discussions about financial results with investors may reveal long-term plans, expected competitive changes, and other strategic clues. Often they are not transcribed, so a project manager may want to write down key phrases or ideas that the executives repeat.

The strategy a company intends to follow can be very different from the strategy that actually gets realized (Bower & Gilbert, 2006, p 26). The ultimate, objective evidence of a company's strategy is their actions over time:

- How does the company react to a crisis?

- What offices are opened and closed?
- What product lines are launched and ended?
- Where are capital investments being made?

Over time a good detective can infer a company's strategy, but it takes skill, time, and research.

Beyond using detective work to discover strategy, a project manager can play a useful role in implementing and helping to set company strategy. A project manager needs to know the strategic plan to do their job properly.

Balanced Scorecard

The Balanced Scorecard method is one of the most successful strategic management systems. Balanced Scorecard was developed in the 1990's to bring strategy down to the employees, and help keep the whole organization in alignment.

If implemented correctly, the Balanced Scorecard can change the way an organization does business. It will keep them from becoming distracted by new technologies and new ideas, and instead keep focus on results. Balanced Scorecard helps with two problems that plague organizations:

- Balanced Scorecard can translate a high level strategic plan into an operational action plan
- Balanced Scorecard brings a feedback loop to strategic planning

The Scorecard measures performance against goals, determines if the goals are appropriate, and determines if the strategy or measures should be changed.

The Balanced Scorecard was developed to address the problem that traditional measurements of an organization focus on financials, which tend to look backward, rather than forward. The Balanced Scorecard attempts to provide both historical and future insights, by balancing financial results with efforts that create value over the long term. That's the "Balanced" of "Balanced Scorecard." These efforts are categorized into *perspectives*, or categories of strategic objectives. The traditional four perspectives (Niven, 2002 p 117 – 139) are defined below:

- *Internal Processes:* Look at those processes that have the greatest impact on customer satisfaction, and also examine core competencies. At which processes must the organization excel? Look at both innovation and incremental improvement. For a traditional manufacturer, factors might include product development, manufacturing, delivery and post-sale processes.
- *Customer Satisfaction:* An organization must talk to its customers to understand what their expectations are, and measure against their expectations, not what the organization assumes them to be. For example, cost to a customer might not be just the price of the product, but can include everything about how easy the vendor is to do business with -- ordering, delivery, reworking and obsolescence. (Kaplan & Norton, 1992) Think beyond a customer survey here -- look at measurable areas like response time, retention and acquisition.
- *Financial:* Financial performance should be the logical result of doing the fundamentals well. Financial results are easiest to measure, but are limited, as they have a backward-looking focus, and because of that, tend to focus on the short term. Primary metrics include profitability, growth and shareholder value.

These four perspectives serve as a good template for what any individual organizational perspectives should be. It's possible to have more than four, or fewer, and they may be completely different. A company's perspectives may include such categories as innovation, research and development, and the environment, depending on what the business and vision is. For example, PMI's perspectives are Resources, Culture and Capabilities, Internal Business Process and Stakeholder Intimacy (PMI, 2004).

(Substantial portions of this section on balanced scorecards appeared previously in Tharp, 2007.)

Quantifying Goals

Strategic planners will then take their goals and turn them into quantitative measures of success. For each strategic objective, the organization creates appropriate measures, and an associated target. Projects may then be designed and implemented to meet each objective (Tharp, 2007 p. 4).

For example, the PMI San Francisco Bay Area Chapter set a goal under the Customer Satisfaction perspective: "Develop and deliver sustainable comprehensive knowledge offerings for members." This goal could be measured many ways:

- Number of educational events offered
- Number of new programs developed
- Number of student-hours of classes delivered
- Diversity of topics offered

Some indicators, like the diversity measure, might require creating a custom index. For example, the board could take the top ten topics requested by members, and measure how many of these topics out of ten have been covered within the last years' events. Coming up with good measures of goals requires some imagination, experimentation, and research.

Strategy, Goals and the Project Manager

The project manager should use strategy and goals when running a project. Organizational goals become critical when trying to:

- Justify a new project
- Determine whether a scope change should be made to the project
- Explain the need to continue a project
- Determine critical project objectives
- Prioritize conflicting projects

Project managers are the spokesperson for their project. Project managers need to be able to defend the need for their projects.

At Mitsui Sumitomo Insurance Group USA, regulatory compliance appeared as a key goal in mission statements, vision statements, and strategy documents. Their corporate philosophy states, "By serving society and the public with appropriate property and casualty insurance we help them achieve prosperity and welfare." (MSIG USA, 2002) That statement was interpreted to mean full compliance with all regulatory requirements. When project teams became aware of regulatory problems, they knew to treat them seriously and bring them quickly to management for review and discussion. Generally they were quickly added to project scope, regardless of the cost and delays to other projects. Project managers from other companies might be reluctant to even raise a change request for a high-cost, low-exposure regulatory issue, but at MSIG USA managers were expected to quickly estimate and propose these changes.

Knowing the company's strategy and goals helps project managers make better decisions about their projects.

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Using Strategy in Projects

Project Charters

The project charter is "a document issued by the project initiator or sponsor that formally authorizes the existence of a project, and provides the project manager with the authority to apply organizational resources to project activities." (PMI, 2004, p. 368) The charter should also tie the project clearly to strategic goals.

"Tied to strategic goals" seems like a simple issue, but it is profound. It may seem "useful in an ideal world" but it is actually a very practical, needed step. Charters must be tied to goals to

- Ensure their approval and authorization
- Defend the project against being canceled
- Demonstrate that the project is legitimate and not a fraud

Some projects are explained and defined according to what they will do, and what actions will take place. These projects are vulnerable to cancellation when something more important is raised in the company.

For example, a "Six Sigma Project" might seem helpful to the company, particularly to someone who believes in Six Sigma's effectiveness. It could be more powerful. A company that makes fire extinguishers and prides itself on reliability will see more business value in a "Fire Extinguisher Reliability Improvement Project" than a "Six Sigma Project." The Six Sigma method is not as important to the company as the goal of reliability improvement.

Not every project must change its title to show its relationship to the strategic goals. Somewhere in the initial sentences of the project charter, though, the charter should show which goals it will further. Many project leaders do change the titles of their projects, once they understand the strategic goals they are serving. While a project title may seem minor, it can make a huge difference to how senior managers and team members perceive the project.

Project Goals and Measures

Project managers establish their own measurement systems to gauge the progress of their projects. These measures typically include project-oriented deliverables and issues:

- Hours worked
- Work-hours remaining
- Duration remaining
- Items delivered
- Upcoming milestones
- Completed milestones

The project measurement systems can and should match against measurements of strategic progress. The project manager still needs some project-oriented measures of progress, but some measures should link to strategic goals.

For example, a person running an educational program for the PMI San Francisco Chapter knows that his or her program will deliver some of the educational events called for in the strategic plan. The schedule for that program should clearly include board-reported milestones for

- Each class taught
- Each new class developed

- Report of attendance and classroom-hours earned

These three measures, adopted by the board to measure progress against their goals, should be gathered and reported on by the program manager.

Just by measuring these values at a project or program level, the organization encourages staff to meet and achieve these strategic goals. It is a common business saying, “What gets measured gets done” (has been attributed to Tom Peters, Peter Drucker, Edward Demming, Lord Kelvin, and others). Having these measures feature prominently in status reports, schedules, and team discussions will help people feel tied to the organization's strategic goals.

Project Portfolio Management and Strategy

Strategy is even more critical in the growing area of project portfolio management, or the management of groups of projects. All the benefits for single-project management apply to portfolios, and these other benefits join them.

A New Project Portfolio

Strategy is critical in setting up a new project portfolio. This is true both for a company setting up project portfolios for the first time, and a company creating a new portfolio to manage a new set of work.

The new portfolio should have some criteria: what projects do and do not belong within it? Often these criteria are built around one or more goals in the organizational strategy. An organization may have multiple project portfolios. Each meets the needs of different reporting and organizational units:

- Separate portfolios for each subsidiary or reporting unit
- Separate portfolios for different strategic goals, like regulatory, improvement, and growth
- Separate portfolios for geographical markets

No matter how the project portfolios are split, though, they should all serve a common organizational mission, vision, and strategy.

Each portfolio owner must then review existing and proposed projects, to decide which fit where. Each project should be examined for strategic alignment.

Canceling Projects That Do Not Fit

Any projects that do not fit the organization's strategy should be canceled.

The PMI Standard on Portfolio Management mentions the issue very briefly, in the area of authorization: “inactivating or terminating components of the portfolio ... [and] reallocating budget and resources for inactive and terminated components.” (PMI, pp. 34-35) Mature organizations will need to periodically examine their projects and cancel those that no longer fit. Cancellation does not necessarily mean failure; the project might have developed useful work along the way. Cancellation does not mean it was a bad project; it might have been a good idea at the time, but no longer fit the organization’s strategy, which may have been altered by a changing marketplace.

Ending failed and misaligned projects is difficult work. It can be tougher than the alignment and measurement issues that are discussed at length in many project portfolio management books. Teams resist stopping work on projects that they have worked on for months or years, and which they have imagined completing successfully. Ending projects potentially has huge return on investment. Stopping projects also allow the company to work on more strategically important work. (Heerkins, p. 168)

Unfortunately most people seem to shy away from ending a project. Neal Whitten notes that many project managers have an “unhealthy inhibition towards failure” and asks us to “remember that failure is a necessary ingredient for achieving." (Whitten, pp. 69-71) Companies that follow through on their mission, vision, and strategy will not only cancel some projects, but learn from them.

Companies that go through the process of strategic alignment may also see their project failure rates drop. By approving only the best-aligned ideas, they are more likely to have the resources to complete them successfully. Depending on the company type, though, a low rate of failure might be inappropriate. A research and development organization might actually increase its failure rates after strategic alignment, because it focuses on more high-risk, high-return projects.

Maintaining a Project Portfolio

Project portfolios must be reviewed and maintained. Projects must be regularly evaluated and selected among the list of available work. Events in the organization and in the projects in the portfolio will trigger change (Brown, 2006, pp. 4-5):

- Project closure
- Project start-up
- Budget and resource changes
- Cross-project conflict and competition for resources
- Organizational crisis
- Changes to the strategic plan

Portfolio managers and project managers should work together at these times to share information, consider changes to the portfolio, consider changes to the strategic plan, and review project strategy and plans.

There are many methods and models to evaluate projects, to prioritize them, select them, and authorize them (Kendall, Rollins, 2003, pp. 214-222; Dinsmore, Cooke-Davies, pp. 135-136; Heerkins, 2006, pp. 135-159; Rad, Levin, 2002, pp. 136, 147-149). These standard methods focus on evaluating the best projects out of a list, though. Often the best way to maintain a strategically-focused portfolio is to actively start up new projects to fill strategic goals or to fill in gaps between existing projects (Brown, 2006, p. 6). Portfolio managers should not just select between the projects presented to them; they should be active in the business, suggesting new project ideas and reviewing strategic planning documents for inspiration. Project managers can help suggest useful new project ideas as well.

Project portfolio managers use metrics and measures to evaluate progress periodically. They can gauge progress through the months and years, by monitoring key strategic measures. The PMI San Francisco Bay Area Chapter, for instance, can monitor its educational strategy by regular reports of classes held, people trained, and so on.

Benefits of Strategically Aligning a Project Portfolio

Tying projects to strategic goals is also useful for fraud prevention. Fraud takes many forms, including embezzlement, kick-back payments, fake suppliers, faked signatures, and so on. One of the most difficult forms of fraud to detect, though, is the "pet project" that serves someone's personal needs, but which is otherwise run entirely according to the rules. (Rollins, Lanza, 2005, p. 177) Requiring every project to support a strategic goal of the company will help eliminate these projects. Applying competitive pressure across a portfolio of projects, so only the most strategically aligned projects get funded, will almost certainly eliminate pet projects. Depending on how the organization defines "strategy" some operational efficiency projects might not be considered "strategic." These should be included, along with strategic projects, in a full analysis of alignment and priority. All these projects will affect the resources available to the organization and its ability to execute its strategic plan.

When managers use strategic goals as the basis for determining which projects are selected and given priority, the end result is that only those projects that move them towards their long-term goals will be undertaken.

Applying the PMI Standard for Portfolio Management

In 2006 PMI published the *Standard for Portfolio Management*. (PMI, 2006) It offers a partial model for how to manage a portfolio of projects. It is the first published version of the standard, and we look forward to seeing the standard grow and mature.

As written, the Standard focuses on three aspects of project portfolio management:

- Alignment
- Selection
- Measurements

These core processes clearly belong within the standard, but there are many open questions:

- How do organizations develop strategy?
- When and how should it be communicated to the project manager or project portfolio manager?
- Is any standard possible for the process of setting and communicating strategy?
- How do project results influence organizational strategy?
- How should new project ideas be chartered? Does the project portfolio manager have a role? Does the project manager have a role?
- Where does the list of projects to align, select, and measure come from?

This paper suggests answers to some of these questions, but not all. Some of these questions may have been discussed by the standards team, but left out of the standard because organizations are not consistent in how they handle them. A "standard" can only include processes that can be standardized.

Conclusion

Project managers can serve an essential strategic role, executing the strategy set by senior managers. There are many barriers that project managers must overcome to achieve this ideal:

- Understanding the role of strategy
- Discovering the organization's strategy
- Selecting appropriate strategic goals and measures
- Translating project goals into strategic business terms

While the project management literature has contributed many ideas about selecting and prioritizing projects, there are many areas left to explore. Project managers should continue to work to develop new, practical techniques to match projects to strategy.

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