

Strategic Project Management
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Introduction

A nightmare for project managers:

- To spend time, money, and effort, execute a project
- To end on-time and on-budget
- To discover that the results of the project are of no use to the organization

This paper is about one company's attempt to systematically eliminate that outcome from their portfolio of projects. By joining and coordinating strategic planning and project management, the firm's project leaders can manage projects while keeping a strong alignment with the strategic goals of the firm.

Strategic Planning at MSIG USA

Key Concepts and Terms

Certain terms and concepts are essential to understanding the project controls at MSIG USA, especially

- Strategic Planning
- Executive Steering Committee
- The Strategic Plan

Strategic Planning for MSIG USA is the process of coming up with the company's medium-term and long-term plans. These plans have elements with immediate impact and work, and others that extend many years into the future. There are many other ways to define the term “strategic planning” and many methodologies for creating a plan for a given company (Mintzberg, Ahlstrand, Lampel, 1998), and these are outside the scope of this article. The process of creating the plan is not central; the alignment of projects to the plan is central.

The Executive Steering group has changed form over several years, but it has always made the final decisions about the strategic plan and projects. The form of the group is unimportant; the key element is that they can make decisions and commit resources. In a larger company, there might be a decision-making body guiding the strategy and projects of each department, but at MSIG USA this function is at the level of President, Chairman, and Chief Executive Officer.

The Strategic Plan is literally a collection of projects at MSIG USA. There are strategy documents that help decide what projects go into this plan, but the “Plan” itself is a collection of projects. This definition is in contrast to many other companies where the “strategic plan” is the collection of documents, research, and implementation plans created by the strategic thinkers of the organization. This unusual use of language reflects the central role that projects play in strategic planning at MSIG USA.

Overview of the Strategic Plan

By definition, the Strategic Plan includes most cross-departmental projects in the company, and any project with a strong impact on the medium- and long-term strategy of the company. As an insurance company and as the US subsidiary of the Japanese Mitsui Sumitomo Insurance company, these projects tend to focus on regulatory issues,

marketing and growth, Information Technology enhancements, and the internal capabilities of the firm. Some of the largest projects have spanned multiple years, including one to upgrade the company's Underwriting computer system. Smaller projects have been completed in a matter of months, including specific improvements to reports or operational procedures.

Size is not the determinant of what goes into the Strategic Plan. The decision is made based on cross-departmental impact, relevance to the medium-and long-term company plans, and the will of the Executive Steering Committee. Anywhere from 15 to 30 projects have been active in the Strategic Plan at any one time.

Every department in the company has been involved in one of these projects over the past few years. Information Technology (IT) is the most common participant, but Marketing, Underwriting, Claims, Finance, Human Resources, and Operations have all participated as team members and project leaders.

The Strategic Planning Office

The Strategic Planning Office (SPO) is charged with administering this plan and providing guidance to all the project managers who do projects within it. It is similar in many ways to a Project Management Office (PMO), but would more accurately be described as a Portfolio Management Office. The Strategic Plan is managed as a portfolio of projects, and the SPO is responsible for the administration of that portfolio.

Ultimately the portfolio is owned by the executives of the company, but the SPO is responsible for monitoring the projects within in it on their behalf. The SPO creates status reports, brings new project proposals forward for approval, monitors budgets, and runs the Strategic Plan in its day-to-day operations.

Because project management is so central to the success of this approach, the SPO also serves as a mentor and project management expert for all the project managers within the company. The SPO performs and recommends project management training. The SPO provides day-to-day support and advice on specific project issues.

When new company strategies are being set, senior executives may or may not consult the SPO during early planning, but will certainly call on the SPO as the plans are being finalized. Strategic planning in the company leads to new projects within the Strategic Plan. The SPO coordinates the start-up of these projects and makes sure that the assumptions and implementation plans are realistic. The SPO keeps a repository of project files and lessons learned, to ensure that new projects learn from past project experience.

How Project Management Complements Strategic Planning

The experience of three years of serving as the one-person Strategic Planning Office has demonstrated the tremendous synergy between project management and strategic planning. Each one serves to reinforce the other, enhancing the impact and discipline of the other in a circle of continuous improvement. We have found that the longer the two functions are tied together, the more realistic and achievable the strategic plans become, and the more strategically aligned each project in the Strategic Plan becomes.

Strategic Planning as a Source of Ideas

Before a project begins, there must be some core idea that inspires the charter, objectives, and initial plans. Most project management methods are silent on the issue of how to come up with those initial ideas, yet the quality of this initial idea is critical to the project's business impact. Strategic planning methodologies have a wide variety of techniques to come up with such ideas. Some techniques include:

- SWOT Analysis (Strengths, Weaknesses, Opportunities, Threats)
- Competitive Analysis
- "Vision Statement" approaches that involve visualizing a desired future state

- Market-share goals
- Product feature utility and marketability analysis
- Marketing and branding studies, to define the competitive position and marketing appeal for the organization

Writers and business thinkers are constantly coming up with new techniques to analyze and improve the organization. Some ideas may come and go quickly, while others become long-standing techniques.

All these techniques answer a common question: “What should the organization do next?” Strategic planning provides ideas that will serve as the starting point for one or more projects.

At MSIG USA, the involvement of the SPO in organizational strategy allows an easy transition to the start of the projects. The idea leads quickly to start-up, planning, and execution. There is little confusion or question over what needs to be done, and the initial project documents tie the project to the corporate strategy.

Project Management Achieves the Specific Results

One core problem with many strategic planning methods is execution. Implementing the plan is usually outside the scope of a strategic planning process. Project management's core strength is in controlled planning and execution of specific, unique efforts, making it the perfect partner of any strategic planning method.

At MSIG USA, project managers take control of each effort in the Strategic Plan. They create plans, achieve the specific project deliverables, monitor schedules and budgets, and get the resources of the company working on their part of the Plan. Often companies will develop long-term plans, start work on them, but then see those efforts yield no benefits when interest wanes after six months or a year. At MSIG USA, continuous monitoring by the SPO helps to ensure that no project is left behind or forgotten. If it was important enough to start up, it is important enough either to finish or to bring to the executive group to cancel.

Project Results Drive Strategic Changes

Because the projects were built off of strategic ideas, and their plans were aligned to strategic deliverables, the project deliverables achieve strategic results very consistently. Normal project failures and disappointments occur, such as late or over budget projects, but what is achieved does align with the goals of the organization.

Each project will advance one or more strategic goals. The company sees new strategic choices or opportunities as the projects complete major deliverables. The end of a project often drives executives to reassess their earlier goals and add new goals for the organization. Executives launch some projects specifically to gather information. These projects reveal information about the competition, trends in the industry, potential markets, and other long-term opportunities. Each project completed becomes an information source for the next revision to the Strategic Plan, driving new goals, strategies, and visions for the company.

Continuous Feedback Loop

MSIG USA has such an update cycle for the strategic plan, in order to help plan annual budgets. The continuous change that happens through the year is even more important than these scheduled updates, though.

The new-project-proposal procedure allows people to introduce new ideas for projects throughout the year, at any time. These may be approved by the executives and start work immediately, if they are high enough priority. (Brown, 2005)

One of the greatest sources for new projects is typically the post-project review. At the end of a project, the team usually has new insight into what is needed to improve or even transform the business function they have spent so many months improving, automating, or changing. These new ideas become new project proposals. Official policies and procedures ensure that project participants consider follow-up project proposals each time a project ends.

The result of this continuous feedback loop between strategy and projects is that the yearly or semi-annual review of the overall medium- and long-term goals is often routine. The company has had a chance to correct its path throughout the year through new project proposals and project changes. Reviewing these changes gives an accurate view of what the company must do in the short term, and what it has been able to accomplish since the last review of the long-term goals. This approach provides a continuous feedback loop between tactical delivery using project management and longer-term goals using strategic planning.

This feedback loop also seems to have increased the involvement and enthusiasm for strategic planning in the company. Most people see the long-term goals of any company as far-off and sometimes difficult to imagine and understand. The project work is much more concrete and comprehensible. By explicitly tying project and strategic work together, more people can influence organizational strategy. People who would not feel comfortable commenting on strategy are willing to comment on specific project objectives or even to propose new project ideas. These employees are influencing organizational strategy, because the projects and strategy are so closely linked.

Key Points of Interaction Between Projects and Strategy

There are specific times when projects and strategy interact closely. Anyone attempting to join project management and strategic planning in their company should consider each of these key events first.

Project Start-Up

A good strategy document will define objectives and goals, but typically does not include information on how to achieve these goals. These documents are most useful at the very start of a project, before money has been invested in plans and deliverables. If strategists and project managers can work together well at project start-up and initiation, they can create project proposals that meet organizational goals.

Once the project is started, the project manager can use that initial statement as a guide for all the project plans and work. Strategists may be less interested in these implementation details, but strong collaboration at the earliest stages of the project can ensure that the project does meet strategic goals.

To adapt a common business analogy, project management helps us climb the ladder of success very quickly. Strategy makes sure that we have put the ladder against the right wall. The best time to figure out if you are climbing the right wall is right before you step on the first rung.

Project Closure

At MSIG USA we have found that post-project reviews are the best time to get new project ideas out of the team. Project teams have a natural enthusiasm for their work, especially if the project completes successfully. They often have insight into how to further improve related business process. They often have seen related problems and opportunities. Especially if they have been working on strategically vital goals, they have probably imagined other goals and possibilities as part of their work.

Gathering and documenting these ideas at the project end is the greatest gift a project manager can give to a strategic planner. Each idea is a possible addition to the next version of the company's strategy. At MSIG USA, half or more of these ideas become follow-up projects in the Strategic Plan.

Budget and Resource Authorization

The business case for each project justified the time, money, and other resources needed to complete the work. Organizational strategy should support the business case, by ensuring that every possible benefit to the company is considered. For instance, a project manager attempting to justify a computer system upgrade might include as a benefit the ability to interface better with suppliers. If the project manager is not aware of a strategic goal to improving the relationship with suppliers, he or she would understate this benefit. Project managers, strategic planners, and executives should work together when authorizing budgets and resources for projects.

Resolving Resource Conflicts and Setting Priorities

Companies are limited in their resources. Even if all the projects support the company's strategy, the company may need to decide which one gets resources first. There are many systems to prioritize projects available, including scoring, forced rank, and other types of rating systems. With any method, it is critical to adapt the system to set priority based on overall strategic goals. A good strategic planner should be able to help executives and project managers prioritize the use of limited resources. The measures used and the priority system chosen should reflect the strategy of the organization.

Organizational Crisis and Strategic Change

New technology, new competitors, and other changes can send enormous changes through an organization. Whenever such an event occurs, it creates uncertainty for each project. Will we be able to keep our budget? Is our project still relevant? What will happen next?

Strategic planners face similar uncertainty. Often they are asked for new business projections and new plans. They must quickly answer questions of their own. What will happen next? What is in progress that might need to be stopped? What should the company do next? Is our organization capable of the changes needed?

Project managers and strategic planners have many of the answers to each others' questions. A disciplined organization should encourage these two groups to talk and share ideas. Solutions should take into consideration both top-level industry events and the reality of the work in progress at the company.

Senior Executive Support

Strong cooperation between strategic planning and project management requires strong executive support. Organizational strategy is typically approved by the highest levels of the firm. In some organizations strategy documents are not shared with most staff, or they are only shared in part due to competitive concerns and the need for secrecy. Senior executives need to support a close working relationship between the planning team and the project managers, so that they can freely exchange needed information.

At MSIG USA, we were able to achieve this result using a few different techniques. First, project management was introduced explicitly for the purpose of supporting strategy. In the past, strategic direction was written down but often executed poorly. Project management's promise was the ability to execute well.

Senior executives were also trained in project management, along with many other department managers and employees. In total, about 10% of the staff took a one- or two-day course in project management, including all senior managers and most department managers. By understanding the basic goals of project management and the tools associated with it, the senior managers understood the benefits it could bring.

The company also developed a new internal language about projects. People in the company use the term "Strategic Plan" to mean a collection of projects. That language is reinforced on the company intranet, in lunch-and-learn sessions offered to interested employees, and in hallway conversations. When a cross-departmental issue arises, managers ask, "Should this be in the Strategic Plan?" Introducing the new language and reinforcing it has been essential to building an effective Strategic Planning Office.

Senior executives also reinforce this language and approach. They value clear, well-defined proposals, presented to the executive team in a controlled fashion. The process of starting a new project was approved by them and supports their needs. It helps them hear about key ideas and issues when they are ready for decision, and not before. The process helps them manage their time, their budgets, and their company's direction.

This process has allowed the company to sustain executive support for both strategic planning and project management across multiple years and across changes in administration. When proposing an improvement to strategic planning functions, it is essential that the new process will keep executives involved and demonstrate continuing value to them.

Key Developments Supporting Strategic Project Management

Several trends in the project management industry should bring more attention to the issue of Strategic Project Management. Each of these ideas and products encourage organizations to marry project management practices with organizational strategy.

Project Management Maturity Models

Following on the success of the Capability Maturity Model in the software industry, many different groups have created maturity models supporting different disciplines and industries. In project management, there is the PMI Organizational Project Management Maturity Model (OPM3), several types of Project Management Maturity Models (Dekker/Crawford with PM Solutions and Kerzner with International Institute of Learning), and other maturity models organized around the PRINCE2 methodology. Each one offers a way to measure the capability and maturity of an organization in its use of project management. Each model discusses the match of projects to organizational strategy, at least to some extent.

PMI explicitly promotes the OPM3 product using organizational strategy. The OPM3 Executive Summary declares on the front cover, “Transform Strategy into Results.” (PMI, 2004) Organizational strategy is an important issue for all maturity models. Maturity models and their marketing materials are bringing more discussion of strategy into the project management field.

Portfolio Management Standards and Books

Portfolio management is the subject of a new standard from PMI (PMI 2006) as well as many books. Portfolio management naturally leads to organizational strategy, for the same reasons that maturity models do.

A frequent topic in portfolio management studies is “project selection.” Experts advocate scoring systems and ranking systems to select the best project to implement, or to balance a portfolio of projects. (Kendall, Rollins, 2003, pp. 214-222; Dinsmore, Cooke-Davies, pp. 135-136; Heerkens, 2006, pp. 135-159) At MSIG USA we tend to use the start-up of new projects and the development of project proposals to balance the portfolio. Many books fail to discuss this process, as if

- Someone will deliver a long list of proposals
- These proposals will arrive together, so they can be prioritized together
- The best projects for the company will always be contained in this list

At MSIG USA, often the best ideas need to be developed and discovered, sometimes as the result of an investigative project. Strategic planning techniques can be extremely useful for uncovering innovative ideas and approaches. “Project selection” is a useful tool, but it may not be sufficient to produce a great project portfolio. “Project idea development” or “project proposal development” ensure that the best ideas are on the list of candidate projects. Many project management books talk about “selection” but neglect idea development. (Rad, Levin, 2002, pp. 136, 147-149; Kendall, Rollins, 2003, pp. 73-76) *The Standard for Portfolio Management*, by PMI, for instance, mentions different forms of the words “priority” and “select” over 70 times each. The phrase “new component” (the Standard's term for “new project or program”) appears only 10 times, and only in the context of gathering a list to set priorities and to select projects. (PMI, 2006) The question of who actually starts these new projects is left unclear.

Recent project management books have seen a more balanced look at both the genesis of the project as well as its selection. Heerkens describes identifying business initiatives as essential to project portfolio management and calls it the “strategic phase”. The work of selection and setting priority follows as the second “tactical” phase. (Heerkens, 2006, pp. 107-109) Dinsmore and Cooke-Davies likewise devote considerable attention to strategy and business cases before discussing project selection. (Dinsomre, Cooke-Davies, 2006)

Project Management Institute Goals

PMI has declared as its goal: “Worldwide, organizations will embrace, value and utilize project management and attribute their success to it.” (PMI, 2005, Leadership) This goal is ambitious, but achievable. At MSIG USA, many managers and executives would attribute certain key successes to the discipline and follow-through that project management helped provide. From the most senior executives to the most junior employee, project management has an impact on work and results.

In order for MSIG USA to achieve that result, though, it was essential to put project management in the service of the organization's core plans to achieve business results. This step required strong cooperation between the project managers and the strategic planners in the organization. In order for PMI to achieve its stated goals, it will be important to increase outreach to senior decision makers and strategists. This goal should help encourage the development of strategic project management at more companies.

Conclusion

Many new books, products, and standards promise that project management will support organizational strategy and success. MSIG USA provides an example of a medium-sized company that has been able to fully integrate strategic planning processes with project management. Project management is now the way that the company executes and achieves its corporate strategy. Recent books and the marketing messages indicate that this is an important future direction for the practice of project management, and that the integration achieved at MSIG USA may become typical one day. For project managers with influence in the executive boardroom, there is no need to wait. Companies can implement these techniques now.

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