

Strategy & Projects



A BENCHMARK OF
CURRENT BUSINESS PRACTICES

Summary

High-performing organizations integrate strategy execution, portfolio, program, project, and performance management best practices more than other organizations. Conversely, low-performing organizations consistently underutilize these best practices. These conclusions are among the results of a survey of eighty-four project management practitioners by the Center for Business Practices, the research arm of the consulting and training organization, PM Solutions. The CBP surveyed senior practitioners with knowledge of their organizations' management practices and business results. The survey, *Strategy & Projects: A Benchmark of Current Best Practices*, was designed to determine the extent to which the effective use of strategy execution, portfolio, program, project, and performance management best practices leads to organizational success.

The CBP identified those practices that lead to high performance through a comprehensive search of the literature on strategy execution, portfolio, program, project and performance management. The research revealed a set of best practices that were categorized into the following components:

- Governance
- Strategy Management Processes
- Project Portfolio Management Processes
- Program/Project Management Processes
- Structure
- Information Technology
- People
- Culture

The survey asked the respondents to what extent forty-eight specific practices were exhibited in their organizations. They were also asked how well their projects performed, based on eight measures of performance, including strategy execution performance, shareholder satisfaction, organizational financial performance, strategic alignment, project schedule/budget performance, project customer satisfaction, resource allocation, and project portfolio performance.

High-performing organizations were compared to low-performing organizations as well as the overall average to determine whether or not the practices are, indeed "best practices" and if there are any differences in the extent to which organizations use strategy & projects best practices.

Key Findings

This Center for Business Practices research on Strategy & Projects confirms the literature research that uncovered the best practices described in this report and underscores the value of using Strategy & Projects best practices in executing the organization's strategy.

High-performing organizations use Strategy & Projects best practices in all areas more than other organizations, consistently and significantly

Low-performing organizations consistently underutilize Strategy & Projects best practices in all areas

Best Practices that Set High Performers Apart from the Rest

The following best practices were used significantly more often by high-performing organizations than other organizations. Information technology best practices in particular set high performers apart. The practices are listed in order of their significance.

IT tools integrate strategy execution management, portfolio management, program/project management, and performance management functions

IT tools are used to develop alternative strategic and project portfolio scenarios

Project management is clearly established and embedded within the organization's business management structure

IT tools provide information on the availability of resources

Senior management consistently rewards successful project behaviors

The enterprise project office allows the organization to manage its entire collection of projects as one or more interrelated portfolios

Program/project performance feedback is used for managing strategy execution

IT tools provide the capability to monitor and control risks, issues and financials across portfolios

Project management is valued throughout the organization

IT tools enable appropriate communication of strategy and strategic performance throughout the strategic management chain, both top-to-bottom and bottom-to-top

The company has an organizational structure (strategic project office, office of strategy management, strategic steering committee, etc.) that is responsible for managing strategy execution

Performance management reviews are structured to reward or correct individual performance based on the employee's contribution to strategic objectives

As strategy cascades down the organization, performance measures are established at each level (business unit, portfolio, program, project) to link up with the strategic performance expectations of the entire company

Best Practices Not Performed that Set Low Performers Apart from the Rest

The following best practices were *not used* significantly more often by low-performing organizations than other organizations. People best practices in particular set low performers apart. The practices are listed in order of their significance.

Project management is clearly established and embedded within the organization's business management structure

IT tools provide the capability to monitor and control risks, issues and financials across portfolios

Senior management consistently rewards successful project behaviors

Project stakeholders clearly understand the organization's strategies

Information about strategy and projects flows freely between business units facilitating strategy execution

Project management is valued throughout the organization

Enough resources are in place to make the project portfolio achievable

The project management staff is capable of creating, deploying, and maintaining enterprise, portfolio, program and project strategies

Performance management reviews are structured to reward or correct individual performance based on the employee's contribution to strategic objectives

Program/project performance feedback is used for managing strategy execution

Most Often Used Best Practices

The following best practices were the most often used practices by all organizations. Governance best practices in particular were used most often. The practices are listed in order of their use.

A list of current projects (active, proposed, on-hold) is documented

The organization has a well-defined strategy

The organization's leadership is trusted

Project performance is monitored (schedule variance, budget variance, earned value)

There is a shared understanding and commitment about the organization's long-term objectives and its strategy for achieving them

The organization has a process for identifying project opportunities and determining if those opportunities are in line with the corporate strategic direction

The organization's strategic objectives are an input to the project initiation process

Project stakeholders buy-in to the organization's strategies

Decision makers have the information they need about the execution of their organization's strategy to make optimum decisions

A focus on strategy execution is an important part of the organization's culture

Research Methodology

Statement of the Problem

The inability of organizations to effectively execute their corporate strategies is one of the major factors limiting their success, success measured by total return to shareholders. Recent management research and literature has thoroughly documented the importance of strategy execution in creating corporate value. Organizations execute their strategies through the creation of strategic initiatives, comprising any number of portfolios of programs and projects that become the vehicles for executing the organization's strategy.

To determine the extent to which the integration of Strategy & Projects leads to organizational success, the Center for Business Practices has conducted this survey of a broad spectrum of organizations. We first identified those practices that lead to high performance through a search of the literature on the integration of strategy execution, portfolio, program, project, and performance management. This research revealed a set of best practices that we organized into the following framework:

Governance	Structure
Strategy Management Processes	Information Technology
Project Portfolio Management Processes	People
Program/Project Management Processes	Culture

These practices were used to develop the questions in this survey. The goal of the survey was to learn whether or not organizations that exhibit these practices are, indeed, high performing, to confirm whether or not the practices identified are really "best practices," and to identify those practices that are most critical to the success of the organization.

Research Approach

An invitation to participate in a web-based survey on Strategy & Projects was sent to an e-mail list of CBP Summit: Strategy & Projects conference attendees as well as to the members of the Center for Business Practices Research Network (senior practitioners with knowledge of their organizations' project management practices and their organizations' business results). Responses to the survey were received by November 16, 2005. Eighty-seven people responded. Eighty-four completed the survey in its entirety. The responses to all questions are presented in total in this report.

For analytical purposes, we compared high-performing organizations, low-performing organizations, and all organizations, and focused on whether or not high-performing organizations exhibited Strategy & Projects best practices more than the average of all organizations and whether or not low-performing organizations were below average in exhibiting these Strategy & Projects best practices.

Note:

The Center for Business Practices is now PM Solutions Research