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For Boards and their 'Accidental Sponsors' 6 guiding questions to implement Policy, Strategy and create value through projects

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Abstract

In the management literature, it is well established that projects are undertaken to implement strategy but the evidence suggests there is a very large strategy to performance gap. A potential solution is the 6Q Governance™ framework is based on research that found for success there were just six key questions that needed to be addressed at different stages in a project lifecycle. These questions approach projects from the perspective of board members, their 'accidental' project sponsors, the business project manager and their project advisors. These questions can be thought of as the essence of project governance (that apply whatever governance structure is adopted). This paper addresses the '6 Questions', and suggests that 6Q Governance™ offers boards and their top management teams a way to govern their projects more actively, and based on the research, increase project success rates.

Introduction

In the management literature, it is well established that projects are undertaken to implement strategy [1]. However, when we pause, reflect and examine the success rates of strategy and projects, all the evidence suggests there is a very large strategy to performance gap [2]. Fewer than

10% of strategies are fully implemented [3], most large projects fail to live up to expectations [4] and between half to two thirds of projects either fail outright or deliver no discernible benefits [5]. This result appears to be no better in the public sector where hundreds of billions of dollars are invested annually in projects that contribute little to policy goals [6].

- For small businesses ineffective strategy contributes to the problem of 50% surviving no longer than 5 years and 64% surviving less than 10 years [7].
- Poor strategy in large businesses results in underperformance. Booz Allen Hamilton found in a five year study of under-performing US organisations [8] that 60% of the value destroyed was due to strategic errors, 27% to operational errors and 13% to compliance problems.
- In the public sector, strategy is a confused concept [9] and we often talk about policy instead. A study of the State of Victoria in Australia, normally considered an exemplar, found $100B had been invested into projects over a 10 year period without any evidence any high level policy goals had improved [10]. A follow up study in the State of NSW also in Australia suggested that more generally, only one in five policy goals are positively impacted [6].

There is a paradox in project management: Project management is a mature discipline but following the standard guidelines does not automatically lead to success. There is widespread confusion [11] between project management success (on-time on-budget) and project success (realisation of business benefits) and most project management books incorrectly imply that one will lead to another.

What most project management books overlook is that projects rarely succeed in realising their expected benefits without top management support [12], [13]. These books provide little to no guidance for top managers and as a result, top managers are often not sure how to govern their projects to succeed. A complicating factor is that top managers seldom consider projects to be a matter of direct concern [14].

However, it is neither practical nor desirable for top managers to be overly hands-on at the project level. The key is to get the right input at the right time through the project governance process. Boards and their delegates need to know how to ‘steer’ their projects to success [15]. This insight informed the development of an international standard ISO38500 and HB280: a Handbook for boards and their senior managers on how to govern ICT projects to succeed [15], [16]. The HB280 approach has been tested with an international dataset to prove it works [17], has been trademarked as the 6Q Governance™ framework to improve memorability and is in the process of being disseminated more widely as a book to be published by Wiley.

The 6Q Governance™ framework is based on research that found for success there were just six key questions that needed to be addressed at different stages in a project lifecycle. These questions approach projects from the perspective of board members, their ‘accidental’ project sponsors, the business project manager and their project advisors. These questions can be thought of as the essence of project governance (that apply whatever governance structure is adopted).

Literature

Project governance has received a lot of attention in the academic literature [18] since it first appeared around the year 2000 [19], [20]. However, the literature on project governance is not mature. Ahola et al.'s [18] literature review on project governance found only 19 key articles and they concluded there was a lack of consensus on what actually constituted project governance. More recently Musawir et al. [21, p. 1659] and Simard, Aubry and Laberge [22] updated the literature and came to the same conclusion "there is generally a lack of consensus on a single definition of project governance". As a result, there is a lack of agreement on what constitutes an effective project governance framework.

Currently there are project governance guidelines from project management organisations [23]–[28], the IT audit industry [29] and Standards organisations [30]. However, the awareness and adoption of these project governance guidelines in practice has been sporadic. Furthermore, there is hardly any theory explaining why project governance guidelines should work in practice. One problem is that there is no logic to most project governance guidelines to make them memorable enough for use and few have been tested to see if compliance leads to better results. The two exceptions to this are Joslin and Muller [31] and Young et al. [17]. Joslin and Muller test a project governance model derived from the UKs Association for Project Management [23] and report a small but significant correlation between project governance structure and project success [31]. However they did not specify in detail how project governance should be implemented in practice. In contrast Young et al. present a process model of project governance questions that logically relate to different times in the project lifecycle and they have tested these questions against an international dataset and found there is good correlation between these six questions and project success [17].

The remainder of this paper presents the governance framework developed and tested by Young et al. [17].

6 Guiding Questions

The six project governance questions can be used by a board, project sponsor or their advisors to make sense of any given number of projects in their organization and steer a project to success. These six questions were derived by rigorously looking at both successful and unsuccessful projects and asking what could a project sponsor have done to improve the business outcome. The questions are presented schematically in Figure 1 below and each question is elaborated in more detail in the text to follow.

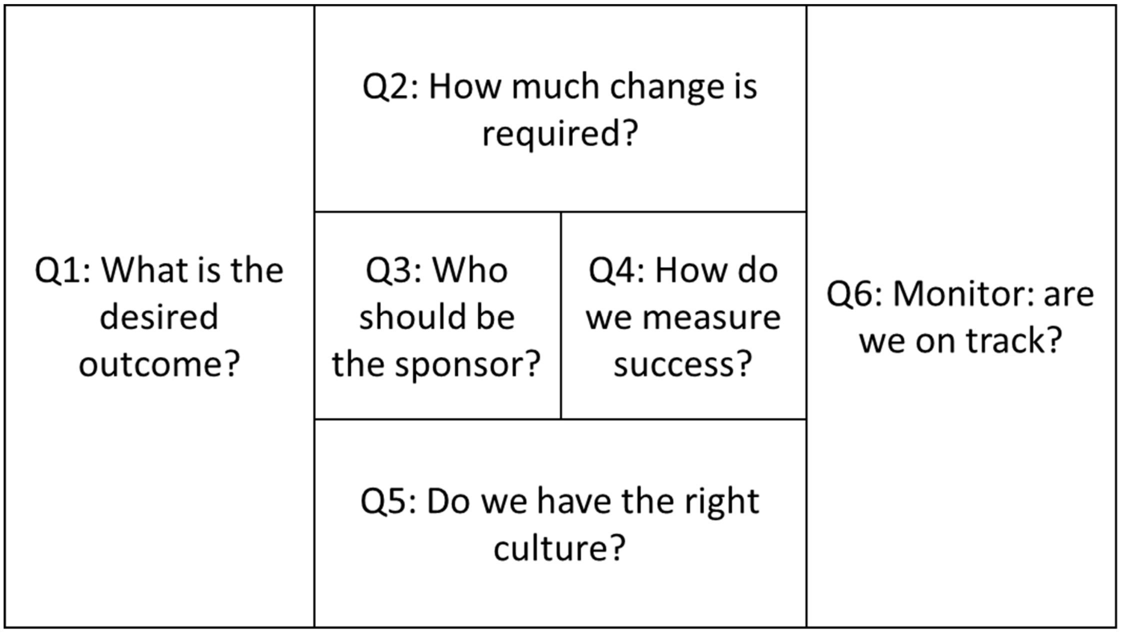

Figure 1: 6Q Governance™ questions

Q1. What is the desired outcome?

Effective project governance requires clarity on the desired outcome. The first 6Q Governance™ question (Q1) is to clarify the link between business outcomes, benefits and strategy. Research suggests that projects are funded without a business case 33% of the time [32]. In addition to this, 27% of the time project sponsors admit that they exaggerate the benefits in order to get funding [33]. The implication is that at best, only 40% of projects have any clarity on the desired business outcome. The problem is that the business case is commonly treated as a hurdle to be jumped rather than than as the first opportunity to seriously evaluate where effort should be directed. It is up to the board and the top management team to call out such behaviour and impose more rigorous discipline to investment decisions.

Q2. How much change is required?

The second 6Q Governance™ question (Q2) is to make an assessment on how much behavioural change is required to realise to desired benefits. The first 6Q Governance™ question (Q1), is to seek clarity on what benefit is being targeted. The second 6Q Governance™ question (Q2), is to evaluate whether the benefit can be realised or not. Recall that half to two thirds of projects either fail outright or deliver no discernible benefits [5] hence, the biggest risk of any project is that the benefits will not be realised and the strategy/policy not be implemented effectively. It is the responsibility of those charged with the governance of the project to focus on this overarching risk because those at the project management level need to focus on the on-time on-budget delivery of an output which is not the same thing as the realisation of benefits.

The particular insight of Q2, is to recognise that benefits are generally achieved through organisational and behavioural change. It is relatively easier to deliver a new output e.g. software, road, bridge. It is much harder to get people to change to use the output in a way that the desired benefits are realised. It is a common error to define a project too narrowly around the delivery of an output and forget about the need to promote behaviour change. KPMG conducted a study and found that change is considered only 40% of the time [34]. This is not appropriate. If it is going to be too difficult to get people to change their behaviour, then there will be times that it is better to defer or even not to start a project.

Q3. Who should be the Sponsor?

The third 6Q Governance™ question (Q3), is to ensure we have the right sponsor for the project. The sponsor is important because projects depend on behavioural change for success. The right project sponsor must be personally committed to pushing through the necessary changes and will have the authority to influence the key stakeholders.

Assessing the commitment of the sponsor is necessarily very subjective. The sponsor will generally appear very enthusiastic and committed at the time a project is presented for funding. The board, or its delegates, need to assess whether the sponsor is lying or deceiving himself/herself. Imagine for example it were possible to put a very large dipstick into the sponsor and then pull it out to find out how much BS had been presented. If the sponsor passes this subjective test, the project can proceed, but if it does not then it is likely the project will suffer from a lack of top management support and eventually fail.

A project should not proceed until the right sponsor has been found. The right sponsor will personally intercede to resolve issues as they arise and use his/her own political capital to influence the key stakeholders to make the necessary changes for the desired benefits to be realised. The larger the scale of change required (Q2), the more influential and committed the sponsor needs to be.

Q4. How do we measure success?

The fourth 6Q Governance™ question (Q4), is to determine how success will be measured. It is important to do this before a project commences because a powerful project sponsor will instinctively change the success measure to match whatever is achieved. It is important to have a success measure in place that will alert the board if a project turns out to be unlikely to achieve the desired benefits. The success measure that is chosen should motivate both the sponsor and key stakeholders.

Sometimes it will be possible to address Q3 and Q4 at the same time. For example it might be possible to gauge sponsor commitment by asking if s/he is willing to link his/her annual bonus to the successful realisation of the desired benefits. This is a common technique in the financial sector because here money is a strong motivator. In the public sector a different approach may be required. For example, a status incentive might be offered such as a knighthood if someone can pull something off.

Q5. Do we have the right culture?

The fifth 6Q Governance™ question (Q5), is to ask whether there is the right culture to ensure all the relevant information is being reported. The insight underpinning this question is that all projects operate with varying degrees of uncertainty and success is dependant on the teams ability to adapt and change plans to respond to emergent issues arising in the project [35]. Therefore there needs to be a culture where all stakeholders feel free to raise issues as they emerge when they sense the benefits may be affected. The culture is shaped by the response of the sponsor and project manager to potentially bad news. If unexpected information is welcomed and explored staff will continue to raise issues as they arise. If the culture is not right, information will not be as freely volunteered. Another way to express Q5 is 'are we getting all the relevant information?'

Q6. Monitor: are we on track?

The sixth 6Q Governance™ question (Q6), is related to Q1 and Q4: are we on track to realising the benefits? The literature suggests only 13% of the time are projects tracked through to benefits realisation [34]. Similarly, in a preliminary survey conducted for this research none of the board members interviewed have stated they have an effective process to cancel failing projects. Q6 should be asked everytime the steering committee meets and there has to be the willingness to intercede to change the scope or cancel a project.

When during the project do you ask the 6Q Governance™ questions?

Young et al. [17] analysed whether the six project governance questions correlated with project success. They also asked when in the project lifecycle the 6Q Governance™ questions most correlated with success (initial, early, middle or late stage of a project). Their results are reproduced in Table 1 and discussed below. The key detail in Table 1 is the number of asterisks in each cell which indicate how strong the correlation is with project success:
*** denotes significance at a 1 percent level,
** denotes significant at 5 percent level, and
* denotes significance at 10 percent level.
The numbers in Table 1 are correlation coefficients and they give an indication of the strength of the relationship with project success; however, they will not be discussed in this paper.

	Stage of project				
Governance Question	**Initial**	**Early**	**Middle**	**Late**	**Total**
Q1 Vision	0.275*			0.207**	
Q2 Change	0.285*	0.451**	0.311*		0.371***
Q3 Sponsor	0.333**				
Q4 Success Measure				0.264*	
Q5 Culture					0.522***
Q6 Monitor			0.671***	0.507***	

Table 1: Correlation coefficients of Project Governance constructs against project success

Initial stage of a project

Q1, Q2 and Q3 were found to be the most significant project governance mechanisms at the initial stage of the project. The implication is that it is important to appoint a sponsor that will drive organisational understanding to the point of agreement with a vision and gaining acceptance of the need for change. Note that 'agreement with the project vision' is more important than 'understanding the project vision' a finding quite different to that advocated by the project management and change management literatures [36]. This is an important finding because it contrasts with the existing literature which emphasises project methodologies and tools rather than trust and competence of leaders at all levels. Project success in the initial stage requires sense-making in an organisation rather than project planning or communicating of the vision (for understanding).

Initial-Early-Middle stages of a project

Q2 is an important project governance mechanism for success from the initial stage through to the middle stage of the project. Specific factors are managing change, trust in business unit leaders, and responding quickly to change issues. This research provides quite a clear picture that 'they are all change projects' and they need to be governed accordingly.

Middle-Late stages of a project

Q1, Q4, and Q6 are project governance mechanisms that correlate strongly with success in the middle-late stages of a project. It seems that as a project nears its completion it is important to measure and monitor progress against the vision of what is to be achieved. These control mechanisms are not only useful tools to curb potential opportunistic behaviour but also valuable mechanisms to keep stakeholders informed about the project and able to react to changes in a timely fashion.

General mechanisms throughout the project lifecycle

Q2 change and Q5 culture were found to be important across the entire project lifecycle. Change has already been noted earlier and we repeat the finding that 'they are all change projects'. Culture however, was found to correlate quite significantly to success across the project lifecycle as a whole but not at any specific stage in the project lifecycle. We cannot draw any strong conclusions from this result but we venture an opinion that culture should be found to correlate with success in further research because uncertainty is inevitable with projects.

Conclusion

Boards approve around 40% of all projects [34] and the management of these large-scale expenditures is a fiduciary duty requiring careful oversight. However,

- 50-80% of the time projects do not deliver the expected benefits? [5]
- 29-46% of the time ICT projects are approved with either inadequate or no information? [39].

Nobel Laureate Daniel Kahneman reported statistics that suggest the problem is widespread with ¾ of mergers and acquisitions never paying off, most large capital projects failing to live up to expectations, the majority of efforts to enter new markets abandoned in a few years and 70% of new manufacturing plants closed in their first decade [4]. We believe it is only a matter of time before boards and their management teams are held to account for these lapses in corporate governance.

The research reported in this paper has implications for how the problem can be addressed. This research suggests that following the 6Q Governance™ framework should increase project success rates. This research suggests a focus on change management to ensure realisation of business benefits. In contrast, the conventional project management wisdom focusses on methodology, user involvement, top management support, high level planning and competent project teams [37], [38] and we suggest the conventional wisdom overemphasises mechanisms to manage time and cost considerations and under-emphasises the realisation of business benefits.

This research points to a project governance framework that is supported by evidence and addresses corporate governance concerns. We suggest 6Q Governance™ offers boards and their top management teams a way to govern their projects more actively and that they would be unwise to continue with the current practice which ranges from benign neglect to what Deloitte have called "tantamount to negligence" [39]. The key is for the governance team to use their time strategically and focus firstly on clarifying the benefits and then on managing organisational change to realise the benefits. There needs to be a recognition that projects deal with varying degrees of uncertainty and effective governance needs to monitor and respond to emergent events.

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