Balancing Leadership and Right People in a Best Practice Framework for Project Governance

Begg, Jan L.,
Managing Director Azulin Pty Ltd, Australia
&
Cocks, Graeme,
Associate Professor Melbourne Business School, Australia

Abstract
This paper advances work on a best practice framework for project governance presented at IPMA 2011. Over 100 senior executives participated in an empirical study into successful business projects with a significant technology component. The initial analysis was used to map elements of a recent business excellence framework against the unique features of major projects used by organisations to implement their strategic plans. Further analysis of the data shows that strategic alignment and selecting the right people are not enough. Individual correlations between primary factors for success revealed three significant aspects. These insights offer opportunities to improve the design of project governance frameworks by basing the framework on a foundation of strategic alignment and the allocation of the right people, and then balancing assessing leadership performance, active risk management and project governance.

Key words: Strategy execution; project governance; leadership; effective project execution

Introduction
In the quest to understand organisational excellence, practical research has responded with integrated, holistic frameworks that attempt to explain the long term success of ‘winning’ organisations (Hubbard et al., 2007). Similar studies with a specific focus on project management have proposed project governance frameworks and enhanced project management practices but in isolation from emerging business management concepts and principles. Our previous paper explored whether one robust framework for defining business excellence referred to as the Winning Wheel (Hubbard et al, 2007) has the potential to strengthen and refine the elements of best practice in project governance. The 2011 empirical research confirmed the hypothesis that the nine elements in the Winning Wheel can be applied to strengthen current best practices in project governance. Major opportunities were identified particularly in the areas of effective execution and some of the softer elements around right people and leadership assessment.

The research has laid the groundwork to integrate these vital building blocks into established and effective project management methodologies and frameworks in an effort to improve the governance of projects and delivery of promised project outcomes. Further work is necessary to extend the research to evaluate other research into business excellence models and to explore specific tools and techniques that could be effective in bridging the gaps that have been identified. The “Winning Wheel” framework (Figure 1) shows how these nine elements fit together and are connected to make the wheel operate and steer the organisation towards its mission and goals. The power of the model lies in its integrative approach - there is no "start" or "finish" to the wheel. All elements need to be in place and linked together – change in one precipitates change to others. Success is based on superior execution of all elements in the winning framework to deliver results.

Winning Wheel Elements
1. Effective Execution. Winning organisations do what they say. They announce what they plan to do, they plan and budget for it and they meet the plans and the budgets. To do this, they have clear processes that are accepted within the organisation. They have good control systems, people take
personal responsibility for their work and they rigorously measure performance. They learn from their mistakes and they do not cross-subsidise business units.

2. **Perfect Alignment.** While seemingly impossible, winning organisations actually believe they can achieve this. Practising a culture of continuous improvement, they use measurement and systems as the critical foundation for alignment. They seek to align culture, leadership, people and perceptions to strategy. Alignment is to external needs as well as internal forces.

3. **Adapt Rapidly.** Times change so that even if perfect alignment is achieved, it will have to be changed, and changed rapidly. Flexibility is a key but change comes with control and is continuous. Innovation is sought in process as well as in products and services.

4. **Clear and Fuzzy Strategy.** Winning organisations have a clear strategy, though it can be expressed in many ways and does not necessarily exist through a vision or mission statement. But there is a fuzziness at the edges of the strategy. Winning organisations are always seeking to take advantage of incremental opportunities, even if they lie just outside their current clear strategy.

5. **Leadership, Not Leaders.** Leadership is about teams of leaders. Leaders set up an emotional ‘cause’ for the organisation, a reason for existence. Leaders exhibit ‘captain-coach’ styles. They are available, egalitarian, supporting their people from close by, not setting difficult challenges from afar.

6. **Looking Out, Looking In.** Winning organisations are externally and internally focussed. They are aware not just of customers, but of their environment, their community, their international industry and international trends. They build long term relationships and see governments and regulators as forces to be managed, not ignored.

7. **Right People.** Winning organisations hire people who believe in their ‘cause’, whose values and attitudes fit, not the ‘best’ people who demand the highest pay. People who don’t fit are actively managed out of the organisation quickly.

8. **Manage the Downside.** Despite rapid growth, innovation and looking outwards, winning organisations are conservative. They plan carefully beforehand, considering the downside, not just the upside, of major decisions. They seek to share risks with other organisations, customers and their people.

9. **Balance Everything.** Rather than trying to choose between alternatives, winning organisations choose both. For instance, while they are conservative, they are also entrepreneurial. While focussing on the long term, they also focus on the short term. While focussing on financials, they also focus on delivering value to customers, employees and the community. While working in teams, people are individually responsible.

---

Figure 1: The Winning Wheel Framework
Business excellence frameworks have inevitably included leadership as a factor in long term successful organisations. The Winning Wheel Framework identified effective execution of plans and strategies as the pivotal element of success.

The Winning Wheel elements were used to construct survey questions that might strengthen current knowledge of best practices in project governance.

Given the poor state of project success, our research is designed to investigate the effectiveness of current process-oriented governance practices and to explore how technical and soft issues impact success. Research into best practices in project management has focused on achievement of time, cost and quality of individual projects rather than the importance of projects, programmes and portfolio management in implementing business strategy and achieving long term business success. For example the Project Management Body of Knowledge, PMBOK, (Project Management Institute, 2004) provides a collection of traditional practices and ideas for advanced practice. PMBOK is a process and discipline based model used by project managers to establish, run and monitor the progress of projects. However there are few guidelines for the governance of projects. Project governance frameworks and portfolio management models are often presented as management frameworks for decision making. PRINCE2™ (OGC, 2009) provides a series of templates and processes to support project delivery yet the evidence (Bannerman, 2007) is that continuing poor outcomes are achieved even when project management methodologies such as PMBOK and PRINCE2™ are followed. Research by Klakegg et al. (2008) into governance frameworks for large public projects discussed a bottom up approach by extending these established project management methodologies. Müller (2009) found that organisations have different preferences and maturity in applying project governance to minimise risk, increase transparency and provide a division of ownership and control at the project level. Winter and Szczepanek (2008) explore the value creation processes and present a broader perspective than the traditional views of projects as mechanisms for temporary production.

Traditional monitoring of lag indicators provides data for analysis after events have occurred. However if the governing body monitors lead indicators there is more opportunity to intervene to create an environment for success. Our research begins to explore this concept in more detail and investigates the types of lead indicators that should drive successful project outcomes. These findings are likely to challenge the conventional views of how project management and governance are measured, and controlled.

Method
The original research was designed to test how the nine elements in the Winning Wheel framework could be applied to identify opportunities to improve the current best practices in project governance. An on-line survey was built around these nine elements plus two additional questions regarding project learning (from post implementation reviews) and governance maturity. The questions were targeted at the broader organisational context in which projects are operated rather than the detailed management of individual projects. The survey was structured using a bivariant approach in which respondents ranked each question according to their views on both ‘Importance’ (Low-Medium-High) to good project governance and the ‘Performance’ (Poor-Good-Fair) of their organisation. This approach provided for simultaneous rankings rather than simply a linear 1-5 Likert scale and allowed more granularity in the analysis of data.

This empirical research confirmed the hypothesis that the nine elements in the Winning Wheel can be applied to improve current best practices in project governance. Major opportunities were identified particularly in the areas of effective execution and some of the softer elements around right people and leadership assessment.

This paper used the original data to investigate the correlation between the primary factors. The objective was to find which factors had stronger correlations and to develop an appropriate framework that describes these relationships. Organisations may be able to apply these insights to improve their own performance in executing strategic plans through the project management discipline. In particular which key factors need to be incorporated into their own organisational frameworks for project governance to assist in sequencing, interdependencies and relative importance?
The survey was distributed to 700 senior executives from small (about 5 people) to large organisations (250 people and above) in industries such as aerospace, agriculture, building and construction, energy, food and beverage, manufacturing, mining and resources, telecommunications and utilities as well as more “non-technical” industries such as financial services, government, not-for-profit, entertainment, health and professional services. Individuals were targeted who would be expected to have at least a reasonable working knowledge of project execution and governance in their organisation. Less than 1% were located overseas and 109 responses (over 15%) of the total invitations were received.

**Results**

**The Primary Data**

The results of the previous research are summarised in Tables 1 and 2. It is particularly noteworthy that when the high and medium performance responses are aggregated, all 11 questions rank 94% or above in importance.

### Table 1: Overall importance ranking of factors derived from survey questions

<table>
<thead>
<tr>
<th>Factor</th>
<th>High and Medium Importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective Execution</td>
<td>99%</td>
</tr>
<tr>
<td>Right People on Teams</td>
<td>99%</td>
</tr>
<tr>
<td>Strategic Alignment</td>
<td>98%</td>
</tr>
<tr>
<td>Active Risk Management</td>
<td>98%</td>
</tr>
<tr>
<td>Balancing Needs in Selection</td>
<td>97%</td>
</tr>
<tr>
<td>Project Governance Maturity</td>
<td>96%</td>
</tr>
<tr>
<td>Reaction to External Factors</td>
<td>96%</td>
</tr>
<tr>
<td>Adapting to Change</td>
<td>96%</td>
</tr>
<tr>
<td>Assessing Leadership Performance</td>
<td>95%</td>
</tr>
<tr>
<td>Organisational Learning</td>
<td>94%</td>
</tr>
<tr>
<td>Strategy Flexibility in Projects</td>
<td>94%</td>
</tr>
</tbody>
</table>

Table 2 shows the most importance factors and the opportunities to improve performance. The “opportunity gap” is defined as the difference between the importance and performance ratings.

### Table 2: Primary Factors and Opportunity Gaps

<table>
<thead>
<tr>
<th>Success Factor</th>
<th>High Importance</th>
<th>Poor Performance</th>
<th>Opportunity Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective Execution</td>
<td>89%</td>
<td>19%</td>
<td>70%</td>
</tr>
<tr>
<td>Right People on Teams</td>
<td>83%</td>
<td>25%</td>
<td>58%</td>
</tr>
<tr>
<td>Strategic Alignment</td>
<td>78%</td>
<td>17%</td>
<td>61%</td>
</tr>
<tr>
<td>Active Risk Management</td>
<td>77%</td>
<td>23%</td>
<td>54%</td>
</tr>
<tr>
<td>Assessing Leadership Performance</td>
<td>72%</td>
<td>31%</td>
<td>41%</td>
</tr>
<tr>
<td>Project Governance Maturity</td>
<td>69%</td>
<td>19%</td>
<td>50%</td>
</tr>
</tbody>
</table>

The six primary factors in order of importance are Effective Execution, Right People on Teams, Strategic Alignment, Active Risk Management, Assessing Leadership Performance and Project Governance Maturity. However up to 25% of organisations perform poorly in these areas and a further 50% of organisations rated their performance as only fair in at least three of these factors. These six primary factors appear to offer the most significant opportunities with gaps ranging from a high 41% to a major 70% opportunity to improve project performance.

For this paper further analysis of the Primary Factors was undertaken using paired correlation. Three significant aspects are apparent:

1. Effective execution and strategic alignment
2. Effective execution and right people on teams
3. Right people on teams is supported by assessing leadership performance, active risk management and project governance maturity

Interestingly the correlation between effective execution and project governance maturity is weak; likewise there is weak correlation between right people on teams and active risk management.

**Correlations**

The correlations between the primary factors are depicted in Figure 2 and the quantitative data for primary factor pairs are given in Table 3.

![Figure 2: Correlation Diagram](image)

**Table 3: Primary factor pairs and correlations**

<table>
<thead>
<tr>
<th>Primary Factor pairs</th>
<th>Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective execution</td>
<td>Strategic Alignment</td>
</tr>
<tr>
<td>Effective execution</td>
<td>Right People on Teams</td>
</tr>
<tr>
<td>Right People on Teams</td>
<td>Assessing Leadership Performance</td>
</tr>
<tr>
<td>Assessing Leadership Performance</td>
<td>Active Risk Management</td>
</tr>
<tr>
<td>Active Risk Management</td>
<td>Project Governance Maturity</td>
</tr>
</tbody>
</table>

**Discussion**

The data in Table 2 (primary factors) identify the high importance rankings and major opportunity gaps and provide the focus for discussion.

Individual correlations between primary factors for success revealed three significant aspects. These insights offer opportunities to improve the design of project governance frameworks by basing the framework on a foundation of strategic alignment and the allocation of the right people to project teams, and then balancing assessing leadership performance, active risk management and project governance.

The correlation between primary factors showed that effective execution and project governance was quite weak and other factors had a stronger correlation.

Project governance is not enough to achieve success, it is however a primary factor. Therefore in designing an effective project governance framework, organisations may find opportunities for improvement by focusing on the additional factors of active risk management, assessing leadership performance of the business sponsors and selecting the right people.

The project management standard ISO 21500 (2012) recognises that organisational strategy should identify opportunities for projects and that these should be done in an environment controlled by project governance to create deliverables to be utilised by the business operations. The standard does not provide guidance on how to implement the standard. The Australian National Audit Office has
issued a Better Practice Guide and checklist (ANAO 2010) to assist executives to improve the quality of project proposals recognising the importance of the input into strategic investment decisions. A key finding from the current research is the notion of strategy formulation and links to effective execution and the key impact of assessing leadership performance and right people on teams. These are required to provide strong links between formulation and execution. They are usually referred to as the “soft” elements in the excellence debate and are not sufficiently recognized in project management governance frameworks where the “hard” issues such as performance measurement, alignment, resource management and risk management tend to dominate. Indeed is it possible that senior executives may be too quick to assign blame for project failure to project managers when the responsibility may rest with their own leadership style and capability and their talent in addressing the cultural and people issues in their organisations?

Strategy formulation is usually regarded as the exclusive domain of senior management because it rewards creativity - the most admired and valued of all intellectual pursuits (Raffoni, 2003). It is where managers aspire to be because of the challenges, rewards and influence that it brings. By comparison, effective implementation of strategy through projects with effective leadership and the right people on teams rarely gets as much kudos or respect. Yet experienced executives know that the most creative and well-crafted visions and strategic plans are useless if they cannot be translated into action. Frequently the causes of breakdown in strategy implementation relate to the capabilities, processes and activities that are needed to bring the strategy to life. Effective project execution calls for unique, creative skills including leadership, precision, attention to detail, breaking down complexity into digestible tasks and activities and communicating in clear and concise ways throughout the organisation and to all its stakeholders. Intricate control and feedback mechanisms are also necessary to hone the operations to align with business strategy. These are tasks that are just as intellectually demanding as vision and strategy formulation itself (Raffoni, 2003). Furthermore, with executives searching for the next unique strategy in sluggish economies and competitive markets, effective execution is a key factor that separates successful companies from those that decline. Egelhoff (1993) extends this argument further by suggesting that effective execution in itself may even provide a major source of sustainable competitive advantage.

Implementation is not merely a matter of operationalising the strategy by exercising command over resources, employees and their work. Forster and Browne (1996) point out that this approach assumes a logical and hierarchical distinction between strategy formulation and implementation, with implementation delegated to a subordinate status as the responsibility of “middle management”. Here, implementation is seen as more mundane and detailed compared with creating a grand design and vision of the future. Some practitioners argue that if middle management has control over implementation, they may therefore have effective control over strategy itself.

Yet business success requires constant review and connection between strategy formulation and execution with each component feeding and growing off the other in an organic way (Figure 3).

![Figure 3 Linking Strategy Formulation with Execution](image)

However, many boards and strategists are not providing the leadership demanded by complex projects and rapid change. Campbell and Sinclair (2009) argue that a focus on innovation and creative thinking is essential to mobilise the governance board for change. This involves reconnecting with the core mission and purpose of the organisation and defining the capabilities required for effective program and project management. It also requires revisiting the issue of commitment which may have a larger
impact on governance performance than demographic or organisational characteristics. Indeed the British Journal of Management (Vol. 16, 2005) emphasised the importance of assessing board and governance effectiveness through the empirical examination of board behaviour. While board demography conditions board effectiveness, it is the real behaviour and particularly the commitment of board members that determines governance performance. This involves observing and assessing the director’s behaviour (such as challenging, questioning, informing and encouraging) as a critical driver of board success. These elements could provide guidance into how to assess leadership performance. But commitment to what? Simplistically, this might be seen as the both the time and preparation devoted by members of the governance team before meetings and as the involvement in discussion with critical questions and observations. However, recent research by Hubbard et al. (2007) into the leadership attributes of eleven of Australia’s long term high performing organisations provides a more subtle dimension to the concept of governance and board commitment, performance and leadership – that board director’s behaviour can be galvanised around a core purpose or organisational “cause”. The cause defines the fundamental belief in the value to external parties of what the organisation stands for and is doing beyond short term financial returns to shareholders. It is often expressed in terms of social and moral implications. There are many organisations with passion and energy but without a strategy this passion cannot be harnessed to make the organisation more effective. Conversely an organisation with a robust strategy but which is not passionate about that strategy is unlikely to effectively execute it. Board directors in winning organisations are passionate and fiercely proud about the reason why their organisation exists and they understand why this is important. Their passion is traced to the cause and they understand that good strategy must have a cause. Leaders generate a passion for this cause within their people rather than simply challenging them to meet stretch targets or providing incentives to extend people to outperform competitors. It is the articulation and commitment to the cause that allows for critical debate and informal dialogue among directors in an open and challenging fashion which in turn leads to robust decision making processes and outcomes. The implications are that leadership among a group where a joint deeply held belief system exists is more united and resilient than a leadership culture based solely on legal or formal structures of authority.

This research also confirmed that emphasis is on team leadership rather than from a single visionary leader. Organisational culture is created by the governance and senior leadership team and this stimulates leadership within the organisation. Leaders usually struggle to get their project teams to buy in to the vision or mission. An alternative is to generate emotion around the value of the cause and coach people in the organisation towards achieving it. The cause transcends structure, process and systems and is a key motivator to attract the right people and galvanise the creative talent of their project teams. Focused leadership of the right – rather than the best – people is key to strategy execution. Raffoni (2003) characterises focus as meaning a realistic attitude, simplicity and clarity. Is the strategic plan realistic given our current resources and workloads? And, most importantly, what will we give up or stop doing to make way for the new strategy? How will we separate from the past? The strategy needs to be as simple as possible to translate its contents throughout the organisation.

Effective leadership involves motivating people by getting out and talking, asking inclusive questions rather than providing solutions. Winning organisations select people for project teams with the right attitude and values to fit with the culture and strategic intent, rather than just focusing on people with the best technical skills. During execution of strategy, the governance team challenges people with defined objectives and jointly agreed targets, knowing that people normally meet or exceed targets if they are included in setting them in the first place, rather than having them imposed from above. They then give them every chance to perform to these objectives by investing in training and support systems. Mistakes are accepted if they are admitted early but not repeated. Project execution requires leaders who hold the project team – and themselves – accountable for results. Leadership does not mean just having leaders at the top. It’s about creating leaders throughout the organisation who are
able to develop, receive and interpret strategic plans and cascade them via projects in a clear and consistent way.
Successful leaders are usually developed from within because they know how to get things done through the culture (Varon, 2002). They are already aware of the pockets of resistance and non-performing units of the organisation. Leaders invest in their people and recognise that the right people, not technologies, provide the only enduring source of creativity, improvement and change.

Conclusions

Further analysis of the data shows that strategic alignment and selecting the right people are not enough to ensure effective execution of strategic plans through project management and governance. Individual correlations between primary factors for success revealed three significant aspects. These insights offer opportunities to improve the design of project governance frameworks by basing the framework on a foundation of strategic alignment and the allocation of the right people, and then balancing assessing leadership performance, active risk management and project governance.

References


Müller, R. (2009), Project Governance (Fundamentals of Project Management), Gower Publishing Ltd

Office of Government Commerce (OGC), Managing Successful Projects with PRINCE2™ (PRINCE2™ is a Trade Mark of the Office of Government Commerce), © Crown copyright 2009, TSO (The Stationery Office).

