

## PM WORLD TODAY – PM ADVISORY – FEBRUARY 2010

A steep learning curve...  
How Operationally Oriented Organisations can become  
more Project Oriented

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It's a fact that operationally focused organisations don't do programme and project management (PPM) well. But with the Office of Government Commerce (OGC) demanding tighter focus and more value for money from public sector projects, the pressure is on large service providers to change how they manage and run their major change programmes. Read on to discover why operationally led companies traditionally struggle with PPM, but what they can gain from adopting the basic principles ...

### **The background of operational organisations**

Operationally focused companies are those who earn the majority of their revenue by providing an operational service such as IT outsourcing, telecommunications services, banking, or retail, as opposed to those who do so by delivering projects and programmes such as construction companies.

The former see projects as a subsidiary activity; the latter see them as the very way they make money. The result of this cultural difference is that projects in operational companies have a much greater tendency to go wrong, and there are a number of reasons why...

- **Operationally focused companies are designed for the steady state, not for change**

Operational organisations run their business to cope with the 'steady state', in which multiple small daily issues are punctuated by a monthly reporting cycle. Planning is generally simple and repeated regularly, and people are familiar with their roles, where their information is and who they need to interact with to obtain it. These organisations are not designed for change and projects.

In contrast, PPM requires extensive planning for new tasks that have often never been tried and tested before. Communication is often with unfamiliar colleagues and issues swarm like wasps from a disturbed nest: and the inexperienced might find them 'swatable' in ones and twos, but overwhelming in their hundreds. Resolving

teams are also harder to identify in projects, and severity levels less obvious than in operational environments where strict definitions exist.

- **Managers are promoted for being good at running operations, not PPM**

You've cut your team to the bone and have still met the service level agreements, so it's time for promotion. How about taking on a prestige account and that troublesome infrastructure project that's months behind schedule and over budget?

With this approach to progression, it is common to find projects being run by an inexperienced project manager and their part-time assistant – not a recipe for success.

- **Project management is seen as a cost rather than an investment**

In operational companies everything is viewed on a monthly basis where revenue must exceed costs by enough to pay for overheads and still meet profit targets. Any additional expenditure threatens that balance.

Project expenditure is seen as cost rather than an investment, and is trimmed back to the point where failure is often inevitable. The idea of investing sufficient funds to ensure that a programme delivers its benefits and meets its Net Present Value (NPV) case is often anathema to operational companies.

- **The hero culture**

This is where a small number of people are recognised for working all night to fix a problem that should never have occurred in the first place. It is common practice in operationally led companies, because it is essential if penalties for failure to meet service level agreements are to be avoided.

Unfortunately, when faced with having to run a project, people in operational companies revert to this behaviour – because they haven't planned effectively – which leads to a focus on fire-fighting, panic and last minute adrenalin rushes – which are at odds with the calm, rigorous and methodical approach needed to run good projects and programmes.

## **Can operationally led organisations ever learn and excel at PPM?**

Yes! At Moorhouse Consulting we believe that tackling this problem is not only doable, but essential. Learning and adopting good PPM principles will give operationally focused companies the vital edge they need to get ahead in the

commoditised arenas in which they compete. It is not a quick fix, but for those with the required vision and commitment, the reward is dominance of their market.

So, how should they start?

- **Action 1 – Make the case for change**

Part of the problem is that operational companies don't know what they don't know. Their clients tell them that they are not good at project management, but they don't really know what it is they are doing wrong. To alter this, we believe that you have to build the case for change by gathering the evidence for a PPM approach together and presenting it to all levels of management. Only when there is a collective understanding of the need to manage projects properly will it be possible to change anything.

- **Action 2 – Build an alliance**

Not everybody will understand it and buy in from the start, so build a limited but influential alliance of project management supporters from Board level down, and expand from this. Success will attract converts, but concentrate these believers so that they support each other, and nurture the new culture so that it grows before being devoured by the slugs of complacency.

- **Action 3 – Learn from a corporate mentor**

For years, the Japanese car manufacturers told everybody how they made cars at defect rates that were the envy of the American giants, but did the giants listen and did they change?

Find a company who does project management well and identify not just what they do now, but how they got there – for example, what was their route map to success? Engage, listen to them and adapt.

- **Action 4 – Create a kernel of excellence**

Sheep-dipping everybody in a three-day project management course is not the answer. We believe that you have to establish a project and programme management cadre within the organisation and build from that. This kernel of excellence should establish the processes, templates and PPM competence framework that best suits the company's project environment. This will build the self-sustaining community needed to continue the culture change.

- **Action 5 – Establish a demonstrable track record and tell everybody about it**

Project and programme managers from the cadre should be used to set-up, run and, if necessary, turn around the most important company projects and programmes. Agreed metrics should be used to measure the performance of these projects and demonstrate their success to a sceptical organisation.

- **Action 6 – Make project and programme management a pre-requisite for promotion**

Break with the past and make time spent delivering projects and programmes a pre-requisite for promotion to senior roles. It is important to make people realise that successful projects are essential to the long term future of the organisation and that nobody makes it to the top without having delivered one.

## **Conclusion**

In the UK, some of the biggest programmes are delivered by organisations whose cultures are fundamentally operationally rather than project oriented, and this often leads to failure.

There are of course many companies who successfully combine delivery of large capital programmes with ongoing operational activities (for example, the oil companies), but they do so by treating their operations as operations, and their projects as projects.

At Moorhouse Consulting we believe that operationally oriented companies not only can, but must change their cultures to be able to deliver the projects and programmes of change demanded by their clients. For those who do change, the reward on offer is successful change programmes, happy clients, and guaranteed future success. For those who don't, a future of spiraling penalty payments, reduced order books and staff attrition awaits.

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**John Lugg** is a Manager with Moorhouse Consulting and has over twenty years of business and leadership experience. He has both led and supported a variety of projects and programmes in areas ranging from IT software development and infrastructure deployment, to corporate acquisitions. John has worked with clients such as BT, Connecting for Health (CfH), BAE Systems, Vodafone, Telia, Xerox, Halfords and General Motors. He joined Moorhouse Consulting after eight years with KPMG Consulting and Atos Consulting. John has a passion for solving business problems and understands the challenges of implementing change in large, complex organisations. John particularly enjoys working in close-knit, joint delivery teams. John can be contacted at [johnlugg@moorhouseconsulting.com](mailto:johnlugg@moorhouseconsulting.com)

**Moorhouse Consulting** is a management consultancy firm that specialises in programme and project management (PPM) advisory services. In November 2008 it was named as the Association of Project Management's 'Project Management Company of the Year.' Clients include Transport for London, Nuclear Decommissioning Authority, National College for School Leadership, Department for Transport, Crossrail, BT and the NHS. To learn more about Moorhouse Consulting, visit [www.moorhouseconsulting.com](http://www.moorhouseconsulting.com).