



THE UNIVERSITY OF
SYDNEY

—
John Grill Centre
for Project
Leadership

Creating strategic value through transformational programs and projects

Insights from
progressive
organisations

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Acknowledgements

We would like to express our appreciation for the participating organisations and executives who gave their time to be interviewed for this research and provided their invaluable insights and experiences with a view to benefit other leading significant transformational programs and projects.

Foreword

The organisations we work with do incredible things every day. They are transforming their communities, creating new value streams for customers and changing lives through the significant projects and change programs they are leading.

We work alongside them to help change leadership mindsets and practices to support successful project outcomes. Whether that is through:

- delivering transformational leadership development programs for their project leaders
- supporting and coaching executive teams to achieve better practices in project governance and sponsorship
- collaborating with organisations on their 'wicked' project challenges, or
- designing impactful leadership programs for their future leaders or intact teams.

A portfolio of projects and programs must collectively enable the organisation to deliver on its strategy. Senior executives are slowly recognising the link between an organisation's success in achieving its strategic goals and objectives, and the leadership of individual programs and projects.

Progressive organisations recognise that the status quo is not an option and are building project and change capability to find new ways to deliver strategic outcomes and value and help navigate their challenging and dynamic operating environments. These organisations realise they are on a journey and are taking actions to experiment, change, reflect and learn. For these organisations, business-as-usual is not a viable strategic choice and are seeking to 'walk' this talk.



Professor Suresh Cuganesan, CEO, John Grill Centre for Project Leadership.

Drawing on our network of progressive organisations with international and domestic presence we spoke to both the public and private sector, including ANZ, Bank of Queensland, Broadspectrum, Exxon, GE, Lendlease, Mirvac, Telstra, Woodside, WorleyParsons, and state and federal government entities.

By reflecting on the practices these organisations are initiating to deal with their current challenges we hope other organisations can improve their own approaches and succeed in this challenging and uncertain climate to deliver strategic value.

Professor Suresh Cuganesan
Chief Executive Officer
John Grill Centre for Project Leadership



Executive summary

More than ever, the ability to shape and deliver transformational programs and key projects is seen as core to strategy execution and organisational success.

The external forces organisations are increasingly tested with provide new opportunities to create significant and lasting value for their stakeholders but also pose a number of challenges. The progressive organisations we interviewed are working constructively to find new ways to tackle these opportunities and challenges in productive ways.

We identified four forces impacting how organisations are seeking to create strategic value in Chapter 1. Organisations have to navigate these forces and their inherent challenges, relating to:

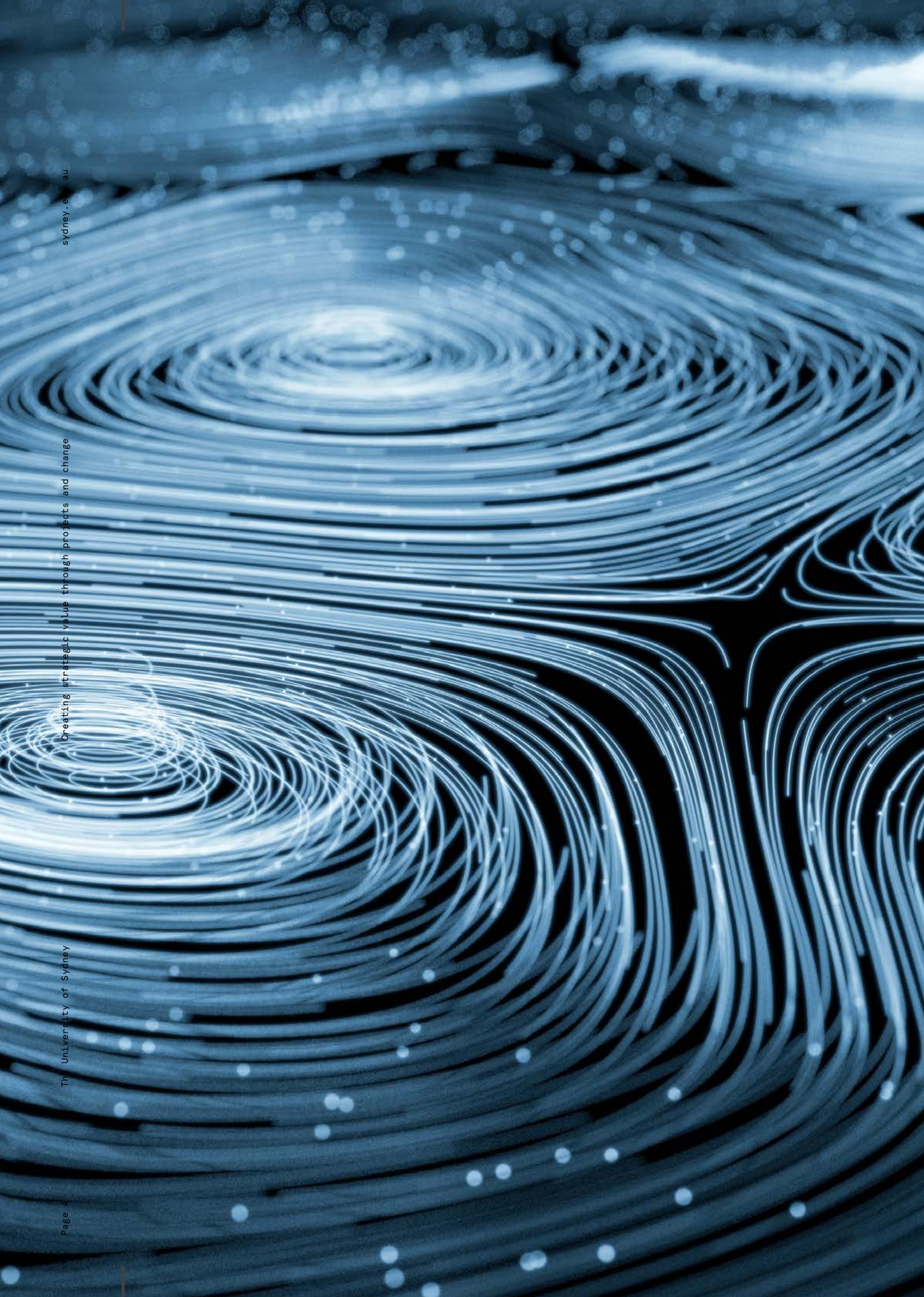
- nature and pace of change itself
- exponential growth of new technology and abundant data
- value potential of or collaboration
- erosion of trust in organisations.

The executives we interviewed are keenly attuned to these multi-level challenges and in Chapter 2 we detail how they are initiating new ways to deal with these challenges. They are prioritising:

- customer and communities and working through models to ultimately co-create experiences for shared outcomes
- looking at the capability of their teams and elevating its value within their organisation
- ensuring project and change delivery is central to address the changing needs of their workforce and to support new collaborations
- governance models and tweaking them to be fit for purpose to accommodate their new ways of working
- their approach to capital allocation for projects and how to support new scenarios which could open new opportunities
- and shifting how organisations are viewing their partnerships and how contractors not only work with them but can build on their capabilities for future success.

There are lessons to be learnt from the insights of these progressive organisations as they seek to create strategic value in these challenging and uncertain times. To help navigate your own journey in Chapter 3 we outline three important principles:

1. build a guiding purpose whilst preparing for multiple futures
2. embrace a multi-level capability lens and
3. organise to be adaptive in a time of flux.



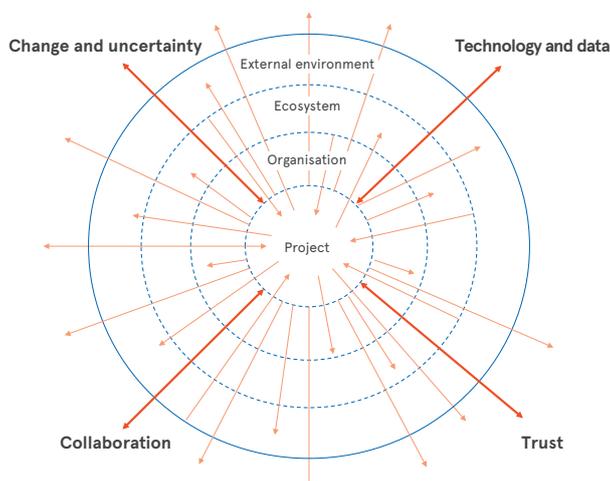
Chapter 1: The forces impacting organisations

Organisations and their leaders have no doubt that the uncertain environment they are operating in, and the pace of change in the recent decade will continue.

Those organisations whose strategy is heavily underpinned by the successful delivery of key projects and change programs are shaping themselves to respond regardless of these challenges, to harness the disruptive forces for positive shared outcomes.

Overall, our interviews highlighted numerous key issues at multiple levels that are challenging organisations, sitting above these were four key inter-related themes (figure 1). These key forces cut across a number of domains affecting strategy and value creation. These are: the nature of change itself, the impact of technology and data; a need to focus on better collaboration and an emphasis on building trust.

Figure 1: The forces impacting strategy and value creation



The accelerating pace of change is forcing organisations to look at new ways to adapt to stay competitive and relevant, this is emphasised by executives across all sectors as a major hurdle to success. Technological advances, along with big data, has allowed a rapid shift towards reliance on machines, automation and artificial intelligence (AI). Our interviewees recognise that technology in all its forms needs to be embraced rapidly and expansively to remain competitive, and relevant to customers. The exponential growth of data raises opportunities, as well as challenges in dealing with its volume, security and digitalisation.

Executives highlighted that a greater need for collaboration overall is paramount in their efforts to achieve strategy, whether that be to work with more diverse groups of people to inspire innovation and new approaches, or to bring communities, customers and stakeholders in closer alignment with project outcomes.

Through all our conversations, trust was raised as an important driving force for delivering projects and significant change programs, but also to achieve a competitive edge in the market. Organisations are striving to gain trust from customers, stakeholders, suppliers and teams, which needs to be gained through everyday dealings and practices.

The nature of change and uncertainty

Change is the new normal for organisations, and the executives we spoke to emphasised the impact that change and uncertainty is having on how they are planning and mobilising major projects and key initiatives.

The change that is required is often a response to complex issues, relating to regulation, new technology, environmental issues, changing customer behaviour or new market entrants.

A new 'sense and respond' approach

Organisations are shifting from traditional 'predict and control' modes to more 'sense and respond' approaches, in a continuous learning model to strategise around change.

Enabling a 'sense and respond' approach requires rewiring of organisations to facilitate this adaptability and agility in shifting direction, resource allocation, and in cadence of decision-making and functioning. As a banking and finance executives states:

“... you have to challenge your thinking and strategy discussions. You can't be changing on a dime but you do need to continue to challenge your execution as the strategic windows come closer. What used to be a five year strategy, it's actually happening in two or three years now. So that is a very different mind-set for strategy I think, and for business executives and directors.”

Rethink approaches to delivery

Across multiple industries, interviewees remarked upon the constant pressure on delivery and the need to keep up with change imperatives. In response, executives spoke about the need within a delivery team to ensure there was significant focus on the question of why that delivery is needed and, from this, explore alternative ways to deliver to address the identified opportunity or problem. A senior government executive explained the challenge faced in the context of social infrastructure:

“Every time we start to build a hospital we forward a plan for 30 years. However the design to accommodate the people is outdated by the time the project is done.”

Challenges

Executives we interviewed identified key challenges in tackling change and uncertainty.

Not industry specific

Change cuts across industries rather than occurring within traditional boundaries, so organisations need to be much more externally focused. This requires them to look across a variety of industries whilst navigating to detect seemingly weak yet relevant signals of change that should be responded to. A banking and finance executive recognised:

“...not singling out industries but thinking across industries is actually quite challenging to organisations who think in a more traditional sense. We need to really go out to interpret those trends and see how to get into new business models. The bar should be how organisations stay contextually relevant to their customers in the environment - that used to be set by industry, now it is set cross-industry.”

Need to increase speed of delivery whilst remaining purposeful

The pace of change is such that design and delivery times are being compressed yet organisations emphasised the need to be purposeful and have shared understanding in terms of what is the purpose behind the need for change, what outcomes are being striven for, and over what time horizon. A senior executive from banking and finance explains:

“...changes are foundational, disruptive, how do we design with the customer experience in mind, while keeping abreast of the uncertainty in the market.”

Mobilising enterprise-wide expertise

Projects now face a greater level of complexity to address multiple layers of issues that require organisations to respond by mobilising enterprisewide expertise, to create holistic change rather than putting in place incremental improvements. A senior executive from the energy sector reiterates the importance of:

“... forming a very clear program of work that is targeted”, and having “the ability to be able to bring groups of people together and focus on a common outcome.”

Given these challenges, the following are some key questions for executives to consider when dealing with change and uncertainty.

Key questions

- To what extent is a guiding purpose and shared understanding of vision driving efforts to respond to change?
- Are you learning about new ways of delivering services from outside your industry?
- How are you reconfiguring your organisational design to enable an ongoing capability to deliver strategic value from change?

The impact of technology and data

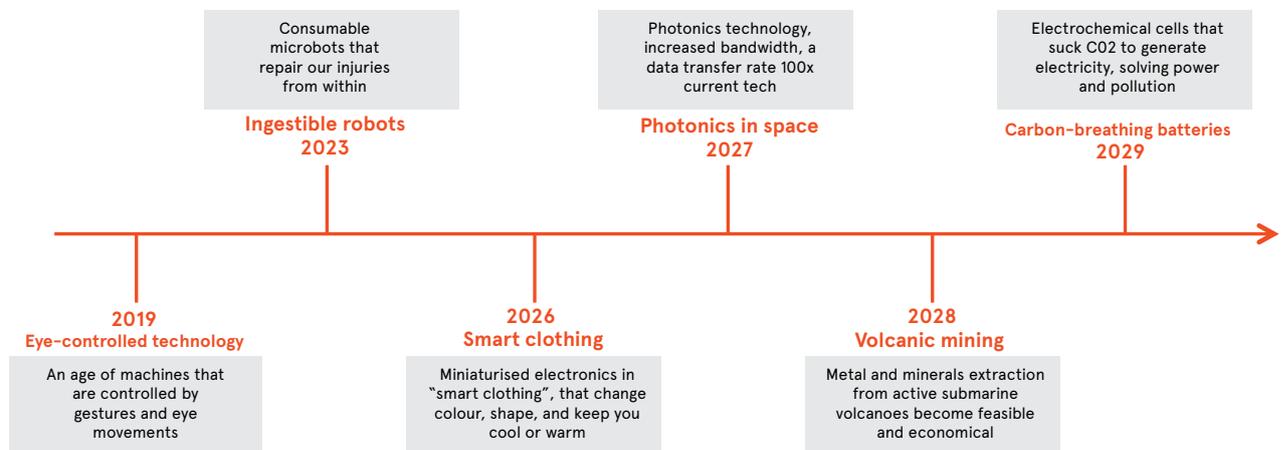
A key element of change and uncertainty is the role that technology and data is playing in changing how people interact, how services are delivered and how value is created. Most organisations understand this but the progressive organisations we spoke to were thinking differently about their business and operating model.

Organisations are moving towards a notion of digitalisation, which is the co-mingling of digital and physical to unlock new sources of value (figure 2). This presents a need to think about new sources of risk in terms of initiatives and projects that create new data or enable the free-flow of data across organisational boundaries.

Internal disruption allows for active decision making using a free flow of available technology and data to support teams and boost skills in the areas of cybersecurity, programming and design to delivery. The emergence of cashless banking, fintech, peer to peer lending, micro investments, the use of data to deliver tailored products are all examples of how the finance industry has harnessed technology and data, to achieve a competitive advantage while responding to the needs of their consumers. As an executive from the resources sector notes:

“The use of AI to learn across various major projects has made tremendous headway into making the lives of organisations easier.”

Figure 2: The future of technology advancements



Challenges

The executives we interviewed spoke about significant challenges in the pursuit of new technology and data opportunities, with these needing to be managed to yield positive outcomes and optimise risks. Some of their challenges include:

The knowledge gaps

The rate at which new technologies are becoming the norm in the marketplace is sometimes faster than the available capability and knowledge on how best to use and leverage them in the organisation. A non-executive director from the energy sector highlights that:

“...it is hard to find people that even understand blockchain for example, and yet it is the way of the future in settling anything from electricity bills to stock market trades.”

Unlearning to learn

Technology and data initiatives and projects are about unlearning previously held cultures and views to embrace new ways of thinking and working. A senior director from the resources sector highlights that:

“...there’s a million people out there solving silver bullet solutions that are not thinking about the culture and changing the traditional process.”

Return on investment uncertainty

The need to substantiate significant investment in technology for no immediate return continues to challenge executives. An executive from the energy sector notes:

“...the biggest thing that is stopping us now is the confidence and the trust that going digital will return value.”

This challenge cuts across sectors where business as usual (BAU) is often looked at as the safer option than going through drastic changes. A senior director from government explains:

“The thought is that, innovation, bringing new technology, is just way too expensive.”

Not recognising the long-term value of innovation is preventing actions and investments in projects to deliver change and transformation through technology and data.

Below are key questions for executives to reflect on when dealing with the challenges of technology and data.

Key questions

- Are you investing enough in technology and data projects and initiatives and how do you know these are the right ones?
- How do we create environments where technology and data project leaders are free to experiment and learn, but balance this with a business value, culture and risk mindset?
- How do organisations close the gap between the new ways of working enabled by technology and data and the mindsets and capabilities required?

Focusing on collaboration

The progressive organisations we spoke to are focusing on collaboration more so than in the past, knowing that strong collaboration can contribute to significant gains in their project and change programs.

The need for change, navigating uncertainty that cuts across industry sectors and the prospect of new opportunities enabled by technology and data sees organisations rethinking how they relate to each other and seek collaborative advantage. For businesses, remaining sustainable means to look for ways to meet customer expectations faster, actioned through opening up to a culture of collaboration. As a senior executive working in the infrastructure sector notes:

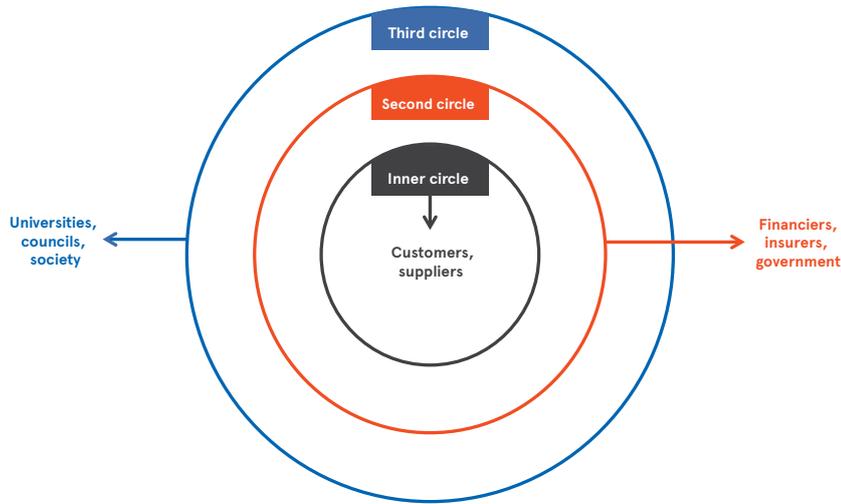
“Projects are becoming bigger. They’re more complex. We’re needing to do more work with joint venture partners ...to fill gaps in capability and to draw on a much wider resource pool. So you know it’s very difficult for one company alone to do these projects.”

Traditional collaborative approaches occur within a linear value chain mindset, where organisations look ‘upstream’ or ‘downstream’, working with suppliers, distributors and partners. Organisations are now looking to a broader set of entities in a value ecosystem. For example, the autonomous vehicle industry offers a customer experience that is the result of a reiterative and multi-faceted collaborative process, which takes place over time between technology providers, regulators, researchers and service mapping.

Progressive organisations recognise a collaboration circle (figure 3) of entities need to be engaged with, which is a broader set of entities than traditionally was the case. The inner circle is formed by customers and suppliers, the second circle is composed of financiers, insurers and the government, and an emerging third circle comprises of universities, not-for-profits and community organisations, and the broader society. Executives we spoke to recognised that gaps in collaboration have previously held back projects. A senior executive we spoke to from the resources sector noted:

“We need to be more engaged and open and be more collaborative. Part of that is education. I don’t think our industry has historically done a great job at educating the community and the regulators.”

Figure 3: The collaboration circle



Challenges

The executives we talked to identified some key challenges to break down the traditional barriers and build collaborative relationships.

Lack of alignment

Alignment across teams within an organisation as well as with contractors and clients bridges the complexities of projects. Organisations, big or small, tend to have divisions and departments that stay within those areas and have difficulty working together. Overcoming silo approaches and achieving alignment is a challenge when dealing with complex projects and clients.

Removing inhibitors

Traditional measures of hierarchical accountability like key performance indicators, rewards and incentives can act as blockers to team and collaborative behaviour. Removing these inhibitors and fostering a more lateral accountability to the customer, allowing a healthier and collaborative environment is a challenge for many organisations.

Confidence in partners

Many organisations are not culturally ready to collaborate at a partnership level with contractors, vendors and/or joint-venture partners. While there is intent and the right narratives at senior levels of organisations, this often does not cascade down to lower levels where 'the rubber hits the road' and where organisations are required to share not only risks but also the rewards. To address this, progressive organisations are seeking to invest upfront in relationship building to build confidence on all sides that there is commitment to long-term collaboration. A senior director from the energy sector explained a shift in his business, based on the idea that concentrating on:

“...direct negotiations with a fewer number of service providers that we feel confident with, delivers better outcomes, instead of tendering.”

Below are key questions for executives to consider when focusing on collaboration.

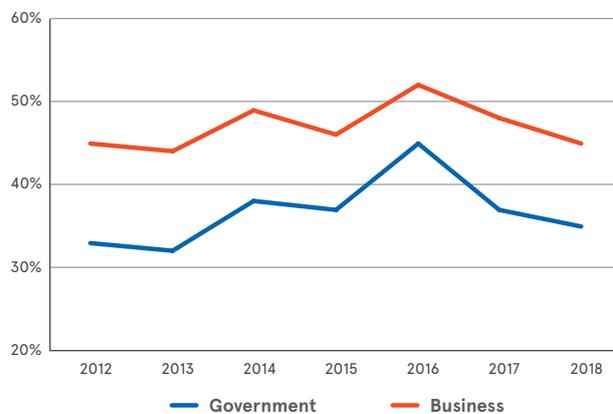
Key questions

- How do you translate your organisation’s vision into something everyone can commit to?
- How do you build and maintain confidence that your partners will act collaboratively to achieve better outcomes and value for customers?
- What organisational redesign is required to sustain a one team environment?

The need to build trust

A global erosion of trust is having a profound impact on every aspect of society, from consumers to businesses, government and regulation. Recent research confirms a marked decline in the level of trust that communities place in governments and business (figure 4).

Figure 4: Trust in institutions



Source: Edelman Trust Barometer (2018)

Trust is increasingly becoming a leading indicator of business reputation. Consumers and communities allow organisations they trust to take risks and experiment and move into new arenas. A lack of trust, on the other hand, requires organisations to explain and legitimise new initiatives and projects as well as ongoing operations to multiple stakeholders. A senior director we interviewed from construction and infrastructure noted:

“There is a lot of opposition to projects compared to when I first started out in this business decades ago... we’re getting a much more prolonged community angst.”

The lack of trust in traditional institutions is significant. Individuals are increasingly wary of new information, products, and projects because of how it may affect their privacy, their wellbeing, and their finances. Individuals and communities are more informed, educated and engaged in what is going around them, due to the rising concerns of global warming, climate change, personal privacy, and invasive technology to name a few. Recent public examples of organisations seeking to profit at the expense of their customers has added to this decline in trust.

Consequently, organisations we spoke to, express a prioritisation of stakeholder and community engagement in organisations, with this trend spanning across multiple industries. A senior government executive notes that:

“...communities are pushing government to consider the how and whys of projects.”

Leaders were much more sensitive to community reactions in considering how their projects and change initiatives would play out in a trust deficit environment and deciding what proactive action they would take. This has also led to increased concerns with projects and change initiatives from regulators as well as financiers. A senior executive from infrastructure noted that distrust is heightened with new generations:

“Millennials don’t trust anything, they trust the data point and they can source it from so many places, and they’ll shut down projects.”

The issue however is not just external, trust needs to flow upwards, with employees placing a level of trust in their leadership to adopt the right goals and make the right overarching decisions, and downwards where governance levels and leaders trust and enable teams to lead change based on their more detailed and current knowledge about customers, community and trends in products and services. A senior banking and finance executive explains,

“The reality is that the information and all the power is actually with the bottom level of the organisation.”

Allowing the lower level of an organisation to inform and drive outcomes is likely to enable better outcomes as well as lead to a greater responsiveness to change. However, this trust needs to operate within a broader environment of alignment where effort and purpose are in harmony.

Challenges

All the senior executives we interviewed place a high importance on building trust and highlighted key challenges in dealing with it.

Judging the right level of community engagement

Knowing how much time and resources to allocate to engage with key stakeholders is always difficult. Equally important, knowing the best means of engagement is a challenge. A senior director from government explains:

“You have lots of protests, community opposition. The project still goes ahead, how do you know the right level of engagement?”

Working under scrutiny

The challenge to support quality engagement also brings a lot of pressures, and upskilling leaders and teams quickly can be an onerous process. A senior executive from the resources sector explains:

“A project manager and his leadership team need to understand that they’re going to be under a lot more scrutiny, and there is going to be a lot more review of risk because the lenders are very good at digging deep into a development plan and deciding whether it’s one they want to take on. These are new skills, some of our people have never had to work in that environment.”

Moving from ‘licence to operate’ to advocacy

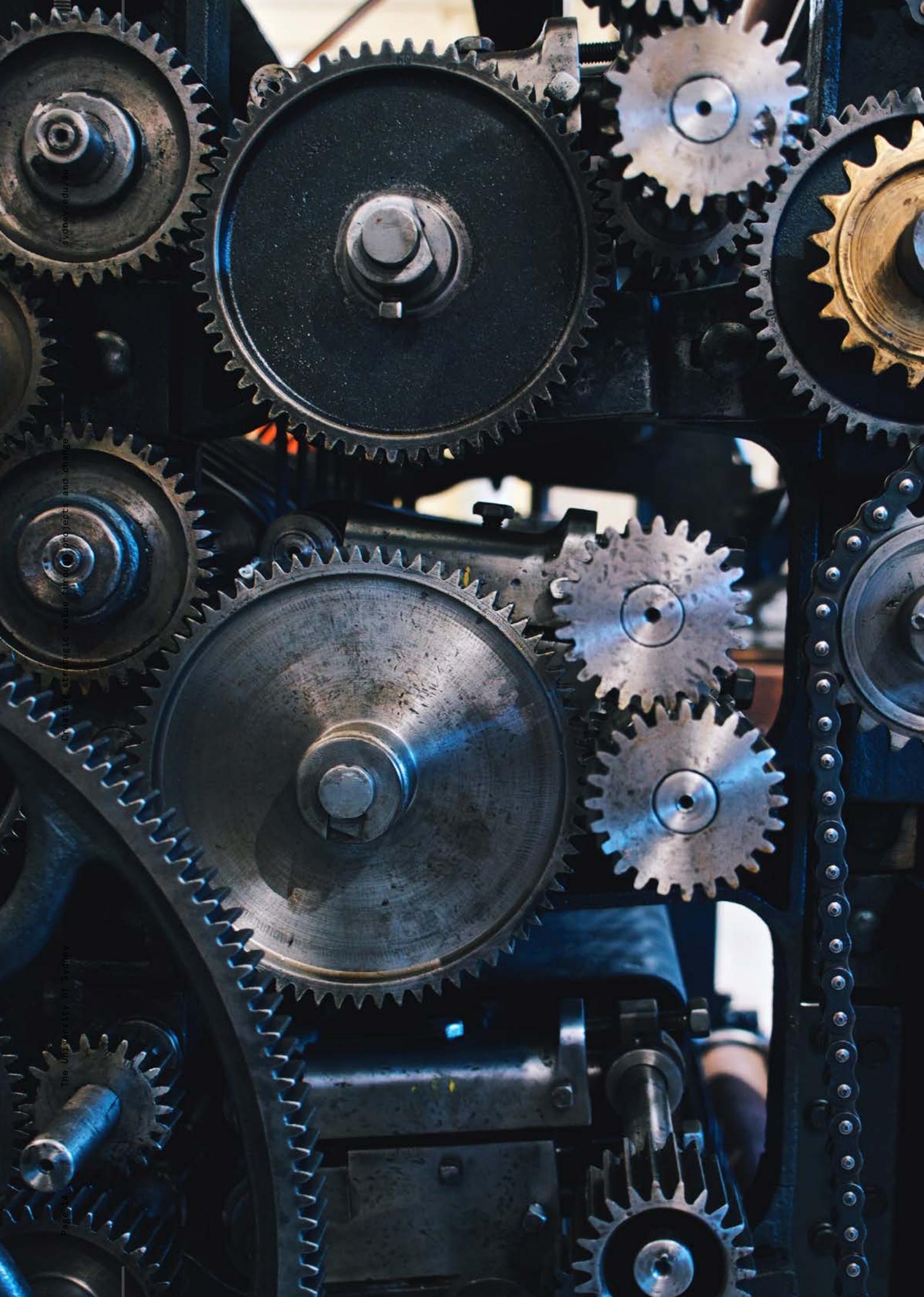
Organisations are moving away from just seeking a licence to do projects towards advocacy which is presenting a challenge. Creating an understanding of the value that will be delivered to recipients of the projects and building relationships for the long-term with the stakeholders to best accommodate and balance varying and potentially opposing interests and requirements is critical. A senior executive from government reiterates the importance of leadership to support advocacy:

“There needs to be a collaborative and collective leadership for projects and decisions especially in the government and public space.”

Below are some key questions for executives to reflect on to build trust.

Key questions

- How do you judge good community engagement?
- How do you balance stakeholder expectations and requirements and build advocacy for projects and change?
- How do you ensure that your project and change teams have the skills to engage multiple stakeholders and build trust, that value will be delivered in the right way?



Chapter 2: What progressive companies are doing

Continuous change and uncertainty in business, lack of trust in institutions and the impending fourth industrial revolution has seen progressive organisations act in new ways to transform and execute on strategy.

Based on our interviews, we identified five important ways in which progressive organisations are acting on these challenges to deliver strategic value through their transformational programs and projects.

They are:

- Creating a customer centric culture
- Ensuring project and change delivery is central
- Rethinking governance
- Addressing capital allocation differently
- Placing partnerships over procurement.

In this chapter we explore the practical lessons they have learned and how they are implementing new practices to move forward.



Creating a customer centric culture

Our interviewees stressed that the increasing lack of trust across communities is creating an immediate need to act on their concerns and needs. Extreme measures have even seen organisations walking away from proposed projects that clash with community ethics to emphasise their commitment to the environment and quality of lifestyle for communities.

Building a customer empathy mindset

Building the foundations for customer empathy requires a change in mindset from leaders and across teams, this is seen as a priority for many progressive organisations. This requires a cultural change for many and whilst they are embracing this as important to the future, they recognise it is a journey which will take time and require deliberate interventions to embed the principles within the organisation.

Progressive organisations we talked to have customer centric ideals as part of their organisational values. A senior executive from the energy sector explains that their executive team is starting to put in place those value by asking:

“What are the circumstances that are existing within a company... so the process of engagement is highly advanced? We genuinely care. We have empathy for a variety of different viewpoints. We genuinely want to help the communities that we operate in.”



Using metrics to move beyond licence to operate

Organisations are making a consistent effort to move beyond a licence to operate model to more inclusive and engaged arrangements.

Many are developing performance metrics that measure the relationship the company has with their external stakeholders. They view successful programs not just through a traditional budget and schedule perspective but also how they are perceived by the communities and their customers, capturing and embedding these perspectives through key performance indicators for their teams and leaders. As a senior executive from the energy sector notes:

“We are looking at metrics that show us how our actions and the activities will have an effect... and what engagements we can do early on before you put the first shovel in the ground.”

Some of the most important questions these organisations are seeking to answer to ensure external stakeholders are on board are:

- Why are we doing this project?
- What part can the community/customer play in how to get there?

Along with answering these questions, organisations are also focusing on explaining and generating shared understanding about the benefits of their activities. The importance of having questions from communities and customers addressed and acknowledged was a theme across all conversations.

Investing in customer stewardship capability

The capability of building engagement in communities and with customers is seen as important, and a priority is being placed on upskilling teams on their customer stewardship literacy. Customer-led approaches are honed through organisational training programs, and on the job mentoring through client champions. The aim is for teams to understand the need to ‘earn’ the right to be a trusted entity, by acknowledging the demands and sensitivities of the community and the external stakeholders.

People who have a depth of knowledge or an existing understanding of a community are aligned with certain projects. A senior executive from government noted the measures they put in place to have senior level commitment to achieve community outcomes,

“...we match the right project directors with the right communities to get the best results.”

Overall there is increased spending and more time being dedicated to maintaining relationships with external stakeholders and their customers as organisations recognise customer advocacy is key to delivering on long term outcomes in projects.



Ensuring project and change delivery is central

To deliver on strategy progressive organisations have identified the project structure as the optimum vehicle to drive transformational change and new competitive initiatives, whilst ensuring they draw on multi-disciplinary capability to achieve holistic change.

By focusing on an uplift in capability and practices, progressive organisations are embedding a project culture to support the aspirational aims of significant projects.

Redesigning organisations for change

Banking and finance entities are making great gains by integrating new models of delivery into their organisations to achieve rapid change. Semi-permanent and multi-disciplinary teams are forming organically to solve evolving problems irrespective of which part of the organisation they come from. In these semi-permanent structures they can move at a quicker pace and be truly multi-disciplinary in their approach. As a banking and finance executive explains:

“So there needs to be an ability to form teams to solve a problem, irrespective of which part of the org chart they come from. Sounds simple but it’s actually really hard to do in a continuous way, essentially you’re forming to solve a problem then dispersing the team on a continual basis – it is really difficult from both a mindset and incentives point of view.”

A senior executive from the energy sector also states the importance of designing targeted, sponsored projects and programs strategically on an ongoing basis noting:

“...incremental change is done in a BAU sense, but the kind of change that is happening across sectors of the organisations requires the ability to be able to bring groups of people together and focus on a common outcome, program type activity. We want people who know how to work together in an environment that is usually quite pacey, quite driven in terms of deliverables and outcomes, and who can engage the rest of the organisation as they go through.”

Integrating projects and business

While all projects and change programs are meant to deliver organisational outcomes often this is not the case. To help address this, organisations are moving towards ensuring tight linkages between 'the business' and portfolios by making them business led as well as by lifting sponsor capability.

For progressive organisations this allows continuous engagement on why and how funds should be allocated to achieve business outcomes. To support this process, they are working towards communicating in different ways to build the capability of business executives who sponsor these projects and change programs. A visual literacy throughout the organisation that linked investments in projects and programs to outcomes underpinned this. A senior executive from the energy sector states the importance of being transparent about how outcomes relate to strategy:

“You need to be much more explicit organisationally about what outcomes you are trying to achieve and the explicit cascading of those outcomes through your organisation. Because if you don't have that, you end up with chaos. You end up with more autonomous self-organising teams who do what they think is the right thing to do in the absence of that explicitness, which equals anarchy.”

Valuing project capability

Teams running projects have traditionally been chosen based on their can-do attitude and industry experience. When it comes to responding and reacting in an uncertain environment, it is important project professionals working on complex programs have more than just technical skills and a positive attitude. Project specific skills and leadership capability is seen as important as a senior executive from construction explains:

“Previously in projects, forecasting and delivering was done out of the unknown. Experience and a little bit of science would get you there, now it's more complicated, we look at a lot of other elements and it is important as to how it is delivered.”



Rethinking governance

Rapid change, increased scrutiny of capital allocation, and rising trust issues from customers and society, find progressive organisations rethinking governance of their projects.

From having the hard conversations on how to evolve, to adopting revolutionary practices, these organisations are ensuring the right governance practices are at the core of successful projects, so they align with strategy and pave the way to more successful long-term outcomes.

Creating new conversations

The conversations at a governance level are changing as the complexity of projects is increasing. Boards and steering committees responsible for governance report they examine issues not only of an organisations capacity to deliver but are spending more time debating whether the right projects are being prosecuted given the challenging and dynamic environment that the organisation is confronting. A senior executive from construction recognises the way major projects are being evaluated and reviewed is drastically evolving:

Our interviewee also pointed to how more regular committee and board meetings around key projects and transformation program milestones are helping executives become knowledgeable about the portfolio of projects, allowing them to have more detailed conversations around a range of elements including community interfaces and issues of regulation.

“We have a process at the board level, which you can call an ethical filter. We choose not to pursue certain projects because of the potential impact to the community and the environment.”



Becoming dynamic and engaged

With projects increasing in size and frequency, our interviewees emphasised that their organisations have enhanced their oversight and governance, to ensure they identify problems and risks early. The significance of these projects for owners requires engagement at board level to support better oversight. More accessibility of information is also seeing boards embrace the knowledge and expertise of their leaders and teams and referencing them at future milestones. A senior executive from the energy sector notes:

“Now every time the board meets they sit down with the extended project team and have a deep dive for two hours. This is unprecedented in terms of board engagement with the company.”

An infrastructure project executive explains that there is increasing accountability and responsibility around projects across all levels within the organisation, which contributes to more time to execute projects better, noting:

“We are using a matrix of people and systems-based approaches to determine the right commitment for projects.”

Keeping governance lean

At the same time as project teams are engaging more in depth with boards and other governance committees, organisations recognise governance needs to be lean rather than bureaucratic and time consuming, yet sufficient enough to allow independent growth and progress on projects whilst staying true to mission and overall objectives.

Traditionally governance has been tiered to varying levels of project size and risk. Progressive organisations are going beyond this to understand what governance will enable the project to deliver the outcomes they are after, whilst staying within the risk appetite of the organisation. ‘Lean governance’ is not a tightly prescribed model but a principle when these organisations intentionally strive to create a governance environment that is fit for purpose. As a senior resources executive explains:

“Governance needs to be lean enough that you’re not overcooking it but it needs to be sufficient to allow it to ensure that you’re staying true to mission and that you’re able to support the project given that it’ll be time bound.”



Addressing capital allocation differently

Rapid change and uncertain future states require organisations to rethink how they allocate scarce capital to various activities. Progressive organisations are attempting to change mindsets and practices to enable them to invest for an uncertain environment whilst maintaining the current profitability and viability of the company.

Rethinking portfolios

A strategic lens is being placed on portfolios, recognising that some investments are to give defined business returns within short- to medium terms while other projects and programs are designed to enable strategic options and longer-term viability of the organisation. The economic payoffs from these initiatives is uncertain and organisations need to evaluate these in terms of the extent to which they yield learning and acquisition of new capabilities. Other initiatives are required to future proof for emergent and escalating risks, with cyber security being the most frequently mentioned example. A senior banking executive notes:

“I don’t think a financial lens always applies. I mean obviously there needs to be returns. But there is a more strategic lens that’s put across some part of portfolio. There will be some initiatives that generate a business return and then there’s some parts of the portfolio that is about creating the enablers for the future, and others might have a risk lens to it – what we are doing with cyber has a very different lens. So, I think our portfolio changes and we’ve had to take our executive team, our board and our project team through that shift.”



Enabling flexibility to make small bets

To play in an innovative space progressive organisations are allocating funds to teams to innovate whilst being empowered to test, to fail fast. As a banking and finance executive notes:

“There is a range of small bets which are under the radar but are actually significantly strategic.”

Over time these organisations recognise that they need to make the tough choices in a complex landscape and they have allowed for flexibility in their investment decisions to ensure viability. A telecommunications senior executive states:

“What we’re doing now is a much more dynamic planning process where you might not even fully allocate all the money that you’ve got in respect of the fact that there’s going to be those unknown unknowns or recognising the ability to change. That introduces a whole lot of new disciplines, because for many organisations you know, and we were no different, it is a case of allocate every dollar.”

Being outcome-led

Traditional approaches of allocating investment vertically through departmental structures are being questioned, with greater attention being placed on funding outcomes rather than activities or outputs. To support the strategic emphasis on collaboration, organisations are moving from individual parts of the business submitting bids for capital in a competitive environment to encouraging joint submissions where different parts of the firm are working together to achieve organisational-level outcomes. For other firms, simply understanding where capital was being invested compared to priorities enabled important learnings to occur. As a banking executive explained:

“We mapped where our resources actually were, and it didn’t correlate to our key priorities. If we’re serious about focusing on these priorities that’s where we need to allocate our resources.”

Placing partnerships over procurement

Many contracting arrangements do not allow for mutual success, the need for collaboration is exemplified in a climate of growing distrust. Organisations are working towards partnerships and aligned objectives to achieve delivery milestones, and to build long term strategic outcomes.

Plan relationships for the long term

Across all sectors a consistent theme comprised long-term relationships rather than short-term transactions with suppliers. Energy and resource companies were looking at working with just a few large contractors, reducing the amount of work they need to invest in integrating services with multiple parties. This has seen them move in the last few years from:

“...what we loosely called an integrator role to an informed and intelligent client and buyer.”

Banking and finance organisations also indicated a focus on the quality of their supplier relationships emphasising that they are all strategic partnerships.

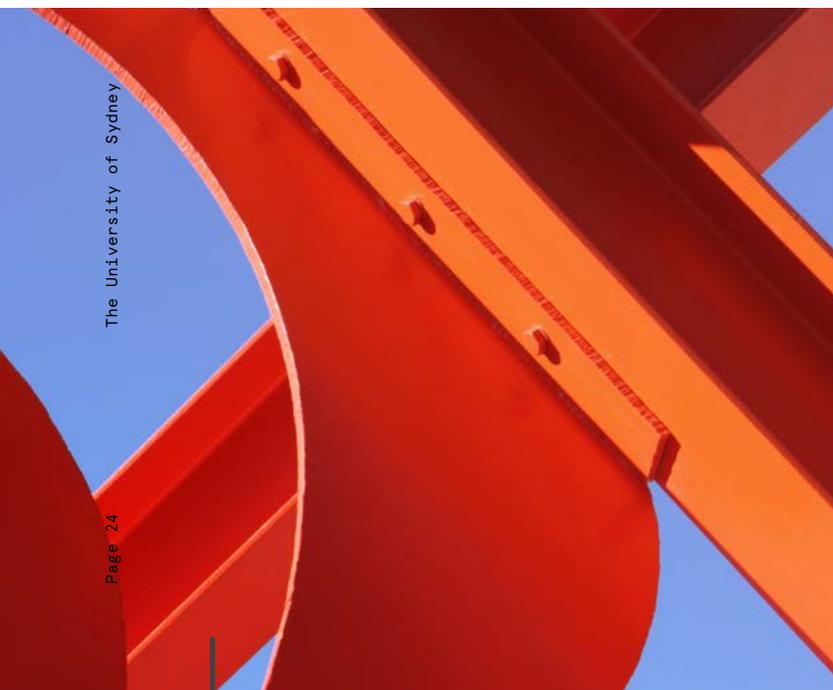
“We moved from a vendor management posture to a strategic partnership posture. So first, you have to consciously say that you are changing direction.”

On the other side of the exchange, vendors and contractors were likewise focused on long-term partnerships. Contractors like owners are changing their approach to their partnerships. A senior executive from the energy sector notes:

“...we’ve ended up concentrating more and more on a fewer number of service providers that we feel confident we can carry out direct negotiations with, in pursuit of faster project schedules and better outcomes as opposed to tendering.”

However, in some cases change had taken longer to emerge with clients concerned about balancing partnering with independence and probity concerns. As a construction industry executive explains, benefits had occurred where a relationship mindset had emerged:

“...in earlier days communications with government agencies on projects would only be through email, but nowadays it is more about meeting face-to-face and having health check meetings regularly, the relationship makes the difference.”



Big is not necessarily best

“The future is about micro partnerships” opines a banking and finance executive believing the financial sector is ready to embrace the gig economy and outsourcing at multiple points in the project delivery.

Often niche players offer deep value and are better able to complement objectives, this view is shared by others in the banking sector:

“I think they’re all strategic partnerships but there are different size partnerships. We traditionally used to say that strategic partnerships are with the company you spend the most money with. It is now not that, many strategic partnerships could be with a niche player. It is therefore the execution of your strategy at a particular place.”

Designing together

Progressive organisations are recognising the value that can be realised through strong supplier relationships. An executive interviewee notes,

“How we work together, design together and how to work for mutual success outcomes are extremely important. Challenges come through the whole value chain not being on the same page. The only way to get better is to be more transparent.”

These organisations put an emphasis on working together, for example having earlier contractor involvement and collaboration on the project, obtaining alignment is the goal rather than giving out contracts or putting a focus on tendering. A banking and finance executive suggests,

“...it is important to ask questions on how we work together, design together and work for mutual success outcomes.”

Whilst emphasising “...challenges come through the value chain not being on the same page. The only way to proceed further is by being more transparent about the design of the projects and the working of it.”

Suppliers are starting to focus on delivering smaller projects and building in the smaller segments rather than delivering massive projects where one build fits many. The results show that this gives more power to the supplier who can sell what the customer needs, increasing financial value.





Chapter 3: Navigating the journey

– some guiding principles

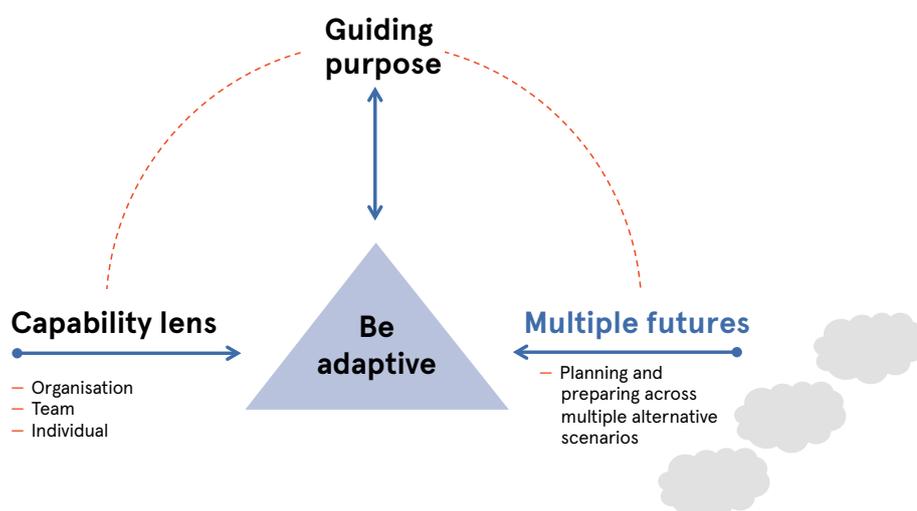
While most organisations recognise that business as usual is no longer a strategically viable option given contemporary operating environments, only a reduced set of these organisations make sustained commitments and engage in purposeful actions to change how they seek to execute strategy and deliver value.

There are lessons to be learnt from the insights of these progressive organisations as they seek to create strategic value in these challenging and uncertain times.

To help navigate your own journey, we outline three important principles (figure 5):

- build a guiding purpose whilst preparing for multiple futures
- embrace a multi-level capability lens and
- organise to be adaptive in a time of flux.

Figure 5: Navigating the journey - three guiding principles



1. Work to a guiding purpose; prepare for multiple futures

Working to develop a guiding purpose will benefit the organisation and your team to understand and prepare for multiple futures.

Prioritising alignment of purpose

Putting in place clear and powerful purpose statements for key initiatives and projects is important for organisations to ensure commitment to outcomes, especially given that value creation increasingly requires people to come together across organisational boundaries. A purpose statement also plays a role in enabling and supporting trust by garnering individuals' commitment to long-term outcomes and aligning efforts through shared understanding. Executives we interviewed actively used purpose statements to align strategic partners and self-guided teams by creating shared visions of success and language to embed their own values and those of their partners.

Keeping future scenarios alive

Given change and uncertainty around future environments, the role of technology and new business models, organisations should not presume convergence in their future. Most organisations are used to planning and preparing across multiple time horizons. This needs to expand to plan and prepare for multiple alternative futures. Scenario planning is experiencing renewed interest, not to yield a most likely 'future' that organisations respond to but to enable organisations to stress-test their organisation against multiple divergent and equally possible futures. The executives from progressive organisations we spoke to continue to keep those scenarios alive, actively monitoring their manifestations as environmental dynamics shift and as new technologies come into play, looking to assess the need for further adaptation in business and operating models.



2. Embrace a multi-dimensional capability lens

Executing strategy and delivering complex change well requires environments that enable success. An effective way to create these required environments is to embrace a capability lens, exploring whether individuals, teams and the overall organisation possess the capabilities to be successful both now and in (multiple) futures.

Developing individual project and change talent

Project and delivery capability has long been undervalued in organisations. In contrast, progressive organisations have sought to understand their existing project capabilities through assessments and mapping of requirements, factoring current and potential changes to business and operating models over different time horizons and alternative scenarios. Based on this information they have determined how and when gaps will be addressed by developing capabilities in-house and through partnering with other organisations. A number of organisations that were interviewed were investing in their project talent through training, team-based knowledge transfer activities and creating defined career paths in projects and change delivery.

Many also recognise that business executives required support to understand their role in ensuring projects and change programs are successful and are equipped to carry this out well, using awareness and capability building workshops combined with coaching and mentoring of sponsors and governance committees to good effect.

Creating collaborative and high performing teams

Interviewed organisations also highlighted how they were focused on enabling strategic partnerships and multi-disciplinary teams, often with membership drawn across diverse organisations such as suppliers, customers and joint-venture partners, to come together and perform at high levels. Progressive organisations were asking how project teams could be better supported recognising that these teams were often being asked to solve challenging problems or bring about complex change within resource and time constraints, progressive organisations considered asking how they could be better supported.

Investing upfront in team capability to ensure shared visions of success, empathy for stakeholders, deep understanding of the different strengths of diverse team members and collective leadership was the focus of these efforts. While collaboration can emerge over time under the right circumstances, progressive organisations were taking the approach that these could be learned capabilities which enable high-performing teams to manifest much more quickly.

Organisational redesign for enabling processes and practices

Building the capability of individuals and teams is important but has to be complemented by the development of organisational capability comprising the redesign of critical processes and practices. However, rather than engage in a 'big-bang' rewiring of the organisation to ensure projects and change initiatives are better placed to deliver value, interviewed organisations spoke about a selective approach where structural changes were made first to put projects at the centre of their organisation and make these more aligned and interconnected with the 'business'. This was followed over time by a broadening of organisational redesign efforts that took account of the organisations readiness and appetite for change and gradually comprised reworking governance and capital allocation processes and new performance metrics to support different ways of working. These changes to the formal elements of organisational design were underpinned by deliberate initiatives to encourage values and a culture that encouraged decision-making and action that was aligned to purpose, balanced speed with the need to make informed choices, and enabled projects and change initiatives to be stopped without the stigma of 'failure' whilst promoting learning.

3. Be adaptive

The progressive organisations we spoke to have an embedded culture of learning where they learn and adapt. They are well networked not only across their own industry but interact with a variety of industries and sectors to remain relevant and ahead of disruption.

Measuring outcomes for learning

Continuously measuring outcomes and benefits of projects and change programs, even if through proxy indicators is fundamental. This enables learning conversations that are not just about, “Did we achieve envisioned outcomes?” but extends conversations to encompass themes of:

- Did we execute well and how can we improve?
- Are we undertaking the right programs and projects and does our portfolio need to be adapted?
- What are we learning about the environment and does our strategic intent need to be revisited?

It is important to consider how single-loop learning can occur to facilitate improvements in how projects and change are executed, but also how double-loop learning can be stimulated, where organisations revisit purpose and strategy.

Maintain cross-industry / sector connectivity

Change requires organisations to respond to the best of what is happening across all industries and sectors, rather than keeping to tradition thinking that their industry is distinctive. The progressive organisations we spoke to are keenly aware of the need to broaden their horizons globally and outside their own industry and sector experiences to utilise different approaches and open new possible scenarios. For example, executives in the resources sector were looking to data intensive organisations in the banking and finance sector to learn how to benefit from their data analysis and storage strategies. An executive in the energy sector recognised the value of understanding how grassroots communities evolve and work, and are working with community organisations to build their principles of customer centricity.

Being adaptive requires organisations to be responsive to learning and change drawing from experiences which are distant to their own.

Final thoughts

Our interviewees were unanimous in their thoughts that transformational programs and projects they are working on are making a major contribution to their organisations strategy and the communities they serve. They also recognised leadership of these projects and programs requires a new level of focus to succeed in the current challenging environment.

Our approach

The purpose of this research is understanding the strategic challenges currently facing organisations and how they are mobilising their organisation to run projects and change programs differently to support success.

We started with one question in mind:

- How are progressive project-facing organisations reinventing and transforming themselves to enable strategy execution?

We wanted to understand the changing social, political and technological environment for organisations and highlight the practices and approaches progressive project-facing organisations are embracing to adapt to these changes.

We deliberately explored views of individuals across multiple levels of organisations, including board directors, C-level executives and project executives working on capital investment, change and technology transformation projects. They were drawn from entities with global and national presence, across diverse sectors including banking and finance, telecommunications, infrastructure, energy, resources, construction and government.

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The John Grill Centre for Project Leadership helps organisations lead projects that positively impact economic value and social well-being.

Working to support project challenges, changing leadership mindsets and practices through robust initiatives and programs we create positive change in individuals, project teams, their practices and organisations.

Through partnerships with government, industry and academia we undertake research to address the challenges of infrastructure, energy and technology-enabled business transformation to deliver the right projects for the future.

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