Is strategy being implemented through projects? Contrary evidence from a leader in New Public Management

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Abstract

This paper reports on the effectiveness of the project management and investment frameworks in the State of Victoria. It finds project management and investment practices comparable to best practice but also finds 100 billion dollars invested in projects over the past decade without any evidence of improvement in strategic goals. It concludes that there may be systemic deficiencies in our project management and investment frameworks. It suggests that deficiencies in the way projects are currently selected and managed limit the capability to realise strategic goals. Future research to develop programme management, portfolio management and project governance is recommended to increase the likelihood that strategy will be implemented.
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1. Introduction

This paper reports on the effectiveness of the project management and investment frameworks in the State of Victoria. This is of general interest because the State of Victoria is considered to be one of the international leaders in New Public (Greve and Hodge, 2007). New Public Management is relevant to both the private and public sectors because it is an approach that applies private sector management techniques to the public sector to improve efficiency and outcomes (Barzelay, 2001).

The Victorian Auditor-General's Office (VAGO) believed that the Victorian project management and investment frameworks were at the forefront of industry practice but were concerned that the same problems were being found in project performance audits. They commissioned the research in this paper after new developments were pioneered in Australia in the area of IT project governance (AS8016, 2010; HB280, 2006; ISO 38500, 2008). Their objective was to evaluate the Victorian project management and investment practices against the academic literature and new Standards to assess the likelihood of systemic weaknesses. The research questions reported in this paper are:

- Project success—are projects undertaken within the Victorian Public Sector to realise strategic goals (as suggested by the new project governance standards)?
- Are the Victorian Public Sector project management and investment frameworks comparable to best practice? Are there any systemic weaknesses?

These research questions are of interest to the project management community because the research is being conducted in what is expected to be an exemplary case. If any deficiencies are found in the State of Victoria it is likely that these deficiencies will be more widespread. The first question is also of general interest because it provides a context to explore whether projects are

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undertaken to implement strategy in practice and whether strategies are actually being implemented.

This paper will proceed by summarising the literature that will be used to evaluate the project management and investment frameworks in the State of Victoria. The methodology to gather data will then be discussed. The results will then be presented. The results will be discussed and finally conclusions will be made to summarise the key findings.

2. Literature

The literature review will provide the context to evaluate Victoria's project management and investment frameworks. First the difference between project management success and project success will be reviewed to highlight the relationship with top management and strategy. Then the strategy literature will be summarised to provide a context for the review of portfolio management, programme management and project governance.

2.1. Project management success vs. project success

The issue of IT project failure remains unsolved despite fifty years of intensive effort (Sauer 1993, 1999). If the widely quoted Standish statistics are to be believed, the failure rate has actually deteriorated in the last eight years (Standish, 2003, 2009). The evidence is quite strong that the issue is not confined to IT projects. Lovallo and Kahneman (2003) describe disappointing results with all types of large capital projects in areas as diverse as manufacturing, marketing, and mergers and acquisitions. However, the issue is seldom addressed because acknowledgement of failure can be career limiting (Morrill, 1995). Managers and practitioners alike tend to hide the issue by taking advantage of ambiguous definitions of success and failure and simply declare projects to be successful in terms of the criteria in which it did not fail (Falconer and Hodgett, 1999; Rocheleau, 2000).

When the distinction is made between project success (realisation of expected outcomes) and project management success (on-time on-budget on-quality), it becomes clear that project success is more important (Baccarini, 1999; Cooke-Davies, 2002; de Wit, 1985). For example the construction of a cycleway (or any physical asset) could be considered a project management success if it is completed on-time and on-budget, but if the objective is to reduce congestion, it could only be a project success if people actually use the cycleway and congestion is reduced. Project management success is not sufficient for project success and evidence suggests that they are only weakly related (Markus et al., 2000). Further evidence suggests that fewer than a third of projects deliver any business benefits (Willcocks, 1994; Young, 2006) and perhaps as few as 10% of projects actually deliver what was promised (Clegg et al., 1997).

To reduce project failure the conventional wisdom is to focus on project methodologies, user involvement, high level planning and high quality project staff (Young and Jordan, 2008). However project methodologies are now in widespread use (Clegg et al., 1997) but the high failure rates have persisted. This suggests that the conventional wisdom is inadequate.

Two leading project management organisations, APMG and PMI, recently commissioned major studies and concluded that although the project management tools were quite mature their value could not be conclusively demonstrated (Thomas and Mullaly, 2008). The APMG study found that the major deficiencies were not with their methodologies but in areas such as project governance and top management support (Sargeant, 2010).

Top management support has long been acknowledged to be important but project management texts have little if any guidance for top managers. Much of the advice for top managers is little more than lip-service and exhortation (Emery, 1990; Izzo, 1987; Jarvenpaa and Ives, 1991; Lederer and Mendelow, 1988; Schmitt and Kozar, 1978). This is a major problem because top management support has recently been confirmed as the most important factor for project success and the implication is that much of our current research and practice may be misdirected (Young and Jordan, 2008). Few top managers consider project management to be an issue of direct concern (Crawford, 2005). Top managers seem far more interested in corporate governance, strategy and personal power (AICD, 2009; Donaldson and Lorsch, 1983; Morrill, 1995).

Conceptually, the difference in emphasis between top managers and project managers should not be a major barrier. The top management concern with strategy is closely aligned to the concept of project success: the realisation of expected benefits. The management literature increasingly understands projects in the context of implementing strategy (Kwak and Anbari, 2009) and the project management literature strongly advocates projects be initiated aligned to or delivering strategy (Jamieson and Morris, 2007; Pellegrinelli and Bowman, 1994). When projects fail, one would expect that strategy is being compromised. However in practice, top managers share almost nothing in common with the concerns of project managers who tend to focus narrowly on project management success (on-time on-budget). The contrast might be analogous to the captain of a ship peering into the distance with a *telescope* trying to communicate with a scientist peering into a *microscope*. The top management strategic view seen through a telescope has almost no overlap with the view of project managers peering down their microscope.

2.2. Project management

The discourse of the project management community (textbooks, researchers and practitioners) emphasises 'microscopic' concerns related to on-time on-budget on-quality delivery (Kerzner, 2009; Morris and Pinto, 2007; PMI, 2000). The project management discipline has been accused of having a naïve 'magic bullet' type of thinking where it is assumed that benefits will flow automatically when projects are completed (Markus and Keil, 1994). Project managers and researchers alike have been accused of being unable to accept the limitations of project management (Baccarini, 1999; Currie and Galliers, 1999; Thomsett, 1989). To some, it appears as if project managers promote an unwieldy plethora of untested and ineffective methodologies and fail to engage top managers as a result (Checkland, 1981; Strassmann, 1995; Young and Jordan, 2008).