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Program Management

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KEY PROGRAM COMPONENTS

In Chapter 3, we have seen how a program culture can be developed and how organizations can increase their program maturity. Chapter 4, explores how four key program components: Decision Management, Governance, Stakeholder Management and Benefits Management – contribute to achieving program maturity and excellence. *Decision Management* covers the making and implementation of strategic decisions; *Governance* discusses the essence of governance and the different governance approaches; *Stakeholders' Management* lists the main program stakeholders and how they should be managed; finally *Benefits Management*, which is the core of program management, explains how to define, agree and deliver business benefits through the program.

DECISION MANAGEMENT

The concept of decision management is quite new; many authors and researchers have written about decision-making, but very few have researched the implementation of decisions beyond the outlining of a process. Traditional decision-making literature is based on two central variables: the “efficiency” of the decision process (quality) or the “satisfaction” of the decision-maker with the decision (acceptance). Systemic decision-making literature is based on: the “group process” (participation). This perspective has reinforced the idea that, once agreed, a decision will automatically be implemented and resolve the problem. Reality is quite different as outlined by the recent trend of business and project management authors focusing on the “missing link” between strategy and results.

The Context of Decisions in Programs

In Chapter 1, I have outlined the issue of uncertainty and ambiguity as a significant element in the decision to consider using program management. This section examines how the interdependent relationship between ambiguity and uncertainty, both of which were explained in Chapter 1, will affect the decision making process and the implementation of the decision.

Whereas under low uncertainty decisions can be made based on accurate and reliable data; when ambiguity is high, decision-makers need to rely more on experience and intuition as the available data is often partial or unreliable. This situation requires a process where results of decisions are continually measured and objectives adjusted accordingly. Increasingly, strategy is defined as “an integrated, mutually reinforcing set of choices [...] that form a coherent whole [and that] can evolve and be adjusted on an ongoing basis” (Hambrick and Fredrickson, 2006). Program management is not different as it shares the same features as strategy formation.

A Decision Management Framework

Figure 1-2 (p. 17) shows that program management is effective to manage change in organizations because it combines learning-based decision methods like value management or others (SWOT, Logical Framework, Soft Systems Analysis, etc.) and performance-based methods like project management embedded in change. Program management integrates learning and performance methods in a harmonized and coordinated way to generate both a decision and an implementation process, into a full decision management process that combines value and project management.

Figure 4-1 displays this program decision management process. It is divided into two parts: the decision-making, or problem-solving part – a learning or analytical process, and the implementation part – a performance or action process. The learning part consists of identifying the need, stating the problem, generating alternatives and evaluating options and, finally, making a choice among the options. The implementation part consists of planning and implementing the chosen solution(s), assessing (controlling) its results and recycling the data to realign the strategy, if needed.

Many studies have confirmed that projects often fall short because of their failure to provide sustainable business benefits to fulfil the stakeholders’ needs or to align with the strategy; this focus on short-term financial results is exacerbated by the pressure to perform on the stock market, often to the detriment of long-term value maximization. This situation is definitely aggravated by the lack of understanding of the decision-making and decision-management processes; especially the value aspect of the cycle and the need for ongoing appraisal and assessment of outcomes, based on the stated needs.

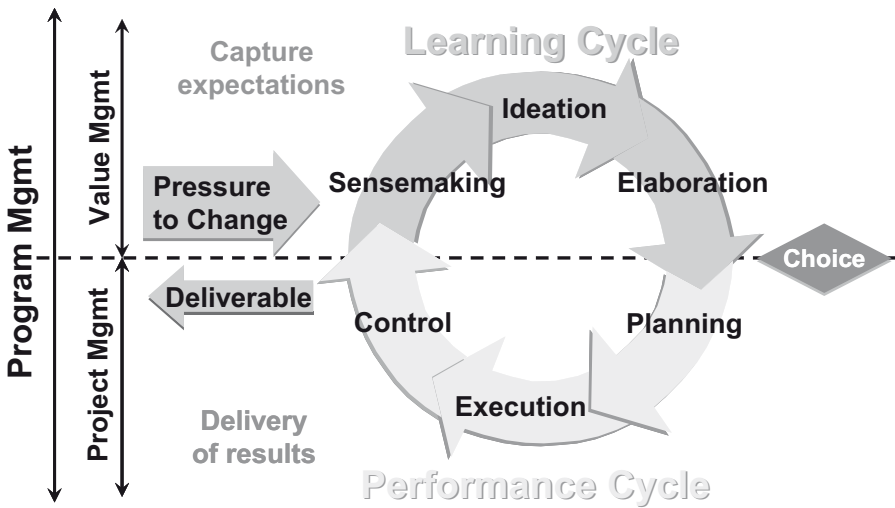


Figure 4-1 The Strategic Decision Management Cycle

Decision Making

Many management authors argued that more detailed and accurate data increases the quality of decisions; whereas this is true in a low ambiguity context, in complex situations, additional data can also increase complexity and ambiguity and therefore reduce the “quality” of decisions. Project management has been labelled as an uncertainty-reduction process (Winch et al., 1998) but, in its search for accurate data and predictability of outcomes, it often misses the complexity and ambiguity that is the feature of most organizational level decisions

In 1990, Henry Mintzberg defined a strategy development model based on the level of uncertainty. His model is interesting as it examines a context of decision making very comparable to the uncertainty-ambiguity context displayed in Figure 1-2 (p. 17) and can therefore be easily related to programs. According to Mintzberg, a strategist/decision-maker operating in a low-uncertainty condition, where the rate of change is slow and complexity is low, will favour a rational decision-making model and use traditional decision-making tools. Under high uncertainty, when the rate of change is fast and complexity is high, rational decision models are not valid because data is not reliable and the situation changes too quickly, affecting the needs. Mintzberg suggests the use of a *radical model*, which consists of doing what you can until the situation settles down. Although interesting, the radical model is not very helpful to managing programs. Since then, other authors, like Karl Weick (1995), have generated more advanced concepts like sensemaking and enactment. This approach consists of setting up a decision management system

where key stakeholders take the time to discuss issues to agree a shared strategic vision and to make a series of small decisions on an ongoing basis in alignment with this vision. As the situation evolves, results are evaluated and new decisions are made that continually reinforce or realign the vision according to reality. This is what I called a decision management system.

The project charter, or brief, and then the project plan create boundaries for single projects, which generates a low complexity environment. They could therefore be considered as either low uncertainty (low complexity-low rate of change) or low complexity – fast rate of change. In this case, decision-makers can rely on a rational decision process or use expertise to implement quick decisions based on realignment with the baseline plan. This is one of the reasons ill-defined projects often fail to deliver expected results when traditional methods are used.

On the other hand, programs are in essence complex. According to Mintzberg, in cases of high complexity and low rate of change, which is typical of large-scale governmental or infrastructure programs, decisions are made in cooperation, so as to tap into the collective expertise of the team and make sure all the available data has been considered. Because the rate of change is not fast, there is time to formulate the decision, and traditional decision tools could be used in an analytical approach. When the situation is both complex and fast moving, traditional decision-making cannot be used, a sensemaking approach is the most effective in this case. The team would go through the steps of sensemaking, ideation and elaboration before making a joint decision to proceed to the implementation.

In Figure 4-1, the learning cycle represents a decision-making process. The first step, “sensemaking” relates to the need to make sense of the input that justifies the change. The second step, “ideation”, consists of identifying as many alternatives as possible to increase the quality of the decision. The third step, “elaboration”, consists of evaluating, combining and developing alternatives to create viable options from which to choose and prioritizing these options. And, finally, “choice” is the action of selecting the best options. These steps will be examined in more detail in Part Three, more specifically Chapters 7 and 8.

Decision Implementation

The decision management process outlined in Figure 4-2 shows how organizations are continually subjected to external or internal pressures to change (new competitor on the market, change of regulations, customer requirements, change in organizational structure, need to increase performance, new technology, etc.). These pressures generate ideas, problems or opportunities that the organization must consider. The first step of the decision management process consists of developing a statement of needs, which can stem from a SWOT analysis, a stakeholder needs analysis, or other methods. This is the first step of the program

and will define its purpose. The high level needs are then refined to become clear project objectives; parameters are developed, based on the organization's means. Based on this data analysis, projects are selected and undertaken to produce deliverables and outputs which will eventually lead to increased capabilities. Sadly, most organizations stop at the project delivery stage and do not assess the business benefits of their projects. Program management offers the capability to define and deliver appropriate strategic outcomes and to appraise project deliverables on an ongoing basis to assess ultimate outcomes at organizational level. It will also ensure that deliverables transform into added capabilities to produce benefits that will ensure that the program purpose has been achieved and the pressure relieved. Program management is also a process by which strategic decisions can be evaluated on the basis of their actual results and strategies can be reformulated, based on these evaluations. This is the process described in Chapters 8, 9 and 10, which cover the development of governance systems, appraisal system and measures of success (Chapter 9) as well as the delivery of project outputs and assessment of benefits (Chapter 10) and finally, evaluation of outcomes, change management and management of knowledge (Chapter 11). In the light of this perspective, program management can be seen as a strategic decision management process.

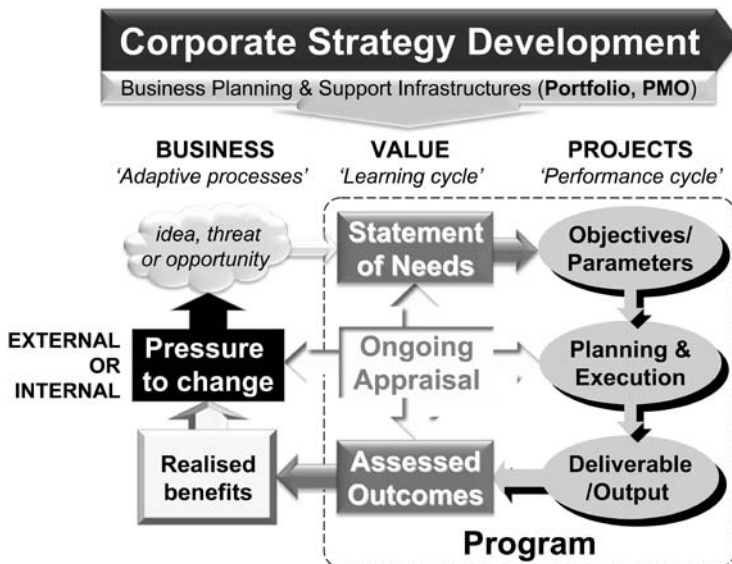


Figure 4-2 The Decision Implementation Process

PROGRAM GOVERNANCE

Governance is currently one of the most misused terms in the business. Since the scandals of WorldCom, Enron and others, the advent of Sarbanes-Oxley in the US and its worldwide spread, governance is mostly associated with disaster prevention, risk mitigation and consequently, tighter control. Legal issues of corporate responsibility are the main driver for the systems put in place to support this narrow vision of governance. These systems are stifling innovation and creating an oppressing culture in organizations where everybody feels that they should protect themselves rather than contribute to value creation. A sound governance system is one of the most effective means for executives to communicate the purpose of the organization and ensure that results will match this vision.

The Organization for Economic Co-operation and Development in “Principles of Corporate Governance” states that: “*Corporate governance [...] provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined.*” (OECD, 2004, p. 11) This view is shared by many prominent organizational authors, however, most organizations still focus on the monitoring and conformance process and neglect the forming of the mission and setting of objectives or the means of achieving the objectives and actual performance improvement aspects of the governance mission.

In parallel, the debate around governance theories is centred on two main perspectives: a) the shareholders’ perspective, which typically focuses on short-term financial performance, and b) the stakeholders’ perspective, which focuses on a wider range of long-term organizational measures. Recently a small group of authors advocated the idea of governance for “long-term value maximization” through innovation and intangible assets. In September 2006, Alfred Rappaport, the originator of the shareholder value concept (Rappaport, 1986) wrote in Harvard Business Review: “[...] *despite SOX and other measures, the focus on short-term performance persists. [...] Management’s responsibility [...] is to pursue long-term value maximization [...]*” (Rappaport, 2006, p. 68). This shows that the short-term focused shareholder perspective is slowly losing ground.

So, how does this affect program management? The mechanistic culture of organizations supports a shareholder approach of governance that favours short-term profit over long-term investment. It also favours a bottom-up approach to governance, focusing on controlling rather than the setting of objectives or putting in place the means of achieving these. The single project approach takes for granted that the sum of the parts is necessarily equal to a meaningful whole; in today’s complex business environment, nothing is further from truth., The controlling standpoint promotes a single project approach where monitoring is exercised

precisely, but with a limited view, whereas a mature program approach can support the development of a clearly articulated meaningful strategy and its realization.

Governance Process

Organizational purpose is what defines the long-term mission and objectives of the organization; it is influenced by legal issues and ethics, the organizational context and culture, as well as its stakeholders. The most obvious manifestation of the organizational purpose is governance, which is the way significant components of the firm are organized to achieve the mission and how they are coordinated to deliver strategies (Dallago, 2002). The same can be said of program governance, which is a subset of corporate governance and ensures that the program purpose is well defined and achieved.

De Wit and Meyer (2004, p. 595) define three main functions for governance:

1. *forming*: influencing the forming of the corporate mission;
2. *performing*: contribute to the strategy process with the intention of improving the future performance of the corporation and;
3. *conforming*: ensure corporate conformance to the stated mission and strategy.

Program governance consists of developing the program vision and objective, based on the business strategy and stakeholders' needs; it then consists of putting in place the right structures and allocating the resources necessary to achieve the vision; finally it means putting in place the necessary monitoring and control systems to make the right decisions and realign the program if necessary. These elements are discussed in more detail in Part Three.

Controlling Approach

Unfortunately, in recent years, most organizations have focused on the "Conforming" aspect of governance: the collection, analysis and reporting of performance metrics, with the stated objective of ensuring visibility and control of services deemed necessary to do business. It is often focused on the management of service providers and vendors. In program management, this approach often emphasizes the gap between program and operations and programs are often isolated from the rest of the business focusing on a traditional delivery role akin to that of project management, as seen in Figure 4-3.

Let us just say that it emphasizes the horizontal split between strategy and the delivery of program benefits. In this case, the PMO will typically encompass a resource allocation and monitoring as well as a control role. The program office will focus on the inner program administrative and support tasks. This view, which

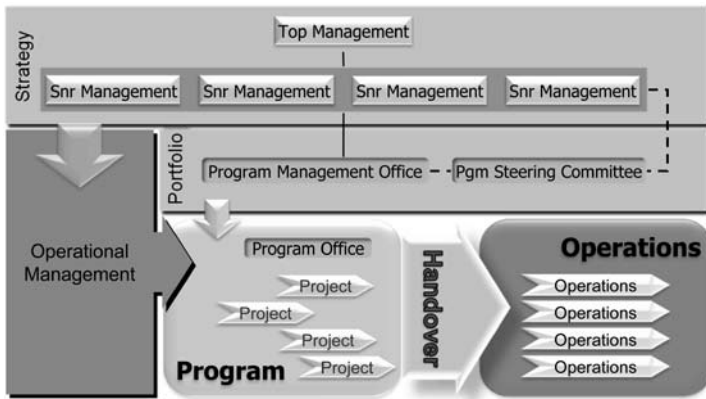


Figure 4-3 Traditional Control-Based Program Governance Structure

characterizes the current focus of many large public corporations, is in alignment with the current version of the PMI's PgM Standard.

Integrated Approach

Based on the three functions of governance stated above three principles concerning the role of a program governance body could be identified:

1. Maintain direction (clarify vision, mission and strategy). This is a leadership role typically played by top management and portfolio and line management.
2. Put in place the structures necessary to ensure success (secure resources, define and support policies, processes, roles and responsibilities, arbitrate conflicts, etc.). This is a sponsoring role. This is the combined role of portfolio management, program and business change management.
3. Make sure the stated objectives and benefits are achieved (control and monitor, evaluate and approve change, read and feedback on reports, etc.). This is a monitoring role. Responsibility for this role lies with the program manager and the business change manager.

In program management this translates through a collaborative process, which emphasizes constructive relationships rather than directive relationships. Typically this approach will privilege a collaborative effort between program managers and business managers; the latter's role will be to prepare the organization for change. This approach is displayed in Figure 4-4. This is the view promoted by the UK Guide: Managing Successful Programmes.

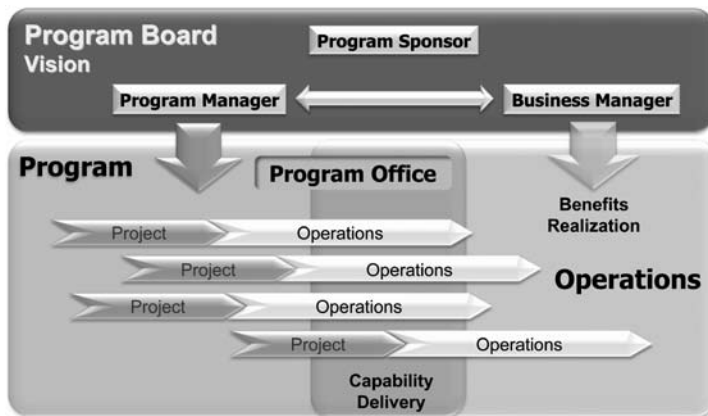


Figure 4-4 Integrated Program Governance Structure

This type of approach emphasizes the need for a strong collaboration between the program team and the business to deliver operational capabilities and requires an ongoing involvement of the program team in the actual benefits realization. If there is a program office, it will support the whole end-to-end process.

Networked Approach

Recently a number of management authors argued that governance focuses too heavily on facilitating the optimal utilization of existing productive resources and the sharing of residual wealth, but does not take into account processes by which resources are increased or transformed. Also, authors from various fields claim that one of the major problems concerning the failure to deliver value lies with the mismatch between objectives and stakeholders needs and expectations, usually identified as benefits. In today's context, stakeholders are represented by a number of individuals or parties who exhibit different and sometimes conflicting interests. Rather than imposing tight controls, a value creation perspective of governance should focus on maximizing innovative capabilities and building sustainable relationships and trust with stakeholders.

The networked approach presented in Figure 4-5 represents a structure which fosters collaboration between the different stakeholders, through a number of "governance forums", to create and realize value. It involves an close-knit partnership between all parties to the program.

The networked approach is not easy to implement because it often requires a cultural shift that most organizations are not ready to accept. This is the view promoted by the Japanese Guide (P2M); it involves input from societal, technological and

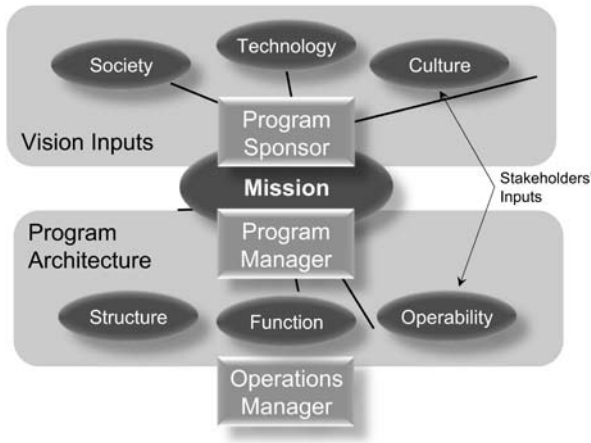


Figure 4-5 Networked Program Governance Structure

cultural actors to develop the vision and mission of the program and the support of structural, functional and operational actors to execute it.

Stakeholder Management

A recent survey (PWC, 2009) shows that CEOs see customers and clients as the “key influence on their decisions about the success of their business in the future” but, “information about their customers’ and clients’ preferences and needs” is perceived as their greatest information gap. Therefore the importance of “good” stakeholder management.

A generally accepted definition of stakeholders is: individuals or groups that can be positively or negatively affected by the program process or its outcomes and have the potential to influence them. Stakeholders’ management is often confused with stakeholders’ analysis. Whereas stakeholders’ analysis consists mostly of identifying the different stakeholders, their influence and their needs, stakeholders’ management, or engagement, is the analysis, the influencing and the monitoring of the different stakeholders and their needs, which takes into account the softer side of the management process. Figure 4-6 displays this view and outlines the different processes that will be discussed further in Chapter 7.

One of the issues of program stakeholder management is the level of authority that program stakeholders can have over the program manager. Both MSP and the PMI Standard describe processes by which stakeholders can be influenced and ensure that they are positively involved in the program. But whereas the PMI takes a more mechanistic approach to this process, MSP ; shuns the word management

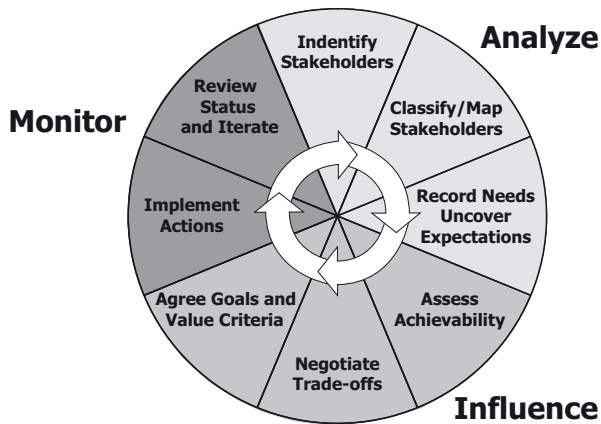


Figure 4-6 Stakeholders Management Loop

to replace it with engagement, “because stakeholders do not like to be managed”, and insists on a process that will take into account perceptions, fears and concerns and focuses on the right message, rather than on the right method. As can be seen in Figure 4-7 most of the program stakeholders possess more authority than the program manager. Some of these stakeholders can even perceive the program as a threat to their authority. This requires that the program manager be able to take a facilitating, rather than an authoritative, approach to leadership, understand the organization’s culture, speak the business language and be familiar with organizational politics. Program level stakeholder management is not just about managing pre-set processes, but about influencing people and building rewarding relationships. Always think of stakeholders’ management as a two-way street: what do you need from the stakeholder and what will you offer to them that they value? Figure 4-8 offers an example of a stakeholders’ map that includes both the stakeholders expected benefits (expectation) and their expected contribution to the program. When such a document is shared with the stakeholders, it acknowledges the joint commitment between the program team and the other stakeholders, which enables the development of a sound and clear relationship. The use of the stakeholder map will be discussed further in Chapter 7.

Program Stakeholders’ Roles and Expectations

The number and variety of stakeholders can vary greatly from program to program. Figure 4-8, identifies the typical stakeholders of most programs. This diagram is adapted from the EFQM’s Business Excellence Model (EFQM, 2000), which outlines the key organizational partners for business excellence. This section describes the relationship that needs to be developed between these stakeholders and the program.



Figure 4-7 Main Program Stakeholders

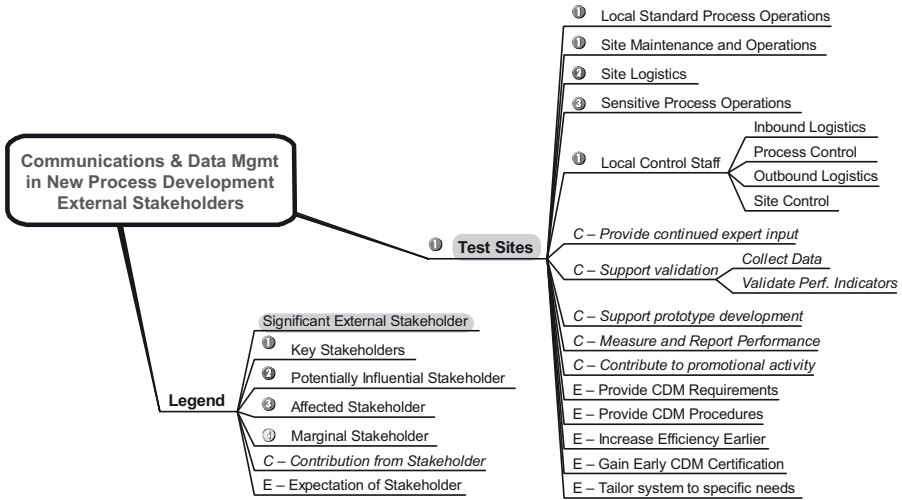


Figure 4-8 Example of Stakeholders Map with Contribution and Expected Benefits

Top Management

Top management is responsible for corporate governance. Their role is to establish the corporate vision, the purpose of the organization, and the strategy to achieve it. As such, they will exercise the required leadership to ensure that that vision and strategy are clearly communicated to the rest of the organization. They are also responsible for ensuring that the necessary resources are available to implement the corporate strategy.

They will expect the programs to align with this vision and strategy and to put in place the necessary systems and processes to ensure that governance requirements are met. In order to achieve this, they will generally rely on line, or business unit, and portfolio managers.

Portfolio and Line Managers

Business unit or line managers are generally responsible for developing the business strategy. The business strategy is a subset of the corporate strategy. It is the organization's response to changes in its external environment: competitors, regulatory bodies, market, customers, technology, shareholders, etc. and its internal environment: personnel, restructuring, research and development, culture change, new technologies, etc. In that sense, the business strategy is much more dynamic than the corporate strategy. They are expected to define the policies, systems and processes that will support this strategy and allocate the necessary resources to support them. Portfolio managers share the resource allocation role with the line managers; they are also expected to coordinate the use of resources across the organization and ensure the alignment of the programs with the corporate strategy. Both the line and portfolio managers are often asked to lead program steering groups, committees or be part of the Program Board.

Programs are a direct response to the need to implement the business strategy. As such, the program team is expected to support the business strategy by delivering business capabilities and providing benefits that will maintain the organization's competitive edge and, ultimately, realize value.

Customers

Customers, whether internal or external, are at the core of the program management process. The ultimate purpose of the program is to create value for the customers. Customers can generally be divided into two categories: the sponsors – those that pay – and the users – those that utilize. In many programs, sponsors and users are at odds with each other and one of the roles of the program manager is to try to reconcile these differences. This is the negotiating aspect of the stakeholder management process. Sponsors of programs are often business unit managers; as such, they are expected to provide the program team with clear objectives and expected benefits that are achievable and measurable. Users are responsible for respecting the budgetary requirements and adjusting the scope of their demands accordingly. Often, though, their priorities differ from those of the sponsors and prioritizing and realigning needs to available resources can be a demanding task.

Program managers are repeatedly required to play a facilitating role between different users and the sponsors to balance alignment with expectations and achievability of the program. It is the responsibility of the program manager to alert the sponsor to any discrepancy that may arise from the diverse stakeholders' demands and their consequences for the program. Once the expected benefits are

agreed and their achievability has been established, it is the responsibility of the program manager to deliver them and that of the sponsors and users to review and approve them in a timely fashion.

Sponsors are also responsible for approving changes to the program and are generally required to coordinate change demands from the different users before passing them onto the program. Program managers have a responsibility to evaluate the consequences of changes on the program and to communicate them to the sponsor.

Human Resources

Human resources can include both the program team and other personnel such as users. Users have already been addressed; let us now turn our attention to the program team, including project managers. The program team is expected to execute the tasks they were made responsible for and deliver the products or services they have committed to.

One of the key aspects of program management is that it is usually longer term than project management and therefore constitutes a larger commitment on the part of human resources. In order to keep their team motivated, the program manager should make sure that the different resources involved understand how the program constitutes a career opportunity for them. This can be done in collaboration with the human resources department and, if the organization is based on a matrix structure, with their direct line manager.

Partners

Relationships with partners are often guided by legal agreements. Mutual expectations and obligations are well defined in a contract and the means to ensure that these are fulfilled clearly stated. This section discusses the relationship beyond the contract and looks at two specific procurement approaches that enhance the long-term relationship required by programs.

Partners can include both business partners and suppliers. Business partners usually share similar expectations as the sponsors and are bound by the same type of obligations towards the program. The suppliers can include contractors, consultants, and goods and equipment suppliers; the key point to remember, again here, is that a program is a longer-term relationship than a project. Instead of focusing on the lowest bidder approach, the program team should focus on building long-term, mutually beneficial relationships. These relationships need to be set early as partners could be asked to contribute to the development of the business case for the program. Because programs are complex, they can be difficult to estimate precisely and only the people that are directly involved in its delivery may possess the right supporting data. If one uses selected partners to help with the business case and there is a possibility that they be involved later in the program,

it is often useful to consider two levels of request for proposal in a program: the first for a consulting mandate during formulation and organization and the second for the deployment stage, where the suppliers involved in the first phase are invited with others to submit a new proposal. This is a method used regularly in the oil and gas business and known as front-end design.

Another useful procurement approach in program management is the “framework contract”, which is designed to allow a client to invite proposals from partners to carry out work on a “demand” basis over a set period of time. Because the program is complex, needs are not always well defined during the initial phases and changes will occur on a regular basis. The framework contract enables the program manager to react rapidly to unexpected situations without having to repeat the whole, and often lengthy, procurement process. It also encourages the development of longer-term relationships with the best partners.

Regulatory Bodies

Many organizational activities are undertaken for conformity reasons; these activities are usually mandatory and therefore offer little room for interpretation. Whole programs or only some program activities are sometimes subjected to regulatory requirements. Usually, regulatory requirements are not negotiable; in many cases they are also subjected to tight deadlines or milestones. Regulatory stakeholders can be external, like governmental bodies, health and safety officers, quality certification bodies or others, or internal, like finance, procurement or quality auditors. When regulatory stakeholders are involved in a program they usually require that the program and its deliverables conform to issued rules and regulations. Their role is to ensure that the latest and updated rules and regulations are available for the program. The role of the program team is to confirm adherence of the program to those rules and regulations and prepare the necessary reports to gain certificates of conformity, if required.

Community

Whereas most organizations’ operational departments and most projects do not have to deal with the community, many programs, because of their scale, have to involve community stakeholders. Community stakeholders are usually part of the user group or their representatives, like NGOs (Non-Governmental Organizations), charities, political entities, pressure groups, sometimes supported by the media, and often governments, especially local governments that can play three stakeholder roles: sponsor, regulatory and community. Typical user groups are the staff of the company and the external community – residents, users and consumers.

This group finds itself very interested in the outcomes of the program, but often has little authority to enforce their views, except through their organized representatives. It is the role of the program team to communicate regularly with these stakeholders. Although they cannot always be fully satisfied, regular

consultation and communication explaining why the program is managed in a particular way and how its outcomes will affect them will generally produce positive feelings and often result in collaborative behaviour. On the other hand, when they are not consulted and if communication is deficient, they will quickly find ways to organize into pressure groups that will gain authority and potentially derail the program, even if they were originally positive towards it. People who resist change are not always negative and when managed positively, they can prove invaluable in finding viable alternative solutions. The key word here is “respect”.

Program and Project Managers

Program and project managers are at the core of the program stakeholders’ dynamics. Program managers accept the responsibility for delivering the program benefits. Depending on the structure chosen to manage the program (see Figure 4-2, Figure 4-3 and Figure 4-4) the program manager will be responsible for the delivery of project outputs, program benefits, actual value, or all of these. The program manager would be right to expect full collaboration and openness from the key stakeholder, especially sponsors. The program manager will also act as the sponsor of the projects within the program. This may cause friction if some of the projects already existed before the program and were initiated either by line managers or other senior managers. Chapter 7 will establish the importance of the critical success factors to manage this issue. The program manager would also logically be responsible for the allocation of resources, human, financial and other, within the scope of the program. Again this may cause friction where the organization is more traditional or set up as a matrix.

Project managers are mainly responsible for delivering the expected project deliverables. Additionally they must understand their role as team members that need to collaborate for the program’s success. This is not easy because, traditionally, project managers are isolated in a single project role approach and have a strong performance focus. Project managers need to ensure that interfaces and interdependencies with the program and between projects are identified; they also need to report on their key deliverables to the program manager. In return, they could expect the program manager to be fair and act as a buffer between the higher-level stakeholders and their projects. Their role is to deliver on time and on budget – that of the program manager is to manage the stakeholders’ needs and expectations, expressed as scope and quality on one side and time and cost on the other. It is not the role of the project manager to set these variables and they would be right to expect clear parameters from the start.

Stakeholder Management Process

The stakeholder management process is so integrated in the program management life cycle that it cannot be discussed independently. It will be covered in detail in

Part Three, and particularly in Chapter 7: Formulation. However, at this point it could be useful to outline its main steps.

Identify Stakeholders

The stakeholder identification consists of identifying as many programs' stakeholders as possible, working first at the group level, then down to the individual level for key stakeholders. It is necessary to identify sub-groups or individual stakeholders only if it is believed that their needs and expectations will be significantly different from the rest of the group or that their level of influence on the program can be major.

Classify/Map Stakeholders

There are many methods to classify or map the stakeholders; typically they are first mapped in a "Stakeholder Constellation" or stakeholders map. They are classified by power level (preponderant to affected party); level and area of interest (financial, technical, regulatory ...) or structural layer (regardless of direct influence) or a combination of these.

Following this first classification, the program team identifies the "key" stakeholders of the program; those that will be most involved in the program decisions. Known methods exist in management books like the "Influence Grid", or "Power/Interest Matrix", that measure power level and level of interest, both positive and negative and classify stakeholders in four categories from key to marginal. Another interesting method is the "Social Risk Assessment" that measures the level of resistance and level of instability of each stakeholder and then the quality of their interaction and the level of control you have on this interaction. The resulting grid classifies the stakeholders from positive and reliable stakeholders to uncontrolled and negative stakeholders. Chapter 7 will illustrate the use of the influence grid.

Record Needs and Uncover Stakeholders' Expectations

In the project management world, needs and expectations are considered as two separate issues. Most project management books and manuals define a need as an explicit requirement, whereas typically, expectations are undefined requirements. On the other hand, the European Value Management Vocabulary Standard defines needs as: "what is necessary for, or desired by the user. [...] A need can be declared or undeclared; it can be an existing or potential one" (BSI, 1997). Program management, like strategy, cannot afford to consider only existing and declared needs, but must also strive to uncover undeclared and potential needs, usually labelled as expectations.

This involves determining both defined and undefined stakeholders' requirements; at individual level for key stakeholders and group level for others. Benefits and expectations include and consider hard benefits (economic, technical, operational, etc.), usually disclosed, and soft benefits (power, politics, communications, etc.),

often undisclosed. Soft benefits cannot always be expressed openly for political reasons, but they have to be acknowledged by the program management team. Expectations may be assumed; if this is the case, these assumptions must be documented and communicated to the concerned stakeholders to elicit a reaction which will either confirm that the assumption was right or that it needs to be revised.

Assess Achievability – Negotiate Trade-offs – Agree Goals and Value Criteria

Once the needs are identified, their achievability is assessed against available resources, these can include financial, human, time, and more intangible aspects like availability, competence, expertise, etc. Any discrepancy is identified and trade-offs negotiated with the different stakeholders. In this case the classification effort becomes valuable because it is impossible to fully satisfy every stakeholder and, obviously, the key stakeholders have more weight than the marginal ones. The objective is to make stakeholders aware of the consequences of their choices and to find solutions that will satisfy as many of them as possible. Value management, practised according to the European Standard BS EN 12973:2000 (BSI, 2000) can be an essential element of this process because of its focus on the group process. Following these negotiations, the program sponsoring group and program management team agrees on the program's goals and the benefits it is expected to realize. These are generally expressed in qualitative terms as critical success factors (CSF) and their quantitative subset, Key Performance Indicators (KPI). The process required to define expected benefits and select CSFs is discussed in detail in Chapter 7, p. 115.

Implement Actions – Review Status and Iterate

As the program team implements actions (projects, operational and support activities), it will reassess the relative status of stakeholders as it may change over time and new stakeholders may appear. Some of the needs may change or disappear and new needs may appear, either in regards of market changes, technology development, social transformation or other factors. The team will therefore actively aim to identify any change in stakeholders' needs and expectations, especially those that are based on assumptions. As a rule, stakeholder management is an ongoing process and the stakeholder analysis process should be reiterated regularly.

BENEFITS MANAGEMENT

In the Stakeholder Management Process section (p. 74), I outlined the process required to identify needs and expectations. The benefits are the tangible business improvements that will fulfil the needs. Benefits management is complementary to stakeholder management; only a good stakeholder management process will enable the identification and realization of significant benefits.

What is a Benefit?

First, we need to define what a benefit is. The PMI® Standard for Program Management states: “Programs and projects deliver benefits to organizations by enhancing current capabilities or developing new capabilities for the organization to use. A benefit is an outcome of actions and behaviours that provides utility to the organization” (PMI, 2008). Managing Successful Programmes defines a benefit as “the measurement of an outcome or a part of an outcome. An end benefit is a direct contribution to a strategic objective. It describes an advantage accruing from the outcome” (OGC, 2007). In layperson’s terms, a benefit is a positive outcome that stems out of the use of a product or capability; it is an outcome of the execution of the strategy. In program management, the benefits are the tangible business improvements that support the strategic objectives; they are measured at operational level. Non-financial benefits are all the benefits that cannot unambiguously be put in the financial benefit category.

Financial benefits are generally expressed as cost reduction, cost avoidance or revenue uplift. They include, but are not limited to, reduction of maintenance costs, capital investment, unit price, number of required units; avoidance of required work, equipment purchase, resource hiring; or any combination of the above. Every financial benefit needs to be easily monitored and expressed in monetary value. For example, “performance improvement” is not a financial benefit, except if there is a direct traceable cause-effect relationship between performance improvement and cost reduction, cost avoidance or revenue uplift.

Identifying and Selecting Significant Benefits

One of the difficult tasks of the program team is to identify what should be considered as benefits and to establish a hierarchy from the purpose and strategic objectives of the organization to the delivery of new products or capabilities to enable the measurement of the benefits that have been achieved.

Functional-based versus Technical-Based Specification

Many organizations still use technical-based specifications to describe the program “product”. By definition, a technical specification describes the product in detail and offers little opportunity for transformation or innovation. A program, being subjected to ambiguity, should be defined by its expected benefits. These would generally be of two types: business benefits that increase competitiveness and operational benefits that increase performance.

Functional Specification The functional specification is performance-based; it describes what a product or capability is expected to do rather than how it should be built. Generally, this type of specification is defined by the stakeholders needs and is descriptive in nature. In due course, designers will develop a technical

specification at the project level to clarify the product description. The functional specification offers more opportunity for creativity and innovation, but requires more involvement from the stakeholders in the decision-making process. This may be seen as an added risk by some stakeholders as the solution is not obvious from the start but, at the same time, it is the nature of a program to be evolving and to allow for emergent opportunities. It is well established that this method leaves room for creativity and innovative solutions as compared with the technical specification that is prescriptive.

Technical Specification The technical specification is product-based; it describes in detail how the product should be built. This type of specification is generally prescriptive offering little opportunity for change. It is appropriate for projects as they mostly refer to a preset baseline. The risk is that, if the customer does not have a clear idea of the product requirements, the project will deliver the wrong product or a product that may not respond to the expected benefits. In principle, this is not the project manager's problem, but it has often contributed to the bad reputation of project management. There is an added risk that the solution does not resolve the problem as the project manager only needs to deliver to the technical specifications. This is even more an issue in the case of external contracts at fixed price where any omission or change will cost dearly.

Defining Requirements MSP uses the concept of the "blueprint" as the detailed description of the future capabilities of the organization described in the vision statement (OGC, 2007). It is used throughout the program to maintain the focus on the expected new capabilities delivery. My experience is that many project teams describe the capability in technical terms too early in the process. Describing projects through their expected benefits at the program level and developing the technical specification once the concerned stakeholders have defined their requirements is typically more effective. In the example in Figure 4-10, any project, product or capability specification is described functionally until the end of the organization stage. Only then does the design team use the detailed functional specification to describe the product in technical terms.

The blueprint is based on the achievement of benefits and described in functional terms, at least until the end of the formulation stage, and ideally into the organization stage. This method enables the program team to achieve maximum flexibility for the technical or operational aspects of the product, including benefits/cost ratio, and enhance its ability to respond to changes in the market or stakeholders' needs and expectations. Chapter 7 (p. 109) develops the concept of blueprint in more detail in the Benefits Map and Benefits Breakdown Structure section.

Benefits Map and Benefits Breakdown Structure

For the third year in a row, a CIO magazine survey (CIO, 2008) identified project alignment with the strategy as CIOs' number one management priority, whatever

their position, and integrating systems and processes as their number one, or two, technology priority. Value management offers a powerful technique called function analysis that can be used to link a rather abstract vision to measurable outputs and ensure the alignment of the firm's actions with the strategy.

Function analysis consists of identifying the "functions" of a product rather than its technical components to focus on functionality rather than features and then to classify them using the function diagramming technique, which is based on a "How-Why" logic. In organizations, the benefits are synonymous with the functions in a product; by putting the focus on benefits, rather than products, the team makes sure that the strategy will be supported and that products correspond to a real need. For its use in programs, Thiry (2004) has labelled the function diagramming method: benefits breakdown structure (BBS). MSP (OGC, 2007) uses a similar methodology that they labelled the benefits map. The term benefits map is probably more familiar to people with a management background, whereas BBS would be more familiar to people with a project background. However, MSP does not include the "how-why" logic in their description of the benefits map. The use of the "how-why" logic in the classification of the benefits helps remove some of the subjectivity and politics involved in the prioritization process. Figure 4-9 shows the concept of the benefits map/benefits breakdown structure; they are described in more detail in Chapter 7.

Within this framework, the vision is implemented through strategic objectives, which, in turn, are implemented through benefits, and so on until the deliverables of projects and other actions produce measurable outputs that enhance capabilities. Capabilities are measured at operational level. In the reverse order, new capabilities produce outputs that, in turn, produce outcomes, which contribute to business benefits, strategic objectives and, ultimately, to the vision.

Assessing the Benefits

All organizations aim to make a profit, or to increase their revenues, so they want to invest as little as possible to reap the highest possible benefits. I outlined, in the previous section, the importance of identifying and classifying benefits in accordance to their significance for the business.

In the integrated and networked approaches of governance, the business case is expected to focus less on financial estimates and more on organizational effectiveness. In this context, programs sustain a value creation perspective, supported by innovation and empowerment; they focus on maximizing opportunities rather than reducing threats. Program sponsors also seek a wider set of success criteria and a drive towards sustainability over short-term results and, overall, develop an increased focus on the link between expected benefits and results.

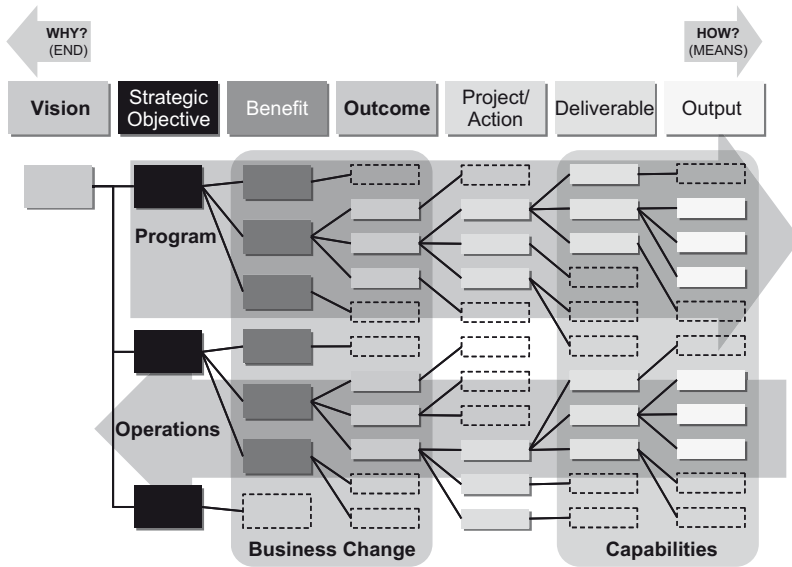


Figure 4-9 Benefits Map/Benefits Breakdown Structure Concept

If the goal of the organization is to use programs to be more flexible and dynamic in a highly turbulent and competitive context, management will look towards new product development and value management techniques to maximize the effectiveness of their investment and of their decision process. Recently, I have successfully put forward the concept of a tiered business case process (see Figure 4-10) inspired by innovation strategy (Moss-Kanter, 2006). In this process, a large number of potential projects are identified and examined at the concept stage. An idea is submitted by its initiator to the potential sponsor or line manager. If they deem it worthwhile, they allow the person to spend a minimal time (a few hours to a day) bringing it forward to the concept stage, which is re-evaluated by the sponsor or a sponsor group. If approved, the formulation stage of the program is launched and the initiator develops a preliminary business case that is submitted to a potential program board. This Program Board evaluates the potential of the concept to support the strategy and, if it is acceptable, they ask the initiator to prepare a detailed business case, drawing on all the required organizational resources. This latter process can be done as part of the formulation or organization. This method enables the program team to look at a much greater number of innovative ideas without spending inordinate amounts of resources; creativity and innovativeness are encouraged within the team and sustainability is ensured because many of these ideas come from the users. The business case process will be discussed further in Chapter 8 (p. 145).

Research and practice have shown that it is very difficult to “kill” a project once it is accepted and resources are allocated to it. Following the approval of the project, other stage gates are set that will enable the program board to re-examine the value of a project against expected benefits as they unfold. If deliverables and capabilities are well defined in measurable terms and intermediate deliverables are identified, the program team will be able to measure the progress toward that achievement of the business benefits. It then has the means to realign or stop the project if it is deemed that it will not achieve its stated objectives, or if the objectives change and the project deliverables are not required anymore. The PMI Standard promotes a similar view in their “Phase-Gate Review” process (PMI, 2008, pp. 21–22).

Realizing Benefits

Benefits realization is the fundamental purpose of program management. Benefits cannot be realized if the actions that enable them are not achievable. Achievability assessment is discussed in detail in Chapter 7 (see pp. 120–121). Benefits can be measured only after the new capabilities that the program is providing are implemented, therefore benefits appraisal is an operational level process. There is usually a delay between the delivery of the project outputs and the benefits assessment and often the responsibility for realizing the benefits is not clearly outlined between the program manager and business managers or sponsors. In many organizations, program managers are accountable for the coordinated management of projects and therefore for project deliverables. They are not accountable for the operationalization of the benefits. On the other hand, business managers and sponsors do not feel accountable for any failure to integrate the project deliverables into the business and often blame it on outstanding work or

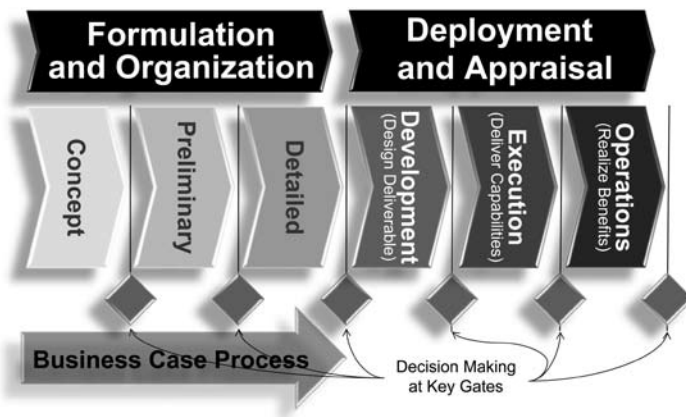


Figure 4-10 Benefits Appraisal Process

omissions of the projects, mostly if they were not fully involved in the program process. Without a clear responsibility assignment benefits are likely not to be realized fully. For a more detailed role analysis, see Chapter 5, pp. 87–88.

FROM PROGRAM MASTERY TO FUNCTION MASTERY

In this chapter, we examined the four core components of program management: decision management, governance, stakeholder management and benefits management. These four components describe essential concepts that distinguish program management from other management methods. In the next chapter, I will aim to clarify how the different program actors can contribute to program maturity and support the program in these four core areas and at each stage of the program.