

Enhancing Organizational Performance through Strategic Project Selection

Ofer Zwikael, PhD, PMP
The Australian National University



Australian
National
University

**SIBR-Thammasat 2018 Bangkok Conference On
Interdisciplinary Business & Economics Research
June 16th-17th, 2018, Bangkok**

SIBR

AWARD NEWS

[+ PROJECT EXCELLENCE AWARDS](#)[+ ACHIEVEMENT AWARDS](#)[- RESEARCH AWARDS](#)[RESEARCH AWARD WINNERS](#)[YOUNG RESEARCHER WINNERS](#)[RESEARCH ACHIEVEMENT
WINNERS](#)[CONTACT AWARDS](#)[HOME](#) / [AWARDS](#) / [RESEARCH AWARDS](#) / [RESEARCH AWARD WINNERS](#)

RESEARCH AWARD WINNERS

The IPMA Research Awards are managed in partnership with [the IPMA Research Board](#). On this page we celebrate our winners, from 2007-2016!

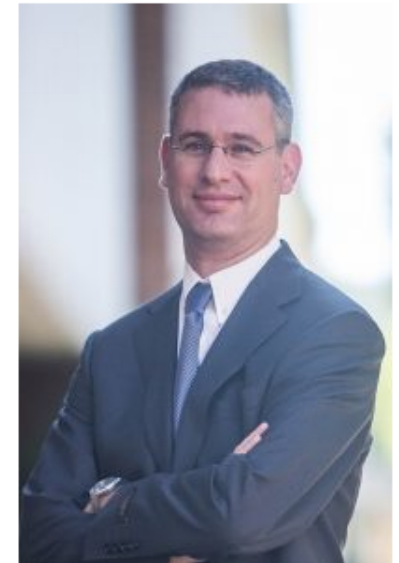
2016

IPMA RESEARCH AWARD WINNER 2016

DR OFER ZWIKAEI

RESEARCH PROJECT: PROJECT BENEFIT MANAGEMENT

Dr. Ofer Zwikael from the Australian National University received the IPMA Research Award 2016 for his contribution to knowledge on project benefit management. His research provides frameworks processes, models and tools to enhance the realization of benefits upon project completion. His research has made articular contribution to project management areas such as business case development, project investment decision-making, project governance, stakeholder management and performance measurement. This research supports the realization of strategic project goals, ensures that the project management discipline is meaningful for business and takes project managers up to the executive table. This

[CHECK OUR BLOG](#)

Voices from Oxford broadcast Zwikael's acceptance speech from the IPMA conference:

<http://voicesfromoxford.org/video/project-benefit-management/685>

Dr. Zwikael's Recent Books



CHALLENGES & BEST PRACTICES OF MANAGING GOVERNMENT PROJECTS & PROGRAMS

Young Hoon Kwak, PhD
Min Liu, PhD
Peerasit Patanakul, PhD
Ofer Zwikael, PhD, PMP



Ofer Zwikael
John Smyrk



Project Management for the Creation of Organisational Value

 Springer



What is a Project?

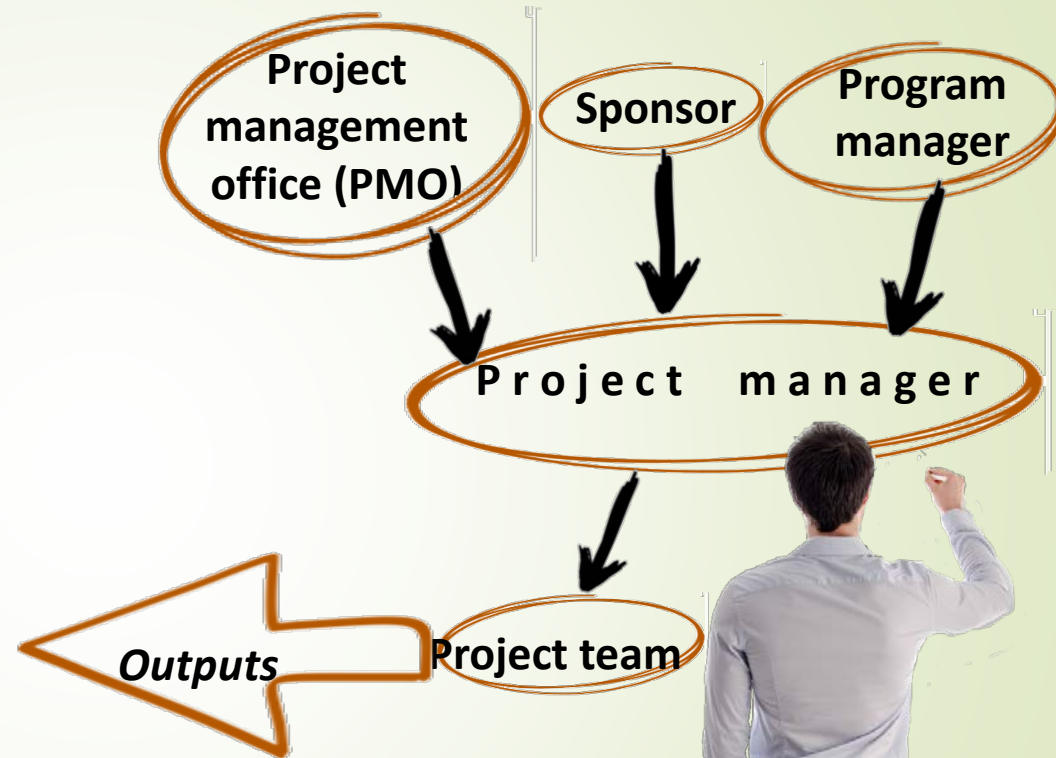


- ➔ A temporary endeavor undertaken to create a unique product, service or result (PMI, 2017)

What is a Project?

The iron triangle drives decision making in projects:

- Performance evaluation
- Incentives (late penalty fee)



The Iron Triangle



Ford Taurus

- The first generation project:
 - 3 months overrun
 - The project manager was demoted



Airbus A380

- The first aircraft was delivered to Singapore Airlines in October 2007
- Took 7 years and \$20 billion, but...
18 months behind schedule and 30% over budget.
- As a result:
 - Lufthansa ordered 20 Boeing 747 aircraft
 - British Airways, Cathay Pacific, United Airlines stick with 747 instead of switching to new A380



Project Success as Project Efficiency



The Iron Triangle




Ford Taurus

- The **second** generation project:
 - Project schedule as the “holy grail”
 - Project completed on time
 - Commercial failure



The Sydney Cross City Tunnel

- Project efficiency 
- Number of drivers using the tunnels (33,000 vehicles per day) is only third of expectations
- The operators went broke



The Los Angeles Subway Project

- Completed on time and under-budget, and met all its operational, safety, and service goals
- Yet, it was not utilized as expected
- Scheduled extensions of the lines were cancelled



Underachievement of Benefits - Infrastructure Projects

Project Type	Cost Overrun	Benefit Overrun
Rail	140%	66%
Dams	196%	89%
Bus rapid transit	141%	42%
Tunnels	136%	81%
Power plants	136%	94%
Buildings	136%	99%
Bridges	132%	96%
Roads	124%	96%
Total	139%	90%

Source: Flyvbjerg, B. and Sunstein, C. R. (2015). The Principle of the Malevolent Hiding Hand; or, the Planning Fallacy Writ Large. Social Research.

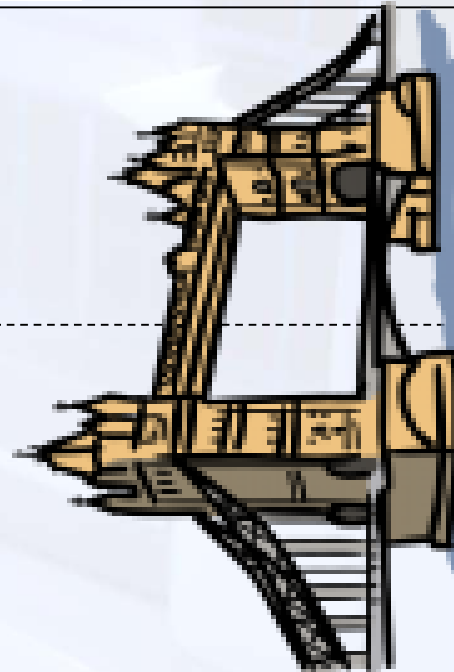
The Problem Definition

- The UK Office of Government Commerce reported that “30–40% of systems to support business change deliver no benefits whatsoever” (OGC, 2005)
- Outputs are commonly delivered but project benefits are not realized



A construction project: building a bridge

The Iron Triangle



Efficient Output Delivery Does Not Guarantee Project Success



Project manager's view:



- Consultation with stakeholders to design the bridge
- A road-safety training program
- Morning and afternoon bridge supervision

**When outsourcing the project,
we also outsource its ownership...**



What is a Project?

- Building a bridge is **not** a project
- Building a bridge is a (**major**) part of a project
- The project is **safety enhancement** of school children

- **From:** “A temporary endeavour undertaken to create a unique product, service **or** result”
- **To:** “A non-repeated process intended to enhance organizational performance”

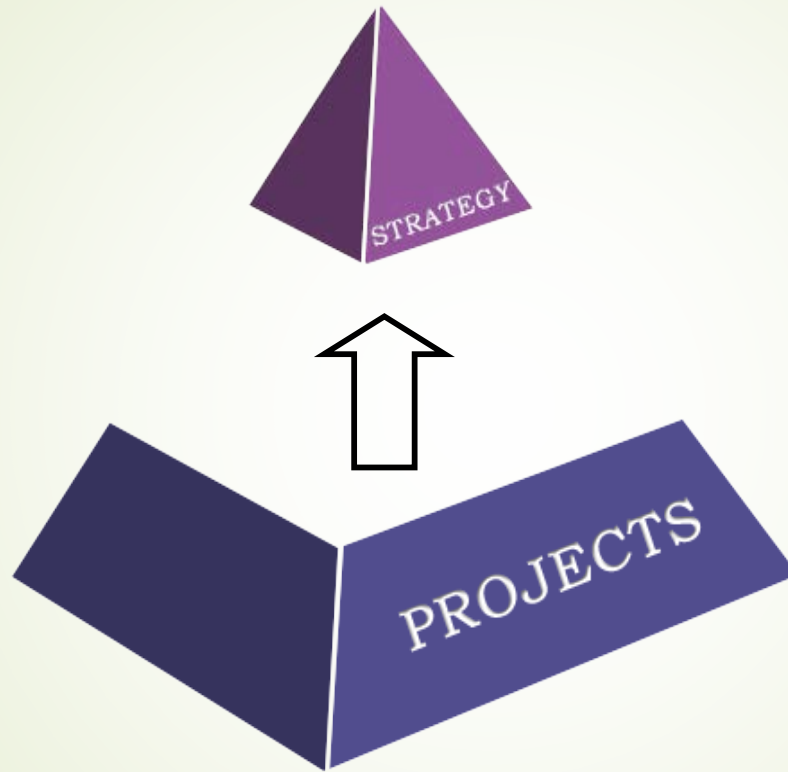
Project Investment





Implications

Implementing Organizational Strategy



Target Benefits Definition: The NKS Project in Sweden

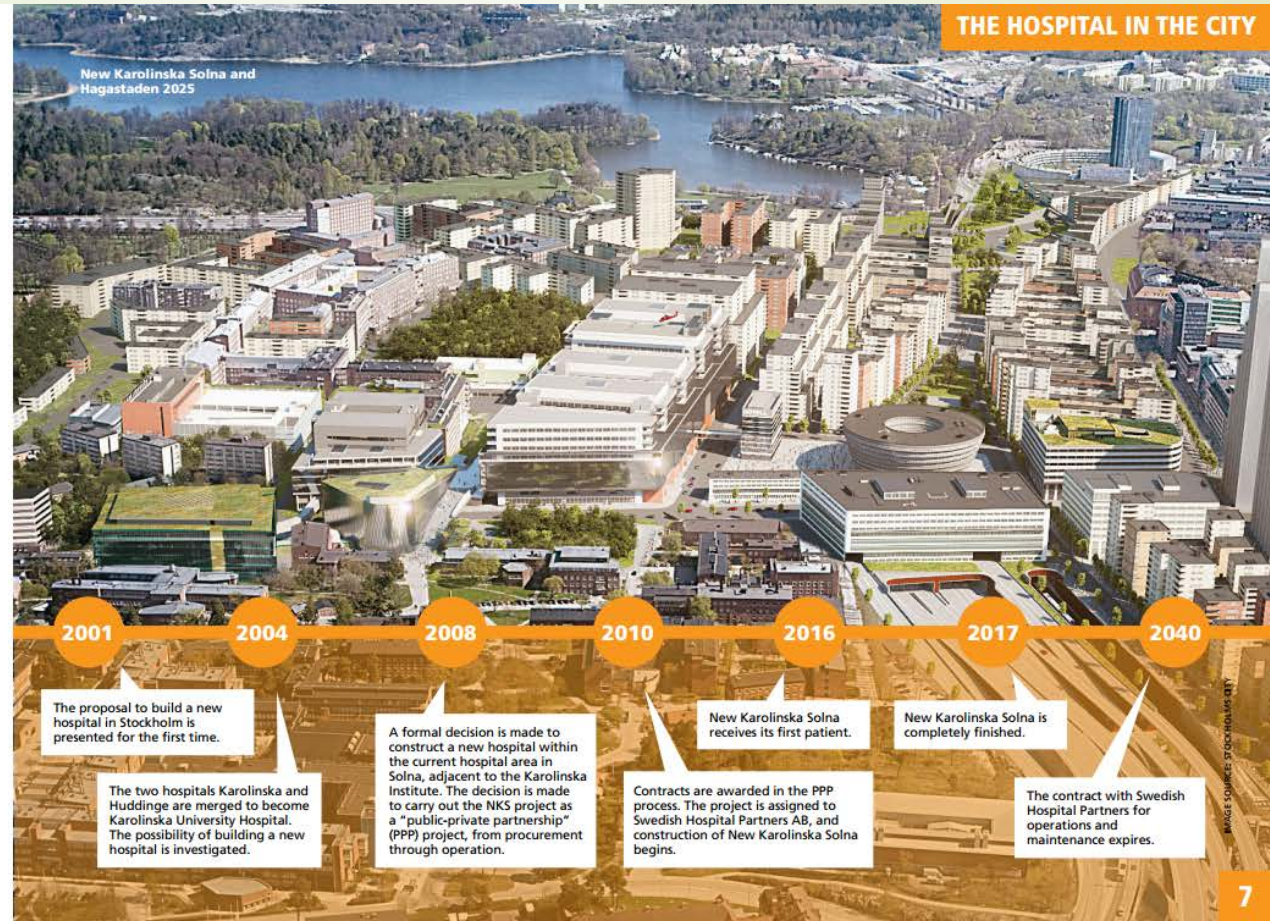
NKS - Driving the development of Hagastaden life science city

The Stockholm County Council and Skanska are working together to make the New Karolinska Solna a reality, with a common starting point: that everything to be created, built and organized within the framework of the project is based on the patient's perspective.

Project goals

A number of project goals guide all planning and construction of the new hospital. These include:

- Healthcare, research and education shall be integrated to such an extent that they efficiently support the development and dissemination of knowledge for the treatment of severely ill and injured patients.
- The project shall create attractive and humane environments of high architectural value, within and around the hospital.
- Healthcare and support processes shall be made more efficient, and the utilization of resources shall be optimized.
- The project shall work as much as possible with generally applicable solutions permitting continuous operational development.
- The hospital and its activities shall be assigned an explicit high-priority role in the city.
- The project shall work on all levels from the point of view of sustainability.



Project goals:

- Improve research and education
- Optimize resource utilization in the health sector

SMART Goals

- Goal-setting theory suggests five **SMART** dimensions for goals to be effective:
 - **S**pecific
 - **M**easurable
 - **A**chievable
 - **R**elevant
 - **T**ime targeted

Target Benefits - Specificity

- Target benefits are assigned a specific **target value** (e.g. 10 percent increase in market share)
- Target benefits are **explicitly defined** to leave no other interpretation (e.g. clear title and description)
- Target benefits are assigned **specific measures** that will enable the evaluation of their realization
- Target benefits are assigned measures that are **defined consistently**
- Target benefits have **clear units of measurement**
- The **source of data** to measure the target benefits is clear
- Target benefits have a **dedicated person accountable** for their realization

Target Benefits - Attainability

- Target benefits are **achievable** given the context of the organization
- The organization has the **capacity** to realize the target benefits
- Timeframes set for target benefit realization are **realistic**

Target Benefits - Comprehensiveness

- Target benefits are **aligned** with the organization's current strategy
- Target benefits are **relevant** to the organization's long term vision
- Target benefits comprehensively comprise **multiple categories** (e.g. both financial and non-financial benefits)
- Target benefits are the result of intensive **consultation** with various stakeholders
- Target benefits reflect the views of key **stakeholders**

Examples of Target Benefits

Project Type	Target Benefits
Government	<ol style="list-style-type: none">1. Increased national employment2. Increased national productivity3. Increased access to free public education4. Increase availability, affordability, and quality of child care services5. Increased number of children meeting state academic standards6. Reduced cases of inappropriate institutional care
New Product Development	<ol style="list-style-type: none">1. Increased market size2. Increased number of partners3. Increased profitability of individual firms
Information Technology	<ol style="list-style-type: none">1. Increased customer satisfaction levels2. Increased service levels3. Increased support levels4. Increased service quality5. Increased revenue6. Cost savings7. Time savings8. Expanded markets

Behavioral Antecedents for Setting Unrealistic Project Benefits

Behavioral Trigger	Optimism Bias	Endowment Effect	Strategic Misrepresentation	Underestimating Risks
Case Title				
The Hubble Space Telescope	+++	+++		+++
Boeing 787 Dreamliner	+++	+		+++
Denver International Airport	+++	+		+++
Sydney Opera House	+++	+++	+++	+++
Green Meadow's Utility Outage	+++	+++		+++
Biogen, Inc. rBeta Interferon		+	+++	+
Copenhagen Metro	+++			+++
Total Impact	18	12	6	19

Responsibility for Project Benefit Management

Role	Revisiting expected benefits	Communicating benefits-related issues with business owners	Ensuring project benefits stay aligned to organization's strategic objectives
Project manager	46%	63%	38%
Business owner	14%	n/a	13%
Executive sponsor	14%	9%	19%
Other senior management designee	9%	12%	11%
PMO staff	8%	9%	8%
PMO director	4%	5%	7%
Other	<1%	<1%	<1%
Not done in the organization	5%	2%	3%

“I think benefits management is so hard to codify because **project managers don’t really know if it falls to them or the senior managers or operational teams or someone else, so **it disappears through the cracks and isn’t given the attention it deserves**”**

Elizabeth Harrin, Director, Otobos Consultants Ltd.

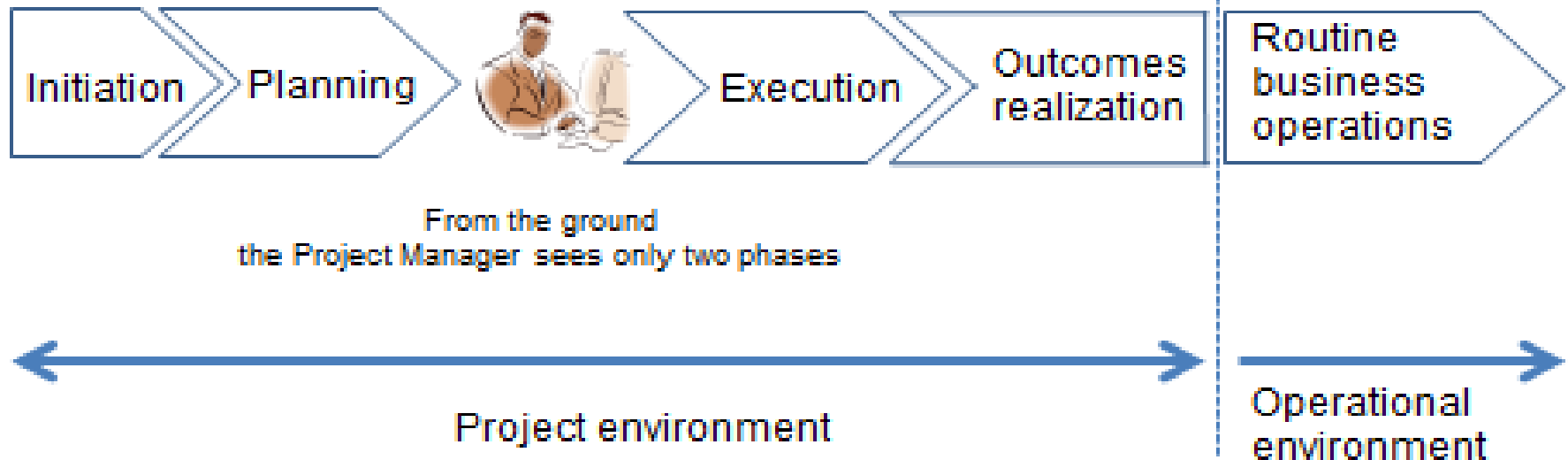
Project Managers (PM) are Inappropriate for Benefit Management Accountability

- PM have an **operational** mindset rather than **strategic**
- PM's **objectives are different** from the funder's
- PM position is **transient**, so long-term accountabilities are inappropriate
- PM commonly appointed after project approval so **unable to impact** the strategic direction of the project

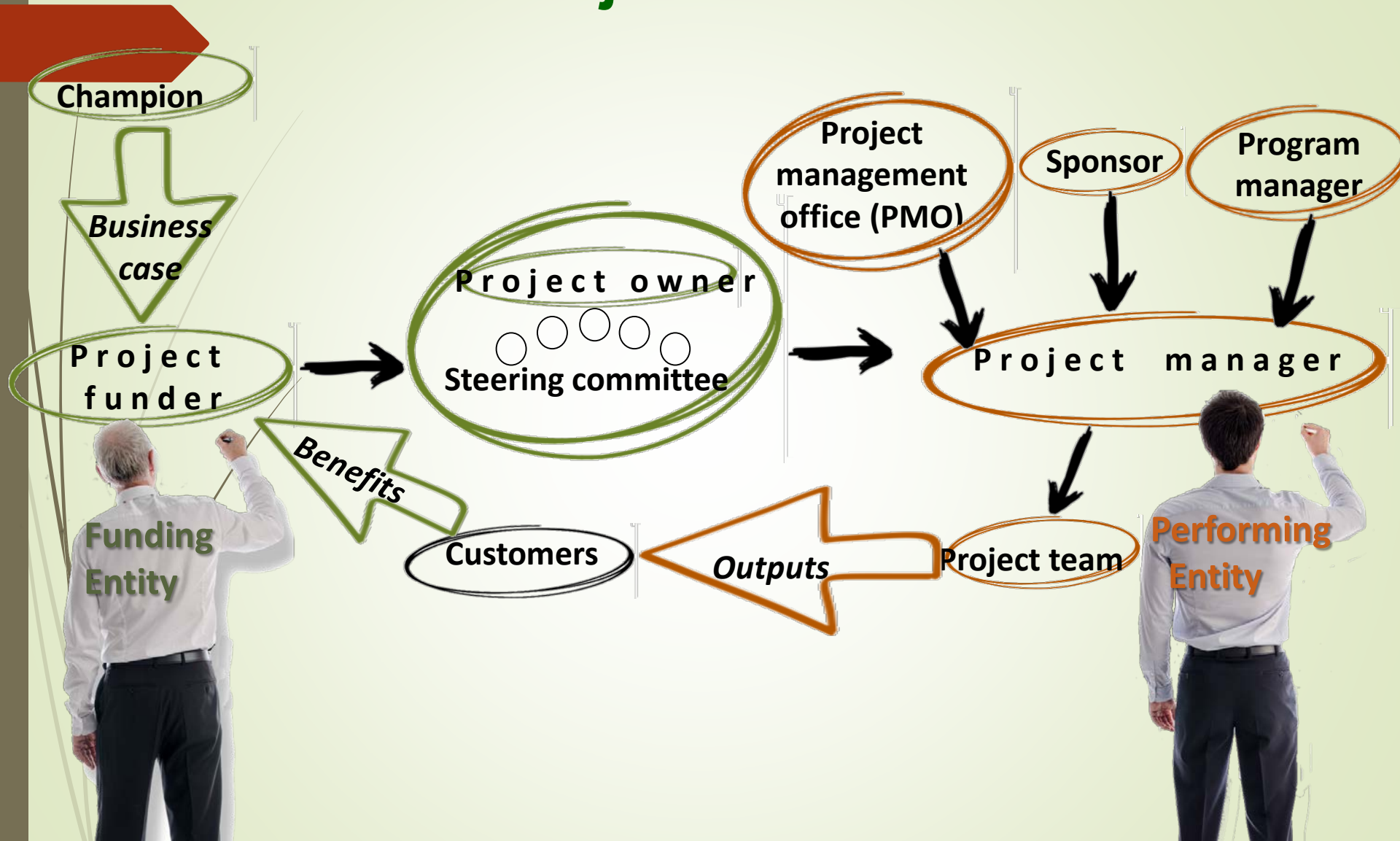
The Bird's Eye View of the Project



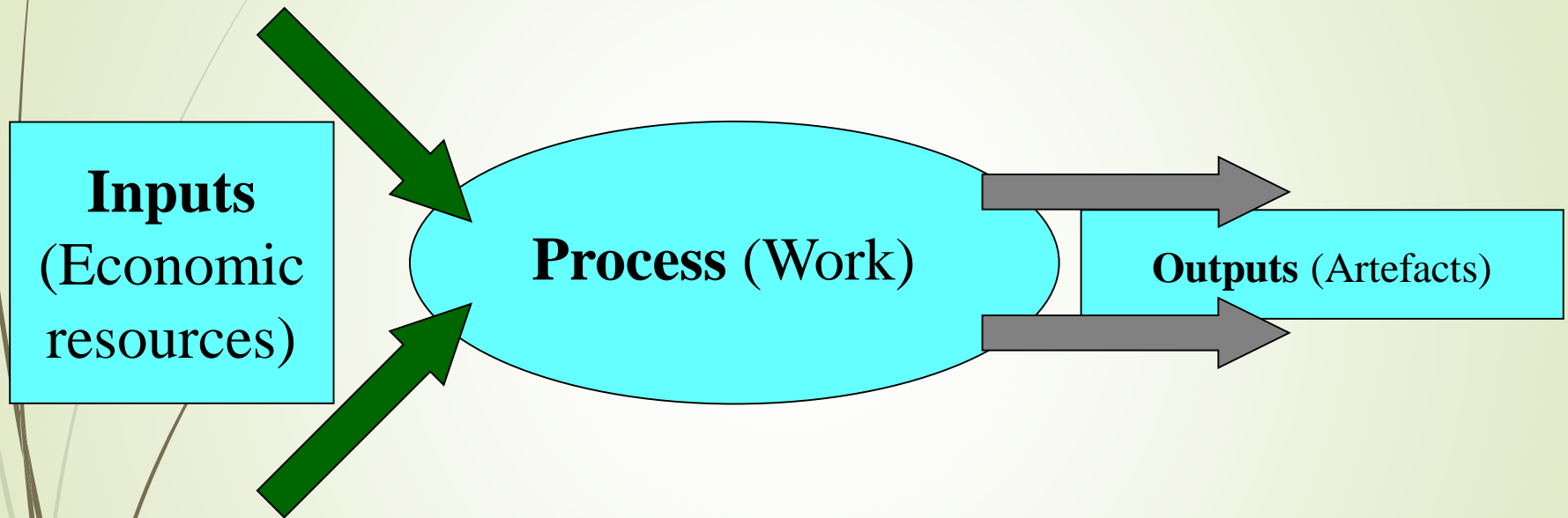
From above
the Project Owner sees all four phases



Project Entities



The IPO View of Projects



Example - A School Project

Funds

Labor

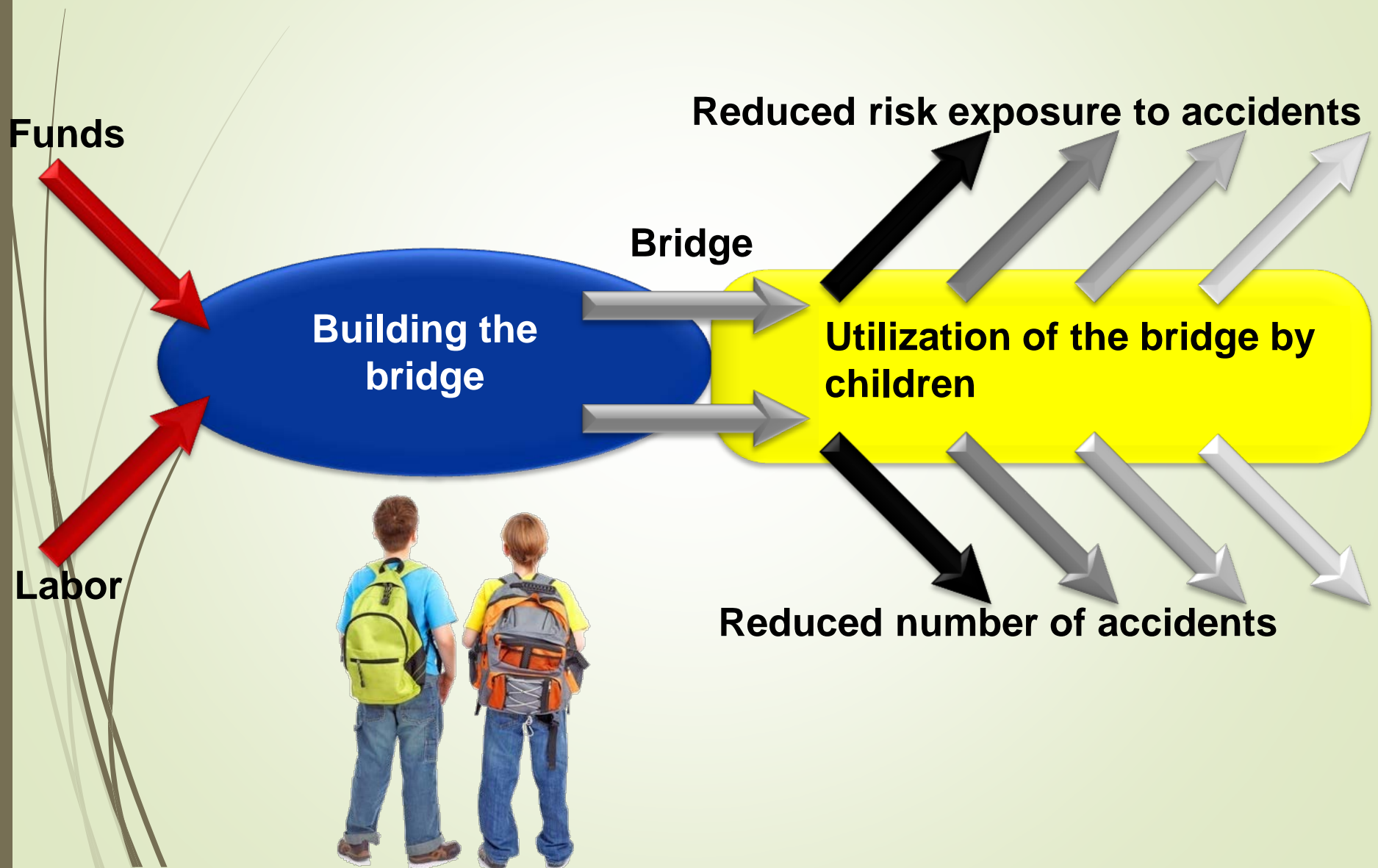
Building the bridge

Bridge

Utilization of the bridge by children

Reduced risk exposure to accidents

Reduced number of accidents



Enhancing Organizational Performance through Strategic Project Selection

Ofer Zwikael, PhD, PMP
The Australian National University



Australian
National
University

**IBR-Thammasat 2018 Bangkok Conference On
Interdisciplinary Business & Economics Research
June 16th-17th, 2018, Bangkok**

SIBR