Leadership
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NAC Executive Insights

The Importance of Strategic Business Objectives

Key Points

- Strong foundations are required for large complex project success.
- Strong foundations begin with clearly articulated strategic business objectives (SBOs).
- These SBOs must be agreed to and continuously communicated.

The importance of strategic business objectives cannot be overstated. Selecting the right ones is critical to the success and survival of all organizations. The translation of SBOs to a program or project level is also critical. In personally reviewing failing large complex projects, I have found a consistent weakness with respect to program and project SBOs. That weakness found can be described as having one or more of the following conditions:

1. Failure to articulate the organization, program, and/or project strategic business objectives clearly.
2. Failure to obtain agreement on them from requisite stakeholders.
3. Failure to continuously communicate the SBOs.

I have written extensively on the importance of SBOs and their importance in an overall governance regime elsewhere. Those discussions are not repeated here. This Executive Insight focuses on sharing four case histories that underscore the importance of SBOs.

Case History #1

The first example of the importance of SBOs can be seen in a $20 billion capital construction program for a major global company. After several years of effort and close to $6 billion expended, the owner recognized that the program was “underperforming.” A team was assembled to examine all aspects of program delivery: engineering criteria, design margins, global sourcing in the supply chain, and construction means and methods. That examination would importantly include a review of governance, strategy, management, and oversight.

The assessment of these governance and management activities involved extensive and comprehensive interviews with the top managers involved in the program. Of those 36 managers, about half represented various elements of the owner's organization. The other half came from key suppliers: engineering, construction management, constructors, and supply chain providers. The interviews ranged from 90 minutes up to 16 hours (over multiple sessions) with the owner's engineering manager.

After thirty-five of the interviews, some clear patterns and insights were achieved. The final interview then was held with the corporate executive, who had full vertical responsibilities, including all client-facing activities including pricing, CAPEX, and OPEX.

Early on during this final interview, the executive in charge was asked to describe in his own words the strategic business objectives he was trying to achieve through the expenditure of over $20 billion. The executive paused, then said, "I know what they are, but I'm not sure how to say them." I waited to see what else he might add, wrote a reminder note on my list of questions, and went on to another question.

Before I could continue, the executive interrupted.

"Wait. I'm supposed to know the answer to that last question."

"Yes, you are," I replied.

"Did you ask the others that question?" he queried.

"Yes I did."

"What did they say?" he asked.

"They didn't know either," I replied.

"That's a problem," he said.

"No," I said. "that is THE problem."

That the SBOs had never been clearly articulated was finally recognized by this executive. In addition, the project had become even more challenging because of both a breakdown of its *esprit d'corps* and slow decision making. It was not that people were trying to go in dramatically different directions, but rather that the slightly different interpretations of what was to be accomplished led to organizational friction and organizational "callouses" that degraded effective communication and decision making.

The corrective actions taken by the executive were an exemplar of what needed to be done, but are not recounted here.

Case History #2

A second example of the importance of SBOs can be seen in a $6 billion industrial program in a Middle East country. The program consisted of three equally sized projects. Because of the importance of the program to that country, an emir was assigned to serve essentially as the overall program manager. Each of the three projects were led by highly educated and qualified local project managers (PMs). Highly capable program and engineer-procure-construction management (EPCM) resources supported each of the three project teams. Despite the organizational excellence that had been put in place, schedule and cost pressures were growing by the day. The program was judged to be underperforming.

To help mitigate the problems, the emir arranged for a workshop. The three project managers and the supporting program management/EPCM contractor were to gather with the emir to turn this “failing” program around.

The meeting room was set up in an open U-shape format. The three local PMs sat on one arm of the table, the EPCM contractor on the other, and the emir at the head of the table. The emir waived me over, put his phone down, and pointed to it. “I am an important man and I get important phone calls,” he said. “I may have to leave the room if I get such a call.”

Having project and program experience in the Middle East, I knew that nothing would be accomplished if the emir left the room. He was essential for change. Since there was no time for an extensive prelude, we got into it immediately. One by one I asked each of the PMs to describe what they were trying to accomplish through the delivery of their respective projects and the key challenges they faced.

Each reply was well thought out, articulate, and compelling. Each sought, however, to perfect some aspect of the project or optimize some performance aspect. The very things they described were actually the reasons the projects were having cost and schedule problems.

Standing inside the U-shaped table arrangement as the facilitator of the meeting, I turned to the emir. “How would *you* describe the strategic business objectives for the overall program?” I asked.

The emir did not answer me directly. Instead he pointed to each of the project managers. “You are all wrong,” he said. “Do not ask me for more time. Do not ask me for more money. Your job is to spend the money I have given you in the place I have indicated within the schedule set so that we may keep that part of the country.”

The program was being undertaken during a period of military conflict, when ISIS was most active and posed the greatest regional threat. There were safety concerns about the region in which the program was located. The purpose of the overall program, in fact, was to stimulate the local economy quickly.

The emir finished by saying, “Try to give me something that works.”

Thus, the project managers’ objective of seeking to optimize their respective projects was not consistent with the true program goals, which were not understood until that meeting.

Case History #3

A third example of the importance of SBOs can be seen in a $6 billion project in South America that was similarly underperforming. The night before a top-level alignment workshop between various elements of the owner’s organization (which had varied views on what was to be accomplished, when, and how), and the EPCM contractor, I met with the company CEO. He was to kick off the next day’s program. Meeting one-on-one in his office with the door closed, I asked him to tell me in his own words why the company had committed to this $6 billion program (essentially the entirety of their capital spend) and what they hoped to accomplish. In other words, what were their SBOs?

As I sat there, one-on-one, I witnessed a CEO unable to articulate why they were undertaking this large capital investment. He struggled to complete a sentence. Finally, he went silent. Tears welled up in his eyes. After a few minutes he composed himself and asked if I could write something down for him to kick off the meeting the next morning. In effect, he asked if I could write down what the SBOs should be.

I confess I made a mistake here by doing what he asked. There was a new CEO about six months later.

Case History #4

A final example of the importance that SBOs play can be seen as part of an Enterprise Asset Management (EAM) program for a global-scale urban transportation system with about $1 trillion in assets. The owner's executives recognized there was no common alignment around what the EAM program was to accomplish.

I interviewed top executives in each of the operating departments, then key individuals involved with assets management across the agency, and finally the chief financial officer (CFO). Each was asked to define what they expected the EAM program to deliver. That is, what were the SBOs for the EAM program?

Almost 20 interviews were held. The result was over 50 distinct—and at times conflicting—possible SBOs being generated. Clearly, there had been inadequate definition of what the agency was trying to accomplish as well as a failure to obtain agreement and continuous communication with all stakeholders.

A workshop then was held to define and agree upon the SBOs and priority actions. In the end, five SBOs were established.

Summary

In the delivery of large complex programs, much attention is paid to technical and construction challenges as well as to specific aspects of program and project management. All too often, however, inadequate attention is paid to the governance of the programs undertaken. The result is frequently characterized by a failure to articulate, obtain agreement on, and continuously communicate the SBOs. The preceding case histories are intended to add some color to this insight.

About the Author

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