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A MULTI-LEVEL APPROACH TO PROGRAM OBJECTIVES:

DEFINITIONS AND MANAGERIAL IMPLICATIONS

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ABSTRACT

Projects are recognized as the building blocks of strategy. Outputs, outcomes, benefits and related concepts have been put forward by the program management community to bridge the gap between strategy and projects.

Yet, firstly there appears to be some discordance among authors on the exact nature of these concepts. Secondly, these frameworks may not yet fully reflect the specific nature of strategy implementation. Therefore it is hard to accept them as the basis for communication between the project/program organisation and the business management when managing strategy implementation through programs of projects.

We will borrow three concepts (resources, competencies and capabilities) from the resource based view of the company (RBV). We shall use them to define three levels of program objectives. We will illustrate these levels through a case of a strategic program in a professional information services company.

We conclude with implications on current program management practice and research.

Keywords: program management, program objectives, strategy implementation, benefits management

INTRODUCTION

Bridging the gap between strategy and implementation has since long been experienced as problematic. (Alexander 1991; Mintzberg e.a. 1998; Verweire & Van den Berghe 2004; Grant 2005) Recent research suggests that close to 40% of the value promised in companies' strategic plans is never realized. (Mankins & Steele 2005)

Projects are more and more recognized as "building blocks of strategy". (Cleland 1990; Lord 1993; McElroy 1996; Morris & Pinto 2004; Slevin e.a. 2004) This means going beyond traditional concerns of single project operational efficiency. It also goes further than creating tactical customer satisfaction. Strategy implementation through projects requires a fundamental orientation towards issues of strategic and organizational effectiveness. (Bredillet 2004; Artto e.a. 2004; Bredillet 2005; Jugdev & Müller 2006) The past decade has witnessed many investigations on this issue: expanding the metaphors of projects and project success, (multi-) project governance, program management and project portfolio management. (Eskerod 1996; Pellegrinelli 1997; Thiry 2002; Bredillet 2004; Cooke-Davies 2004; Morris & Jamieson 2004; Van den broecke, De Hertogh & Vereecke 2005; Jugdev & Müller 2006).

This paper takes a closer look at programs and program management. We agree with the critique that it is tempting to hold a mechanistic point of view on strategy implementation. (Beer e.a. 1990) Program management cannot limit itself to a command and control style roll-out of a strategy formulated at the top and pushed downwards. It requires a story of balancing efficiency with effectiveness. A mere multiplication of the operational scope of project management will not be enough. (Thiry 2002; Lycett e.a. 2004) Yet, we also agree with the recognition from strategy implementation and change management authors that the "hard side" of enterprise wide strategy implementation may not be neglected. Creating an integrated framework of change roles, structures and processes is required to facilitate enterprise wide strategy implementation. (Beer & Eisenstat 2000; McCann 2004; Roberto & Levesque 2005; Bredillet 2005)

This means we approach programs as a vehicle for strategy implementation through the management of transversal collections of projects and change activities with the intention of facilitating a successful realization of strategic objectives. (Thiry 2002; Harpham 2002; OGC 2004; Roberto & Levesque 2005)

In this paper, firstly, we shall argue that a) there is a lack of consensus and sometimes outright confusion on concepts present in program management which aim to bridge the gap between projects and strategy and that b) these frameworks are not suited for the specific nature of strategy implementation.

In a second section we shall borrow a chain of concepts from the resource based view of the organisation (RBV). We aim to construct a relatively clear cut and stable framework for conceptualizing multiple levels of program objectives.

Thirdly, we shall illustrate this framework with a case on a program of transversal strategic change at Infocom, a pseudonym for a world leader in brand related professional information services.

Finally, we shall suggest implications for management and research which ensue from approaching program objectives in this way.

OUTPUTS VS. OUTCOMES AND BENEFITS

A first interesting yet basic dichotomy is that between outputs versus outcomes. Outputs are “the things produced” (Houghton-Mifflin 2000), i.e. the deliverables. The outcomes are then defined as “[S]omething that follows as a result or consequence”. (Wideman 2002) It leads project management to think beyond the deliverables towards their application and usage by the receiving user. However, the exact nature of an outcome remains quite vague and is not clearly linked towards organizational or strategic intent. Thus it leaves project management with an operational outlook on the relation between the project, the deliverables and the receiving customer.

The concept of “benefits” comes mainly from an IS/IT background into program management. They are the positive effects for an organisation that should result from having, using and managing their IS/IT investments. (Thorp 2003; Ward & Daniel 2006) The concept of benefits is more holistic than outcomes. The benefits management process has linkages towards strategy formulation and investment management, as well as operational performance improvement and process management. (Ward & Daniel 2006; Jugdev & Müller 2006)

This triad of concepts, i.e. outputs, outcomes and benefits, has inspired the creation of different frameworks. Two examples:

Managing successful programs (OGC 2004):

Output: A specified deliverable from projects that [is] delivered within time, cost and quality constraints (p.3)

Outcomes: The resulting effects of change, normally affecting real world behavior and/or circumstances. (p.5)

Capability: A service, function or operation that enables the organisation to exploit opportunities (p.126)

Benefits: The quantifiable and measurable improvement resulting from an outcome which is perceived as positive by a stakeholder and which will normally have a tangible value expressed in monetary or resource terms. (p.125)

Information paradox (Thorp 2003):

Initiative: An action that contributes to one or more outcomes. It always refers to an element that can be acted upon directly. (p.285)

Outcome: Change in or maintenance of the state of an element that cannot be acted upon directly. An outcome can be intermediate (contribute to another outcome) or be ultimate (the final desired state) (p.286)

Benefit: An outcome whose nature and value (expressed in various ways) are considered advantageous by an organization. (p.282)

Two remarks can be made to these examples. Firstly, there appears to be discordance on the nature of some of the concepts. (E.g. MSP: benefits result from an outcome vs. Thorp: a benefit is a positive type of outcome) This leaves room for speculation and energy consuming discussions on the exact nature of these intermediate concepts. Another witness to the difficulties can be found in the considerable adjustments

made in the glossary of 'Managing Successful Programs' from the edition in 1999 to the next edition four years later (OGC 2001; 2004).

Secondly, the creators apply these concepts as guiding stars to facilitate the management of strategy implementation. It should enable them to communicate beyond operational (often technical) project issues thus fully realizing the potential of program management in realizing strategy through projects. However, concepts of outputs, outcomes, benefits, etc. are not fully aligned with the current body of management concepts in the strategy implementation community. Program managers will find themselves falling into the traditional mechanistic disposition towards strategy implementation. They are not appropriate for guiding such an ambiguous and complex endeavor as strategy implementation. (Thiry 2002; Lycett e.a. 2004)

Therefore, we argue that by borrowing concepts of a kindred school of thought on the theory of the firm and business strategy, i.e. the 'resource based view' (RBV), we can construct a practically relevant and theoretically sound chain of concepts to illustrate how a program of change actions can facilitate realizing strategic business objectives.

RESOURCES, COMPETENCIES & CAPABILITIES

In a nutshell, the RBV contends the following: companies differ in performance due to resource heterogeneity. Companies are a collection of resources and competencies which can be bundled in a unique way. If these bundles of resources and competencies are valuable, rare, imperfectly imitable and imperfectly substitutable they can create capabilities which become the basis of sustainable competitive advantage for the organization. Acquisition, development, nourishment and adaptation of resources and competencies are the only ways a company can realize the superior economic rents and stakeholder satisfaction required for its success. (Wernerfelt 1984; Stalk e.a. 1992a; 1992b; Barney 1991; Grant 2005)

Three concepts describe where companies draw sustainable competitive advantage from.

As a foundation there are a company's *resources*. Grant defines resources as: "The productive assets owned by the firm." (Grant 2005, p. 138) Resources can be

tangible, intangible or human. They are too easily acquired, imitated or substituted to create competitive advantage on themselves.

A *competency* describes how certain tangible, intangible and human resources are bundled by means of processes, roles and structures. It refers to what the organisation can do. (Stalk e.a. 1992; 1992b; Ward & Peppard 2002)

Capabilities are the result of a unique and complex interplay between bundles of resources and competencies. Capabilities “[r]efer to the ability of an organization to achieve the goals that have been set for it”. (Salaman & Asch 2003, p. 27) Capabilities reflect something the organization believes it must be in terms of providing essentially better value to its customers, shareholders and other stakeholders. (Grant 2005)

Creating capabilities from resources and creating competitive advantage is a large challenge and one which is characterized by uncertainties created by path dependency, causal ambiguity and social complexity. (Barney 1991; Grant 2005)

By recognizing three different levels of program objectives an organisation can integrate project and program management principles into how it implements strategy. It can take a more holistic, systemic approach to strategy implementation through projects than the traditional “programmatic approach”. (Beer e.a. 1990; Thiry 2002; Lycett e.a. 2004)

If we use these concepts in a multi-level framework of program objectives the following picture emerges. A program will consist of different projects that create, adapt or decommission resources. These projects can be interdependent with each other to varying degrees. To co-ordinate their delivery to time, cost and quality multi-project coordination objectives of the program are identified. On a next level in combination with existing resources, the newly created collection of resources can be bundled by process, roles and structures into something the organisation can perform, i.e. a competency. These improvements of operational performance can be seen as intermediate benefits. Facilitating these improvements through bringing resources together in the (re)new(ed) process, structures and roles are a second level of program objectives. Finally, the ultimate aim of a program is to facilitate the realization of strategic objectives through multiple projects and related change actions. The formulation of capabilities as a strategic objective for the organisation is derived from strategy formulation and analysis. The

presence and value of a capability is evaluated by the stakeholders (customers, suppliers, employees, shareholders, government and public). This constitutes the highest possible level of program objectives. The end-benefits are on the level of capabilities.

Insert Figure 1 about here

INFOCOM CASE

Infocom is world leader in brand-related professional information services. The Flexops program is a large renewal program within Infocom. It entails the renewal of a bundle of applications and IS/IT infrastructure to optimize Infocom's three operational core-processes (Find, Guard and E-delivery). Through semi-open interviews and further validation with the main actors of the Flexops program we were able to reconstruct the different building blocks.

Insert Table 1 About Here

The Flexops case is exemplary of the added dimension of alignment to strategy implementation that the multi-level framework seeks to bring, illustrated by the fact that the competency and capability level objectives correspond to items on Infocom's Strategy Map (Kaplan & Norton 2004).

The Flexops program has a project leader (sic). He is mainly responsible for multi-project coordination of cost, time and quality objectives. His performance and the possible escalation of issues are managed through a steering committee consisting of the relevant line managers who meet every two weeks.

The realization of improved competencies is the responsibility of the relevant line management themselves. They are responsible for undertaking repeated efforts in enforcing desired new behavior, discouraging falling back into old habits, ineffective use of new resources, etc. through setting up and enforcing the necessary roles, structures and processes. The follow-up of these objectives is done collectively in the two-weekly executive committee.

The management team of Infocom acknowledges that the realization of capabilities is dependent on much more than only what can be controlled by the program. Thus, accountability for the strategic program objectives is shared and followed up by the executive committee.

Apart from multi-project coordination objectives, there is not much of an elaborate dedicated program organisation to ensure the realization of the program objectives. The actions and accountabilities towards realizing the higher level program objectives – competencies and capabilities – are covered through other governing bodies (line managers and executive committee). There are two possible pitfalls in this approach. Firstly, these non-dedicated structures might be too heavily weighed upon by day to day management considerations. Each of them has to identify, plan and effectuate the necessary change actions. They also have to keep an eye on guarding the interdependencies due to the transversal nature of the program. Secondly, and this was mentioned by one of the interviewees, because the project leader does not have much authority beyond multi-project coordination objectives, the steering and executive committee might fall prey to micro-management of too low a level of program objectives. Despite these two possible pitfalls, a decision by the overarching group to roll out the Flexops program beyond Infocom's local boundaries seems to validate that Infocom has taken an appropriate approach.

Of course, this picture is not a static one. There was constantly a dynamic evaluation of the realization of the objectives at different levels. New projects and change actions were defined, and initiated, or shut down if results were not being obtained to expectations. It was an iterative and incremental process over a period of years.

Applying the multi-level approach to program objectives proved helpful to clarify with the management team at Infocom whether and to what degree they were fully grasping the ambiguous and complex nature of strategy implementation through the Flexops program. Especially considering the congruency with their Strategy Map. The approach was evaluated positively as an aid to distinguish the different governance levels, personal skills and authority required for creating resources, competencies and capabilities.

CONCLUSIONS

Single project management does not enable an organisation to manage its strategy implementation through projects and related change actions. With concepts of outputs, outcomes and benefits, program management has attempted to bridge this gap. Yet we argue that, due to a) inconsistencies in defining concepts and b) not fully covering the ambiguous and complex nature of strategy implementation these frameworks may risk missing that goal. Therefore we borrowed resources, competencies and capabilities as concepts from the RBV to construct three different levels program objectives. We believe it to be interesting and even confronting for managers (program and business) to apply these concepts to analyze whether they have all levels covered in one way or another. We illustrated this by applying it to the Infocom, Flexops case.

Firstly, the RBV based framework reflects the nature of strategy implementation as being characterized by path dependency, social complexity and causal ambiguity. Thus it may counteract the program management's community mechanistic tendencies in its approach to the gap between strategy and projects. It is clear that a picture of the different program levels cannot be made upfront, nor from a blank sheet, nor be left unadjusted from beginning to end. It requires a program management approach that respects emergent strategy, bottom-up verification and enrichment of the strategic assumptions that underlie the network of resources, competencies and capabilities. Applying the framework thus enables systemic thought and a more appropriate framework for bridging the gap between strategy and projects/programs.

Secondly, the framework may aid an organization's management team to identify the different types of management actions, skills and authority required for realizing the transitions between different program objectives (resources, competencies and capabilities). That way, they can make informed decisions in to what extent they wish to lay the realization of the different level objectives in the hands of a dedicated program organisation, manager or even an external consultant. Also, management teams must assess to what level this dedicated program organisation or manager can be held accountable for the different levels of program objectives.

We do not claim that having more elaborate configurations of (dedicated) people and structures to manage the transitions is always the best option. As the case of Infocom

illustrates, the management team can choose whether to leave the bulk of responsibility for actions and objectives to the line managers and the collective responsibility of the management committee.

Future research is needed on whether this multi-level approach effectively corresponds to current practice in program management and strategy implementation, and in which types of environments. We will need to discern different program management configurations, performance indicators and critical success factors on the different levels of program objectives.

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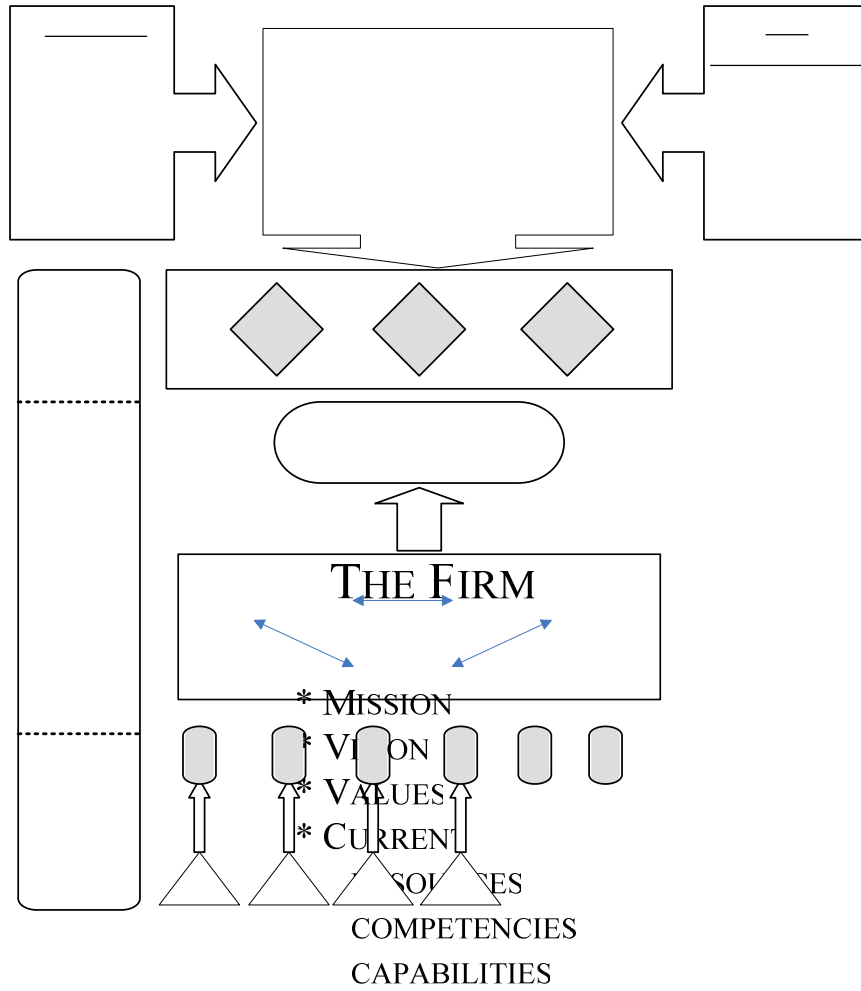
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FIGURE 1

Multi-level program objectives (Grant 2005, Ward & Peppard 2002)



**STRATEGY
FORMULATION**

Strategy
Realization
Objectives

Capab
ility

Capab
ility

Cap
ility

COMPETENCY

TABLE 1

Infocom, Flexops program

Strategy realization objectives	<ul style="list-style-type: none">• Stay the leader in our core business• Become one-stop-supplier of tailor made services
Competency realization objectives	<ul style="list-style-type: none">• Improve quality and speed of Find & Guard processes• Further automated core processes and e-delivery• Continuously maintain and enhance a reliable and supportive IT infrastructure
Multi-project coordination objectives	<ul style="list-style-type: none">• Business/application/informational architecture• Applications• Trained people