

# The Drive for Competitive Advantage

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## Key issues for CEOs

In a recent survey<sup>1</sup> of CEOs the major concern was the potential adverse impact of an economic downturn on the business. In such circumstances those businesses that have anticipated the risks and have the ability to manage change effectively are the ones that will survive and thrive.

In the same survey CEOs were asked about internal issues and reported:

- People are the key factor for success, but it can be difficult finding the right combination of technical and business experience.
- CEOs are concerned about the difficulty middle and senior managers have in managing change and the organisational barriers to change.
- 75% believe that the main source of competitive advantage comes from the ability to adapt to change and access to key talent.
- Only 29% think their leadership teams have the experience or capability to guide change.

## How do they achieve it?

The only way to create competitive advantage in today's rapidly changing environment is by identifying, setting up and delivering successful projects in areas such as:

- Strategic plan implementation
- Business innovation
- New products, processes and services
- Continuous improvement

These cannot be delivered by operational departments.

## The organisation can get in the way

Most organisations develop and grow along functional lines to enable efficient operational capability. This requires managers who are expert at managing functional teams and stable processes.

This does not necessarily equip them to manage change initiatives or projects which involve managing multi-disciplinary teams and changing and improving or developing new processes products or services.

The key differences are illustrated in the table 1 overleaf.

<sup>1</sup>Price Waterhouse Coopers 11<sup>th</sup> Annual Global CEO Survey 2008

Table 1 – Operational needs versus change

	<b>Operations</b>	<b>Projects</b>
<b>Process</b>	stable	new
<b>Team</b>	stable	temporary
<b>Resource type</b>	single discipline	multi-disciplinary
<b>Outcomes</b>	process stability	change
<b>Leader's authority</b>	direct	indirect

### The historical view

During the late 20th century a lot of effort was put into improving the efficiency of the operational side of organisations including initiatives such as:

- Six sigma
- Lean processes
- Kaizan
- Business process re-engineering
- Supply chain management and capability maturity.

All of these have had a positive impact on the stability and efficiency of operational processes, and this has been necessary partly because of the increasing complexity of products and services and the expectations of customers. For example, General Motors offered just one model in 1950 and sold 1 million cars. In 2003 it offered 89 models and sold no more than 60,000 of any one model.

However, improving the efficiency of operational processes does not address the issue of how to implement significant change **across** a business, such as the introduction of new services or products, or the implementation of strategic changes.

In today's marketplace organisations are realising that their ability to react quickly to market and business environment changes is the key to competitive advantage. This can only be delivered by an effective project capability which enables:

- The delivery of strategic plans
- The delivery of new products and services
- The continual improvement of existing processes
- Improved time to market
- The development of managers with the ability to work across the organisation.

### The good news

The good news is that this does not require a lot of rocket science, massive investment or the need to recruit significantly more people.

Most organisations already have managers with the motivation and skills to work effectively on cross-functional projects, and often there is unrecognised experience within the company for managing projects.

### The bad news

The bad news is that projects do fail. In a report<sup>2</sup> published in 2007 and updated in 2008, the Standish Group identified a number of interesting statistics including:

- Over 30% of organisation projects end up being cancelled before completion.
- Only 25% of new projects or services become a commercial success.

### Why projects fail: the common view

The conventional managerial view has been that projects fail due to poor planning, poor communication, and poor resources. In addition, it is believed that the project process is a predictable one, that it uses a fixed simple model, that the only goals are time, cost and performance, and that one size fits all.

### Why projects fail: an alternative view

Our experience is backed up by recent research<sup>3</sup> showing that even good projects can fail, and the causes are usually:

- The inability to appreciate the extent of the uncertainty
- The inability to appreciate the degree of complexity
- The inability of the organisation to recognise that project activities are different from operational ones.

### A different approach?

Change projects are business-related processes that turn strategic plans into reality and provide that competitive advantage. They are characterised by:

- Uncertainty, complexity and unpredictability
- Multiple stakeholders with changing needs
- Multiple projects with differing and sometimes competing goals
- Activities that have an impact across the whole organisation.

<sup>2</sup> 2007 Chaos Report from The Standish Group

<sup>3</sup> Reinventing Project Management - Shenhar and Dvir - Harvard Business School

If this is the case, then simply training a few people in how to run one project will not have the required impact, and will in fact simply frustrate the organisation in its inability to deliver any improvement at all. It requires an approach that is more flexible and adaptive to the nature of the work.

Successful and competitive organisations address the challenge by making improvements in five key areas:

- They demonstrate commitment from the top to excellence in delivering change projects.
- They adopt flexible, appropriate and common methodologies.
- They install appropriate project governance to select, steer and close critical projects.
- They develop a core of people with the capabilities to sponsor projects, lead projects and act as effective team members.
- They create and monitor key project measures that drive improvement.

### The benefits

This holistic approach not only delivers great results and competitive advantage but it also often produces centres of excellence that enhance the external reputation of the organisation. This in turn creates a degree of pride within the organisation.

### How can we help?

If you would like to discuss how we could help you to deliver competitive advantage then contact **Ron Ford** on **01865 201815** or **ron.ford@oxfordprojects.co.uk**