



# White Paper

**Ten principles for successful projects**

## \_Introduction

Going through some old presentations a few months ago revealed a slide entitled the "Ten Commandments of Project Management". The slide was prepared over ten years ago. Looking at these in the context of arriving at the end of the noughties, they look very dated and frankly, for most Financial Service firms, very "old hat". For completeness we include the original list elsewhere in this white paper.

According to Standish (<sup>1</sup>), project success rates have improved over the last fifteen years. By 2009, totally successful projects increased to approximately a third or 32% of all projects. This represents a 100% improvement over the 16% rate in 1994. Project failures have declined to 24% of all projects, which favourably compares to the 31% in 1994. "44% were Challenged - they were either late, over budget, and or with less than the required features and functions." This research clearly illustrates that some lessons have been learned. Yet there are obviously still more that need to be applied.

A paper given at a recent Project Management seminar also prompted thoughts. The presenter stated that "there must be 1000 things which make projects fail". The question we asked ourselves was, if there are one thousand things that make projects fail, are there ten things which would ensure success?

We set about researching and prepared a draft list which was circulated among a group of Project Management experts for review and input. This whitepaper therefore presents a set of Ten Project Management principles that are relevant to Financial Service organisations in the twenty tens.



## \_The starting point, now a decade old – the Ten Commandments of Project Management

The original Ten Commandments according to Michelle Young Cavanaugh (<sup>2</sup>) are listed below together with our explanation of their meaning;

- *Thou shalt have a project with goals,*
- *Honour thy project objectives,*
- *Thou shalt commit to the schedule that management hath given thee,*
- *Remember thy checkpoints (essentially this command suggested the use of a stage gate process),*
- *Thou shalt delegate tasks to thy manservant or maidservant or staff,*
- *Thou shalt create a picture of thy project schedule (this was said to be a means of staying focussed and track progress),*

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<sup>1</sup> Chaos Report 2008 from Standish

<sup>2</sup> Ten Commandments of Project Management Tech Republic August 16<sup>th</sup> 2000

- Honour thy team members (*this commandment referred to the PM spending time with team members individually*),
- Thou shalt commit thyself and thy team to the project (*using motivational techniques to help the team take ownership of their tasks*),
- Thou shalt document extensively and keep thy team informed,
- Thou shalt encourage creativity.

In many ways this list is so obvious, yet it is surprising how many organisations still need to consider some elements of this list. Given the trends in Financial Service firms, greater focus on costs, increased emphasis on delivering strategic change, large volumes of change driven by market conditions and regulation, many firms have invested to improve the execution of change through project management. For the majority the basics, reflected by the above ten commandments, are in place. So what are the principles they need to apply to gain a step-change in performance?

Project management must reconcile two conflicting aspects of projects -- the increasingly important need for speed in project delivery and the equally important need for reliability in delivering the project as promised. Project management must deal with uncertainty in an attempt to deliver project outcomes with certainty. One way of thinking about how to deal with this conflict is to develop strategies to avoid expansion of project lead-time (Parkinson's Law) while protecting against Murphy's Law.

The way we manage uncertainty in projects is at the core of improving project performance (defined as getting projects done both faster and with better reliability of the promised final project due date). In most projects managed with commonly accepted practices, this uncertainty is dealt with by focusing on delivery of tasks with the seemingly reasonable belief that if individual tasks come in on time, the project will as well.

Increasingly in Financial Service firms there is recognition that there is a four-stage sequence of activities that increase the performance of a project or programme. They need to be performed in order – at least at the macro level – to allow the increasing maturity to emerge. For example, before starting on the development of a Requirements Baseline, some understanding of the Business Need, or benefits must be in place. Before fixing the Performance Measurement Baseline, (the cost, schedule, and resource allocation plan), we'll need to understand something about the requirements. Ultimately, of course, before we can start executing the project, we need a schedule, cost estimate and some notion of the staffing plan.

The ten principles for successful projects are based upon this underlying four-stage concept. Current trends in Financial Service firms indicate the following;

1. Use the business strategy to justify and instigate the initiatives,
2. Be clear about the business benefits and measure their attainment,
3. Define the requirements based upon the benefits and link these in the Requirements traceability matrix,
4. Use Project Risk Analysis and Management,
5. Estimate using historical data and use "order of magnitude" figures early in the project lifecycle,
6. Use Deliverable based planning and allocate resources to the deliverables,
7. Recognise that the "Theory of Constraints" is a reality and prepare the plan accordingly,

8. Recognise that an Issue is a Project Managers plea for help and it is the Sponsors job to ensure the Issues are resolved.
9. Measure and report progress against the plan using "Earned Value" techniques,
10. Use a Project Office to gain transparency, to enforce best practice and proactively stop projects going wrong.

The remainder of this paper describes each of these ten principles for successful projects in greater detail.

## **\_Use the business strategy to justify and instigate the initiatives**

In 2007 Markus Koerner wrote "we are witnessing the emergence of projects as a significant - and sometimes even dominant - mode of doing business"<sup>(3)</sup>.

Senior managers spend a great deal of time and effort formulating and promoting their chosen strategy, but all too often find that very little changes within the organization. The strategy does not have the impact expected: somehow the original objectives are dissipated as the strategy moves into implementation and the initial momentum is lost before the expected benefits are realized. According to Pellegrinelli, Strategies and projects are natural companions <sup>(4)</sup>. While strategic initiatives can be conceived and handled as projects, projects should not be initiated or progressed without a clear business or strategic justification.

Project Portfolio Management (PPM) is a term used by strategic planners, project managers and organisations to describe methods for analyzing and collectively managing a group of current or proposed projects based on numerous key characteristics. The fundamental objective of the PPM process is to determine the optimal mix and sequencing of proposed projects to best achieve the organization's overall strategic goals. Typically these goals are expressed in terms of hard economic measures, business strategy goals, or technical strategy goals - while identifying the constraints imposed by internal factors such as available budget or resource availability.

In order to evaluate options the PPM process needs to identify the expected nature, magnitude and timing of benefits to be realized, and the relationship or inter-dependencies with other projects in the portfolio.

## **\_Be clear about the business benefits and measure their attainment**

Business projects and programmes are essentially undertaken to deliver benefits, however, they are frequently criticised for failing to achieve their objectives. Studies show that over 70% of business improvement projects fail to deliver their expected benefits, and even when they are achieved in part, often they are far from fully realised. The reasons for this are varied, but a significant element can be directly related to, for example:

- business cases focused on justifying expenditure instead of expressing business benefits in a manner that can be understood and realised,
- too much emphasis on deliverables, or outcomes,
- no mechanisms, or in particular, structures to manage their realisation

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<sup>3</sup> Making Projects work for the Enterprise – An Update for Executives Markus Koerner April 2007

<sup>4</sup> Pellegrinelli S, Bowman C. 1994. Implementing Strategy through Projects. Long Range Planning ;27(4):125-132.

In the past decade projects were far too often considered to be finished when their deliverables were produced. Most forward thinking financial service firms have therefore established a Benefits Management process.

This process offers a structured approach to managing project benefits. Focusing on the ultimate outcome of any strategic investment and proactively putting in place a framework to manage and realise benefits should be at the heart of all project delivery, driving the change and helping to retain focus on the original strategic goals.

Financial Service firms are starting to make use of the Benefits Profile as proposed by the UK Governments OGC organisation. The Benefits Profile is used to define each benefit and then employed to track the benefits realisation. Typically completion of the profile allows the strategic planners to evaluate;

- if the measures are realistic,
- are dependent on other benefits or project outcomes,
- that the responsibilities for realisation are appropriate and agreed.

Having this level of detail in the Benefits Profile facilitates tracking of the realisation. The benefits realisation process at a high level answers the following questions:

- Is the benefit accruing as expected?
- Are the business changes being made to enable the benefit attainment?

## Define the requirements based upon benefits

Many Financial Service firms struggle with the requirements definition process. In Banking and Insurance business change nearly always involves a combination of people, process and technology. Business leaders do not necessarily have the technical skills and the technologists rarely understand the business context fully.

Very often requirements modelling efforts are undermined by the environment – it is common to discover that an organization’s culture isn’t conducive to effective software development efforts or project stakeholders do not understand the implications of their decisions.

On the 31<sup>st</sup> March 2009 the International Institute of Business Analysis published their “Guide to the Business Analysis Body of Knowledge Version 2.0”. This publication outlines best practices for defining requirements, however, for most Financial Service firms a touch of pragmatism needs to be applied.

Given the current trend for greater emphasis on benefits, it seems logical to drive these through to requirements using a technique such as the Critical to Quality tree (CTQ tree). We further suggest that firms should define the requirements based upon the benefits. Then link these two elements in the Requirements Traceability Matrix

## Use Project Risk Analysis and Management

A number of Financial Service firms lack maturity in the area of Project Risk Management. Many mix up an Issue, which is a “problem encountered”, with a Risk, which is a “problem anticipated”. This lack of clarity leads to an insufficient focus by senior management on resolving the blockers to progress. This is surprising since a source of best practice, “The guide to Project Risk Analysis and Management” (PRAM) was initially published in 1997 <sup>(5)</sup>.

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<sup>5</sup> Project Risk Analysis and Management the Association for Project Management March 1992, republished January 2000

Essentially, PRAM is a process which enables the analysis and management of the risks associated with a project. Properly undertaken, it increases the likelihood of successful completion of a project to cost, time and performance objectives. Risks for which there is ample data can be assessed statistically. However, no two projects are the same. Often things go wrong for reasons unique to a particular project, industry or working environment. Dealing with risks in projects is therefore different from situations where there is sufficient data to adopt an actuarial approach.

### Estimate using historical data

Evidence from research suggests that efforts to improve the accuracy of software project estimates are dependent upon having historical data. If a similar project was completed in the past then this would be used to indicate the estimates for the next project on a net-change basis.

Most Financial Service firms wish to have better project estimates as these effect budget, timetable and resource allocations. Very few, however have captured the data that will facilitate this improvement. Far too many firms estimate too early in the project life-cycle, some even before the requirements are fully understood, then these figures are fixed as budgets or arbitrary targets.

### Use deliverable based planning

The Deliverables Based Planning method is being deployed in several different business domains and increasingly so in Financial Service firms. Its application ranges from traditional enterprise IT projects to space and defense programs with full Earned Value management processes. Deliverable based planning is a seven-step process;

<b>Step</b>	<b>Outputs</b>
1. Verify the major deliverables	Deliverables list based upon business benefit enablers
2. Define the workstreams to produce the deliverables	Workstreams with deliverables and interim deliverables identified
3. Estimate effort by task	Effort and resource requirements
4. Assign milestones to workstreams	Deliverable dependencies Milestone dependencies
5. Forward schedule the milestones based on logical dependencies	Initial schedule based on infinite resource availability
6. Revisit the schedule based on resource constraints	Scheduled Milestones Effort and duration estimates by task High level resource needs
7. Distribute the high level plan	Project plan for approval

## **\_Recognise the "Theory of Constraints"**

The "Theory of Constraints" states that a system (and a project is a system) is limited by capacity. Or put another way; a lack of skilled people limits the ability of the organisation to deliver change.

This limitation is normally seen in two regards;

- the limit to produce the project deliverables,
- the limit of a department to be able to assimilate the change.

Many Financial Service firms are now recognising this is a problem for them. Many are creating a change portfolio based upon budget then come to the realisation that the availability of key or critical resources limits their ability to execute. Many have expanded their Portfolio Management process to evaluate the impacts of their plans on critical resources. Needless to say that in these firms the monthly portfolio management process also evaluates the impacts of slippage and project changes in terms of the resource implications.

## **\_Recognise an Issue as being "A plea for help"**

Elsewhere we have already commented on confusion in the Banks and Insurance Companies regarding Issues and Risks. Simply put, an Issue is a "problem encountered" which means that it is inhibiting or reducing the likely hood of successful completion. Many firms have implemented project governance processes, but sometimes these are not effective. Many firms need to recognise that an Issue is a Project Managers plea for help and it is the Sponsors job to ensure the Issues are resolved.

Custom and practice in many firms is that most projects have monthly meetings with their sponsors. This means that the maximum life of an issue should be six weeks. Many firms allow issues to remain on Issue Logs without resolution, causing noise on reports and preventing expeditious executive decision making.

## **\_Measure and report using Earned Value techniques**

Earned value management (EVM) is a project management technique for measuring project progress in an objective manner. EVM has the ability to combine measurements of scope, schedule and cost in a single integrated system. When properly applied, EVM provides an early warning of performance problems. EVM is not new. It was developed in the 1960's to control US government programmes, however its application in Financial Service firms is now becoming more wide spread.

The key change is that firms are now collecting the data, often in their Enterprise Project and Portfolio Management tools, that facilitate the application of EVM techniques. Specifically EVM is the only recognised method of providing objective project control. As budgets and timetables become more critical then Financial Service firms are learning to value the extra level of control that EVM provides.

## **\_Use a Project Office to stop projects going wrong**

During the heavy project workload ten years ago; created by firstly the arrival of the Euro and then by Y2K, many firms implemented project offices as a means to produce managerial reports. Since then, many Financial Service firms have evolved these functions into a strategic planning role and as a centre of excellence for project management.

In these firms, the project support function assists Project Managers with estimation data, methodology guidance, Issue escalation and cross project dependency

management. As many firms have deployed Enterprise Project and Portfolio Management software tools, these functions also assist the PM by providing coaching and support in planning and controlling using the tool.

In the more forward looking firms the Project Office is used to enforce best practice and proactively stop projects going wrong. This means that the project office is providing an independent project analysis and assurance function in support of the Project or Programme Manager.



## \_Conclusion

We are not sure if our “Ten principles for successful Project Management” will stand the test of time. What we do know is that Financial Service firms across Europe are currently concerned with improving the execution of their strategic initiatives by increasing Project and Portfolio Management maturity. Therefore, we expect professional growth and the development of new ideas will continue. We anticipate the re-writing of this white paper in ten years time!

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