

**FROM PROJECTS TO PROGRAMMES
TO EXECUTE STRATEGY:
BRIDGING THE TOP MANAGEMENT CONCEPTUAL DIVIDE**

Completed Research

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Abstract

Top management support is now thought to be the most important critical success factor. However a conceptual chasm has led to a lack of engagement between the top management and project management communities and high project failure rates have resulted and strategic goals have not been realised. A study of publicly-funded projects in the State of Victoria illustrates these issues and their significance. Strategy and the realisation of strategic goals have been introduced as a unifying concept with the potential to bridge the gap. Project management, portfolio management, programme management and project governance were reviewed to consider their role in strategic success and a model was developed to bridge the conceptual chasm. The highest priorities for developments in each of these fields were suggested to bridge the gap in practice. Programme management was highlighted with recommendations to develop more effective frameworks to facilitate strategic conversation and adaptation to overcome uncertainty arising from incomplete information.

Keywords: *top management support, benefits realisation, strategy, programme management, portfolio management, project governance, public sector projects.*

Introduction – conceptual chasm between top management and project management

Recent research has overturned conventional wisdom to find that Top Management Support (TMS) is not simply one of many critical success factors (CSF) but is the most important CSF [1]. This finding validates earlier speculation that TMS is a meta-factor that encompasses many of the other CSFs [2]. It also has major implications for project management practice which places more emphasis on methodology and user involvement.

The importance of TMS needs to be understood in the modern context where projects are increasingly used to implement strategy [3][4]. Success in this context relates much more to the realisation of benefits than the traditional emphasis on on-time on budget [5]. The realisation of benefits is largely attributable to the efforts of operational and top management [1][6] and does not relate strongly to project management effort [7][8]. This insight is not reflected in the highly cited Standish statistics or in the emphasis of any major project management textbook.

Project management researchers and practitioners have focussed mainly on the factors they can control [9]. They have not provided much if any guidance of relevance for top managers [1]. Instead, they have produced an enormous number of largely untested and apparently ineffective methodologies [10][11]. Few top managers consider project management to be an issue of direct concern [12] and the quote below from a senior board member although extreme, is by no means an unusual perception of the profession:

“With technocrats, the only three things you can be sure of are: nothing would get finished on time, it would always cost vastly more than predicted and it would never do what it was promised to do” [13].

If project success is strongly influenced by top management and if top managers want their strategies to be implemented, then the gap between the project management and top management communities is dysfunctional. This paper seeks to explore potential conceptual bridges between the two communities and explores in particular project governance through portfolios and programmes. It starts by reporting a study of the public sector to provide a context to illustrate the relative importance of the issue. It continues with a literature review of portfolio management, program management and project governance. It then introduces a framework to understand how the various domains interrelate and discusses how the domains that have the most potential may need to change to bridge the conceptual chasm between the top management and project management communities.

Context – projects failing to deliver strategic benefits within the public sector

An opportunity to evaluate the latest developments in project management arose through a consulting assignment with the Victorian Auditor-General’s Office (VAGO). One of the authors was recognised by VAGO as an authority in project governance and able to bring an independent perspective to help shape their thinking on the relative priorities for audit attention.

The VAGO consulting assignment had two objectives. The first was to evaluate the role of projects within the Victorian public sector and the second was to evaluate the appropriateness of the Victorian investment frameworks. The assignment was significant because the Victorian government in Australia is considered to be one of the international leaders in New Public Management and frequently compared to the UK, Canada and New Zealand¹. Their key investment frameworks, partly based on tools developed by the UK’s Office of Government Commerce, were expected to be at the forefront of practice.

Methodology

The study was performed through a ‘desktop study’ of publicly available documents (i.e. literature review), supplemented by interviews with key stakeholders within the Victorian public sector. This methodology was appropriate because the public sector has high levels of transparency and information is generally readily available. The key in researching this sector, is to know what is available, where to find it and how to interpret it. This study was therefore predisposed to success because it was commissioned, guided and partly resourced by VAGO who have an intimate knowledge of the workings of government.

¹ <http://www.apsc.gov.au/leadership/emergingissues.pdf>

The study is reported in detail in a paper submitted to IRWITPM a SIG held in conjunction with the International Conference for Information Systems (ICIS 2009). Only the key details will be reported in this paper but it is relevant to report that rigour was maintained through a number of mechanisms: The final consulting report was drafted with extensive consultation with VAGO performance audit managers. The final report was presented to VAGO senior managers for validation and discussion. The final report was accepted and resulted in some amendments to the portfolio of performance audits planned for 2010 and future years, published in VAGO's Annual Plan and will be tabled in Parliament (www.audit.vic.gov.au). This final output is taken very seriously because it is a key communications tool for parliamentarians and allows agencies to focus their resources to prepare for major external audits in their respective areas.

The strategic objective of projects within the public sector

The Australian approach to government is relatively proactive. The State of Victoria is particularly proactive and undertakes many innovative initiatives. Their broad strategic objective is to create an environment that increases the capacity of the State to compete in the context of the rapidly evolving basis for production (globalisation). In this sense they are the same as any private sector entity although broader in scope. However, the role of projects in the public sector may be more significant than in other sectors because long term economic, demographic and climate-change constraints will lead to an increase in demand for services coupled with a declining capacity to fund these services. Projects are essential to significantly change the underlying cost structures and maintain current levels of performance within the public service. Business-as-usual improvement efforts will simply not be enough.

However, within Victoria the strategic objective is to not just to maintain performance but to increase performance. Formal vision statements have guided effort since 1992 and 'Growing Victoria Together' (GVT) the most recent 10-year vision released in 2001 is expressed in terms of a number of measurable outcomes. These ambitious goals reinforce the critical role of projects within the public sector and the most tangible goals are listed below [14]:

- Reduce crime by 5% and have Victorians feel safer, reduce the rate of growth of the prison population and reduce re-offending
- Improve health services by reducing waiting times (emergency, elective and dental services)
- Improve the level of education by: increasing literacy and numeracy, have 90% of young people complete Year 12 or equivalent, and increase adult participation in vocational education and training
- Improve roads and public transport by: reducing commuting times, increasing public transport use (in Melbourne) from 11% to 20% by 2020, increasing the proportion of freight transported by rail from 10% to 30% by 2010
- Improve the environment by: significantly improving the health of Victoria's rivers by 2010, reducing Melbourne's water usage by 15% by 2010, reducing the impact of salinity and soil degradation to improve the condition of our land

Types of projects

Three main types of projects were found to be undertaken in the Victorian public sector: Asset investments, reported non-asset initiatives and unreported non-asset initiatives.

The highest quality public information focussed on asset investments and itemised specific expenditure on roads, bridges, public transport, hospitals, buildings, computer systems, etc. Figure 1 taken directly from Budget papers shows that very significant amounts have been spent annually on asset investments and additional fiscal stimuli at State and Federal levels on asset investments are being made from 2008 to 2012 to overcome the global financial crisis.

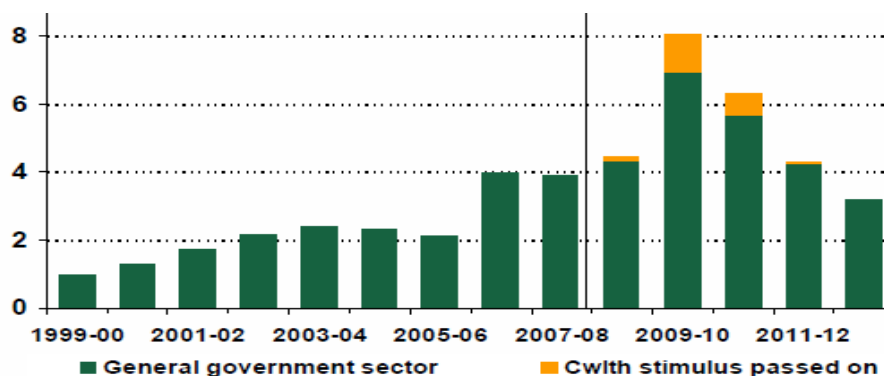


Figure 1: Annual Project Expenditure on Asset investments (\$billion)

Non-asset initiatives relate to soft-projects such as organisational and business process change, staff training and public awareness campaigns to change behaviour to use new facilities, etc. Soft projects were more significant in dollar terms than the asset investments but surprisingly the information reported was not of the same quality. Interviews with key stakeholders responsible for very large project portfolios added that non-asset initiatives were outside their area of direct concern.

The soft projects can be separated into those that are specifically reported and those that are not. In Victoria the soft projects that are reported appear to be reported because specific funding was applied for and granted to undertake the project (described in Victoria as ‘Output Initiatives’). Other soft-projects are not reported on specifically and are funded internally from the operational budget. The main evidence that they exist is the discrepancy between the projects reported in Budget documents and the projects listed in the strategic plans of each Agency which are quite detailed and significantly larger in scope. Interviews with managers within one of the major Agencies confirmed that many strategic projects are funded internally rather than externally and not specifically reported on. The methodology limited our capacity to report accurately on the size of the unreported projects and we have simply made an estimate based on the findings of our interviews and direct experience of several public sector agencies. This is less than ideal but the feedback from a senior manager within VAGO on our earlier academic paper suggests our estimates may be realistic:

“To be frank, the paper is so comprehensive ... and I agree with all your observations. ... Your description and analysis of the investment management guidelines is also good, although DTF [Treasury & Finance] would be a lot more circumspect - however they would admit all the issues you have raised in an off-line or informal conversation”

This finding is very significant because few if any of the strategic goals could be achieved by asset investments alone. New buildings, computer systems and roads for example are generally only enablers and are unlikely in themselves to lead directly to strategic goals such as reduced crime, increased literacy or reduced waiting times for health services.

We have extended our detailed research in the Victorian public sector to an additional review of the Australian state of New South Wales (NSW) following the same methodology. This analysis has less rigour because the results have yet to be validated through interviews with key stakeholders. However, the data has been included below to show the patterns that are emerging. It seems in the public sector between 25-27% of the total budget is spent on projects with slightly more than half of this spent on soft-projects.

Table 1: Estimated project expenditure in the public sector (2008)

Total Budget		Asset Investments	Soft Projects	
			Reported	<i>Unreported</i>
VIC	33.5b 100%	3.7b 11%	2.7b 8%	2.6b 8%
NSW	52.6b 100%	5.7b 11%	3.1b 6%	4.2b 8%

It is very interesting to compare these findings with our exploratory studies of the private sector. We found that in 2008, less than 8% of ASX listed companies (178 of 2224) explicitly reported their IT investment in any form

at all (and IT is usually considered an asset investment). We have found no evidence of any formal reporting of soft-projects and no requirement in the accounting Standards to report this type of project. This leads us to suggest that our findings on the Victorian project investment environment may be generally applicable.

The strategic impact of projects within the public sector

For this paper, the amount actually spent is less important than evaluating whether strategic objectives have been realised. However, reporting against strategic goals is not formalised within NSW or Victoria and there is little or no evidence to show whether strategic goals have been realised. In the case of the state of Victoria, this is surprising because as noted earlier, Victoria is considered a leader internationally in New Public Management. If the realisation of strategic goals is not systematically reported in the state of Victoria, it is likely they are not reported systematically anywhere (because the public service is generally required to have higher levels of transparency than the private sector). We suggest the reason why strategic goals may have not been systematically reported is because the results have been poor and a political liability for the government of the day.

The evidence we have found suggests the strategic goals are not being met despite being stable for almost two decades. A 2009 VAGO audit of literacy and numeracy found that 10 years of effort by the Victorian Education Department, one of the largest public sector agencies, had lifted literacy in only the early childhood years but not in the other school years. Numeracy had actually declined across all age groups. A similar pattern was reported in the VAGO-commissioned consulting report on Health, the largest public sector agency, and waiting times for health services appears to have remained static or deteriorated over time. As long time residents of NSW, two of the authors offer anecdotal evidence that performance in NSW has been worse than Victoria over the same timeframe.

If the investment patterns in Table 1 have been maintained over the past decade as suggested by Figure 1, the implication is that the state of Victoria, one of the better performers in the Australian public sector, has spent tens of billions on projects over the past decade with few strategic benefits being realised. If as suggested, the problem is also prevalent in NSW and in the private sector, then the issue will be of widespread concern and the case for bridging the gap between the top management and project management communities can be justified by economic consequences as large as 1-3% of GDP [15].

Discussion

We have a high opinion of the processes used by the Victorian public service and our findings were a revelation to both us and VAGO. We believe the State of Victoria compares very favourably to the other states in Australia and internationally. It is therefore confronting to suggest that one of the best performers had spent tens of billions on projects over the past decade with few, if any, strategic benefits being realised.

After much consideration, we believe the problem is not so much a deficiency of project management but a misapplication of project management into areas it was never intend to address. Our findings correspond to a very large UK study of over 14,000 organisations that found low success rates despite widespread use of project management methodologies [16]. When considered alongside PMI's large three year multinational study that found no objective evidence that project management added value [17], one is forced to conclude project management is not primarily designed to address effectiveness (e.g. deliver benefits, add value, implement strategy). Historically project management has been applied far more often to new product development than to strategy [18] and seems to be oriented along a completely different dimension: efficiency (delivering a product within quality, time and budget criteria).

The dimension of effectiveness appears to be addressed much more through programme management. Programme management is characterised more as a tool for strategy implementation and has different theoretical foundations to project management [18]. Seminal research has shown that programmes are not simply scale-ups of projects [19] and the skills required of a programme manager relate more to general management and leadership than project management [20]. In our experience the programme of projects required to realise strategic benefits almost always includes the need for change, particularly behavioural change, and programme management therefore needs to have strong interfaces with the disciplines of change management and operational management (or business-as-usual). This is the way programme management is starting to be understood internationally with the UK's Office of Government Commerce product: *Managing Successful Programmes* (MSP) dominating thinking and focusing on the delivery of change [21]. Some however have argued that mainstream programme management is too strongly influenced by the project management tradition and that programme management practices have been codified too rigidly. They are accused of being

programme-centric with responsibility for the realisation of benefits assigned to business managers outside a narrowly defined programme [22]. The required level of documentation works against the need to challenge and redefine the program as new information comes to hand and current guidelines underemphasise the need to adapt to the strategic context in which a programme operates to ensure the strategic benefits are actually realised [21].

Portfolio management seems to be yet another approach with a different position on the efficiency-effectiveness continuum. The conceptual foundations of portfolio management were focussed on the selection of financial investments to reduce risk and increase returns [23]. These concepts were applied to select IT projects [24] and project portfolio management (PPM) has developed and been marketed on the basis of being able to reduce risk and increase returns on a portfolio of project investments [25]. However, fewer than 33% of organisations using PPM report they diversify to reduce portfolio risk [26]. In our experience PPM is mainly used to manage project resource issues and is not used to inform or implement strategy. We believe the problem is that the unit of selection is the individual project rather than a programme of projects. Projects as we noted earlier, seldom deliver strategic benefits in isolation, and our conclusion is that project portfolio management although more strategic than project management, is still oriented more towards efficiency (avoiding duplication) than effectiveness (delivery of value/strategic benefits). The best-practice Victorian public service investment frameworks are quite closely aligned to the concepts of project portfolio management because they emphasise selecting the right projects (Appendix A). However, the Victorian approach is less strategic than the theoretical potential of PPM because their focus is on asset investments and not on the more critical behaviour change projects that are needed to realise strategic goals.

Project governance also needs to be noted because it is an approach that provides a strong linkage between project management and top management concerns. Project governance goes beyond the concept of planning or alignment and focuses on actions needed to actually realise strategic goals. The most recent developments in this area are new project governance Standards providing high level guiding principles consistent with well accepted corporate governance guidelines [27][28]. Early studies have found directors respond well to the high-level approach in these Standards [29], and we would argue that the concept of governing programmes provides the strongest approach to bridge the conceptual divide between top management and project management. However we concede that the practice of project governance is relatively immature. The concept of active governance (i.e. governing) is often lost because practitioners influenced by project management literature and the major project/programme methodologies tend to promote project governance as the establishment of organisational structures to oversee individual projects (i.e. governance) without much guidance on how they actually influence projects to succeed [30].

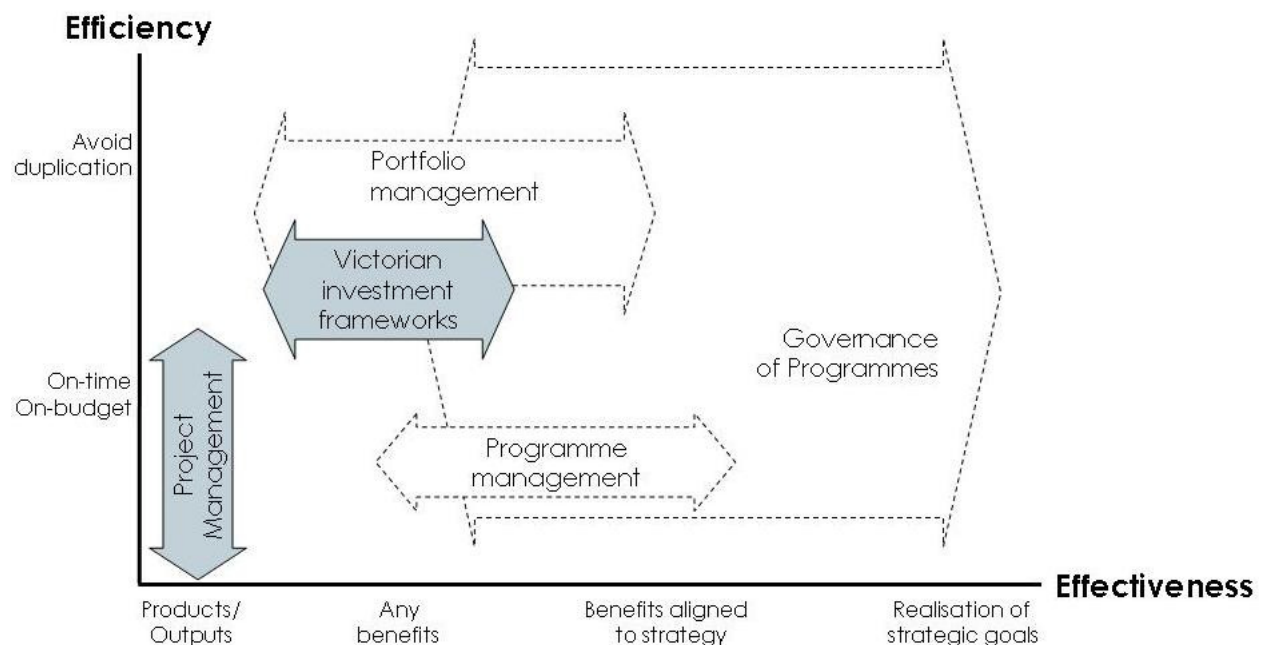


Figure 2: The inter-relationship between project governance and project, program and portfolio management

This discussion of the inter-relationships between various approaches to bridge the conceptual divide is summarised as a diagram in Figure 2. Two axes are used to differentiate the relative emphases of the various

approaches: efficiency and effectiveness. Project management is shown to focus mainly on efficiency and programme management is shown to focus mainly on effectiveness. Portfolio management and the Victorian public sector investment frameworks are shown to have a similar focus on efficiency and a smaller focus on effectiveness. Governance is shown as a bridge between both portfolio and programme management and the realisation of strategy.

What more needs to be done to bridge the conceptual divide?

This paper began with the recognition that top management support is the most important factor for project success. It then highlighted a major consequence, if top managers do not consider project management to be a matter of direct concern, then project success becomes very difficult to achieve. The very high project failure rates reported through many studies over many decades and the example of projects within the Victorian public service provided compelling evidence that the gap between top management and project management has very significant negative impacts on project success rates.

The discussion leading to Figure 2 suggests that portfolio management, programme management and governance have the potential to bridge the conceptual divide between top managers and project managers. The area of common interest seems to be strategy, specifically the successful implementation of strategy. However, it was noted that these approaches are overly influenced by project management concepts, relatively immature and not fully attuned to top management strategic agendas. We turn next to consider what more will need to be done to bridge the conceptual divide in practice.

Portfolio management

Project portfolio management (PPM) is a well established discipline, particularly in the US. It has an extensive literature and is supported in industry by an established and growing PPM software market. However, it shares a weakness with project management and questions have been raised on whether PPM actually adds any value [26].

The value of portfolio selection was justified in the context of selecting new product development projects [31]. The justification is far less convincing with the implementation of strategy. Strategic goals are rarely realised through individual projects and we feel strongly that the unit of selection generally needs to be at the programme level. Others add that PPM, because it is meant to deal with fairly stable environments, can only be effective if combined with programme management which is meant to deal with more turbulent environments and emergent strategies [32].

Most organisations have a limited capacity to undertake major change and we question whether it is appropriate to emphasise PPM in the first instance, especially if say an organisation is only undertaking say four or five major programmes. The example of the Victorian public service shows top managers are prepared to engage at the PPM level to fight for their pet projects. However this approach does not focus on the common inter-related goals and there is a tendency to circumvent the recommended decision making criteria. PPM project selection practices tend to be based on first degree criteria identified with risk management tools and are not complementary to top managers making upper level strategic decisions through non-linear higher level considerations [32].

The problem arises because there is a disconnect in the way strategy is developed and way the strategic is planned [33]. Strategy development is fluid and emergent. Strategic planning, especially when following the current approaches to PPM is relatively inflexible and mechanical. In addition to this, the potential of PPM software (the focus of many PPM advocates), appears to only be justified when other aspects are in place such as top management commitment, agreed benefits measurement and a willingness to deal with project interdependencies and resource constraints [26]. These are significant obstacles and we therefore believe effort is best directed to the modest goal of moving project portfolio management to support programme portfolio management. We believe PPM should not be emphasised in the first instance and that the focus should be on the governance of programmes with PPM enhanced to play a support role.

Programme Management

Programme management in contrast to portfolio management is an immature discipline [34] and potentially easier to refocus. There are less than a dozen textbooks and almost all of them start with by commenting on the dearth of available guidance. This situation may have arisen because the origins of programme management were in the US aerospace and defence industries where it was kept secret for decades. It was only in the 1980s as

people moved did program management take hold in the commercial sector but even then it was sometimes only the *term* being misapplied to the management of large or multiple projects [35]. A common US understanding probably exaggerates this error with the Project Management Institute's (PMI) recently published *Standard for Program Management* focussing on new product development rather than strategic delivery. Realising strategic goals almost always requires behavioural change and we believe it is sub-optimal to focus only on developing new products which is only sometimes part of the overall strategy.

We believe programme management needs to be revised to reflect the insights from thirty years of experience with strategic planning. It is now accepted that strategic planning is fundamentally different to strategic thinking and the level of certainty that can exist with strategy is far less than the practitioners of strategic planning and programme management have traditionally assumed [33].

The WW1 battle of Passchendaele is an example of how a strategy may turn out to be tactically impossible. The generals found after four months and the loss of over a quarter of a million lives, they were sending their men through a sea of impassable mud. They had never inspected the battlefield directly and feedback from the field was either not provided or not heard.

In the same way, programme managers cannot assume that strategy is fixed and their only job is to implement the strategy. It is necessary for programme managers to understand the context, know when to question or inform decision-makers and actively help determine alternative strategies when things do not work out as planned. They need to implement programmes in ways that allows a strategy to be validated and changed if original assumptions turn out to be wrong (as they inevitably will be to varying degrees).

Successful project managers have been promoted into programme roles only to flounder [21]. Programme management competencies are a magnitude higher than the traditional project management competencies. Effective programme managers frequently adapt formal guidelines in subtle and creative ways, or ignore or contradict them completely. They seek more to engage stakeholders than to manage them as the methodologies might suggest. It is as much about coping as it is about planning and rational decision making, as much about re-shaping the organisational landscape as it is about delivering new capabilities. Arguably many of the common guidelines have been found by them to either be not useful or not make sense [20]. The current codification into a common set of transferable principles and processes appears to be inadequate and some even question whether it is possible [21].

We believe what is emerging is the realisation that mainstream programme management practices are not adequate to support strategic thinking and implementation. One major text provides an example of a program to develop a new product independent of another program to market the product without emphasising the need to coordinate decisions to realise the strategic goal of profitably entering a new market [35]. When organisations view programmes in this way, they tend to shoe-horn programmes into project-level thinking, fail to focus adequately on building and maintaining support for the strategic goals and lose most of the benefits sought in setting up programmes in the first place [36][21]. There is a need for programme management to move away from the one size fits all approach [19] and move away from a project management emphasis to build the flexibility to evaluate progress on an ongoing basis and the ability to rapidly adapt in order to realise strategic goals. Tools and frameworks must be developed to allow both project managers and top managers to easily transition between short term project management objectives and adaptive strategies to meet long term strategic goals. We do not believe the tools or the language currently exist to meet this demand.

Programme governance

The strength of a programme governance approach aligned with corporate governance principles is that it is flexible, able to incorporate the experience of boardroom directors and top managers, and be perceived at the senior levels as an extension of their job rather than another onerous burden to comply with [29]. A guideline framed in this approach is exemplified by a handbook published by Standards Australia emphasising six key questions that boards and top managers need to address to influence projects to succeed [37]. The main change that needs to occur is to communicate the message that top managers need to focus on programmes to achieve strategic goals and not projects to come in on-time on-budget.

Two major weaknesses of the governance approach have been revealed through this paper: The first is that there needs to be effective tools that top managers can turn to assure themselves that a key principle or question has been adequately addressed. Program and portfolio management tools appear to be major areas of deficiency because the dominant methodologies are framed too rigidly and do not seem to support the iterative, emergent nature of strategy development. The second major weakness is that the majority of advisors are grounded deeply in the project management tradition and dilute or confuse the message for top managers. They need to be exposed to the new paradigm of focussing on strategic goals, accept that strategy is realised more through

programmes rather than through projects and advise accordingly. This may potentially result in a loss of expert power [7] and ways need to be found for the project management profession to save face and not have their livelihood threatened.

Conclusion

In this paper we have argued that there is little in common between the interests of the top management and the project management communities: a conceptual chasm. We have suggested that the conceptual chasm has led to a dysfunctional lack of engagement between top managers and project managers resulting in high project failure rates and strategic goals not being realised. A study of the State of Victoria was described to illustrate the issue and the significance of the issue. Strategy and the realisation of strategic goals was introduced as a unifying concept with the potential to bridge the top management and project management communities. Project management, portfolio management, programme management and project governance were then reviewed to consider their role in contributing to strategic success and to develop a model that bridged the conceptual chasm. Change management and operational management were considered in a limited way in the discussion of programme management. We finished by considering the developments that needed to occur in each of these fields for the conceptual divide to be bridged in practice.

Our recommendation was that programme management should be enhanced significantly to effectively support the emergent nature of strategic planning. We suggested tools and frameworks needed to be developed to allow rapid 2-way communication transitioning between project management and strategy issues. We recommended that portfolio management should be refined to focus on the selection of programmes rather than projects. We recommended that the concept of programme governance should replace project governance and that the project management community adopt the governance paradigm and focus on the delivery of strategic goals.

Acknowledgements

We thank the Victorian Auditor-General's Office for reviewing our paper and allowing us to report their study in the academic domain. We also thank the management of the School of Information Technologies at the University of Sydney for supporting our study and taking a leadership position in developing a new course to address the issues we have identified.

Appendix A Victorian Public Sector Investment management tools and frameworks

The tools and conceptual frameworks used in the State of Victoria to manage this investment have been developed mainly by Victorian Treasury. Their focus is mainly to support portfolio level decisions to fund projects strategically. Tools are provided to the Agencies to specify the format of project proposals. The objective is to ensure proposals are aligned with strategic goals and to ensure benefits are identified. The tools and frameworks are described briefly below:

The *investment lifecycle guidelines* provide a framework to help agencies understand the criteria that are used to select projects for funding. The guidelines appear to have captured many of the latest insights in the project management literature and specifically differentiate an investment from a project by defining the objective of an investment to be the realisation of benefits and the objective of a project to be the delivery of a product. The *investment management standard* operationalises the lifecycle guidelines by documenting the practices expected to be followed to define the reason for an investment, shape the solution and track the delivery of benefits through the investment lifecycle. The practices include problem definition, solution definition, benefit definition, business case development, investment reviews, benefit reporting, project management and asset management. The *Investment Logic Map* is a specific tool mandated by Treasury requiring asset investments to specifically identify the benefits which they will enable and the additional initiatives that need to be undertaken to realise the benefits.

The *asset management framework* was developed to enable the key decision-makers to control the Victorian Government's asset base more strategically. It along with *Gateway*, which was originally developed by OGC in the UK, was established to drive better government asset investment. The *asset management framework* has a service strategy, asset strategy and a multi-year strategy. The *Gateway* initiative is characterised by reviews of specific investments and a 10-year multi-year strategy to prioritise investments to help meet the service strategy.

There are also other guidelines published by Treasury. Two of the more relevant include the Project Alliancing Practitioners Guide and Project Governance Guidelines. The *Project Alliancing Practitioners guide* provide guidelines for risk sharing when the expertise of private sector organisations is required to help deliver complex and high risk infrastructure projects. The *Project governance guidelines* clarify however, that departments and agencies are accountable for service delivery to achieve government outcomes even when private sector organisations assist in delivery.

We could not find any public information on the mandated *project management* practices in use in the Victorian public sector. The frameworks do not seem to focus on how projects are delivered. Our assessment of the project management methodology developed within the Department of Education is that it is world class. We were advised that most other agencies use either PMBOK or PRINCE2.

We believe the Victorian Investment Management frameworks only support medium levels of efficiency and effectiveness. Their strength is that they emphasise a portfolio approach to choosing projects and using benefits as the selection criteria for investment rather than simply focussing on on-time on-budget delivery. Their weakness is that they are directed at mainly at asset investments (Investment Lifecycle Guidelines Overview version 1.0, July 2008, p4) and do not focus on soft-projects even though the majority of project expenditure appears to be on soft-projects. Our consulting work within several Victorian Agencies has suggested there is significant duplication of effort because the Agencies were large and it was difficult for staff to know what all the different parts of an organisation were doing.

Asset investments alone are unlikely to deliver strategic benefits. An example of this weakness in the investment frameworks can be seen in the example used to illustrate the *Investment Logic Map* tool: an investment in finger-print recognition software was justified because it led to the benefit of reducing processing time. However there was no requirement in the tool to ensure that the soft-projects were actually undertaken to reduce processing time. More significantly there was no requirement for the investment to be linked to a strategic plan of action to achieve a strategic goal such as reducing crime.

The Victorian tools and frameworks are influenced by OGC whose methodologies were originally focussed on overcoming IT failure. There is an assertion that the tools and frameworks broadly apply to non-asset investments but there is no evidence that the assertion is justified. The majority of investments are not IT related.

Our conclusion is that although the Victorian Investment Management frameworks focus on benefits, the emphasis is to ensure an asset is aligned to a benefit rather than the actual realisation of a benefit and there is no focus on realising higher order strategic goals.

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