



Project & Portfolio eXcellence Forum

Portfolio, Value & Benefits Management Changing Behaviours

Discovery Meeting

Teleconference - 28th Jan 2010 - 4pm to 5.30 pm UK Time

Organisations Participating in this Focus Group Include.....

AstraZeneca, Aviva, DWP, Friends Provident, Network Rail, ONS, Transport for London, Unilever, AT&T, BP, BT Openreach, HBOS, Metronetrail, Royal Mail, Shell, Shop Direct & Toyota

Welcome, Introduction and Overview of Meeting Objectives

Xchasm - Welcome to all attendees on this call and apologies from those who cannot make this meeting.

For those who have not attended or participated in an Xchasm PPX forum meeting before, our initiatives are driven by the collective need to share knowledge and experience on a particular topic. All the participants in this focus group have expressed interest in the topic by responding to the original promotion (see appendix).

Xchasm focus group meetings are renowned for their open discussions and debates between peer group professionals focused and aligned around a specific topic. I would therefore ask that all participants on this call be open to sharing information and knowledge on the topic being discussed so that we can gauge the level of knowledge, interest and focus within the group to help deliver a mutually beneficial piece of research.

We do not have a Non-Disclosure-Agreement in place between the organisations involved in this call so participants are asked to be open in discussion but not to divulge confidential or sensitive information to the group during this call.

(Charterhouse rules preside and therefore the comments made during the call will be recorded anonymously in this document).



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Purpose, Objectives & Introductions

The purpose of this call is to identify the collective thinking held within the focus group, to record the challenges currently being faced and those which have been overcome so that we can develop a plan on the next steps to be undertaken and to prioritise this work with the groups' collective direction. The objective is therefore to approach these issues in a planned manner and to provide the group with a clear path in how we are going to attempt to resolve these issues over the coming months. The final outcome will be the development of a set of guidelines around Behaviour Change for distribution to the group.

- IS Strategy, Astra Zeneca - IT strategy - now involved in business strategy, linking long-term direction/strategy to programmes of work.
- AT&T - in US Ohio - programme manager for several years - certified PGMP which includes standards in benefits realization - also working with University of British Columbia where he wants to establish training in tools and capabilities in benefits realisation.
- BP, business change advisor and benefits adviser for trading part of business in Canary Wharf. Has global view of all IT & business projects. He is currently delivering a methodology into group spanning business cases and beyond.
- BP, IT finance team for Group IT - rolling out benefits realisation on all programmes involving IT. Dave wants to articulate the value of IT to BP group.
- Royal Mail, now retired, was head of investment appraisal, managed IT outsourcing handling benefits tracking - interest is as independent adviser
- Director of Group Change at Shop Direct, running benefits realisation method for some years with patchy success. Wants to accurately quantify soft benefits, especially post projects - also wants to link thru to strategy.
- Independent - introduced PfM at Vodafone 7 yrs ago, also worked with Ofcom - working with Rio Tinto at the moment. Peter's current focus is Risk Mgt. 'Enduring interest in behaviour'.
- Shell - responsible for PfM and benefits realisation within IT function.



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The Challenge of Behavioural Change relating to Portfolio, Value and Benefits Management

A Global View – provided by John Thorp (<http://www.thorpn.net.com/>)

We have been talking about Value and Benefits for a long time. There is no shortage of books, articles, frameworks, methods, techniques, tools, etc. around the topic - **the challenge is adoption and sustainment.**

The book - *The Information Paradox* - while recognising that people needed to change the way they think, manage and act if benefits realisation/management is to be successful – The book grossly underestimated how difficult this was going to be. Human behaviour - or rather our inability to change it - from the boardroom to the front line - is at the core of the challenge.

The change that e.g. technology both enables and, increasingly, shapes, becomes more sophisticated and pervasive, our expectations are increased while, at the same time, the complexity in terms of interconnectedness and interdependence, and the resistance to the behavioural changes that are required to realise those expectations increases.



Behavioural Change – The Issue

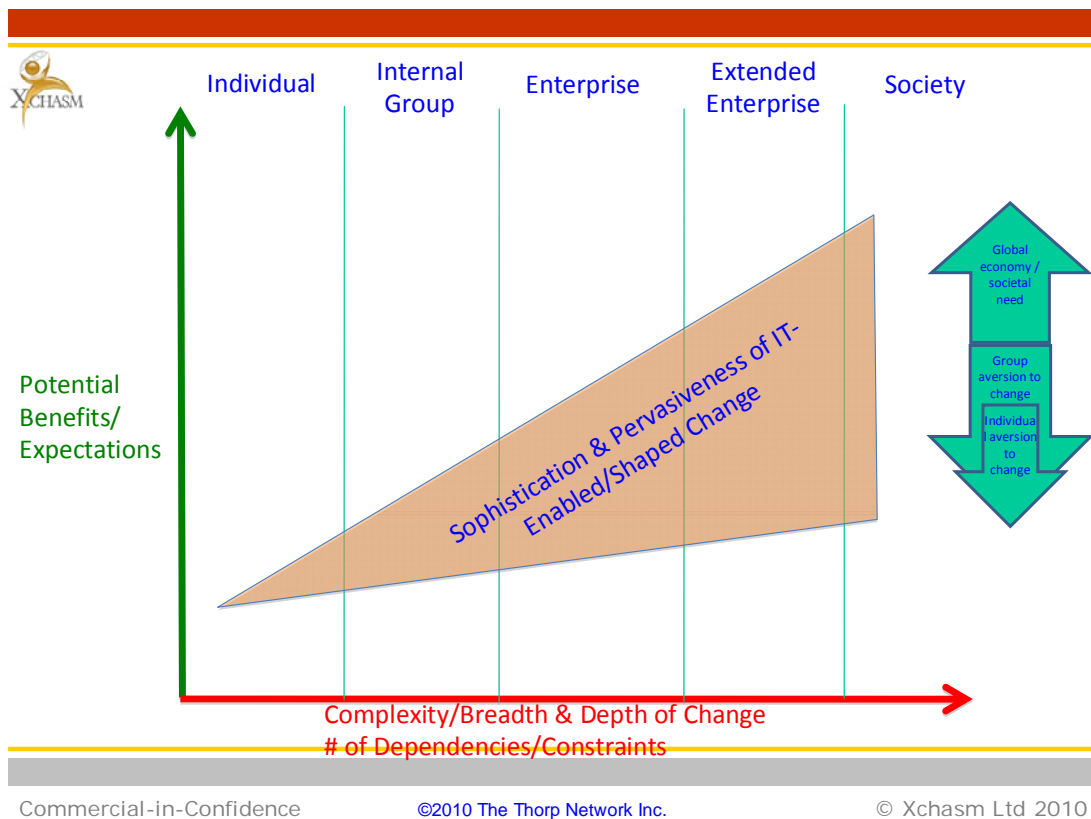
- After all's said and done, there's more said than done
- **NOT** a lack of books, articles, frameworks, methods, techniques or tools
- The challenge is adoption and sustainment
- Human behaviour – or rather our inability to change it – from to the Boardroom to the front line - is at the core of the challenge
- Technology creates greater expectations while at the same time requiring increasingly significant changes to behavioural habits, or norms if those expectations are to be met – all this within an increasingly complex and interdependent “ecosystem”.



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The Complexity of Change

There is often a delta between the complexity of what an organization is trying to do and its appetite and/or capability to manage that complexity. All too often, faced with a choice of reducing complexity or increasing capability, a third choice - denial of complexity - is taken.

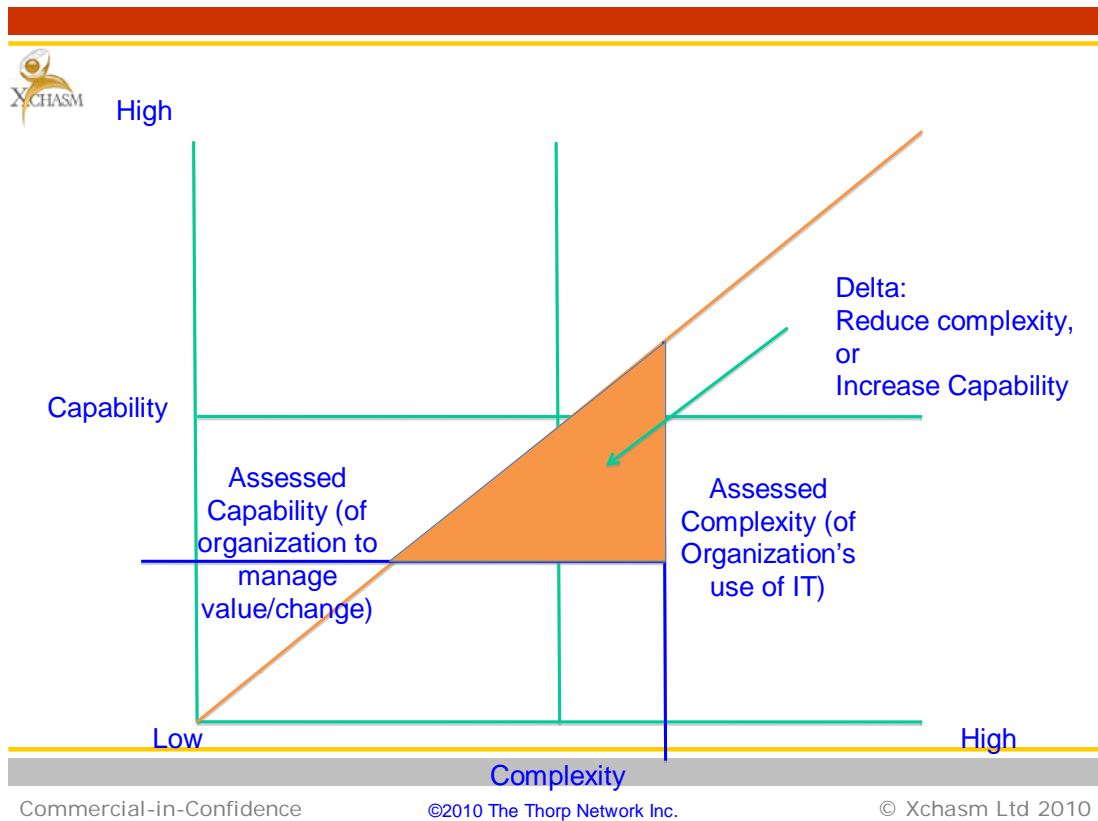




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Capability v Complexity

We need to understand the types of behaviour that constrain us from moving forward, and develop interventions that can change those behaviours, with realistic expectations of how much and how fast we can do so.





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The Challenges of Behavioural Change



The Challenge of Behavioural Change

- **Checking the ego**
 - Knowing what you don't know vs. "I got here because I know what to do"
 - Listening vs. confirmation bias
- **Taking the Enterprise view**
 - We thinking vs. I thinking
 - Collaboration vs. competition
 - Program scope crosses "traditional" organizational management boundaries
- **Embracing shared visibility**
 - Openness vs.. "hidden agendas"
 - No "game playing" (with it's optimistic delusion & "strategic misrepresentation")
 - Recognizing/accepting complexity vs. "you're making it much too complex"
- **Taking ownership**
 - Activist accountability - outcome vs. activity
 - Not abdicating to the IT function
- **Learning to say and accept "no"**
 - Management system worked vs. who to blame
- **Willingness to change course**
 - Accepting ambiguity & uncertainty - managing "an uncertain journey to an uncertain destination" vs. "we don't want to hear bad news"
- **Pragmatism vs. perfection**
 - "Best is the enemy of good"

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Q: What role does the performance and reward system play in this?

John: Very important - often overlooked - a reward system must align with the behaviour you want to encourage.

C: We must also think about what reward targets apply to which roles? Perhaps we should treat each role as a segment!

Q: Funding model - where does this fit in the corporate hierarchy?

John- implied in the management "boundary" challenge - "It's my money and I can do what I want with it." vs. "It's not your money - it's the organisations money and you should be held accountable for its use." Often people do things grudgingly - play the "game" - to get funding then go back to old habits.

C: Agreed and have experienced this, people saying later 'we didn't sign up to these numbers' but now we have a rule that means a project doesn't move on without this buy-in.

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The Openreach Journey

Brought in to Openreach to help them improve their benefits management capability prompted by low returns. Exec agreed to principles, processes, governances changes proposed. However she hit issues when trying to embed these new rules and processes into BAU operations. Feels many of these obstacles were behavioural.



Introduction of:	Prompted behaviours of:
New business case template	Incomplete cases submitted Old templates used Requests for help
Sponsorship Model	Cases submitted w/o sign-off No change in sense of accountability
Aligning Sponsor/Deliver lead scorecards	Excuses! Easy or inappropriate targets set Hard to measure targets set Sponsors refusing to endorse cases
Single database and master measures list	Requests for help Claims benefits cant be measured Claims measures aren't relevant Reporting round the side Difficulties collecting baselines & 'actuals' Attempts at backdating
Creating a single change plan for the business	Over-egging benefits Over-estimating costs Changing projects once budget allocated to BU Objections to results of prioritisation Objections to selection criteria

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The table above highlights the negative behaviours observed, in response to the introduction of each new initiative. For instance, introducing a new business case template prompted requests for help to fill it in from some (which she actually sees as a positive response) but others simply submitted incomplete cases or used the old template.



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Similarly, moving to PfM, (i.e. sharing resources across a single change plan for the whole business), meant that many over-estimated the financial returns in order to get higher up the prioritization list, or disputed the results of the prioritization exercise on the grounds that the wrong selection criteria had been used.

Tried a number of approaches to address these bad behaviours, with varying results, and feels that sharing this sort of experience with each other might help people to apply tried and tested solutions to situations like this.



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Roundtable Discussion

What behavioural issues have been overcome by the group and how i.e. interventions?

What behavioural constraints are currently being faced by the group?

A1

- Asked senior managers what they managed, most quoted team size or budget, no-one mentioned **performance improvement**.
- Management do assign accountability for delivering things, but mgrs don't see themselves as owning performance improvement and can't articulate what that means.
- The company has a clear strategy. In some functions, there is a distinction between run the organisation and change the organisation. Some managers find it hard to do both. Not enough done to handover **accountability** for benefit delivery to new role holder.
- **Interventions:** have been helped by style of new CFO who has brought together all capital expenditure into a single portfolio. 'One on one' **coaching** works best to outline what is required and to gain the buy-in from senior execs.

A2:

- From corporate perspective, recognise that programmes and **alignment** to business cases needs to happen at senior level. Sees silos built where people expect input but point to someone else to produce output.



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A3:

- Company specific - long period of people regarding business cases as part of the funding ritual, once funded, no-one checked back on delivery performance.
- A huge change has been triggered by a new CIO who replaced the existing management team after arrival – a lot of these are now used to benefits which has created very senior evangelists expecting benefits in business cases.
- Not all new managers had been exposed to benefits but its being driven from the top. Q John: What is attitude of managers - is this a hurdle to be overcome or seen as adding value? Very senior people are being **held to account** - couldn't have done this without senior management driving it. Some are seeing value in new rules, some aren't.

A4:

- Working in a BU that has its own IT area reporting into Central IT. Changes have been made in big projects which now have benefits' owners with **performance contracts**. Smaller projects still not embedded.
- Senior CFO interested in large projects, therefore these are most compliant. Over 18m, big projects are becoming very compliant, but we are giving up on tracking smaller projects. Sponsor is directly accountable, so could be asked to prove value, but doesn't believe they will be unless there's a call from seniors.
- New boss has an investment banking background so was expecting him to be more interested in detail of all projects.
- Interventions: Once he can get to see a **benefit owner**, his group help them to recognise the part they play in performance improvement. Finds 121 coaching is most effective way of getting buy-in and compliance. Uses SharePoint/website, has a change working group that helps with introduction of any changes, who must also be involved in driving home changes locally.



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A5:

- Introduced changes – which were successful in using consistent investment appraisal and deployment processes over several years. Then strategy changed allowing individual businesses to develop independently - then saw different methodologies start to develop.
- Organisations change over time, difficult to keep consistency in this event. Introduced process requiring identification of a responsible owner for each benefit - problem - these individuals didn't stay around long enough, those responsible for collecting data also moved around, batons didn't get passed.
- Whatever process you have it is difficult to carry on consistently over time as it requires high-level ownership at board level. Things that got reported at board level with more visibility tended to stay in place, but a lot was lost below the surface. Some people find it convenient to allow things to be masked.

A6:

- Biggest issue is the games at the highest level, e.g. ownership. CIO reports to CEO and is getting questions on the Value of IT- can't articulate it well. Have other priorities, lack of resources - this year a priority.
- Behaviours that are a challenge include who should be driving this? Territorial behaviours- exec leaders aren't at same level of support for this as CIO. Senior execs can make or break these initiatives. Must come from top and directed by the business.
- Corporate culture- little sense of accountability, no one looks at benefits once things get started. Projects that go over several years, with people changes, accountability gets lost.



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A7:

- Has experienced similar things to Sarah. Business does own the benefits. IT doesn't get beaten up so much.
- In operational areas, warehouse etc., there is greater take-up of benefits realization - perhaps they have greater understanding of cost components. Operations are also happier to stand up and be counted.
- Other arms such as trading don't find it so easy to identify explicit contribution/attribution of benefits, e.g. 'increase benefits by 1%' - easier to count costs/throughput therefore easier to measure benefits delivered. Works well in half the organisation - the other half concentrate on how to work round the system. People see it as 'part of the CAPEX process' - not benefits realisation. Do track benefits including those already in delivery and have put together a recovery plan for things not on track. Looking to leverage what's worked in one part of the organisation, and give it visibility to prompt adoption in the rest of the organisation.
- Example- did some work on delivery network, results weren't as expected, recovery dependant on deputy CEO going to talk to distribution arm, as soon as he did, take-up went up.
- When merger happened, were held to account on where money went and what benefits were to shareholders, picked up a method and have continued its use.
- The **Language** used to communicate Benefits Management is also very important

A8:

- Using **Benefits Maps** has highlighted what must change to deliver the benefits, also used maps to set scope.
- Benefits must be measurable. Look for measurable KPIs. Have included benefits maps in business cases, project managers use them early on when engaging stakeholders

A9:

- IT wants to be led by the business. The type of people in the organisation and the environment they work in also plays a part.



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John Thorpe's: Summary of discussion:

Key challenges

1. **Ownership** - who owns this problem? How do we get the business to own this?
2. **Senior management commitment** - this is critical - 'what interests my boss fascinates me'
3. **Accountability** (for performance vs. organization, process and budget) - not just a tick in box - people don't understand - or accept - what it means. Don't, won't or can't link what they are accountable for to strategy.
4. **Boundaries** - people hide within and point fingers between boundaries.
5. **Tenure** - why should I get involved? I'll be gone before success is seen.
6. **Game playing** - people still see it as a game to get money. Need to break ego mindset of 'it's my money' - need to embed performance/accountability culture.
7. **Succession** - how to move from dependency on a person who will eventually move on - need to institutionalise it. How do we make it part of the culture of the organization?

Things that work

1. **Portfolio management** - increase visibility/transparency by putting all capital in one portfolio.
2. **One on one coaching**
3. **Independent support group** - Value Management Office (VMO), Change Working Group, etc. - use to "cross fertilize" ideas/successes.
4. **Benefits mapping/modelling** of individual programmes - gets key players in the room - need to involve stakeholders early, especially people in the business- talk in their language - don't lead with a method, relate to their pain points.
5. **Business Cases with "teeth"** - don't move forward without sign-offs and sogn-offs mean something.
6. **Senior management** pushing the case - walking the talk vs. talking the talk.

Points for follow up;

- Pragmatic approach to how far we can realistically change behaviours.
- Look at all stakeholders and work out who we're trying to change.
- Awareness of trying to map logical frameworks to predictably irrational human beings!
- Increased complexity when changing behaviours as you go up the management structure



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Focus Group - Next Steps

1. Distribute Discovery Meeting Documentation and Slides – 5th Feb 2010
2. Send out follow up survey – 8th Feb 2010
3. Inform Group About Follow Up Face to Face Meeting to be held on 24th Feb
4. Finalise Participation List – 12th Feb 2010
5. Assess Survey and Form Agenda for Meeting – 17th Feb 2010
6. Distribute Final Agenda – 22nd Feb 2010



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Appendix

Portfolio, Value & Benefits Management – Changing Behaviours ‘Focus Group’

(Promotional Email Sent Jan 2010)

Following on from the Value & Portfolio Management knowledge Xchange series from last year, ‘Sarah Harries’ Head of Value Management at BT OpenReach and John Thorp <http://www.thorpnet.com/> have raised the following issues currently being faced by large corporations around the world for discussion and debate:

- How far can Value/Benefits Management be realistically embedded into an organisation?
- How have recent external factors (such as economic and market fluctuations) influenced corporate behaviours with respect to:
 - Internal portfolio investment decisions
 - Leadership styles
 - Organisational culture
 - Value and Benefits Management adoption
- How can Value/Benefits Management be developed from an art to a science? Specifically, what are the (individual and group) behaviours that both constrain and (possibly) determine how far we can go towards value management (et al) as a science?
- How long should we realistically expect adoption to take?
- What interventions can positively change these behaviours?

We will be arranging a series of discussions on the points above throughout 2010 and will be tapping into the collective knowledge to support the focus group in their approaches to behaviour change.



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An initial teleconference is being scheduled for the end of Jan 2010. As a follow up we are planning a 'face to face' meeting in Feb 2010 to coincide with John's Thorp's next visit to the UK.

This knowledge Xchange series is open to relevant professionals within large corporations focussed on:

- internal investment
- portfolio management
- programme and project office development
- value and benefits management
- change management
- performance management