

*White Paper*

# **Strategic Project Performance Management**

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## **Fundamentals**

No matter the industry or the size of the company, well-planned, well-implemented projects invariably lay the groundwork for success in business. This whitepaper, however, concerns itself with neither the successful realization of performance-management projects nor project management as a crucial success factor. If these are the subjects of interest to you, I recommend reading my whitepaper entitled "Success Factors for Performance-Management Projects". An updated version has been posted for downloading from the CUBUS Competence Center.

Strategic Project Performance Management (SPPM) focuses on the in-company management of strategic projects, on their specific requirements, and their integration into the operative/tactical planning and information systems. Primary emphasis is laid on the infrastructure, which affords management, the CFO, and the project leaders a shared platform for all management-related information.

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## Are Strategic Key Projects out in The Cold?

*"Most companies are not short of new visions, ideas, or strategies. What they lack is the competence to translate these into successful projects."*

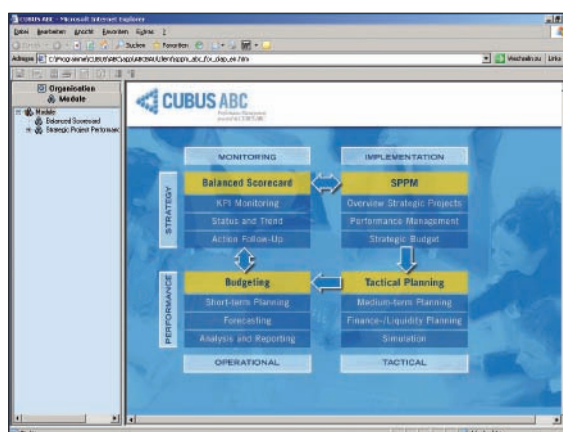
(Campana & Schott: Strategisches Projektmanagement (Strategic Project Management))

Method- and tool-based support for decision-making processes on all management levels have already been established in most companies. Planning and reporting processes on the operational and tactical/medium-term levels are often interconnected and are either already in place or progressing towards implementation using modern approaches, such as Business Performance Management or Corporate Performance Management.

Therefore it is remarkable how little significance is attached to a company's strategic projects. This is all the more surprising given the importance of these projects in terms of the company's future.

Moreover strategic projects such as complete company reorganizations, strategic initiatives, and new business models are often bundled into "programs". As these projects are crucial to long-term success, they are obviously management-relevant and top executives have to do more than just "keep an eye on them".

Strategic Project Performance Management (SPPM) provides the infrastructure for managing these key projects. SPPM is the platform that supplies executives, CFOs, and project managers with the management-related information they need and that integrates with the Business Performance Management infrastructure.



The entry screen of ABC SPPM showing the business management cycle.

## Typical Projects

The projects considered "strategic" within a company depend largely on the nature of the company in question, its size, and its strategic orientation.

This means that project size and type are of secondary importance. The deciding factor is whether the project is so important for the company's medium and long-term future that management has to be in a position to track progress and actively intervene if or when necessary.

The SPPM solution from CUBUS AG is a flexible system for displaying, planning, implementing, and monitoring crucial, long-term strategic key projects such as

- Realignment of corporate strategy / change projects
- Key account projects, for example in the plant engineering sector
- Process optimization
- Construction / civil engineering projects
- Large-scale IT implementations on enterprise level (e.g. SAP deployment)
- Compliance (e.g. Sarbanes-Oxley)

## Who Uses SPPM?

SPPM places the requisite information at the disposal of all departments and hierarchy levels directly or indirectly participating in projects. It offers transparent structures and processes to support collaboration among everyone involved.

### Management

All levels of management, with an emphasis on top management, are targeted by SPPM. SPPM supplies all the relevant information to this target group, so that only a glance is needed to separate important information from unimportant, identify trends and exceptions, and to make quick and correct decisions.

### Project Managers

Project management is the single most important source of information for SPPM. Project managers plan the key performance indicators for a project and map out project statuses.

SPPM helps improve transparency, enhance the learning curve, and ensure project success:

- The projects progress can be viewed.
- At a glance the current status of a project can be compared to earlier versions thus reducing the risk of manipulations.

The simulation of multiple scenarios allows for a systematic risk management.

### **Controlling**

For controllers in general and project controllers in particular, SPPM provides the very first platform for linking finance-oriented structures and project structures. Controllers usually think and act in terms of fiscal quarters and reporting periods. Projects, however, tend to ignore reporting periods and therefore appear difficult to integrate into the processes concerned. On the other hand, reporting and organizational structures are often inapplicable to projects, as projects are usually cross-functional.

### **What Does SPPM Do?**

SPPM renders project planning and control transparent, clear, and comprehensible from start to finish.

### **Project Information for the Management**

SPPM provides access to the entire pool of relevant information about the management of strategic projects. In this respect, the most important information includes project status with regard to:

- Budget (initial budget, approved raises, plan, actual)
- Adherence to schedules (start and completion dates according to specification and current plan respectively)
- Quality
- Degree of completion
- Planned milestones
- Estimate of risks
- Attractiveness of a project for the company

SPPM also contains data on the persons responsible, the steering committee, and the project type (e.g. compulsory project that needs to be done to comply with legal requirements). This information may be based on data from the project management of

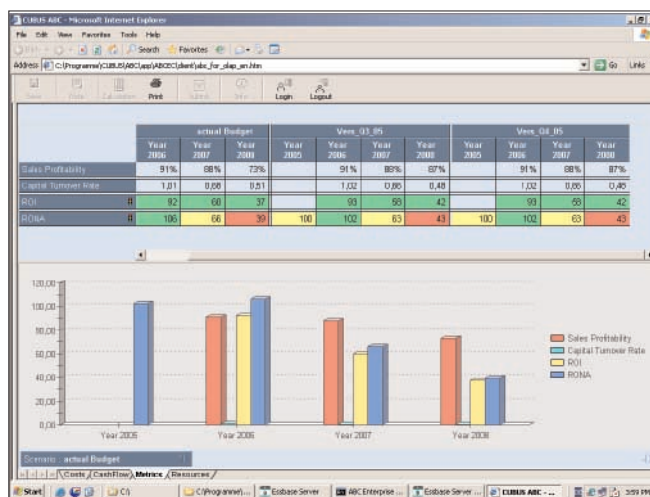
individual projects or from a multi-project management (MPM) approach.

It is important to note that - far from being a substitute for a PM or MPM tool - SPPM is the link between these tools and the Business Performance Management platform.

### Financial Impact / Business Model

Along with information from project management, SPPM also contains business relevant information for these projects. Information of this nature can vary widely from project to project. The need for resources is common among all projects, particularly with regard to human resources.

Earnings and ROI are important aspects of projects undertaken on behalf of customers and projects geared toward developing new products.



Overview of some key performance indicators for a project.

Large-scale projects in particular have to make provisions for possible financing, fixed-asset investments, and other balance-sheet and P&L line items.

Linking commercial data and PM information is one of the core elements of SPPM.

### Unstructured Information

A great deal of the information generated within the project cannot be entered into database fields or tables. Most of this information is in text or graphic form, frequently in special document formats such as PowerPoint, Word, or MS Project.

This wealth of information is essential to the understanding of the project situation and for forward planning or simply to fill in the background to the project. Consequently, an SPPM system must be able to file this information and link it directly to the strategic projects.

## Versioning

To document project performance one must be able to ask questions on status and draw comparisons. Therefore SPPM provides versioning on all project specific information. Consequently, data from the first days of the project can be compared at any time with later developments and analyses can be created leading to important insight that may be used in other, similar projects.



*The project detail view displays all current and filed versions.*

## Integrated Equals Transparent

It is all too easy to view strategic projects as detached from daily business, simply because the planning involved in their implementation is often long-term. The success (or failure) of strategic projects has a major effect on operating profit. Therefore it is essential that these projects are connected to other relevant company systems. SPPM enables management to remain in control of these projects and their effect on medium-term, tactical planning.

## Interfaces to Balanced Scorecards

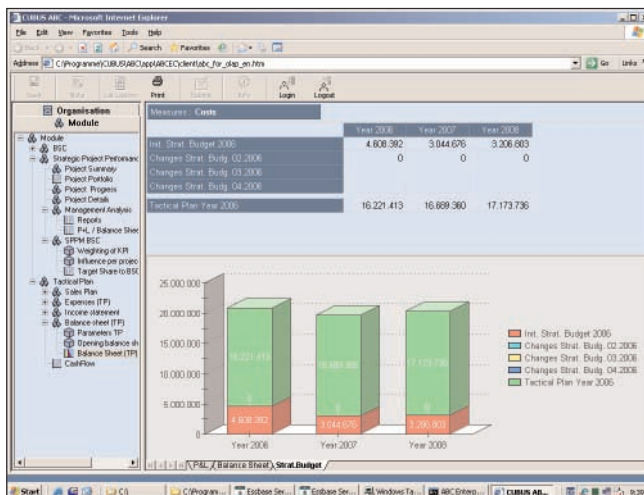
Many companies today use a Balanced Scorecard (BSC) for strategic control by means of Key Performance Indicators (KPIs). A negative trend in one of these KPIs may trigger a strategic project and the strategic projects themselves often have an impact on more than one KPI. Consequently, there has to be a link from the BSC to the SPPM system and each project's target contribution to the strategy needs to be included.

## Interfaces to Operational Project Management Systems

The operational project management system is one of the most important sources of information for SPPM. If data is available in structured form it can be automatically imported to SPPM.

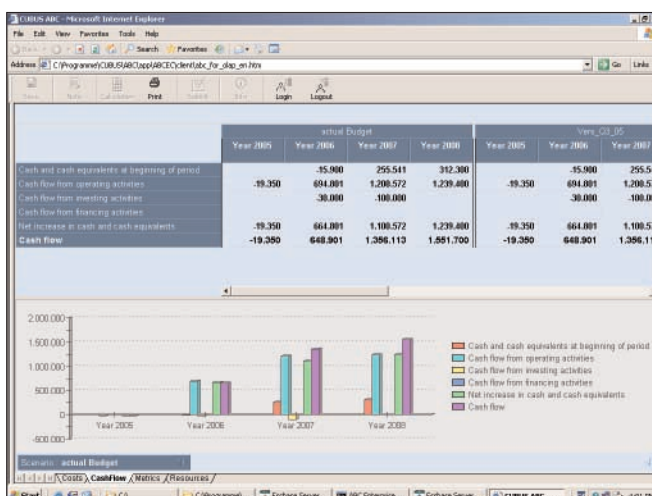
## Interfaces to Tactical Planning and Budgeting

The result generated by the commercial part of SPPM is structured for transfer into the company's tactical (medium-term) planning. Once the information has been imported the impact of changes in strategic projects on medium-term company profitability is easily assessed.



*To what extent is the company's future development dependent on changes in the strategic projects? This screen reveals how the strategic projects will affect tactical planning.*

For example, the development project for a new product generation is delayed by six months due to technical problems. As a result, expected sales will also lag behind by six months. What impact does this have on the financing of the project? How will this impact P&L and cash flow over the next years? What steps can be taken in operative business to at least partially soften the projected losses in revenue?



*Breakdown and development of cash flow by project.*

If no tactical (medium-term) planning is available, an interface to the next budget planning will be equally useful.

## Benefits

Any enterprise can benefit from SPPM in the following ways:

### Transparent Strategic and Tactical Planning

SPPM is the first tool that can integrate the financial impact of strategic projects into tactical business planning. The result is an integrated system combining projects, versions, KPIs, and analyses.

### Management Overview

Carrying the “one version of the truth” principle into the environment of strategic projects prevents fruitless and time-consuming discussions about who possesses the “right” figures.

### Learning Curve for the Company

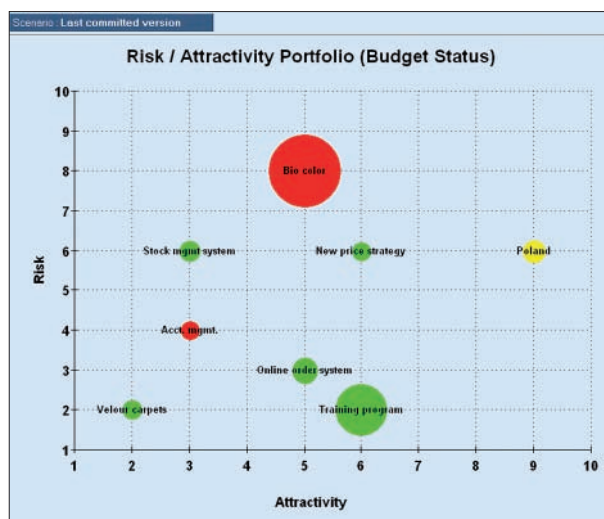
As well as helping project managers to identify errors and successes, version control information enables the other persons involved to benefit from experiences of their colleagues. Each company can use this knowledge pool to develop its own best practices and refine them in each successive project.

### Improved Quality of Company Planning

Medium-term enterprise planning is complemented by an aspect that today is only available by chance or through the input of experienced individuals. As the impact of strategic projects is identified more easily, timely actions can be taken based on facts.

### Focus on Value-Adding Projects

Project portfolio management is enhanced by easy to understand, objective criteria for comparison and validation. Bubble-chart graphics support the decision making process.



The bubble size reflects the project costs, the RAG color coding indicates project status.

## Structured Reporting Processes for Strategic Projects

The reporting processes linked to strategic projects are structured. Projects can now be compared and users, particularly executives, are now able to view and analyze information more quickly and easily. It is also possible to enhance synchronization with

	Project Bio color				Project Poland				
	actual Budget		Vers. Q1 06		actual Budget		Vers. Q1 06		
	Year 2006	Year 2007	Year 2006	Year 2007	Year 2006	Year 2007	Year 2006	Year 2007	
20. Profit / loss for the year	-97.492	1.066.420	263.838	1.224.831	697.887	1.288.109	697.887	1.288.109	
Net Turnover	600.300	1.584.112	941.830	1.742.523	789.485	1.454.270	789.485	1.454.270	
Sales Profitability	-16%	67%	28%	70%	88%	89%	88%	89%	
Current assets	518.700	2.102.812	590.030	2.332.559	629.415	1.993.695	629.415	1.993.695	
Tangible assets	4.615.962	4.099.269	4.615.962	4.099.269	122.222	106.111	122.222	106.111	
Capital Turnover Rate	0,12	0,26	0,18	0,27	1,05	0,71	1,05	0,71	
ROI	11	2	17	5	19	93	63	93	63
RDNA	11	2	-32	-6	-43	130	70	130	70

*Comparison of business KPIs between different strategic projects.*

regard to the timing of general overviews of project progress.

## Detecting Resource Bottlenecks before They Happen and Understanding Their Impact

Key resources are invariably in scant supply. The drivers in companies are generally the mainstays of operative business, and they are also the people who should provide the crucial impulses in projects. Not infrequently, this can apply across a number of parallel projects. Two of the most common reasons why projects of this nature fail is that no-one is aware that these resources are overworked, or that management refuses to countenance the possible outcome of an overload.

## Success Factors

- Sponsor from within top management  
When implementing a new corporate strategy, management can delegate the tasks involved but not the responsibility. The success of the project depends on the commitment of the executive sponsor.
- Balance of interests between controlling and project managers  
SPPM provides project managers with everything they need for successful control of their projects: systematic approach, transparency, and quality. For the first time, the integration into an existing performance management environment enables controlling to combine finance-oriented structures and project structures.
- Rapid introduction (less than 3 months)  
Real-life experience has proven again and again that the faster a new system can be implemented the more successful it will be. SPPM is no exception. Just follow

these time-tested rules: “Think big, start small“ and “Keep it simple“.

- No multiple entries  
A new system should not only improve functionality but also offer improved data connectivity. Whenever possible data from other systems should be transferred automatically. Systematic structuring helps avoid duplication of the workload.
- Integration into the existing infrastructure  
As well as integrating the numerous systems already in use (Microsoft Word, Excel, PowerPoint) for effective project planning and control, SPPM itself can also be embedded into an existing CUBUS ABC solution or other BPM solutions (such as Hyperion System 9).
- Communication/project marketing  
The clear and intuitive data presentation in SPPM minimizes planning errors and corrections. Potentially harmful developments and risks are detected early, the information flow is improved, and the whole decision making and adjustment process is shortened. However, all these benefits will not add any value to the company if the users cannot leverage them. Strong project marketing on the note: "do good and talk about it" becomes increasingly important when the number of involved departments and SPPM users grow.

Please do not hesitate to contact me directly if you have any questions about SPPM:  
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