Challenge of Major Projects

Designing an Organisational PM approach

Simon Dixon - Lead Transport Partner, UK
Session Objectives

• To pose the question - “are we investing enough in building the right organisations to successfully deliver major projects”?

• Discuss key considerations in creating a successful Programme Management Organisation

• To introduce some frameworks for designing Programme Management Organisations and developing the right capabilities for successful major projects

• Share some examples of how major projects have invested in building Programme Management organisations for success

• A short case study on Congestion Charging in London
Session Overview

• Enterprise Programme
• Major Project Delivery Models
• Setting up for Successful Delivery
• Defining the Delivery Strategy
• Delivery Model Considerations
• The Owner-Operator Model
• What Project Capability is Required?
• Considering the Project Lifecycle
Enterprise Programme Management – Framework for successful programme delivery

**Strategic Portfolio Management**
- Linking strategy to a portfolio of programmes and projects
- Translating strategy into change
- Balancing a portfolio
- Understanding impacts
- Dictating pace
- Prioritising and sequencing investment

**Programme Delivery Management**
- Creating focused change
- Structuring related initiatives
- Clear and common objectives for multiple projects
- Understanding and managing interdependencies
- A focus on organisational outcomes

**Programme Architecture**
- Structures, accountabilities and roles
- Decision making processes and forums
- Resourcing and supporting HR policies
- Creating new teams
- Building skills
- Establishing communication
- Providing the working environment

**Project Management**
- Applying consistent approaches and standards
- Creating consistent information
- Using ‘good practice’ methods and tools
- A lifecycle of change packages

**Change Architecture**
- Integrating human elements of change
- Creating vision or context
- Developing leadership
- Communication mechanisms to support change
- Performance management and reward policy
- Organisational redesign and transition
The Results …

**Standish Group, Chaos Report**
1994 – 2009

*Verdict:* Steady rise in rate of successful projects over the last 2 decades but only a 3% increase seen in the last decade; increase in the number of failed projects in the last decade


*Verdict:* The technical ability to deliver projects has improved but the maturity of organisations to deliver change needs to improve

**Project Management Journal; Are We Getting Any Better? A Study from 2000 to 2008**
Erling S Andersen, 2010

*Verdict:* Project management as a field has improved greatly but the ability of organisations and projects to meet their goals and benefits has not necessarily followed suit

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**Chaos report findings by year**

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<th>Year</th>
<th>Successful</th>
<th>Challenged</th>
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Major Project Delivery

We need to understand the organisational context and operating model success factors which shape successful project delivery.

Creating a successful project delivery approach requires consideration of all elements of an organisation's operating model.
Major Project Delivery Models - Not One Size Fits All

In order to determine the appropriate delivery model for a major project, it is important to first of all understand the project within the context of its operating environment.

- **Classical Model**: Projects within an enabling organisation.
  - **DEFRA, MOD**

- **Special Purpose Delivery Organisation**: The project is the organisation.
  - **LOCOG, Crossrail**

- **Trojan Horse**: The project is morphing team members into Business as Usual.
  - **Transport for London**
Setting up for Successful Delivery - Three key questions to consider

There are three overarching questions to ask when setting up to deliver a capital project, all of which contribute to a project’s ability to deliver real value efficiently.

What should your delivery model look like? What capability do you need? When is capability required?

Answering these enable the definition of a delivery strategy, its core components, and how the organisation’s capabilities need to change over time.
Defining the Delivery Strategy - To fully define an organisation's required capabilities and delivery model, we must understand an organisation's overall objectives and vision.

- **Vision, values, & objectives**
- **Delivery Principles & Model**
  - **Delivery Model selection and design**
  - **Design of Target Operating Model**
  - **Development of functional level Policy, Strategy & Capability**
- **Detailed Operating Model**
- **Functional Implementation**

**Questions to consider:**

- What do we stand for?
- How will we deliver vision, value & objectives?
- At an enterprise level, what are the enabling structures & capabilities?
- At a functional level, what are enabling structures & capabilities?
Delivery Model Considerations

Corporate Strategy
- Risk appetite
- Growth strategy
- Commercial strategy
- One off / repeating project

External Context
- Regulation
- Market conditions
- Supply chain maturity
- Skills / Job market

Delivery Model

Organisational Context
- Experience
- Org structure
- Governance
- Buy or Build?

Project Context
- Finance
- Timescales
- Complexity
- Procurement strategy
- Location
- Risk profile

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The Owner-Operator Model

- At the core of the delivery model definition is the conscious decision on the owner/operator model to be adopted.
- This will determine the organisational setup, where accountability lies and the role of the client during delivery.
- Getting this decision right upfront enables definition around roles and responsibilities.

Owner / Operator Model Types

- Dominant
- Dominated
- Leveraged

<table>
<thead>
<tr>
<th>Owner / Operator Model Type</th>
<th>Owner</th>
<th>Delivery Supply Chain</th>
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<tbody>
<tr>
<td>Dominant</td>
<td>Owner</td>
<td>(e.g., EPCM or EPC Contractor)</td>
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<tr>
<td>Dominated</td>
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What Project Capability is Required?

• Selecting a delivery model has been traditionally based on considerations such as project complexity and risk appetite

• This must be supplemented with an assessment of the capability that is required to successfully execute in order to derive real value from the chosen delivery strategy

• The components do not exist in isolation, but are interwoven with the other layers enabling an integrated and efficient design

• Each layer of the operating model is underpinned by the principles defined in the overall delivery strategy
Considering the Project Lifecycle

- Requirements for an appropriate delivery model, and the capabilities needed to deliver it, will change over time for a project.
- For example - the approach to decision making needs to change over time along with the transition from planning to delivery.
Conclusion - “are we investing enough in building the right organisations to successfully deliver major projects”?

• Delivery organisations are moving up the maturity curve
• Under investment in the organisational aspects which enable a high performing delivery organisation
• There is no single way to approach programme delivery, and many factors impact on deciding which route to take
• Defining and building a successful organisation requires a range of capabilities to work together
• It’s a dynamic environment – plan for change
London Congestion Charging
“Making it happen”
An Overview of Road Pricing Schemes

London CC Scheme (Original & WEZ)
The Case for Road User Charging

“Traffic speeds in London in Victorian times were faster than those in 2000 prior to the introduction of the congestion charge”

Traffic congestion
- A worldwide issue
- Unpredictable travel times
- Delays
- Environmental damage and economic cost

Number of motor vehicles growing faster than growth in new roads - congestion will get worse

Charging seen as the most sustainable solution to match supply and demand. A few cities around the world have implemented Congestion Charging and more are considering it:
- London
- Stockholm
- Hong Kong, Singapore, Milan
- Auckland ? Rome? Vancouver?
The London Experience

• In 1999, the UK government gave the Mayor of London and every Local Authority the legal powers to introduce congestion charging.

• An extensive feasibility study carried out in 2000, appraised options for reducing congestion, including congestion charging and parking levies.

• Ken Livingstone, the first elected Mayor of London, made the introduction of congestion charging in Central London a key element of his summer 2000 election manifesto and his Transport Strategy of July 2001.

• The initial scheme, which became operational in February 2003, was the world’s largest road user charging operation. This ground breaking and ambitious project was delivered in just over two years, a timescale which was variously described by observers of the scheme as ranging from challenging to unachievable.

• In February 2007 the London Scheme doubled in size with the Western Extension, but was taken out of use in when Boris Johnson became Mayor.
Initial policy was developed into a business design

- A comprehensive public consultation with over 130 stakeholder organisations was carried out. Stakeholders included:
  - 33 London Boroughs
  - Emergency services
  - Business representatives
  - General public
- A ‘Scheme Order’ had to be drafted to provide a legal definition of the scheme, setting out all aspects of its operation
- The initial policy had to be refined and developed into a high level design. This produced a framework for the scheme and an overall business model, including the technical architecture and structure of the back-office functions
- A more comprehensive functional and technical statement of requirements was developed, a cost and volume model was produced, and a detailed procurement strategy was identified.
Turning the business design into reality required selection of a service provider

• The procurement strategy was designed to:
  • Increase competition by separate procurements for each element
  • Reduce risk through carrying out a Technical Design Study as part of the Primary Services Provider evaluation
  • Minimise risk of financial penalties whilst waiting for critical Mayoral decisions by using innovative call-off contracts

• This led to the appointment of the Primary Service Provider. TfL then managed the Primary Service Provider through the technical implementation, providing support such as:
  • Monitoring the Service Provider’s progress against the contract,
  • evaluating technical deliverables
  • managing the overall testing and proving aspects of the Scheme up to go-live
  • development of operational processes to define the structure and staffing of the operations team
A comprehensive public information campaign was essential

- Had to overcome an initial poor public perception of the scheme with local papers predicting “traffic chaos” and “tube fears”
- Major Public Information campaign launched to reduce concerns and inform public of key points
  - Simple poster campaign
  - TV & radio adverts
The scheme has been very successful…

The initial Scheme was successfully introduced to plan on 17 February 2003 and the Western Extension went live equally smoothly on 19 February 2007. TfL closely monitors the impact of the Scheme and publishes an annual monitoring report on the web.

The headlines in May 03 were:

- Congestion has reduced by 30% with the volume of traffic entering the zone during the charging day reducing by 18%
- No evidence of systematic increases in traffic outside the charging zone
- Journey times reduced on average by 14%
- Increased reliability of journeys (variability reducing by between 27% and 34%)
- Drivers adapted rapidly to the charge. New traffic patterns were quickly established and have remained stable.

And the headlines in May 07 were:

- Traffic entering the extended zone is down by c. 15%
- Traffic on the boundary route and the free through route shows small changes in line with overall expectations
- Traffic entering the original charging zone from the free through route and traffic in and around the original zone shows little overall change
- Drivers adapted rapidly to the charge. New traffic patterns were quickly established and have remained stable
But how did we really do?

‘C’ is for calm: commuters stay away as London brings in congestion charge

Chaos, mayhem, dead cyclists ...well, no, the streets are empty

Capital breathes easier after day one
Whatever happened to rush hour?

Dire predictions of C-day gridlock fail to materialise as commuters cruise into central London.
Lessons Learned – Top Tips for successfully putting policy into practice

• ‘Recruit’ a committed political champion
• Understand the appetite for risk
• Keep the public & stakeholders informed and on-side
• Secure co-operation from third parties
• Pick the right scale and pace
• Use proven appropriate technology
• Focus on customer relationship management
• Ensure a successful debut – plan appropriate contingencies
• Procure appropriate contracts & ensure effective contract management – don’t get locked in
• Implement effective project management disciplines
What’s your appetite for risk?!
Stakeholder Issues

• Don't underestimate the level of resource that will be required to manage the Stakeholders, particularly if you have some hard dependencies on any of them
• Be particularly careful with bodies that are associated politically with the project. Ensure they are onside rather than briefing against you. Keep them well informed and made to look like they are part of the decision-making process where necessary, even if they aren't
• Don't underestimate the time it will take to get decisions from Government-type bodies
• 3rd party government bodies/agencies can blind side you - make sure all their internal sign offs are full and complete where appropriate.
• Get contracts/MOUs with government agencies and manage them as with any other supplier
• Be aware of the relationships that other parts of your organisation have with your stakeholders and make sure you are all sending the same messages of supporting the project
• Be prepared for political interference on policy-making regarding sensitive stakeholder groups
• Be thorough in writing the report on any consultations and ensure you have addressed all points made.
• Be prepared to invest in good PR and PI.
Scale and Pace
Good Customer Relationship Management!

Stand and deliver, you car-driving bastard!
17 February 2003

 FAILURE IS NOT AN OPTION
 GENE KRAZ
 FORMER FLIGHT DIRECTOR, NASA
An Overview of Road Pricing Schemes

There is a Bomb in your building on Level 3. Do not leave the building or it will explode.
“another RTA!!”
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Simon Dixon, Lead Transport Partner, UK

Simon is a Partner in Deloitte’s Public Sector Practice where he specialises in the delivery of complex business-critical transformational and capital programmes, with a track record of putting government policy into practice. He is the Lead Client Service Partner for Transport for London and the Department for Transport. He has a unique combination of programme management, people, commercial and procurement skills combined with a breadth knowledge of transport related leadership, operational and policy issues.

Simon is one of the main Deloitte Partners supporting Major Projects Leadership Academy for the Senior Responsible Officers and Programme Directors of the UK Government’s top 350 programmes. Oxford Said Business School and Deloitte run this Academy for the Cabinet Office and Simon has been an Action Learning Set facilitator for 3 of the 9 cohorts.

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