Linking Strategic and Project Concepts to Enhance Management Advisory Services

By Thomas R. Pressly

As corporate executive demands for expanded expertise continue to multiply, financial professionals continue to play the role of valued strategic consultants, according to the *Wall Street Journal* (Dana Mattioli, "Finance Chiefs Expand Roles," January 31, 2011). These professional demands can create new opportunities for niche advisory firms to capitalize on increased demand for small business services in the United States ("Small Firms Can Capitalize on Their Size to Compete with Big Regionals," AccountingWeb, December 20, 2011). Companies can market their intellectual capital using the six competitive advantage characteristics identified in *Exhibit 1*. By becoming familiar with a strategic decision framework, CPAs and business advisors can provide support and advice to clients that are growing or experiencing organizational change.

Strategic Management Decision Framework

A decision framework, as shown in *Exhibit 2*, can help management advisory personnel coherently illustrate the direct links between

strategic change proposals and project management procedures to small business executives. A logical project management format translates strategic goals into detailed implementation tasks. Coupling strategic and project issues increases the likelihood that a company's organizational change will succeed. In addition, a standardized decision template can allow smaller business advisory firms to provide a clearer picture to clients of potential growth in core competencies. It can also underscore the value of thorough planning and assimilation policies in the event of organizational change.

Comparative vision and mission statements. In order to determine the direction of organizational change, executives should develop brief comparative statements that summarize a company's current operational situation, as well as its desired outcomes. A vision statement serves the following three primary purposes:

- It compels an organization to state a level of expected future performance.
- It accommodates an objective comparison with current conditions and defines the scope, outcomes, and limiting parameters of change.
- It fosters mutual contractual harmony that matches customer and consultant expectations.

A mission statement complements the vision statement with a short narrative about current conditions related to the issue of organizational change. The mission statement should also identify a company's core competency strengths, as well as the internal weaknesses that will be confronted within a given change environment.

Setting strategic goals and objectives. A comparative analysis of present and anticipated performance levels defines the goals and objectives necessary for performance improvement. To provide direction, the SMART mnemonic is often employed:

- Specific to the project
- Measurable
- Attainable
- Reliable
- Timely.

Qualitative objectives could include training effectiveness (learning), information relevance and reliability, and internal policy control. Quantitative measures could focus on cost and scheduling efficiencies when implementing change. Another critical component often overlooked in strategic design is the modification of compensation systems to reward appropriate behaviors attained by managers following the change. Reward systems tied to previous work expectations may produce dysfunctional behaviors that can limit the long-term effectiveness of change.

Strategic transition goal parameters must first assess internal strengths and weaknesses in the change units. Internal strengths represent core unit competencies that should be exploited while implementing change. In addition, external opportunities and threats to a change proposal that are posed by creditors, owners, and competitors for scarce resources (financial, human, and physical) must be ascertained.

Unit weaknesses can be managed through the acquisition of human/technical expertise or infrastructure, the enhancement of current intellectual capital through training, or the engagement of outside third-party specialists; however, outsourcing increases risks of delayed outcomes and substandard performance from a lack of direct oversight authority. These risks can be minimized by documenting expected time and performance criteria to prospective outsourcers during negotiations and involving outsource representatives directly in strategic implementation development decisions.

Strategic action plans and implementation. A recent survey of project managers revealed that 53% of information technology strategic implementations either missed their deadlines or came in over budget. Nearly one in five implementation projects failed to reach its anticipated achievements (Clifford E. Gray and Erik W. Larson, *Project Management: The Managerial Process*, 5th edition, McGraw-Hill/Irwin, 2011).

Depending upon the depth of anticipated change, strategic plans can be crafted at the overall business, functional staff, or operational levels. Furthermore, incorporation of strategic plans within various company factions underscores the value of interpersonal skills, such as employee motivation, clear communications, and managerial leadership in successfully attaining strategic goals and objectives.

Organizations can make the most of the strategic implementation of change by relying on project management principles, including initial executive decisions, establishing project parameters, and defining project tasks and responsibilities. The following sections address several project management principles, and *Exhibit 3* identifies a project management decision framework.

Initial Executive Decisions

Implementation of strategies for organizational change often involves project planning, creation, and delineation. Projects represent unique actions that have distinct beginnings and ends. The creation of a project should begin by defining the project's scope. For example, will project outcomes affect individuals, groups, or the entire company? The identification of impacted units serves as a mechanism for subsequent cross-functional project membership formation that adequately engages these entities. Project colleagues can be chosen by an executive oversight committee or a designated project manager while conferring with other affected individuals and groups throughout the project implementation.

Several other executive decisions should be assimilated into the project formation process as well. A project sponsor selected from upper management can act as a communication link between upper management and project teams. Project sponsors can mediate intra- and interorganizational factional disputes and disseminate project time, cost, and performance progress reports for executive appraisal.

Upper management must also decide upon allocations of project resources. Project resource priorities are often classified as compliance (mandatory), short-term operational, and long-term strategic. Compliance projects normally fall under

EXHIBIT 1
Competitive Advantages of Small- to Midsized Management Advisory Firms

1. Experience
2. Staff continuity
3. Staff supervision by in-house personnel
4. Human resources flexibility
5. Price
6. Personal service and attention to detail

regulatory requirements with constrained completion deadlines. The immediacy of compliance outcomes in meeting regulatory demands can remove valuable personnel from operational and strategic initiatives pursuing long-term competitiveness and market opportunities.

Management must design a corresponding information system in order to provide reliable and timely information to project participants. A project communication plan should address the following common areas:

- Decision units and the needs of affected stakeholders
- Methods of disseminating and evaluating compiled data
- Responsibility and timing of the distribution of project information.

Distribution lists and information details should be adjusted for specific stakeholder groups, such as executives, employees, project members, and supervisors. For example, the core of a project information distribution process begins with work-package employees delivering regular feedback about actual time and costs. Project managers and analysts then compare actual figures to budgeted figures by calculating cost (budget) and schedule variances. Consistent with time and cost projections, work-package variances are "rolled up" from functional cost accounts into subdeliverables and, finally, into overall project time and cost variances for examination by upper management.

EXHIBIT 2
Strategic Management Decision Framework

Decision One: Vision Statement—Anticipated Change Outcomes

Decision Two: Mission Statement—Current Position (Customers, Products, Markets, Operations)

1. External Environment
   - A. Economic
   - B. Political/Regulatory
   - C. Social/Cultural
   - D. Technological
   - E. International
2. Internal Environment
   - A. Strengths: exploit core competencies
   - B. Weaknesses: improve/outsource
   - C. Opportunities: market share/stakeholders
   - D. Threats: competition, innovation

Decision Three: Change Goals and Objectives—Balanced Scorecard

1. Customer/Stakeholder
2. Financial
3. Operational
4. Employee (intellectual capital)

Decision Four: Strategic Change Formation—Action Plans

1. Corporate
2. Strategic Business Unit—Division/Department
3. Functional—Staff
4. Operational—First-Level Supervisors

Decision Five: Strategic Change Implementation—Projects

1. Selection Priorities
2. Organizational Structure
3. Work/Organizational Breakdown Structure
4. Budgeting/Resource Allocation
5. Scheduling—Activity Network
6. Controls/Feedback

Organizational Structure

Top management must also meld a project group into its prevailing organizational structure. Short-term internal operational projects can often be absorbed into functional teams of current employees from impacted departments. Supervisors from departments critically involved in a project's outcome are frequently motivated to serve as team leaders. But a vested interest by one department might cause other, peripheral project members to lack a commitment for efficiently attaining team goals in a timely manner. The recognition/reward system might also be skewed toward rewarding the accomplishments of an individual project supervisor rather than group achievements. Under this practice, secondary project members tend to prioritize their own operational/reward needs, while neglecting ancillary project deadlines or producing substandard results.

The opposite approach to a functional project group separates an autonomous project component from regular operations. Team members are removed from their operational responsibilities and work entirely on project tasks. These designated groups frequently deal with long-term strategic issues that entail radical organizational change. By concentrating on a single issue, dedicated teams can swiftly complete duties with innovative suggestions and performance outcomes. On the other hand, dedicated project teams can create an insular decision-making process and can present difficulties when blending team participants back into mainstream operations after the project's closure.

A third alternative for resolving project organizational issues involves allocating employee assignments between daily operations and project participation; however, this dual-authority matrix structure introduces the possibility of supervisory competition for critical employee resources. Thus, the matrix system demands experienced employees comfortable with multitasking and collaborative negotiations between operational and project managers to resolve human resources apportionment conflicts.

Shared project authority can be expressed within three categories consistent with project supervisory control. Weak matrix arrangements limit a project manager's authority to staff functions, such as processing data; maintaining task schedules; and coordinating status meetings of project members, managers, and sponsors. Operational supervisors retain power over project personnel assignments and time availabilities.

A balanced matrix, the most difficult system to undertake, requires jointly negotiated project decisions before a project begins. Preliminary discussions can be time-consuming and can cause project delays. This system can generate significant conflict among competing internal entities and dysfunctional uncertainty among project participants regarding specific supervisor allegiances and task priorities. Unless they are resolved early in the project planning phase, internal authority conflicts can further work-related stress and burnout, which can lead to negative project performance and progress.

Lastly, a strong matrix approach assigns most decision-making authority to project leaders, with operational supervisors supplying consulting assistance upon request from project heads. This method closely mirrors the processes of a dedicated project team, but without a physical separation of members from daily operations.

Defining Project Parameters

Once organizational choices are made on project authority, participants, and leadership, detailed project parameters must be established. Objectives evolved from financial and strategic management goals should guide the partitioning of major project deliverables and timetables (milestones) into smaller work packages connected to individual departments and employees.

Project scope statements should document technical, physical, and human resource requirements, along with limits and exclusions, in order to reduce the chances of project time or cost overruns from subsequent task requests. Three primary outcome measurement questions must also be addressed prior to a project's launch. Top management must classify time, cost, and performance quality preferences as constrained (fixed), enhanced (improvements), or accepted

EXHIBIT 3
Project Management Decision Framework

Decision One: Project Selection—Consistent with Strategic Goals
- 1. Compliance (required/regulatory)
- 2. Operational (short-term)
- 3. Strategic (long-term)

Decision Two: Project Participants and Organization Structure
- 1. Cross-functional
- 2. Leadership
  - A. Project sponsor (executive)
  - B. Organizational authority
    - a. Functional
    - b. Dedicated project
    - c. Matrix (weak, balanced, strong)

Decision Three: Defining Project Outcomes and Task Responsibilities
- 1. Work Breakdown Structure—Performance/Deliverables (outcomes)
  - A. Work packages—individual task responsibilities
- 2. Organizational Breakdown Structure—Delegation of Authority
  - A. Cost accounts—data collection and control
  - B. Specific/slow/accuracy (slack)
- 3. Reconciliation and Stakeholder Agreement

Decision Four: Budgeting (Cost) and Scheduling (Time)
- 1. Top-Down: Past Experience —Similarity to Prior Projects
  - A. General, speed, and standard costs
- 2. Bottom-Up: Work-Package Assignments

Decision Five: Activity Networking
- 1. Activities—One or More Work Packages
- 2. Early or Late Start or Finish
  - A. Independent work-package activity—time estimates
  - B. Time lags between activities
  - C. Laddering—parallel activities with lags
- 3. Slack Time—Resource Allocation
- 4. Critical Paths
  - A. Activity network having least slack
  - B. Determines project length

Decision Six: Project Control
- 1. Data Collection and Analysis
  - A. Who, what, when
- 2. Time, Cost, and Performance Variances
  - A. Responsibility level
  - B. Cost variance
  - C. Scheduling variance
  - D. Cost and scheduling efficiency indices
  - E. Expected cost and time to complete
- 3. Status Reports
  - A. Previous assignments
  - B. Current conditions
  - C. New issues or problems
  - D. Assignment of responsibilities

Project sponsors and teams should regularly consult with stakeholders that have a direct interest in the project's anticipated outcomes in order to generate organizational commitment and mitigate future misunderstandings.

(deficiencies) in order to provide decision guidance during the project's life cycle. These preliminary determinations support allocations of project resources by top management, and justify project evaluations and adjustments by project managers throughout the project's duration.

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Defining Project Tasks and Responsibilities

A work breakdown structure (WBS), similar to a flowchart but without conditional statements, outlines the specific tasks needed to complete project deliverables. The WBS follows a top-down format that divides the overall project scope mission into smaller subdeliverables until delineating individual work assignment packages. The vertical WBS configuration is then merged with a horizontal organizational breakdown structure that specifies department responsibility for work-package time, cost, and performance results. The intersection of work packages and operational responsibilities forms the basis for generating cost accounts for budgeting, data collection, and cost analysis during project activity.

A bottom-up budgeting approach for work-package times and costs increases employee participation, commitment to project goals, and understanding of comprehensive project missions. On the other hand, this method takes longer to complete than general analogies based upon prior work histories—yet it is considered to be superior for projects involving significant organizational transformations. During the compilation period, cost, time, and performance estimates should also be solicited from any outsourcers involved in project efforts.

Time and budget approximations entered into the WBS or organizational breakdown structure flowcharts assist in determining a project network's scheduling system and standards for project control reviews. Each participating unit can also prepare simple responsibility matrices to clearly disclose employee duties within the project work structure.

Critical Paths and Project Controls

Successive work-package time estimates in the project network should be combined to ascertain the earliest possible project duration in the project network. A comparison of early and late start- and finish-activity times can reveal potential project slack times; during these slack times, project resources can be temporarily reassigned to other operational functions to maximize overall capacity. Sequential events with minimal early or late differences can establish critical project network paths. Critical paths can identify activities with the highest risk of delaying anticipated project completion. Critical activities can enable the assessment of a project's timeliness, the lobbying for adequate resource allocations before a project's commencement, and the additional resource requests to speed up critical activity completion to recover from previous delays.

Earned Value System

Once project activities commence, control measurements can be used to quantify time, cost, and performance efficiencies. The appraisal of performance outcomes normally falls under the scrutiny of quality control and supervisory personnel. Percentage-of-completion estimates can be obtained from project managers and work-package centers. Direct material, labor, and equipment costs that are accumulated in project cost accounts, combined with actual work-package completion percentages, establish a unique project control practice commonly known as the earned value (EV) system. The EV system compares work-package percentages of completion, multiplied by budgeted costs at specific time periods, with actual direct cost figures accumulated over identical timeframes. Baseline project budgets allocate cost estimates over

EXHIBIT 4
Earned Value Methodology for Project Control Analysis

1. Project Direct Cost Variance—(CV) = EV – AC

Work-package completion percentage × total budgeted cost (EV), less actual direct project cost (AC) for the same stage of work completion. Negative figures indicate cost overruns at explicit points in the project.

2. Project Schedule Variance—(SV) = EV – PV

A subset of the cost variance, this difference compares EV values with expected baseline (point-in-time) budgeted costs at equivalent points of project progression (PV). Negative variances signify excessive expenditures from work-project delays.

3. Project Cost Performance Index—(CPI) = EV ÷ AC

Work-package cost efficiency relative to actual performance accomplishment. Lower ratios suggest greater overspending.

4. Scheduling Performance Index—(SPI) = EV ÷ PV

Work-package labor efficiency relative to actual performance accomplishment. Lower ratios signify time wastefulness.

project activity periods, rather than over time. This allows for a comparison of actual and budgeted cost figures based upon the extent of equivalent project accomplishment. *Exhibit 4* describes the core of the EV control methodology.

EV variances and other derivatives of these metrics incorporate earlier facets of project planning at the work-package and functional authority stages of the WBS by contrasting activity and time—that is, EV and project progression (PV)—budget estimates of actual cost account figures. Differences between EV, PV, and actual cost statistics isolate project delays that can negatively impact project cost constraints and overall performance quality.

Poor schedule variance results can justify supervisory adjustments to project timetables by speeding up (crashing) further project activity with additional physical and human resources; however, project crashing should only be undertaken if the incremental benefits of improving project deadlines exceed additional direct costs for further resources that must then be deployed to hasten timely project completion.

Adequate communication channels between project leaders and participants, project sponsors, and top management should remain fluid throughout a project's life. *Exhibit 5* shows some alternatives for a project's communication plan. Moreover, steady feedback from all project stakeholders ensures proactive decision making in order to reach anticipated project goals that are consistent with strategic objectives. This remains a critical component in reducing cost overruns and missed deadlines/milestones. Project team and management status reports should highlight—

- previous control decisions and progress,
- a project's current status (including variances),
- remaining costs-to-complete and anticipated timetables,
- cost/time trends relative to project forecasts, and
- further adjustments needed to sustain efficient progress and envisioned project outcomes.

A Template for Change

Inconsistencies between strategic initiatives and ensuing project implementations embody the essence of many failed attempts at organizational change. Although strategic and project management principles are often perceived as independent elements of business operations, implementing significant strategic organizational change demands managerial diligence, structure, and communications in order to direct change opportunities through implementation to ultimate success.

Small business owners rarely have the time to document a detailed project plan consistent with the company's current mission and strategic ambitions. Advisors to small businesses can use the advice above as an integrated, yet understandable, template to provide consultative support to growing business clients. This methodology can be adapted to a variety of work environments, cultures, and change situations. The design of the decision process can deliver critical guidance to executives contemplating organizational change. Furthermore, this structured, conceptual decision-making approach can help to expand management advisory practice opportunities when soliciting small- and midsized business clients willing to take advantage of the strategic value potential in today's rapidly changing competitive environment. ❑

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EXHIBIT 5
Project Communication Plan Decision Alternatives

Decision One: Information Needs
1. Time/Cost Reports
2. Project Team Meetings
3. Sponsor/Leader Meetings
4. Outsourcer Performance
5. Project Revisions

Decision Two: Timeliness
1. Real Time (e.g., Office Project 2010)
2. Daily
3. Weekly
4. Bimonthly
5. Monthly

Decision Three: Communication Approach
1. Face-to-Face
2. Written Documentation
3. E-mail
4. Video/Teleconference

Decision Four: Responsibility
1. Project Manager
2. Project Sponsor
3. Other Personnel (functional managers, accounting, operations)

Decision Five: Communication Distribution
1. Project Team
2. Project Manager
3. Project Sponsor
4. Senior Management
5. Outsourcers
6. Customer/Change Unit