Relationship between strategic objectives and decision making business essay

Business

1. 0INTRODUCTION

The recent economic crisis shook the global economy and compelled the management of many organizations to function under challenging and uncertain situations (Geraldi et al, 2008). This occurrence was also an evidence of the need to vitally keep and maintain the close link between strategy and project management (Meskendahl, 2010). During the crunch, many organizations collapsed and some financial institutions in Nigeria were not an exception. However, a number of few banks became stronger and acquired the weaker banks while others merged with one another. Access Bank Plc (ABP) is one of the leading Nigerian commercial banks that engages in five core business segments: Institutional, Commercial, Retail Banking, Transaction Services and Financial Markets. It has over 310 branches and service outlets located in Nigeria, Sub-Saharan Africa and the United Kingdom as well as almost 1, 000, 000 shareholders across the globe (Access Bank Plc, 2012). Arguably, ABP has experienced the most successful banking growth trajectory in the last decade and ranked amongst the top 20 banks in Africa (Access Bank Plc, 2011). The use of strategic project management (SPM) ensures projects align with the philosophy of an organization which includes the vision, mission, core values and brand driver of the organization (Drake, 2011). The vision of ABP is " to be the most respected bank in Africa", its mission is " setting standards for sustainable business practices that; unleash the talents of our employees, deliver superior value to our customers and provide innovative solutions for the markets and communities we serve" while its core values include Leadership, Excellence, Empowered employees, Passion for customers, Professionalism and Innovation (Access

Bank Plc, 2011). The alignment of all projects with the strategic philosophy of an organisation whilst creating a sustainable competitive advantage is very pertinent. This write-up attempts to examine the success of ABP from the point of view of SPM.

1. 1AIM

This report aims to examine the successful alignment of projects and strategic goals of an ABP as well as the level of utilization of SPM tools whilst creating sustainable competitive advantage by undertaking a primary and secondary research.

1. 2OBJECTIVES

-To clarify and evaluate the term SPM by interpreting and relating the primary and secondary research to ABP.-To identify the ways in which the ABP strategic objectives are translated into decision making within their projects and project portfolios.-To examine the processes in ABP for ongoing portfolio management that ensures that the portfolios are continually aligned to ABP strategic objectives.-To identify the key tools in maximizing the potential and continuous viability of SPM in ABP.-To assess the ability of the identified SPM key tools to close any gaps between leadership and management of projects in ABP as well as contribute to the overall success of ABP whilst achieving competitive advantage.-To evaluate and assess the influence of corporate governance in SPM of global projects and virtual teams in ABP.-To evaluate how the introduction of SPM can add value to the ABP and reduce risk and increase project success.

1. 3RESEARCH METHODOLOGY

Primary and secondary research approach will be employed in this write-up. The primary research involves the administering of a questionnaire to a top manager of ABP whose response is assumed to be based on the representative's professional judgment to ensure reliability and validity as well as an insight into ABP with respect to SPM (Hair et al 2003). The secondary research involves collection of relevant information and data from available literatures, articles, journals, ABP's official reports and websites on SPM. This write-up will fuse the primary research with the secondary research so as to develop a robust report, improve accuracy, objectivity as well as strike a balance between reality and theory with respect to SPM in its entirety (Baker 2003).

2. 0STRATEGIC PROJECT MANAGEMENT (SPM)

Sadler (2003) suggests strategy as a complex process of determining the necessary plans to be executed in order to achieve the corporate goals of an organisation. Strategy as applied by management in corporate organisations involves maximizing opportunities to its full capacity to create competitive advantage and sustainability of business (Thompson & Martin, 2010). In a bid to maintain its continual strategic growth and achieve competitive advantage, ABP focus on mainstreaming sustainable business practices into its operations as well as striving to deliver sustainable economic growth that is profitable, environmentally responsible and socially relevant (Access Bank Plc, 2010). SPM can be defined as the concept of making critical decisions and managing complex projects by aligning business strategy with project management with the aim of keeping the organisation in a going concern and having a competitive advantage (Brown, 2007). SPM embraces the principles of doing the right thing at the right time in the right place and ensuring that projects are aligned with the organisation’s corporate strategy as well as using the right Key Performance Indicator (KPI) to measure the success of the desired results (Brown, 2007). Green (2005) views SPM as the management of projects which involves optimising the use of certain resources such that competencies and capabilities are developed in order to contribute to the organisation’s sustainable competitive advantage. The senior executives of ABP steers the processes of SPM through the selection, definition and prioritising of projects undertaken within ABP to deliver a set of objectives which align with the strategic philosophy of ABP as well as ensuring that it has a competitive advantage. ABP aspired to transform its bank to a world class financial services provider, thus embarked upon carefully selected and diverse projects which were strategically executed. The success of these critically important projects (acquisition of other banks, drastic improvement in the information technology - IT platform of the bank and others) which will be discussed later in this write-up carved a niche for ABP as the bank grew tremendously through its strategic plans which made them a force to reckon with in the Nigerian financial sector within a record time. The achieved competitive advantage through these critically selected projects and programmes of significant importance has given ABP the leverage to add value to customers, deliver products or services which cannot be easily imitated, and opens new opportunities for sustainable development (Naughton and Green 2006). Figure I: The process of Strategic Project ManagementSource: Grundy & Brown, 2002

2. 1RELATIONSHIP BETWEEN STRATEGIC OBJECTIVES AND DECISION MAKING

To realize the strategic objectives of an organization, diverse activities and projects are embarked upon but the selection process involved in these entities have often led to wrong decisions. The clear understanding of the relationship between the strategic goals of an organization and the decision making process by the senior management is key in making the right choice. This aids the smooth translation of these strategic objectives to decision-making within the project portfolios through clearly identified procedures, thus selecting the right projects. The clear corporate vision of ABP to be the most respected bank in Africa is embedded in its philosophy. ABP has embarked on diverse projects which have been grouped as portfolios in order to realize its strategic objectives. The translation of these strategic objectives through decision making by the executive management within these projects is driven by the philosophy of the bank. The acquisition of other banks such as Capital Marina Bank (CMB), Intercontinental Bank (ICB) and other banks has brought about the needed expansion in terms of branch network, number of employees, increased capital and liquid base, asset increment and others. All these projects are in line with the strategic objectives of ABP as they are tailored toward expansion in all criteria which subsequently translates into creation of competitive advantage. Raymond (2012) identified ways by which an organization can make right decisions within projects with respect to the vision of the organization. He emphasised on the use of strategic drivers as the powerhouse of the translation and selection process. This will be related to ABP in this write-up. Figure I:

Processes of selecting projectsSource: Raymond, 2012

Presentations and Meetings

At this level, ABP unit heads make presentations to defend their proposed projects to the senior management through a value added approach. This is done by clearly specifying the strategic drivers of the projects as they relate to the vision of ABP. The table below summarizes this process.

Weighting Criteria

Having gone through the selection of projects, a ranking grid is adopted to place the projects within the portfolio in hierarchy of importance with respect to the strategic objectives. In this process, business politics and interest may corrode the ranking (Raymond, 2012). ABP uses the percentile ranking as well as criteria such as strategic value, financial commitment and benefit, risk, duration, possible infraction etc. The projects are executed in terms of hierarchy of importance according to the overall score grid.

Force-In

Force-In in this respect refers to compliance to the regulations of the banking regulatory and supervisory body in Nigeria (Central Bank of Nigeria - CBN). For each project that is selected by the executive management, the regulatory aspect is considered as well. One of the objectives is to increase the customer base of ABP by opening numerous accounts. According to the CBN rule, it is unethical to open fraudulent accounts, thus the need to guide against such occurrence. To respond to this, ABP resolved to visit each customer before any account is opened. This process of verification of address is called Know Your Customer (KYC). KYC as a sub-project may not be fully linked to the strategy of ABP but to comply with the regulatory requirement of one of the selected projects, it is included in (forced into) the portfolio, thus the term " Force-In". The check and balance process with respect to CBN regulations is conducted for each project in ABP and this aids the complex selection of projects as well as maintaining the alignment with the corporate strategy.

2. 2ALIGNMENT OF SELECTED PROJECTS WITH STRATEGIC OBJECTIVES

Having selected the right projects into a portfolio, the processes of ensuring that the portfolio continually align to the organization's strategic objectives is inevitable (Ullman & Levine, 2009). Some parameters are employed to achieve this but this write-up will be limited to that which relates to ABP.

2. 2. 1PERFORMANCE MEASUREMENT

Neely, Gregory and Platts (1995) opined that performance measurement involves processes that quantify or weigh actions, while measurement refers to quantifying or weighing and actions lead to performance. The process is influenced by the understanding of the strategic objectives of the organisation which are measurable through critical success factors and key metrics so as to keep the organisation on track (Waal, 2007). Organizations achieve their strategic goals through constantly aligned projects so as to achieve competitive advantage. Hence the performance level of these projects is a function of the efficiency and effectiveness of the actions undertaken which ripples to the realization of the strategic objectives (Neely, Gregory and Platts 1995). ABP employs performance measurement in terms of the level of achievement of objectives, improvement of application performance, provision of a platform for further development and sustainability of performance to ensure continuous alignment of project portfolios to its strategic objectives (Corner 2002). Performance measurement uses systems of measurement such as balanced scorecard and benchmarking. Balance scorecard provides management with a comprehensive framework that translate a company's vision and strategy into a coherent set of performance measures which include financial, customer, internal business process and learning and growth. (Kaplan and Norton 1996; 2001). Figure I: Balanced ScorecardSource: Davies, 2010The scorecard provides ABP a framework to use measurement to inform its personnel about the strategic drivers of current and future success, align individual and cross departmental initiatives to achieve a common goal (Kaplan and Norton 1996). Benchmarking is a variety of activities that organisations undertake to compare their performance levels with others to identify, adapt and adopt practices that will improve their performance (Stapenhurst 2009). Neely, Gregory and Platts (1995) emphasised that performance measurement has to interact with both the internal environment (organisation) and external environment (financial institutions) in which ABP operates, in other words, internal ongoing measurement and periodic benchmarking. Hence, an effective integration of the two systems of performance management can be said to be responsible for the constant alignment of project portfolios to the ABP strategic objectives (Neely, Gregory and Platts, 1995).

2. 2. 2KEY PERFORMANCE INDICATOR (KPI)

KPI is a comparative performance metric used to weigh the progress of an ongoing activity (Hatry, 2006). KPIs are very critical for strategic development as they are targeted at adding value to the business and realizing the strategic objectives of an organization (Harbour, 1997). ABP employs the use of KPI across its project portfolios to ensure success, quality, timeliness, excellent services to customers and satisfaction of customers and employees. These KPIs may vary as shown below but the underpinning principle is ensuring the success of the projects to achieving the strategic objectives of ABP.

Indicators

Brief

Quantitative indicatorsThis refers to the use of numbers or figures to quantify the metricsQualitative indicatorsThis involves the use of words to describe the level of success with respect to the metricsLeading indicatorsThis refers to metrics that can forecast possible future outcome of ongoing projectLagging indicatorsRefers to the description of the level of success or failure post hocInput indicatorsMetrics used for the measurement of the amount of resources harnessed while undertaken a projectProcess indicatorsThe measurement of the efficiency or the productivity of the projectsOutput indicatorsThe measurement and reflection of the outcome or results of the project activitiesPractical indicatorsThese are indicators used to measure level of interface between ongoing projects and existing processes within the organizationDirectional indicatorsThe measurement of improvement across boardActionable indicatorsThese are metrics to measure the level of an organization's control to affect change. Financial indicatorsThey used in performance measurement as this is the bottom-line for ABPFigure I: Balanced ScorecardSource: Davies, 2010

2. 3MAXIMIZING THE POTENTIALS OF STRATEGIC PROJECT MANAGEMENT

The key potential of SPM include creating competitive advantage, adding value to customers, delivering quality products and services and opening of new opportunities for sustainable development (Naughton and Green 2006). The use of relevant and accurate project management knowledge, skills, tools and techniques have been suggested to be important in the delivery of projects within an organization such that the value added by the outcome of these projects are measured against the strategic objectives of the organization (Callahan and Brooks, 2004). Green (2006) opined that the effective management of projects through SPM tools can enable an organization to maximize the potential of SPM as well as realize its strategic goals and create competitive advantage.

2. 3. 1PROJECT PORTFOLIO MANAGEMENT

PPM is a centralized management of processes, methods and technologies to analyse and collectively manage a group of projects based on a number of criteria. PPM aids the optimal resource mix for delivery of diverse projects to best achieve an organization’s strategic goal with respect to the triple constraint of strategic alignment, values (benefits) and resources (Levine, 2005). ABP measures the efficiency of PPM by estimating the degree to which the portfolio fulfils its objectives vis-a-vis strategic alignment, balance across projects, and value maximization (Martinsuo and Lehtonen, 2007). The bottom up approach is employed as heads of units propose diverse projects through presentation to the executive management which allows individual contribution (Levine, 2005). ABP through its Innovation and Total

Quality Management unit (ITQM) employ a transparent system to track all activities of the portfolio (Dapiran, 1992). Amaral & et. al (2009) view project portfolio selection as a process which involves five distinctive phases. The strategic consideration and orientation towards the selection of the projects with better strategic alignment. The project evaluation phase, where the benefits derived through the evaluation methods are to determined, as well as the individual contribution of each project to the portfolio objectives. The portfolio selection, involving a continuous comparison of projects, which compete between each other, with the final intension of ranking in the top positions to achieve the entrance to the organisational portfolio. The organisational resources assignment, because the organisational assets are limited and constantly requested for different projects, which can cause an extremely complex managerial problem. The monitoring and control phase, which is responsible for assessing, recurrently, the portfolio performance and all that is related to the portfolio range. Levine and Ullman (2006) suggested the project portfolio optimization process using five key decision points needed as shown below. The integration of all these processes will maximize the potential of SPM in ABP. Figure I: Portfolio Optimization ProcessSource: Levine and Ullman, 2006

2. 3. 2PROJECT MANAGEMENT OFFICE (PMO)

PMO is an entity within an organization which is assigned relevant responsibilities related to the centrally selected and coordinated management of the projects under its scope (PMI, 2008). PMO entails the execution of corporate strategy through projects and programmes by acting as a developer and repository of the standards, processes and methods that improve individual project performance (APM, 2006). The role of PMO as an SPM tool is strategic as it can provide support, control and coordinate the quality of the delivery of the project portfolio (Unger et al, 2012). Figure I: PMO RolesSource: Unger et al, 2012PMO has been in existence in ABP in form of strategic units since the first merger and acquisition (M&A) as these units managed and supervised the successful M&A projects (Murtala, 2013). For every PMO in ABP, they are resident in place called secretariat where monitoring and supervision of all projects is at its peak (Murtala, 2013). The 2010 Automated Teller Machine (ATM) reconciliation and decommissioning teams of ABP was a form of PMO as the top executive members of ABP were actively involved in the execution of the group of projects that aided the realization of and branded the bank as the most compliant bank for the year (Murtala, 2013). However, Unger et al (2012) opined that PMO has a short lifespan and this is evident in ABP as these team members are often deployed to their different units after the completion of the project portfolios. ITQM is an exception to this fact as the secretariat has been in existence over five years and this is due to its strategic role in monitoring and controlling the portfolio of ABP as a corporate entity. Callahan and Brooks (2004) identified characteristics of different PMO types within a matrix as shown below. A well-developed structure of the existing PMO in ABP to exhibit these characteristics will enhance and maximize the potential of SPM.

2. 3. 3MANAGEMENT MATURITY MODELS (M3)

Crawford (2007) simply suggest Management maturity models (M3) as tools that point out logical path for progressive development within an organization. M3 are tools used by organizations to improve the quality and success of projects as well as reduce the probability of occurrence of risks (Kerzner, 2005). There are different types of M3 but this write-up will briefly discuss Organization Project Management Maturity Model (OPM3). During the telephone conversation with Murtala, he stated that ABP falls between level-4 and level-5 in the five levels of M3. OPM3 uniquely integrates the systematic management of projects, programs, and portfolios in alignment with the achievement of strategic goals and this subsequently maximizes the potential of SPM Crawford, (2007). PMI (2008) suggest the key interlocking elements that are linked to enabling organizations identify and choose among improvement options based on strategic priorities, benefits, costs, technical prerequisites, and other factors. These elements include: Knowledge: Best Practices. Assessment: Evaluate of current capabilities and identify areas in need of improvement. Improvement: Using completed assessment to map out the steps needed to achieve performance improvement goals. Murtala clearly stated that the delivery of the perceived impossible in quest for excellence is a propeller in ABP thus project outcomes are predictable, consistent and correlate with the expected success which strengthens the link between strategic planning and execution. However, ABP can fully harness the potential of SPM by employing OPM3 through its array of successful projects to identify specific capabilities and best practice which will further support the implantation of the corporate strategy and rank the entity in level-5 of M3.

2. 4LEADERSHIP AND MANAGEMENT – BRIDGING THE GAP