

# THE BSPM SYSTEM FOR LEADING AND MANAGING THE ORGANIZATIONAL VALUE CHAIN.

## The Challenge

Traditional organization forms and ways of managing organizations are becoming obsolete. Rigid functional approaches to management can no longer cope with the demands of the new economy. Communication in traditional organizations is much too cumbersome, impeding the flow of information and managerial decision-making. Moreover, leadership in traditional organizations tends to lack strategic focus. This situation has become a real challenge, since most of what has been assumed as standard practice in the past, no longer befits current reality.

## Programme Managing the Value Chain

Managing organizations through project- and process-portfolio programmes is gaining popularity. Programme management (PM) as it is generally referred to, is an implementation tool that delivers organizational benefits resulting from aligned corporate, business unit, and operations strategies. It facilitates coordinated and integrated management of portfolios of projects, tasks and processes that bring about strategic transformation, innovative continuous improvement and customer service excellence in organizations, with the aim of achieving benefits of strategic importance.

Through investigating how organizations shape their programmes, researchers and consultants, including Murray, Webster and Thiry<sup>1)</sup>, indicate three ways in which programmes are shaped. Firstly, there are strategic or goal-oriented project-portfolio programmes that deal with strategic transformation in the organization. Secondly, innovative project-portfolio programmes that deal with continuous improvement initiatives emanating from top management as well as team members in the organization. Thirdly, capital expenditure programmes that deal with large capital investment projects such as new plant, equipment and buildings. Steyn<sup>2)</sup> asserts that a fourth initiative in the programme management approach can be added to the above, namely, the process-portfolio programme. Process-portfolio programmes in organizations are operational in character and focus on improved internal and external customer service, guided by strategic initiatives from executive leadership. A systems perspective of the four initiatives is illustrated in Figure 1.

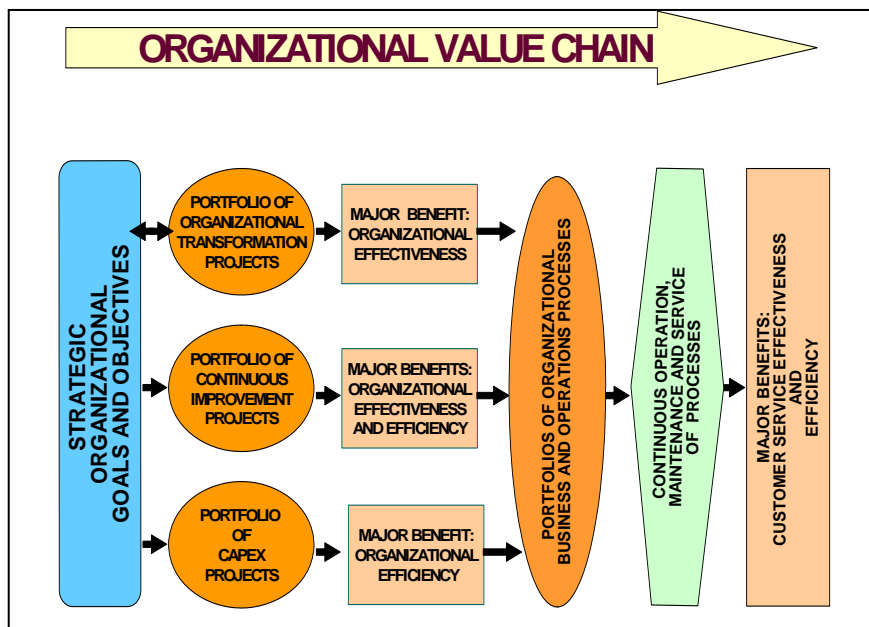


Figure 1: A systems perspective of project-portfolios and process-portfolios in the organizational value chain (Steyn)<sup>2)</sup>

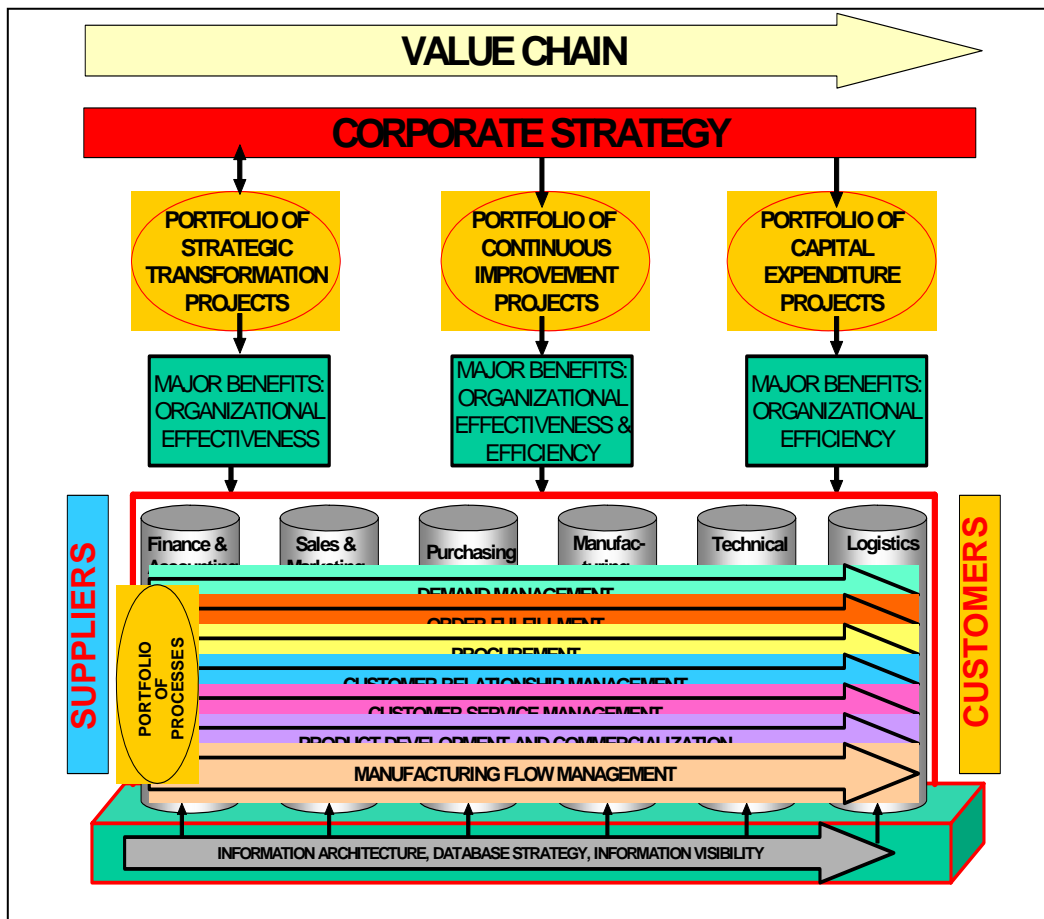
Strategic or goal-oriented programmes arise as a result of development and implementation of both prescriptive and emergent strategies. According to Murray, Webster and Thiry<sup>2)</sup>, strategic programmes are grouped around a common frame or purpose, such as a strategic objective where uncertainty exists about the final outcome, strategic scope changes may occur, and projects and large tasks are added or removed from the portfolio accordingly. Major benefits that accrue from the outcomes of projects in a strategic portfolio are: firstly, strategies are translated into tangible actions; secondly, emergent changes to strategies during implementation are dealt with efficiently within the structures of programme management; thirdly, risk and uncertainty are reduced through iterative programme development; finally, the deliverable of each project which constitutes an implementation of strategy, is subject to integrated review and approval based on measurement of key performance indicators. The main gain achieved through the strategic transformation programme approach is organizational effectiveness. (doing the right thing).

Innovative continuous improvement programmes are grouped around a common platform, such as an operation, business process, information technology, knowledge and skills, or infrastructure that needs continuous enhancement. Major benefits that accrue from this approach are multiple. Innovative top-down and bottom-up initiatives can be effectively dealt with in a systemic way. As suggested by Murray, Webster and Thiry<sup>1)</sup>, multiple initiatives are grouped to create actions that are coherent and efficient, while short-term actions can be fitted into a long-term strategy. Appraisal of derived benefits, based on key performance indicators, can be made with clear perspective. The innovative continuous improvement programme approach enables coordination and integration of continuous improvement initiatives across the whole organizational value chain. The main gains are organizational effectiveness and efficiency (doing the right things and doing them right the first time).

Strategic transformation programmes concentrate mainly on doing the right things, such as making certain that the right strategies to best achieve the organization's vision and mission are implemented. Innovative continuous improvement programmes, on the other hand, focus on taking the right steps regarding organizational improvement initiatives *inter alia* enhancing the operational capability of a system, process or infrastructure being investigated.

Capital expenditure project portfolios are highly prescriptive or specified programmes, and are grouped around common themes such a business unit, specific groups of resources, or knowledge areas. Murray, Webster and Thiry<sup>1)</sup> allude to the fact that their benefits include better prioritization of and control over multiple projects, better allocation and utilization of resources, and appropriate identification and management of dependencies between projects. The main gain of the capital expenditure programme approach is improved organizational efficiency.

According to Steyn<sup>2)</sup>, process-portfolio programmes are operational in character and focus on improved customer service, based on executive leaderships' strategic objectives. For this reason, these programmes are generally grouped around initiatives pertaining to operations and business processes serving internal customers and external customers in different market segments where the organization operates. Major benefits derived from this approach are delivery of multiple internal and external customer service initiatives aligned with corporate strategic objectives. The main gains are organizational effectiveness and efficiency in respect of internal and external customer service. The major difference here is that programme management coordinates and integrates operations activities in continuous processes of the value chain, as opposed to finite projects and large tasks that enhance the productivity of the organizational value chain (see illustrated in Figure 2).



**Figure 2: The value chain illustrated as an integrated system of project and process programmes.**

The four programme configurations are not mutually exclusive. They support each other integratively in the organizational environment and have the further advantage that the organization’s strategic vision and mission are systemically linked to operations activities serving internal and external customers. Moreover, it is important to note that the integrated system of project and process programmes applies to the value chains of both public and private sector organizations. Arranging projects and processes as described above, lead to the creation of portfolios of projects and processes in the value chain, the outcomes of which executive leadership have a responsibility to align with the strategic objectives of the organization.

The programme manager has the task of aligning the outcomes of each project- or process-portfolio with the strategic intent of the organization, prioritizing projects in a portfolio in order of importance, ensuring that suitable resources are available for each project or process in designated time periods, and, most importantly, to appraise the outcomes of projects or processes (together with executive leadership) to determine to what degree important strategic organizational benefits are realized. It is also the programme manager’s task to review the programme, based on the results of the appraisal.

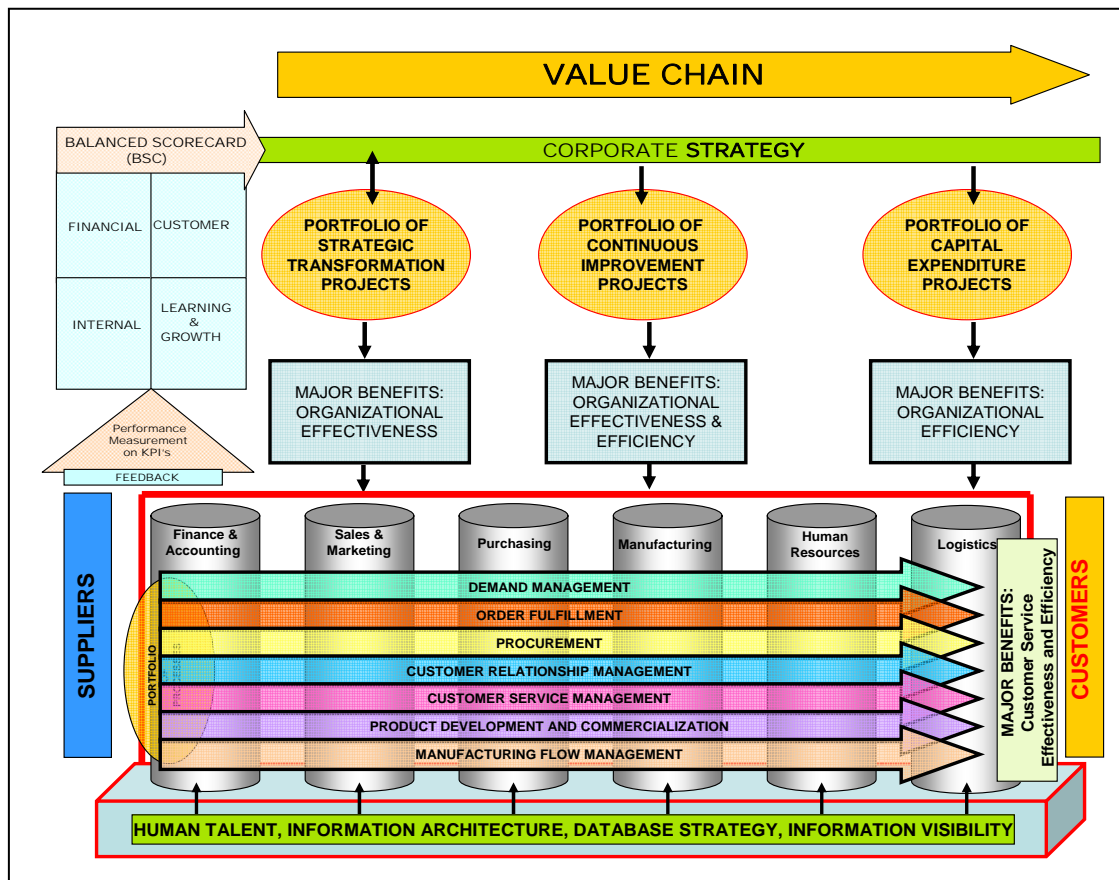
## **Leading Strategic Transformation, Innovative Improvement and Customer Service Excellence.**

The current author's practical experience in South African organizations where strategic transformation and improvement were guided by formal programme management (PM), confirmed the usefulness of following Kotter's<sup>3)</sup> eight steps for leading organizational change. It also confirmed Harvey and Brown's<sup>4)</sup> view that organizational transformation and improvement should be an inclusive effort, which addresses the creation of improved attitudes (values), building new relationships, and creating improved internal processes. To succeed, all of the above must be strongly supported by leadership, executives in particular. Executives should also create a strategy budget separate from the operational budget for implementing portfolios of strategic transformation and innovative continuous improvement projects.

The balanced scorecard (BS), created by Harvard professors Kaplan and Norton<sup>5)</sup>, is an ideal tool for describing corporate strategy in uncomplicated terms so that the vision and mission are easily communicated to and understood by all people in the organization. It assists in identifying key organizational success factors and associated key performance indicators that can be utilized for measuring the degree to which strategic organizational benefits are achieved. The balanced scorecard enables an organization to link its long-term strategy with short-term actions and moves away from relying solely on short-term financial measures as indicators of performance. It complements the financial perspective by adding three additional ones; the customer, learning and growth, and internal business process perspectives. All four are indicators of performance. However, the financial perspective is a lagging-indicator, since organizational improvements may take some time to manifest in financial rewards. The other three are adjudged leading-indicators of performance, since potential organizational improvements are immediately evident.

### **The BSPM System**

When balanced scorecard (BS) guided formulation and strategy description as well as criteria for measuring organizational benefits are coupled with programme management (PM), a Balanced Scorecard/Programme Management (BSPM) system is created – a system which enables integrated and coordinated management of the organization's value chain processes from suppliers to external customers, including implementation of project-portfolios that enhance the effectiveness and efficiency of the value chain (see Figure 3).



The BSPM system utilizes Total Quality Management (TQM) principles *inter alia* having a focus on internal and external customer needs; involving management and staff at all levels of the organization in team work; decentralizing managerial decision-making; focusing on continuously improving the products, services, systems and processes of the organization; and creating a learning organization that stimulates human creativity and knowledge management. The progress reviews adopted in the BSPM system approach provides maximum flexibility, agility, innovation, monitoring and control. Coupled with leadership excellence it assures strategic organizational success.

Central to the BSPM system is creating high-performance integrated project and process teams that operate in a coordinated manner across functional boundaries within the organization. Specialized outsourced teams that enhance the organization's capacity, form an integral part of these high-performance teams. The actions of teams are co-ordinated and integrated by project and process managers, who maintain continuous focus on customers' needs, irrespective of whether these customers are external or internal to the organization. Double-loop learning in team context promotes innovative continuous improvement actions so critical for success in corporate and operations strategy implementation. Moreover, in strategy implementation double-loop learning within high-performance teams enables quick response handling of emergent strategies. Programme managers in collaboration with executive and functional management, align project and process outcomes with the strategic intent of the organization, prioritising actions, ensuring that suitable resources are available, and appraising the project and process deliverables to determine whether strategic organizational benefits accrue. Further improvements then follow from results of the appraisals.

Organizational benefits of strategic importance achieved through the BSPM system are tangible or intangible *inter alia* improved internal and external customer service, competitiveness and market perceptions; improved business processes, information systems, products and services; improved knowledge, skills and attitudes of people in the organization; improved organizational climate and learning; and ultimately improved shareholder value. The BSPM system enables strategy-focussed leadership and management of the organizational value chain. Strategic management of the organization is becoming progressively more project and programme driven, demanding a highly communicative leadership style at the corporate, business unit and operational levels of the organization.

### **Bibliography**

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