

THE POLITICS OF CAPEX PROJECT SPONSORSHIP

Introduction

This paper was originally written in 1990 and revised in 1998. Since then, Australian management has come under closer scrutiny than ever. Corporate governance is now a key issue. Yet two situations in which the author became involved this year (2003) reminds one of the adage "No matter how things change, nothing changes." So here is the paper, warts and all. If it seems familiar, be alert!

The project sponsor

An ideal project sponsor:

- Is the top decision-maker within a project
 - Has overall responsibility, accountability for direction, implementation, achievement of goals and performance, and for variations to a project
 - Leads and convenes the project steering group
 - Appoints a project manager who becomes a direct report
- Is a senior business executive. The project is normally one of many responsibilities of this person.

Many organizations recognize that projects can be critical to successful strategic outcomes. They apply focus and diligence to active sponsorship. Some firms, however, see sponsorship as just one of those things assigned to a busy role, and put neither the focused effort nor the management in place to ensure a project's success.

The table summarizes the observations of the author, together with some anecdotal evidence of third parties involved in the boards and senior management of companies.

Project sponsor	Defining characteristics and issues
CEO / GM of medium to large company	<ul style="list-style-type: none"> • May be titular sponsor of many projects under company custom, where this role is limited to selling the concept and informing the board • Unlikely to have sophisticated project management skills unless from an engineering or similar background • Projects generally involve capex. • The project manager may be a direct report, but is more likely to be a middle manager who becomes a de facto sponsor from the point of view of staff • The project manager may rarely meet the sponsor and generally communicates via a periodic report • The further down the project manager lives in the organization, the more likelihood successive managers and executives will dress up the report, at times to the point of non-information. • Board and company politics will need to be carefully managed by the project manager to ensure a robust outcome • Project will rarely deliver the range and depth of potential benefits had there been an actively involved sponsor
CEO presenting to board on behalf of real sponsor	<ul style="list-style-type: none"> • Often happens in larger companies where custom has it that this is the CEO's responsibility and, that once approved, responsibility passes to the real sponsor • The CEO needs to get on top of key points and critical detail quickly, including any politics of stakeholders and others • The CEO presents periodic reports to the board but takes on no real ownership • The outcome is similar to the previous situation where the CEO retains titular sponsorship • May use real sponsor to occasionally present to board
CEO of joint venture, domestic or international	<ul style="list-style-type: none"> • This person has been appointed because of his/her reputation of delivering results • Projects often involve a major capex commitment over an extended period • If the project is international, especially in Asia, there may need to be considerable time and money invested in building relationships before results can be seen • Cultural differences must be recognized and issues need to be

THE POLITICS OF CAPEX PROJECT SPONSORSHIP

Project sponsor	Defining characteristics and issues
	<ul style="list-style-type: none"> addressed and the person must have sensitivity to such matters If governments involved, there may be political issues of 'face' Internal politics usually minimal and external politics maximal Record-keeping essential Failure may spell the end of the company
CEO of SME, the future of which depends on this project's success	<ul style="list-style-type: none"> CEO has possibly been appointed because of his/her reputation and expertise in the nature of the initiative Is likely to require a hands-on approach Person may well be the project manager Failure spells the end of the company
Government minister	<ul style="list-style-type: none"> Project is more likely to be an initiative to improve or change management than to involve major capex All relevant formal procedures and accepted customs need to be scrupulously observed Need to protect backside Any downside MUST be managed Scapegoats will be sought in the event of any stuff-up Well-run project often has considerable personal upside for both the minister and project manager
Head of government body	<ul style="list-style-type: none"> Similar to <i>CEO presenting to board on behalf of real sponsor</i> Political content will be heavier Stuff-ups may not be critical but you wouldn't want too many of them
High-level committee reporting to CEO	<ul style="list-style-type: none"> Sponsorship is shared It is probably delegated to the group They are probably used to working together Lack of a defined person as sponsor suggests heavy politicking taking place Project definition is probably vague and the business need little more than a 'good idea' In the event of any stuff-up, which is more likely than not given the vagueness of the project, members will be looking to deflect any personal responsibility
Senior executive reporting to CEO (or occasionally GM) of large company	<ul style="list-style-type: none"> Will probably have been involved with the project from concept and have level of personal commitment Project may have major capex component Will know key parties needed to make things happen May have some project management experience There will be political issues to resolve or manage If the project is large, there could be some career risk involved
Senior executive of exploration company, domestic or international	<ul style="list-style-type: none"> Projects are capital intensive Exploration phase usually lengthy; successful finds may take time Likely to have extensive project management experience Heavy government political environment can change markedly between project conception and project implementation Generally, many interest groups needs appeasing Rules under which projects operate may be dictated by law of company in which company or parent domiciled if morally superior to local law Could pay heavy career price if project fails. A wrong move with locals can engender personal physical danger to project manager
Senior/Chief Scientist in pharmaceutical company	<ul style="list-style-type: none"> Projects may not be capital intensive May be extended lead time from initiation to success Project management experience can range from none to extensive, but is generally on the low experience side Real sponsorship and drive may come from a level below in

THE POLITICS OF CAPEX PROJECT SPONSORSHIP

Project sponsor	Defining characteristics and issues
	<p>organization</p> <ul style="list-style-type: none"> • Project is likely to be adopted with heavy political baggage from technical staff who have made discovery/breakthrough that forms basis of project • Testing, reporting and documentation critical • Failure not generally a career killer if politics have been managed – nature of the business is risky
<p>Senior government official given major project engineering project to sponsor e.g. ferry fleet, bridge spanning political borders</p>	<ul style="list-style-type: none"> • Generally involves major capex • Most likely did not put up hand for job. Whilst enjoying some of the benefits, is quietly frightened of the business • Probably has little project management experience • Likely to be the scapegoat and will be looking for someone to take the fall if anything goes wrong • Failure could terminate career prospects • Usually has a counterpart in other nations involved • Political ramifications if things go wrong
<p>Middle to senior manager of large company selling important project upward</p>	<ul style="list-style-type: none"> • Possibly complex project that may involve capex • Project management experience varies • May put neck on line and have passion for project (success usually follows), but may also be reluctant sponsor (often a weak manager lacking competence) • Outcomes tend to reflect the career competence of the person
<p>Senior figure in religious organization charged with project, usually involving change management</p>	<ul style="list-style-type: none"> • Large capex unlikely • Unlikely to have extensive general or project management experience • There will be a need to satisfy many factions • Speed humps, road blocks and diversions almost certainly doom project at outset though a fair amount of heat likely to be generated on the way • Few personal consequences if project fails unless a lot of money is lost. Main costs are usually time and effort
<p>City Engineer implementing major change</p>	<ul style="list-style-type: none"> • Likely as not to be a business management issue as of involving major capex • Probably familiar with project management of small to medium civil engineering projects. The scale of a large project may be outside experience. May nevertheless be nominated project manager as well as sponsor • If the project involves outsourcing, may have wide or no experience and will seek advice from peers in other councils • Unsuccessful outcome will carry some career risk for person
<p>Middle manager on whose behalf capital works are being undertaken e.g. comms install at single location</p>	<ul style="list-style-type: none"> • Principally involves routine, non-critical capital works • Usually covered by organizational process • Elaborate justification unlikely. Process usually mechanical and involves filling out forms and acquiring a single approval next level or two up • Main task is to ensure works happen as planned and payments made to vendors • In some cases, the sponsor's role may be taken by the internal person in charge of executing the works • Failure is a matter of pay rise endangerment, but even then blame is often passed to suppliers or person executing works

Geoff Charters