



## Dar Al Riyadh Insight #61 Strategic Business Objectives

*Dar Al Riyadh Insights reflect the knowledge and experience of our Board, executives and staff in leading and providing PMC, design and construction management services. Dar Al Riyadh believes in the importance of broadly sharing knowledge with our clients and staff to improve project outcomes for the benefit of the Kingdom of Saudi Arabia.*

The importance of strategic business objectives cannot be overstated. Selecting the right ones is critical to the success and survival of all organizations. The translation of SBOs to a program or project level is also critical. In reviewing failing large complex projects, we found a consistent weakness with respect to program and project SBOs. That weakness found can be described as having one or more of the following conditions:

1. Failure to articulate the organization, program, and/or project strategic business objectives clearly.
2. Failure to obtain agreement on them from requisite stakeholders.
3. Failure to continuously communicate the SBOs.

This Insight focuses on sharing three case histories that underscore the importance of SBOs.

### Case History #1

The first example of the importance of SBOs can be seen in a \$20 billion capital construction program for a major global company. After several years of effort and close to \$6 billion expended, the owner recognized that the program was “underperforming.” A team was assembled to examine all aspects of program delivery: engineering criteria, design margins, global sourcing in the supply chain, and construction means and methods. That examination would importantly include a review of governance, strategy, management, and oversight.

The assessment of these governance and management activities involved extensive and comprehensive interviews with the top managers involved in the program. Of those 36 managers, about half represented various elements of the owner’s organization. The other half came from key suppliers: engineering, construction management, constructors, and supply chain providers. The interviews ranged from 90 minutes up to 16 hours (over multiple sessions) with the owner’s engineering manager.

After thirty-five of the interviews, some clear patterns and insights were achieved. The final interview then was held with the corporate executive, who had full vertical responsibilities, including all client-facing activities including pricing; CAPEX and OPEX.



Early on during this final interview, the executive in charge was asked to describe in his own words the strategic business objectives he was trying to achieve through the expenditure of over \$20 billion. The executive paused, then said, “I know what they are, but I’m not sure how to say them.” The interviewer, a Dar Al Riyadh board member, waited to see what else he might add, wrote a reminder note on his list of questions, and went on to another question.

Before he could continue, the executive interrupted.

“Wait. I’m supposed to know the answer to that last question.”

“Yes, you are,” the interviewer replied.

“Did you ask the others that question?” he queried.

“Yes I did.”

“What did they say?” he asked.

“They didn’t know either,” the interviewer replied.

“That’s a problem,” he said.

“No,” the interviewer said. “that is THE problem.”

That the SBOs had never been clearly articulated was finally recognized by this executive. In addition, the project had become even more challenging because of both a breakdown of its *esprit d’corps* and slow decision making. It was not that people were trying to go in dramatically different directions, but rather that the slightly different interpretations of what was to be accomplished led to organizational friction and organizational “callouses” that degraded effective communication and decision making.

The corrective actions taken by the executive were an exemplar of what needed to be done, but are not recounted here.

## Case History #2

A second example of the importance of SBOs can be seen in a \$6 billion project in South America that was similarly underperforming. The night before a top-level alignment workshop between various elements of the owner’s organization (which had varied views on what was to be accomplished, when, and how), and the EPCM contractor, the interviewer, a Dar Al Riyadh board member, met with the company CEO. He was to kick off the next day’s program. Meeting one-on-one in his office with the door closed, the interviewer asked him to tell in his own words why the company had committed to this \$6 billion program (essentially the entirety of their capital spend) and what they hoped to accomplish. In other words, what were their SBOs?

As the interviewer sat there, one-on-one, he witnessed a CEO unable to articulate why they were undertaking this large capital investment. The CEO struggled to complete a sentence. Finally, he went silent. Tears welled up in his eyes. After a few minutes he composed himself and asked if the interviewer



could write something down for him to kick off the meeting the next morning. In effect, he asked if this third party could write down what the SBOs should be.

The interviewer made a mistake here by doing what he asked. There was a new CEO about six months later.

### **Case History #3**

A final example of the importance that SBOs play can be seen as part of an Enterprise Asset Management (EAM) program for a global-scale urban transportation system with about \$1 trillion in assets. The owner's executives recognized there was no common alignment around what the EAM program was to accomplish.

We interviewed top executives in each of the operating departments, then key individuals involved with assets management across the agency, and finally the chief financial officer (CFO). Each was asked to define what they expected the EAM program to deliver. That is, what were the SBOs for the EAM program?

Almost 20 interviews were held. The result was over 50 distinct—and at times conflicting—possible SBOs being generated. Clearly, there had been inadequate definition of what the agency was trying to accomplish as well as a failure to obtain agreement and continuous communication with all stakeholders.

A workshop then was held to define and agree upon the SBOs and priority actions. In the end, five SBOs were established.

### **Summary**

In the delivery of large complex programs, much attention is paid to technical and construction challenges as well as to specific aspects of program and project management. All too often, however, inadequate attention is paid to the governance of the programs undertaken. The result is frequently characterized by a failure to articulate, obtain agreement on, and continuously communicate the SBOs. The preceding case histories are intended to add some color to this insight.