

Project Intelligence - Summer 2011

Are Non-Executive Directors (NEDs) doing enough to ensure they comply with the new guidelines of the Corporate Governance Code?

Greg Rushton – Pelicam Business Operations Manager



The purpose of this article is to highlight the new guidance that has been introduced by the Financial Reporting Council (FRC) in March 2011 (the Guidance). More importantly, to offer the NEDs some solutions as to what they can do to comply.

The new FRC Guidance on the role of the NED focuses on the need for them to become, and remain, well informed about the company and business issues. Are NEDs really in a position to do this? Numerous articles have been written in the press, and on the internet, about the challenge and the need to comply with the guidelines. Few, if any, go on to explain to the NED how they might achieve this.

Some Background

UK Corporate Governance Code 2010 (the Code) is a set of corporate governance guidelines aimed at listed

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companies. Under London Stock Exchange (LSE) listing rules, all companies have to disclose how they have complied with the Code and where they have not.

The FRC Guidance on Board effectiveness is one of a number of guidelines issued by the FRC to assist listed companies in complying with the Code.

So, whilst there have been no “statute” changes, the guidelines, in some ways have the same impact. There could well be a severe effect on a listed company’s share price if they stated they were not going to comply with the Guidance – which they would have to declare under listing rules.

Historically, successful civil claims against NEDs are rare. However, recently the case of Lexi Holdings plc v Luqman (2009) developed case law on this subject. Two NEDs were held liable for failing to intervene to prevent the company suffering a loss caused by an Executive Director. Certainly the environment has changed (**as explained in the DLA Piper note**) and courts may be prepared to intervene more in the future.

Non Exec Directors

All NEDs are expected to acquire an understanding of core business activities and their exposure to significant risk. Investment in material business change projects would come under this heading. Whether the amount spent was measured in £000s or £millions it is the risk / business impact that is critical here. All directors (including NEDs) have a duty of care and are not absolved from this simply because they fail in this duty collectively as a Board. Similarly the Board cannot delegate this duty of care to Board committees.

The NED must insist on receiving high-quality information in a timely fashion. High-quality information is that which is appropriate for making decisions on the issue and should be accurate, clear, comprehensive, up-to-date and timely,

contain a summary of the contents of the paper and inform the NED of what is expected of him or her on the issue. However, what is clear and comprehensive from a technical perspective can be far less so for an NED without the appropriate technical background.

NEDs can protect themselves to some extent through indemnification by the company, or by indemnity under the company Directors and Officers liability insurance



policy. However, to protect their reputation they need to protect themselves from claims in the first place.

How can Pelicam help?

FRC guidelines create a requirement on NEDs to investigate and assess

risk in the organisation. Pelicam can help satisfy this requirement with assurance work and in particular the health checks on projects.

- This will deliver high quality insightful information in a format that a non-technical person can understand.
- The focus will be on what is critical to project success and benefit realisation.
- The review is not just an audit, but includes pro-active intervention and remediation where applicable.
- The advice is pragmatic and delivered to the client and the project team in a positive way that can be acted upon.
- Pelicam's assurance work is carried out in a collaborative style by project directors with over 15 years' experience.

To ensure consistency, coverage and granularity Pelicam's Project Assurance Method (PPAM) builds a 500 point review evaluating each aspect of the project in the context of the organisation. This is compiled into a 50 point Key Focus Area Dashboard, using a traffic light system, supplemented by a detailed key findings report and management summary.

PPAM draws out the key issues that jeopardise projects and benefit realisation. It then presents the information in an understandable and unambiguous style.

Benefits and Measures		
2.1 Business case	G	
2.2 Benefits realisation	G	
2.3 Project complexity	G	
2.4 Requirements analysis and optioneering	G	
2.5 Solutions design and definition	R	→ R Current systems portfolio compromised
		→ R Requirements not signed off
		→ R Inconsistent approach to solution design
Management and Planning		
3.1 Implementation of team governance	G	
3.2 Estimating, planning, deliverables, dependencies	G	
3.3 Quality and testing	A	→ A Roles in testing not understood
3.4 Risk, opportunity and issue management	G	→ A Acceptance criteria (WIP)
3.5 Operational handover and training	A	→ A Late business involvement
		→ A Handover planning in jeopardy

An example of a section of one of our dashboards is shown above.

Pelicam regularly assure projects for some of the largest organisations in the UK. Recently Pelicam have been working with the NEDs of a large financial services organisation to provide independent and impartial progress assessments of a complex £500 million pound technology programme.

The Guidance states that it is the responsibility of the NED to investigate and challenge the Board where necessary. The environment for NEDs has changed and the courts may be prepared to intervene and, perhaps, punish more in the future.

It is essential, therefore, that NEDs take the time to understand the Guidance and their responsibilities. The PPAM and dashboard gives the NED the information they need to drill down to the critical issues and ensure that risks are managed in order to protect the stakeholders they represent and themselves.

Corporate City law firm, DLA Piper, have identified some of the risks facing NEDs now and also have offered some advice as to how they can protect their own reputations.

[< Click here to read their paper >](#)

Comment on Greg's article

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Project Intelligence – Experience or Training?

Andrew Wicks – Pelicam Partner

The first project I managed was over 30 years ago. Since that small hardware upgrade I've managed, sponsored or been a member of countless project teams. Like everyone else who's had that much project exposure I've had my share of exhilarating successes and heartbreaking failures. In what, I suspect is a very British fashion, the successes were only fleetingly celebrated whilst the failures were long agonised over. Nothing wrong with reviewing why

failure occurred and learning lessons but I often felt those inquests never got to the real issues. And, yet, so often I could see disaster looming, knew that I was participating in a train crash but was unable to express why the project was going wrong.

I've recently attended some of Pelicam's Projects Forums and their Realising Project Intelligence workshop. The opportunity to learn from their experience and debate with my peers has been fascinating. The combination of hard skills, typified by the established methodologies such as Prince2 and PMBOK, and the soft skills, for example communication and people management is not enough. Is there a third ingredient?

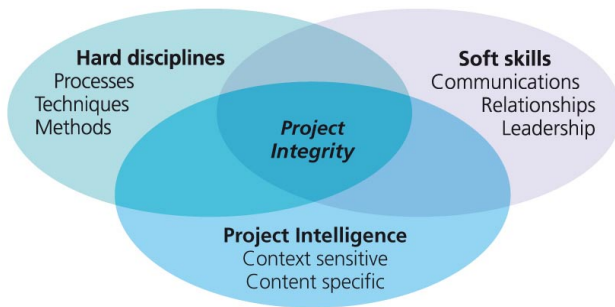
Project Intelligence

Pelican argue that “Project Intelligence” is the third focus but what is it? Can it truly be separated from the hard and soft skills to the extent needed to select for it, develop it and train it?

At first glance “Project Intelligence” appears to be little more than the judicious, pragmatic application of the hard and soft skills, by an experienced Project Manager (PM). Dig a little deeper and you realise that experience applied pragmatically is a very powerful capability.

So, can we fast track less experienced PMs? After all “Project Intelligence” is of limited value if the only route to achieving project success is to engage seasoned, highly experienced PMs. And, an extremely disheartening answer for a young aspiring PM.

The discussions and training have persuaded me that there are insights, techniques and approaches that are used by the best PMs, and their project teams, and that these can be passed on to others. Not surprisingly I learnt that senior PMs can also learn from these techniques. In fact whilst I did learn many new things I also found the course to be a fantastic refresher – a reminder of approaches and tools that for a variety of reasons I’d slipped out of using.



Let me give you a few examples of what was discussed and without giving away all the answers explain why there is a third way.

Sponsorship

Let’s start with sponsorship. A frustration of mine is the poor quality of the sponsors that I’ve worked with. Too many haven’t made any effort to understand what is required of the role. Whilst very few actively or covertly undermine the project team not many of them provide the support or challenge that the role demands. Pelican have some good advice on how the PM should manage this most important of stakeholders. Developing and maintaining the stakeholder PM relationship is key to a successful project and an inexperienced PM will particularly struggle. I’ve noticed that external PMs are typically much more adept at this but I also think that they have a tremendous advantage over internal PMs who will feel constrained by the politics and reward structure of the organisation.

Stakeholder management has been identified by Pelican’s health check analysis as one of the top three critical issues so it’s worth investing to improve this area.

Project Duration

I was particularly struck in one debate by the inverse correlation between project duration and project success.

Instinctively we might believe this correlation but the empirical evidence is shocking. A Standish report¹ records a 55% success rate for projects of less than 6 months duration which drops to 15% for 18 month projects. John Carroll² reports a 50% success rate for sub six month duration projects with no successful projects over 9 months duration!

In the face of such dreadful statistics it was interesting to learn about “Islands of Stability”. These are quite different to milestones in that they are deliverables with tangible business benefits. They typically require extra investment and will extend the timeline of the project. So, the approach will need to be sold but the benefits of reduced risk, greater visibility and higher engagement from the business all make for a strong case.

The Business Case

As a final example I’ll mention the business case. It’s high on Pelican’s list of critical issues that contribute to project success or failure. It’s important that the PM understands the business case because it is so closely related to what success looks like. It should define the outcomes of the project but surprisingly often, this fundamental aspect is missing or is poorly defined. So, what does a PM do that finds himself confronted with a weak case? Many projects today are justified as being mandatory – hardware or software that is going end-of-life, regulatory demands or mandatory audit requirements. Because these projects are “no brainers” they are susceptible to massive scope creep. In difficult economic times these are great projects for a canny sponsor to latch on to and add their own pet initiatives. It will need strong discipline and judicious skills for a PM to negotiate a reduced project scope. Better to get the objectives right and de-scope at the project start than have to do that later.

My conclusion is that there definitely is a third way but that “Project Intelligence” is not always a simple thing. It is more than a re-stating of soft skills and thankfully it can be taught.

Any Project Manager would benefit from this workshop but it’s especially suitable for PMs who already have a good mastery of the traditional hard and soft skills.

Comment on Andrew’s article

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Source:

¹<http://www.softwagemag.com/focus-areas/application-focus/featured-articles/turning-chaos-into-success/>

²<http://pdfcast.org/pdf/critical-success-factors-in-ebusiness-project-management>

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CRM Success: Aligning your organisational culture to leverage the full potential of CRM

Derek Bishop – Pelicam Partner

Customer relationship management systems can be found in all shapes and sizes; their central purpose to help you gather data which leads to a better understanding of your customers. Only by understanding your customer will you be able to: offer them the customer experience they desire; assist them in buying the products they need or want; improve internal efficiency; identify new customer and product opportunities. In effect: only by understanding your customers will you create organisational success.



The value of the intelligence that you get out of CRM systems is only as good as the quality of the data that's collected; therein lies the challenge. In order to capture up to date, meaningful and valuable information on your customers, share it across all your internal teams to create a joined up, holistic service to your customer; you need to create full alignment within your internal culture.

What does this mean? 'Understanding your customer' needs to be more than a one off project; reserved for the few; it needs to be embedded in the culture of the organisation. All employees must embrace it; the reward system must incentivise it; Management Information must measure it and customer feedback should shape it.

To help bring some of these CRM discussions into reality, below I have outlined a few scenarios which we've experienced in working with our clients.

Customer advocacy: can you measure it?

Many companies are struggling to find the right solution to generating more income when in actual fact the answer to that problem is right under their noses. Companies shouldn't underestimate the hidden value of their customers; a great customer experience strengthens the emotional connection with customers and then manifest itself in customer advocacy; most of which you will never hear about.

The power of customer advocacy has never been more real, with more choice being made available to customers and an increasing squeeze on disposable income encouraging customers to analyse their spending in more detail. Sales through improved service is a strategy which can make a huge difference to both the customer experience and ultimately the success of the business.

So what's all this got to do with CRM? Before we start exploring this, let's define what customer advocacy is in a little more detail.

A standard referral is simply the passing on of details at arms length without committing to the quality or direct suitability for the particular problem at hand. A good example of this would be providing someone with the details of the nearest garage, you may not know whether they solve the specific mechanical problem for the person, you have simply pointed them in the right direction. Customer advocacy goes far beyond this, as the Advocate is putting forward a personal recommendation; and therefore essentially putting their own reputation on the line by advocating you. True advocacy, comes not just from delivering technical competence, but also from customer service too.

I could name dozens of businesses and people that I have advocated as potential suppliers or partners, all of whom say after they've started with new a service provider how happy they are and what a difference it makes – which is not surprising. What's really interesting is that most of these (if not all), are just taking my recommendation and just getting on with it, so the advocacy is extremely powerful in attracting new clients.

However, the reverse can equally be true, as much as customers can advocate you and bring you more new customers, by the same power of recommendation; they could also be discouraging potential customers. This is why ensuring that your customer service delivery matches customer expectations is so important.

So where does CRM come into play? A CRM solution which enables an organisation to capture information about customer advocacy; and use this insight for profiling customers (and potential customers) and the relationship they have with the customer, will be extremely powerful. This takes it beyond the transactional level of just a 'customer database' including: contact history; communication preferences; and predictive cross-sell/up-sell opportunities. Many organisations use the Net Promoter Index to gauge the level of customer advocacy; this provides management information but not intelligence. Net Promoter outlines the likelihood of Advocacy, not an actual measurement of the customer advocacy happening for the organisation, which is much more meaningful. A CRM solution which allows an organisation to track referrals will enable them to develop customer insight on a deeper level, thereby forging a stronger relationship, and offering rewards for the organisation in terms of retention, sales and new clients through advocacy.

Improving efficiency : avoid eliminating your vital customer interaction points

We have seen organisations re-engineer processes and customer interactions in order to improve operational efficiency; but then in streamlining processes and using CRM solutions to automate tasks, the organisation has lost a prime customer touchpoint. This touchpoint could have been used to: provide a service experience which is different from the competition; gain customer insight to inform the organisation; and/or been used to cross sell another product or services. So, in the plight of operational

efficiency, CRM solutions can save operating cost but at the same time; leave gaps in your customer intelligence; negatively impact your customer experience; and create missed sales opportunities. So, when looking at processes and how a CRM solution can help, seriously look at the customer experience from both the customer and organisations' point of view.

It's all about the technology: people make the difference

Every customer interaction needs to be viewed as an opportunity. Staff need to maximise customer contact by asking questions which will give the organisation more customer intelligence. Customer behaviour is changing dramatically and rapidly, so asking questions beyond just resolving the specific query/request will provide huge insight into the current customer challenges, concerns and issues. Capturing this insight into a CRM solution enables the organisation to be dynamically informed of how customer behaviour is changing; allowing it to be nimble in its product and service development.

Systems cannot provide all the answers; staff need to be trained in how to introduce these key questions into the conversation. The way this is executed makes a significant difference to the customer, and the results for the organisation. Not every customer may want to be asked these more probing questions, so staff need to gauge what's appropriate, and lead the conversation appropriately to ask the right questions, in the right situation. This deeper level of discussion will build a higher level of emotional connection and hence loyalty with the customer.

Cross-selling and up-selling: Make the right sale by asking the right questions

The problem with many cross-sell or up-sell conversations is that they are too artificial – staff are following guidance/scripts rather than engaging in a more natural free flowing yet inquisitive conversation. This means that the customer is not emotionally in the right place in that point of the conversation for a suggestion of an additional product to be naturally introduced and discussed. And guess what? The customer spots it a mile off! Too often the customer feels like they are being 'pushed' a product, whereas the real benefit comes from training staff so they can ask the right and natural questions to lead the conversation to discussing the customer's other genuine needs. Train staff in asking the right questions and take guidance from their answers, rather than ensuring they have the cross-sell/up-sell conversation with every customer, at every conversation. It's about helping the customer to make a decision to buy, rather than being sold to – that's customer alignment. Think about your own personal circumstances and situations where you have been sold to, versus, assisted to buy something you needed or wanted.

Any CRM solution should appropriately support staff in their plight of providing an exceptional customer experience, but take care that technology doesn't encourage the interactions to become mechanical or impersonal.

Information sharing: will it happen?

At the heart of CRM solutions is a principle of sharing information, which, no doubt, we would all agree is

a sensible and valuable thing to do. However, most organisations do not have the right internal culture to support information sharing, and hence leverage the full potential of a CRM system. Information sharing does not come naturally to a lot of people and isn't actively encouraged either – in most situations people do not view communication and information sharing as high enough in their priority list of things to do each day. It may also be that people do not understand why they need to share information or even worse, they are incentivised not to share information.

One of my colleagues was working with a global investment bank reviewing the UK implementation of a company-wide CRM solution. Whilst conceptually the CRM solution had a great business justification and benefit case: a holistic view of client relationships; quantifying the true value of the client relationship; identifying and spotting extra opportunities; unfortunately teams worked in their own functional/specialist areas and were not willing to share their information on the client with people outside of their specialist

area; nor were they rewarded for doing so. The culture within the organisation was built around teams of specialists working together to deliver results in their area, so when

it came to sharing across specialist areas this conflicted with the culture which was so prevalent. Changing this would not just be down to strong leadership of the CRM implementation; but more of a fundamental culture shift. Whilst the CRM solution looked fantastic in the logical world, unfortunately, the emotional world of the organisation culture is what determines whether something will happen or not.

So when looking at implementation of CRM solutions and quantifying the benefits which can be captured, a strong look at the internal culture of the organisation is required. A CRM implementation will not deliver the benefits itself, the people who have shaped and work within the culture of the organisation will deliver the benefits. Unless the organisational culture is aligned to what its targeted to be achieved, any CRM solution will fall short of its aim or true potential.

Comment on Derek's article

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Pelicam – from London to Brighton on a bike!

Kate Woodmansee – Pelicam Marketing Manager

Our fundraising event for 2011 will be the London to Brighton bike ride on Sunday 11th September. The Pelicam team who have volunteered to take on this daunting challenge are: Peter Mayer, Joe Mayer, Vince Rawle, Nick Hughes, Ross Catley and Simone Enefor-Doy (from Lifelites).

This is no cycle ride round the park! It is a challenging 54 miles from South London, through Surrey, Sussex and finally facing the very steep and formidable Ditchling Beacon just before Brighton.

If you would like to support the team and help us raise funds for Lifelites to enable them to provide some more technology equipment for one of their 40 children's hospices around the UK, please visit the online sponsorship pages as follows:

<http://www.everyclick.com/petermayer>
<http://www.everyclick.com/vincerawle>

Every pound will make a world of difference to the shortened lives of these children.

Many thanks in anticipation for your support.

For further details on Lifelites, please visit their website on www.lifelites.org.



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To explore how things can be improved in your organisation, please get in touch at info@pelicam.com

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If you have any interesting articles about improving the chances of project success or more explicitly delivering project intelligence that you would like to share please send them to kate.woodmansee@pelicam.com

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