CFO

Strategic visions are great, but they can turn into nightmares at the project level. Here's how to keep a project from becoming a...

Project Runaway

FINANCE EXECUTIVES pay a steep price for their versatility. Sure, they play a strategic role in the C-suite. But they also have to actually get things done, and make sure others do as well. They have to help their CEOs conceive the big picture, and then implement it. ¶ Corporate life being what it is, that means that CFOs spend a huge amount of time on projects. Some they lead, others they delegate—

| BY RUSS BANHAM | ILLUSTRATIONS BY NEIL WEBB

Case Study: Project Management Timetable

Implementation of annual budget process for a large, multihospital/physician organization

Day 1: **CFO provides basic analytics and current trends, strategic initiatives and major capital investments** (from the strategic-planning process), **and other material assumptions** (including regulation changes, payer-contract negotiations, merger-and-acquisition activities, labor contracts, and so on).

Day 70: **Operations and finance departments create first draft of budget, which includes operating statistics and performance metrics at a department level.**

5 10 15 25 30 35 40 45 50 55 60 65 75 80

Day 20: **Senior team approves major budget assumptions. Finance starts analytics at department level, overlaying major assumptions approved by senior leadership. This includes one week of unallocated time to deal with unanticipated time delays or a need to rework information.**

Day 40: **CFO, finance, decision support, and information systems provide current trends at a department level and other assumptions to department heads for first draft of operating budget. This information includes all the major initiatives and assumptions approved by senior management team.**

Project Runaway

which can often be harder than leading. Technology investments and implementations, acquisitions, divestitures, carve-outs, new product launches, new market entries, you name it. When it comes to capital management, value creation, and business transformation efforts, the rubber meets the road at the project level.

And who better to lead a big, hairy project than the CFO? As Rich Rorem, principal and U.S. finance transformation leader at Deloitte Consulting, puts it, "CFOs are often picked to lead projects because they have deep knowledge of the organization and great technical understanding of how the business works and what drives it, and they don't shy away from the hard decisions."

"Most CFOs have the mentality to take a complex initiative and create a linear process to see it through from point A to point Z," adds Doug Fenstermaker, former CFO at HealthEast Care System and currently managing director of Warbird Consulting Partners. "And we understand the technical details well enough to translate them into English, which is a far cry from being [simply] a CPA who keeps score on the financial statements."

But assuming the mantle of project leadership presents problems. Again, project management is time-consuming, taking up much of the brain space that finance chiefs need if they are to function as strategically as possible. Moreover, if a project fails, the CFO may be blamed—and projects can fail for so many reasons. Many stray from the original business case. Others suffer from scope creep, unforeseen cost overruns, team apathy, or competing priorities, or threaten to be rendered obsolete or off-target due to unanticipated macroeconomic crises, technological shifts, or the moves of competitors.

Yet projects remain an indispensable part of business life. Since they are not going away, and since *someone* needs to be in charge, CFOs need to have the best project-management skill set they can muster. Here we offer a survey of best practices in project management, from choosing the right projects to assembling teams to setting milestones.

Making the Business Case

Those who wish to succeed as a project manager should begin by recognizing that it is ultimately a governance role. CFOs have the responsibility for greenlighting the business case, assembling the project team, establishing milestones and deadlines, monitoring progress, measuring the continuing efficacy of the effort, and deciding when enough is enough—that the project no longer promises a suitable payoff and must be killed.

"All projects must be driven from a clear-end business case that says, 'Here are the objectives, here is what we hope they will achieve, and here is what we believe this will cost,'" says Dennis Conley, managing partner at consulting firm Transition Partners. "As the project moves forward, feedback must constantly bounce back against the business case to determine if the objectives are being met, the costs are in line, and you're still fighting the right war."

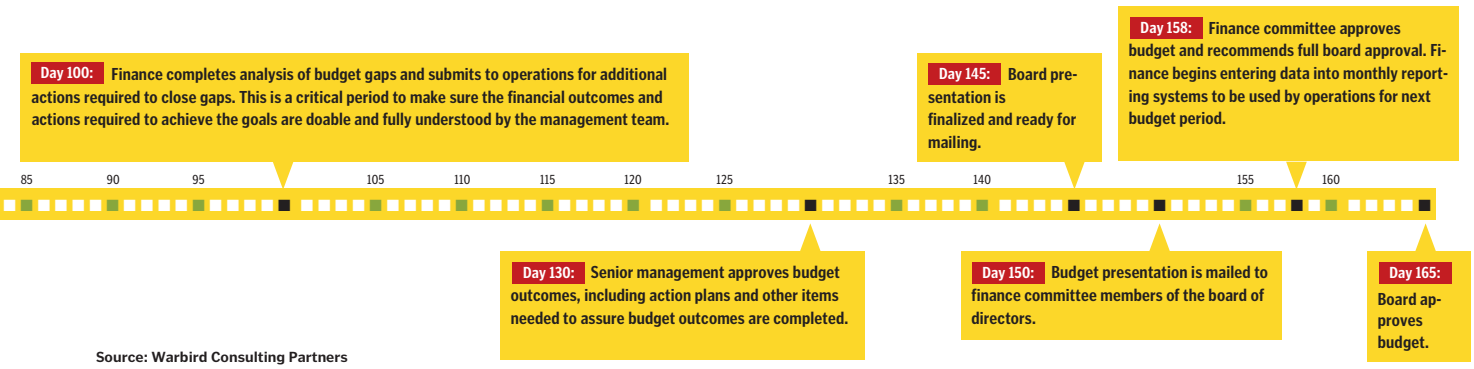
A project may look good on paper from a financial standpoint, but a positive return on investment is not, in and of itself, a sufficient rationale to move forward. Projects must have some strategic purpose. "You want to pick projects that will have a material impact on the organization," says Terry Schillaci, who has taken on several interim CFO assignments as a Tatum managing partner.

Others agree. "Many organizations launch projects without clear justification," says Ed Barrows, a partner at consultancy Cambridge Performance Partners and co-author of *Managing Performance in Turbulent Times.* "The CFO is in an opportune position to ask the tough questions and enable good analysis. He can help his business partners structure and think through the business case to ensure a project of enduring value."

Critiquing this value is important to deciding which projects to undertake. "There is a tendency to take on too many projects or not even understand what a project is," says Mark Bashrum, vice president of strategic intelligence at ESI International, a project-focused training company. "I was in a room of executives who worked at an airline in Asia, and I asked them, 'How many projects do you have going on right now?' The responses ranged from 5 to 300. The upshot was that no one understood what a project was: it's an initiative that has a beginning and a clear end, not a steady-state operation."

To keep the number of projects manageable, Bashrum suggests an approach whereby expected ROI, risks, costs, resource requirements, and timing are ranked and prioritized. Barrows says that the value of establishing a business case doesn't just pay off at the individual project level, but also provides a way to compare one project with another.

"Twenty to 30 projects at one time leads to 'peanut buttering,'" Barrows says. "You're spreading yourself too thin." He recommends no more than 6 major projects at a time. "I once worked with a CFO who said he had 20 projects to consider," he recalls. "I said, 'What are your top 3, and what would it be worth to you to just get those 3 done?' And he said, 'Amazing.'"



Source: Warbird Consulting Partners

Quarterbacking

Once the project has been given the green light, the next task is to assemble the right team. While some projects are so focused that team members might be drawn from within a single function, more often these days success hinges on assembling a cross-functional team. It also helps if at least some of the members have previous project experience (see "Dream Team," page 50). The specific composition of the team is critical, and therefore a key challenge for CFOs is to "know their bench strength, so they can ensure they have the right people in the right slots. That requires that they get more involved in talent development," says David Axson, partner in the finance practice at Accenture.

Finding team members who can speak a common language is crucial. "You don't want someone from IT who talks just in code, or someone from finance who talks just in numbers," Axson explains. "You want a team that communicates well among themselves."

David English, CFO of Ryan LLC, learned that lesson the hard way. When English arrived at the Dallas-based global tax services firm as its finance chief in 2007, business was growing fast, but the general-ledger accounting software was a 15-year-old demo copy of a rudimentary program. "We were a $150 million company with almost 750 employees in 45 cities in Canada and the United States, and we were using accounting software that had cost $1,500, and it showed," says English.

In sponsoring an accounting/IT project to implement and integrate new finance, customer relationship management, and human-resource management systems for forecasting and business reporting, English realized he had to rely on individuals who had expertise he lacked. "I knew we needed to have the currency-conversion feature of the expense-reporting tool working by a certain date, and I could tell them how it should work and where the rate tables resided in our accounting system," he says. "But I couldn't write the code myself or even be sure they were writing it the most efficient way."

English found that the key to managing the project was to let the subject-matter experts drive their portion of the process, with him riding herd on the team's progress. "I essentially managed them, rather than their area," he says. "Micromanaging just gets in everyone's way."

Another common distraction that can impede the progress of project teams is, simply, their day jobs. Participation in a project often accounts for just a portion of a given team member's workweek, and it's a portion that can steadily diminish if the project leader fails to motivate team members and keep them on track. "A CFO must continually drive the message to the team that the project is vital," says Chuck Best, CFO of BlackLine Systems, a provider of accounts-reconciliation software. "You do that by staying engaged, asking questions continually, and really listening to the responses. You're asking for their time, and you won't have it unless they and their bosses believe in the project's value."

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This requires significant communications skills, which Deloitte's Rorem believes CFOs have greatly improved over the last decade or so. "CFOs routinely interact with the investor community and go on road shows now," he explains. "They have the ability to influence people in the organization, which is what a team leader must be able to do."

Mile Markers

Keeping everyone focused on the endgame requires a road map with rest stops clearly marked. In project management parlance, a "staged gating process" breaks a project into a series of milestones, each involving specific goals, tasks, and a reconciliation of expenses. "Milestones help establish assignments of responsibility and give you something to measure against," says Warbird director and senior CFO consultant James Fox.

Without defined steps, projects meander. "I worked on a project once where the team took six months to get to a point where people felt comfortable with each other," says Barrows. "Meanwhile, the clock kept ticking."

"It's like that sign in the movie *Office Space* that says 'Planning to Plan,'" English says. "I know a CFO who got so fed up with all the time eaten up at project meetings that he took the chairs out of the room. That got those meetings down to 10 minutes fast."

Several experts advise staging more gates to stay continually in touch with teams and their progress. Axson, for instance, says big projects "ought to be broken into 90 to 120 chunks, each followed by an in-depth review."

CFO project leaders swear by the staged-gating process.

"Each time we pass through an established tollgate, we call a meeting to evaluate the next tollgate," says Rob Stamper, vice president of finance at lighting-fixture manufacturer Hubbell Lighting, a subsidiary of $2.8 billion Hubbell Inc. "This way we dig into the deliverables, how much we've spent, whether we are still where we need to be, and, if we are behind, how to get back on track."

Stamper was at the helm of a major initiative undertaken by Hubbell to reduce its manufacturing footprint, which ultimately led to the company selling off a noncore die-casting facility to a supplier. "We had a very disciplined set of meetings, which helped structure the pacing of the project," he says. "Everyone stayed on point, knowing how important it was for us to reduce costs. We also established incentives—a bonus for each team member based on the success of the project."

A caveat: In determining project milestones, resist sticking them too far into the ground. "You want to set a hard date, but build in a cushion that allows for contingencies," says English. "Obviously, you don't want to be perpetually resetting dates. There is a fine line between a legitimate cushion and sandbagging."

Still, not bringing a project to fruition on time will hurt, says Sanjeev Gupta, CEO of Realization Technologies, a consultancy that touts its ability to help organizations complete projects faster. "If you establish the payback period for a project in seven years, and there are delays that push this forward another year, it can create cost overruns of 20% to 30%," Gupta maintains.

One source of delay that he says many project leaders fail to account for is things outside their control, such as regulatory approvals. "Take the example of a new drug with a patent that will expire in five years," Gupta says. "If the manufacturer sets seven years as the target to bring the drug to market, but it actually takes eight years to get there, you've now lost a full year of expected revenue. And you've added the associated costs of another year of research, development, and labor." He advises project leaders to develop a checklist of potential timing risks up front and determine how these will be mitigated before spending the first dime.

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Perhaps the biggest challenge for the CFO as project leader is knowing when to pull the plug. A project beset by delays, cost overruns, and a business environment in which the original objectives no longer hold is clearly a disaster. But in other cases failure can be hard to foresee, and even harder to accept. "I've had to do it several times in my career, and it isn't easy," concedes Fox. "You get to a point where you have to stop and question whether the goals remain achievable with a reasonable amount of time and capital. If not, you need to make a very tough decision."

Killing a project goes against human nature. "It's an emotional thing to pull the plug," says Tatum's Schillaci. "I worked as an interim CFO leading a large construction project involving the building of a polyethylene pipe. The economy changed and sales were tough to come by. The project just didn't make financial sense any longer, and resources were needed elsewhere. Nevertheless, it took me three months to convince the CEO to accept the truth, take the hit, and move on."

His advice? "You've got to let go of pride," he says. "It just isn't worth the money." CFO

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Dream Team

You've given the go-ahead for a major initiative and now have to select the individuals to help bring the project to fruition. The problem is, who are the people you should tap, and how can you ensure they will get the job done on time and within budget?

Every CFO who has faced this conundrum acknowledges the difficulty and importance in building a project dream team. Not only can turf issues upend progress, so can malaise. So who gets to play? Lawrence Levin, a consultant and author of *Top Teaming: How Leadership Teams Navigate the Now, the New, and the Next,* says it depends on what a project team is tasked to do.

"A top project team is likely to require a mix of subject-matter experts, those who know how to navigate the organization, and those who know how to get things done," Levin says. "It's what they're tasked to do—whether you need real diversity in thinking, experience, and expertise versus pulling the best and deepest functional leaders together—that determines who best to select."

Another factor is how interdependent the team needs to be. "Is it together for a brief, defined time, or is it a standing team tasked with sponsorship and review of multiple projects?" Levin asks. "Is it a team that operates by consensus, or does it surface its best recommendations to a designated leader for decisions? One size does not fit all."

"A top project team is likely to require a mix of subject-matter experts, those who know how to navigate the organization, and those who know how to get things done." >> Author Lawrence Levin

About the worst project team is one that is inherited, says Terry Schillaci, a Tatum managing partner. "I've had situations as a CFO where the CEO said to me, 'Here is your project team,'" he says. "That's no way for a project to begin. You want to have the team's confidence from the get-go."

Other CFOs agree. "Half the battle of a successful project is getting buy-in up front," says Chuck Best, CFO of accounts-reconciliation software provider BlackLine Systems. "And you do that by making sure you set out what you're trying to accomplish early, so you don't muddle through days and weeks of being unproductive."

Levin concurs. "Time is the great commodity of busy executives," he says. He recommends that project leaders ask three questions to keep team members collaborating toward the project's completion: What did we set out to do? How well is this working? What do we need to correct or fine-tune? "This way," Levin says, "you remain in lockstep." R.B.