OXFORD | GLOBAL PROJECTS

10 Heuristics

That make **Leaders of Projects and Programs** successful.

Masterbuilder heuristics

Fast and frugal decisions to deliver **successful projects and programs.**

Masterbuilders are senior project and program managers and change leaders who deliver on time, on budget and on benefits. Over and over again.

Oxford University's research found that heuristics are the Masterbuilders' secrets to success.

Heuristics are mental shortcuts. When professionals make judgements and decisions under uncertainty they rely on a number of simplifying heuristics.

Masterbuilders operate based on intuitive judgments, tacit knowledge and a clear vision of what is possible and what needs to be done. Their heuristics are the outcome of decades of experience of delivering complex programs.

Here we present the 10 most relevant heuristics for managing projects and programs.

Heuristic 1

Get the team right

This is the heuristic top leaders mention most often. Pixar president Ed Catmull says it like this:

"Give a good idea to a mediocre team, and they will screw it up. Give a mediocre idea to a great team, and they will either fix it or come up with something better."

An innovation director at a large transport operator told us: "I don't trust written CVs. If you are new to my team you first get a small project, I don't care if you managed multi-millions somewhere else, first you deliver me this 20,000-thing, and then I trust your ability to be right for my team."

Gail Kelly, ex-CEO of Westpac, when asked about successful companies, in her view "The single most important factor for a company to go from good to great is to get the right people 'on the bus' and the wrong people 'off the bus'."

Heuristic 2

Hire (or train) a Masterbuilder

"The issue is that buildings are inevitably over budget, and at that point the owner turns to the construction people to help them bring the building back into budget…

And the construction people say, 'Look, we know what to do, straighten out a few things and we will get it on budget'…
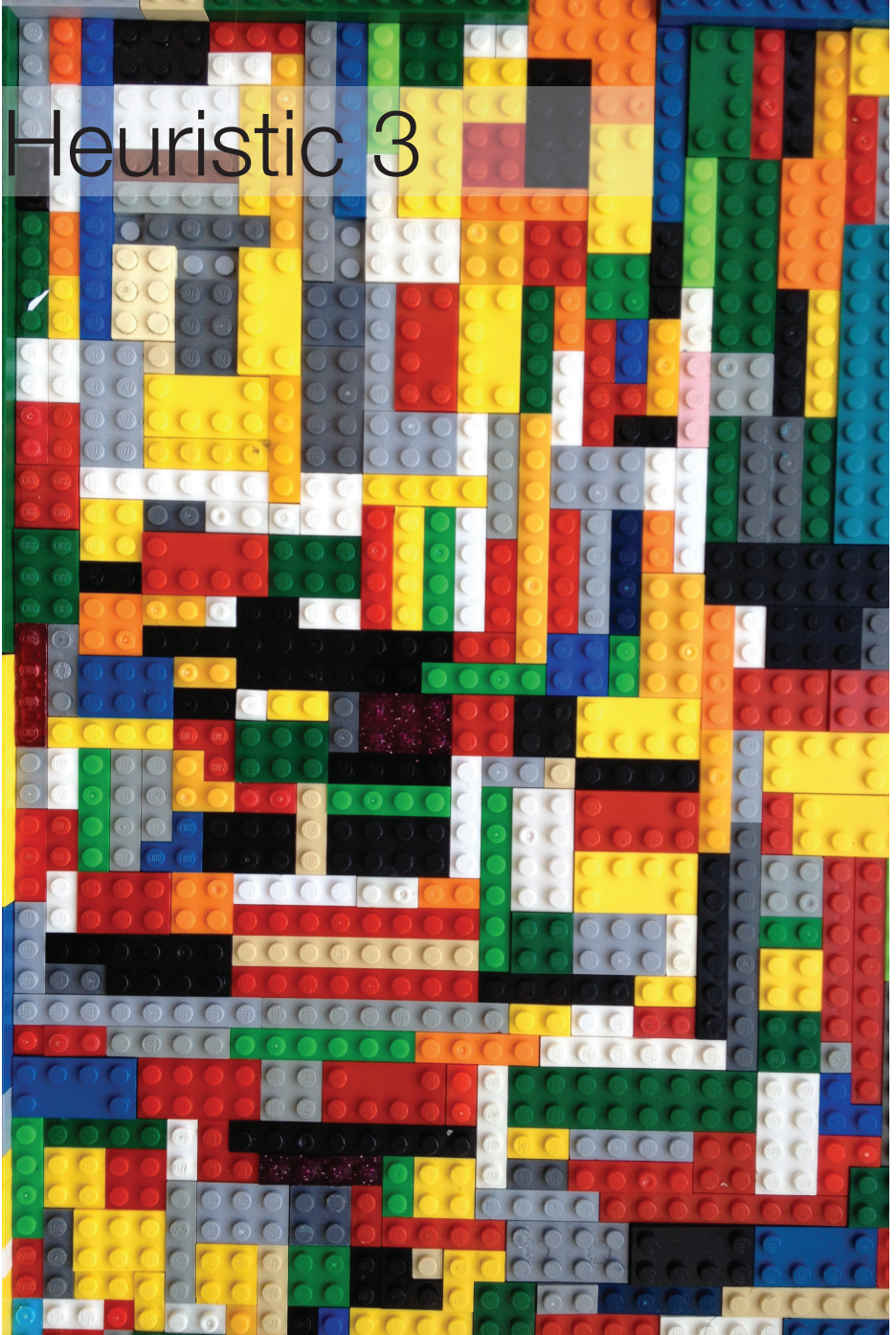
The architect is, at that point, infantilized and the contractor becomes parental…

I've always hated that moment! and you wonder isn't there some way? In the middle ages, the architect was the Masterbuilder, they built cathedrals, they were respected…

How does one become, you know, the dream, the Masterbuilder of days past?"

Frank Gehry

Heuristic 3

What's your LEGO?

Slow and one-off projects perform worse. Manuel Melis, President of the Madrid Metro, learned that fast and modular projects perform better. The latter realize better economies of scale and, more importantly better economies of learning. Like LEGOs, modular design and modular program phases facilitate learning and speed.

If you don't know what your LEGO is, you don't know how to learn, scale, and deliver effectively.

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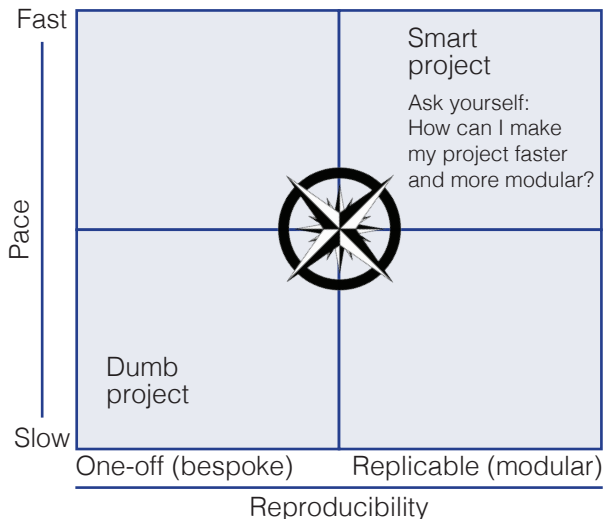
Heuristic 4

Build your bridges before you need them

Programs inevitably run into difficulties. Decisions need to be taken and retaken. Problems need to be solved. Constantly.

This means that strong bridges to stakeholders must be in place before they are needed. Trust, transparency and open channels of communication enable fast decisions. In the words of one Masterbuilder who led the turn-around of one of the largest IT programs in the healthcare sector:

"You need strong bridges upstream and downstream. You need a strong federation of the builder-buyer-user."

When programs run into problems and partners become contractual it is especially important to reinforce the bridges from top to bottom, through informal meetings in which problems can be surfaced early and solved.

To test your bridges, simply ask:

Do the CEOs of our partners know how important this project is for us?

Don't do break-fix: get things right from the start

One VP in a major system integrator told us:

"We don't know how to do successful major programs in my company, because our sales people always over-sell. But we do know how to fix problems once the overselling comes back as delays, scope creep, and overruns, which is invariably the case. That's our business model, overselling and fixing."

"Ship unfinished" is a lean-startup idea. Agile focuses on minimum viable products. Yet, as program leader, you cannot over-promise and under-deliver.

In our experience, there are only two types of projects. The ones that get things right from the start and the ones that later set things right. There are no shortcuts. The later you leave the fix the more expensive and stressful it will be.

Heuristic 6

Take an "outside view": the "inside view" alone is dangerous

Taking the inside view means understanding a program as the sum of its constituent parts, inside-out. This is the common approach. It results in optimism, because the human brain under-estimates the complexities and risks involved, including unknown unknowns.

The Nobel-laureate Daniel Kahneman has studied the inside view. He concluded that taking the outside view is the best strategy to avoid optimism and other biases. Understand your program outside-in by simply asking, "What happened to previous, similar projects?" This results in realism, including for unknown unknowns.

I want to refurbish my kitchen. To find out what it will cost, I could either go to a vendor and we would add up the cost for all the parts I think I need. Or I could go around to my friends and neighbours with new kitchens and ask: What did you actually pay in the end? The first approach will give me an optimistic estimate, the second a realistic one.

Heuristic 7

Don't leave home without contingencies

To deal with risk (known and unknown) every program needs contingencies. Manuel Melis, the program director of the Madrid metro, said:

"Allocate at least a 30% contingency for unexpected events. This makes it possible to handle cost overruns without political and media scandals and costly delays. Don't start without it!"

Depending on the program, even bigger contingencies may be needed. They are not a waste. They are prudent management. Complex programs often have 50%, 100% or even higher contingencies.

Contingencies must be defended. Leaving them out is an easy, but false, way to make projects look cheaper up front. This will be more expensive in the end.

Incentives must be in place to secure the effective use of contingencies.

Think from right to left

When we asked Andrew Wolstenholme, leader of several of the largest civil projects in Europe, about his heuristics, he mentioned as No. 1:

"Think from right to left…
and then manage from left to right."

In other words, focus your leadership on program outcomes and how the program will get there. Then plan and execute from the left of the Gantt chart to the right.

Focusing on the endgame, instead of on preliminary inputs and outputs, significantly improves program performance. It is the key to successful delivery.

Heuristic 9

You want the flight attendant to be an optimist, not the pilot

As a program leader you need to compose your team. You will need optimists to get things done, and realists to keep things on track. You, yourself, should be a realistic optimist. Prof Flyvbjerg has studied optimism in programs for decades, he concludes:

"Most people are hard wired to be optimistic, because we need optimism to get up in the morning and survive the day.

On programs, we need optimism to motivate, to mobilize, and to execute.

But just as you don't want to get on a flight with a pilot who is optimistic about the fuel situation, you don't want to be on a project that is optimistic about its budget and schedule."

As program leader, it is your responsibility to get the balance between different personality types and their biases right on your team, in a manner that secures the success of your program.

Heuristic 10
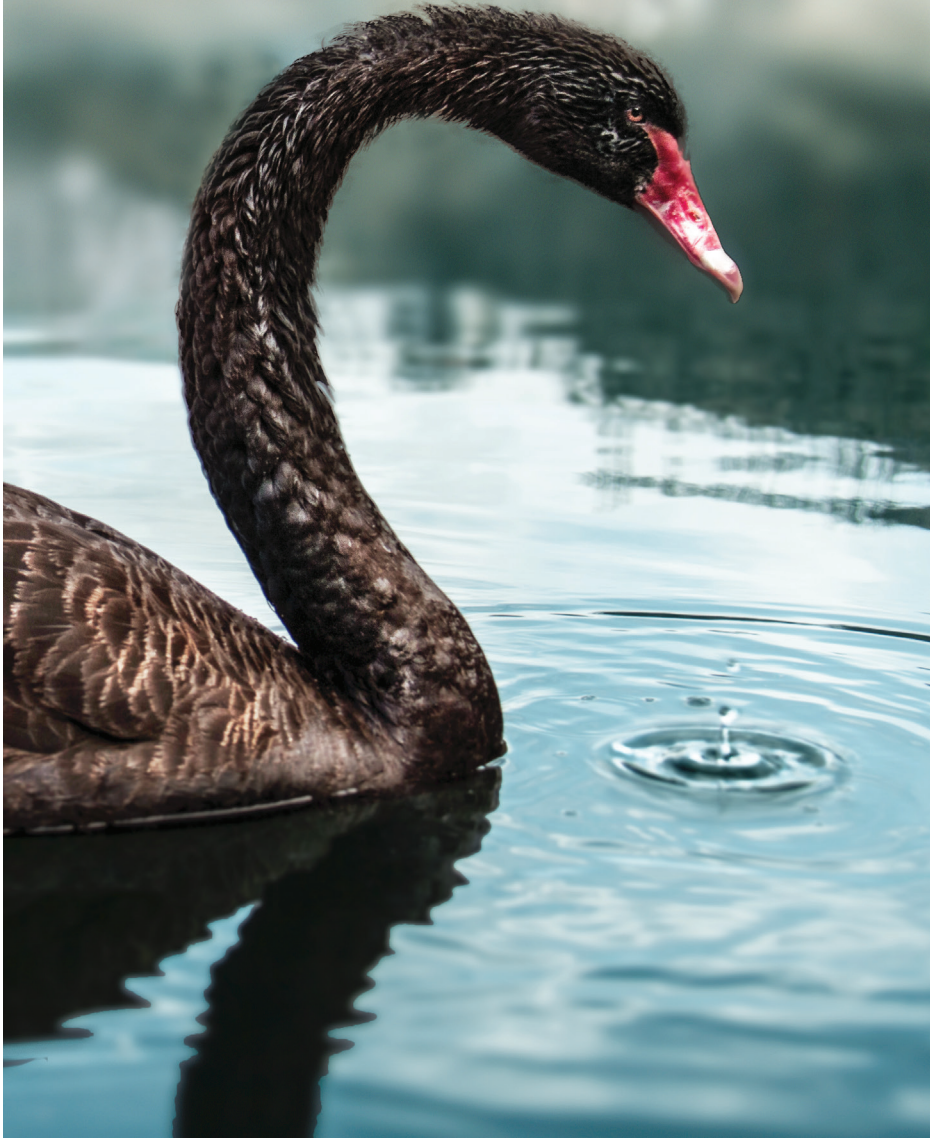
Understand your outliers – don't write them off as rare, unique events

IT programs suffer from Black Swans more than any other program type. Black Swans are programs that miss their time, cost and benefit targets bya wide margin. Black Swans are easily explained retrospectively but difficult to predict prospectively.

They are outliers.

Most IT programs actually meet their targets, but the impact of Black Swans completely overshadow the good performance of the majority of programs. Black Swans end the careers of program leaders, destroy corporate reputations, and even bring down whole companies.

Yet, we tend to ignore outliers. We write them off as rare, unique events. You don't want to do that. Because in IT outliers are not rare. One Masterbuilder – and CIO of a major manufacturer – described his approach to us:

"My program portfolio is my Black Swan Observatory. Here we spot them early and then we dissect them and learn from them, so we don't make the same mistakes twice."

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