



White Paper 2013-15

How Delegation is Required to Keep Agility and Tackle Complex Projects

When stating that project leaders should have more authority delegated to them, most organizations react negatively. The traditional way of running organizations is very limitative in delegation of authority. There is, however, a good fundamental reason why delegation should be increased when tackling large, complex projects: delegation is the adequate response to the required agility. In this White Paper we investigate why, and how this authority delegation should be implemented in project organizations

The amusing contradiction of delegation of authority for large, complex projects

Delegation of authority is a heavy affair in most organizations. It has significant consequences in terms of governance and control. Faced with a number of possible dysfunctions, many organizations react by limiting delegation as much as possible. Recent legal moves (Sarbanes Oxley for example) have reinforced this movement. This is obviously a reaction driven by fear. As a result, even straightforward commitments need to be vetted by a limited number of high level people, which necessarily creates a bottleneck, not to mention significant information and conviction effort from the project leader that distracts him or her from project duties.

Let's take some time to appreciate an amusing contradiction here, in particular in the realm of large, complex projects. The organization leaves the responsibility of project leadership to a person, knowing that project failure can have dramatic effects on the organization (complex project failure can easily lead to very substantial losses of an amount comparable to the project value, i.e. several hundred million dollars). At the same time, the organization often requires external approval for expenditures above a few hundred thousand dollars! Yet most organizations do not seem troubled by this violent contradiction. This is the sign that their (traditional) bureaucracy doesn't understand the drivers of project execution.

Delegation does not preclude control

Before we go into the details of what should be done in the context of large, complex projects, it is important to state that delegation never precludes control. It only reverses the timing of it. Without delegation, control happens upfront of the commitment. With delegation, control happens after the commitment. In all cases, control and accountability can still be there. What changes is that with delegation, a commitment will have been taken by the organization. However, done within an appropriate framework, a commitment, while it engages the organization, might be somewhat reversible through terminations clauses. Hence, the risk of delegation for an organization is often much less than feared, in particular

when done in a clear commitment conditions framework. The amount of trust involved is still high, but effective control can still be implemented. It is just that it occurs after the event.

Effective control of project decisions lies necessarily within the project

Effective control of decisions requires a deep understanding of the business. Even detecting fraud when engineered into the business requires a very deep understanding of the nature of the business.

To further the irony in the case of large, complex projects: effective control of project decisions can only be done by people who understand the project and how it is executed. Most of the time, control departments from outside the project will not understand the details of why things have been decided by the project in a given

way. It is a common experience to have external auditors not understanding a thing in what happens in the financials of large projects spanning over several years. Experienced project controls practitioners can have better insights, but it

takes a lot of time and effort to dwell deep into the accounts of a large, complex project. It is generally only feasible as part of a separate forensic effort. At the end of the day, the most effective control can only be done by experienced project controls personnel embedded in the project.

From this perspective, to maintain appropriate internal control within the organization it is important that project controls people maintain a connection with a functional organization outside the project to be able to raise any issue they might observe, should they feel that there is a need to raise issues by-passing the project leadership.

At which level should delegation be done for complex projects?

In complex situations, unexpected events do happen, which require agility in responding. This response cannot just be a sheer reaction without proper analysis and proper alignment with the ultimate goal of the project. Yet, analysis-paralysis cannot be allowed and appropriate, measured response needs to happen in a timely manner. Thus, the person that should be empowered to take the decision should be as close as possible to the event; while

You can't give the keys to your Ferrari to your project leader and them ask him to ask permission every time he would like to exceed 30 kph

having access to the appropriate analysis tools to understand the meaning of the event, have an effective conversation with the relevant persons, and take the change decisions that appear to be the most appropriate. This calls for delegation to the project leader or below, to people responsible for the execution of specific sections of the scope that have an overview of the entire execution chain (most large, complex projects are split in packages or work streams to allow better monitoring and response capability).

Extreme examples of delegation in corporate environments

While delegation is a mainstay of modern technology companies when it comes to developing products (crowdsourcing being the best known example), there are some extremely successful examples of deep delegation in more traditional companies. A stunning example is AES, an independent power company (www.aes.com) founded in 1981 and now spanning over 20 countries with a revenue in excess of 15 billion \$. In 2000, the regional AES managers made a surprise bid over over 1 billion \$ for a huge Chilean power company Edelnor. *“It was not just a surprise to the competitors, it was a surprise for [the US CEO] as well! The Wall Street Journal reported:*

But its CEO was not losing any sleep over the billion dollar bid, which would send the stocks of both companies into a frenzy. “I learned about it after the fact”, says CEO Dennis Bakke, who was told by one of AES’s regional managers that the tender offer had finally been made. “He called me up and said, we did it”. Bakke was consulted about the decision but delegated the authority and responsibility for making it to regional executives”

What is the benefit of such a delegation practice? As a result, AES moves consistently more quickly than its competitors, which is one of the reasons for the success of the company¹. Other successful companies like 3M are also project-based and very decentralized.

In project environments where agility is a requirement, delegation is not just a competitive advantage, it is a must!

Project leaders should have a high level of delegation

All these arguments push in favour of a high level of delegation of the project leader, and of its main team members responsible for package delivery. This delegation needs to be supplemented with a first line of control from within the project, and an effective post-decision control by an external part of the organization that is very familiar with project execution issues.

It is not about creating a new kingdom within the organization. It would be a temporary one anyway! It is about pushing the decision-making to the right level to take the right decisions and produce the right responses in the most agile manner for the sake of the project.

Agility is the key. Responses to events need to be delivered quickly and decisively by the people that are the closest to the issue. This requires a high level of confidence in project management by the executive team, consistent with a high level of delegation.

In project environments, where agility is a requirement, delegation is not just a competitive advantage, it is a must!

Conclusion: be consistent!

You can't give the keys to your Ferrari to your project leader and then ask him to ask permission every time he would like to exceed 30 kph. Be consistent with your stand: you give someone responsibility for executing a project which would cost hundreds of millions if it were to fail. Give the project leader the possibility to take the required decisions in an agile manner to succeed!

References: 1- the AES example is quoted in the book *“Weird Ideas that Work”* by Robert Sutton



We Empower Organizations to be Reliably Successful in
Executing Large, Complex projects.

Discover more on
www.ProjectValueDelivery.com