

The Value of Project Management

Looking for a way to stay ahead of the pack in today's competitive and chaotic global economy, companies are turning to project management to consistently deliver business results.

Disciplined project management starts at the portfolio level, where the strategic vision drives initial investments and where value measures are established. A fully aligned project, program and portfolio management strategy encompasses the entire organization, dictating project execution at every level and aiming to deliver value at each step along the way.

Project management is, in fact, shorthand for project, program and portfolio management. And more companies are clearly seeing the payoff from investing time, money and resources to build organizational project management expertise: lower costs, greater efficiencies, improved customer and stakeholder satisfaction, and greater competitive advantage.

The economic downturn only heightened that value.

An Economist Intelligence report showed that **80 percent of global executives believed having project management as a core competency helped them remain competitive during the recession.**ⁱ

And even as some executives see the glimmers of a fragile recovery, there is little doubt that a strong

organization-wide commitment to project management leads to better results and long-term business value.

"The delivery of business outcomes is realized through the success of projects, and in essence that is the way that project management strategies drive organizational success," says Adrian McKnight, PMP, program director at Suncorp-Metway Ltd., a financial services firm in Brisbane, Queensland, Australia.

A survey by consulting giant McKinsey & Co. found that **nearly 60 percent of senior executives said building a strong project management discipline is a top-three priority for their companies as they look to the future.**ⁱⁱ

Why Project Management Matters

Leading organizations across sectors and geographic borders have been steadily embracing project management as a way to control spending and improve project results. When the recession began, this practice became even more important. Executives discovered that **adhering to project management methods and strategies reduced risks, cut costs and improved success rates**—all vital to surviving the economic crisis.

More than half of the executives in the Economist Intelligence Unit report said following a project management

practices became more important since the recession began. Compared to 2007, respondents reported:

- Investing more time in project planning and due diligence (40 percent)
- Conducting more frequent project reviews to assess risks, milestones and overall value (37 percent)
- Measuring quantitative and qualitative project outcomes more frequently (38 percent)

"Many companies admitted that the economic crisis underscored their project management shortcomings and forced them to do better," the report says.

With little room for error and fewer resources to rely on, project management expertise and oversight is helping organizations streamline their delivery process, cut costs and sidestep risks, enabling them to ride out the recession and implement stronger project management practices for the future.

"Good project management discipline stopped us from spending money on projects that fail," says Ron Kasabian, general manager at global IT giant Intel, Folsom, California, USA.

Tighter budgets and fewer resources mean less money for the innovative projects that help move the company forward. Getting the most out of those

available assets, then, becomes paramount.

“Resources are precious, and we’ve got to be sure we are spending them in the best and most efficient way possible,” he says. “When project failure rates decrease, Intel gets the biggest benefit out of IT, which in turn improves Intel’s ability to remain competitive.”

Companies are also discovering that as their project management strategy matures, the business value derived from it also increases. To increase that value and ensure strategic alignment across the project portfolio, executives at many global organizations are creating formal project management offices (PMOs).

In *State of the PMO 2010*, 84 percent of the 291 project professionals responding said their companies have a PMO, demonstrating steady growth from 77 percent in 2006 and 47 percent in 2000. ⁱⁱⁱ

Project Management and the Competitive Advantage

Implementing project management across the organization helps create a strategic value chain that gives companies an edge on their competitors, particularly in high-risk sectors and markets. Being able to deliver projects on time and within budget often determines whether a company will get the next job or whether its new product hits the market.

Ninety percent of global senior executives ranked project management methods as either critical or somewhat important to their ability to deliver successful projects and remain competitive, according to the Economist Intelligence Unit survey.

“A strong project management discipline brings exceptional value to the business, because when there is

a demand for a product, we are the ones who deliver it,” says David Buisson, PMP, program manager at Headland Project Management Ltd., which is currently managing the Terminal 3 redevelopment project for BAA Airports at Heathrow Airport in London, England. “We are a key part of the business, and we adhere to the same rules, rigor and commercial goals as the rest of the organization.”

Keeping the project on track requires a strict management of metrics and project goals that extends across the project team and out to suppliers, contractors, the client and the stakeholders. And Mr. Buisson and his team are keenly aware of the business impact that results from their progress in the terminal project.

“If we don’t do a good job, passengers may choose to fly through a different airport, or retail outlets see declining sales,” he says. “But when we are successful and passengers are happy, the company is successful.”

To keep that competitive edge, companies need to align their project management strategies directly with their strategic business goals, says Patricio Romero, head of the IT PMO at DirecTV’s Buenos Aires, Argentina division.

And PMOs can serve as a powerful bridge in creating and managing the link between strategy and results.

DirecTV, for example, has established regional PMOs that act as project management centers of excellence to guide local PMOs in the adoption of standardized project management tools, practices and key performance measures.

“The regional PMOs see the value of project management,” says Mr. Romero. “They help implement standard processes across the company.”

Project Management In Action

The Company: DirecTV, Buenos Aires, Argentina

The Industry: Satellite TV

The ROI: Improved ability to track fulfillment of strategic objectives, lower project costs, improved customer service

When DirecTV’s IT team launched a PMO two years ago, senior management wasn’t all that enthusiastic—but it didn’t take long for them to come around.

“When we started the PMO, we were like a three-eyed fish in a lab. No one knew what we were. But after six months, the results started to show,” Mr. Romero says. “Now we are considered a center of excellence in the company, and other departments have started to copy our model.”

The PMO established a formal project management methodology based on a platform of standardized practices forged in the regional PMOs. It then implemented established key performance indicators, as defined by the regional PMOs, to measure progress and outcomes as they relate to business goals. Along with measuring whether projects meet schedule and budget goals, teams track whether they’ve met the business objectives outlined in the project plan.

Tying project results across the portfolio to key business objectives drives the value of project management for the executive team, says Mr. Romero.

“When senior management wants to launch a new product before the competition, they come to the PMO,” he says. “They know that we know how to deliver it, how to speed the process up and how to measure results.”

For example, the IT team recently took on project aimed at one of the

company's key strategic goals: improving customer satisfaction by building an application to automate key functions performed by customer service representatives (CSRs). First, the team spent two weeks analyzing the behavior of the call takers and how they used the system, then built a series of applications that automated billing questions and offered CSRs a click-through dashboard to streamline screen switching. When the application was ready, they rolled it out in small groups to build support and tweak the process.

The project took less than three months to complete and came in on time and on budget. But more importantly, a follow-up review of the project's impact shows that the new system shaved 17 seconds off the average customer call.

"With 600 CSRs serving 1 million customers, that's a huge amount of time saved," says Mr. Romero. That means lower costs, of course, but the project also ties directly to DirecTV's strategic goal of improving customer satisfaction.

All project data are shared through a PMO website that gives executives a high-level view of project status. This transparency helps the senior management team with strategic planning and helps connect project success and organizational success.

The CSR project is just one example of how the executive team set a strategic goal that was delivered through the use of project management discipline from the portfolio level on down, says Mr. Romero.

"The PMO is aligned to the strategic planning of the business," he says. "We are not just about controlling costs. We are about adding value to the company."

Project Management and Measurable Results

There's nothing like hard numbers to bolster the case for project management.

"It's hard to imagine how you would go about delivering a project without program and project management discipline," says Intel's Mr. Kasabian. "Without a consistent approach and clear milestones, decision points and metrics to measure your success, you're just flying by the seat of your pants."

Mr. Kasabian requires his team to define the business value of each project in measurable terms before it can move from the exploration stage into the planning stage. This helps focus the project team on the end goals of the project, offers a metric to measure ROI, and helps Mr. Kasabian and the company avoid investing in projects that aren't tied to business results.

Defining the value also aligns the business units with the project goals to ensure everyone impacted by the project and its outcomes buys into the process and commits the necessary financial and human resources.

"We will not launch a project unless the business units involved are engaged," says Mr. Kasabian, who notes that cross-team alignment is a critical component of successful project management strategy. "It ensures they get a voice throughout the process, instead of spewing forth requirements at the beginning then complaining when they don't get a solution that meets their needs."

Last December, for example, Mr. Kasabian's team rolled out a new business process and system support project to better manage product supply and demand through the company's enterprise resource planning system. The project

outcome was tied to a strategic business goal to increase the percentage of time Intel can say "yes" to customer order requests.

Once the project began, his team was able to track changes in customer order deliveries compared to baseline prior to the project.

"We had metrics that we tracked across the business, and we were able to see a definite increase in our ability to meet customer requests," he says.

The success of the project was about more than delivering it on time or on budget: It improved Intel's ability to meet customer demand. "That's an indicator that the CEO looks at regularly."

Project Management In Action The Company: Intel, Santa Clara, California, USA

The Industry: IT

The ROI: Drastically reduced project length, improved on-time project delivery within similar budget restraints, bolstered customer relationships

Intel's IT department has always followed a project management strategy, but it wasn't always as rigorous as it could have been about adhering to project plans. In the past, the department regularly missed delivery dates and struggled to meet its commitments to customers. The average IT project duration at Intel four years ago was 88 weeks, and it wasn't uncommon for delivery dates to be pushed back by a quarter or more.

Out to improve those numbers, the IT department invested heavily over the past few years in improving its project management delivery methods. It implemented a PMO and rolled out a series of IT project management

practices that led to a dramatic project delivery improvement.

“Now we focus on metrics, data and standardization of processes to deliver better results,” says Mark Brodник, Chandler, Arizona, USA-based program/project manager at the company.

The new streamlined project management framework sets standards for project deliverables, including tracking and communicating schedules, setting measurable delivery goals and milestones, performing stage-gate reviews and conducting quality measures.

Having a solid base in standards established at the portfolio level, project managers and their teams have the flexibility to determine precisely which processes are needed—and which are not—to get the job done.

“They are required to deliver what’s expected, but how they do it is up to the project manager and team,” Mr. Brodник says. “Having a standardized project management framework creates consistency while giving them the flexibility to engineer the deliverables of the project life cycle however they’d like.”

Of course it helps to have the right talent—especially by recruiting project and program managers who come in armed with a Project Management Professional (PMP®) credential.

“We think it’s important that our project managers be PMP®-certified,” says Mr. Kasabian. “The certification gives them the book smarts, and the experience gives them the street smarts.”

The PMO also decided to reduce the scope of projects whenever possible, encouraging project teams to hone in on key deliverables that can be achieved in a shorter amount of time

and deliver them in a more iterative process.

“Today, if a project plan estimate goes beyond six months, we look for ways to reduce scope or break the scope into two projects,” says Mr. Brodник. “That way the customer receives incremental value earlier on and reduces the chance that the customer will want changes or that the business case will have changed. Some projects need to go longer than six months. We recognize that and built that into our metric goal structure.”

Implementing the six-month limit on projects helped project teams frame the conversation around scope when they talk to customers. “It helps them identify the key things they need right now and it builds buy-in for the project when we deliver the first release.”

When the first release is delivered, it **creates a natural opportunity for customers to re-examine their business needs** and to tweak the second project plan if their needs or the market has changed.

Mr. Brodник’s team also devised an evaluation system to keep shorter projects on track. Project teams are required to record and compare planned versus actual dates for key decision points across the project life cycle. At every project decision gate, the project team must review whether it delivered milestones on the date as planned. Initially, the entire IT staff reviewed these stage gates metrics, and if the project team missed those dates, it needed to explain why. Today, metric accountability is monitored by the project decision-makers within the organization.

With the strategic value proposition established at portfolio level, project managers and their teams know they’re delivering to business needs.

The new approach has resulted in dramatic improvements. In the last two years, **90 percent of projects hit their release dates or went over by just a few days**, and the IT department is **delivering more projects per year on roughly the same budget as before**, according to Mr. Brodник.

“With the focus on shorter projects, tighter planning and consistent reviews, we’ve **dramatically increased our predictability**,” he says. “That’s an important business goal that helps our customers.”

Intel by the Numbers

Since Intel launched its IT PMO, the company has steadily increased the number of projects released while budgets remained flat, thanks to better project management, shorter timeframes and a more robust system of tracking.

- 2007: 402 projects successfully released
- 2008: 440 projects successfully released
- 2009: 454 projects successfully released

From the Top: The Role of Executives in Building Project Management Value

Having executive support and sponsorship for a strong project management discipline is directly linked to better project results, according to a May 2010 Economist Intelligence Unit report on project management in industrial manufacturing industries.^{iv}

The report shows that **when project managers answer to executive-level leadership, they are almost twice as likely to bring projects in on schedule**. They also meet or exceed budget expectations 50 percent more often than at companies where project managers answer to a mid-level project sponsor.

For many companies, having a PMO can help create the crucial alignment between projects and organizational strategy.

The *State of the PMO 2010* reported that PMOs:

- Decreased failed projects by 31 percent
- Delivered 30 percent of projects under budget
- Demonstrated a 21 percent improvement in productivity
- Delivered 19 percent of projects ahead of schedule
- Saved companies an average of US\$567,000 per project.

When executives believe in the value of project management, champion their PMOs and integrate project management across the organization, the business benefits are evident and easy to qualify. Still, the investment has to be made, says Patricio Romero, DirecTV.

“You can have the point of view that a PMO takes a lot of time, people and money, but if you make room for it, feed it, and give it power and responsibility, you’ll see results,” he says. “You’ll have a better organization and better communication about project progress across the company, which is key for the success of any business.”

Project Management In Action

The Company: Suncorp-Metway Ltd., Brisbane, Queensland, Australia

The Industry: Financial Services

The ROI: Improved strategic alignment and increased accountability via cost-benefit and delivery analysis

The executive team at Suncorp-Metway Ltd. recognizes that project success isn’t just about meeting time and budget goals.

It’s about delivering business value.

“The CEO and executive team view projects as core to delivering the organization’s strategy,” says Adrian McKnight, PMP, program director for the company’s strategic building blocks program (SBBP). “The goal of every project is to deliver business benefit, and the project activity is focused on delivering that value as quickly as possible.”

When Patrick Snowball was named CEO in September 2009, one of his first initiatives was to develop the SBBP which involved the design of a number of organization-wide projects to significantly improve performance and profitability.

“The strategy and vision of the organization is linked to the execution of these projects. We need to have a strong level of project management discipline and capability to meet those expectations,” says Mr. McKnight.

A key part of the initiative was creating a streamlined approach to the way the company governs and manages projects.

“Our new CEO values project management as much as or more than our previous leadership,” he says. “He created my role to lead the SBBP, and I report directly to him because he wants to stay close to this process.”

The project management approach creates a consistent level of governance, leadership, monitoring and reporting for projects, but eliminates much of the bureaucracy and paperwork that could otherwise slow the project team.

“We’ve created a strong governance framework around costs, benefit and delivery management,” he says. “Our progress and metrics are monitored closely through the project life cycle

to be sure the team is delivering against the expected outcomes.”

The CEO has mandated that project teams and business units make a strong business case for every project—and they all know they’re accountable for the results.

“It’s clear to everyone what is expected and that every project will be seen as a business improvement act,” says Mr. McKnight. “The new system has **enabled us to perform well against several benchmarks and to increase our productivity enormously.**”

Mr. McKnight points to a recent project to deliver a new management system designed to deliver “transformational improvements” to home and motor claims by consolidating several steps. Using the new project management methodologies, the team broke the project into smaller key deliverables for clients, rolling out the consolidation in phases over the life of the project.

“This reinforced to the business unit the value of project delivery method because they didn’t have to wait a long time to see results,” says Mr. McKnight. “It built their confidence and commitment to the project and to supporting the project delivery team.”

A review of the project outcomes showed that it delivered **improved customer satisfaction** by creating a more user-friendly process, **significantly reduced the cost** for handling claims and enabled the company to better leverage its service repair network, says Mr. McKnight.

“Project management is an integral part of the business,” he says.

Building Project Management Capabilities

Harnessing the potential of project management doesn’t happen over

night, and it cannot be confined to the project team. Organizations must actively work to shape mature project management practices and integrate it across all levels of the organization. Here are some tips from the trenches:

Define the ROI. “Every project plan should begin with an explanation of the business value that project brings to your organization,” says Mr. Kasabian. That measure can be used to decide first whether the project should move forward and later as a metric to determine whether the project brought strategic value to the business.

Manage what’s measured. The way to get the most value out of a project management methodology is through metrics, says Mr. Brodrik. “Focus on measures and processes tied to business goals, collect the data and make it available to everyone,” he says. “When people know what’s being watched, they put more time and focus on it.”

Use metrics to align projects with strategy. All project metrics and data regarding the project’s timeline, risks and progress should be made available to senior management in an at-a-glance format, says Mr. Romero. “When the executive team can see what’s going on with projects, it is very helpful for strategic planning.”

Get everyone on board. Project management doesn’t happen in a bubble. It must be a collaborative effort that extends to the contractors, vendors and clients working on a project, says Mr. Buisson. “Everyone we work with must subscribe to the quality, safety and value metrics we use to track projects.”

Secure buy-in. Unless everyone in the company believes in the value of project management, the organization won’t be able to achieve its project goals, says Mr. McKnight. “If the business unit staff doesn’t understand the importance of project execution, the project will always face challenges.”

Summary

As the practice of project management matures—from the portfolio level on down to individual projects—the connections between organizational project management and business value become clearer. And the more involved the executive team is, the better the results.

“With the right resources, a clear timeframe for delivery and senior leadership support, **a strong and disciplined project management practices will drive an organization forward,**” says Mr. McKnight. “It’s how you stay competitive in the marketplace.”

ⁱ *Closing the gap: The link between project management excellence and long-term success*, Economist Intelligence Unit, October 2009.

ⁱⁱ McKinsey & Co., January 2010. Results based on a survey of 1,440 senior executives.

ⁱⁱⁱ *State of the PMO 2010*, PM Solutions, May 2010. Results based on a survey of 291 management employees.

^{iv} *Industrial manufacturing: Managing for success*, Economist Intelligence Unit, May 2010.