



What is the return for investing in improving Project Management?

Abstract:

The article looks at strategies used for improving Project Management in organisations, in response to increasing interest in Project Management as a tool to achieve more accountability for results. How do we get serious management commitment to invest in Project Management rather than the ad-hoc approaches taken in the past? By demonstrating the benefits, possibly by using a Balanced Scorecard approach as a measure, a program of activities that will produce sustainable change can be established. One or more pilot projects will be required to provide this demonstration.

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Background:

Currently there is considerable interest in Project Management. This is evidenced by the number of people attending Project Management training, many from backgrounds not normally associated with Project Management (eg lawyers, educators, post-graduate research students). Also membership of the professional Project Management associations is rapidly increasing. Some progressive organisations are using projects to change their culture, seeing projects as a means of obtaining greater levels of accountability or focus on results. But the efforts to improve Project Management in organisations still appear to be mainly ad-hoc and not part of a program that will culminate in sustainable change. Why is this so? Do organisations really believe that projects impact the bottom line and by how much? What is the ROI for investing in activities to improve Project Management?

Project Managers Network, in conjunction with CIO magazine, last year distributed a survey to assess organisation attitudes towards improving Project Management. The results of this survey are now published on our web site www.pmnetwork.com.au.

Using material from the survey results and other sources, this article considers how we obtain management interest in Project Management, who should be responsible for driving the improvement program, the main approaches used, and the challenges in assessing the return on this investment.

Obtaining management attention

Our survey showed that linking project performance to the bottom line or to project success were the most likely ways of getting attention. The article by Thomas et al (PMI Research Conference Proceedings, 2000) showed that often the trigger in creating management interest in improving Project Management is a crisis but that often results in only a temporary fix. The authors propose that in the longer term Project Management has to be sold to senior management by demonstrating how it helps them to achieve both their personal goals and the corporate goals. They also note there is still need to be clear about what Project Management actually is otherwise the boundaries are easily distorted in the selling process.

My own experience is that many senior executives, and for that matter some Project Managers, are not clear on what contributes to project success. Various initiatives are launched such as training, or more frequent reporting, without looking at the systemic causes. This is evidenced by the temporary support for improvements in Project Management that are not sustained in the longer term, the quick fixes being seen as sufficient to make a difference (until next time!).

Who is responsible for improving Project Management?

Our survey responses show a fairly even distribution between Business Managers and a Program/Project Office Manager being responsible for improving Project Management. However 11% of respondents said no-one had responsibility for this activity.

The Program Office approach has the advantage that they can establish a centre of excellence for professionals, and the disadvantage that they can, if not careful, become too remote from the customers they serve.

The issue of the value of Program Offices is a vexed one – they need to be seen as not implementing bureaucracy but sensitive to the appropriate amount of process depending on the size and/or risk of the project. The role of the Program Office can range from compliance activities to support, with the latter approach usually being more effective in getting buy-in from Project Managers. Kerzner (1998) notes that it is easier to implement informal Project Management (ie. less formal approaches where appropriate) in organization that has a positive “project culture”.

Program or Project Offices need to share responsibility for projects with line management but not take it away from them, which can easily happen. The Fortune 500 Benchmarking Study had the groups responsible for Projects reporting into a senior executive, working with multi-functional groups, and ensuring projects were aligned with Business strategy and structure. This approach enhances line management involvement and accountability.

Which improvement approaches are used most often?

As expected the survey showed most activity was in the area of implementing standards/processes, and Project Management training, with learning from the past a close third. Improving Project Management selection had a lower rating, but I believe probably mainly because of the work still to be achieved in the other areas mentioned above.

It is important that there is a program of activities to improve Project Management that is more than just training and process implementation. It also involves embedding cultural

norms or values in the organization which enables the training and processes to work effectively. In many cases projects crosses divisional boundaries in larger organisation and cooperation between units would be useful, since research and experience shows that stakeholder disagreements is a common cause of project failure. In the Fortune 500 Benchmarking Study (1997) it necessitated lots of communication about Project Management and its benefits, conducting performance measurement on projects, and integration with other organization competencies.

The Fortune 500 Benchmarking Study consolidated their approaches into three areas; namely;

- Standard methodologies and procedures,
- developing Project Management professionalism,
- and a strategy for how Project Management is institutionalised and communicated in the organisation.

Their standards and procedures area also covers other aspects not normally directly associated with process, namely people management, formal conflict management, and measurement of and evaluation of project outcomes.

Some models developed or being developed to assess organization maturity in Project Management (eg PMI's OPM/3 research initiative, also PMI Conference presentation by Krasny and Ainsworth, 2001) cover a broader spectrum than Project Management processes and typically include People and Team Management, Organisation Learning, and Management Controls (Project Governance). The management controls will include check to ensure that projects are regularly reviewed to ensure continued alignment to business and original goals, and appropriate action taken (basis of the PRINCE2 methodology).

Project Manager competency models are being worked on and some cover a broader area than just processes and tools, and Frame (1999) suggests inter-personal and intra-personal skills, business acumen and social competencies as other key areas. The implications is that training needs to be both broad based and be delivered through more than just formal methods.

Challenges to demonstrating return on investment

The study by Ibbs and Kwak (1997) was a courageous attempt to put some measure on Project Management value. They found it hard to get organizations to commit to the study, partly due to lack of available data. They charted the participating organization's Project Management maturity using an assessment model, and also scored them on a cost performance and schedule performance index based on project outcomes. They attempted to correlate time/cost performance with Project Management maturity, with some positive and some results not proven either way. Based on this they then identified the improvement to the organization bottom line if Project Management maturity increased. Whilst some may criticise their approach for various reasons it was a very commendable first start in a difficult area, and will help to define future research models.

In a study to assess Project Management maturity with a client recently, we trialed an adapted version of their model but also found the data hard to obtain as it was not recorded consistently and accurately. Again a limited link between Project Management maturity and project time/cost performance was indicated.

This caused us to look beyond ROI as the measure on the value of Project Management to the Balanced Scorecard approach, with some initial ideas (not meant to be exhaustive) in the table below:

Perspective	Focus	Possible project measures
Financial/Strategic	How we look to our shareholders?	<ul style="list-style-type: none"> • Cost performance versus baselined plan • % Business Case benefits achieved
Business Process	What must we excel at?	<ul style="list-style-type: none"> • Effectiveness of Supplier Management process • Time performance versus baselined plan • # planned management review processes followed
Customer	How do our customers see us?	<ul style="list-style-type: none"> • Stakeholder/Customer satisfaction with outcomes and process • % scope delivered • # Changes post implementation
Innovation & Learning	Can we continue to improve and create value?	<ul style="list-style-type: none"> • Staff turnover ratio • Post-project Review recommendations identified/implemented

Summary

I strongly recommend taking a holistic approach to Project Management improvement, and develop a program of activities that addresses all the components covered by organisations that excel at Project Management. These activities will cover more than training and Project Management processes, and as outlined above include:

- Process and structure to enable learning to be embedded in the organisation culture
- Corporate controls where line management are accountable for project outcomes
- Projects are reviewed at key points in their life cycle to ascertain if business benefits are still being achieved

The second recommendation is that in assessing the value of investment in Project Management, a Balanced Scorecard Approach will provide more easily obtainable data and a more holistic approach than just financial returns.

References:

Building Project Management Competence – J D Frame, Jossey-Bass, 1999

In Search of Excellence in Project Management - Harold Kerzner, Van Rostrand Reinhold, 1998

Organisational Project Management Maturity model (OPM3) - current research by the Project Management Institute, www.pmi.org/opm3/

Best Practices of Project Management Groups in Large Functional Organisations – Results of the Fortune 500 Project Management Benchmarking Study – by F Toney and R Powers, published by the Project Management Institute, 1997

PRINCE2 Project Management Methodology - www.PRINCE2.com

Benefits of Project Management - Financial and Organisational Rewards to Corporations - by C W Ibbs and Y-H Kwak, published by the Project Management Institute, 1997

"Selling Project Management to Senior Executives: What's the Hook?" - J Thomas, C Delisle, K Jugdev, P Buckle, in Proceedings of the PMI Research Conference 2000

"Building Project Competencies", presentation by Mike Krasny and Harold Ainsworth to PMI Conference, Sydney, March 2001 – available from www.stratproject.com.au