

Understanding the Value of Project Management

By Vicki Wrona, PMP, and Rob Zell

*“To PMO or not to PMO, that is the question;
Whether ‘tis Nobler on the project to suffer
The Costs and Overruns of scope creep,
Or to apply process against a sea of risks,
And by evaluating, end them...”*

– Bill Hamlet, Project Sponsor

The quote is certainly fictional but, in organizations across the globe, project sponsors, executives, financial analysts, engineers and developers (to name a few) contemplate a similar question. What is the true value of having dedicated project management staff? Does our organization need to have a project management office (PMO) and a team of certified project managers controlling projects that have been traditionally been supervised by veteran subject matter experts?

Executives and government leaders wrestle with the decision to apply rigor to project management for many reasons. Regardless of role or industry, senior leaders are held accountable for results. They must report to some authority on a regular basis the impact of their decisions, the costs incurred and the value produced. Any organization whose value is measured on a profit and loss statement knows that value is produced at the top through revenue earned or at the bottom through cost management and cost reductions. How can senior leaders be expected to spend money (which is a cost increase) on something that their existing teams have already been doing, without some assurance that there will be an increase in value produced?

Why You Need Project Management

If assurance is what you need, then spend some time perusing the work of Janice Thomas, Ph.D., and Mark Mullaly, PMP, and their research study, *Researching the Value of Project Management*. In this study of organizations, both public and private, the research showed some

measurable improvements in productivity and business outcomes. As a senior leader, the top priorities for you reside in maintaining strategic alignment, driving value production for stakeholders and controlling or even reducing costs.

Thomas and Mullaly demonstrated through their research that 64% of the organizations surveyed identified better organizational alignment as a result of using project management personnel.¹ Better alignment translates into teams knowing up front, at project initiation, whether or not the project supports organizational goals. Projects that do not meet the test can be eliminated leading to higher productivity. How much higher? In a study by the Center for Business Practices (CBP), the research arm of Project Management Solutions, organizations using project management saw a 75% increase in employee productivity and a 40% increase in employee satisfaction.² The results from Thomas and Mullaly were even higher: 58% reported improved quality of life and/or staff retention.¹

*Organizations using project management report a **75%** increase in productivity, and employee satisfaction increase of **40%***

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Organizations in the CBP study also reported higher return on investment (ROI) of 27%, improvement in budget performance of 30% and 50% more projects completed.² Translate that into everyday language and it reads: Your organization can get half again as many projects completed for two-thirds of the cost, and have happier, more productive employees.

If output and ROI fail to provide a compelling argument, what about the external view? Customers look for quality and value. Organizations that deliver on those expectations can expect return business and a high degree of credibility, two commodities that drive return business. In Thomas and Mullaly's research, 38% of the organizations reported improved customer satisfaction.¹ In the CBP survey, organizations reported a 43% reduction in the number of defects.² The reduction in defects is critical as it affects customer perception of value ("I have received a quality product"), the amount of resources required to remediate issues, manpower required to handle customer complaints and time spent repairing customer relationships. Faith in an organization and its products takes time to build and moments to lose. A better decision is to manage the process through basic project management and avoid the costs later.

***38%** of the organizations reported increased customer satisfaction*

Common Objections

Tell a project sponsor who is unfamiliar with project management that you are considering bringing in a project manager and you will see a face full of fear and trepidation. Many see

project management as a heavily bureaucratic and overly complicated exercise that drags projects through paperwork and process, slowing the pace of decisions. It seems like an easy decision to reduce the bureaucracy of the system by eliminating an additional layer of management. The issue is not the additional layer of management; it's who is being placed in the role.

For some, the stereotypical project manager is a detail-oriented, obsessive-compulsive bureaucrat, tyrannically managing projects according to some arbitrary process. Leaders imagine them as being more attentive to the forms and process than to the outcomes themselves. Selecting the wrong people to manage projects certainly will demotivate the team and bury the value in paperwork and delays. If the value of good management is better strategic alignment, then you must select managers who are strategic thinkers and keep a focus on aligning project tasks with higher strategic initiatives.

A good project manager also knows when to coach the team to think strategically while meeting project goals. Detail orientation adds value to ensuring processes are followed, but it is in building interpersonal relationships and having the skills to connect teams across levels and functions that will drive improved performance and communication. Through coaching, project managers encourage the adoption of better techniques and improved efficiency so that teams own the quality and value they contribute.

The practice of project management also has to be the right fit for the organization. For some leaders, resistance to project management rises from the fear of rigidity. Organizations strive to be lean, agile and fast-paced; project management seems fat, clumsy and slow. Executed poorly, those results may occur. On the other hand, good project managers read and adapt to the culture. By setting clear expectations with the PMO, the project managers in your organization follow the necessary practices that will save you time and money while working to provide higher quality products.

In fact, even the Project Management Institute (PMI) states in its Guide to the Project Management Body of Knowledge (PMBOK® Guide) that, “‘Good practice’ does not mean that the knowledge described should always be applied uniformly to all projects; the organization and/or project management team is responsible for determining what is appropriate for any given project.”³ Project management is not a rigid, formulaic process. It is a set of practices designed to align projects to broad organizational objectives. Successful project managers (PMs) monitor for factors that may impact timeliness, reduce quality or unnecessarily increase cost within the cultural framework of the organization. The research done by Thomas and Mullaly support this

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perspective; that culture and organizational attributes influence the implementation of project management, which ultimately drives results.¹ The senior decision-makers in the organization may not know how to establish project management practices. Hiring the right people will go a long way to ensuring that project managers in the organization read the culture and adapt the process for maximum return.

Measuring the Value

Return on investment serves as the typical metric that many leaders use to evaluate the need for project management. Leaders should consider if they are measuring the correct things. To evaluate the value of project management, ROI seems a good catchall. ROI acts as the great equalizer, and, leveraged well, it effectively illustrates the relative value of competing initiatives. However, it becomes daunting to measure the ROI of project management as the analysis expands to include fixed costs, variable costs and opportunity costs. At some point, the analysis has to stop and the result may or may not favor the practice of project management.

Instead, leaders should favor an approach that puts a value on the metrics that align to the strategic initiatives of the organization. For example, if customer satisfaction is the primary strategic focus, then the metrics might be net promoter score, call center volume and intent to return. On the other hand, product quality might be the critical measure (in jet engine manufacturing, for example). In this case, the metrics might be product defects, production rate and line downtime. Culturally and strategically, these might have more bearing on the impact that project management can have on the organization. Consistent execution of project management practices that fit well within the culture of the organization and align with metrics that matter will lead to clear, easy to calculate results.⁴

Conclusion

The stronger the PMO, the more likely you will see:

- Executives able to focus on strategic alignment
- Increased strategic flexibility as mature PMOs help prioritize the projects that bring the greatest results
- Business growth through customer satisfaction, since delivering what is promised brings more business
- Improved decision-making by keeping benefits and risks in proper context

PMOs and PMs demonstrate tangible and intangible value even in cases where project management practices are not rigorous or well-defined. The fact that some process is applied will provide improvement. This is critical to becoming what Peter Senge calls a “learning

organization”⁵; that is, the kind of organization that learns from its own success and failure to improve capability.

By utilizing knowledgeable project managers whose emphasis is on leadership and coaching rather than on command and control, an organization can see measureable improvement and strive toward innovation – not the kind of innovation that generates new content and products; the kind of sustainable innovation that creates value through lowering costs and improving productivity. Well-executed project management, which fits within the culture of the organization, creates repeatable processes that can lead to sustainable innovation through ever-improving efficiency. It improves communication between business units, improves the quality of the product, improves perceived value, manages risks and reduces cost. As a senior leader, it is much easier to report to stakeholders the good news that results from project management than the bad news that emerges without it.



References:

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About Forward Momentum, LLC

Forward Momentum, LLC is a woman-owned small business (EDWOSB/WOSB) and Project Management Institute® (PMI) Registered Education Provider (REP). Since 2000, Forward Momentum's real-world experiences, coupled with practical application of theory, have helped realize project management, leadership and learning potential within to commercial, government and non-profit organizations. As a boutique firm, we pride ourselves in understanding your business, analyzing your learning and development needs, and driving efficiencies and growth through consultative engagement.

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About the Authors

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Rob Zell has over 15 years of experience as an educator and trainer. During his career, he has designed, developed and delivered learning content for IT, field operations, support staff and trainers in the restaurant and retail industry as well as in schools. His primary focus has been on improving operational results by developing management and communication skills to help leaders get more done with the teams they have. He is currently a training professional and coach with a leading global retailer.