

Project Management: A Competitive Advantage?

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This is the first in a three-part series on project management. This edition looks at why projects fail and how companies realize that effective project management is a competitive advantage.

Most companies that develop products or provide services consider themselves pretty accomplished when it comes to managing projects. This is especially true in the engineering profession. After all, many companies pride themselves on their accomplishments: power plants with better availability and less emissions, new computer chips that offer more power but are cheaper to produce, advances in automobiles offering new safety and features for minimal incremental costs.

However, it has been my experience that for every four projects that succeed, one fails or loses money (i.e. 20% fail rate). It is possible to read in the media about projects that failed to meet one or all of the following criteria: budget, schedule or performance/quality. This is known as the triple constraint. How much better would your company's bottom line be if we could have 100% of our projects meet the triple constraint? How much marketing and customer good will could be leveraged if our reputation was to always be on time and budget?

Over the past 10 years, project management has taken on new meaning to many companies—especially those wishing to improve their performance in this cost-constrained economy. To a large degree, the Information Technology (IT) industry has not only embraced, but also pulled ahead in the application and use of project management techniques. This was out of necessity because of the constant cost and schedule overruns associated with large, enterprise-wide software applications. Also, the Y2K projects in the late '90s identified a need to better plan and execute those projects.

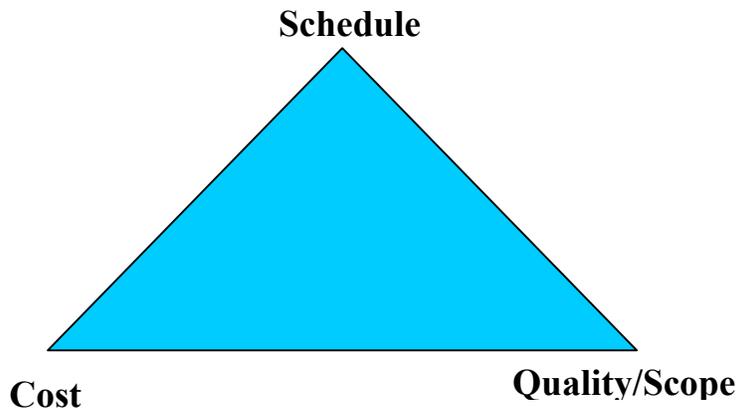
If we could generate a “Top 10” list of why projects fail, it would look something like this:

1. Poor Planning
2. Inadequate Resources
3. Lack of Management Support
4. Poor Communications
5. Conflicts Between Departments or individuals
6. Poorly Defined Roles & Responsibilities
7. Objectives Not Clear
8. Changes in Scope
9. Failure to Heed Warning Signs
10. Unrealistic Expectations

And, I suspect that based on all of our collective experience, we could easily generate an additional 10 items for this list. It is interesting to note that most of these failure criteria involve the soft skills. Essentially, we are saying that projects rarely fail because of technical

reasons. We can always find a sharp technical person to solve the technical problems. Rather, it is generally the lack of coordination, communication, and control issues that prevent project success.

A senior executive once asked me: “Of the three parameters, cost, time, and quality, which one is the most important?” The reality is that each one is tied to the other. Let’s return to the triple constraint for a quick review.



The Triple Constraint

When companies begin to fall behind schedule, one way to catch up is to assign additional resources. This will invariably affect the budget (usually by running over). In another case, when companies realize they are running over budget, they look for ways to cut corners or reduce the scope. Referring to our triangle above, we can see that the failure of one parameter means that the other two will be very close behind. That is why it is important to track all three of these entities in meeting the project objectives.

The question becomes: How can companies use project management as a competitive advantage?

There are several corporations that have developed extensive methodologies (i.e. processes) that serve as a roadmap to planning, executing, controlling, and closing projects. This is not strictly a cookbook approach. Rather, this is an organizational commitment for consistency in how projects are managed. Too many times, project success depends on the specific project manager assigned rather than a process for repeatable success. Some companies have recognized this and captured their company’s “best practices” combined with recent industry guidelines. The resulting process gives them a competitive advantage in preventing or mitigating the “Top 10” list above from becoming reality.

Companies have begun to take notice. In a recent exhaustive survey¹ of industry, project management improvements had the following impacts:

Return on Investment	25%
Sales Growth	9%
Customer Satisfaction	20%
Improved Time-to-Market	15%

Clearly, effective project management generates a better bottom line, improved cost control, and happier customers. Next time, we will look at what should be contained in a project plan, how each project follows a lifecycle, and what you or your company can do to start improving your management of projects.

¹ The Value of Project Management, Center for Business Practices, 2001

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