

# EXPERT SERIES

The “Expert Series” is a collection of articles, papers and writings by PM Solutions’ associates and other industry experts that provides insight into the practice and value of project management.

## **People + Projects = Strategy Execution** ***How a Strategic Project Office solves business problems***

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“PROJECT SPONSORS AND MANAGERS NEED ‘ISLANDS OF STABILITY’ to guide teams and to ensure the integration of project deliverables into the organization,” say researchers in the Management Services Journal. “Without this stability, project results will not align with organization strategy and stakeholder expectations. Project participants and stakeholders will have difficulty comprehending the project’s contribution to the organization’s vision, resulting in unproductive activity and high levels of demotivation and frustration.” If this description sounds all-too-familiar, don’t despair. The elements of stability— a sustainable corporate strategy, a project management culture, capable and adequate human capital to deliver results, and a clear link between project activities and strategy—are achievable. However, they won’t be achievable by a fragmented organization in which projects are one problem, strategy another, and human resources something separate.

### **Projects Make Strategy Happen**

Projects are no longer “something extra”—they are the way work gets done at an increasing number of companies, from small start-ups to the likes of Hewlett Packard, IBM, USWest, Motorola, ABB and many others. In fact, most of the value-adding activities that companies do come in the form of projects. Think of operations as interest on capital already amassed; think of projects as entrepreneurs who create new wealth. New products, new marketing initiatives, new facilities, new organizational processes implemented, mergers & acquisitions: all of these are projects. Think of time as money: if a project is late for an amount of time equal to 10 percent of the projected life of the project, it loses about 30 percent of its potential profits, according to new product development experts Smith and Reinertsen.

The Balanced Scorecard Collaborative has estimated that 80 percent to 90 percent of strategic plans are never carried out. Just a decade ago, project failure rates were also in the 80-90 percent range. Is there a connection? Could strategies be failing because they aren’t put in place through coordinated projects? Could projects be failing for lack of strategic focus? We see a definite connection. For a decade, experts in the discipline have been predicting that, when executives become more informed about project management and project management won a voice at the strategy table, the issues we have experienced with project failure would ameliorate. Already, in some industries such as IT, this seems to be happening.

Project slippage and failure rates are falling, at least in those application areas that attract research interest, such as software development and pharmaceutical R&D. Cost and time overruns are down. Large companies have made the most dramatic improvement. In 1994 the chance of a Fortune 500 company’s project coming in on time and on budget was 9 percent; its average cost, \$2.3 million. In 1998, that same project’s chances of success had risen to 24 percent, while the average project cost fell to \$1.2 million.

Three factors explain these encouraging results: 1) a trend toward smaller, less complex projects; 2) better project management; and 3) greater use of “standard infrastructures”—such as those instituted through a project management office. Large companies show up as more successful in the Standish Group study for one simple reason, in our view: large companies lead the pack in the establishment of enterprise-level project management offices. And only under the auspices of this organizational home for project management can the persistent management problems that plague projects can be ameliorated:

**Lack of clear project sponsorship.** When project management gains a seat at the executive level, via

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the implementation of an enterprise-level project management office, the chasm between projects and executives closes.

**Poor project management/managers.** Most of the reasons technology projects fail are management-related rather than technical. Technical ability is a poor indicator of project management ability, yet many enterprises have no processes in place to ensure that project managers are appropriately trained and evaluated. Does the average corporate HR department possess the knowledge to appropriately hire, train, supervise and evaluate project management specialists? No; but a Strategic Project Office (SPO) does.

## People Perform Projects

This last bullet point offers the greatest area of promise. As two realities of the modern marketplace converge—projects as the engines of growth, and people as the engine of projects—we find our traditional methods of dealing with human resource issues becoming dated. The strategic importance of human capital has grown exponentially as the workforce has changed from “strong backs and capable hands” to “flexible and creative minds.” One underrated benefit of the SPO: its potential to transform an enterprise by making the most of people.

Competent and experienced project managers are not accidental: they are grown in an environment that trains, mentors, and rewards them based on performance in projects—a topic that most HR departments know very little about. Benefits of having a good project manager include reduced project expense, higher morale, and quicker time to market. They must be able to define requirements, estimate resources and schedule their delivery, budget and manage costs, motivate teams, resolve conflicts, negotiate external resources, manage contracts, assess and reduce risks, and adhere to a standard methodology and quality processes. Obviously, there is a growing body of knowledge about who makes the best project manager, how to develop their skills, and what kinds of rewards motivate them. That body of knowledge has an organizational home in the SPO.

The SPO scores again when you consider the strategic importance of managing the project portfolio— including allocating resources across the enterprise. Most companies cannot answer the following questions: How many project managers and project team members do you have? What is each one doing, right now? When will he/she be finished with it? What are his/her areas of particular expertise? Without a system for knowing what each person in the pool of potential project personnel is capable of, and when they will be available, you cannot really be said to manage a portfolio. After all, people do projects, and without them, all you have is a plan. Often, “Project manager” may not be among the role descriptions codified by HR. When it comes to identifying existing and prospective project managers, an organizational entity devoted to project management does it best.

The Gartner Group has identified several key HR related roles for a project office, all of which are most effectively carried out on the enterprise level, and all of which include important implications for “people management,” not only within the project office, but across the enterprise:

**As developer, documenter and repository of a standard methodology** (a consistent set of tools and processes for projects), the SPO provides a common language and set of practices. boosts productivity and individual capability and takes a great deal of the frustration out of project work. Research by the Center for Business Practices revealed that over 68 percent of companies who implemented basic methodology experienced increased productivity; and 37 percent reported improvement in employee satisfaction.

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**As a center for the collection of data about project human resources, and tools for evaluating and scheduling them, based on experience from previous projects,** the SPO can validate business assumptions about projects as to people, costs, and time; it is also a source of information on cross-functional project resource conflicts or synergies.

**As a project management consulting center,** the SPO acts as a consultant and mentor to the entire organization, staffing projects with project managers or deploying them as consultants or mentors. As a center for the development of expertise, the SPO makes possible a systematic, integrated professional development path and ties training to real project needs as well as rewarding project teams in ways that reflect and reinforce success on projects. This is quite different from the reward and training systems presently in place in most organizations, which tend to focus on functional areas and ignore project work in evaluation, training, and rewards.

**As a “competency center” for project management,** the SPO provides a knowledge management focus not only for project management knowledge but for knowledge about the content of the organization’s projects. With a “library” of business cases, plans, budgets, schedules, reports, lessons learned, and histories, as well as a formal and informal network of people who have worked on a variety of projects, the SPO is a knowledge management center that maximizes and creates new intellectual capital. Knowledge is best created and transferred in a social network or community, and the SPO provides just that. Through mentoring both within the SPO among project managers, and across the enterprise to people in all specialty areas, knowledge transfer about how to get things done on deadline and within budget is facilitated.

The project-centered enterprise, in which people are treated as though project performance really mattered to organizational performance, isn’t a theory—it’s the logical outcome of the application of project management to business problems. In the industries where the practice of project management has long been accepted as the way to get work done, such enterprises already exist. A 2001 study by Oxford University’s Chris Sauer, published in the *Project Management Journal*, focused on the ways that project-centered companies build the organizational capability (and of course, concurrently, individual capability) to perform projects and manage by projects. What did these companies have in common?

**A flat organizational structure** with no more than two levels separating project managers from the board, thereby ensuring ready access to powerful decision-makers. They also found that functional departments are relatively small and therefore act as support units rather than empires that compete with projects. This structure clearly signals the importance of projects to the business.

**Project-centered role design.** Given the resources and authority to match their project responsibility, project managers are held accountable by their superiors for the extent to which they achieve targets. But, at the same time, a “project director role” is created and positioned as the immediate superior of a number of project managers.

**HR management policies that are project-friendly.** Training and development coordinators must therefore possess a deep knowledge of project management, not as something extra, but as a central competency. Individuals’ project management skills are developed through an extensive “apprenticeship” combining formal training plus exposure to a range of roles including close-hand observation of the practices of experienced project managers. Project managers are graduated through a sequence of projects of increasing complexity and difficulty with appropriate culling. Since much of this apprenticeship or mentored learning takes place “just in time,” it happens not under the purview of HR-based trainers,

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but within the community of project managers. the performance review practice also is more flexible, and project managers have significant input, compared to functional managers, in staff appraisal.

**A focal point in the organization...** a corporate project office.

A project office is good news for project managers and team members, as it focuses attention on the training, rewards, and career path of the project professional. But it's also good news for the bottom line, since it translates the improved capabilities of individuals into better project management... better portfolio management... and strategies that are executed, not just dreamed about.

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