

CREATING ORGANIZATIONAL EXCELLENCE—PART TWO

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Success relies on keen project management processes

This column is the second in an ongoing series about organizational excellence, which consists of five elements. The first two are process management and project management.

Processes define how organizations function, and projects are the means by which organizations improve those processes. We define a project as a temporary endeavor undertaken to create a unique product or service. For project management, we apply knowledge, skills, tools and technology to activities to meet or exceed stakeholders' needs and project expectations.

Although this seems straightforward enough, it can't be so simple, or we'd see better results from the projects we fund. The Standish Group International reports that "corporate America spends more than \$275 billion a year on application software development projects, many of which will fail due to lack of skilled project management."

"The average cycle time for IT projects is 27 weeks," reports the *Wall Street Journal*. "The ones that are cancelled are cancelled after 14 weeks; at that point, they're 52-percent complete. Many of the project teams know that the project is likely to fail six weeks before it's cancelled."

Similarly, the Gartner Group reports that "in a four-year period, an application development organization of 100 developers can expect to spend more than \$10 million on cancelled contracts."

Most organizations' projects are mission-critical activities, and delivering quality products on time is nonnegotiable. Even with IT projects, things have changed. The old paradigm was, "Get it out fast and fix the bugs as the customer finds them" (i.e., the Microsoft approach). The new paradigm is, "Get them out at Web speed and error-free." Benchmark organizations complete 90 percent of their projects within 10 percent of budget and on schedule. Information systems organizations that establish standards for project management, including a project office, cut their major project cost overruns, delays and cancellations by 50 percent.

Let's look at why projects fail. First, they fail to adhere to committed schedules due to variances, exceptions, poor planning, delays and scope creep. Projects also fail from poor resource utilization, including lack of proper skills, poor time utilization and misalignment of skills and assignments. Often, an organization's portfolio of projects isn't managed correctly because the wrong projects are selected, high-risk projects aren't identified or the interdependencies between projects are poorly controlled. Finally, projects fail due to a loss of intellectual and/or knowledge capital, including lack of means to transfer knowledge, and people leaving the organization.

Poor project management is one of the biggest problems facing organizations today. It's therefore surprising that quality professionals haven't addressed improvements in the project management process. Even ISO 9001 ignores this critical issue. Yet, in our knowledge-driven economy, an organization's success depends upon the quality of its project management process.

Our general attitude toward project management is similar to quality management: Everyone thinks he or she knows what quality is and therefore assumes that anyone can manage it. But just as quality managers are special professionals with very specific skills and training, so are project managers. They require skill, training and effective leadership specifically related to project management. The ability to manage one project is no longer sufficient; organizations need managers who can handle a portfolio of projects, selecting those that will succeed and bring the biggest return on investments. This requires an effective online reporting system that summarizes a project's status at least once a week, if not daily. The executive team must also have access to project archives in order to compare proposed project estimates against actual costs and cycle-time data from completed projects. Management wouldn't approve one-third of the projects proposed if it knew how long they'd take or cost. As John Carrow, CEO of Unisys Corp., says, "The best time to stop a project that you don't know is going to be successful is when you start it."

Far too often a quality department will undertake a major project such as Six Sigma, TQM or reengineering without the necessary project management skills. Basic tools such as work breakdown structure aren't used. Neither is risk analysis, let alone reasonable mitigation plans. Is it any wonder that the failure rate in quality programs is so high?

The project management body of knowledge defines 69 tools a project manager must master. Few of the project managers with whom I've come in contact have mastered all of them, and only a few project managers are certified by their peers as having done so.

As you start your next project, my suggestion is: Don't start it without a certified project manager.

About the author

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