

Why Companies Fail on the Way to Implementing Project Management Methodology?

A critical viewpoint of the contributors to an organization's main faults

By Florin Gheorghiu, PMP

Project Management (PM) has now become an extremely fashionable topic for discussion and it seems that this trend will increase even further in the future. The Project Manager as a professional individual has gained sustained and strong credentials throughout the world. Practitioners today are struggling everywhere to keep their standing up and to get nationwide certification from reputed institutions.

Like individuals, organizations tend to adjust and upgrade their behavior for better representation in the market. They are also keen to embrace methodologies, procedures, rules, and tactics in order to become prevailing actors in certain fields of PM application and in the marketplace. There are some major problems, however, with how companies try to implement project management methodologies. This paper discusses three major problems that I have noticed in how organizations implement PM.

Wrong design of the matrix structure

Recently, with the continuous noise around concepts like Project Management, Program Management, and Project Management Office, organizations have realized that they must quickly adapt their strategic vision to the latest breakthrough before any other respected competitor does so. In this turmoil of organizational changes, companies can be easily misled in a wrong direction if their strategic plans and organizational structures are not scrutinized by professional experts with proven abilities related to re-engineering and restructuring.

Companies have figured out that the matrix structure is the most convenient arrangement for combining operations and project implementation. Consultant, or in some many cases managers from inside the companies, have dealt with some of these topics. In many cases, however, people with low skills and abilities were nominated to run the business whether or not they were educated and trained. Organizational structures were altered to make entities smaller and more profitable within certain companies. It is the case of implementing profit-cost centres no matter what and at any level. Major conflicts and discrepancies then occurred when the new born structures, in fact aimed to help the organization, proved in the end to be a major pitfall, even when the company had thought its projectized structure was based on a matrix concept.

The outcome is depicted in the figure.1as a deviation from the pure matrix structure.

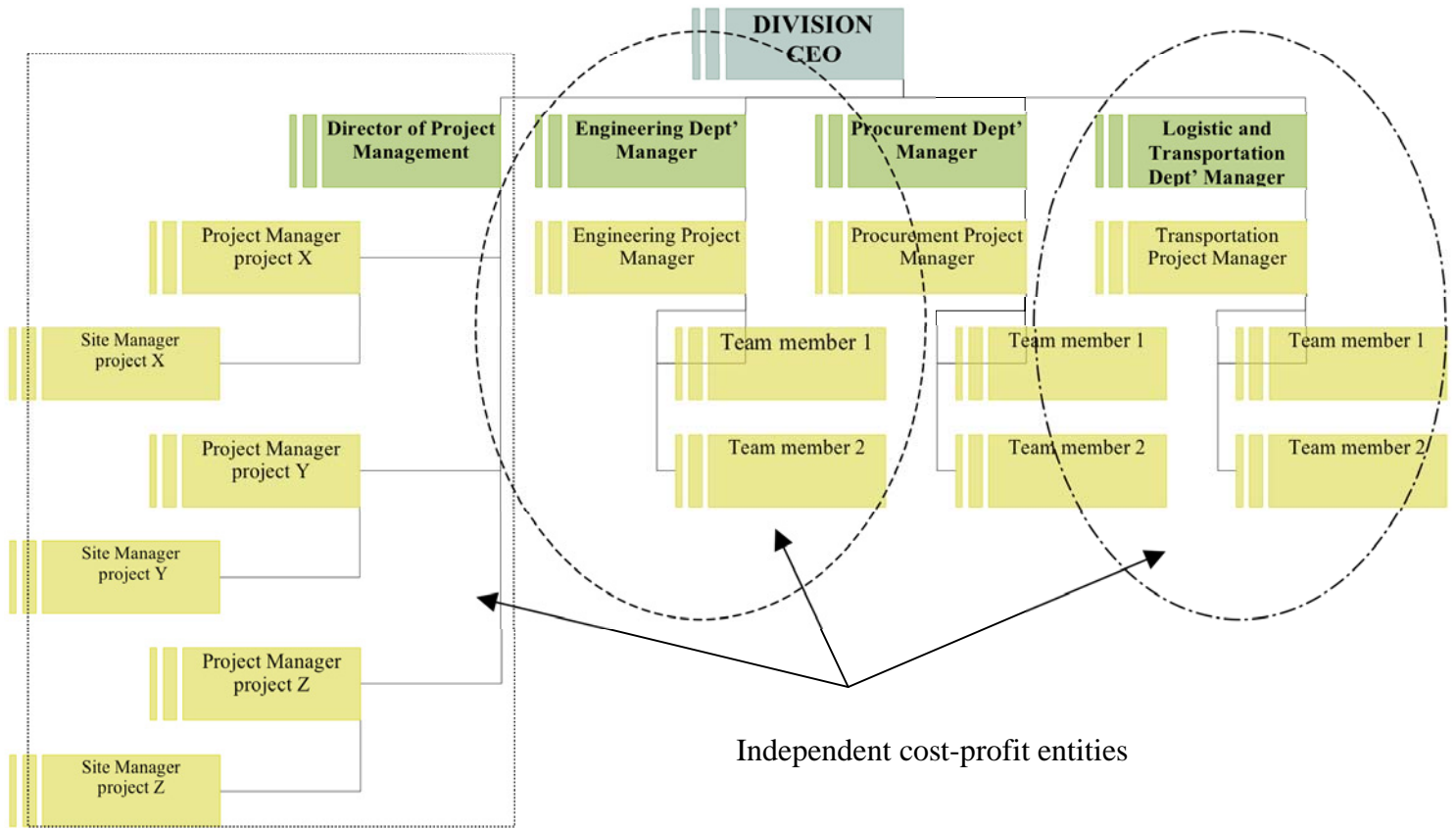


Figure 1. Typical misinterpretation of strong matrix structure combined with profit-cost centre

It is not hard to understand that when each individual entity is chasing after its own goals in terms of profitability and cash flow, the synergistic actions are very unlikely to keep their projects on the good track. Having the power of a single and veritable Project Manager diluted and shared with other Project Managers from supporting departments leads to a double conflict. It creates a situation apart from that normally taking place between the PM and the Functional Managers. Usually the Project Manager must acquire the services from the Engineering Department (for basic and detailed design), from the Procurement Department (for administer the orders and gods payment) and also from the Logistics Department (for transporting goods to the site) and all these add up to the expenses under budget execution.

It is by far more complicated and difficult for a Project Manager to be responsible and accountable for the results within a certain project when he must cope with such an organizational mess. Everyone is keen to see the financial health on their side rather than general interest deriving from the project implementation. The Project Manager in charge of project implementation must thus face tight budgetary constraints and needs to negotiate more than necessary with supporting entities, exactly those people who should be assigned within the project team. He/She must "buy" resources internally rather than acquiring them based on the Project Management Team concept that everyone embraces.

These sorts of Companies do not understand that the only person in charge, as per the Project Charter, to run project business should be the Project Manager (from the Project Management Department). Any other individual should support and give the outmost to this person for the project sake. The bottom line is that the road to project failure, or at least an extremely rocky road, is now paved for our Project Manager with 1.) power diluted due to the sharing with other artificial project managers on the same level, and 2.) divergent interest among functional departments in their permanent endeavor to maximize their own profit instead of working for project success.

Did they ever hear about PMO?

Inexperienced managers of companies willing to take a step toward project methodology implementation inside the organizational culture should either hire experienced consultants or set a project management office (PMO) just above the Project Management Department. Inexplicably, some organizations either at the beginning of their PM methodology cycle or at a later stage ignore the importance of a PMO. This should be the core of any enterprise in PM methodology, the repository of all kinds of past history and lessons learned out, templates, procedures, know-how and so on. A better insight can be given by a PMO, but organizations are not always mature enough to realize their acute need for such. At the beginning of PM methodology implementation, for example, it could be less costly in terms of money spent and time to get a group of skilled individuals within a PMO to start top-down deployment of experience and expertise. It can start as a pilot project and then, based on success, expanded to upcoming projects. Organizations which do not have a PMO in the structure should better ponder before proceeding on experimental basis without it and with the complicated structure as shown in figure 1 above.

It is surely more comfortable to get into a picture like the one shown in Figure 2 to help Project Managers and to increase project successes.

Organizations tend to perceive establishing a PMO as a money spending exercise rather than looking beyond the short term costs of setting and maintaining this expertise center within the Company. When judging on a short term basis and not being able to see the pay offs on the course of Project or Program implementation, it might happen that the companies will not capture the full benefits.

At a tactical level one can be more interested in no sacrifice to obtain the benefits of implementing a PMO. But things are certainly different when viewed from the strategic heights of the Companies. As a general observation, many organizations prefer to get the today's benefits, for which they struggled so hard, in lieu of thinking with longer term perspective.

The importance of looking around you: benchmarking on how others made it on their course for implementing a PM methodology

Another organizational deficiency can be the lack of any reference to the best in the field. Any strategy is doomed unless the leaders know where they are and where they want to go. In either case, with a PMO in place or with good PM practice already in effect, organizations should also obtain feedback from the market in order to acknowledge how their performance is in comparison with industry best practices.

Although the concept is not new, benchmarking is surprisingly forgotten at the strategic level in some instances. It is always important to look at the best performers, the way they succeeded to the top, to learn from their past experience and to make sure you can avoid any undesired mistakes. To start simply implementing a PM methodology without paying attention to the best practices, the best performers, can lead to more encountered mistakes that can prove costly and time consuming. More importantly, such approaches can lead to nowhere. It is much better to get some insights into the PM methodology.

Organizations should therefore take a good look around the business to locate itself in the broader picture. A Strengths, Weaknesses, Opportunities & Threats (SWOT) analysis should be conducted as a first step to set some metrics and to set the model to follow. Once the "target" is secured, an in depth analysis can be run to see what the quantitative parameters look like for the organization. At this very point it is extremely significant for the people doing the comparative analysis to establish appropriate metrics for interpreting the performances for a particular project at a given Company. Normal metrics deriving from the PMBoK standard can normally be followed in the analysis: earned value techniques, time schedule baseline vs. actual implementation time, some customer satisfaction metrics, etc. Surely, other metrics can be envisaged. In order to keep the analysis as simple as possible, a minimum and most relevant set of parameters must be established.

Benchmarking works fine if a top down approach from the executives to the PM level occur.

From the strategic level of high pyramid positions, executives see how the business is. They can better locate the Company's needs, its strong and weak points, and consequently can set a line to be followed by the tactical level for PM implementation.

Companies should look at the others side's performance in terms of SPI, CPI, ROI, time schedule of implementation, number of disputed items and their final resolution, etc. Within the project life cycle, in the very last stage of contract closure and very often overlapping with final acceptance of deliverables, it is also worth noticing the number of documented pending items before certificates can be being signed off by the parties.

Some of these parameters should be observed and dissected in small pieces for a thorough understanding before using them as metrics for the organization. Companies frequently ignore the importance of benchmarking and they struggle or go astray as a result. More than that, it should be noted that a correction at the beginning of process can be more easily swallowed than later, when processes are linked to each other and the organization follows rules and methodology in error or in a wrong direction.

It would be useful for more companies to accept the rule and practice of benchmarking as a strategic tool for setting ground rules and tactical measures when it comes to PM methodology. If hiring a consultant is too costly, then a few individuals within the organization can be trained and certified by a reputed entity in the field of Project Management. These professionals could then be used to spread the expertise and learning acquired, tools and know-how throughout the organization, including the entire body of professionals dealing with projects or in a projectized environment.

Some companies have not even heard about benchmarking for PM (they believe that this term refers to marketing only). They often pretend that the practices and methodology that they already have are superior to others. Their main mistake is that at an aggregate picture, all that counts is the financial picture presented by the CFO to the Board, without addressing any issue regarding how projects were conducted or implemented. If the company receives annual awards for general performance it does not necessarily mean that based on logical deduction part of the process is fine and needs no improvement. This is the mistake: if a Company has good financial performance from the business point of view, executives often believe the rest of the components are quite alright.

The paper presented was aimed to show some of the major setbacks that companies sometimes display when trying to implement a new or better PM methodology. The damage starts with the matrix structure misinterpretation and then can evolve through the lack of PMO, especially when ignoring the importance of benchmarking. The situation is less severe for organizations at the starting point on the course of PM methodology and worse for those already on the way but with wrong auspices.

In my experience, the worst by far is a wrongly implemented matrix structure since the damage starts from this very point. With this done incorrectly everything is doomed from its inception from the point of view of PM methodology. The others two reasons can be overcome with some effort, even though the organization is on the course.

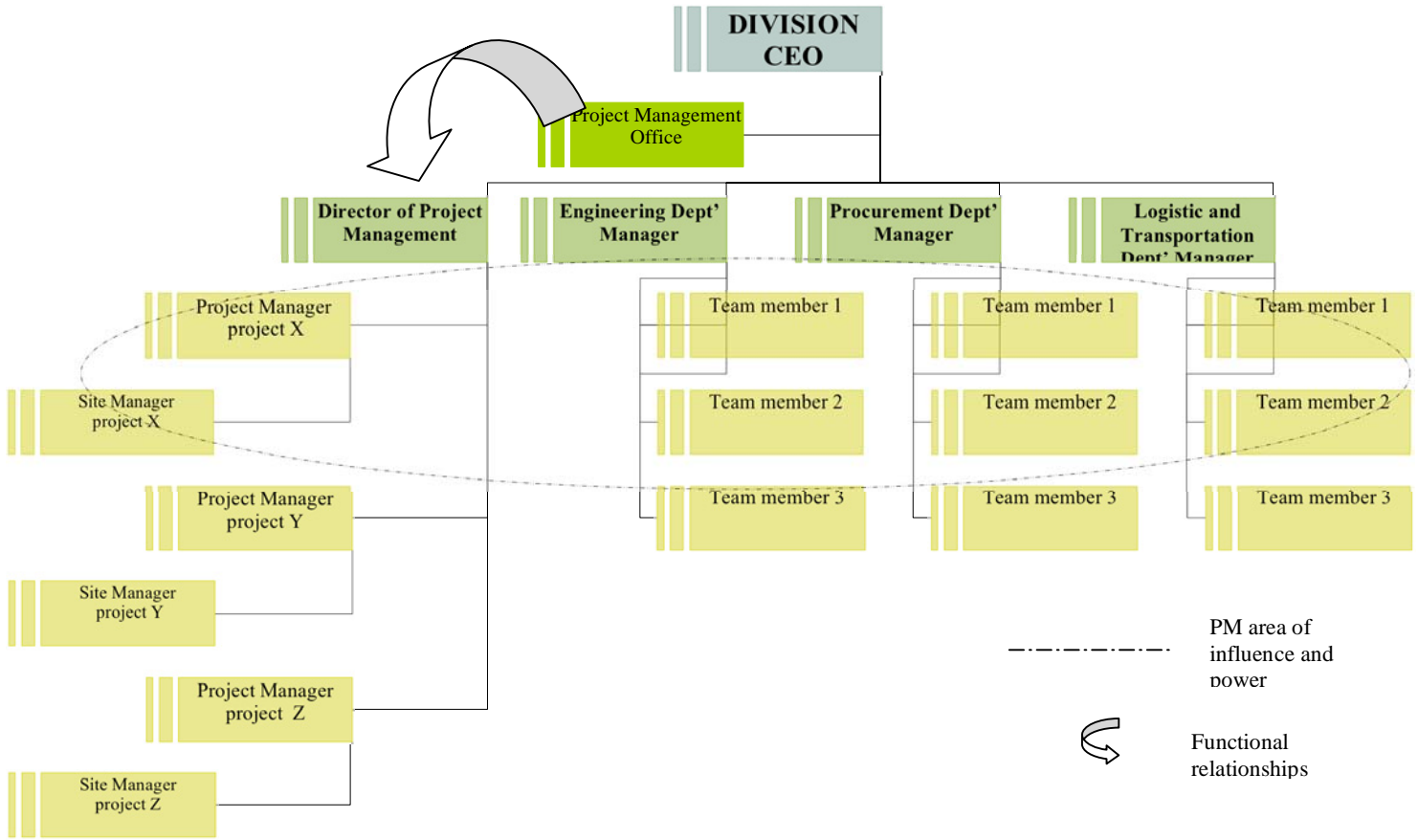


Figure 2. Typical insertion of PMO within the organizational structure



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Florin Gheorghiu, PMP, has more than 10 years of experience in Project Management methodology and process implementation covering the entire project life cycle. His applied expertise is centered on "turn key" Engineering-Procurement-Construction projects in the power sector. His experience includes large power plants rehabilitation projects financed by the International Bank for Reconstruction & Development (IBRD) and the European Bank for Reconstruction & Development (EBRD). He has worked for Parsons Power (Gilbert Commonwealth), Lahmeyer International and Pennsylvania Power & Light (PP&L) as a project Consultant.

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