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Product Centric Project Management:
The Missing Link to Business Results

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Why do projects? A simple question for project managers, often answered along the lines of “to meet shareholder expectations,” or “satisfy customer requirements,” or “achieve desired business results.” The problem with these responses is that they don’t really answer the question as they focus on intangible results which can be achieved in many ways (not just through projects) and essentially ignore the outcome given by the standard definition of a project which is “... to create a unique product or service.”¹

An unintended consequence of this standard thought process is that it lulls project managers into thinking that the project itself “achieves the desired business results” or “satisfies customer requirements” or “meets shareholder expectations.” In reality, there are two critical links in between the project activities and the desired results – creating a product with the proper attributes to enable the results and effectively using the product to achieve the results. Because explicit consideration of these two product centric links is often missing in project planning and execution, I call them the “missing links” to business results. I have observed that explicit consideration of these product centric links during project planning and execution, what I call Product Centric Project Management, greatly increases the project success rate as measured by achieving business results.

Why is this important to project managers? Because focus on how the product is used to achieve results is becoming more and more important as the project success metrics change from the traditional internally focused project metrics (scope, schedule and cost) to externally focused

¹ PMI Standards Committee, *A Guide to the Project Management Body of Knowledge*, © 1996 The Project Management Institute

business metrics (financial, strategic, and operational). In the business literature, the success or failure of projects is seldom discussed in terms of scope, schedule and cost but rather in terms of the benefits (or lack thereof) the project brought to the companies. IT projects have even created a new job function called “business analyst” whose responsibility is to make certain that the business needs are correctly defined, planned and met. Even PMI has started to acknowledge the changes underway by using the 2004 edition of the PMBOK © to redefine a project as “... a temporary endeavor to create a product, service or result.”

Product Centric Project Management does not eliminate the need for expertise in the traditional PM knowledge areas or for skill in applying the PM processes. What it does is embed in each of the PM processes an explicit consideration of the business attributes of the product created by the project and how that product will be used in the business environment, specifically in the following five interrelated focus areas: 1) Product composition of goods and services and what the user values most, 2) Structure of the product supply network within which the product is used, 3) Satisfaction of both the product customer and end user, 4) Product value and delivery uncertainty, and 5) Impact on the supply network by the product.

With regard to the first Product Centric PM focus area of product composition, the PMBOK © definition of a project is actually somewhat misleading in that it implies that products and services are different. Products are generally defined, in fact, as goods and services offered for sale with services being simply one type of product. High profit margin products, in general, are composites of goods and services with the highest value to the user often residing in the service component. One example is the cell phone which is commonly considered a hardware (goods) product. A little reflection will show that what the user really values are the services (voice, video, information, games, etc.) enabled by the goods rather than the goods itself.

The design or configuration of the phone may be a differentiating feature relative to the competition, but it is not the main reason that someone buys a cell phone. Losing sight of what aspect of the product is most valued by the user is one of the most common causes of bad project decisions. A change to the project scope, schedule or cost is generally good if it enhances the value of the product to the customer and is generally bad if it does not. Likewise, while decreases in project cost or schedule are considered good from a traditional project management

perspective, they are actually bad for the project if they decrease the value of the product to the customer. Slavish adherence to the original project scope, schedule and cost can actually backfire on the PM who is not willing to promote changes that increases the value of the product to the customer or resist changes that do not enhance the value.

The second Product Centric PM focus area follows from the recognition that the value of the product to the customer is realized only when the product is delivered to the customer and this delivery always occurs through a supply network. An example is airline transportation which is clearly a service, but is delivered through a complex supply network consisting of interdependent goods and services (airport, airplane, ticketing services, baggage services, crew services, parking lot, etc., etc.) that must all work together to deliver the final transportation service to the passenger. Projects to create products occur within all nodes on these complex supply networks, but the success of the product (and hence the project) depends critically on how well the new product functions within the network. Lack of recognition of this principle is another common source of project failure, often so with Information Technology projects. If the new product requires the rest of the supply network to change and this change was not part of the project, or if the attributes of the new product do not increase the value of the product to the network or actually make it more difficult for the other nodes on the network to function, the project will fail or encounter large cost and schedule overruns.

The example of the airline transportation network also makes it clear that for almost every node on the supply network, the customer of the product sold by that node is different from the end user of the network (which is the airline passenger in the example). The success of products introduced into these intermediate nodes must add value to the functioning of the intermediate nodes as well as enhance the value of the final product to the end user. In this example, the customer for the airplane (goods) is the airline company who looks for fuel efficiency, reliability, maintainability, etc. while the end user passenger wants comfort, convenience, adequate space, quiet surroundings, etc. from the transportation (service). Thus the third focus area of Product Centric PM is the recognition that the product, whatever it is, must satisfy both the immediate customer within the supply network and the end user of the network. The failure of many projects, and the major source of project rework, can often be traced to their

focus on only the immediate customer or the end user without taking into account that the product must satisfy both. This is often true with IT projects that promise great benefits to the executive sponsors only to have the project falter because the project does not bring benefit to the people who actually make use of the created product in their day to day workings.

Perhaps the biggest problem with not explicitly considering the product in project management, however, is in the area of risk management, the fourth area of Product Centric PM to be discussed. While product uniqueness is the reason for the project, product uniqueness implies uncertainty, and the greater the uncertainty the greater the project risk. Single minded focus on the project plan tasks and the risks to completing those tasks encourages the PM to overlook what are generally the greatest risks to the projects, uncertainty in the value of the product to the users and uncertainty in the capability to deliver the product. The higher the uncertainty, the greater the need for flexibility in the project plans as the primary risk mitigation strategy. Detailed planning and tracking of tasks when the value or capabilities to deliver the product are uncertain does not mitigate the risk, it only diverts attention from the need to plan, organize and staff for flexibility. As innovation (uniqueness) becomes more and more important to business success, the need to successfully manage project uncertainty becomes more and more important. One can argue that agile project management, lean product development, “rolling wave” planning, lean six sigma, and other “trendy” management techniques are simply responses to this need for more flexibility in project planning and execution.

Some of best work relating project risk to product uncertainty was done in the early 90s by Steven Wheelwright and Kim Clark of the Harvard Business School.² They recognized that uncertainty (and hence risk) is directly related to the amount of reuse from previous products and projects. In their analysis, the greater the reuse, the lower the uncertainty and the lower the risk, but also the lower the uniqueness and possible value of the product. They divided the uncertainty into two dimensions, uncertainty in the value of how the product will be used (business risk related to reuse of elements from previous products) and uncertainty in the capability to deliver the product (process or technology risk related to reuse of elements from previous projects). The higher the uncertainty (risk) in either or both of these dimensions, the higher the project risk and

² “Creating Product Plans to Focus Product Development,” *Harvard Business Review*, reprint 92210

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the higher the need for project flexibility. Some of the greatest project disasters occur when there is the need for high uniqueness, low project or product reuse and inflexible project plans.

The final area of Product Centric PM discussed here is the need to have a very clear understanding about the impact of the created product on its supply network. Because efficiency is easy to quantify, there is a tendency to concentrate on efficiency measures (such as cost reduction) when proposing projects. While easy to quantify, these projects often have limited payback since while customers will resist decreases in efficiency, they are reluctant to pay a premium for improvements. A more valuable and profitable approach is to concentrate on projects that increase the customer supply network effectiveness through the product usage. Because changes in effectiveness are difficult to quantify and measure, these types of projects are the “hardest sell.” However, when done successfully, increases in product effectiveness is the major source of project value and premium pricing. Fortunately, use of Product Centric PM makes it easier to conceive, plan and execute projects aimed at increasing effectiveness.

Product Centric Project Management is not a substitute or a shortcut for traditional project management skills or knowledge. Rather, when used consistently, it enhances and strengthens traditional PM since it explicitly links the project to business results. It is especially useful when the product usage and delivery capabilities are uncertain. It leads to higher project customer and product end user satisfaction through improved focus on product use and value and takes the product environment (supply network) directly into account. As project success criteria change from internal project measures to external business measures, effective use of Product Centric PM will become more and more critical to successful project managers.



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