

# Value-Driven Project Management

By  
Harold Kerzner, Ph.D.

# Dr. Harold Kerzner

- **Harold Kerzner (Ph.D., MS, Engineering and MBA)**
  - Senior Executive Director with International Institute for Learning, Inc. He is an expert in the areas of project management, total quality management, and strategic planning.
  - Dr. Kerzner is the author of the best-selling textbooks: *Project Management: A Systems Approach to Planning, Scheduling, and Controlling*, now in its ninth edition, *In Search of Excellence in Project Management*, *Applied Project Management* and *Strategic Planning for Project Management Using a Project Management Maturity Model*.



# Why Traditional Project Mgt. May Not Work

- **New projects have become:**
  - Highly complex and with greater acceptance of risks that may not be fully understood during project approval
  - More uncertainty in the outcomes of the projects with no guarantee of value at the end
  - Pressed for speed-to-market irrespective of the risks

# Why Traditional Project Mgt. May Not Work

- **The statement of work (SOW) is:**
  - Not always well-defined especially on long-term projects
  - Based upon possibly flawed, irrational or unrealistic assumptions
  - Inconsiderate of unknown and rapidly changing economic and environmental conditions
  - Based upon a stationary rather than moving target for final value

# Why Traditional Project Mgt. May Not Work

- **The management cost and control systems (EPM methodologies) focus on:**
  - An ideal situation (as in the PMBOK® Guide)
  - Theories rather than the understanding of the work flow
  - Inflexible processes
  - Periodically reporting time at completion and cost at completion but not value (or benefits) at completion
  - Project continuation rather than cancelling projects with limited or no value

# Today's View of Project Management

- **Today we are managing our business by projects.**

# Today's View of Project Management

- **Project management has evolved into a business process rather than a project management process.**

# Today's View of Project Management

- **The enterprise project management methodology contains business processes as well as project management processes.**

# Today's View of Project Management

- **Capturing best practices is a necessity in today's business world. This includes best practices in business as well as best practices in project management.**

# Changing Views of Project Management

	<b>Historical View</b>	<b>1990's</b>	<b>Today</b>
<b>Role and Responsibility</b>	<b>Monitor and Control during Execution</b>	<b>Planning for Project Execution</b>	<b>Strategy Development and Project Selection Input</b>
<b>When Brought On Board</b>	<b>After Contract Award or at end of Initiation</b>	<b>During Proposal Preparation</b>	<b>During Concept Development and Input in the Bid/No Bid Decision</b>
<b>Knowledge Requirements</b>	<b>Technical Knowledge (Command of Technology)</b>	<b>Mostly Technical but some Business Knowledge</b>	<b>Mostly Business but some Technical Knowledge (Understanding of Technology)</b>
<b>Customer Expectations</b>	<b>Deliverables</b>	<b>Deliverables</b>	<b>Business Solutions</b>
<b>Definition of Success</b>	<b>Meeting the Triple Constraint</b>	<b>Meeting the Triple Constraint</b>	<b>Multiple Success Criteria (Both Project and Business Success)</b>

# Postulate #1

- **It doesn't matter if you execute a project extremely well or extremely poorly if you are working on the wrong project.**

## Postulate #2

- **Being on time and on budget is not necessarily success.**

## Postulate #3

- **Completing a project within the triple constraint does not guarantee that the necessary business value will be there at project completion.**

## Postulate #4

- **Having mature project management practices, including an enterprise project management methodology, does not guarantee that business value will be there at project completion.**

# Postulate #5

- **Price is what you pay. Value is what you get.**

Warren Buffett

## Postulate #6

- **Business value is what your customer perceives as worth paying for.**

# Postulate #7

- **Success is when the desired business value is achieved.**

## Postulate #8

- **Following a project plan to conclusion is not always success if business-related, value-added changes were necessary but never implemented.**

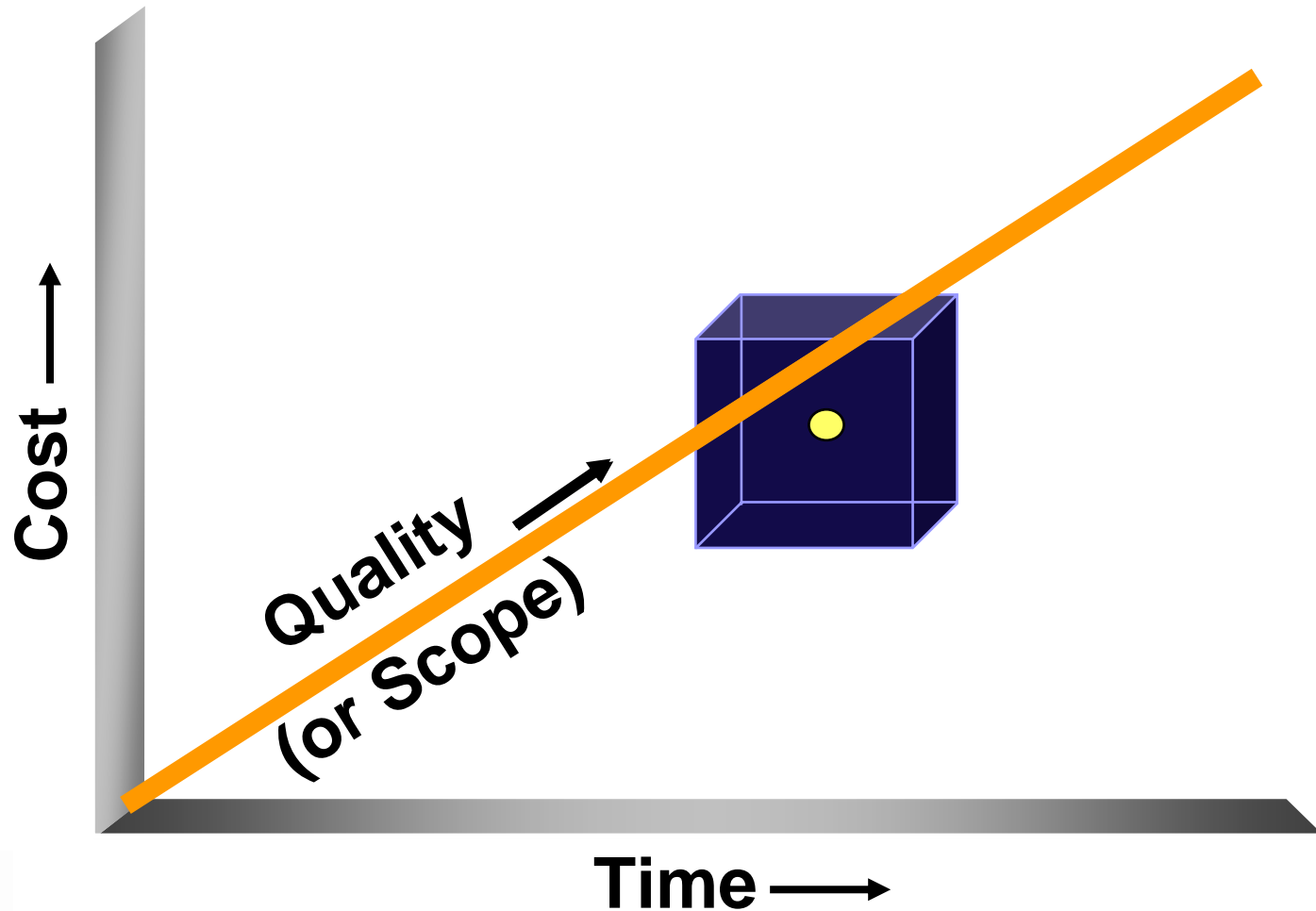
# Changing Times

- **As project management evolved, so did our definition of success.**

# Not Meeting The Triple Constraint

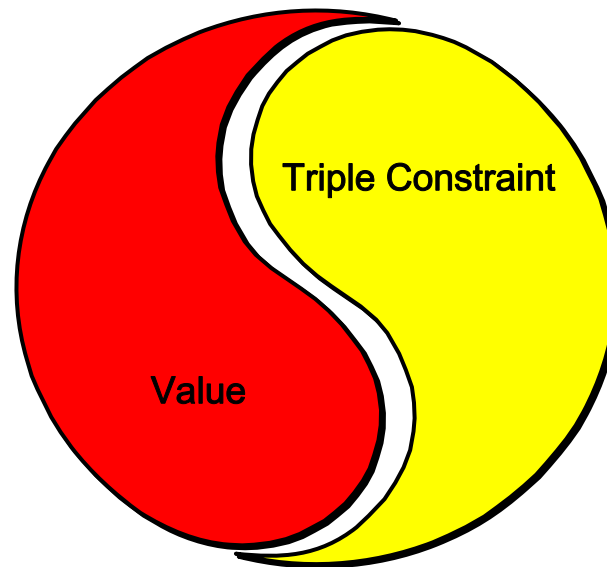
- **Early on, the triple constraint was the only success criteria**
- **If the triple constraint criteria were not met, then the result would be:**
  - Blame the project manager
  - Replace the project manager (to placate the customer)
  - Blame the project management methodology (or lack of it)
  - Blame the customer for providing unclear requirements

# Redefining The Triple Constraint Success Criteria

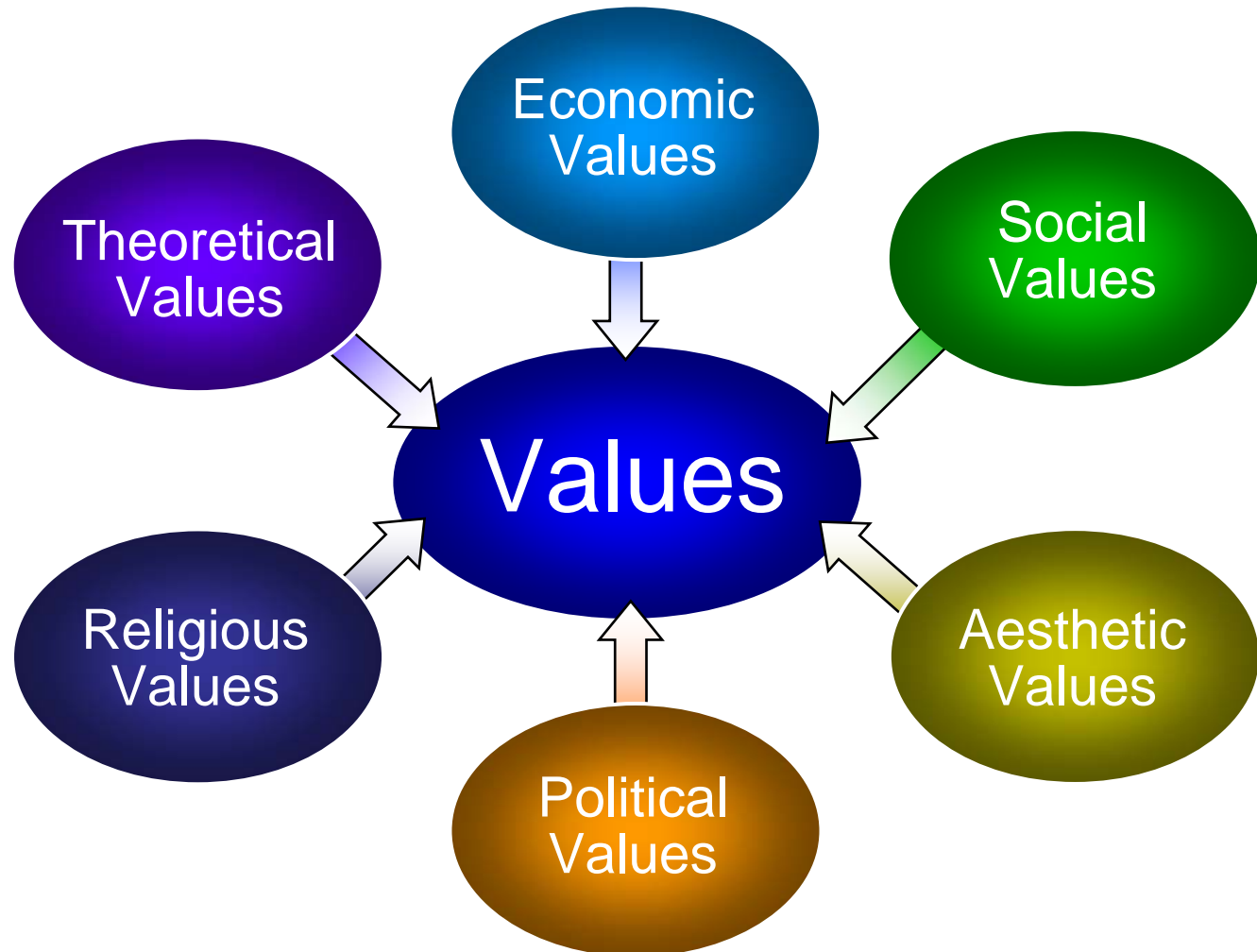


# Success

- **Success is not necessarily achieved by completing the project within the triple constraint. Success is when the planned business value is achieved within the imposed constraints and assumptions.**



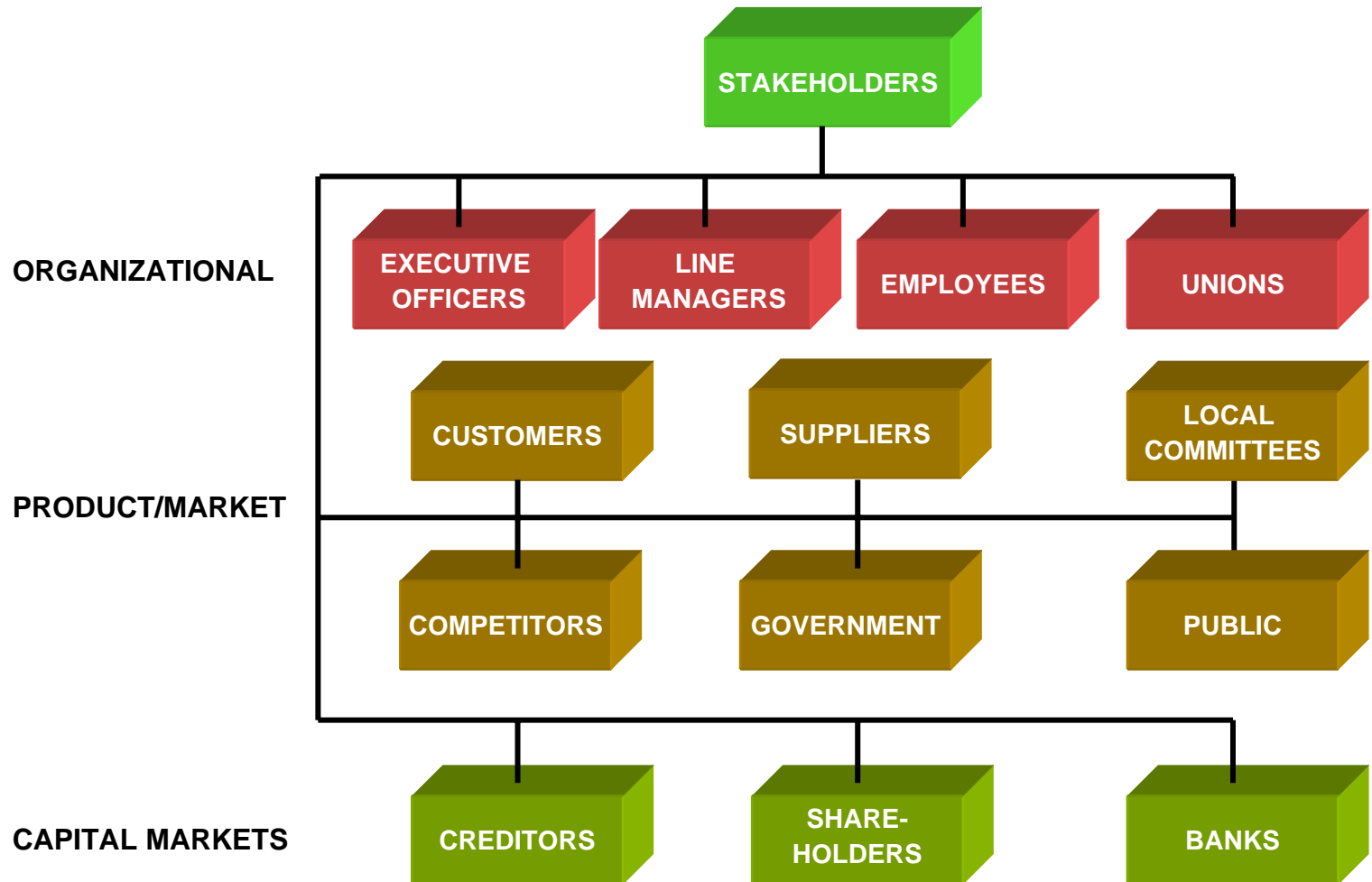
# Types of Value



# Stakeholder Perception

- **Each stakeholder can have a different perception of value, and the perception is not necessarily a business-based perception of value.**

# Classification of Stakeholders



# The Sydney, Australia Opera House

- **Original cost: \$7 million (Australian \$)**
- **Final cost: \$100 million (Australian \$)**
- **The project manager was fired**

# The Sydney, Australia Opera House

<b>Project Stakeholders</b>	<b>Opening Day</b>	<b>Five Years Later</b>
<b>Organizational</b>	<b>Failure</b>	<b>Success</b>
<b>Product/Market</b>	<b>Success</b>	<b>Success</b>
<b>Capital Markets</b>	<b>Failure</b>	<b>Success</b>

# Apple's Lisa Computer

- **1984 original reaction by public: poorly accepted**
- **Lessons were learned for the Macintosh computer**

# Apple's Lisa Computer

<b>Project Stakeholders</b>	<b>Opening Day</b>	<b>Five Years Later</b>
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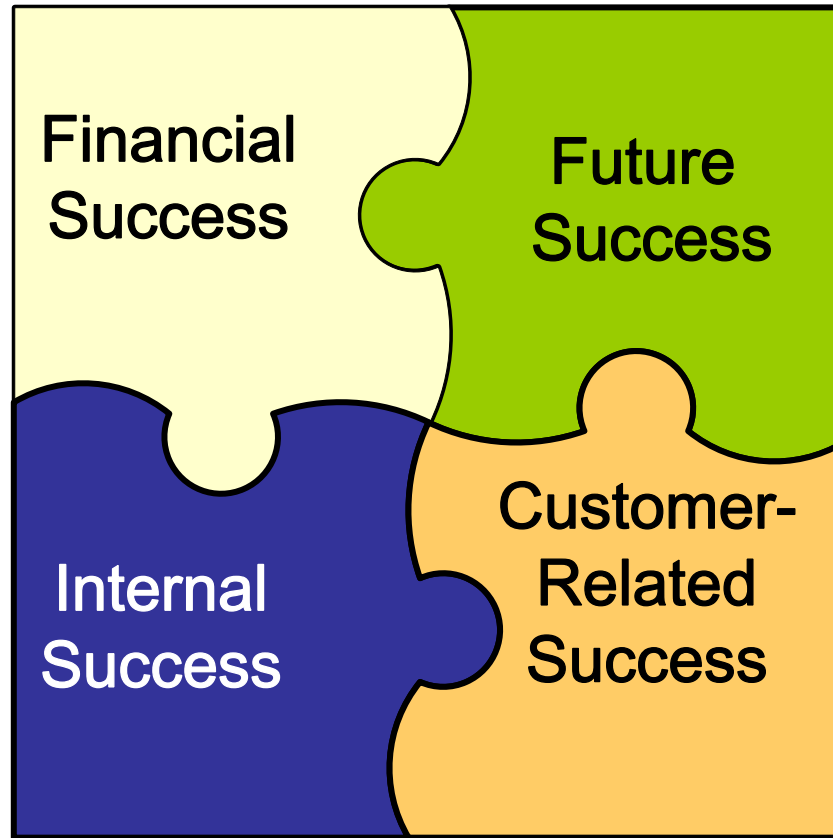
# Denver International Airport

- **Original planned cost: \$1 billion**
- **Final cost: Over \$5 billion**
- **The project manager was not fired**

# Denver International Airport

<b>Project Stakeholders</b>	<b>Opening Day</b>	<b>Five Years Later</b>
<b>Organizational</b>	<b>Success</b>	<b>Success</b>
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# Four Cornerstones of Success



# Conclusions

# Changing Views of Project Management

Coming soon from The IIL/Wiley Series in Project Management to a bookstore near you!



- **Value-Driven Project Management**
- **What Executives Need to Know about Project Management**
- **What Functional Managers Need to Know about Project Management**

# Questions and discussion...

