Value-Driven Project Management

By
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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.
• 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.
• 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

<table>
<thead>
<tr>
<th>Historical View</th>
<th>1990’s</th>
<th>Today</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Role and Responsibility</strong></td>
<td>Monitor and Control during Execution</td>
<td>Planning for Project Execution</td>
</tr>
<tr>
<td><strong>When Brought On Board</strong></td>
<td>After Contract Award or at end of Initiation</td>
<td>During Proposal Preparation</td>
</tr>
<tr>
<td><strong>Knowledge Requirements</strong></td>
<td>Technical Knowledge (Command of Technology)</td>
<td>Mostly Technical but some Business Knowledge</td>
</tr>
<tr>
<td><strong>Customer Expectations</strong></td>
<td>Deliverables</td>
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</tr>
<tr>
<td><strong>Definition of Success</strong></td>
<td>Meeting the Triple Constraint</td>
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</tr>
</tbody>
</table>
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.
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

Cost

Quality (or Scope)

Time
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

- Economic Values
- Social Values
- Aesthetic Values
- Political Values
- Religious Values
- Theoretical Values
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

- STAKEHOLDERS
  - EXECUTIVE OFFICERS
  - LINE MANAGERS
  - EMPLOYEES
  - UNIONS
  - CUSTOMERS
  - SUPPLIERS
  - LOCAL COMMITTEES
  - COMPETITORS
  - GOVERNMENT
  - PUBLIC
  - CREDITORS
  - SHAREHOLDERS
  - BANKS
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

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Apple’s Lisa Computer

- 1984 original reaction by public: poorly accepted
- Lessons were learned for the Macintosh computer
# Apple’s Lisa Computer

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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

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Four Cornerstones of Success

- Financial Success
- Future Success
- Internal Success
- Customer-Related 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…