

**The
Economist**

GUIDE TO PROJECT MANAGEMENT

**Achieving lasting benefit through
effective change**

Paul Roberts

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Introduction

Many businesses do not change when they need to, nor do they change when they have to. If they did, many fewer would fail. But, like people, they only change when they want to.

If a change in the way an organisation achieves successful project outcomes is to be considered, it should be seen as a culture change, involving adjustments in mindset, values and behaviour; it may involve abandoning norms and sacred cows.

Managing projects cannot be separated from managing the whole business. Effective management of “business as usual” delivers evolutionary improvements. Good project management brings about step changes in performance. If projects are to deliver profitable outcomes, then it is as crucial to look outside traditional project environment as it is to look inside. Yet project management is too often considered a discipline that applies only to those called project managers. It is delegated to people who struggle against sometimes impossible odds to deliver a successful outcome. Experience demonstrates that a project requires the collaboration of many stakeholders, including those who commission and finance it, those who will use the end product and those who build it. It takes a whole organisation to make a project a success.

If an organisation is serious about improving the way it manages projects, it will have an opportunity to improve the way it manages its business.

This book explains not just the principles and techniques of project management, but also why it is interconnected with managing a business. Packaging a piece of work and calling it a project does not protect the business from the consequences of its failing. Just as a business can benefit from a well-managed project, so can it be damaged if it fails. There is much to learn from projects that have failed to meet expectations:

- **The Hubble Space Telescope.** Launched in 1990, NASA’s extraordinary project promised to bring pictures of the universe of a clarity never seen before. Despite overcoming enormous technical challenges, the malfunction of a measuring device used during the polishing of the primary mirror rendered every image blurred. NASA suffered huge and adverse publicity as a result, and

had to wait three further years before the necessary corrections could be made and its reputation could be reinstated.

- ❑ **License application mitigation project.** The Washington State Department of Licensing initiated a five-year, \$42m project to computerise the state's vehicle registration and license renewal processes. The budget ballooned, the requirements were drastically changed during the course of the project, and even if it had finished, the outcome would have been obsolete by the time it was completed. After seven years, and when approximately \$40m had been spent, the project was cancelled.
- ❑ **The Scottish Parliament.** This cost more than ten times the budget for the building. Arguably, the money could have been invested elsewhere and given the taxpayer a better return.
- ❑ **The Channel Tunnel.** This is a magnificent technical achievement that did not generate sufficient customer interest to secure its financial future. The project overcame the most extraordinary hurdles, yet was it commissioned because it could be or because it should have been?
- ❑ **Kansai International Airport.** Opened on an artificial island off the city of Osaka in Japan in 1994, this extraordinary project was plagued by speculation that planners badly underestimated how much the island would sink, and whether it would do so evenly as the site settled. Six years after opening, the airport's operator was driven to invest in flood protection measures, partly funded by higher landing charges which resulted in a huge drop in traffic. So, although the project overcame many tremendous challenges (including surviving the Kobe earthquake), the operator is still heavily in debt, and in many people's minds, Kansai will be remembered as the "sinking" airport.

These organisations suffered because they failed to recognise how project management could affect their business.

This book aims to help organisations manage the possibility that their projects and businesses may suffer for lack of effective governance. As the saying goes, "A little risk management saves a lot of fan cleaning ..."

1 The components of effective project management

For any new form of management to be accepted, it must be sold to those who do not yet believe in it. Until an organisation has had time to get used to the new way of working, apathy and cynicism towards its introduction are likely. It is common for the promoters of change to be subject to some friendly fire because not everyone will think as positively about project management as they do.

Project management has much to do with identifying and managing the risks a project may face. It can be unsettling for those who are used to solving problems once they have arisen rather than working in advance to prevent the problem arising. This is the essential difference between risk management and “issue” management and is central to the introduction of a project-based culture. Many people may be impressed by the hero who charges in to solve problems, but arguably those who studiously identify things that could go wrong and do a great job of avoiding the need to call in support deserve greater praise and assistance. These two extremes of character can be seen not only in individuals, but also in organisations. There are issue-managing and risk-managing organisations. The former encourage and reward heroics in managing current problems and challenges. The latter praise those who seek in advance to mitigate the likelihood or impact of those problems and challenges. Project management is more effective in an environment that supports the management of risks because this gives the organisation greater control over its fortunes.

This is not the only challenge that promoters of change face. Effective project management, like any form of governance, brings with it a necessary element of administration needed to control the project. This too will be challenged by those who object to the introduction of a new way of working, procedures, routines and regulations. Care should be taken that the administrative measures are not stifling and are light enough to ensure that the right decisions are made by the right people at the right time, and that the value of them is generally understood.

Sooner or later (probably sooner), the cost of introducing a new form of management will be questioned and a budget will be needed if the benefits are to be enjoyed. Senior managers have a great many priorities on

which to spend scarce resources so the money being spent on embedding project management must be promoted as an investment with a planned, measurable return. In other words, embedding the principles of project management within an organisation should be managed as a project in itself. This will help mitigate some of the challenges identified above.

Any attempt to alter opinions or working practices will face difficulties. If the approach being described here is considered along the lines of changing a culture, the following risks identified by John Kotter in his book *Leading Change* will be those to be mitigated:

- there is no sense of urgency;
- a powerful, guiding coalition is not adequately created;
- the programme lacks clear vision;
- the vision is poorly communicated;
- essential change is prevented by a will to protect the status quo;
- short-term wins are not systematically planned or delivered;
- victory is declared too soon;
- changes are not anchored in the organisation's culture.

Later chapters consider these risks, especially how a case may be made to introduce effective project management. But throughout the life of a project it is important to remind those involved in and affected by it of the value that effective project management can bring, both in increasing the chances of the project being successful and the organisation benefiting, and in reducing the chances of its failing and the business being damaged.

Selling the benefits

Project management must address issues that matter and that people want to solve. It is essential to ask questions before presenting solutions. What are the problems that the individual or organisation faces? Where do their priorities lie? Where could the greatest gains be achieved for the least investment?

For example, if there is a concern that too much project work is duplicated, it could be suggested that effective project management encourages everyone to work to a plan. But what is the benefit of a plan? It helps to explain that once people are clear about their own and each other's responsibilities, there is likely to be a reduction in rework and duplication. In seeking a form of words persuasive enough to overcome the objections of others, it is often illuminating to ask "So what?" in order to expose the

heart of the benefit and to make it clear how the changes the project will bring will make their lives better.

Not every benefit will carry the same weight with every stakeholder. Some, such as the project's end users, will be encouraged to hear that effective project management "provides for the definition, design, implementation and control of quality, thereby reducing the risk of a poor outcome". Others, such as those with commercial responsibilities, will be more interested in knowing that it "requires the justification for the initiative to be regularly reappraised, thereby managing the risk of making a poor investment". Arguments should be tailored to meet the interests of different stakeholders.

It can help to have a list of the benefits to refer to when facing objections to the introduction of project management, or simply to articulate how it will make everyone's lives more ordered. Effective project management allows an organisation to:

- ❑ involve the right people at the right time for the right reasons to ensure that the best quality decisions are made;
- ❑ encourage customers and suppliers to participate so that the result is mutually beneficial;
- ❑ focus on the milestones of the endeavour to encourage a greater and common understanding of what will be delivered;
- ❑ reappraise the justification for the initiative regularly, thereby reducing the risk of making a poor investment;
- ❑ demonstrate how resources can be used as effectively as possible, thereby allowing their efficient use across the organisation;
- ❑ emphasise the risks the project faces so that the likelihood of their occurring and their impact can be managed;
- ❑ agree on the definition, design, implementation and control of quality, so reducing the risk of a poor outcome;
- ❑ minimise the dangers of unmanaged "change";
- ❑ be clear about who does what, thus reducing duplication of effort and removing the potential for "responsibility without authority";
- ❑ manage unforeseen problems sensibly and practically.

What are a project's characteristics?

A project has several characteristics that set it apart from an organisation's "business as usual". Business as usual can be characterised as:

- ❑ requiring activities to be carried out repeatedly and/or regularly;

- ❑ employing resources of similar skill-sets;
- ❑ being constrained by annual, cycle-driven deadlines or budgets.

An organisation's typical business-as-usual activities may include:

- ❑ delivering its products and/or services to its customers;
- ❑ maintaining its financial affairs;
- ❑ managing its people;
- ❑ keeping its systems and processes running from day to day.

Business as usual is what departments do to maintain the performance of the organisation. If it can be established that a project differs from this, it can be shown why projects need and deserve a tailored form of management. There are several things that differentiate a project from business as usual:

- ❑ **A project produces a “defined deliverable”.** A project is a vehicle for delivering change. It provides the governance by which an organisation can move from one steady-state to another, from A to B. One result of a project is a “defined deliverable”, something which, by its use, enables the new steady-state to operate effectively. So this deliverable must be of sufficient quality to serve the purpose demanded of it.
- ❑ **A project has a defined end date.** There are many examples of projects whose deadlines are revised time and time again. For example, the European Fighter Jet has had several delivery dates set and missed. This may be because the defined deliverable was not defined as well as it should have been. A project should have a target end date otherwise it will lose focus, probably go over budget and delay the business from benefiting from its investment. Furthermore, since a project is temporary, any delay in its completion means that those working on it cannot be released for other tasks.
- ❑ **A project has a defined budget.** This will extend for the life of the project, in contrast to a departmental budget, which will cover the financial year.
- ❑ **A project uses a wide range of resources.** A project will need to benefit from the capabilities, knowledge, skills and experience of people from a wide range of backgrounds from within and, possibly, outside the organisation. However, a business-as-usual

department is, almost by definition, characterised by a narrower range of knowledge and skills.

- **People will be involved in peaks and troughs during the project.** Whereas a department is likely to have roughly the same number of people working in it throughout the financial year, a project will use a variety of people at different times in its life. For instance, the people specifying what the project must achieve will probably be most heavily involved at the beginning and at the end, whereas those developing the end product may be most involved during the middle phase.
- **A project has a life cycle.** Philip Larkin, a 20th-century English poet, once described the structure of a novel as having “a beginning, a muddle and an end”, and many projects feel as though they are in a constant muddle. A project needs attention every day to reduce the risk of disorder and confusion, but it also needs direction from senior managers to ensure that it starts and stops according to plan. So the beginning is intended to create governance suitable for the project’s management, and the end is to make sure that the project has an outcome that meets expectations.

Business as usual may share some of the hallmarks of a project. For instance, every month management reports will be produced to assist the company’s decision-making. These reports are defined deliverables, but their creation is a repeatable, low-risk activity that does no more than maintain the steady-state of business. Similarly, business as usual requires a defined budget. However, it is usually calculated in order to maintain or improve performance during the coming year.

A project is intended to deliver a step change. Such changes may transform processes, performance or culture. In seeking to improve something, a project is moving firmly into a territory where expectations are less easy to predict or manage. It must produce something that, perhaps, has not been produced before, at least not in the same circumstances. There will be expectations about when the project will be completed, how much it will cost and what it will deliver. Articulating a clear and commonly held understanding of these variables is what makes each project both unique and risky.

Risk is a feature of projects. That so many fail is often because the risk of failure has been managed inadequately. Common reasons for failure include:

- ❑ inadequacy of the plan;
- ❑ absence of a plan;
- ❑ poor monitoring or control;
- ❑ unmanaged change;
- ❑ inadequate communication;
- ❑ constrained budgetary provision;
- ❑ poor management of expectations.

If uncorrected, such failures will lead to any one or combination of the following:

- ❑ missed deadlines;
- ❑ exceeded budgets;
- ❑ substandard quality.

Time, cost and quality are the three criteria by which failure is most commonly measured. But what about success? Can a project be judged a success if it delivers:

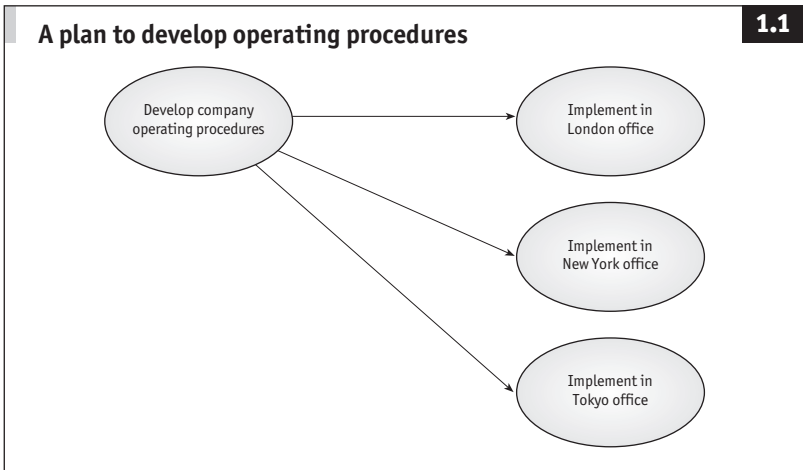
- ❑ on time;
- ❑ to budget;
- ❑ to specification?

These may be measures of successful project management, but they are not adequate measures of a successful project. A project may result in a fit-for-purpose outcome, on time and on budget, and may have excited those who were involved, but did it make a positive difference? If it failed in this respect, what was the point of the investment? A successful project is best characterised by the change it delivers.

How can projects deliver change?

Projects are undertaken to produce benefits and add value. The outcome should result in benefits that outweigh the investment. Later chapters will consider how to describe and quantify benefits, but first it is important to understand how the comparison of benefits and costs can help to define the scope of the project.

Figure 1.1 illustrates a company's plan to develop operating procedures that its offices will be required to implement to gain savings from consistent and improved working practices. There are clear dependencies. For example, none of the implementations can happen until the operating procedures have been developed.

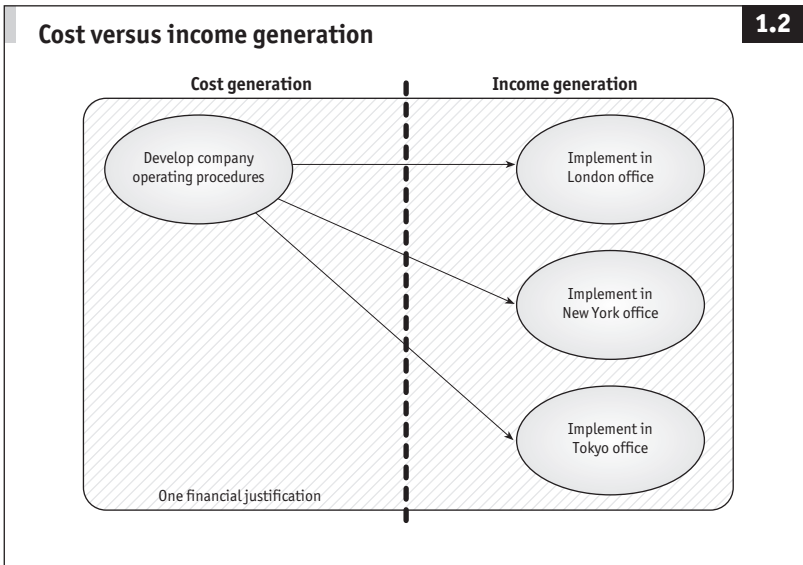


How many projects are needed to deliver this outcome? It could be four, one for each area of work. Or it could be two, one to develop the procedures and one to implement them in the offices. Or perhaps there would be economies from treating the whole endeavour as one project.

The decision is made easier when taking into account the value that must result. None of the implementations can take place if the operating procedures are not developed. But would the initiative be viable if it was not implemented in the Tokyo office? This is not clear. The critical question is whether the exclusion of Tokyo would so significantly reduce the benefits of the initiative that the investment could no longer be justified.

In any project there will be a point at which the investment being made is outweighed by the expected return on that investment. In this way, a project and a commercial business are no different. The question about how many projects there are can be addressed by taking a commercial perspective, as illustrated in Figure 1.2 overleaf.

The development work on the left-hand side of Figure 1.2 will contribute to the costs of the project, while the implementation activities, although requiring some investment, will principally contribute to the generation of value. Whether the investment can be justified depends on knowing what value each implementation will generate. One may be insufficient, two may be enough and perhaps the third would be needed to make the case indisputable. Therefore, all four areas of work should fall under the same governance to ensure that the intended positive difference between



costs and benefits is protected. This balance, with cost on one side and income (or benefit) on the other, is the foundation of any individual project. It answers the crucial question, why do we want to undertake this project?

What is a project?

Every characteristic described so far has helped to describe the nature of projects, but what is a project? Many definitions exist, including the following:

- ❑ a unique set of events with a main goal and defined objectives and agreed plans for achieving that goal;
- ❑ an activity with a specified beginning and end date that is intended to meet stated objectives;
- ❑ a temporary effort undertaken to create a unique product or service;
- ❑ any organised campaign to change/improve something.

However, none of these properly consider a project in the wider sense that it delivers the outcome, including the benefits that justify it.

A project is better defined succinctly as a temporary management envi-