



AN INTERTHINK CONSULTING WHITE PAPER



Making A Case For Project Management

An Overview Of Interthink Consulting's Project Management Business Case Approach

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Introduction

An Organizational Approach to Project Management

Project management is a discipline that has garnered considerable interest in the last few years, particularly in industries and organizations that have not traditionally had a project management focus. This trend has been brought about as a result of organizations evolving their perceptions of not only the types of work that they do, but how that work should be done.

Originally seen as a means of managing large, single-purpose, capital-intensive initiatives, project management has demonstrated its abilities to accommodate and effectively manage smaller-scale efforts, and to support an integrated approach to managing multiple initiatives within an organization.

The shift from an *ad hoc* approach to an organizational enabler is one that has evolved recently. In particular, organizations have come to appreciate the larger world of projects that exist within the typical company. Most organizations have a mix of both 'hard' - construction, engineering, systems development - and 'soft' - product development, process improvement - projects that collectively define their portfolio of work.

An organizational focus to project management leads to not only a better management of organizational investments, but also a more efficient and cost effective approach to managing those investments. Consistency of approach saves each project team from wholesale reinvention of their management strategy from one project to the next, while allowing the organization to effectively compare and evaluate projects against a standard context and set of criteria.

Justifying The Project Management Investment

One of the greatest challenges that companies have faced in contemplating the creation of an organizational project management capability is the justification of the investment in real business terms. Building an approach to project management that can flexibly serve the needs of the enterprise is not a simple or short understanding, and represents a significant investment in time, money and resources. Even a mid-sized organization of 1,000 employees can face a tangible cost of hundreds of thousands and even millions of dollars, when the cost of training, methodologies, consulting, support and software are factored in.

While the cost of creating a project management capability can be daunting, the benefits that can result are enormous. When the total magnitude of effort and cost associated with projects is tallied up, even incremental improvements can result in significant savings to an organization. What has eluded organizations until now is a means of quantifying precisely what the expected return on this investment is in tangible terms of dollars and cents.

A Tangible Framework For Project Management Improvement

In order to create a concrete framework for understanding, defining and planning improvement of the project management function, Interthink Consulting Incorporated has developed and refined its Project Management Process Model (PM²), a maturity model that defines the stages of evolution of the project management function in an organizational context. Originally developed in 1993, the model has been used to benchmark the processes, structures and capabilities in over 550 companies worldwide.



The PM² model is the core of our PM:RoadMap™ assessment framework, a service that provides organizations with an objective evaluation of their current project management performance and guides them through the articulation of their project management objectives and the development of an improvement plan for their attainment. Because of our extensive operational research in the project management field, Interthink Consulting is able to translate the improvement plan into a clear business case that defines the costs and returns to the organization, tailored to their unique capabilities and portfolio of projects.

Setting Goals and Demonstrating Results

Our ability to develop an effective business case in to guide the project management improvement effort is unique in the field of organizational project management consulting. While business cases exist that establish the return on investment of specific projects, there has historically been no means to establish the return on investment in *better project management*.

The result is a valuable tool for decision making in identifying the improvements that will have the greatest impact to the organization based upon its current capabilities and business drivers. Managers are able to better understand the nature and impact of the improvements, and the timeframes in which the improvements will result in a material impact on the organization's performance.

Exploring Our Business Case Approach

This white paper has been designed to introduce the philosophy and rationale behind our approach to developing a business case to support organizational project management improvement. It articulates the methodology used by Interthink in communicating the drivers and impacts associated with individual improvement efforts, and the basis for the validity of our approach.



Defining Organizational Project Management Maturity

The Basis for Articulating Improvement Opportunities

The Project Management Process Model (PM²), a maturity model developed by Interthink Consulting, is the core focus of our ability to both define improvement opportunities and articulate the impact of those improvements in the context of a specific organization's performance.

The PM² framework lies at the heart of our PM:RoadMap assessment service. A PM:RoadMap assessment provides organizations with a concrete, detailed evaluation of the performance of their project management organization against both the PM² model and a benchmark database of over 550 organizations from around the world. The assessment builds on these findings by supporting the organization in articulating their improvement goals, defining a strategy for their attainment and articulating the return on investment associated with the defined improvement approach.

History of the PM² Model

Interthink Consulting began the development of the PM² model in 1993. Through assessment work that we conducted in the early 1990s using SEI's Capability Maturity Model and Bell Canada's Trillium assessment model, we recognized at an early stage the value that maturity models could play in evaluating and defining improvement opportunities. Leveraging the spirit of these maturity models, we develop a model that was exclusively devoted to the evaluation of project management in an organizational context.

The PM² model was initially used as a means of evaluating the performance of a single customer at the outset of an improvement engagement, in order to identify the current state of organizational practices and identify key target areas. In 1997, we launched the Organizational Project Management Baseline Study as a public, operational research and benchmarking study to evaluate organizational project management performance in Canada, then North America and finally around the world.

An Overview of the PM² Model

The basic structure of the PM² model is comprised of 12 discrete capability areas. The first six capability areas embrace the overall project management lifecycle:

- **Program Initiation.** How consolidated programs or project portfolios are initiated within the organization.
- **Project Initiation.** How individual projects are initiated within the organization.
- **Project Planning, Scheduling & Budgeting.** How projects are evaluated, estimated, planned, scheduled and budgeted within the organization.
- **Project Management.** How the project is managed through its lifecycle, including the management of change requests, issues and defects.
- **Project Tracking.** How the progress of individual projects is monitored, and how status of a project is tracked, evaluated and controlled.



- **Project Reporting.** How the progress and status of projects both individually and overall are reported to project and organizational stakeholders.

The second six capability areas embrace the structure, framework and environment within which the organization is established and operates:

- **Risk Management.** How project risks are identified, planned for, monitored and resolved within projects.
- **Technology.** The degree to which technology is utilized in support of the project management process, including scheduling, estimation, communication and group productivity tools.
- **Organization.** The structure and framework of the organization, and the degree to which it supports the project management process.
- **Environment.** The environment within which project teams work, and the degree to which resources, supplies and equipment are available to support the project effort.
- **Resource Management.** The process by which internal staff are selected, managed, trained and supported within the context of project management.
- **Contract Management.** The process by which external staff, resources, suppliers and services are contracted for in support of project management.

The PM² model scores organizations against a five-level scale, which establishes a ranking of overall process maturity, where 1 represents the least mature process and 5 represents the most mature. For an organization to attain a particular level, it is necessary to attain that level or above in each of the 12 assessed capability areas within the PM² model.

The five levels of maturity within the PM² model are:

- **Level 5.** Fully mature project organization, with processes consistently applied throughout the organization as part of the overall management process.
- **Level 4.** Mature project management process applied consistently on all projects, with project management recognized as a formal management discipline.
- **Level 3.** Consistent, defined and integrated project management process.
- **Level 2.** Some project management capabilities defined, but not consistently applied.
- **Level 1.** Fully ad hoc project management capability; no consistent or repeatable processes.

Correlating Maturity And Results

Among the more significant findings of our research has been the correlation that exists between increases in the overall maturity and the increased ability of the organization to deliver projects effectively. As a result, Interthink is able to quantify the impacts of specific improvements on project performance.

As an example, the typical project performance against original budget results in 9% of projects being delivered under budget, 37% on budget and 54% over budget. For organizations that adopt a formal approach to defining, tracking and managing project metrics, under budget performance increases to 15%



while 53% of project come in on budget and only 32% of projects continue to be delivered over budget, representing an increase in budget performance of 22%.

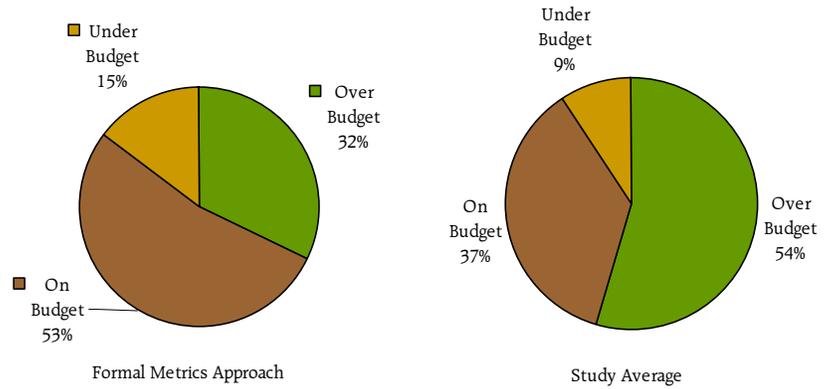


Figure 1. Increase in on-budget performance when applying a formal approach to project metrics.

By modeling the specific capabilities within the organization today, and the desired future capabilities, it is possible using the PM² model and Interthink Consulting's benchmark database to articulate in concrete terms the expected improvements in project performance as a result of realizing an organization's improvement goals.



Establishing An Improvement Business Case

Introduction

The process of developing a business case for the improvement of the project management function within an organization is inherently dependent upon understanding the influences that drive project management performance, and the degree to which these improvements in a company's approach will successfully contribute to project effectiveness.

There are a number of key challenges to being able to successfully define the impact of improving the project management role:

- **Infrastructure Role of Project Management.** At the end of the day, project management is not in and of itself a value creating activity. Project management is typically defined as an administrative and infrastructure overhead; without projects to manage within an organization, there would be no specific requirement for project management, and no resulting benefit.
- **Attribution of Impact.** Similarly, defining and attributing the impact of project management is difficult. Particularly in an organizational context, where multiple projects might overlap and contribute to development of a specific area of the organization, it is hard to identify whether a return to the organization was directly attributable to a project, or to some other influencing factor within or external to the organization.
- **Separation of Value.** The value to the organization of performing a particular project is not the same as the value of the project management on that project. Project management cannot claim *de facto* rights to all benefits accruing as a result of a project; the object of the exercise, after all, is to define the impacts of the project management itself, not the value of undertaking the project.
- **Modelling Performance.** Finally, how do you model and measure effective project management, rather than ineffective project management? What are the characteristics that distinguish excellence from mediocrity, and that characterize a beneficial project management contribution to the organization?

Nature of an Improvement Business Case

The nature of a business case for the improvement of project management in an organization is understanding the impact of the investment made. Given the general scarcity of money in the organization and the range of investment opportunities available, there needs to be a clear understanding and appreciation of why investing in the creation of an improved project management capability should be a priority.

It is essential, therefore, that the resulting business case show a very clear expectation of return back to the organization as a result of undertaking the improvement effort. Not only does the methodology by which the business case is created need to be defensible, but the analysis of potential impacts must be realistic and acceptable.

Purpose of the Business Case

The ultimate purpose of any business case is to make effective, intelligent and reasonable decisions. The strategies and analysis of costs, benefits and returns are tools in selecting the most appropriate path forward in the organization attaining its goals. What management teams look for, therefore,



is some form of guidance of what outcomes are possible based upon a defined investment, in order to select the most prudent and cost-effective return.

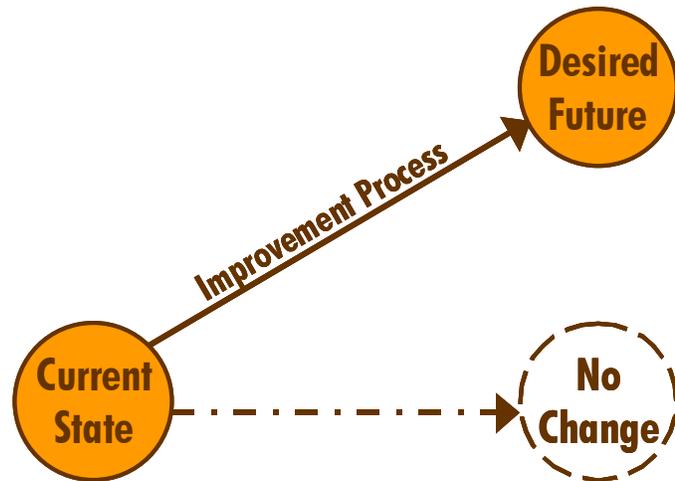


Figure 2. Typical Organizational Change Model

As illustrated in Figure 2, above, any organizational change model shares four common attributes:

- **Current State.** The current state of the organization most typically represents a source of dissatisfaction or frustration, or an opportunity for increased advantage. For any change effort to be accepted, there must of necessity be recognition that the existing *status quo* is unacceptable. What is necessary is to understand in clear, quantifiable terms the performance of the current state, as a baseline against which any potential improvement can be evaluated.
- **Consequence of No Change.** Failure to make changes in the current state of the organization may at best result in perpetuation of the current performance of the organization, and at worst represent a decline into greater and greater inefficiency and waste. The magnitude of this impact again must be quantified in order to present the cost of no change, and the cost avoidance that can therefore be realized by attaining the goals of the improvement plan.
- **Desired Future State.** The desired future state of the organization articulates the vision and objectives that the improvement plan would realize. The benefits to the organization as a result of attaining this future state represent the quantifiable drivers that the business case must support.
- **Improvement Process.** The defined improvement process represents the roadmap by which the organization will transfer from its current state to its desired future capability. In reality, there are a number of potential approaches that can be adopted to realize these goals. Each of these alternatives must be evaluated in terms of feasibility, cost, risk and timing in order to validate whether it can effectively support a transition that provides a reasonable return to the organization in a timely manner.

The Means of Quantifying Improvement Impacts

As with any business case, the methods by which performance improvement impacts are realized in a project management context are diverse. Because of the nature of the project management role, however, quantifying their



impacts represents a significantly greater challenge than for other investments an organization will evaluate.

All business cases realize their benefits as a result of the interaction of four primary drivers: reducing costs, postponing costs, accelerating gains or increasing gains. In a project management context, these drivers are realized through the following sources:

- **Increasing the efficiency of the project management function.** As a result of improving the project management capability of the organization, there are a number of efficiency gains that can be realized in the project management role itself. These efficiencies include the benefits of having a consistent process; clearly defined roles & responsibilities; clear lines of accountability and authority; effective scope, issue and risk management strategies; standardized templates; and a common vocabulary and understanding of process expectations. Realizing these efficiencies results in a direct decline in the overall cost of the project management function.
- **Increased returns as a result of on-time or early delivery.** The majority of projects are still delivered late. Yet projects are themselves justified through the delivery of specific, tangible benefits to the organization. Failure to deliver these projects on time results in an opportunity cost to the organization through the loss of returns that should have been realized. By increasing the ability of the organization to deliver projects on time, the gains to the organization are accelerated.
- **Avoidance of cost overruns.** As with schedule performance, most projects are delivered over budget. As well, the quality of the delivered solutions often declines and specific attributes and deliverables are eliminated from the project as it progresses in an effort to meet its original budget and schedule goals. This can significantly increase costs to the organization as a result of downtime, delays and repair efforts, and additional projects being undertaken in order to deliver the initial scope. Improving the overall project management performance in the organization presents an opportunity to reduce costs, postpone costs or increase gains within individual projects.

Using The Business Case to Evaluate Choices

As has been mentioned earlier, the primary purpose of the business case is to evaluate choices and select the investment opportunities that represent the greatest advantage to the organization in realizing its objectives.

Because Interthink Consulting's approach to developing its business case is directly integrated with the improvement planning effort, it is possible to more effectively evaluate the trade-offs associated with both the attainment of specific goals and the pursuit of specific improvement strategies. Management teams are able to evaluate the relevance of the organization's improvement objectives, as well as the most efficient implementation strategies, the potential risk factors and the appropriateness of the strategy for introducing the planned changes into the business environment.

A Custom-Tailored Business Case

Not all solutions are appropriate for all organizations. Equally, not all organizations can expect to realize the same performance as a result of undertaking the same improvement activities.

The approach that Interthink Consulting adopts in developing a business case to support improvement of the project management function is directly



based upon the type, size and nature of projects that comprise the typical project portfolio of the organization over a period of time. We comprehensively model the current performance of projects and programs in the organization, and consult extensively in order to define a model of expected future project portfolios based upon defined strategies and investment plans.

By modelling the current performance of the project management function and expected future performance against our benchmarking database, we are able to develop a model of expected performance improvements that supports the unique environment and plans of the organization.



Benefits & Outcomes

The Challenges of Business Case Development

Developing a business case to model the improvement of the project management function is not without its challenges. This is made no more clear than by the fact that Interthink Consulting is the only organization to date that is able to deliver such a business case.

Any business case is subject to a degree of interpretation. The results that they provide depend directly upon both the rigour of the underlying methodology by which they were developed, and the accuracy and realism of the analysis that establishes the expected returns.

By their nature, business cases endeavour to predict the future, and are therefore prone to inaccuracy. By tying our business case development to an established maturity model that is reinforced by the benchmarking of over 550 organizations, we are able to model expected performance and the resulting return to the organization with an unprecedented degree of accuracy.

Combining Research With Practical Application

Our business case methodology is unique in modelling the impacts of expected improvement opportunities on project management within an organization. Our expertise in assessment, performance measurement and improvement planning combine to be able to effectively model current performance and anticipated future results.

A PM:RoadMap engagement, including the development of a comprehensive business case identifying return on investment of your project management improvement activities, results in a number of key benefits to your organization:

- You will possess a solid understanding of how your organization performs today, and where this performance ranks against your competitors and the leading project organizations.
- You will have a clear, consensus-based vision of your project management objectives, and results and outcomes that your organization has a committed ownership stake in realizing.
- Your key stakeholders will clearly comprehend the improvement activities necessary for project management excellence, and the approach, costs and benefits associated with realizing those results.
- Your organizational management will have an appreciation of the case for change associated with your project management goals.
- Your organization will be well positioned to realize its goals and attain a consistent and reliable approach to managing its projects.

The Expertise To Drive The Improvement Home

Over and above our ability to articulate the impacts of improving your project management capabilities, Interthink Consulting has the expertise necessary to help you realize your project management goals:

- Through our PM:RoadMap and PM:RoadMap Express organizational assessment models, and our Focus:Project Manager individual skills assessment model, we are able to provide you with a complete picture of your current organizational performance and help you to define realistic and attainable improvement goals.



- Our implementation planning expertise supports the facilitation and development of comprehensive improvement plans that address not just the process, tool and structural capabilities, but also the necessary activities to market, promote and manage the change effort and effectively ensure use of the defined capabilities within the organization.
- Our implementation expertise includes strategic consulting, training, mentoring and coaching of staff, project managers and senior managers. We can provide the necessary resources to successfully manage the attainment of your improvement goals, while still ensuring ownership of the change rests within your organization.

A Call To Action

Find out more about how Interthink Consulting's unique approach to business case development can help you to articulate the value of your project management improvement efforts.

For more information about our business case, our PM:RoadMap assessment offerings or our other consulting services, contact our offices at 780/414.6391 or visit us on the world wide web at <http://www.interthink.ca>.

