

Are We There Yet?

The value of 'customer-side' project management

*Projects are vital part of being in business. Organisations need to invest in them to create value in ways that cannot be achieved just by continuing with business as usual. Yet, by all accounts, business leaders are not seeing the value of their investments, especially those in IT, and are changing the rules as a result. The consequences for the people who have traditionally benefited from the investment, are uncomfortable, profound and permanent. It sounds like nobody's winning. **Chris Potts** looks at the way we manage projects and what we need to do differently.*

The whole point of project management is to drive us to achieve something specific, to get us somewhere we want to go. A good project manager knows exactly what the destination is, where we are right now, and what they think the rest of the journey looks like.

And there are many good project managers. Front-line businesses departments, IT departments, consultancies and IT suppliers all have well-trained and experienced people managing projects.

Which makes it all the more shocking that so many projects seem to fail. Some get aborted, never reaching their intended destination. Many successfully achieve what, apparently, everyone wanted only to find that nobody's sure whether the value of the outcome was worth the investment.

Aborted projects apart, these failures are happening because we don't define a project's destination properly before we start the journey, or lose sight of it along the way. As a result, some projects end up somewhere completely different from their original destination while others projects are regarded as 'finished' when in fact they are only half way there.

So the first, and most crucial step in any project is to define its 'destination', its end point. How will we know when we've finished? Get this wrong, and everything else is bound to go wrong. However well the journey is managed, everyone is hurtling towards guaranteed disappointment. In terms of delivering a return on investment, they will never stand a chance.

For business leaders investing in projects, there's only ever one end point: value. Achieving a return on their investment is always the destination - it is the project. What they mean by 'value' and 'return' depends on their business strategies and operating plans, but there's no doubt that any project that fails to deliver a return on investment, has failed.

The second most crucial step is to define the project's 'end game' - the final phase of the journey, the bit that will actually deliver business value. With both the end point and end game defined, we can then plan everything else we need to do to get us from where we are right now to the start of the end game. These activities, such as buying or developing IT, installing it, training people, changing business processes, all demand investment and if well conceived and executed will enable us to execute the end game, but none of them is the end game itself. If we stop when they are finished, we will have stopped too soon.

As an illustration, here's an extract from a 'success story' that I saw in one of the major IT publications as I was writing this article. It's about a major US food company who have invested well in excess of \$100 million in a project that includes the implementation of an Enterprise Resource Planning system. According to the story, this is the 'value' that the project has delivered so far:

"[The company] said that [the new system] has allowed it to consolidate the processing of more than 95% of its revenue and business transaction within a single system. It claimed that the new system is providing the company with greater consistency, visibility and real time-access to critical business information. [The company] said that the upgrade has added several enhancements to core business processes. In addition, it has installed a datawarehouse tool to provide brand managers within the company access to manufacturing data. [The company] hopes this will improve tracking, reporting, analysis and forecasting."

So far, the project has enabled lots of things, but there's no real payback. There no mention, for example, of delivering additional revenue, lower costs, improved productivity, better brand profile, increased shareholder value or real strategic advantage. It looks like the project has just got to the point where up-front activities are coming to a conclusion, the end game can start and the company should get a real return on their investment. Let's hope they don't think the project's finished.

The number of projects that are failing to deliver value is one of the main reasons why business leaders are becoming more determined in the way they manage them. They are starting to be much more rigorous in their governance, restricting investment to projects that they believe will actually deliver a return. 'Enabling' a return is not enough.

For the people on the supply-side of things, on whom much of the investment is spent - internal IT departments, consultancies that deliver IT and IT suppliers – this is tough. It has meant a significant and sustained drop in demand and is reshaping the way the IT industry works. This is especially harsh for those who are good at delivering what their customers say they want. After all, supply-side people can only deliver 'enablers', and many of them do it very well.

However good suppliers are, they cannot drive delivery of the business value that the customer is investing in. Only the customer themselves can do that.

Let's take, for example, property development projects. The fundamental difference between the commercial success and failure of each project is the developer's ability to drive a return on their investment. However competent the supply-side people are – the architects, builders, technicians, landscape gardeners and so on – the project will fail if the developer chooses the wrong projects in the first place, gets the return-on-investment equation wrong or does not have a core competence in driving success.

This example highlights two things. Firstly, there are two distinct types of project management, customer-side and supply-side. Secondly, it's up to the people that invest in projects to choose the right projects, decide how much to invest in them and drive each one to deliver the return they want.

So organisations that are not seeing the value of their investments are looking at gaps in their own core competencies. They may be choosing the wrong projects, investing too much in them given the value they can create, or lacking the key skills in customer-side project management.

Can we look to people on the supply-side of things to fill these gaps? For example can we ask supply-side project managers, perhaps from the IT department, an external consultancy, or an IT supplier, to be accountable for driving the customer's interests?

I've been there, and I can tell you that it doesn't work. Years ago, I was working in the IT department of a major insurance company. I was asked to take on the management of a key strategic project, not as the internal IT supplier but as the person with overall accountability for delivering a return on investment. Initially, it seemed that I could take on a kind of hybrid role, both customer and supplier at the same time. When the tensions started to develop between the things that I, as a customer, wanted and those that I, as a supplier, could achieve it became clear that I had to make a choice or the project would fail. Someone else took over the supply side of things and I concentrated on being a successful investor, a good customer.

However well-aligned the customer and suppliers are in a project, it will never be 100%. There are always differences in motives, mindsets, end points and measures of success. Project management is at its most valuable when there are misalignments to deal with – on the design of something, its completion date or its cost. In the end, a supply-side project manager has to represent the interests of the people they work for. Asking them to handle the customer's interests at the same time is not the answer.

Some organisations have people who manage the customer side of projects, typically called 'business' or 'user' project managers. It's rare, though, that they are accountable for delivering a return on investment. They are usually responsible for specifying requirements, testing that solutions work and overseeing changes in the organisation and its processes.

The real reason, then, why so many projects fail is that organisations do not have customer-side project managers who can define the right end point, understand the end game and be accountable for delivering a return on investment. While there are indeed many good project managers around, they are predominately on the supply side of the equation and they cannot be customer-side and supply-side project managers at the same time

If supply-side people are not the answer, how can we fill the gap in customer-side project management?

There are three options. Where there are existing business project managers, or their equivalent, they can be given accountability for driving projects to deliver a return on investment and rewarded based on the project's commercial performance. The second option is to take supply-side project managers, retrain them to be customers then give them the same accountabilities and rewards. The third option is to start from scratch: take some people who have never managed projects before and teach them how to do it.

Whichever we choose, for many people this is breaking new ground and it will take courage to be successful. Organisations that are unhappy with the value that they are getting from their projects need to have the courage to change the way they manage them. It is likely to be politically difficult, if nothing else. Likewise, becoming a project manager with accountability for delivering a real return on investment also takes courage if you've never done it before.

The payback for this courage is that our investments in projects will deliver more value. Developing customer-side project management as a core competence is itself a project, a journey that will require investment.

When we get to the destination of this particular journey, all that will remain for us to do is to choose the right projects in the first place.

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