

Project Management Best Practices to Increase Success

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INTRODUCTION

Utilizing good project management practices has become one of the key differentiators in delivering successful information technology projects. Kerzner (2001) defines project management as “the planning, organizing, directing, and controlling of company resources for a relatively short-term objective that has been established to complete specific goals and objectives” (p. 4). The field of project management has seen explosive growth in the amount of individuals holding a job title such as project manager, in the amount of research being conducted, and in the amount of books and articles being published. This paper explores the reasons for this growth, the reasons why project management has become so important to the on-going success of IT projects and thus the success of organizations and what future directions the field of project management will travel.

BACKGROUND

In 1995, a study entitled “CHAOS” was conducted by the Standish Group. The study surveyed 365 information technology (IT) executive managers in the United States who managed more than 8,000 IT application projects. The sample contained small, medium, and large companies across several industry segments including banking, securities, manufacturing, retail, wholesale, health care, insurance, and local, state, and federal organizations. The Standish Group also conducted focus group sessions and numerous personal interviews to provide a qualitative background for the survey results. The results of the study showed, as the title of the study indicates, that IT projects in the United States were in total disarray (see *Table 1*). “A huge portion of the more than \$250 billion

spent annually on IT application development is wasted because companies fail to utilize effective project management practices.” Average cost overruns were 185%, average time overruns were 222%, only 16.2% of projects were counted as successful and the projects were only delivering 61% of the desired features. Successful projects were defined as meeting all project objectives on time and on budget. The study concluded that project management was one of the top catalysts to ameliorate these statistics.

Wilder & Davis (1998) agreed with the CHAOS study stating that poor project management is a major contributing factor leading to failed IT projects.

The Standish Group repeated the study in 2001 entitled “Extreme Chaos” and observed some noteworthy improvements (see *Table 1*). Successful projects had increased from 16.2% to 28%, and average time overruns had diminished from 222% to 63%; likewise average cost overruns went from 185% to 45% and delivery of required features rose from 61% of the total to 67%. The study listed the following items as contributors to the improvements in IT project results:

1. Improved project management
2. Better development tools
3. Reduction in hardware and software costs
4. Better management processes.

One of the major reasons for the improvements, mentioned in the CHAOS study, was attributed to better project management practices and better-trained project managers. When you look at how these distressing statistics were improved and read about some of the tremendous project disasters (Bailey, 1996; Gibbs, 1994; Lucas, 1995), they demonstrate how important project management has become. The importance of project management to today’s organization continues to increase. Schwalbe

Table 1. Standish Group Study Results

	1995	2001
Successful IT Projects	16.2%	28%
Percent of projects cancelled	31%	23%
Average time overruns	222%	63%
Average Cost overruns	185%	45%
Delivery of required features	61%	67%

(2004) reports that the U.S. spends \$2.3 trillion on projects every year, an amount equal to one-quarter of the nation's gross domestic product. All nations combined spend nearly \$10 trillion of its \$40.7 trillion gross product on projects of all kinds. More than half a million new IT application projects were started in 2001, up from 300,000 in 2000 (The Standish Group, 2001).

We can see from these statistics that project management is and will continue to be important to the success of today's organization. The next section outlines three key "best practices" that need to be adopted by organizations to allow project management to reach a higher level of success.

BEST PRACTICES

This section of the article lists and describes three project management best practices: a project management office, establishing a project management methodology, and finding or making good project managers. The top three best practices were chosen based on the literature review, personal interviews, and the author's 20 plus years of IT project management experience. The literature review consisted of journal articles, books, and case studies (Cai et al., 2004; Crawford, 2002; Johnson et al., 2001; Kerzner, 2003; McConnell, 1998; Murch, 2001; Perks, 2003; TechRepublic, 2001; The Standish Group, 2001; Visitacion, 2003).

Three large organizations with established project management practices were used to conduct the personal interviews. The interviews were done in face-to-face sessions held at the respective organization's facility. Two to three project managers with an average of 15 years of project management experience each were interviewed at each organization. The interviews were designed to serve two purposes: one, to substantiate the information that was gathered during the literature review and, secondly, to generate new ideas. The three organizations, two large pharmaceutical companies and a large cardiovascular medical product company asked that their names not be mentioned.

Establish a Project Management Office (PMO)

There are several variations that exist on what a PMO is; depending on what role a PMO plays in an organization and what level it operates at. A PMO is the "administrative mechanism by which a focal point is provided for organizational project management activities" (Rad, 2001). In some corporations, a PMO functions as a support organization that caters to multiple projects with administra-

tive, time tracking, reporting, and scheduling services, while in some others it is merely responsible for business and technical management of a specific contract or program only. Depending on the maturity and capability of a PMO, it can serve different functions. Crawford (2002) discusses how PMOs can operate at three different levels. Level 1, or the individual project level, helps add value to individual projects by defining basic processes that can then be adopted by other projects. At Level 2, the PMO helps to diffuse the processes and uniform methodology to other projects and divisions. Level 3, the corporate level, has PMOs managing the entire collection of the organization's projects and reviewing their goals, history, and progress.

PMOs can help improve project success rates and establish standard project management practices throughout the organization (Kerzner, 2003). However, there is no uniform approach for success of a PMO. Each PMO has to conform to the specific company's culture. Robert Handler, vice-president of Meta Group's enterprise planning and architecture strategy service, feels that a PMO has to be "instituted in a way that doesn't fly in the face of the culture" (Santosus, 2003). If done correctly, a PMO can offer more accurate schedule estimates, improve stakeholder satisfaction levels and facilitate higher employee productivity rates. Even though many organizations have been moving from a functional organizational structure to a matrix or projectized structure in recent times, the PMO might represent a revolutionary change. Crawford (2002) states that, "reorganizing a company's work around projects is the equivalent of moving from a feudal system to participatory democracy."

The efficacy of a PMO has been questioned by several organizational decision-makers. As with any new technology or concept, there are proponents and detractors. There are those who dismiss the concept of a PMO as a fad and regard it with a high level of distrust. Tom Pohlman, an analyst at Forrester Research Group and author of the report *How Companies Govern Their IT Spending* feels that too many PMOs function as "process cops and report compilers for executive teams and often lose sight of what they are supposed to be doing — making sure projects are running effectively" (Hoffman, 2003). "People think about implementing a project office and they usually think bureaucracy paperwork and increased costs" (Bernstein, 2000).

The current concept of a PMO, which now has the responsibility for maintaining all project knowledge (Kerzner, 2003), evolved as recently as 2001 and hence it is still in its fetal stage. A study conducted by the Forrester group, based on telephone interviews with 704 North American IT decision-makers between late April and June of 2003 reported that 67% of the respondents said that their organizations have one or more PMOs, up

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