

## Project Management: Creating Value

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### Executive Overview

*Last year, Hurricane Katrina and the widespread destruction and loss of life in Mississippi, Alabama, and Louisiana were the most newsworthy events being reported in the newspaper, radio, and television. The news media coverage showed unprecedented damage to businesses, homes, and critical infrastructures that can only take years to recover. The immediate needs of people's health and welfare took top priority but long-term recovery has now taken center stage. This causes the authors to reflect on how project management can add value to both immediate concerns and long-term solutions.*

*Throughout the world today, the need to add value is essential across the organizational spectrum spanning government agencies, commercial industries, volunteer organizations, and individuals. Yet, value is ambiguous, context dependent, and determined by the observer. Where one might see value, others may see waste. The authors see project management as the process of choice that provides value to various stakeholders through transformation. With unlimited applications, project management can assist companies expanding product lines or can possibly mitigate Hurricane Katrina's tremendous impact on humanity.*

### Introduction

How often do you see or hear the phrase, "Project Management brings value to the organization"? Or, how often do you receive an invitation to an all day or multiple day session on how to add value to your organization through project management? A classic example is the recent invitation seen within a major oil company.

*"You are invited to attend an all day working session on the value of project management within your organization."*

This major enterprise values project management enough to involve and inform its employees on how project management can improve the productivity of

operations. By paying employees to participate in a full day session, senior management makes the statement that project management practices are worth using in its business.

Published literature also says that project management brings value to the organization. One survey by the Center for Business Practices concludes: "Implementing project management adds significant value to organizations." [CBP 2003] This survey includes more than 100 senior-level project management practitioners, who strongly indicate that project management adds value to organizations.

Cleland and Ireland state that "Project management has the potential, when fully implemented, to provide the most effective means of developing and delivering new product services and organizational processes" (p. 27). In other words, project management is a methodology and a method of increasing value.

Efficient project management provides a means to add value in the short term at the project level (search and rescue, housing and feeding evacuees) and to the broader organization for long-term positive results (rebuilding a safer city). Haphazard and poorly planned and implemented actions, however, yield haphazard and potentially dangerous results which diminish value to all participants.

What is this term called *value*? What do we mean when we say this process *adds value*? To answer these questions, we need to search for the dictionary definition and the common usage definition.

### Value

Within literature and common usage today, the term *value* is understood in several different contexts, depending on the application and environment. To better understand the concept of *value*, a quick look at a few definitions related to project management is helpful.

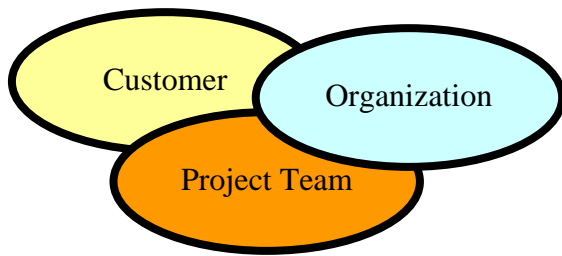
1. ... a fair price or return for goods or services
2. Monetary or material worth
3. Worth in usefulness or importance to the possessor; utility or merit
4. An assigned or calculated numerical quantity [as in mathematics]. (The American Heritage Dictionary, 1985)

This short list of *value* definitions gives a framework from which to assess the worth of project management. There is also the comparative process whereby project management is assessed against other methods of managing project type work. Greater value must be gained from the project management process than by alternative methods to demonstrate the true worth of using project management.

Definition 3, merit, can be interpreted as a feeling of worth, not necessarily a dollar amount. If the stakeholders feel like the project management team is doing a good job that can be added value as well. A proficient project management team presents an image of organization, competence and direction rather than hopeless chaos, higher monetary costs, and lost confidence in the system.

### Value Beneficiaries

The question is *value to whom?* Projects have stakeholders, often defined as customers, project teams, and organization (both buyers and sellers of project management services). The value or benefits a group receives may be significantly different from another group or they may be overlapping. In the case of Hurricane Katrina, there are many groups who receive overlapping benefits: residents, rescue workers, business owners, city officials, evacuees, organizations, and even pets.



**Figure 1. Stakeholder Derived Benefits from Project Management**

Figure 1 depicts the concept of overlapping value or benefits for customers, organizations, and project teams.

The customer or customers are the primary stakeholders for projects who gain satisfaction with the result of project management efforts. Customers define the requirements for the project and have expectations that project management will deliver the benefits.

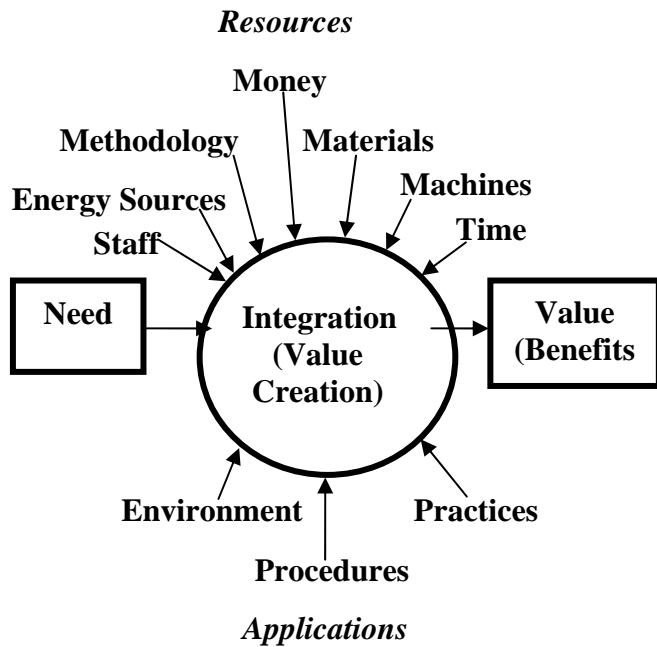
Meeting these needs creates value for the customer and reinforces the concept that project management is the system of choice for delivering worth. While crisis situations, such as Hurricane Katrina, have many customers implementation of project management methodologies and processes help manage the various customers expectations and needs.

Organizations effectively use project management to create value, to deliver on commitments to customers, to gain monetarily and to build a reputation as competent product providers. Using project management as the strategy for conceiving, building, and delivering products or services can enhance the organization's capability to be more competitive in a dynamic market place or support its customers.

Project team members grow professionally as competent individuals in the practice of project management by creating and delivering value to customers. In addition to any monetary rewards, greater competence in the practice of project management makes each one a valuable contributor to the organization's future as well as increase a sense of self worth through participation in worthy activities.

### Creating Value by Project Management

Project management creates value by a process of transformation of resources from one state to an integrated state. The resources include staff, materials, machinery, energy sources, money, time, and methodology. An integration process might include environment or contextual setting, methods of practice, and project management procedures. This concept is depicted in Figure 2, below.



**Figure 2. Value Creating Process**

Figure 2 is a simple illustration that gives visibility to the process of transforming resources to meet a need. Project management competence by the stakeholders, and primarily the project team, provides the sequence, timing, and practice for converting resources to meet a need to create value. It is easy to imagine how Hurricane Katrina recovery efforts fit into this process model.

The process of transforming selected resources into a product (or service) that delivers benefits to the customer is a matter of arranging in a logical sequence the integration and application of resources to convert them to a useful need. Crisis situations, such as the enormity of the hurricane devastation certainly presents myriad challenges in this area.

Project management has emerged in the US over the past 50 years as the system of choice for this transformation process to create value. Professor David I. Cleland has been teaching project management concepts for more than 35 years and challenges his undergraduate and graduate students to identify a process that is more effective than project management. None have been able to do that. (Cleland, 1999)

### Examples of Project Management Creating Value

Project management has been used in some form for centuries to create value. There are project artifacts still existing today that give evidence of value creation for different individuals, organizations, and society in general. These artifacts could not have been created without some rudimentary form of project management as documented in literature. (Cleland, 2005)

The Pyramids of Egypt were constructed nearly 5000 years ago and still stand in the desert today as examples of what a people can do with project management. Someone had to design the pyramids and develop plans for their construction. The cost in terms of dollars is unknown, but there was definitely a schedule that called for completion of each necropolis before the pharaoh died. There had to be a strategy that accompanied the design to ensure proper construction.

*National Geographic Magazine*, in its November 1998 edition, reported that an entire community surrounded the pyramids to provide a sophisticated group of people who worked on these projects. The pyramid customer received value for these efforts that can only be fully understood by the customer themselves, that is from the view of the stakeholder.

The Great Wall of China is a masterpiece of a project – actually a series of projects – that constructed a barrier. The Wall extends for nearly 6000 miles across China to prevent foreign invaders from attacking population centers. There had to be some rudimentary form of project management to plan, design, and construct this artifact of perhaps nearly 3000 years of age. One visitor opined, however, “The Great Wall of China was constructed to keep out foreigners, but all it does now is attract them.” Regardless of the changing role, The Great Wall of China brought value to the Rulers and citizens of China at the time, and continues to provide value to stakeholders of today.

More modern evidence of projects exists in the form of transportation systems. The US Transcontinental Railroad project in the late 19<sup>th</sup> Century opened the Western United States to commerce whereby goods were shipped westward and raw materials were shipped eastward This railroad project linked the two

coasts to provide benefits for business people, travelers, landowners and government agencies to name a few. The project created value for many stakeholders, as well as to the emerging nation

One of the most successful projects of modern time is the Pennsylvania Turnpike. In the late 1930s, a decision was made to create an East-West superhighway through the hills of Pennsylvania for the purpose of improving commerce during the emergence of more family automobiles and greater reliance on truck transport for goods.

This project was completed under budget and ahead of schedule to provide a transportation throughway that still serves residents, visitors, and commercial hauling. This project has created value for the economy of Pennsylvania and for its many users.

These examples of project management efforts that range over more than 5000 years are symbolic of the perhaps millions of modern projects that are using advanced techniques to guide projects to fruition. Everywhere projects are being used to create value and some form of project management is applied to meet the stakeholders' requirements.

### **The Promise of Project Management for the Future**

Project management has evolved over the past 5000 years to become the system of choice for accomplishing non-repetitive work. One can see it universally in some form around the World creating value for customers and others. Global competition and a global economy dictate that value be created in the most efficient and effective manner. Modern project management has emerged and evolved over the past 50 years to serve various industries and businesses.

The first recognized effort to codify project management was through the US Air Force Systems Command when, in 1964, the AFSC manuals on program management were published. These landmark documents codified processes and procedures for the US Air Force and contractors doing business with them. Since that time, thousands of books have been written on project management and related topics. A recent review of books in print shows more than 200 books a year being published,

and Amazon.com will typically show more than 1250 project management books for sale.

Project management application grows through the number of people having knowledge of the theory, principles and practices of the discipline. Certification programs by both the Project Management Institute and the International Project Management Association have reinforced the need to be good practitioners of the discipline. Perhaps more than 50,000 practitioners of project management are certified on some level of the practice of project management.

The current interest and emphasis in project management gives rise to the expanded application of these techniques for the creation of value and as the system of choice for the business of the organization. The future for project management is bright and the new areas for application of the techniques are only limited by one's imagination.

### **Summary**

Projects use resources to effect change and create value for stakeholders. Creating value that is of greater worth than the resources consumed and providing a high level of satisfaction to stakeholders is possible with project management. Projects over the past 5000 years demonstrate through artifacts and modern products that project management is the system of choice for change on non-repetitive efforts. The discipline associated with project management in planning and executing projects across business and industry creates value through delivery of results.

The future of project management is ripe for expansion of its application because of the greater number of people who are knowledgeable and who embrace the discipline as the system of choice to get work done. As the discipline is recognized as applicable to different situations, a greater number of projects will be initiated to create value through the transformation of resources.

While today a full understanding of Hurricane Katrina's devastation is not known many short term projects have already brought value to the stakeholders and surely project management will be

a center process that adds *value* to the long-term recovery efforts.

Lee Iaccoca had a commercial that ended with “If you can find a better car, buy it!” (Iaccoca, 2005) The authors say, “If you can find a better way to create value, take it!” History has demonstrated that some form of project management has been in existence for more than 5000 years and it continues to evolve to provide better solutions for creating value in the future.

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