Keeping your project on the road to success

IESE's Philip Moscoso and Jaume Ribera suggest a methodology for managing projects efficiently.

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From a project management perspective, the construction of the Channel Tunnel between France and Britain is a classic failure. That is the only way to describe a project that ended up costing more than twice the amount budgeted and years behind schedule.

According to IESE's Philip Moscoso and Jaume Ribera, the problem that sinks many projects, like this one, is the lack of an efficient management methodology.

Applying a methodology allows for taking advantage of what has been learned in other, similar cases and provides opportunities for improvement in the future. It also optimizes coordination among departments and enhances communication, which facilitates project follow-up.

The life cycle of a project

Regardless of how complex they are, all projects go through five phases.

1. *Selection*. In this preliminary phase, one must weigh the various options and give priority to projects with the greatest impact, always keeping in mind what resources are available.

This provides a first checkpoint. It is advisable to set up other checkpoints throughout the various phrases of the project. In this way, the project can be cancelled or halted quickly if complications arise and efforts need to be redirected elsewhere.

2. *Defining*. What are you trying to achieve, why are you doing it, how are you going to carry it out, what external conditions or factors are needed for the project to succeed, and how will

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you measure success? Answering these questions will determine if the project has a clear mandate and will define the team needed to get the ball rolling.

At this point, it is essential to classify the uncertainties and risks associated with the project, and incorporate buffers to absorb possible variations or Plan B's if necessary.

3. *Planning*. This is a matter of spelling out how, when and who. These are the most important tasks:

- Breaking the project down into manageable pieces.
- Coming up with a quality control plan.
- Creating a diagram that illustrates the interdependence of the different project activities.
- Estimating the duration, cost and resources necessary for each task.
- Planning a critical chain that will determine the total duration of the project.
- Preparing detailed budgets and plans.
- Establishing landmarks that will serve as points at which to stop and take stock of how the project is proceeding.

Depending on the level of knowledge, it is a good idea to distinguish between a deployment project, which allows for detailed planning before the project is executed, and iterative projects, in which only the overall structure is planned and the details are defined as the project moves along.

4. *Execution & Monitoring*. Resources must be assigned for tasks, so they can be carried out on schedule. It is also a good idea to hold meetings periodically to avoid conflicts.

The goal of monitoring is to detect schedule, cost or specification deviations in time to react. To do this, there are several aggregate methods, such as monitoring the use of time or budget buffers, the value-gained method, or more specific ones such as Gantt charts.

If variations are detected, one must evaluate them to decide if it is possible to stick with the original plan, if project goals must be changed or if it is better to abandon the project altogether.

5. *Finalization*. Before considering a project to be complete, a thorough review of the results should be done and compared with the previously agreed goals. It is best to summarize the lessons learned as soon as possible, organizing them systematically so as to share them with others and use them in future projects.

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It is also a good idea to celebrate a project's completion, as this serves as motivation for all involved.

Breaking molds

Just because certain kinds of projects are managed in a traditional way does not mean this is the best way. Sometimes it is possible to achieve substantial improvements with alternative approaches.

For instance, when projects are assigned through tenders in which the lowest-cost bid wins, many projects end up failing to satisfy the agreed specs and need revisions that ultimately cost much more than what was initially agreed.

To avoid this, in the construction of Terminal 5 at Heathrow Airport in London, a novel approach was used: a cost-plus-incentive fee contract.

As the client committed to paying the builder its costs plus a share of profits, an incentive was created for them to work together on innovative solutions that improved features, lowered costs and got the work done faster.

This approach generated value for all parties involved and averted confrontations. However, the success of this construction was hindered by deficient implementation.

Not a penny more

In order to eliminate slouching or wasteful spending, it is necessary to determine which parts of the project:

- add value
- are necessary but do not add value
- are not necessary and do not add value
- create waiting time

For instance, in preparing an afternoon snack, buying sandwiches adds value, going to the store for ingredients is necessary but does not add value, wrapping up the sandwiches at the store and unwrapping them at home may not be necessary nor add value, and waiting for a call confirming which sandwiches are to be purchased involves needless downtime if planning has been done properly.

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Figure out what to do to eliminate the last two activities, minimize necessary but non-value-adding activities and maximize value-adding ones.

Project management culture

The true key to managing projects successfully in a consistent and sustainable way is to develop a project management culture.

Make methodical management a corporate mind-set, and ensure that all stakeholders are aware of the benefits of that mentality in terms of optimizing the use of resources.

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