



Late Lessons in Project Management

“When the student is ready, the teacher will appear.” One of the reasons I enjoy this Buddhist proverb is that it allows me to claim that I’m a late learner instead of a slow one.

by David Elam

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Technical excellence was the foundation for excellent project financial performance.

About 15 years ago and with about 10 years of experience, I was managing projects and a department for a large environmental engineering and consulting firm. The senior vice president in charge of operations, Pete Marks, routinely visited the various offices to meet with project managers to review and discuss their projects. One of the things that made Pete’s visits so “special” was his claim that “he didn’t have all the answers, but he knew how to ask questions.” And having participated in several meetings with him, I knew that he could indeed ask questions, including some that could be difficult to answer.

So it was with apprehension that I sat down with him to review a group of projects I was managing, including one that I had inherited from a departing project manager. Based on my projections, we were going to be able to complete this project that had been booked for \$250,000 for approximately \$300,000. We exchanged greetings and moved quickly into a discussion of projects, beginning with the problem project. I explained that there had been some technical issues on the project that had to be corrected, and that even though the project would be completed at a loss, we would fulfill the technical requirements of the project on schedule. Pete listened to the explanation and calmly said, “Dave, I’ve never seen a project with financial problems that didn’t have technical problems. Project managers are expected to manage the technical and financial aspects of projects.” Or in other words, I was not going to be granted special consideration simply because of a commitment to technical excellence.

I had always known that project managers were expected to manage the technical and financial aspects of projects, but it was during this meeting that I really understood the connection between the two. The project budget did not generate technical excellence at the expense of project

financial performance. Instead, technical excellence was the foundation for excellent project financial performance. Examine any environment, health, and safety project with financial problems and you’ll find that the problems are attributable to technical problems in the scoping, executing, or monitoring phases. Any project manager will find it difficult, if not impossible, to achieve the desired financial performance if the appropriate technical talent has not been assigned to (1) scope and estimate the project, (2) perform project tasks, and (3) oversee and evaluate work during both the scoping and execution phases. Furthermore, not only does the technical team have to be appropriate, it must be informed of and understand project objectives.

In summary, inadequate technical resources are likely to deliver project work that falls short of project specifications. Similarly, appropriate—but inadequately informed—technical talent may deliver sound work products that do not meet project specifications. It is only through the management of appropriate and informed talent that a project manager will be able to consistently achieve project technical, financial, and schedule requirements.

Although Pete may have spent more time on problem projects, he was evaluating every project. Examining the entire project portfolio provided insights about future opportunities for the company, as well as insights into potential problems on projects that appeared to be performing satisfactorily. Even projects that are achieving key performance metrics can put an organization at risk, as illustrated by the following example.

At that time, project managers were responsible for ensuring timely payments of vendors and collections of payments from clients; however, cash flow considerations were not built into the company’s project accounting system. As a result, project

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managers were responsible for a task for which costs were not reflected in project financial statements. Under this system, a project manager, knowing that a subcontractor would be needed again on future project, would ensure that the subcontractor's invoice was promptly paid. On the other hand, a project manager would avoid following up with a client on a late payment for fear of alienating the client. Consequently, the company was not only performing the project work, but also providing interest-free project financing, affecting the company's cash flow.

Because project and organizational accounting systems vary in ability to capture and allocate costs, project performance must be evaluated within the context of organizational performance to ensure company viability. Accordingly, Pete routinely examined the company's project portfolio to ensure that project performance was indeed supporting company performance needs and objectives. After all, only healthy companies are able to attract and maintain the technical talent to perform project work.

In the coming months, *PM File* will examine various financial project performance criteria with the goal of advancing both project and company financial performance. We'll start with a discussion of the importance of evaluating both return on investment and cash flow when considering whether to undertake a project. Next, we'll examine tools to record and communicate project risks, assumptions, and activities so that we can establish baselines and evaluate, document, and implement change requests. We'll then turn our attention to techniques to evaluate earned value and estimate completion effort.

So what did I learn from Pete? First, ask questions. Second, technical and financial project performance excellence are mutually reliant, not competing, objectives. Third, it is important to thoroughly understand each project that the organization undertakes. Fortunately, learned lessons, unlike project deliverables, are acceptable when late. **em**