

A Trilogy of Books on Project Management
Book 3 - Value-Driven Project Management
By Harold Kerzner, Ph.D, & Frank P. Saladis, PMP
(Book reviews)
 Published here June, 2012

In Part 1 of this paper, we discussed all three books under our *Introduction*, and went on to look at *What Executives Need to Know* {Link} in some detail. In Part 2, we looked at *What Functional Managers Need to Know* {link}. In this Part 3 we will look at *Value-Driven Project Management*, a book that focuses on the project management community at large. If you have not yet read the Introduction to this series, please go back and read it now.

The contents of this book are clearly intended for the project management community. For example, on the fly cover it states: "this easy-to-follow guide will revolutionize the way you view and practice project management." In the *Preface* it states: "The changing economic climate and the increasingly competitive global environment are driving project managers to become more business oriented."¹ And in Chapter 1: "Given our premise that project managers are now more actively involved in the business, we must track the [project] assumptions the same way that we track budgets and schedules."²

Book Structure

Each chapter is divided into sub-topics consisting of one or more pairs of pages. These chapter headings are as follows:

1. How Project Management has Changed – 4 topics
2. Changing our Definition of Project Success – 5 topics
3. The Importance of Value – 5 topics
4. The Stakeholders' view of Value – 9 topics
5. The components of Success – 24 topics
6. Success and Best Practices – 14 topics
7. The Value Continuum – 12 topics
8. Assigning Value through Objectives – 9 topics
9. Value Leadership and Senior Management – 7 topics

What we liked

This book introduced a new perspective on "traditional" project management and this is clearly stated at the start of Chapter 1, thus:

"Traditional project management works well when the direction of the project is clearly understood, the scope is well defined, all key stakeholders agree on the objectives and expectations, the risks have been assessed and well understood, and the probability of success is considered to be very high. In comparison, for companies that wish to be innovative and become market leaders rather than market followers, the type of projects approved may be based on 'fuzzy' objectives, optimism, and a willingness to take risks and basically do not follow a specific set of selection criteria."³

We call the latter types of project "Voyages of Discovery". Those who are more polite may refer to them as "Research". Either way, if that is how management wishes to spend its time, money and resources,

then so be it. And project managers must accommodate to that kind of a business environment.

Or again:

"Most companies either have or are in the process of developing an enterprise project management (EPM) methodology. EPM systems are usually rigid processes designed around policies and procedures, and work efficiently when the statement of work is well defined. But with the new type of projects expected over the next decade, these rigid and inflexible processes may be more of a hindrance."⁴

We could not agree more. Nevertheless:

"The fundamental principles of project management can be applied to all parts of a business. Simply stated, companies are managing their business through projects, and every major activity within the company can be viewed as a project . . . Of significant importance is the focus of training executives to function as project sponsors."⁵

More interesting comments:

"Project management has evolved into a business process rather than a project management process."⁶ And "It is important to understand that meeting customers' requirements is sometimes accomplished through the expense of disrupting the corporate culture and ongoing business operations."⁷

We are sure that both these statements are likely to be seen as controversial and it would be well that the project management communities give them serious consideration. The impact on present day project management organizations' attitudes could be significant and their shape in the future could be radically different. In which case, we see a clash with other management organizations, such as in the UK where there is a royal Chartered Management Institute (CMI). CMI serves managers in the officially recognized *profession of general* management and, incidentally, offers a CMI Diploma in Programme⁸ and Project Management.

This general thread through this book is illustrated by the graphic shown in Figure 3.

	Historical View	1990	Today
Project manager's role and responsibility	Monitor and control during execution	Planning for project execution	Strategy development and project selection input
When brought on board	After contract award or at end of initiation	During proposal preparation	During concept development and input in the bid/no-bid decision
Knowledge requirements	Technical knowledge (command of technology)	Mostly technical but some business knowledge	Mostly business but some technical knowledge (understanding of technology)
Customer expectations	Deliverables	Deliverables	Business solutions
Definition of success	Meeting the triple constraint	Meeting the triple constraint	Multiple success criteria (both project and business success)

Figure 3: Changing Views of Project Management⁹

By way of explanation when it comes to knowledge requirements, the accompanying text observes:

"For many years, engineers were assigned as project managers due to their technical knowledge and many advanced degrees in the engineering profession. This concept was customer driven. Customers required project managers to possess detailed knowledge of the product and a command of technology rather than an understanding of how teams functioned or how to integrate and coordinate deliverables. [But] in today's project environment, many project managers have more of an understanding of technology rather than a command of technology . . . Project managers are now viewed as business managers rather than as pure project managers or task managers."¹⁰

We are not certain how universal this trend is, but if true, then maybe it is time to relegate the PMBoK to the historical archives.

In the chapters that follow, there are many such futuristic statements that readers will find challenging, specifically in reaching an understanding of the terms "value" and (hence) "success". Both terms have a wide variety of interpretations in the literature, depending on the context, and therefore need to be defined accordingly. These subsequent chapters do a good job of exploring and explaining this controversial terrain.

One good example amongst many is the following narrative:

"The decision made by the City of Denver and the contractors was to keep the airport closed until the computerized baggage handling system was fully operational. This generated a large portion of the cost overrun but maximized the value of the airport well into the future. Today, travelers through the airport marvel at its success, and not many people still remember the cost overruns or the problems with the baggage handling system.

[Denver International Airport] provides us with an important lesson to consider: **Sometimes it is better to accept a cost overrun in order to maximize the value in a project's deliverables than to maintain the budget and add incremental value piecemeal over a decade or longer.**"¹¹ (Emphasis is in the original).

As prior text in the book explains, the decision was taken in very difficult and controversial circumstances and therefore not an easy one. In the most simplistic of terms the choice was between an unknown but eventual 400% cost overrun,¹² or a widespread adverse public opinion as a result of passengers being inconvenienced by a dysfunctional airport. Nevertheless, from a project manager's perspective, the project was not finished until the product was delivered complete in all its major functions. From a corporate perspective, the overrun represented the price for avoiding adverse public opinion.

Downside

Unfortunately, from the book's fly sheet to the first paragraph of the Preface, to Chapter 1, even to the very last page, this book is rife with references to the now obsolete and misleadingly-simple construct: "The Triple Constraint".^{13, 14, 15} If these constraints must be labeled, we would much prefer to see them described as "The Traditional Constraints"¹⁶ or "Tetrad-Tradeoff", which we feel is more accurate. However, we have already belabored the questionable use of "Triple Constraint" in the *Downside* of what *Executives Need to Know About Project Management*.

But maybe salvation is on its way. In a discussion of *Redefining the Triple Constraint Success Criteria*¹⁷ we learn that: "Actually, the definition of success is completing the project within the *cube* rather than

the triple constraint."¹⁸ A "cube"? Why a cube, with *six* sides? Never mind, we will quietly refrain from further comment.

In the previous book we reviewed, we observed that the contents were oriented towards project management in those companies involved in contracting. That is, private sector companies providing new product or facility delivery services under contract, or those companies necessarily involved in letting contracts for those services. We conclude that this present book is similarly oriented towards a contracting environment by the statement:

"Capturing best practices has become a business necessity. Best practice libraries are viewed as competitive weapons and can create significant advantages *during the bidding process*."¹⁹ (Emphasis added)

That indicates that the projects under discussion have a bidding process²⁰ as a prerequisite for contract awards.

In a discussion of global project management, we learn that:

"Multinational firms are not managing all projects with a single EPM methodology. The methodology is used to plan and execute projects for all customers, all products, and for the entire product life cycle."²¹

However, earlier we were told that:

"EPM systems are usually rigid processes designed around policies and procedures, and work efficiently when the statement of work is well defined. But with the new type of projects expected over the next decade, these rigid and inflexible processes may be more of a hindrance."²²

If the latter is true, then why the former?

On the subject of "success" we contend that *project* success is not the same as *product* success, even though project owners often attribute the latter to the former. In our view, product success is not the responsibility of the project manager. That is not to say that the project manager should be oblivious to the issue of delivering a successful product, obviously not. But in the last analysis, it is up to whoever has final custody of the product, to ensure that the expected benefits are realized and hence establish the product's success by whatever measure.

It may be argued that project managers should expand their territory to include the realization of benefits such as in P3²³ contract arrangements. However, we think not, if only because the personality typology of those suited to managing projects is quite different from that required for traditional management.

Summary

This book summarizes its own conclusions with the following observations:^{24,25}

1. Project managers will become more involved with making business decisions related to projects.
2. Project success will be defined in terms of internal factors such as process improvement, financial factors such as ROI or cost reduction, success, customer-driven success such as customer satisfaction and the achievement of expected value, and future success such as add-on business and greater market share.
3. Each of the four components of success related to a project will contain a business component defined in terms of value.
4. The concept of managing for the value expected in the project rather than the triple constraint

will become the major focus of an enterprise

5. Because we are working on projects that have a much greater risk in terms of threats and opportunities than ever before, the final achieved value of the project may be significantly different than what was expected by the stakeholders.
6. Project managers will be transformed into business managers with an equal emphasis on project success and business success.

For project managers steeped in "traditional" project management, this book provides a thought provoking but valuable read, especially relating to the various definitions or interpretations of "value" and "success", and how these may or should be handled. These ideas, listed in detail in the Table of Contents, are presented in a crisp and straightforward language.

The book will probably be of most interest to those project management practitioners that are working on either side of contractual project agreements and are aspiring to higher levels of management. It is also possibly the most comprehensive of the three books we reviewed.

R. Max Wideman
Fellow, PMI

¹ Kerzner, H., Ph.D., & F. P. Saladis, PMP, *Value-Driven Project Management*, John Wiley & Sons, Inc., NJ, 2009, p vii

² Ibid, p5

³ Ibid, p3

⁴ Ibid, p7

⁵ Ibid, p9

⁶ Ibid, p10

⁷ Ibid, p11

⁸ "Programme" is the English spelling of the North American "Program".

⁹ Ibid, p20

¹⁰ Ibid, p21

¹¹ Ibid, p119

¹² Ibid, p116-117. Original planned cost: \$1 billion; Final cost: Over \$5 billion. The good news, the project manager was not fired.

¹³ Ibid, p vii

¹⁴ Ibid, p7

¹⁵ Ibid, p271

¹⁶ Scope, Quality, Time and Cost, in that order, because the last two are a direct reflection of the first two.

¹⁷ Ibid, illustration on p56

¹⁸ Ibid, p57

¹⁹ Ibid, p15

²⁰ A "bidding process" is the sequence of steps taken to develop a set of contract invitation documents, notify suitable potential contractors, have them submit responses, make a selection from amongst those responses and award a contract to the winner. For large projects, especially public infrastructure ones, this can be a highly complex effort, fraught with political and legal challenges.

²¹ Ibid, p29

²² Ibid, p7

²³ P3 is a term used to refer to "Public, Private Partnerships", a practice sometimes used to finance, build and

operate large infrastructure projects. Even here, different kinds of people lead the teams that undertake each of these major steps.

²⁴ Ibid, p271.

²⁵ In our view, the reader should be cognizant of the differences between success and value. And further, which is applicable to the project and which is applicable to its product. And finally, which responsibility is attributable to the project manager and which is attributable to the project's sponsor.