

Project Management Fact Sheet:

Why Project Management?

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Project management has been described by some as a load of bureaucratic paperwork that doesn't add any value to a project, or a methodology for information technology projects with no relevance to other business activities. It has been seen as being purely an overhead imposed on the project and that the use of a methodology is not necessary.

The aim of this fact sheet is to inform the reader of the importance of project management and the use of a project management methodology.

What is Project Management?

Project management is a formalised and structured method of managing change in a rigorous manner. It focuses on developing specifically defined outputs that are to be delivered by a certain time, to a defined quality standard and with a given level of resources so that planned outcomes are achieved. Effective project management is essential for the success of a business project.

The application of any general project management methodology requires consideration of the corporate and business culture of the organisation that the project is to be undertaken within.

What is a Project Management methodology?

A project management methodology is a pre-defined set of management procedures that are designed to provide a guide for developing, planning, managing and implementing projects. It is the quality management framework within which projects are conducted.

What is the history of Project Management?

Project management is not a new concept, it has been around since the construction of the pyramids in Egypt, and was adopted by the military during World War 1 and 2.

Project management, in its modern form, began to develop only a few decades ago. Starting in the early 1960s, businesses and other organisations began to see the benefit of organising work as projects and understanding the critical need to communicate and integrate work across multiple departments and professions. Project management moved into the computing industry from the development of hardware and into software development as it became apparent that these were complex areas requiring rigorous management. With increased business complexity, diversity and integration, project management has now moved into the general business arena.

Why use a Project Management methodology

In recent years there has been increased accountability requirements placed on public sector agencies leading to a greater focus on effectiveness and efficiency in the way business is conducted. In a rapidly changing environment with diverse opportunities and requirements, project management can support the achievement of project and organisational goals, as well as give greater assurance to stakeholders that resources are being effectively managed.

Applying a formalised project management framework or methodology to projects can help to clarify and agree to goals, identify resources needed, ensure accountability for results and performance, and foster a focus on benefits to be achieved.

When would you use a Project Management methodology?

Deciding to use a project management methodology will depend on both the project and the organisational environment in which the project occurs. Many organisations mandate the use of a project management methodology with all projects, while others have processes that in effect provide a methodology.

If the project is complex, dynamic or has a large degree of uncertainty, then the use of a project management methodology is advisable. Use of a methodology increases the likelihood of the project succeeding as it adds additional rigor, ensures that all facets of the project are covered and that there is a common understanding about the project.

What are the benefits of using a Project Management methodology?

The primary reason for using a project management methodology is to increase the likelihood of the project succeeding. This utilises past experiences to feed into projects which results in:

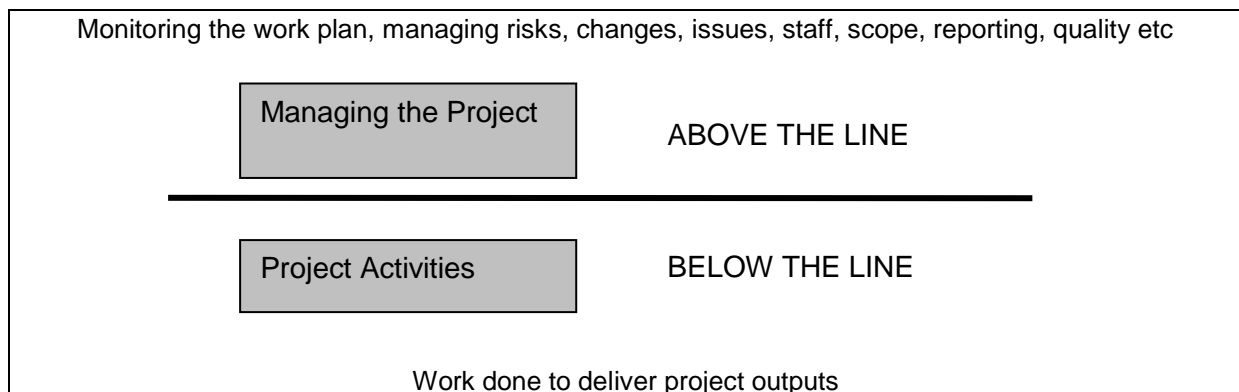
- Accomplishing more work in less time, with fewer resources
- Reduced overall project risk (as risks are identified and managed)
- Greater customer satisfaction
- Deliverables (outputs) of a better quality
- Reduced learning requirements with less likelihood of repeating past mistakes
- Everyone knowing what to expect
- If there is a change of Project Manager, it is known what documents to look for and where to find them

The UK Government utilises the Prince2 methodology (which it developed) and rigidly reviews major projects at key points, known as the Gateway Review Process. Over 500 reviews have been completed for projects worth over 50 billion pounds. Use of the methodology is estimated to save 500 million pounds per year in improved value.

Gartner Group estimates that by using moderate project management rigor (using standard processes with some auditing) there is a 30% improvement in productivity.

What are the 'above the line' and 'below the line' activities?

John Smyrk of Sigma Management Science uses a two-layered management model of a project. One is the Control Layer or 'above the line', the other is the Work Layer, or 'below the line'. This is a useful distinction for the Project Manager as it provides the distinction between the management of the project, i.e. the methodology, and the management of the work of the project required to produce the outputs. The Project Manager should be spending up to 15% of their time on 'above the line' activities in order to achieve the project's stated outcomes.



Minimising Unsuccessful Projects

Unsuccessful projects can be quite demoralising for those involved. However they are generally useful learning exercises albeit sometimes costly. The following are some statistics regarding project success:

- Research by HCl (2001) indicates that 85-90% of projects fail to deliver on time, on budget, and to the quality of performance expected
- KPMG's International 2002-2003 Programme Management Survey (2003) reported that in the 12 months prior to the survey, 57% of organisations surveyed internationally experienced at least one project failure
- A review of studies conducted by IT Cortex (2003) found that IT projects are more likely to fail than succeed and that the larger the project the more likely it is to fail

Some examples of unsuccessful projects are:

- The RMIT Academic Management System involved the implementation of PeopleSoft® software to integrate all student management activities. An audit report found that there was “a significant number of fundamental failures in the project management structures and processes”, which contributed to functional problems that had a significant financial impact.
- The UK Government Gateway project gave its preferred bidder instructions to proceed (due to time pressure) while the contract was still being negotiated. A review into project management processes recommended that negotiations be terminated, at a cost of 4.77 million pounds, and that the project be managed in-house.

Top 10 Reasons Why Projects Fail

There are many reasons why projects fail. Gantthead (2003) lists the following “top 10 reasons for project failure”:

1. *Inadequately trained and/or inexperienced project managers*
2. *Failure to set and manage expectations*
3. *Poor leadership at any and all levels*
4. *Failure to adequately identify, document and track requirements*
5. *Poor plans and planning processes*
6. *Poor effort estimation*
7. *Cultural and ethical misalignment*
8. *Misalignment between the project team and the business or other organization it serves*
9. *Inadequate or misused methods*
10. *Inadequate communication, including progress tracking and reporting”*

All of these causes would be addressed by the application of project management tools and techniques.

Where to get additional help

- Refer to the *Tasmanian Government Project Management Guidelines*
- The Inter Agency Policy and Projects Unit offers further advice and assistance, including a formal Advisory and Review Service
- Contact Project Services at project.management@dpac.tas.gov.au
- Further information and resources are available from www.egovernment.tas.gov.au

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Acknowledgements

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