

The Importance of Project Management in a Down Economy

by Kevin Berry

Each year, companies execute projects for the purpose of improving their bottom-line and expanding their competitive advantage. The difference between success and failure often depends on how committed organizations are in utilizing project management to monitor and control schedule delays. Schedule delays are the villain in project management and are the biggest cause of budget overruns, missed deadlines, and poor quality. During good economic times, investing in project management is financially feasible and acceptable by most companies. However, during bad economic times, project management is considered an overhead cost and the tendency is to downsize. This paper discusses the importance of investing in project management to mitigate the impact of schedule delays in good and more importantly during bad economic times.

Project Management Spending Patterns

Projects are performed by people, and since projects come in various sizes, complexities, and uniqueness; the level of project management expertise and the level of commitment will vary from company to company. Even within companies, this level of expertise will vary from organization to organization. Usually, companies only increase their project management investment after they have had a bad experience with a late project (e.g., incurred large budget overruns, lost market share due to missing promised dates or delivering poor quality, or paying late penalties, etc.). Then conversely, they decrease project management spending when organizations change leadership roles to individuals who have little appreciation for project management or when cost-cutting directives have been mandated.

The spending decision many companies make during bad economic times is to reduce their project management footprint in order to decrease costs. The reason for this is two-fold; either they have reduced the number of projects in their portfolio and a proportional reduction in project management is warranted, or their previous project management investments have yielded poor results and managers are unable to justify the costs.

The truth is; if project management is implemented and staffed correctly, it can protect a company's investment in executing projects. Without it, schedule delays will go unnoticed which will ultimately erode profits, undermine morale, and delay the start of future projects.

The Ideal Project Management Infrastructure

Companies must be willing to invest in the infrastructure necessary to support sound project management practice. The ideal project management infrastructure can include:

- Appropriate project management training to all levels of employees
- A department or group of people that is dedicated to project management support (sometimes called a Project Office)
- Consistent and standardized planning and control methodologies that are team-based and use industry best practices
- Governance to foster best practices and to maintain a consistent project management approach
- A system to monitor activity status, track progress, and communicate results on a regular basis for all projects within the company's project portfolio.

It is important to note, project management is more than just software. Companies or organizations can not simply provide project managers with project management software (e.g., Microsoft Project) and expect them to produce favorable results. As a company's project management infrastructure develops, so does its ability to complete projects on-time, within budget and at a high level of quality.

Project Management During Good and Bad Economic Times

Companies that invest in an ideal project management approach are better suited to avoid or control schedule delays. Companies without an ideal project management presence usually operate in the "firefighting" mode where schedule delays go unnoticed until it is too late and the solutions are very expensive. Companies who can't control schedule delays pay for them by applying the "rob Peter to pay Paul" principle. In other words they use budgets or resources from lower priority or on-deck projects to finish projects that are overdue. In good economic times this is not a problem because company budgets are healthy, headcounts are growing, and the number of projects in the pipeline is numerous. However, in bad economic times this presents a significant problem because companies cut budgets, downsize staff, and cancel low priority projects. This leaves project teams with minimal recovery options to offset the impact of schedule delays and makes them vulnerable to reduced customer satisfaction, employee loyalty, and market share.

Conclusion

Schedule delays can cause budget overruns, reduced profits or revenue, and increased operating costs. They exist in good economic times and in bad. The difference, during bad economic times, companies have limited resources and budgets to recover from schedule delays that go unnoticed. Therefore, during bad economic times it is imperative that companies continue to invest in project management to ensure their projects are successful.

ABOUT Kevin Berry, PMP

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