

Project Management Maturity, An Executive Viewpoint



It seems every ten years or so a new management mantra gains favor within the establishment. The longer you have been around the more of these cycles you have probably seen. Whether it has been Total Quality Management (*TQM*), Just In Time (*JIT*) or more recent management schools such as the Theory of Constraints (*TOC*) or Six Sigma. If you have been working for more than ten years you have probably experienced more than one of these. Unfortunately, none of them seem to last more than a few years. Currently, the hot management mantra is the maturity model. Maturity models come in many different flavors. However, the most popular are the Capability Maturity Model (*CMM*) created by the Software Specifications Institute and the Organizational Project Management Maturity Model (*OPM3*) created by the Project Management Institute. Both of these models benefit from being considered international standards. And like many of the current crop of maturity models, the OPM3 model finds its roots in CMM. These roots include a five level model that moves from being unaware to having full control of the key drivers and making continuous improvement.

Before introducing the details of any maturity model it is critical to understand why an executive for any organization would want to implement one of these models. Once we understand how an organization comes to determine a need for these tools, it is possible to examine the practical implications of their implementation.

The corporate environment has dramatically changed over the last eighteen months. Thanks to the scandals of Enron, MCI Worldcom, Global Crossing, Tyco and others, the U.S. Securities and Exchange Commission (*SEC*) has established new guidelines and the U.S. Congress has created new laws governing the reporting of corporate financial data. The most important of these laws is Sarbanes-Oxley (*SOX*). In the U.S. federal sector a similarly large impact is being felt by the President's Management Agenda (*PMA*). If you have read any of my previous articles you already understand the importance of these two changes. However, you may not have yet had a chance to put together the impact of these changes on a tool such as OPM3. In order to understand these implications it is important that you look at the environment currently facing America's "C" level executive.

If you are a CEO or CFO for a publicly traded company with more than \$75 million in market capitalization now is a very nervous time for you. According to the new SOX law, you will shortly be required to personally ensure there are no material misrepresentations on your quarterly and annual reports. This assurance amounts to a personal guarantee as the SEC is now empowered to confiscate the personal property of the signing officers if a material variance is found. In addition to having the potential of losing personal property these same "C" level executives are also facing the challenge of having to produce these reports in far less time as the previous ten or fifteen day reporting period has been reduced to two days. The result of these changes is a situation making many senior executives wary. They now must personally guarantee numbers that they have far less time to obtain. So what does this have to do with



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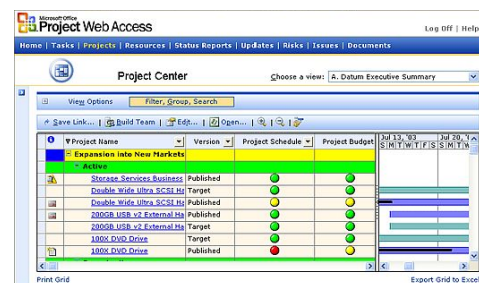


OPM3 or any other maturity model? In fact, what does this problem even have to do with project management? Please be patient and it will all begin to make sense.

If you ask most corporate project managers today if they track actual project costs they will tell you no. For many of us this is shocking to hear, but it is true. Most project managers have been taught the value of the triple constraints, yet because the largest cost component on most projects is labor and most resources are salaried the argument is made that the cost leg of the triangle is irrelevant. Unfortunately, this argument fails to take into account opportunity cost, the impact of burn rates or actual material costs associated with projects. This attitude will continue to be supported by the fact that the failure to track actual costs is not necessarily a violation of any new law or regulation. In fact, many such organizations will find they are in full compliance with the law. These organizations will also typically find they are guilty of poor financial management. However, some of these firms will find themselves in more serious straights.

One of the key components of the Generally Accepted Accounting Principles (GAAP) that got many of the firms mentioned above into trouble was the method used to capitalize labor on project. Specifically, it is not appropriate to capitalize the initial planning and requirements phase of a project. If you do not know the costs of the project, it is unlikely you will know how to properly divide those costs. Many such firms will be tempted to simply take a flat percentage of the overall project costs or worse yet guess. In this situation it becomes very easy to inappropriately capitalize project costs. Now imagine this problem existing on every project within the organization. It is not very long before a very serious restatement of the corporate financials will be required. Now you have a potential legal violation. To prevent this problem senior executives everywhere are being told they must have control of costs throughout the organization, and this includes their projects.

There is another problem for senior managers. It is the issue of perceived credibility. This issue is even more difficult to tackle because it is all about perception. For a senior executive to have credibility they must have a strong grasp of the key drivers within their business. This perception also requires them to have the ability to affect these drivers to positively influence the organization. Sadly, most senior executives lack the knowledge of the key drivers for projects within their organization. Because of these two drivers, “C” level executives find themselves looking for tools and techniques that will give them the answers. Any tool which promises to provide the ability to accurately display key indicators and provide the tools necessary to drive the organization forward based upon those quantitative methods will quickly be adopted. Enter Six Sigma, CMM, OPM3 and Enterprise Program Management (EPM).



Project Name	Version	Project Schedule	Project Budget
Expansion into New Markets	Published	Target	Target
Shoreline Services Business	Published	Target	Target
Double Wide Ultra SC-21 Mt	Published	Target	Target
Double Wide Ultra SC-21 Mt	Published	Target	Target
200GB USB v2 External Hg	Published	Target	Target
200GB USB v2 External Hg	Published	Target	Target
1800 DVD Drive	Published	Target	Target
1800 DVD Drive	Published	Target	Target

At this point you might think I am against tools such as OPM3. However, nothing could be further from the truth. OPM3 is one of the most powerful tools to come along in years because of what it forces managers to do. Organizations implementing OPM3 do so primarily because they are attempting to gain control over key performance drivers. OPM3 can help the organization do this because of three factors:



- 1) OPM3 provides best practices that extend project management to the portfolio and program levels.
- 2) OPM3 focuses on key indicators of drivers which can be used as levers to move the organization.
- 3) OPM3 provides a mechanism for continuous process improvement.



These key gains also produce practical risks for organizations attempting to implement OPM3. Like most initiatives, to be successful OPM3 must have some early successes. Failure to achieve any tangible early successes will cause all but the most stout executives to lose interest in the current environment. Additionally, it is very important that implementers of OPM3 focus on two key metrics to maintain management support. First, implementers must always keep the Return on Investment (*ROI*) in sight. If you cannot prove the true payoff in terms of financial gains as a percentage of dollars invested the organization will quickly move to another tool and the OPM3 effort will fail. Anecdotal evidence simply will not work. Secondly, any OPM3 effort must constantly focus on proving its ability to tangibly impact key business drivers. Implementers must be able to make statements such as “when we move this driver by X% we expect Y to change by Y%”. The key with both of these points is that to be truly successful with any of the latest tool you must be quantitative in your focus and measurement. You must also be able to track the movement over time of key indicators and you must be able to link those indicators to the overall strategic objectives of the organization.

OPM3’s extensive Best Practices Directory contains over 600 elements each tied to items in the Capabilities Directory. This linkage provides users with a tangible and quantifiable set of measure on which to focus. They also serve to make the issue black and white. The existence of a best practice is proven through the demonstration of the capabilities with which it is associated. Similarly, the lack of certain capabilities provides the necessary focus for improvement.

Today’s market presents some incredible opportunities to the project managers who are willing to meet them. Legal and regulatory changes combined with a tight economy are forcing senior executives to move strongly in the direction of tool and techniques capable of driving the organization based upon quantitative measures. OPM3 fits perfectly in this realm. If you are willing to meet the challenges of a hardened business environment OPM3 and other similar tools can pay huge dividends.

-----About the Author-----

Martin VanDerSchouw, PMP serves as President & CEO of Looking Glass Development, LLC. Looking Glass specializes in providing project management training and consulting. Previously, Mr. VanDerSchouw served as Chief Technology Officer for the countries 3rd largest interactive agency where he worked with firms such as Amazon.com, HotMail, Sun Microsystems, and ESPN.com. Prior to that he was an executive with Wells Fargo & Company. His work has appeared in publications such as Forbes Magazine, Interactive Week, Virtual Finance, the LA Times, the San Francisco Chronicle, and the San Jose Mercury News. He has lectured at the Kellogg School, the Krannert School, the Price School and many other colleges and universities throughout the United States. He currently serves as the President for one of the world’s largest PMI Chapters with almost 2000 members. Additionally he is an active member of the American Society for Training and Development, the National Speakers Association and is listed in the National Register Who’s Who for Executives and Professionals.



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