Project Management: Cost or Investment?

By Ken Sadler

Project Management is used by most companies to ensure that the introduction to their business of new changes, upgrades, and improvements is done on a structured basis. There is a cost to that structure and methodology.

However, I would rather see it as an investment.

According to the Project Management Institute (PMI), the average cost of project management is about 15 percent of a project's total cost. That is a significant amount.

A company has to make a trade-off between adding the project management cost to its projects or using the same money to invest in inventory, sales programs, or other company-based initiatives.

So is PM a cost? Yes.

But is it an investment?

Well, let's check this out. Project Management, brings the ability to manage complex programs or projects relatively smoothly. Your company's project will be managed by some method or other. But what is the benefit of using standard PM methods? (...and let's forget the IT benefits, and focus on the business benefits.) That same 15 percent of additional cost to the project is actually a very small investment (or price to pay) when weighed against the business benefits that PM provides.

The key benefits to the company of Project Management are:

1. The assurance to management that resources, both people and physical, are being used optimally to achieve the purposes of the project.
2. Behind every project there is a business initiative. PM ensures that the impact on the business from the business initiative can be measured, or at least evaluated when the project completes.
3. Costs can be monitored closely and controlled by making them visible at each project phase or milestone. With more information, better cost control occurs.
4. The quality of the project can be monitored closely and controlled, by making it visible at each phase.
5. The tasks to deliver the project, the work breakdown structure (WBS)—how to get us from where we are today to where we want to go—can be identified.
6. Time to deliver the results of the project can be planned once the tasks are known.
7. Using good estimating tools, several options and optimizing techniques can be used to minimize the elapsed time to complete the project.
8. Business priorities can be included in the scope of the project: e.g., if we have an inventory problem in the warehouses, then the project could address this as part of its scope, ahead of other lesser priorities.

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"No Pepsi... Coke!" (Wende Boddy and Ken Sadler at TEC 2006)

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9. Any dependencies among tasks can be identified and managed.
10. The business can get a healthy assessment regularly about the cost, schedule, and quality as the project progresses.
11. The project can introduce standard processes or ways about going to business that a company may be lacking.
12. The project can provide a prediction of success at every phase.

These are the good positive points. What the PM specialists find though is that many projects (in fact over 50% of them) did not complete on time and did not meet their cost or quality goals in 2002, (source: PMBok). Then is the investment worthwhile and why? What an investment in Project Management brings to the business is structure and standard methods.

- to identify stakeholders
- to report progress
- to introduce changes
- to approve priorities
- to communicate the project information to stakeholders
- to keep the vision and project objectives in front of Team
- to research options
- to manage feasibility of the solutions to the issues
- to identify the business requirements and document
- to make accurate estimates
- to report actuals on progress and costs
- to give a tool kit or set of tools that will provide consistency throughout the project
- to provide controls and check points that reflect management's interest
- to re-estimate end dates and completion dates when changes occur
- to identify project trade-offs
- to provide a tool kit for meeting management
- to provide standard tools for various project deliverables
- to plan resources both people and assets
- to provide communication tools
- to estimate completion dates based on today's information and status
- to reforecast when things change on the project
- to control the project
- to keep important projects visible in front of key company leadership
- to utilize people and physical resources efficiently

You could add to this list. But to do **all the above, in the same way, for every project** in your company—that is what Project Management can achieve. These are the strengths of PM as a tool.

Then your company no longer depends on the capabilities or experience level of the project managers involved. You cannot achieve the above list of results without PM. You cannot achieve the above list of efficiencies without PM. You can do all of these on one project without PM, but you cannot do all of these on all projects until you use PM. And that is the challenge, and that is the payback and that is what senior management wants.

So Project Management is not a cost. It is an investment and one that most companies make. So let's change our vocabulary and start talking about the investment of PM and not the cost of it.

The visibility of this information allows the business to run things better and that will be more than a 15 percent savings, which easily offsets the investment by your company. Without the visibility of this information, we cannot run our business initiatives efficiently. Without Project Management we cannot run our projects efficiently. Thanks for the investments that companies, including mine, make in it to ensure we have effective and efficient projects and programs.

Our TEC conferences each year, starting last year, now include PM topics for everyone who is interested in attending them. The local Ontario chapter of Project Management Professionals will have some speakers attending and speaking at the next TEC conference. TUG