

Project management provides hard value: saving wasted dollars and effort and mitigating the risk of wasting dollars.

—Senior Manager

Improved project management should help with share prices because it will increase confidence in the market as we deliver on projects.

—Project Management Office Manager

# SOLID PROOF

PRELIMINARY RESULTS ARE IN—EXECUTIVES AGREE THAT PROJECT MANAGEMENT BRINGS VALUE TO THE ORGANIZATION.

Project management has a positive influence on creative thinking and enhances the organization's innovation capacity.

—Sponsor

Collaboration within and between teams has improved; silos within the organization have diminished.

—Senior Manager

# A COOL GIG

WHEN IT COMES TO VALUE, executives strongly connect project management with success. Five years in the making, the multimillion-dollar global PMI study *Researching the Value of Project Management* proves without a doubt that project management delivers value—as long as organizations adapt the discipline to their needs.

“We have clear, compelling evidence of value, and at the same time we have demonstration that value is being leveraged in different ways in different organizations both in



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terms of the tangible things they think they're looking for [and the intangible], but the intangible seems to deliver the greatest value to the greatest number of organizations,” said Mark Mullaly, PMP, president of Interthink Consulting, Edmonton, Alberta, Canada. Mr. Mullaly was a principal investigator on the study with Janice Thomas, Ph.D., director of the master of business administration in project management at Athabasca University, St. Albert, Alberta, Canada. They both presented the initial findings at the PMI Research Conference, held 13-16 July in Warsaw, Poland. **(To see an encore of the presentation, visit [www.pmi.org/value](http://www.pmi.org/value).)**

The final report won't be ready until August, and the comprehensive results will include more than 65 case studies from around the world and cover a variety of industries, large and small companies, government and not-for-profit entities. One thing is clear from the preliminary results: “The data is very strong—when we say there's a correlation, with executives connecting project management and success, believe it,” says Edwin J. Andrews, Ph.D.,

More than 1 gigabyte of data was gathered, including:

65 global case studies ... and counting

52 value statements

447 interviews 344 project managers

148 employees 64 customers

43 suppliers or contractors

418 project descriptions 7 analysis papers written

PMI director of academic and educational programs & services.

## ROI: Not What It Used to Be?

Since the study began in April 2005, 48 team members and nearly 100 stakeholders representing more than 40 organizations have contributed to the effort. Cross-disciplinary research teams from Asia Pacific, North America, Latin America and Europe sought consistent answers about how project management is implemented and assessed in organizations. They discovered that because organizations have implemented project management differently and they each have unique values, executives had trouble discussing their specific ROI using terms that would translate across the sample. However, the teams didn't necessarily want to know specific numbers as much as they sought to know

which project management processes and methods could potentially lead to better performance.

Each individual team looked at their cases in a unique way, sometimes looking for quality of benefits received while others strove to produce quantitative data. (Look for an upcoming themed issue of PMI's *Project Management Journal* for articles culled from individual qualitative findings.)

“What we've done with all of the work to date is generate theories from our data grounded in the practice of 65 organizations about what it is organizations implement to go about project management, the context within which they operate and the value they realize from that,” Dr. Thomas says.

In brief, based on the data, Dr. Thomas reports:

“PROJECT MANAGEMENT improves the assurance to deliver successful changes for organizations today. But more importantly ... it provides a platform on which they can build for the future.”

—PMI President and CEO Gregory Balestrero, in his remarks to open the PMI Research Conference

# A STEP ABOVE

## 1. Project management practices

### correlate highly with:

- Project outcome satisfaction
- Achievement of project success
- Organizational project outcome success

## 2. Project management benefits

### correlate highly with:

- Organization project outcome satisfaction
  - Organization project performance
- “The most significant findings are that we have the data available to provide empirically grounded advice to organizations on how to decide on where to spend their project management investment dollars to get the most value,” Dr. Thomas says.

## Fitness Test

The type or style of project management you employ at your organization may not matter as much as how well the processes meet your organization’s needs. In other words, if project management “fits,” it will deliver value.

Looking at the context of the organizations—their mindset, their economics and other variables—fit is particularly important. “What we’ve seen is that the appropriateness of the implementation is very much dependent upon the context,” Mr. Mullaly says. “It’s fundamentally about deciding what value is important for you as an organization to be able to know what’s an appropriate implementation and then to be able to get that value.”

For instance, if project management isn’t well-thought-out and customized, both in terms of national and organizational culture, companies may not achieve what they really want.

“You have to put project management within the context of your organization to get the value,” Dr. Andrews says. “As you invest in project management, you are decreasing the losses you would experience from poor or no project management. However, if the system becomes too bureaucratic and it just becomes something everyone does without looking at the indicators of the system, you lose the value.”

In fact, even at a company with superb project management, a simple retirement or

The research team defined value according to five hierarchical levels. Levels one through four represent internal measures of value, while level five—return on investment—is external.

### Level 1: Satisfaction

- High morale of teams
- Executive/stakeholder satisfaction
- Improved employee retention
- Senior executive support/recognition

### Level 2: Alignment

- Standardization of processes/practices/terminology
- Increased process alignment
- Link between project management and organizational strategy (portfolio)
- Clear understanding of roles and responsibilities
- Expectations of outcomes

### Level 3: Process outcomes

- Client satisfaction, better performance and control
- Budgetary control
- Greater internal competency across functions
- High internal credibility
- Development of staff beyond their professional expertise
- More effective problem solving and work quality
- Better communication among project stakeholders, cooperation and motivation
- Better multi-project coordination

- Improved organizational capability/competency
- Smoothness of handover
- Project management maturity
- Reduced risk
- Improved initiation, transparency and delivery

### Level 4: Business outcomes

- Repeat business and client satisfaction
- Multi-project control and integration with organizational strategy
- Greater innovation
- Better resource management
- Shareholder value
- Higher revenues and higher profits
- Credibility to gain new clients
- Customers experience professionalism
- Public/government credibility (accountability)
- Realization of the business case
- Reduced contract disputes
- More timely decision making
- Enhanced managerial competency
- Holistic thinking
- Efficient resource allocation
- Creation of new revenue streams

### Level 5: ROI

change in management can have a drastic impact. If the new charge does not understand the necessity of project management—and doesn’t nurture it—a company can lose project managers and the value it has cultivated. “Without executives who see the value of project management, it’s like a house of cards, it just falls apart,” Dr. Andrews says.

## Eyes on the Prize

Organizational culture, geographical culture, personal culture—all are important

to fit. Significantly, ownership or belief in project management helps enable success at the personal, organizational and national levels, according to the research. That means, for example, that companies should invest in continuous project management training to maintain their programs. “Given that project management is often seen as a tactical or an operational construct in an organization, executives don’t often pay a lot of attention to what gets implemented. Yet the benefits they’re

»» To see an encore of the presentation, visit [www.pmi.org/value](http://www.pmi.org/value)

going to derive from the implementation of project management will be at the strategic levels if they take the time and pay the necessary attention to the strategic implementation of project management,” Dr. Thomas says.

Further, what “fits” in Europe will not necessarily work in other regions, individual countries, economies or industries. It comes down to context. “Governments and businesses alike are looking for assurance that success is still within their grasp. Project management is the solution that

**“THE STATISTICS . . . show that executives, project managers, subcontractors and suppliers all value project management in delivering projects and meeting stakeholder expectations and business results.”**

—Edwin J. Andrews, Ph.D., PMI Director of Academic and Educational Programs & Services

will give that assurance—if it’s done right,” says Gregory Balestrero, PMI president and CEO.

Essentially, because of the diversity of approaches to project management, value translates to whatever business results mean to an organization. Project management must be implemented in

## CRONBACH’S WHAT?

**The Short:** In simple terms, any scientific study has to be rigorous for researchers to stand behind the results. Strong methods? You’ll get strong results—and vice versa. In the case of the PMI’s *Researching the Value of Project Management* study, researchers have uncovered a diamond: statistically sound, strong results that show project management makes a difference.

**The Long:** Cronbach’s Alpha is an unbiased estimator of reliability expressed as the relationship between the number of components, the variance of the observed total test scores and the variance of components. To generate quantitative results, the teams constructed value scales from preliminary data through a combination of correlation analysis, verifying logical variable inclusion and factor analysis. These scales are robust, reflect the expected constructs and present a very high degree of reliability (.88 to .94 Cronbach’s Alphas on preliminary tests). In social science research, Alphas above .7 are considered significant. In layman’s terms, the closer Cronbach’s Alpha gets to 1, the greater the correlation between variables—in this case, project management and value.

### Case Files

Aside from the qualitative and quantitative data, the greatest insights may come from in-depth case studies. “We see different implementations for different reasons and what’s really being seen in evidence is that it’s not about a model, or an approach or a toolset. It’s about being able to say what’s most relevant and appropriate for us to adopt,” Mr. Mullaly says.

This information is largely still in analysis, but early case study examples clearly show value. In some cases, companies reported that they are so good at project management, that it sets them apart from the competition. “The research shows that in many organizations, success breeds success,” Dr. Andrews says. “Oftentimes one department employs project management to good effect and that success prompts implementation across the enterprise. The outcome is a projectized organization that stands out in today’s highly competitive global market.”

Analysis will continue well into 2009. However, the research team learned that the traditional view of ROI, which focuses solely on financial measures, no longer applies. There are more facets to ROI than just dollars, and this study accounts for that modern business reality.

## IT’S ALL RELATIVE

Research teams found that organizations achieve significant benefits based on a number of project management variables:

**Context:** These include economic, individual, cultural, project and organizational attributes.

**Implementation:** Variables such as training, tools, history, practices and people.

**Fit:** How customized the process is to the enterprise.

**Value:** Measures of what actually makes project management worthwhile to a company.

meaningful ways to complement organizational needs.

“*Researching the Value of Project Management* is a strong reminder that today’s research shapes tomorrow’s best practices,” says PMI board chair Philip R. Diab, PMP. “Whether the focus is on social responsibility or strategic alignment, leadership or people skills, research provides the data that proves how effective project management can be.”