

*A Preventive Systems Approach
For Improving
Project Performance*

A WHITE PAPER FROM MILANO, INC.



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INTRODUCTION

Organizations are under increasing pressure to deliver projects that are on time, within budget, and on specification. A project, particularly an IT project, is more likely to fail than to succeed despite incremental performance improvements over the last decade. The reasons for failure, however, have little to do with an organization's inability to manage technology. Poorly defined objectives, lack of effective communication, unfamiliarity with scope, and, most significantly, poor project management skills account for the majority of failures.

In addition, the need to comply with legal, regulatory, and external audit requirements compels businesses to look at project performance and governance more closely than ever. Legislative mandates for corporate and executive accountability put further demands on business to ensure effective management of risk and conformance to standards.

Many Project Management Office and internal audit functions collect and aggregate objective performance information at critical milestones or upon a project's conclusion. Few of these functions incorporate in-stream, proactive, preventive risk management processes.

High-performance organizations demonstrate alignment with strategic objectives, support corporate governance imperatives, collaborate with business experts, and conform to relevant standards. They provide tangible business results and enable continuous improvement by seeking out and implementing:

- Industry best practices
- Relevant standards and policies
- Auditable, controllable metrics
- Ongoing oversight processes
- Coaching and mentoring
- Portfolio management processes
- Lessons learned
- Development methodologies
- Management techniques
- Performance measurement tools
- Training
- Project Management Office services

In this paper, we address the need for proactive, preventive, "early warning" systems that help organizations manage risk more effectively, measure performance more accurately, and reduce the cost of poor quality. Preventive systems increase a company's capability to monitor and improve their performance environment and, thus, the organization's bottom line.

The term "*performance environment*" can be interpreted in many ways. We define it within the context of business practices and project delivery methods as the unique combination of:

- Your organization's policies, processes, standards, methods, tools, and training
- The alignment and relevance of each of those elements to your business objectives
- Your staff's demonstrated levels of communication, comprehension, motivation, delivery, and compliance
- The objective and subjective metrics, processes, and human resources used to collect and aggregate performance data, manage risk, measure performance, and improve each element within the environment

Intervention is a common tool used by organizations to respond to risk events that produce undesirable or unexpected results. Our experience has shown that, while intervention is a highly visible and quantifiable approach to project performance improvement, organizations that take preventive measures before risk events become costly surprises realize significant, long-term value for investment.

INTERVENTION: RESPONDING TO POOR PERFORMANCE

Intervention is the deliberate action taken to alter, hinder, reverse, or mitigate the effect of a negative event or trend. When a project experiences critical cost overruns, executive management may deploy intervention, or rescue, “specialists” to plan and conduct an assessment, deliver a findings report, make recommendations, and execute plans for project recovery or termination.

Intervention team members must be recognized leaders with experience in the business and technical disciplines specific to the situation. Furthermore, intervention specialists must have full span of authority to execute management objectives. They must bring to bear expertise in:

- Project Management
- Negotiation
- Risk Management
- Communication
- Conflict Management
- Contract Management
- Coaching and Mentoring
- Quality Management
- Change Management
- Facilitation

Intervention activities may require full-time resources for extended periods, depending upon the size and criticality of the troubled project. As a result, many organizations are compelled to contract turnaround and recovery specialists rather than commit their most senior personnel to the task. Agreements for engaging turnaround and recovery specialists are often complex and expensive; however, the benefits derived from contracting these experts can far outweigh the cost of failed large-scale, big budget, and strategic projects.

The course of action for most interventions is time-dependent and often has more to do with reducing loss, or “stopping the bleeding,” than achieving the project’s baseline objectives. The determination of whether an intervention is successful depends largely on what executive management believes is most important to the organization. At best, deficiencies are diagnosed sufficiently early in the process so that prescribed corrective actions can reverse negative trends and minimize, or even recover, losses. In some organizations, successful interventions may translate into revenue retention, reductions in warranty work, sustainable, acceptable profit margins, client loyalty, and additional business.

More commonly, interventions result in one or more of the following outcomes:

- Limiting financial losses
- Avoiding litigation
- Salvaging work products
- Saving client relationships
- Reducing employee turnover
- Terminating the project

Interventions tend to be highly visible and measurable in economic terms. They can also be disruptive and may result in loss of business continuity, incurred opportunity cost, lost productivity, and distraction from business objectives. Our goal is to prevent the performance environment from getting to the point where large-scale intervention is necessary.

A PREVENTIVE SYSTEMS APPROACH

We have extensive experience in conducting interventions for troubled projects, both large and small across multiple industries and geographic locations. Although formal interventions must be employed in specific situations, a more cost-effective approach is to focus on preventive measures, that are, in themselves, small interventions that serve as “early warning” systems and reduce the likelihood that a key strategic or tactical initiative will “fall off the cliff.”

A proactive, preventive system is a hybrid approach that combines crisis-driven intervention skills and disciplines with people, processes, and technology to continuously define, enable, measure, and improve the performance environment. The key components of such a system include:

- Executive sponsorship and commitment
- Alignment with organizational strategic and tactical objectives
- Effective stakeholder and end user communication, change management, and training
- Experienced part-time or full-time reviewers and mentors
- Acquisition and use of proven industry and organization-specific practices
- Sensible, scalable, and enforceable policies, standards, processes, methods, and performance metrics
- An unbiased, ongoing oversight and mentoring program
- Multi-dimensional performance and compliance measurement tools
- Rigorous application and monitoring of preventive and corrective measures
- Risk management and escalation procedures
- Web-based and hard-copy reporting mechanisms
- Feedback loops including lessons learned and bottom-up improvement recommendations
- Management review processes
- Comprehensive performance data aggregation and reporting mechanisms

A multi-step approach is required to implement a preventive system. Each step must be decomposed into multiple work tasks with associated deliverables and results:

1. Connect performance improvement planning to the company's mission by identifying the symptoms of current poor performance; align future performance objectives with strategic goals.
2. Assess your current performance environment to understand its capabilities, limitations, interrelationships, maturity, and level of conformance to current standards, policies, and procedures.
3. Leverage knowledge by soliciting internal and external expertise; build a repository of relevant, proven practices on which to design the future performance environment.
4. Plan the migration from the current performance environment to a proactive, preventive high-performance environment.
5. Implement programs, policies, processes, tools, and training; ensure compatibility and coordination with quality management, Six Sigma, PMO, development methodologies, legal/regulatory requirements, and internal audit.
6. Conduct performance reviews, measure objective and subjective data early and often, escalate risk, and take corrective action.
7. Continuously monitor compliance, leverage lessons learned, conduct management reviews, and calibrate the new performance environment.

A Preventive Systems Approach For Improving Project Performance

We have seen returns on investment exceeding 400% through the implementation of proactive, preventive systems for monitoring and improving project performance. Operational benefits include:

- Reduced project costs
- Improved performance measurement and audit capability
- Higher levels of compliance to internal and external audit standards
- Continuous refinement and improvement of standards, guidelines, auditable metrics, oversight processes, and preventive measures
- Uniform, repeatable processes
- Increased project team productivity
- Reusable assets within the value stream

CONCLUSION

Despite advances in technology and a proliferation of management techniques, billions continue to be spent each year on failed or cancelled initiatives. Most importantly, responding to troubled projects with intervention approaches is important, but *does not increase the long-term effectiveness of project performance*. The rigorous application of proactive, preventive systems provides low-cost, high value solutions that reduce costs, improve project performance, and drive growth.

ABOUT MILANO, INC.

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