

Opinion

By Aaron J. Shenhar

Beyond Six Sigma: Why CEOs Need to Pay Attention to Project Management

Many companies have focused in recent years on extensive cost-cutting programs--most popular among them are Six Sigma initiatives. Based on GE's well-known example, executives believed that they need to follow the trend and push Six Sigma to every corner of the company. Yet even the leaders of efficiency such as Wal-Mart, Dell, or Southwest Airlines are starting to realize that there is a limit to how much you can improve: With time, additional cost-cutting efforts can no longer guarantee a substantial source of competitive advantage or new growth. At best, they can help you keep doing what you are already doing without falling behind.

The real sources for future growth are a company's new initiatives, such as innovation, and change. However, all initiatives are carried out through projects. Projects are the engines that drive innovation from idea to commercialization and they are the drivers that make organizations better, stronger, and more competitive. In fact, the only way organizations can change, innovate, invest in infrastructure, or gain competitive advantage is through projects.

Ironically, project management has hardly been on the radar screen of chief executives. They often assumed that if they will come up with the right strategy, their project teams will get it done and will implement the strategy as prescribed. Yet the reality is different: As the data shows, many projects today fail to meet their expectations: they either do not meet time and budget goals, do not deliver their business objectives, or both. Just consider Airbus' loss of Billions in cancelled orders when it recently froze the development of its A380F freighter aircraft to focus on solving the problems of the passenger version. Furthermore, failure, is often found even in well-managed projects, and faced with little interest from top executives; many teams are left on their own, at times unaware why their projects have failed.

The truth is that the current approach used by companies to manage projects together with the standard tools and processes in the project management discipline are insufficient to address the needs of today's dynamic and uncertain projects. Traditional project management is based on an outdated model of stability, which assumes that all projects are similar, certain, linear, and unchanging. Once the project is launched, it must continue to its end to meet time, budget, and requirements goals. Rarely do projects focus on business results and on building the company's competitive advantage, and seldom are project practices being challenged by top management. As a result, many teams are simply trying to keep their projects on track in order to fulfill unrealistic expectations of stability, instead of adapting their efforts to the dynamic changes in the environment and business needs.

This situation presents a tremendous opportunity for companies for increased competitiveness and growth. It is time for top executives to realize that there is an enormous potential for improvement in updating their project management practices, where possible gains may be great. If CEOs will start allocating as much time, energy, and attention to project management as they did to Six Sigma, their rewards may be huge.

Executives must realize that most project problems today are not technical but managerial. When technical errors cause projects to fail, it is usually management that failed to put the right system in

place so that these errors will be detected in time. Managers must learn how to ask the right questions and foresee danger before they make a commitment to a project and before it is too late. Such approach would have saved Billions on the A380 project. On one hand, managers must understand that different kinds of innovations need different kinds of projects and that project teams need better guidance from business leaders about the company's expectations from their projects. They must teach their teams how to better adapt to the dynamics of the environment and how to focus their projects on the creation of competitive advantage and not just on meeting time and budget goals. On the other hand, they must realize that many projects are facing high levels of uncertainty and it is often unrealistic to predict exactly how a project will end or even how much it will cost. Instead of committing their organizations to extensive project efforts, they should invest in small-scale pilot programs to remove some unknowns before making a commitment to a full scale effort.

Yet, while turning their attention to projects, should executives stop investing in programs for improved efficiency? Absolutely not; they must learn to do both. Although continuous improvement of efficiency and quality may not keep providing a significant source of competitiveness as it did in the past, it is a must in order to stay in business. Once you let go, your efficiency and quality may deteriorate. Investing in efficiency, however, should be limited to ongoing operations, manufacturing, and services, and not be pushed to every corner of the company. As innovative companies such as 3M have recently learned, Six Sigma may stifle innovation and reduce the extent of radical change and new products. The R&D or the IT functions don't need Six Sigma. These parts of the company need a much greater support from top executives for improving their project activity. Such support will create a well designed process that guarantees a continuous stream of new ideas, and a flawless methodology of flexible and adaptive project execution that helps project teams complete their projects on time and guarantees that these projects will meet the company's business needs. It is time to unleash the unutilized potential that exists in better project management. Executives should focus on a new goal of turning project management into their next competitive asset.

Aaron J. Shenhar is a Professor of management at Stevens Institute of Technology and co- author of the book Reinventing Project Management: The Diamond Approach to Successful Growth and Innovation, Harvard Business School Press, 2007.