



## Project Management – Case Study # 9

### PROJECT CONTROL

Controlling projects is a necessity so that meaningful and timely information can be obtained to satisfy the needs of the project's stakeholders. This control process includes measuring resources consumed, measuring status and accomplishments, comparing measurements to projections and standards, and providing effective diagnosis and replanning.

For cost control to be effective, both the scheduling and the estimating systems must be somewhat disciplined in order to prevent arbitrary and inadvertent budget or schedule changes. Changes must be disciplined and result only from a deliberate management action. This includes distribution of allocated funds and redistribution of funds held in reserve.

### Irresponsible Sponsors

Two executives in this company each funded a "pet" project that had little chance of success. Despite repeated requests by the project managers to cancel the projects, the sponsors decided to throw away good money after bad money. The sponsors then had to find a way to prevent their embarrassment from such blunders from becoming apparent to all.

#### STORY LINE

Two vice presidents came up with ideas for pet projects and funded the projects internally using money from their functional areas. Both projects had budgets close to \$2 million and schedules of approximately one year. These were somewhat high-risk projects because they both required that a similar technical breakthrough be made. There was no guarantee that the technical breakthrough could be made at all.



And even if the technical breakthrough could be made, both executives estimated that the shelf life of both products would be about one year before becoming obsolete but that they could easily recover their R&D costs.

These two projects were considered pet projects because they were established at the personal request of two senior managers and without any real business case. Had these projects been required to go through the formal process of portfolio selection of projects, neither would have been approved. The budgets for these projects were way out of line for the value that the company would receive, and the return on investment would be below minimum levels even if the technical breakthrough could be made. Personnel from the project management office (PMO) who were actively involved in the portfolio selection of projects also stated that they would never recommend approval of a project where the end result would have a shelf life of one year or less. simply stated, these projects existed merely for the satisfaction of the two executives and to get them prestige with their colleagues.

nevertheless, both executives found money for their projects and were willing to let them go forward without the standard approval process. Each executive was able to get an experienced project manager from his group to manage the pet project.

### **GATE-REVIEW MEETINGS**

At the first gate-review meeting, both project managers stood up and recommended that their projects be cancelled and the resources assigned to other, more promising projects. They both stated that the technical breakthrough needed could not be made in a timely manner. Under normal conditions, both of these project managers should have received medals for bravery in recommending that their projects be cancelled. These recommendations certainly appeared to be in the best interests of the company.

But both executives were not willing to give up that easily. Cancelling both projects would be humiliating for the executives who were sponsoring these projects.



Instead, both executives stated that the projects were to continue until the next gate-review meeting, at which time a decision would be made for possible cancellation of both projects.

At the second gate-review meeting, both project managers once again recommended that their projects be cancelled. And, as before, both executives asserted that the projects should continue to the next gate-review meeting before a decision would be made.

As luck would have it, the necessary technical breakthrough was finally made, but six months late. That meant that the window of opportunity to sell the products and recover the R&D costs would be six months rather than one year. Unfortunately, the thinking in the marketplace was that these products would be obsolete in six months, and no sales occurred of either product.

Both executives had to find a way to save face and avoid the humiliation of having to admit that they squandered a few million dollars on two useless R&D projects.

This could very well impact their year-end bonuses.

### **QUESTIONS**

1. is it customary for companies to allow executives to have pet or secret projects that do not follow the normal project approval process? Motivate your answer.
2. Who got promoted and who got fired? in other words, how did the executives save face?

