



Project Management – Case Study # 5

PROJECT MANAGEMENT CULTURES

Project management methodologies, regardless how good, are simply pieces of paper. What converts these pieces of paper into a world-class methodology is the culture of the organization and how quickly project management is accepted and used. Superior project management is attained when the organization has a culture based on effective trust, communication, cooperation, and teamwork.

A good culture cannot be created overnight. It may take years and strong executive leadership. Good project management cultures demonstrate leadership by example. Senior management must provide the same type of effective leadership that they wish to see implemented by the corporate culture. If roadblocks exist, then senior management must take the initiative in overcoming these barriers.

Como Tool and Die (A)

Como Tool and Die was a second-tier component supplier to the auto industry. Its largest customer was Ford Motor Company. Como had a reputation for delivering a quality product. During the 1980s and the early 1990s, Como's business grew because of its commitment to quality. Emphasis was on manufacturing operations, and few attempts were made to use project management. All work was controlled by line managers who, more often than not, were overburdened with work.



The culture at Como underwent a rude awakening in 1996. In the summer of that year, Ford Motor Company established four product development objectives for both tier 1 and tier 2 suppliers:

1. Lead time: 25–35 percent reduction
2. Internal resources: 30–40 percent reduction
3. Prototypes: 30–35 percent reduction (time and cost)
4. Continuous process improvement and cost reductions

The objectives were aimed at consolidation of the supply base with larger commitments to tier 1 suppliers, which would now have greater responsibility in vehicle development, launch, process improvement, and cost reduction. Ford had established a time frame of 24 months for achievement of the objectives. The ultimate goal for Ford would be the creation of one global, decentralized vehicle development system that would benefit from the efficiency and technical capabilities of the original equipment manufacturers and the sub supplier infrastructure.

STRATEGIC REDIRECTION: 1996

Como realized that it could no longer compete on quality alone. The market- place had changed. The strategic plan for Como was now based on maintaining an industry leadership position well into the twenty-first century. The four basic elements of the strategic plan were:

1. First to market (faster development and tooling of the right products)
2. Flexible processes (quickly adaptable to model changes)
3. Flexible products (multiple niche products from shared platforms and a quick-to-change methodology)
4. Lean manufacturing (low cost, high quality, speed, and global economies of scale)

The implementation of the strategy mandated superior project management performance, but changing a 60-year culture to support project management would not be an easy task.



The president of the company established a task force to identify the cultural issues of converting over to an informal project management system. He believed that project management would eventually become the culture and, therefore, that the cultural issues must be addressed first.

The following list of cultural issues was identified by the task force:

- Existing technical, functional departments currently do not adequately support the systemic nature of projects as departmental, and individual objectives are not consistent with those of the project and the customer.
- Senior management must acknowledge the movement away from traditional, “over-the-fence” management and openly endorse the significance of project management, teamwork, and delegation of authority as the future.
- The company must establish a system of project sponsorship to support project managers by trusting them with responsibility and then empowering them to be successful.
- The company must educate managers in project and risk management and the cultural changes of cross-functional project support; it is in the manager’s self-interest to support the project manager by providing necessary resources and negotiating for adequate time to complete the work.
- The company must enhance information systems to provide cost and schedule performance information for decision making and problem resolution.
- Existing informal culture can be maintained while utilizing project management to monitor progress and review costs. Bureaucracy, red tape, and lost time must be eliminated through project management’s enhanced communications, standard practices, and goal congruence.



The task force, as a whole, supported the idea of informal project management and believed that all of the cultural issues could be overcome. The task force identified four critical risks and the method of resolution:

1. Trusting others and the system

- *Resolution:* Training in the process of project management and understanding of the benefits. Interpersonal training to learn to trust in each other and in keeping commitments will begin the cultural change.

2. Transforming 60 years of tradition in vertical reporting into horizontal project management

- *Resolution:* Senior management sponsors the implementation program, participates in training, and fully supports efforts to implement project management across functional lines with encouragement and patience as new organizational relationships are forged.

3. Capacity constraints and competition for resources

- *Resolution:* Work with managers to understand constraints and to develop alternative plans for success. Develop alternative external capacity to support projects.

4. Inconsistency in application after introduction

- *Resolution:* Set the clear expectation that project management is the operational culture and the responsibility of each manager. Set the implementation of project management as a key measurable for management incentive plans. Establish a model project and recognize the efforts and successes as they occur.

The president realized that project management and strategic planning were related. He wondered what would happen if the business base would grow as anticipated. Could project management excellence enhance the business base even further?



To answer this question, the president prepared a list of competitive advantages that could be achieved through superior project management performance:

- Project management techniques and skills must be enhanced, especially for the larger, complex projects.
- Development of broader component and tooling supply bases would provide for additional capacity.
- Enhanced profitability would be possible through economies of scale to utilize project managers and skilled trades resources more efficiently through balanced workloads and level production.

Greater purchasing leverage would be possible through larger purchasing volume and sourcing opportunities.

Disciplined coordination, reporting of project status, and proactive project management problem-solving must exist to meet timing schedules, budgets, and customer expectations.

Effective project management of multitier supply base will support sales growth beyond existing, capital-intensive internal tooling and production capacities.

The wheels were set in motion. The president and his senior staff met with all of the employees of Como Tool and Die to discuss the implementation of project management. The president made it clear that he wanted a mature project management system in place within 36 months.

QUESTIONS

1. Does Como have a choice in whether to accept project management as a culture?
2. How much influence should a customer be able to exert on how the contractors manage projects?
3. Was Como correct in attacking the cultural issues first?
4. Does the time frame of 36 months seem practical?
5. What chance of success do you give Como?



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6. What dangers exist when your customers are more knowledgeable than you are concerning project management?
7. Is it possible for your customers' knowledge of project management to influence the way that your organization performs strategic planning for project management?
8. Should your customer, especially if it is a powerful customer, have input in the way that your organization performs strategic planning for project management? If so, what type of input should the customer have and on what subject matter?



Como Tool and Die (B)

By 1997, Como had achieved partial success in implementing project management. Lead times were reduced by 10 percent rather than the target of 25 to 35 percent. Internal resources were reduced by only 5 percent. The reduction in prototype time and cost was 15 percent rather than the expected 30 to 35 percent.

Como's automotive customers were not pleased with the slow progress and relatively immature performance of the company's project management system. Change was taking place, but not fast enough to placate the customers. Como was on target according to its 36-month schedule to achieve some degree of excellence in project management, but would its customers be willing to wait another two years for completion, or should Como try to accelerate the schedule?

FORD INTRODUCES "CHUNK" MANAGEMENT

In the summer of 1997, Ford announced to its suppliers that it was establishing a "chunk" management system. All new vehicle metal structures would be divided into three or four major portions with each chosen supplier (i.e., chunk manager) responsible for all components within that portion of the vehicle. To reduce lead time at Ford and to gain supplier commitment, Ford announced that advanced placement of new work (i.e., chunk managers) would take place without competitive bidding. Target agreements on piece price, tooling cost, and lead time would be established and equitably negotiated later with value engineering work acknowledged.

Chunk managers would be selected based on superior project management capability, including program management skills, coordination responsibility, design feasibility, prototypes, tooling, testing, process sampling, and start of production for components and subassemblies. Chunk managers would function as the second-tier component suppliers and coordinate vehicle build for multiple different vehicle projects at varied stages in the development–tool–launch process.



STRATEGIC REDIRECTION: 1997

Ford Motor Company stated that the selection of the chunk managers would not take place for another year. Unfortunately, Como's plan to achieve excellence would not have been completed by then, and its chances to be awarded a chunk management slot were slim.

The automotive division of Como was now at a critical junction. Como's management believed that the company could survive as a low-level supplier of parts but its growth potential would be questionable. Chunk managers might find it cost effective to become vertically integrated and produce for themselves the same components that Como manufactured. This could have devastating results for Como. This alternative was unacceptable.

The second alternative required that Como make it clear to Ford Motor Company that Como wished to be considered for a chunk manager contract. If Como were to be selected, then Como's project management systems would have to:

- Provide greater coordination activities than previously anticipated.
- Integrate concurrent engineering practices into the company's existing methodology for project management.
- Decentralize the organization so as to enhance the working relationship with the customers.
- Plan for better resource allocation so as to achieve a higher level of efficiency.
- Force proactive planning and decision making.
- Drive out waste and lower cost while improving on-time delivery.

There were also serious risks if Como were to become a chunk manager. The company would be under substantially more pressure to meet cost and delivery targets. Most of its resources would have to be committed to complex coordination activities rather than new product development.



Therefore, value-added activities for its customers would be diminished. Finally, if Como failed to live up to its customers' expectations as a chunk manager, it might end up losing all automotive work.

The decision was made to inform Ford of Como's interest in chunk management. now Como realized that its original three-year plan for excellence in project management would have to be completed in 18 months. The question on everyone's mind was: "How?"

QUESTIONS

1. What was the driving force for excellence before the announcement of chunk management, and what is it now?
2. How can Como accelerate the learning process to achieve excellence in project management? What steps should management take based on its learning so far?
3. What are Como's chances for success? justify your answer.
4. Should Como compete to become a chunk manager?
5. Can the decision to become a chunk supplier change the way Como performs strategic planning for project management?
6. Can the decision to become a chunk supplier cause an immediate change in Como's single methodology for project management?
7. If a single methodology for project management already exists, then how difficult will it be to make major changes to the methodology and what type of resistance, if any, should management expect?

