



Project Management Impact on
Business Performance
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Obsession Begins At The Top

Get Excited!



What are we going to talk about?

- Project Managers – expense or asset?
- Long term impact of Project Mgt on Earnings
- Steering Projects by Business Goals

(Not going to talk about PM Best Practices Guidelines!)



Preview:

Project Managers are critically important assets

Project management has a huge long-term impact on corporate earnings & level of success

Articulation & Communication of Business Goals are critical to good project management & execution

**Projects**

Project: capital investment in infrastructure

Why: the company needs it for some reason(s)

Who: the people!

How: people managed by PM according to a plan

**Whys of a Project...**

Most of us are involved in building labs and manufacturing facilities...

- Short term or Long term reason?
- Flexibility?
- Regulatory constraints?
- Operational cost constraints (optns, maint.)
- COGS constraints?
- Liability issues?
- Time pressures?

**Q: How does Why Guide a Project?**

A: Governance.

Project Governance/Steering Committee sets the whys/goals

- User Executives/Owners
- User Project Manager
- Design/Build Project Manager

Guidelines should set clear direction for decision-making

Project Team takes Direction from Steering Committee (add another slide where team is listed, emphasize inclusiveness)



Some Typical “Whys”

We need a proof-of-concept to prove value of technology or...

We need a dedicated facility to manufacture one project until we build larger scale production facility later or...

We need a dedicated large scale facility to manufacture one product for 20 years or...

We need a dedicated large scale facility that can make any of several products over the next 20 years or...?



Goals Guide/Constraints Scope & Choices

The Steering Committee should share important constraints:

1. COGS goals:
 - Capital depreciation
 - Level of operations/maintenance staffing, material consumption, other operating costs
2. Non-uniform Regulatory risks & Liabilities
3. Time constraints
4. Budget constraints
5. Special considerations



Constraints → Good Projects

Project managers know their mandates

1. Leads to good decision making
 - Justification criteria for design decisions
 - Staffing/Role decisions
 - Capital equipment spending decisions
2. Provides Review criteria
3. Basis for determining progress and success
4. Foundation for setting mandates for reports



Examples of Constraints Guiding Decisions

Steering Committee → PM: Short life, Low cost

Project Manager → Engineers: Short life, Low cost = PM, lead times, used equipment, etc.

Steering Committee → PM: low COGS, schedule driven, oppty costs high

Project Manager → Engineers: PM and lead time important, costs less important

Give your team a decision matrix!



Typical Roles: Who

- Governance/Steering committee
- User Project Manager
- Design/Build Project Manager
- Plant Manager
- Engineering/Maintenance Manager
- Operations planner/scheduler
- Quality Manager



Our Focus: Project Manager

2 PMs: *(assume ethics align them)*

- End User
- Engineering/Construction

Cost or Asset:

- Most frequently seen as a costly burden
 - Consultant or Committed Manager
- Always have one – even on failed projects
 - Decisions consistent with business goals made at right levels
- Cost, time over-runs & quality failures common
 - Doesn't help PM image!



What Is PM Role?

To Fulfill Steering Committee Goals with Steering Committee Constraints:

- Build functional structure (roles, organization)
- Put in place working processes
- Define goals and constraints for all team members just as was done for him/her
- Measure progress using StC criteria
 - COGS, time, budget, regulatory, liability, etc.



Asset Versus Cost: Impact

2 Projects, same basic goals:

- Single Product Facility, \$2b drug
- Long term manufacturing
- Time line critical

Vastly Different Outcomes

- \$100m versus \$450m (-\$8m/yr v. -\$36m/yr COGS contribution)
- 14 months versus 3 years
- 50 staff versus 300 staff (\$10m/yr v. \$60m/yr COGS contribution)
- Contractor and Consumables Costs 2X for latter
- Schedule overruns allow competitor to capture \$1b market
- 10% COGS versus 19% COGS



Impact on Earnings *(1 important slide!)*:

Annual COGS difference of \$100m

- 250m shares → \$0.40/share/year - \$0.32 after taxes
- 20X multiple = \$1.5b market cap differential
- \$1.2b cash saved
- Much greater financial flexibility that otherwise possible
- Much greater market perception of company's ability to execute

Primary Reason for Difference in Outcomes?: **PM!**



How Does a PM Become an Asset?

Understand Business Drivers

Apply Business Drivers to Structure and Processes

- Repeatedly ask people to apply standard criteria

Communicate and Include: StC, ProjTeam

- StC: keep informed, ask for guidance
- ProjTeam: include key players, when friction pull in instead of pushing away

Outline specific project deliverables and demand accountability

Embrace conflict – it is an important canary

Use best practices as applicable



Case: Prove Technology

Business Requirements:

- Short timeframe, low cost
- Long term maintenance not a concern
- Reliable 3 year production desired
- Goal: enable big tranche of capital investment

Possible/Likely Decisions:

- 2nd tier equipment
- 2nd team (but competent) design/build team
- Little if any flexibility designed in
- Lots of design compromises
- Low capital spend → higher operating/maintenance costs



Case: Product Launch

Business Requirements:

- Single product facility
- Low COGS: depreciation & operating costs
- Short time frame
- Seek to sell company within 2 years of launch

Possible/Likely Decisions:

- Site chosen for low cost, not location
- Little to no flexibility
- Risk assessments → savings v. optimization
- “Black box” systems, islands of automation
- Use pre-owned equipment when possible
- Steeply front-end load project (SDTSU)



Case: Tier 1 Large Scale

Business Requirements:

- Capacity to meet anticipate high demand
- Want Flexibility
- No Risk
- Low COGS
- Long term corporate asset

Good Decisions:

- Design processes well-defined
- Assessments done prior to finished design
- Large project: more communication
- PMs more engaged
- More, not less, focus on specific deliverables
- Schedule more detailed
- Lots of focus on contracts early on
- Aggressive (but fair) procurement



Summary

1. Governance and Communication of Business Goals and Decision Criteria → Project Success
2. Project Management → Long term COGS impact
3. Good project management is a massively important asset (not a cost)

