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, oppy 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

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)