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REACHING THE SUMMIT OF PROJECT SUCCESS IN TODAY'S UTILITY INDUSTRY

BY Christopher Eitel, PE

Seismic changes in the utility landscape are forcing utility companies to become more aggressive in their approach to project execution. The creation of a Project Management Office (PMO) can improve project delivery by enhancing prioritization, eliminating redundancies and allowing for more efficient allocation of available resources.

Utilities that depend on efficient capital portfolios for their bottom line also depend on efficient project management to make their projects successful. Getting there doesn't happen from experience alone, though. It's a journey that requires dedicated teams working toward common, definite objectives. Project management may present a significant challenge for utilities that are learning to adapt to today's competitive playing field. Those that formerly relied on market limitations or yesterday's business practices to thrive are finding they can no longer rely on those attributes to be successful. Companies are now faced with delivering the very best in efficiency to customers — and to do it better than their competitors.

Greater infrastructure and technology demands at regional or even global levels, rather than local levels, have promoted an evolution to the business environment. Solutions are no longer sourced solely from within, and cost overruns may easily make a utility noncompetitive in this new setting. Instead, emerging solutions are providing options and efficiencies to end users who have a choice on where to spend their money.

Government deregulation is a good example of this type of evolution, with programs such as Federal Energy Regulatory Commission (FERC) Order No. 1000 issued in July 2011. Other than specific exceptions of the order, this program eliminated the first right of refusal for utilities. Based on the order, no utility "owns" the right to construct and/or operate transmission facilities. Any qualified entity, private or public, can bid on construction and/or services. Utility revenues are also feeling the pressure from reduced energy throughput caused by distributed energy resources and energy efficiency.

There is no longer a space for executing projects without efficiency as the goal. It is no longer enough to deliver safe, reliable energy to customers; there is now an ever-increasing focus on delivering on-schedule, on-budget projects. This new competitive climate means that companies need to establish sound business processes, plan their future with customers in mind, and keep costs in line. This may seem like an insurmountable challenge for many, given their current perspective on project portfolio execution. The establishment of a Project Management Office (PMO) can be the first step to a gradual, but steady, path to the summit of project success.

HOW TO GET THERE FROM HERE?

Sound project management begins with standards that have been in place for decades. The Project Management Book of Knowledge (PMBoK), first published in 1996, provides the standard framework for a project management program. In addition, the Project Management Institute (PMI) and the American Association of Cost Engineers Inc. (AACEi) have established training and certification programs to standardize the benchmarks of those on a project management team.

So, with all the specifications already in place, why aren't all companies already operating accordingly? The answer is that many organizations have established decades-old business processes that don't integrate well with the aforementioned industry standards set forth to achieve project management excellence. Sound project management practice is at the summit of a mountain climb, while many companies are somewhere between the base lodge or at varying locations along the path to the top. Like climbing a mountain, the process from current state to a state of project management excellence must be gradual, steady, and with purpose to allow utilities to have the ability to adapt and grow through the challenges, while not wasting time or effort to get there.

THE CLIMBING TEAM — PROJECT MANAGEMENT OFFICE

Project management excellence requires organization and leadership. The creation of a PMO can improve project delivery by enhancing prioritization, eliminating redundancies and allowing more efficient allocation of available resources. The benefits of the effort will certainly outweigh the costs. Just a few of these benefits include cost savings and greater return on investments; on-time and on-budget project delivery; risk avoidance and mitigation; compliance; improved reporting and heightened transparency; and improved project portfolio optimization. Proof of this has been realized over and over. One large U.S. electrical utility reported, "By introducing project management principles into the company's organizational culture, the company has seen significant improvements, including a 20% reduction in operational costs and increase in completing an additional 500 projects per year."
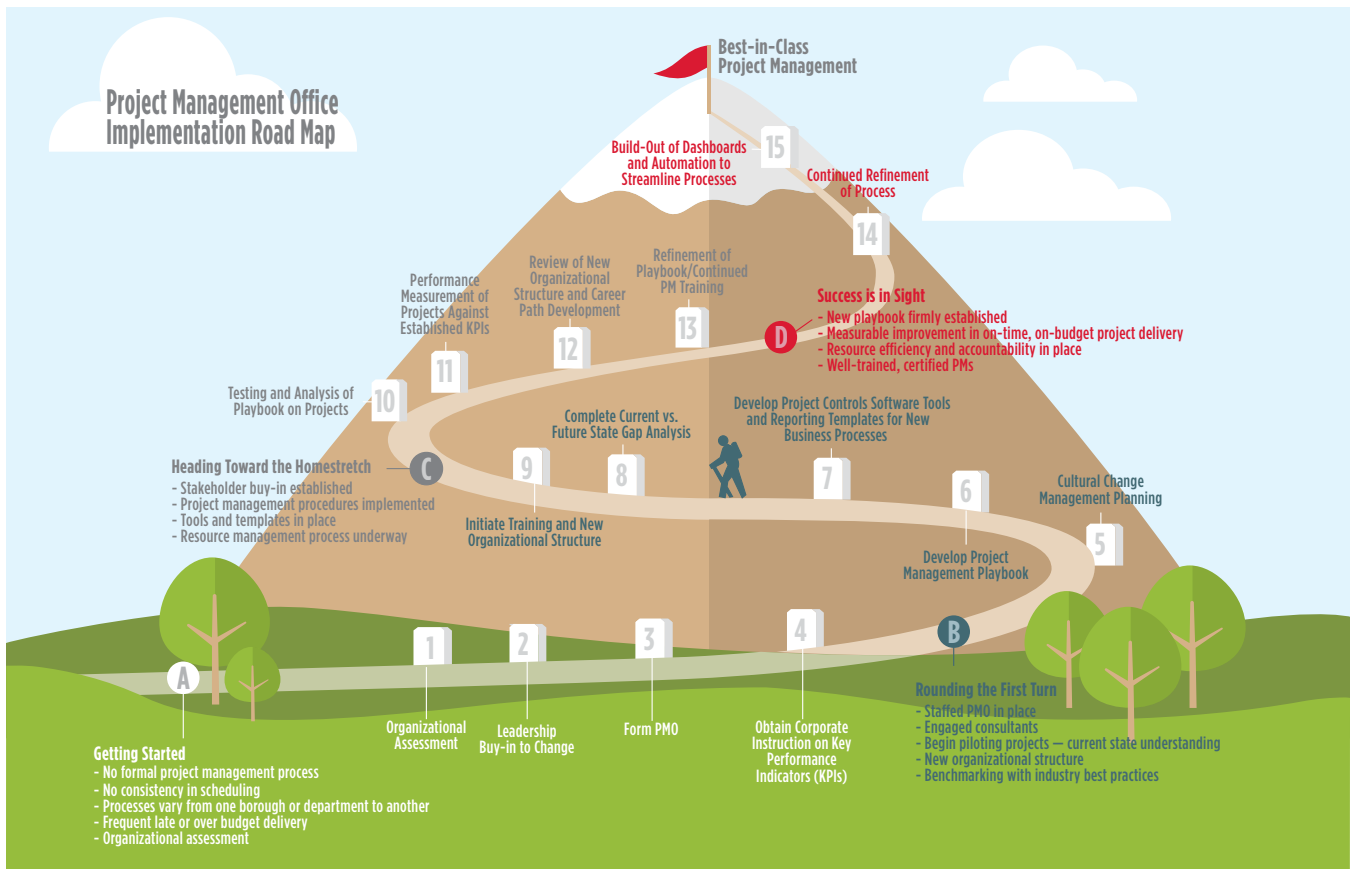
The PMO is charged with not only the development and implementation of new standards, but also with defining and training the roles and responsibilities associated with those new standards. Three critical elements must be in place before the PMO can begin the development and rollout of new project management standards.

1. Understanding and appreciating the commitment it will take to complete. Executive leadership is at the forefront of the message to the organization regarding the importance of executing projects efficiently.

2. An organizational assessment is required. After all, in order to find out how to get somewhere, companies must first understand where they are starting.

3. The establishment of a dedicated PMO team will provide the energy and teamwork required to achieve the goals set forth.

The PMO team should consist of existing organization members with skillsets aligned to the standards of project management and strong relationships with key stakeholders throughout the company. In addition, a lot can be gained by bringing in experienced professionals. Project management consultants, possessing previous PMO development experience, offer a wealth of knowledge that only comes from going through the process many times. This guidance can increase efficiencies and minimize setbacks, ultimately saving time and money to reach the goal.

BEGINNING THE JOURNEY TO PROJECT MANAGEMENT EXCELLENCE

With the commitment in place and the team established, it's time to develop the route to get there. The first step is to establish the specific corporate objectives that will eventually serve as key performance indicators (KPIs) for success of the effort. Most commonly, these objectives are

centered on cost and schedule management in executing projects and programs efficiently and effectively. However, other objectives such as safety performance and other company-specific goals can also be put into place.

The objectives are the "what" in the equation. Next, the "how" is established with the Project Management Playbook. Each chapter of the playbook includes a set of requirements, defining what goals and deliverables should be achieved. In addition, a detailed workflow of tasks — complete with sequencing in relation to other tasks, as well as the roles and responsibilities — must be created. Each chapter also includes a set of supporting components such as report templates, software tools and other deliverables that will document the execution and outcome of the requirements.

Each organization must define the applicable content needed to achieve the objectives initially established. However, the minimum set of playbook chapters that should be considered are:

- Change management
- Closeout and transfer
- Contract management
- Cost (forecasting, estimating, tracking)
- Key performance indicators
- Portfolio management and capital optimization
- Project or program management and project execution plan (PEP) specifications
- Resource management
- Risk management
- Reporting
- Scheduling and work breakdown structure (WBS)

The development of the playbook as a living document will bring to light the requirements needed for staffing and opportunities for continuous improvement. In effect, as project teams work through each playbook content, efficiencies and improvements will likely be discovered. These discoveries can affect revisions to the workflows and eventually each process will arrive at a point in which it is operating at maximum effectiveness. To further streamline the workflow and reduce labor effort on

processes, many software solutions can be deployed. Some common solutions are:

- Business process execution software tools
- Data and business integration
- Enterprise project scheduling tools
- Leveraging existing financial, work, asset management systems
- Portfolio management solutions

Although each of the software tools brings improvements to the processes in place, it's crucial that the playbook content and associated process workflows be established and refined first. Starting the effort with the software and trying to make the business process fit will limit the overall effectiveness of the tools and the processes.

GUIDING THE MANAGEMENT OF CULTURAL CHANGE

Dr. Frances Hesselbein, a top authority in the field of contemporary leadership development, said, "Culture does not change because we desire to change it. Culture changes when the organization is transformed; the culture reflects the realities of people working together every day." This concept is quite applicable to the task at hand with regard to transforming an organization from its current state to a future state of project management excellence.

To begin the process of cultural change management, a gap analysis must be conducted between what is currently in place and the desired end state. The results will provide a list of actionable items to affect the necessary change and illuminate the path forward.

This may include, but is not limited to, changes to the existing organizational structure to design a team that can most efficiently meet the objectives to close the gap.

Next, specific and role-based training must take place to implement the playbook content and associated workflow processes effectively. This training will be a two-way path in which feedback in the form of results and responses from the team will help the cultural change team make adjustments to keep the transformation of the organization on the same page.

Just as important to keeping the team on the same path is to keep the organization moving at the same tempo. The cultural change team, with support from executive leadership, provides ongoing messaging to remind the team of the objectives and promote consistency in communication.

ENJOYING THE VIEW FROM THE TOP

The reward for the commitment to this holistic process is reaching a perspective on project management that allows an organization to gain insight on consistent and effective project execution that delivers projects on or ahead of schedule and under budget. With the proper tools in place, along with the accountability of a project management team, previously insurmountable obstacles are converted to opportunities that will drive project success and maximize profitability.

BIOGRAPHY

CHRISTOPHER EITEL, PE, is a manager for project controls in the Construction/Design-Build Group at Burns & McDonnell. He has more than 20 years experience and is passionate about successfully meeting project objectives. Christopher has proven his skill in adapting to a multi-faceted industry, with a full spectrum of experience ranging from engineering design to successful project planning and execution.

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