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# Why Focus on Organizational Culture?

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## Introduction

Our ability to manage projects is declining despite the significant number of people receiving training in project management. While one could easily argue that the training is at fault, those of us who have run projects successfully will quickly attest that the technologies taught in project management courses do work. This begs the question, “What’s wrong?”

There’s been an explosion in the field of organizational culture over the past decade. My research suggests that the interest in this field began in earnest with the 2008 recession and has focused primarily in two areas: ethics (including social responsibility) and global cultures. However, my interest in this field began over two decades ago and for very different reasons. As a project manager in the 1980’s and ‘90’s, I noticed a distinct and wide gap between a project manager’s view of projects and senior managers’ views. This view was confirmed during my MBA studies which barely mentioned the word “project”. While these studies included several models regarding task complexity, these too fell short of understanding the true nature of projects.

In this article, we explore the concept of organizational culture as it applies to productivity, specifically project work.

## Why Focus on Organizational Culture?

At the turn of the last century, the US became the global economic leader not because of project work, but because of process work... specifically manufacturing. “Big Business” back then focused on improving manufacturing processes. Our GAAP (Generally Accepted Accounting Principles) accounting system can slice and dice cost accounting for manufacturing down to the square inch of floor space, yet all project work fell into the very general financial category of SG&A (Sales, General, and Administrative). To this day, very few organizations account for project work separately and most still don’t account for the cost of internal resources in project work.

The principles that made the US the global economic leader of the 20<sup>th</sup> century worked back then; after all, as Henry Ford put it, “You can have it (the Model-T) in any color you want, as long as it’s black”.

Despite the focus on process, major projects of the period were relatively successful. We built a huge infrastructure in the US ranging from roads and skyscrapers to a successful nation-wide mail system, telephone system, and even put a man on the moon. I was personally mentored by one of the major project managers of the AEGIS

project: a project that upgraded the entire US Navy's on-board radar system in the 1950's - 1960's. These people knew how to run projects.

Today, things are very different. The air traffic control system in the US is over 40 years old. The last two attempts to upgrade it failed. One was shut down in 1991 and the other in early 2000. Over six billion of US tax dollars were spent with nothing salvaged. The "Big Dig" in Boston went from \$5.2B to over \$22B and was over 6 years late (Lewis & Murphy, 2003). Those of us old enough recall the SSC (Superconducting Super Collider) project that was started in 1987 with an initial budget of \$4.4B in 1987 dollars (Appell, 2013). The House of Representatives tried to kill the project in 1992 when the estimated cost rose to \$8.25B but it was saved by the Senate. It was finally killed after the minimum cost reached \$11B (Murphy, 2008). Then, of course, there was the Denver airport baggage handling system (Calleam Consulting Ltd., 2008), Millennium Park's Cloud Gate (referred to as "the Bean" by locals) which ran 3.5 times the original budget (Reiss, 2014), and the lesser known US Air Force ERP system which cost \$1B and which offered, "... no significant military capabilities" (Charette, 2012).

## **Why should You Care?**

Government projects are not the only ones in trouble. Flybjerg & Budzier (2011) noted that one out of every six IT projects experiences cost overruns of 200% on average and 70% schedule slippage on average. More importantly, the fallout of these cost overruns is not limited to the IT budget. In 2003, Levi Strauss was forced to close three (3) US distribution centers resulting in a \$192.5M write-off against earnings in a failed \$5M SAP project (Flybjerg & Budzier, 2011). Kmart filed bankruptcy after an IT modernization project failed in 2002 (Flybjerg & Budzier, 2011). Sears Holdings bailed them out and closed 600 stores and laid off 67,000 employees. More recently, most of us are aware of the Volkswagen emissions test scandal (Financial Times, 2017).

The bottom line is... in general, we're getting worse. The Project Management Institute released a study of project management trends noting that the number of projects cancelled or delayed due to economic conditions has risen from 32% in 2011 to 45% just a year later.

## **Methodology vs Culture**

Over 15 years ago, I belonged to a leadership consultant "test kitchen", a group of people who could feel free to safely solicit opinions from other leadership consultants regarding their research. I posed the question of whether it's better to focus on process and methodology or culture. The responses were fast and unanimous: culture beats process any day.

Why? In one view, culture is how we handle process. Do your employees follow processes or routinely ignore them? Do they care about the results of their work or simply "check the boxes"? I have had many students in my seminars that have told me that they don't need to develop skills, they can Google whatever information they need

to get something done. This philosophy, combined with our constant interruptions from e-mail, twitter, and instant messaging have created an interrupt-driven society pushing processes to the side. These are all cultural issues. Without a strong culture, your processes will quickly become meaningless and in extreme cases, harmful.

I posed the question because I saw the trend. As project management became more mainstream, our abilities to handle projects deteriorated. Yet, the technology of classical project management hasn't changed since at least the 1960's, back when projects were successful. This might suggest that the methodologies are now failing us. That the technology of project management simply doesn't fit in mainstream organizations. While the Scrum Alliance might support this position, those of us who have been successful in classical project management will quickly attest that those technologies developed over half a century ago still work. And while Scrum (and other new project methodologies) perform quite well in many circumstances, many projects still require a classical approach.

## Successful Cultures

There is some good news. While my research suggests that the general trend regarding project productivity is downward, some organizations have embraced project management at the cultural level with great success. For example, in 2010, the Project Management Institute reported that 51% of organizations had mature PM practices which declined down to 44% in 2012 (Project Management Institute, 2013). The number of organizations training in project management declined from 65% to 59% in the same period (Project Management Institute, 2013). Yet the number of Project Management Professionals (PMPs) doubled from 2011 (Project Management Institute, 2011) to 2016 (Project Management Institute, 2016).

I see two possible scenarios to reconciling these numbers. First, cultural issues are thwarting the training. The second is that the successful project management is localized to a few organizations. Anecdotal and statistical research suggests both are occurring.

A recent article demonstrated the impact of successful project management, noting that high-performing organizations risk only \$20M per \$1B spent on projects vs \$280M for low-performing organizations (Project Management Institute, 2013). That's a 14 times ratio.

## Conclusion

Projects are the mechanisms that organizations employ to implement strategic initiatives, deliver new products to market, and improve organizational performance. The money lost on failed projects expands well beyond the budget overruns, impacting organizations at the strategic level. Despite the staggering increase in the number of PMPs, our ability to manage projects is declining, due in part to cultural issues.

Organizational culture, therefore, becomes a critical focus for organizations looking to survive in this challenging global economy. In future articles, we'll examine the specific

effects culture has on project performance and look for ways to improve organizational culture.

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