

Critical Chain and the PMO

Revolutionary Approach or Same Old Stuff?

Gerald I. Kendall, VP, TOC International (www.tocinternational.com)

Many of the companies that I worked with in the past 20 years no longer exist. That's either a significant commentary about *my* abilities or about the collection of projects that those companies executed. Hopefully, you will agree that it is the latter.

The fate of any organization is directly linked to its ability to define and rapidly execute the correct strategies to improve. Projects are the primary vehicle for implementing strategic changes. If the senior management team either chooses the wrong projects, the wrong scope or implements too slowly, the organization fails to meet its goals. If this continues year after year, downsizing and, ultimately, failure are easily predictable.

The PMO is a significant development that can make it much easier for executives to achieve their goals. Yet most executives that I have met do not flock to the PMO enthusiastically. More often, I see a group of senior project and resource managers selling the executives. The executives then come to the table, kicking and screaming, and accept the PMO concept with reluctance and skepticism.

It's true that some executives see the Project Management Office (PMO) concept as a way out of their problems. But I am hearing repeatedly about PMOs that come and go within the same year. What a tragedy! The PMO concept is correct, but insufficient by itself to address the issue.

To have a lasting PMO, it must get the executives excited. Executives get excited about results, not about methodology. This leaves the PMO with the challenge of deciding where to focus the effort to improve. We often focus energy on improving how we manage projects – tools and techniques, methodology, life cycle, etc. Too little energy is focused on choosing and activating *only the* correct projects – stress the words ONLY and CORRECT.

Another part of the PMO focus needs to be on acceleration – making projects finish faster. Combined with this, the PMO should enable the organization to complete more projects with the same resources, in much less time.

The whole problem may seem very remote to some project managers. Yet I constantly hear project managers complaining about their resource problems and the difficulty in delivering projects on time and on budget. There is a direct, cause-effect connection between choosing the wrong project mix and many of a project manager's problems. It begins with the current state in most organizations – there are far too many active projects.

Organizations have clogged arteries from so many active projects. Compound this with the following facts. Senior managers are measured on meeting their functional/departmental targets. Competition is tough and customers and shareholders are very demanding. Therefore, senior managers feel compelled to frequently authorize new projects as a means to accelerate their improvement effort.

By itself, a new project is not bad. However, an organization's resources are limited. Therefore, new projects compete with existing projects over resources. To please everyone, resources are multitasked between projects. Resource managers attempt to resolve this mess by diverting resources to projects where work is ready or is urgent.

On the other hand, project managers attempt to resolve conflicts by pressuring resource managers to divert resources to *their* projects. What a recipe for beautiful human relations inside organizations! Multitasking and splitting resource pools often cause huge increases in project durations.

From my experience and research, project cycle times are increased by as much as 300% from bad multitasking. The project manager becomes an expeditor, not just on Critical Path tasks, but on every single task in the project. This is a recipe for chaos. The ultimate result is 100% predictable. The organization suffers in cash flow, new product completion and in the number of projects completed in any given time period.

Critical Chain is a methodology for both single and multi-project environments. It recognizes two devastating common practices today:

1. The executive practice of forcing projects into the system, irrespective of the capacity of resources to do the work.
2. The common practice of measuring team members to finish their tasks on time, according to an estimate. The assumption is that if all tasks finish on time, then the project will finish on time.

The methodology provides a simple, practical way to determine and schedule according to an enterprise's project capacity (according to the capacity of the "strategic resource"). It also provides a way to finally bring the project management system into control, by scheduling and executing projects with strategic protection against Murphy and with a monitoring mechanism (buffer management) to really understand schedule performance during execution.

The documented results by many companies have been outstanding. Organizations as wide-ranging as Boeing, Lockheed Martin, Abbott Laboratories, Oxbridge Hospitals, Ericsson, the U.S. Naval Depot, Harris Semiconductor and dozens of others have publicly stated results.

There are now several books available that describe Critical Chain. Dr. Eli Goldratt, the founder of the methodology behind Critical Chain, wrote the first book on the subject, entitled *Critical Chain*, published by North River Press. I contributed a chapter on the subject to Dr. Harold Kerzner's Text, *Project Management, A System's Approach, 8th edition*, published by

John Wiley & Sons. In just under 30 pages, this is the most concise description of Critical Chain methodology that I know of. My text, *Advanced Project Portfolio Management and the PMO*, published by J. Ross Publishing, also describes the Critical Chain approach in combination with how to choose the right project mix with the right scope.

If you are not on the senior management team, you might ask, “What can *I* do about this?” The answer is “plenty”! First, you can educate yourself on one powerful way to finally get project management out of a mess. If you agree with the concepts or even see some potential for them, you can build consensus among a few managers in your organization. If one person, all by themselves, tries to accomplish a major paradigm shift, it is unlikely to succeed. But if several managers, agreeing on a concept, align and approach senior management, this is usually not ignored.

Gerald I. Kendall, PMP, Vice President TOC International, is the author of three books - *Advanced Project Portfolio Management and the PMO*, *Viable Vision* (to be published in late Spring 2004) and *Securing the Future*. He is the author of the chapter on Critical Chain in Dr. Harold Kerzner’s text *Project Management, A System’s Approach*, 8th edition. For further information on Theory of Constraints, see www.tocinternational.com. You may contact Mr. Kendall at Gerryikendall@cs.com.