



Business Consulting Services

“Make PM a Core Competence!”

Transforming IBM into a project-based business

Oregon Graduate Institute
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Paul Mugge, BCS Partner

IBM was a beached whale...



Confused

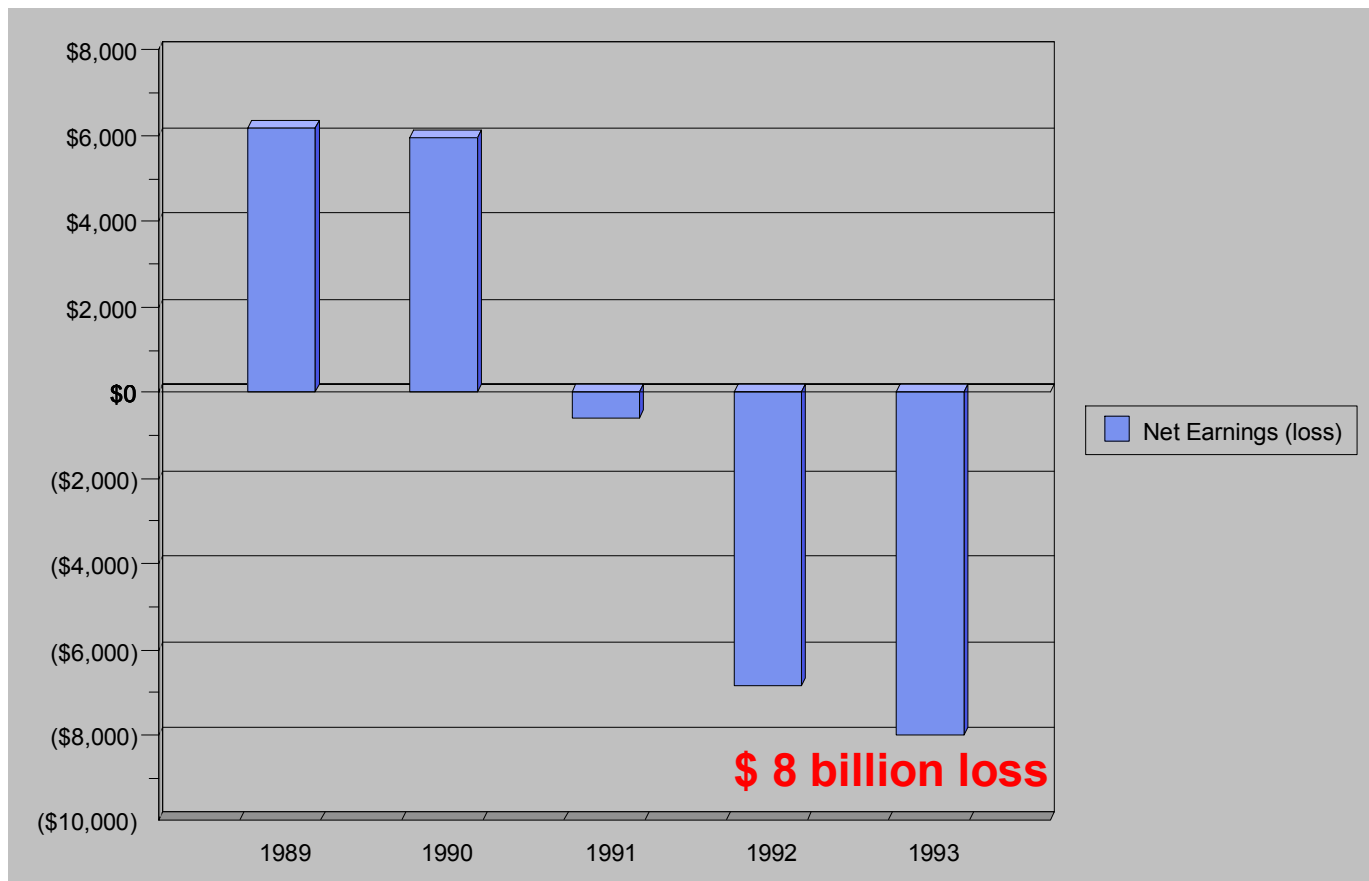
Inefficient

Disconnected

Slow

The Case for Change

By 1993 IBM could no longer deny the market it had helped create had passed it by

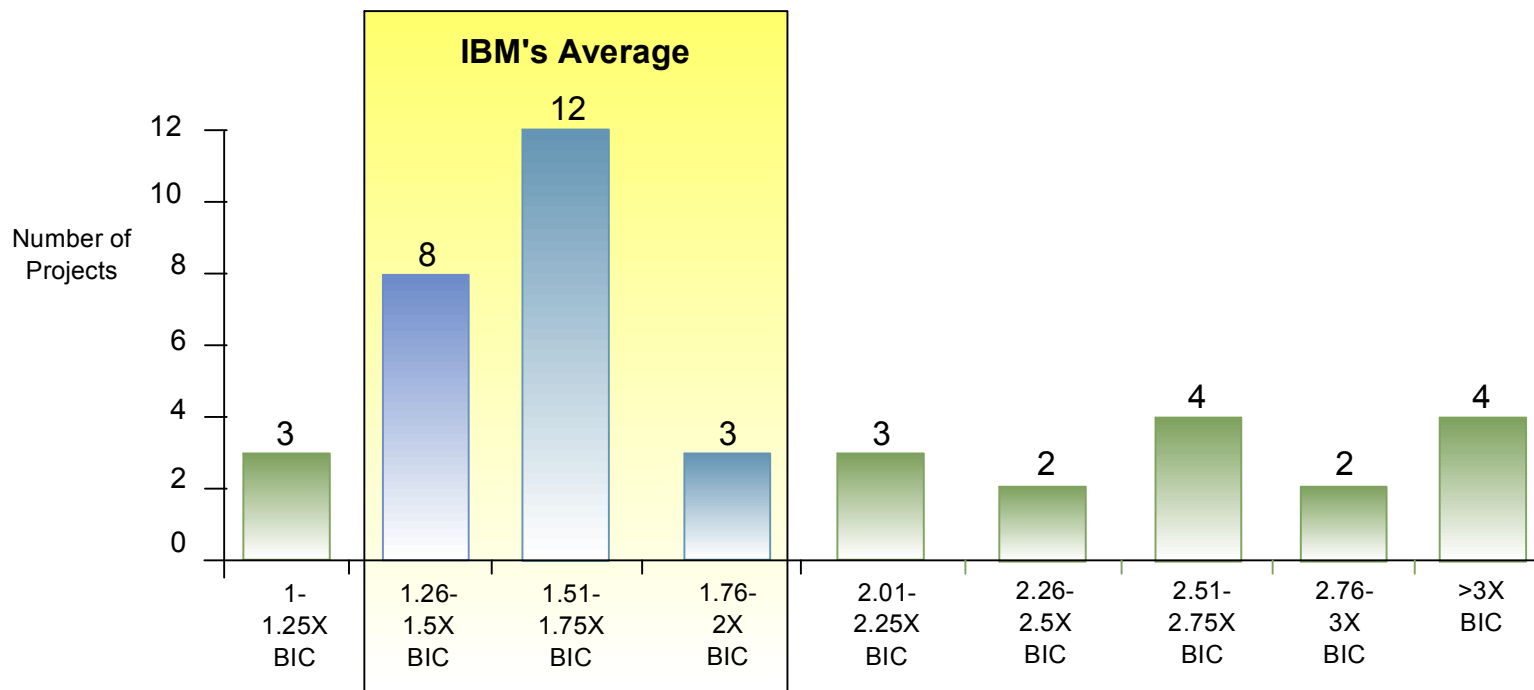


The Case for Change

Central to IBM's poor financial results was its extended cycle times -- in no case was IBM the equal of its best-in-class (BIC) competitors

IBM's Time-To-Market gaps with Best-In-Class were Substantial

Time-to-Market Relative to Best-in-Class



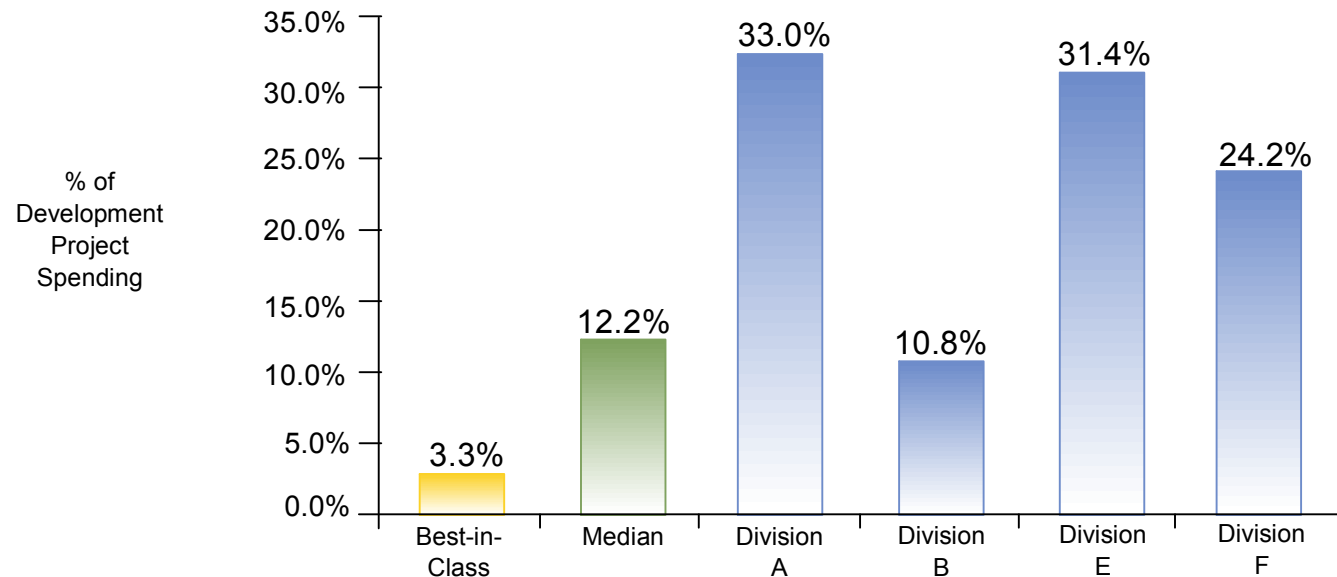
BIC = BEST-IN-CLASS

The Case for Change

Extended cycle times impaired IBM's ability to accurately assess customers changing requirements, causing many projects to be cancelled before launch

IBM's Lost Development Spending Far Exceeds Best-In-Class Ratios

Lost Development Project Spending*



Note: Lost Development Project Spending: the percentage of product development investment which does not come to market due to projects being canceled

*Source: PRTM's 1995 Product Development Benchmarking Study

The Case for Change

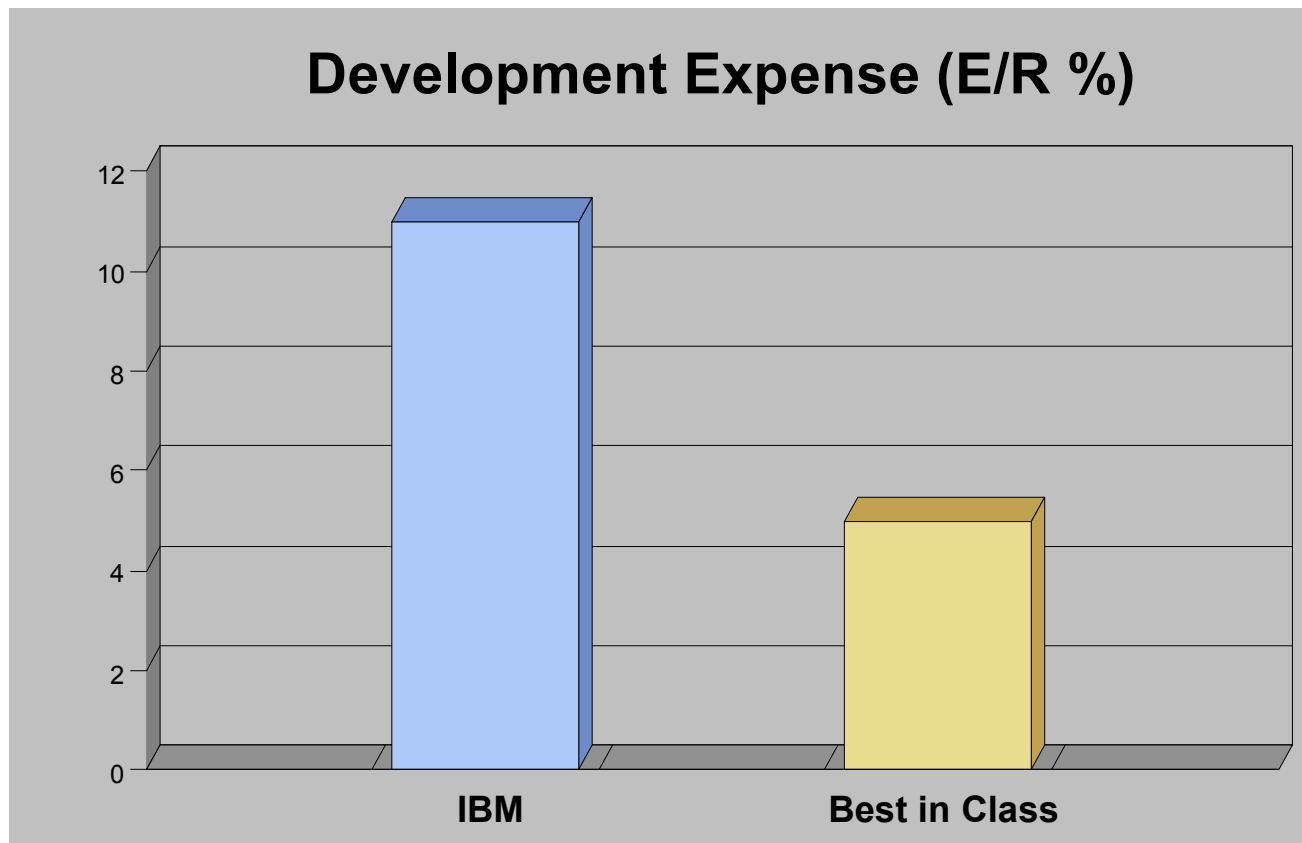
A very “troubled” project



A “circus of horrors”, June 22, 1918

The Case for Change

Combined, these effects left IBM with development productivity that was half that of its BIC competitors



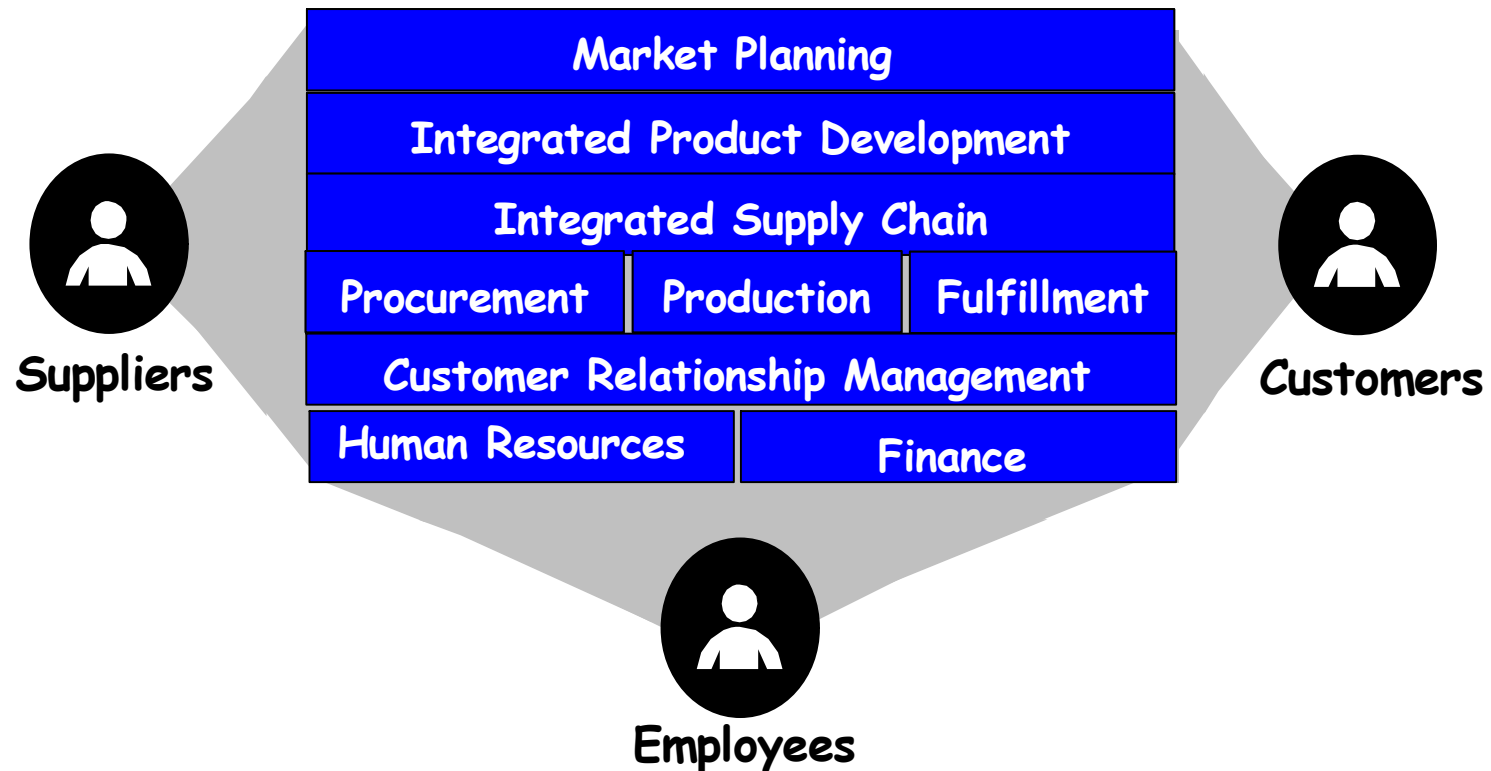
Clear, concise business imperatives would guide the redesign of the IBM company

- Clear the logjams:
 - Inefficient cost structure
 - Slow development cycles
 - Bureaucracy, Redundancy, Inflexibility
- We are in the business of computing...not computers
- Go to Market as “One IBM” -- an integrated and global company

 *Everything IBM was to do would be tied to these simple dictums.*

The Case for Change

This strategy led to a massive reengineering of IBM's business processes...



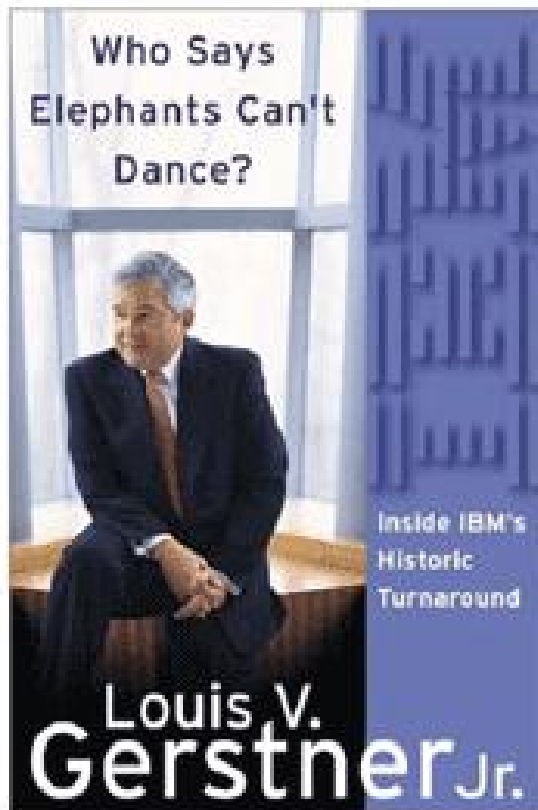
... greatly simplifying IBM's business model.

Agenda

- The Case for Change

- Job #1: Taking On IBM's Culture
- A New Standard for PM is Ordered
- Your Questions?

Culture isn't one aspect of the game, it is the game



“Until I came to IBM, I probably would have told you that culture was just one among several important elements in any organization's makeup and success — along with vision, strategy, marketing, financials and the like. I came to see, in my decade at IBM, that culture isn't just one aspect of the game, it is the game...

...In the end, an organization is nothing more than the collective capacity of its people to create value.” LVG

Tearing down Old Blue fiefdoms would be the transformation lynch-pin



Manifestation:

“Sub-optimization”

- Selfish -- no concept of sharing
- Led to one of everything
- Chronic inefficiency



“I would rather work with a competitor than another IBM unit” (IBM employee).

What IBM Leadership did about it

“One Team...One Voice”

- Massive cultural change campaign
- Personally led by CEO
- Team Awards \$25 to over \$1M
- Every employee evaluated on “Win/Execute/Team”
- Compensation tied to #1 IBM results; #2 Team results

❖ *The theme was “cowboys and heroes go home!” When this didn't work - public hangings did.*

Typical IBM functional manager circa 1993...



Inside the fiefdoms functional management ruled supreme



Manifestation:

“Uninformed and slow”

- Blind to market shifts
- Ignorant of total product life cycle -- and costs
- Slavish to protocol

❖ *Making the change harder - these behaviors were reinforced by 75 years of success.*

What IBM Leadership did about it

“Heavyweight cross-functional teams”

- All stakeholders at the table
 - ✓ Best structure to make risk/cost tradeoffs
 - ✓ Able to resolve resource conflicts
 - ✓ Execution is immediate
- Accountable -- changed how the money flows
- Biased to action



Flipping the power from the functions to the cross-functional teams enabled IBM to work faster and smarter.

Rose-colored glasses prevented IBM from seeing the truth about itself



Manifestation:

“Almost always wrong”

- Markets?
- Competition?
- Products?
- Internal Capabilities?



“IBM’s business model is wildly out of tune with the market.”

What IBM Leadership did about it

“Fact-based decisions”

- Heavy emphasis put on “Front-end planning”
- Easy-to-use and standard Decision Support Tools
- Rigorous project and portfolio management -- to maximize value
- Continuous benchmarking of “best” practice -- these became the “target” for projects

 ***IBM Project Managers would need to be much more business savvy.***

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- A New Standard for PM is Ordered
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A New Standard for PM is Ordered

“Project Management is key to IBM’s ability to reliably deliver on its commitments”

Yet benchmarking its PM capabilities showed:

- IBM often does not recognize work effort as a project and therefore do not apply to it the disciplines needed to deliver the work successfully.
- Although IBM had some skilled project managers, it did not have enough of this skill.
- Most importantly, IBM’s organizational culture and systems are not project-based and therefore impede project work.
- IBM must take definitive steps to change its culture and support systems (HR, Financial, and IT) if it is to improve this situation.

A New Standard for PM is Ordered

“We recommend IBM take bold steps in how we organize, execute, and track work”

- ✓ All IBM work will be organized into projects that create value for its customers.
- ✓ IBM will fund and track work accordingly.
- ✓ Even internal projects should be viewed in this way.

In short, the recommendation was that IBM become a project-based business that integrates and applies the best practice of Project Management into all IBM business processes and systems.

A New Standard for PM is Ordered

Before starting the journey it was important to establish the end-state

Principles:

- **Work is organized along project lines**; efforts and initiatives are **driven by cross-functional teams** that focus on achieving specific goals in defined timeframes.
- **Individuals** involved in projects -- including executives, project team members, and functional managers -- **understand their role** in planning, carrying out, and evaluating individual and multiple projects.
- Project **outcomes can be predicted with high degrees of certainty**, and when those predictions are wrong the organization has the knowledge and ability to adjust decisions and **take proper corrective action early**.
- Timely, accurate, **quantitative methods are available** for monitoring progress, predicting results, and evaluating risk; systems are in place to support those techniques; and results are continually improved.
- **Project managers are qualified** and assigned according to stringent professional criteria.
- Project management is **designated as a critical professional discipline**, with programs for continuous skill growth and professional development.

❖ | *These principles became the design point for the new, project-based organization.*

A New Standard for PM is Ordered

Organizational competence requires a consistent approach to PM

Action 1: IBM will adopt one consistent approach for project management. That approach will embody core methodologies, practices, tools and techniques common to all IBM organizations, but will be flexible to accommodate individual business considerations.

Outcome:

- A single, best practice-based PM methodology
- Different “domain” customizations for different businesses and project types – software, hardware, services, and solutions
- Rapid adoption and the ability to quickly redeploy resources across IBM

❖ ***Consistency improves the timeliness and quality, and reduces the cost of projects.***

A New Standard for PM is Ordered

IBM Project Managers have to meet formal education standards

Action 2: Significant projects will be managed by selected, certified project managers, and our management systems will enable this process. IBM project managers will meet appropriate requirements for professional education and experience, commensurate with position requirements.

Outcome:

- New professional career path established
- Formal education tracks culminating with PMI certification
- Promotion and compensation tied to training
- Exceptional project management rewarded
- IBM's biggest (and best) projects managed by certified PMs

❖ | ***“We provide forklift operators with more training.”***

A New Standard for PM is Ordered

Project success will include the degree that market requirements and financial performance are met

Action 3: IBM will monitor project performance and measure progress in terms of technical, financial, and schedule performance; hold project managers and their sponsoring executives accountable for specific project results; and provide the systems and tools necessary to analyze performance.

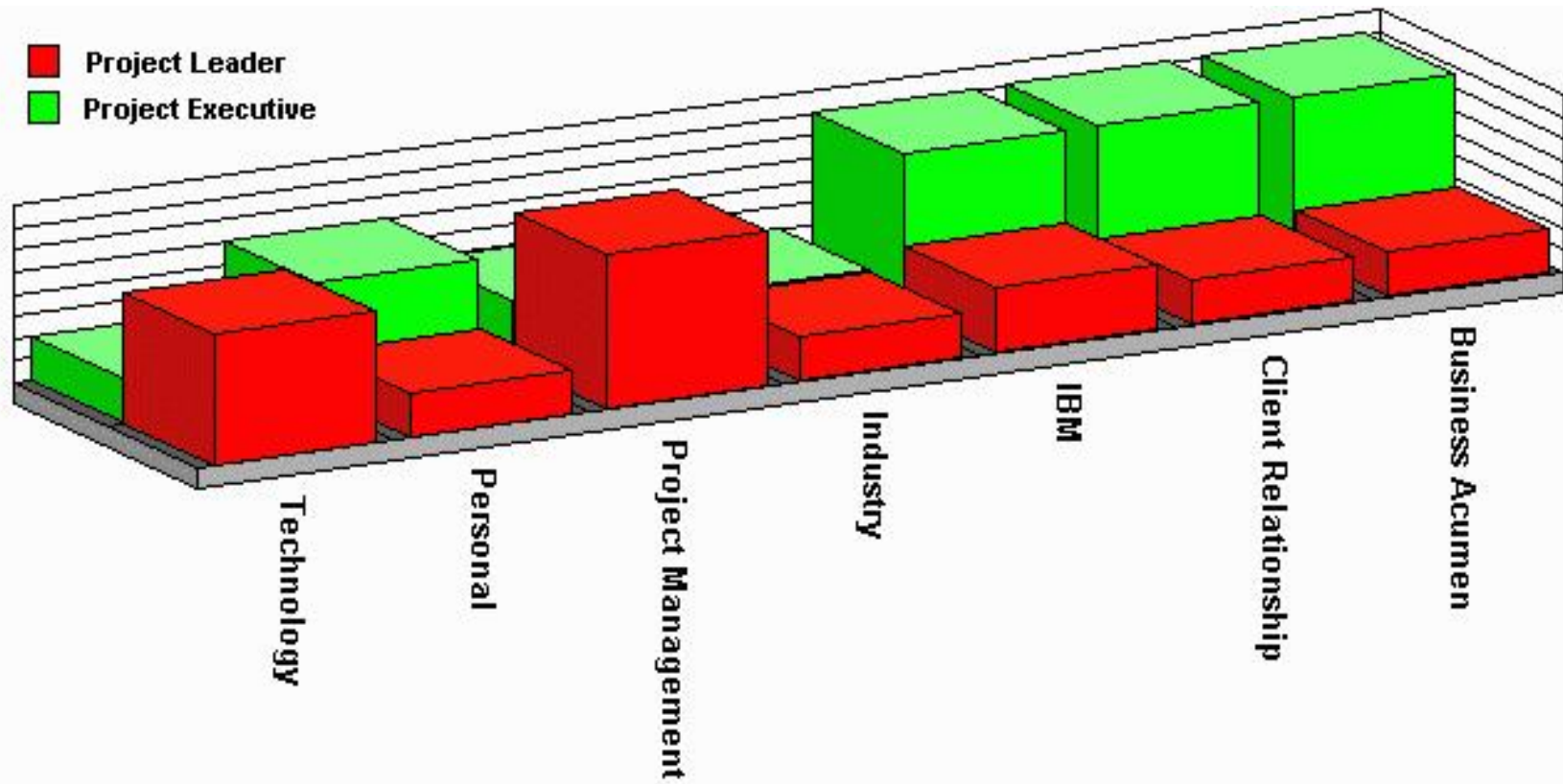
Outcome:

- Emphasis put on “front end” of projects – Concept and Plan phases become crucial project decision points
- PMs provided with a full array of decision support tools to analyze profitable segments, assess customer buying preferences, etc.
- Position becomes training ground for future GMs

 “Our new PMs need to be “busi-ngineers!”

A New Standard for PM is Ordered

New competences were defined and scaled according to project size and importance



A New Standard for PM is Ordered

The new management model was fragile and required continuing corporate oversight

Action 4: IBM will establish a project management Center of Competence, the mission of which will be to support the practice of professional project management throughout the IBM Corporation.

The COC's responsibilities encompassed:

- Developing an IBM-wide strategy and plans for the development and support of project management as an organizational competency as well as an individual profession
- Driving the development of processes, practices, tools, and curricula for the achievement of that strategy and coordinating related efforts in all business units
- Providing subject matter expertise and assistance on project management across the corporation
- Maintaining a professional project management community within IBM and coordinating that community with other related internal and external communities

A New Standard for PM is Ordered

A professional community thrives and grows only through the contributions of each of its members

Action 5: IBM project managers will further the advancement of project management as a professional discipline in IBM through the honor of contributing "give-back" activities during or in between project assignments on a rotational basis.

Outcome:

- Give back considered an “honor”
- Experiences shared through mentoring, teaching, and project assessments
- PMs are refreshed and renewed
- IBM is often selected as the benchmark

❖ ***‘We must set an expectation that our best and brightest PMs will contribute to their community - for they truly have the most to give.’***

A New Standard for PM is Ordered

Summary : What IBM Leadership did about it

They took action!

- Given an open checkbook by CEO
- CFO kept a list of top revenue projects and PMs – to make sure they went through the training first
- GMs stopped all competing PM activities across the company and funneled resources to this initiative
- CEO placed the executive responsible for IBM's largest business unit in charge of the PM Center of Competence
- GMs constantly and consistently exhorted the importance of PM to IBM's business results

❖ *Pretty soon everyone knew this initiative was going to be something very, very different.*

IBM today...



Focused

Resilient

Responsive

Result:

“#1 or #2 in chosen markets”

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