

Global Project Strategy (001) (603) 862-3374

Special Interest Articles:

- Project of the Month: Heathrow Baggage Handling
- Project Idea of the Month: Identifying and Prioritizing the Project Portfolio

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Merck Learns From its Failures

The project management lessons from the pharmaceutical industry just don't stop. In 2005 it was Merck's Vioxx, then came Glaxo Smith Kline's Avandia, and now we have Merck's Vytorin. Vytorin was shown to be no better than another of its drugs for fighting high cholesterol and that drug, Zocor, is now available in generic form.

Vioxx was pulled from the shelves after studies raised concerns about the

safety of the drug. But in the case of Vioxx, nothing was done until external pressure forced Merck to withdraw it from the market.

Think about this for a moment. We have drugs that have gone through animal and human trials, then the approval process, and finally they appear on the market. Meanwhile evidence starts to mount, well before they are approved, that some problems exist or there is

little if any benefit from taking the drug.

Here's the hitch. The cost to get to the approval stage is at least \$1 billion and represents up to ten years of hard work. From one perspective, who would want to be the person that makes the decision to abandon the project? Who would want to be the person that is responsible for scrapping a project that has already incurred over a half-billion in costs (See Page 2)

China Challenge

I just returned from ten days in Shanghai and the boom continues. But there was a difference on this trip. Wage rates are rising at an annual rate of 7 percent, employees are quick to change jobs, and the stock market bubble burst over a year ago.

One of my stops was at Case New Holland, a manufacturer of small tractors used in farming. The plant is located in a densely populated section of Shanghai and plans are underway for a new facility outside the city limits.

Business is good and they do need larger facilities.

Most of their production is for domestic customers, but there are some exports. They produce about 60 tractors a day and the manufacturing facilities are laid out as a conventional assembly line appropriate for low volume manufacturing.

I spent the Morning with the CEO and the quality control manager. When it came time to tour the facilities, the quality control manager, a recent

hire with years of QC experience, described one his first projects: to improve assembly processes. He explained that many of the workers were accustomed to working on the floor. They would spread out the parts, sit or squat, and then proceed to complete their task. With the intention of improving efficiency and quality he built assembly tables, fixtures, and established standard (see page 2)

Merck Learns from its Failures

and generated over \$5 billion in revenue?

Why were these projects permitted to continue? One explanation is that most companies reward success not failure. This can explain why most project managers would be reluctant to pull the plug.

Who is to blame? Is it the project manager? Not really. In many cases the

organization stacks the deck. By punishing failure and rewarding success it makes it very difficult to abandon projects when all the signs point to higher than expected risk or even failure.

Now let's look at how Merck responded to the Vioxx failure. Recognizing that a culture that rewards success and punishes failure may not always be appropriate they have now

established a new policy that rewards managers who terminate projects that are likely to fail in the marketplace.

Will it work? It's still too early to tell, but it is an interesting solution to a problem that has created serious problems for Merck.

Lesson Learned: Punish project failure at your own peril.

"Resistance to change knows no national boundary. It happens in the North America, EU, and Asia."

China Challenge

manufacturing practices.

Was the project a success? I saw workers on the floor and abandoned work stations above them. Even the QC manager expressed disappointment!

If you already figured out that this is a classic example of "resistance to change" you are right on the money. It happens in North America, EU and Asia. Resistance to

change knows no national boundaries; it only comes in slightly different flavors.

Well, what do you do about it? Here is a strategy that has worked for me. Create small focus groups of between five to eight workers. Discuss the problem and ask for solutions. One person needs to facilitate these meetings and act as a liaison between groups. After a few meetings the solutions should start to

converge. You are now moving towards "buy-in."

Will it work? While the workforce in China is still not as experienced as in developed economies, there are many reasons to step out-of-the-box and attempt to create more effective team processes in China.

Lesson learned: Participation helps to achieve "buy-in". A necessary condition for project success.

Project Idea of the Month

What projects do you think your organization needs to consider?

Identify ten such projects. They might focus on product or service quality, new products or services, strategic alliances with suppliers, outsourcing, or customer satisfaction.

Once they have been identified, separate them into strategic projects (those that can contribute to the competitive advantage of the firm) and those that are tactical (address everyday problems). Next, prioritize them. Finally, chose the strategic and tactical

projects with the highest priority and write a one page proposal for each.

What would you have to do to get the attention of a manager in your organization who would listen to your proposal and help move it forward.

Good to Great Project Leaders

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Jim Collins in "Good to Great" studied companies that sustained great results for at least fifteen years. What they discovered was that these companies had very different leaders than what might normally be expected. They were not the larger-than-life leaders with exceptional charisma,

high profiles, or media personalities. Instead, they were self-effacing, quiet leaders with a blend of personal humility and professional will. Translating this to project management we can visualize three levels of management styles.

At level 1 is the highly

capable project manager who makes contributions through his or her own knowledge, skills and work habits. At level 2 is the competent manager who organizes resources and people in the pursuit of project goals. At level 3 is the project manager who leads through personal humility and professional will.

Featured Project of the Month

Just when we were recovering from the Denver baggage handling project failure (the project was finally abandoned after 15 years of trying to get the automated system to work) the opening of Terminal 5 at Heathrow reminded us that some projects are inherently very risky (Baggage handling belongs to a class of complex problems known as "line balancing" problems.)

It seems that the software managing the baggage handling system had "glitches." It had been

modified just prior to the opening of the airport but there was apparently little time to fully test its ability to perform before the system went 'live'.

As a result of the 'glitch' baggage couldn't be transported to planes, the baggage system became saturated and the airport almost came to a complete standstill.

Baggage handling systems are extraordinarily complex and complex projects of all kinds present very different project

management challenges.

In project management we know that complexity is linked to scope and scope is linked to feasibility. So perhaps it wasn't the last stage of the project that failed, it might have been the first.

Lesson Learned: Scope and feasibility can kill a project but often you have to wait until the end to suffer the consequences of over-zealous planners. Don't shortchange Scope and planning, especially when dealing with complex projects.

The Basics of High Performance Teams

When it comes to teams, small is better than large. The evidence supporting this comes from many directions. Large teams start to introduce bureaucratic and social pressures that create the wrong kind of work. With large teams there may be a tendency toward unproductive conflicts, additional paperwork, imposed procedures that have little relation to the

project goals, and an unwillingness to focus on the customer.

Small teams can make communication easier and can maintain the leanness and agility necessary to respond to new information and problems.

One sign that the team has become too large, according to Katzenbach and Smith (The Wisdom

of Teams, Harvard Business School Process) is that team members get bored and miss meetings. When this happens it may be too late to take action because the political consequences of shrinking the team may be too high.

Team size is an important issue and must be resolved at the beginning of a project