

Financially Focused Project Management (FFPM)
By Thomas M. Cappels, published by J. Ross Publishing, FL, 2004
(A book review by R. Max Wideman)

Introduction

Thomas Cappels published this book in 2004 and in it he focuses on *profitability* as the goal of project management. He suggests in his Preface that project managers do this by delivering projects that have consistent value and help increase profits. He further suggests that:

"Talented, educated, and knowledgeable project managers are the business leaders, entrepreneurs, and global citizens of tomorrow, proving their value to any organization competing in today's fast-paced marketplace . . . [and] . . . good project managers are not born, but rather are created through a combination of education, experience, time, and talent."¹

Throughout his book, Thomas refers to it by its acronym "FFPM", so we'll do the same. According to Thomas:

"This book presents methodologies for company-wide and scholastic education on key financial considerations. Project management principles are clearly presented . . . [and] FFPM successfully couples formal and professional education with the hard knocks of the real business world.

. . . Hundreds of millions of dollars have been saved, and billions more will be, as the world of project management and finance unite."²

All of that set our expectations pretty high.

Thomas Cappels is the Controller for the San Mateo County (California) Office of Education and also serves as an Adjunct Professor for the University of Phoenix. He has over 20 years of industrial and financial management experience with Lockheed Martin, serving on such major programs as the Hubble Space Telescope and Space Station Freedom. He has written on many topics including quality control, product liability as well as financial administration.

The book is supported by four supplementary documents available from the Web Added Value Download Resource Center website (<http://www.jrosspub.com>) established by J. Ross Publishing, Inc. These four are: Financially Focused Project Mgmt Slides, a 1.1 MB MS Power Point presentation, an Instructors Manual, MS Word Document, a Project Management Glossary, in Adobe Acrobat PDF format and a Project Management Software Guide, MS Word document, that lists a long selection of currently available project management software applications.

However, access to the Instructors Manual is restricted to instructors or trainers who have adopted the FFPM book for course/training purposes, and authorization from J. Ross Publishing is required prior to downloading. In order to qualify as an instructor and gain access approval, you simply contact the Ross Publishing customer service department at (561) 869-3900, ext 2 or e-mail them at customerservice@jrosspub.com.

Book Structure

Financially Focused Project Management (FFPM) contains fourteen chapters and four case studies. The chapters are as follows:

1. Update on Project Management
2. Project Management Overview
3. Human Aspects of Project Management
4. The Project Team
5. Project Management Office, Portfolio Management and Partnering
6. Proposals and Pricing
7. Project Planning
8. Assessing Project Risks and Potential Impacts
9. Project Resource Management and Performance Measurement
10. Project Audit, Termination and Closure
11. Financial Administration and financially Focused Project Management Training
12. Financially Focused Project Management Performers and Components
13. The Role of Quality in Project Management
14. Project Management in the 21st Century

Case Study A is a brief description of the Lockheed Corporation and Martin Marietta merger in 1994 and the application of FFPM. Case Study B, "Perky Pets" is a fictional study based on real-life manufacturing goals and objectives. Case Study C is based on a factual case of implementing FFPM in a major software development project and Case Study D describes the application of FFPM to the service industry, a hotel courtesy car service. Each chapter and case study concludes with a brief set of self-study/discussion questions.

The book text is well laid out and liberally punctuated with illustrative charts, diagrams and bulleted lists, all of which makes for easy reading.

What we liked

We liked the idea of focusing on the financial aspects of project management. What we didn't realize until we got into the book is that the author views FFPM as "the next step in the evolution of the project management science".³ That is, it is a sort of "movement" to a new project management level, or paradigm, by people who believe in it and stand to benefit from it.⁴ So the question is, how many people will buy into the idea?

In chapter 2, Project Management Overview, Thomas observes in part:

"Project is both a science and an art. It is the formal application of principles and techniques to the planning and control of project work. Effective project management necessitates flexibility within a structure. If the rules are too rigid, there will not be enough space for the adaptation that performers and managers need to succeed. If the rules are too loose, there is inefficiency. The goal is to strike the right balance – no excess, no insufficiency."

"Formality without flexibility leads to bureaucracy. Bureaucracy is too costly and too slow for today's fast moving, fast-changing world. Flexibility without formality is chaos. It is also too costly and inappropriate given the complexity and impact of projects."⁵

Further he suggests that:

"Project management is distinct from execution, which is specific to the project and results in the project's deliverables. Project management is performed to ensure that the

project is optimally executed."⁶

And:

"Even a comprehensive set of project management procedures will not solve problems that are rooted in inadequate judgment, interdepartmental warfare, lack of effective communications, illogical problem solving/decision making, fear- and blame-based politics, or any other common causes of project performance ills."⁷

Only someone who has been there, and had personal experience, could come up with an observation like that!

Thomas briefly discusses "adopting 'vision statements' to help focus employees in the same direction."⁸ Unfortunately, he quotes the vision statement of the California State University, Monterey Bay, which happens to be a long high-flown and obscure text with sentences over 50 words long. The university's academics may understand it but whether their employees identify with it is quite another matter. His example of McDonald's is much more to the point:

"To satisfy the world's appetite for good food, well served, at a price people can afford."⁹

A project with a vision statement like that has got to be a winner!

Chapter 5 launches into a discussion of the Project Management Office, Portfolio Management, and Partnering and provides some good basic advice on each topic.

Chapter 6 provides a useful discussion of Proposals and Pricing. However, it is essentially limited to the US government's contracting environment, though many of the steps involved are generally applicable to the private sector market when large projects are involved.

The author observes that:

"Organizations are not using cutting-edge project management techniques that could help them focus resources more efficiently. One such technique is the use of the WBS."¹⁰

While the observation may be true, unfortunately, we would hardly describe the work breakdown structure as cutting edge. It should be very much mainstream and standard practice. But he goes on:

"In many companies, separate offices independently track project costs and schedules. The cost accounting organization collects the data that provide management with budget status, not whether the project is on schedule. The project scheduling organization knows whether the project is on schedule, but is unaware of budgetary performance. By the time leadership discovers that 60% of budget has been spent but only 20% of the work accomplished, it is too late to avoid at least a 40% cost overrun."¹¹

If this is indeed the case, it really is a sorry state of affairs.

On the subject of Management Reserve and Undistributed Budget, Thomas says:

"Management reserve is that portion of the total contract budget that is withheld by the contractor (i.e., not distributed) for management control purposes. Contractors normally withhold management reserve for the following reasons:

1. To motivate managers to do the job at a lower cost than negotiated . . .
2. To bank a contingency fund . . ."¹²

Well, maybe in the US, but not in our experience with UK and Canadian companies. In any case, Reason #1 appears to us to be of questionable strategy, if not downright unethical and Reason #2 should either be in the hands of the project manager to cover productivity variations from the control budget, or the responsibility of the owner/sponsor/funding authority for approved scope changes.

Chapter 10 provides an interesting description of Project Audit, Termination, and Closure as established by a large contracting organization either in the case of project completion or because of premature termination.

Downside

Our reading of the book gave us the impression that it is largely descriptive of the author's experience with a major US contractor and their institutionalized project management setup working in the trenches on large government contracts. So it reflects what they did rather than what the author recommends you should generally do on your projects. We found some of the illustrative examples a little banal and patronizing such as the description of the use of the game show "Wheel of Fortune" that introduces the Introduction in Chapter 1. We also found the logic of some of the diagrams difficult to follow¹³ and the bulleted lists a little wild and chaotic.¹⁴ Indeed, some of them are quite long and, we feel, could have been better organized into meaningful sub-lists.¹⁵

Thomas's discussion of traits/skills for a successful project manager may or may not be relevant in a book on financially focused project management, but we found this text to be a bit overdone and not very focused until we got to the observation that "The project manager should spend a good deal of time maintaining a consciousness of the financial aspects of his or her organization."¹⁶ That's fine, but is just "consciousness" sufficient?

In discussing Human Aspects (Chapter 3) and the Project Team (Chapter 4), Thomas recounts some pretty basic stuff about project people management including organizational structures and culture. While the ability to manage people is fundamental to successful project management, we did not feel that this added a lot to the intended financial focus.

On the subject of performance measurement, Thomas observes that:

"In most instances, the success of a project is measured by its profitability."¹⁷

Certainly that is a contractor's perspective, but not necessarily that of the project owner. For the owner, benefits may take time to materialize and be measured in other terms such as "Being on schedule is one of the determinants of a successful project."¹⁸

It is not until we get to Chapters 11 and 12 that we see an Introduction to Financially Focused Project Management and a discussion of its components. This includes advice on training in the "methodologies for company-wide and scholastic education on key financial considerations" that we noted in the description in our Introduction. For those not familiar with contractors' cost tracking systems, such topics as financial and cost accounting, accounting classifications, direct costs versus indirect costs, labor and non-labor cost allocations and overheads, and how to distinguish between them, will be of interest. Also the role of time keeping cards, coding structures, the makeup of labor rates for estimating and forecasting, will make for interesting comparisons.

Still, we found the material to be rather elementary and poorly organized so that at the end of the day we were really no clearer on what is particularly special about Financially Focused Project Management.

Summary

Thomas is fond of using acronyms throughout his book, some of which we were unable to trace. A

glossary providing a list of these and their meaning would have been helpful. Also, there is no Glossary of project management terms to clarify the particular meanings that he uses. It would have been useful to have a Glossary of those special terms that he introduces. However, as noted in the Introduction, a full Glossary of PM terms is available from the J. Ross Publishing web site.

This book provides a good basic coverage of the management of construction-type projects, especially where profit is a key motivating factor such as project management service providers and contractors. Thomas Cappels clearly has a lot of interesting experience and observations to recount and probably comes across well in contractor training sessions. However, we think that the content of his book could be better organized – and much better focused to make the case for Financially Focused Project Management.

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¹ Cappels, T.M., *Financially Focused Project Management*, J. Ross Publishing, FL, 2004, pp vii-viii

² Ibid, pp viii-ix

³ Ibid, p7

⁴ Ibid, p252

⁵ Ibid, p16-17

⁶ Ibid, p17

⁷ Ibid, p18

⁸ Ibid, p31

⁹ Ibid, p34

¹⁰ Ibid, p126

¹¹ Ibid, p128

¹² Ibid, p136

¹³ Example: Figure 1.1, on p 8

¹⁴ Example: Socioeconomic Environment bullet list, p13

¹⁵ The bullet list on pp38-39 contains 25 important traits, yet does not include those in a related Figure 3.2: Core Traits/Skills. The Project Planning Steps bullet list, pp123-4 contains 23 items in a seemingly haphazard sequence.

¹⁶ Ibid, p45

¹⁷ Ibid, p155

¹⁸ Ibid, p160