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# Planning the human capital managing performance

Donna Dickson

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# Project Management Across Industries: Sustaining Good Practices

**Planning the Human Capital**

**Managing Performance**

## Acknowledgments

### Project Team

Research and Content Development: Donna Dickson • Facilitators: Larry O'Meal, Mary Turcotte

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Donna A. Dickson,  
Visiting Assistant Professor  
Rochester Institute of Technology  
14 Lomb Memorial Drive  
Rochester, NY 14623-5603  
(585) 475-5036  
Fax (585) 475-5099  
dadism@rit.edu



## Planning the *Human Capital*

*After successfully completing this module, you will be able to...*

- *Define human capital*
- *Describe the importance of planning for the human capital aspect of a project*
- *Share best practices for planning and managing the human capital aspect of a project*

*Human capital is of unique importance in today's economy because a growing number of organizations rely on their employee's knowledge-related capabilities versus their physical labor to achieve business goals.*

***t*he effect of human capital on productivity is well known, but its effect on project implementation is not so well appreciated**

—*Banik and Bhaumik*

## HUMAN CAPITAL

Successful completion of each project requires physical capital and labor (human capital) as well as a Project Management body of knowledge. Quite often, the availability of adequate human capital is either taken for granted while formulating, designing and appraising a project or even if some attention is given to its provisioning, the attention is insufficient. The effect of human capital on productivity is well known and is usually factored in while comparing wage rates across countries, but its effect on project implementation is not so well appreciated.<sup>1</sup>

Human capital is a way of defining and categorizing peoples' skills or capabilities as used in employment. Human capital is of unique importance in today's economy because a growing number of organizations rely on their employee's knowledge-related capabilities versus their physical labor to achieve business goals. This is especially true for members of a project team.

That a firm's performance will be influenced by its human capital is not a new concept, according to the authors of a recent article, *The Relationship between Human Capital and Time Performance in Project Management*.<sup>2</sup> In theory, assert the authors, we can expect that the higher a firm's stock of human capital, the more successful the firm will be and the greater its competitive advantage over its rivals will be. The authors believe that "...successful project management must be focused on the mobilization and motivation of human resources. Other resources must be managed, but people represent the primary resource directly influenced by the activities of project management."

<sup>1</sup> Arindam Banik and Pradip K. Bhaumik. Project management and development of human capital in the Caribbean: three case studies. *Management Decision* vol. 44. 2006.

<sup>2</sup> A.W. Borwn, J.D. Adams, A.A. Amjad. The Relationship Between Human Capital and Time Performance in Project Management: A Path Analysis. *International Journal of Project Management*. vol. 25. 2007.



## HUMAN CAPITAL AND PROJECT MANAGEMENT

A project's success or failure depends as much on its design as on the environment in which it is implemented.

In their study, Banik and Bhaumik present three case studies demonstrating the importance of considering the human capital impact on a project. They assert that the projects in each case, "...suffered from non-availability and/or poor availability of skilled manpower especially at project leadership and project management levels. In fact, it can also be seen that many of the other problems like the institutional bottlenecks and financial problems are also related to this. The funding agencies seemed to be more concerned with the development of the economic and infrastructural capital and less so in the corresponding provisioning and development of the human capital needed for the execution of the project as well as the running of the post-project operations."

Banik and Bhaumik propose that the human capital requirements for a project need to be addressed at the project identification stage. Similarly, at the analysis and development stage, they believe that detailed plans regarding the training of personnel necessary for successful implementation of the project as well as for post-project operations need to be defined.

And, say Banik and Bhaumik, by completing post-project evaluations allows project managers to institutionalize the learning from a project experience so that the processes are strengthened and the same mistakes are not repeated in future projects.

**C**onducting a  
**lessons learned**  
**activity at the close**  
**of every project**  
**increases each**  
**team member's**  
**capacity to**  
**perform well in the**  
**next project**

***m*anaging project  
resources,  
including the  
human capital will  
improve project  
outcomes**

The KPMG International 2002-2003 Program Management Survey<sup>3</sup> interviewed 230 organizations in 15 countries. Among the survey findings was the fact that 59 percent of the organizations surveyed had failed projects. The average cost of these failures was reported to be \$10.4 million. Another key finding of the survey showed that only 10 percent of projects come in on time, fewer than 20 percent come in on budget, only about 50 percent of the projects that were evaluated even meet sponsor expectations.

The major reasons for failure were described as:

- Unclear or changing scope requirements
- Ineffective project management
- Poor resource management
- Ineffective cost management

Poor resource management, according to Mark Dochtermann, (PMP, CISSP) Senior Consultant/Instructor in the Microsoft® EPM Division for International Institute for Learning (IIL), is the direct result of mismanagement of an organization's assets, often resulting in poor project performance, cost and schedule overruns, and even catastrophic project failures.<sup>4</sup>

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<sup>3</sup> KPMG's International 2002-2003 Program Management Survey. [www.kpmg.com.au](http://www.kpmg.com.au). 2004.

<sup>4</sup> Mark Dochtermann, *Managing Project Performance: A Proposed Model*. [allPM.com](http://allPM.com). 2005.



Dochtermann’s model for project performance management includes:

### 1.2 Resources Management and Planning the Who and When?

The challenge with most projects is that there always seems to be more work than can ever be accomplished by the available resources in the constrained timeframes that we are given as Project Managers.

The Rolling Wave approach to resource management and Planning offers significant benefits over the “hoard and steal” approach, commonly in use, to obtain those key resources so desperately required for all of our projects all at the same time!

The Detailed Planning Window used in the Rolling Wave approach addresses the short and long term planning for resource utilization. The timeline for a project is organized into three distinct planning windows<sup>5</sup>:

- Resource Planning is where long term resource capacity planning is performed. Typically this is done 4 to 6 months out where the number of resources by skill set is determined. The Human Resources department and senior management planning are significantly involved in this window as this impacts the total headcount of the organization which typically requires executive management oversight and approval.
- Resource Usage Optimization during this window resource optimization occurs. The total resource capacity should remain constant, but better allocations of the resources across the tasks that need to be done in order to optimize the resource utilization. This is typically a 2 to 3 month look ahead planning window.

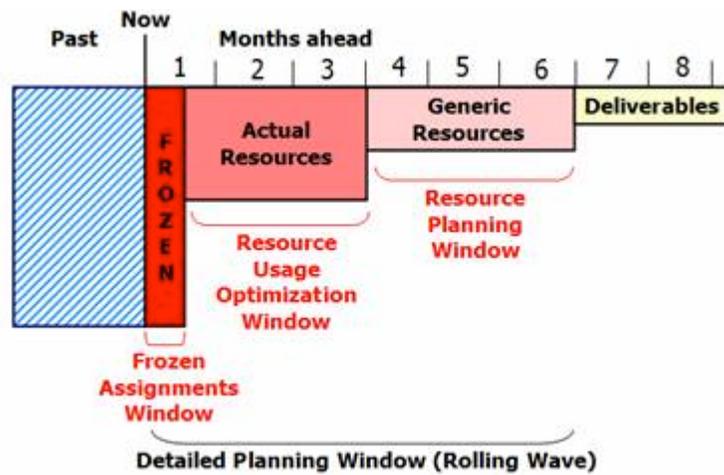
***b*y committing work to named resources, which are “frozen” for their duration, project churn can be minimized**

—Mark Dochtermann

<sup>5</sup> Eric Uyttewaal. MS Project 2003 Blue Belt Professional Workbook. International Institute for Learning, Inc. 2005.

- **Frozen Assignments** firm work assignments are committed to named resources, which are “frozen” for their duration to minimize task churn by providing the project contributor with the opportunity to focus on the work at hand. Once a work assignment enters this window it requires a special process to “unfreeze” it especially for those tasks that are along the critical path of a project schedule. This is typically a 1 to 2 week period.

The Project Management Office deliverables planning processes may allow for a fourth “Deliverables” planning horizon window.





## BEST PRACTICES

### Purpose

To share ideas for improving the planning and management of human capital

### Instructions

1. Discuss strategies you have employed or seen used to effectively address the human capital aspect of a project.
2. You may find the ideas presented in this section of the workbook helpful in generating your own ideas.
3. Select one idea that you think is particularly effective and be prepared to share it with the larger group.





## Managing Performance

*After successfully completing this module, you will be able to...*

- *Identify root causes of typical performance problems*
- *Use questions to engage a project team member in reducing barriers to peak performance*

*It is an immutable law in business that words are words, explanations are explanations, promises are promises—but only performance is reality.*

*Harold S. Geneen, CEO  
Raytheon (1956-59), ITT (1959-72)*

## GETTING TO THE UNDERLYING CAUSE

It is easy to make assumptions about the cause of a performance problem. When someone isn't performing well we characterize the person as lazy or sloppy or believe the person just needs more training. We can waste a lot of time fixing the *wrong* problem and risk alienating project team members if we do not find the underlying cause of the problem.

### Sources of performance problems

If the answer to any question is yes, move to the next potential source. If the answer to any question is no, you may have isolated a cause. (There may be more than one source of a performance problem.)

Individual	Performance Management	Environment
<b>Knowledge/skill</b> Has the individual been trained and coached to do the tasks required?	<b>Expectations</b> Does the individual know <i>exactly</i> how performance is measured?	<b>Resources</b> Does the individual have the time, materials, and tools to do what is expected?
<b>Motivation</b> Is the individual interested in doing a good job?	<b>Feedback</b> Does the individual frequently hear about how her/his performance compares to expectations?	<b>Policies</b> Do policies and procedures help the individual meet expectations?
<b>Aptitude</b> Does the individual have the ability to learn the skills required for her/his project role?	<b>Rewards/consequences</b> Does the individual get recognized for good performance? Are you sure the individual is not unintentionally penalized for performing well? Are there consequences for poor performance?	<b>Conditions</b> Are the hours or other working conditions prohibiting good performance?



## ISOLATING THE CAUSE

### Purpose

To isolate causes of performance problems

### Instructions

Circle all of the potential causes of the performance problem described in each situation.

### Situation 1

Bill started out as a hardworking project team member. He asked good questions, took initiative to go above and beyond, volunteered to help others, and took pride in the quality of his work. After eight months on the project, Bill now seems to have lost interest. He does the minimum required and appears “burnt out.”

Employee	Performance Management	Environment
Knowledge/skill	Expectations	Resources
Motivation	Feedback	Policies
Aptitude	Rewards/consequences	Conditions

—Continued

**Situation 2**

Kim is bright and capable, with a positive outlook and a gregarious personality. She tends to get overly involved with what others are doing and she often seems to be checking everyone else's work, or asking them why they are taking a particular approach. Her own work for the project is often submitted after the milestone dates.

<b>Employee</b>	<b>Performance Management</b>	<b>Environment</b>
Knowledge/skill	Expectations	Resources
Motivation	Feedback	Policies
Aptitude	Rewards/consequences	Conditions

*—Continued*



**Situation 3**

Fredrick has been doing such a good job that his responsibilities on the project have been increased. Although he still completes all of his deliverables on-time, he is beginning to make mistakes and recently made a very poor decision.

<b>Employee</b>	<b>Performance Management</b>	<b>Environment</b>
Knowledge/skill	Expectations	Resources
Motivation	Feedback	Policies
Aptitude	Rewards/consequences	Conditions

## USING QUESTIONS

To accurately uncover the cause of a performance problem, you'll need to ask the project team member questions. Your use of questions will demonstrate your genuine interest in helping the team member and build trust in the process.

Your questions should be open-ended to encourage conversation and can include...

- *What* just happened?
- *What* is going on for you?
- *How* could you do it differently the next time?
- *How* can I help you?
- *Why* is it important to do things differently?
- *Why* did you make that decision?