ADVANCED Project Portfolio Management and the PMO

Multiplying ROI at Warp Speed

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Advanced Project Portfolio Management and the PMO:

Multiplying ROI at Warp Speed

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E-LEARNING MODULE FOR
ADVANCED PROJECT PORTFOLIO MANAGEMENT AND THE PMO

This best-selling title in the PMO space has been transformed into a dynamic e-learning module with multiple learning styles and formats. The online course covers the vital ingredients that make strategic planning, project management and a Project Management Office (PMO) work well together. It examines the PMO and strategic planning in depth, including what is missing from current approaches. The authors show why the current Project Management model must change drastically from focusing on cost and efficiency to focusing on project flow and throughput.

People learn differently, and to date technology-based training has been very static. Powered by iDL Systems, this online course uses a dynamic, state-of-the-art adaptive learning system that analyzes in which style the student learns most effectively and offers the content in that style. The course is designed using highly effective flexible cognitive approaches that create a rich learning environment where you can progress at your own pace. Visit us online at www.jrosspub.com for more information.

Key Features:
- Each registrant who completes the course receives certification as a Project Management Office Professional (PMOP)
- PMPs earn 15 PDUs upon course completion
- Over 400 web pages of instruction with audio and document download
- Course provides a dynamic learning environment by automatically remediating itself based on questions missed on exams
During the past 10 years, project management has grown from a part-time effort to a profession. Companies that once considered project management as “nice to have” now consider it mandatory and a necessity for the long-term survival of the firm. Today, project management is regarded as a strategic competency for the organization and, as such, can significantly improve the organization’s future competitiveness.

Accompanying any strategic initiative or strategic competency is a vast amount of information that is eventually generated and must be absorbed, retained, sorted, restructured, and evaluated such that maximum use of the information is possible. Project management generates enormous quantities of information that can affect not only daily operations of the organization, but the company’s future direction as well. This intellectual property must be effectively managed. Therefore, there is the need for the existence of a Project Management Office (PMO).

The physical existence of a PMO is not new. However, using the PMO as a direct input to the strategic planning process of the organization is new. Until now, literature on the effective use of a PMO has been minimal. Published papers covered only small aspects of a PMO, and textbooks on the use of a PMO, for all practical purposes, were non-existent or simply scratched the surface on critical topics.

Today, the marketplace finally has a textbook, Advanced Project Portfolio Management and the PMO, by Gerald Kendall and Steven C. Rollins, which is not only the most comprehensive textbook ever published on the subject, but should certainly become the standard for PMO development for years to come. If your organization has a need for developing a PMO, this book should be required reading for all executives.
Being a strong advocate of effective strategic planning, I have found the strength of the textbook to be Part III. This section successfully links the PMO to strategic project selection, prioritization, portfolio management and, ultimately, strategic planning. The abundance of critical information in Part III and throughout the textbook allows the readers to develop their own company-sensitive templates for project selection and portfolio management.

Throughout the text, Kendall and Rollins provide real-world examples of how to make a PMO work effectively. It is always better to learn from the success and failure of others than to learn from your own mistakes. With the importance of the PMO expected to increase significantly over the next decade, this textbook should be in the personal library of all project managers.

Harold Kerzner, Ph.D.
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After decades of improvement initiatives, the majority of project managers still fail to meet their goals. Executives are being fired in record numbers. This book traces the connection between these two facts and provides a mountain of surprising insights. The latest attempt to solve these problems, a center of project management intelligence and coordination called the Project Management Office (PMO), is correct but ill-fated. Without some fundamental change in its focus and approach, the PMO will become another passing fad.

In hindsight, the mistakes that organizations and PMOs make seem obvious. Executives can deliver on their promises if, and only if, they can cause their organization to successfully and swiftly execute the right projects. Activate too many projects, and the system fails miserably. Execute some, but not all, of the right projects, and the results are insufficient to meet the goals. Execute projects sanctioned independently by functional executives, and project managers compete with each other over resources, without clear overall priorities. Some of these projects are “pet projects” of functional areas, without a direct link to overall organization goals.

Project managers try to solve these problems in isolation from the executives whom they support. They focus on methodology, tactical data, and tools without having a breakthrough impact on project cycle time, project flow, and strategic value of projects. Our research shows that over 90% of current PMOs are not connected with their senior management team and have no metrics that matter to senior executives.

Many executives have invested money in project management, but they have not addressed the root problems. Long-standing executive practices are at the root of many project management problems. But without working together, project managers and executives will continue to square off against each other, fighting over project schedules and resources. So time and money are wasted, and executives and project managers alike are very frustrated.

This book provides the insights into why these problems exist. It identifies the root problems and provides a solution for executives, project managers, and the PMO. Complemented by case studies of organizations such as the American Institute of Certified Public Accountants, Babcock and Wilcox, Arlington County, Quintiles, TESSCO, and others, this book describes the missing, vital link between executive strategy and project management.

This book tells executives what they must know to execute flawlessly, using portfolio management as a strategic weapon. Executives must understand the details, at least through Parts I and II of this text, to make project management work in their organization.
To succeed and survive, a PMO must provide meaningful value to the senior management team. This value comes from information (the executive cockpit), recommendations, increasing project management flow, and accelerating durations. If these benefits are not obviously tied to the PMO efforts, we make this recommendation — start putting your resume together. However, before you do so, read this book. It details how to turn your PMO into a value machine. In this book, you will find the metrics, the road map, the processes, and the data to transform your PMO into the executive’s and the project manager’s best friend.

For project managers and project teams, this book should initiate an important dialogue in your organization. If a handful of project managers or team members begin to question, in a non-threatening way, some of the things that do not make sense, this can become like a snowball rolling down a mountain. Meaningful debate and dialogue can be an important precursor to improving the practice and results of project management in your organization.

In a few hours of reading and learning from the authors’ combined 60+ years of experience, you will save years of pain and failure. Learn and succeed.

Gerald I. Kendall
Steven C. Rollins


At J. Ross Publishing we are committed to providing today’s professional with practical, hands-on tools that enhance the learning experience and give readers an opportunity to apply what they have learned. That is why we offer free ancillary materials available for download on this book and all participating Web Added Value™ publications. These online resources may include interactive versions of material that appear in the book or supplemental templates, worksheets, models, plans, case studies, proposals, spreadsheets and assessment tools, among other things. Whenever you see the WAV™ symbol in any of our publications, it means bonus materials accompany the book and are available from the Web Added Value Download Resource Center at www.jrosspub.com.

Downloads available for Advanced Project Portfolio Management and the PMO consist of templates, models, assessment tools and plans, including a detailed plan using Microsoft Project to implement a PMO that covers the first two years of operation and details over 450 tasks.
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This book received the help of some outstanding people who care deeply about project management. I am very grateful to Dr. Harold Kerzner, who volunteered a great deal of his personal time to review the manuscript. I had approached Dr. Kerzner when Steve and I began writing the book. At the time, we had not met face to face. Yet he unselfishly mentored me with ideas that have helped to shape the book’s format and content. These contributions were more than I ever expected. Yet he did more. After reading the entire manuscript, Dr. Kerzner wrote the foreword to this text, which makes me humbly proud of the effort.

We would not have as rich a text without the voluntary efforts of the case study contributors. To Barney Barnhill and his team at Tessco, thank you for the most comprehensive team response to our questionnaire. Over two dozen leaders at Tessco provided extensive input regarding their journey over the past two years using the $4 \times 4$ strategic planning and project management processes. This case study required incredible coordination, which Wendy Sauvlet provided tirelessly. Denise Hart, the Program Management Officer at Arlington County, VA, contributed an outstanding case study on the PMO efforts in this county government. Paul Olinski from Babcock & Wilcox in Cambridge, Ontario provided input on their strategic planning and project management efforts that resulted from using the $4 \times 4$ process. Richard B. Lanza, from the American Institute of Certified Public Accountants, shared a very interesting case study about their use of PMO concepts to help many national and regional projects in a challenging environment of 60 teams and 2000 volunteers. Steve Unwin and Douglas Call from Quintiles Transnational responded to our numerous e-mails, providing another view of how a PMO can drive value to a large worldwide organization with many virtual teams. Tina Meier from Oklahoma State University provided great insight into how to transform an organization where
everything is a priority into an organization with true priorities. To Marion Segree, EPMO Manager at the City of Kansas City, I owe special thanks. After a week’s absence from work, she did the impossible and revised their case study within a day, answering all my questions and making it a compelling read.

I thank Jack Duggal, a PMO expert from Projectize Group, who graciously shared his insights and provided several diagrams for this text. Table 19.1, distinguishing traditional PMOs from the next generation, was adapted from the paper “Building the Next Generation PMO,” that Jack presented at the PMI® Symposium in Nashville, TN in November, 2001. These themes are highlighted in the popular seminar series “Building the Next Generation PMO” and the focus of an upcoming book. I also thank Alfonso Bucero from Spain, who provided feedback and great knowledge about his implementation of a PMO at HP.

We gratefully acknowledge the permission we received from the Forrester Group to reproduce a very helpful chart positioning vendors in the enterprise project management tool market.

To my wife and partner, Jackie, for the past 9 years in our Theory of Constraints efforts, thanks for your suggestions, for reviewing the manuscript, and making the presentation of ideas much clearer. I also appreciate the ongoing hours of dialog with our editor, Drew Gierman, and the professional efforts of the J. Ross Publishing staff in putting this work together. It has been a real pleasure to work with Drew over the past 7 years. He keeps things simple.

To my teacher and mentor over the past 9 years, Dr. Eli Goldratt, I can only give a heartfelt thank you. Over the years, he has helped me understand why common sense is not obvious to people. His insights in project management are just beginning to have a global impact. Eli, I hope this book helps to spread the knowledge and returns something of what you so generously gave to me and to the world.

My final acknowledgment is to my co-author, Steve, without whom this book would not have been possible. I know that the only way to describe his effort is “a labor of love.” Nothing else could compel someone to make such a sacrifice, to bring our knowledge to print. Steve, you have my deep appreciation, from the bottom of my heart.

Gerald I. Kendall
Navarre, Florida
ACKNOWLEDGMENTS

The creation of this book completes a personal, life-long ambition to document the knowledge gained over my career in helping PMOs bring value to business while I was helping project managers, team members, and others become more successful in project management.

This book was written in record time by most standards. The initial draft of more than 300+ pages was completed in 5+ months. The toughest part of writing this book was not the development of new material but rather how to limit what was written in the planned space. Many times I would write well into an evening only to realize I had written 40 to 60 pages when I should be writing 10 to 15 pages. Passion will get a person into trouble.

Little did I realize that my chance meeting of Gerry Kendall at the 2001 PMI® Symposium in Nashville, TN would actually lead to this personally fulfilling accomplishment. To this, I say “Thank You, Gerry.” You have been a wonderful mentor, project manager, and partner in developing this book for PMOs everywhere. Gerry, I am eternally grateful for your involvement in this effort and your guidance throughout the process! You have been wonderful to work with!

Many books on project management exist in the business market today. Very little is written on PMO development, implementation, or maintenance as well as portfolio management — basic, advanced, or otherwise. A book of this nature is long overdue. After all, where do PMOs go today to validate they are on the right path to helping their business grow? Most PMO approaches have been aimed at better tools, better templates. Nowhere are PMOs taught to show people how to better work together for the benefit of reduced project delivery costs and time. The insight to help PMOs apply behavior models to motivate project delivery was learned in the team training I received from the Total Quality Management (TQM) teachings of the
late Dr. Edwards Deming and from Florida Power and Light while I was an employee and as a TQM Facilitator at Sprint Corporation in the late 1980s. Additionally, I later added the knowledge learned from applying the Theory of Constraints (TOC) axioms to this mix. To all of this, I am grateful to Dr. Edwards Deming and Dr. Eli Goldratt for the development of their concepts so that others, like me, can leverage these principles into our PMO contributions to business. Without TQM and TOC, this book would not have been written.

I also wish to thank all of those individuals who have contributed case studies about their PMO success stories operating within their business. These folks are truly pioneers and should be recognized for it.

My final acknowledgment is for the Project Management Institute (PMI®). PMI® represents the largest body of project management professionals globally who have come together in association to seek ongoing improvement in project management. My hope is that PMI® will take action to grow PMO conceptual support in helping benefit project managers and team members everywhere become more successful.

After all, if you are like most project managers or team members whose projects fail every year (74% of IT projects fail each year and the number is growing as reported by Standish Group) in their attempt to deliver the objectives, people will tire of the consistent failure and move toward more stable and less career-threatening occupations. We must be better at project delivery for the profession to flourish. Project delivery success rates must significantly improve for business to realize the value of project management. We have miles to go and better methods, better management, and better information are needed to accelerate the pace.

Steve Rollins
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Gerald I. Kendall, PMP, is a noted management consultant, strategic planner, public speaker, and project management expert who has been serving clients in Canada, the U.S., and overseas since 1968. His background includes extensive experience as a systems engineering, sales, marketing, and operations executive with an international focus. Recent clients include Babcock & Wilcox, Alcan Aluminum, Tessco Distributors, Brown and Williamson, Agere Systems, Lockheed Martin, and Travelocity.com.

Gerald is certified in the field of Theory of Constraints, and is a graduate and silver medal winner of McGill University. He is a member of PMI. Gerald is the author of Securing the Future: Strategies for Exponential Growth Using the Theory of Constraints. He is also the author of a chapter on Critical Chain Project Management in Dr. Harold Kerzner’s text, Project Management, A Systems Approach, 8th ed. He has had dozens of articles published in magazines and is a frequent speaker at conferences and chapter meetings. He is also the co-author of three recent white papers: “Integrating Critical Chain and the PMBOK®,” “Choosing the Right Project Mix,” and “How to Get Value from a PMO.” Gerald can be reached via e-mail at Gerryikendall@cs.com.
Steven C. Rollins, MBA, PMP, is co-founder of PMOUSANetwork. Steve is a well-known national subject matter expert in Enterprise Program/Project Management Office/Project Office startups and improvements. Steve has recently led the deployment of www.PMOUSA.com which was recently launched as a free information source to PMOs in the United States.

Steve’s background includes extensive experience in financial services, healthcare, human resources, information technology, insurance, and telecommunications. Steve has been a featured speaker at many project management community events, speaking to the “Value Proposition of Project Managers” at PMI chapters and businesses across the United States. Recent clients include American Century Financial Services, Fortis Benefits Insurance Company, Honeywell, HR Block, International Institute for Learning, Jasmine Networks, Kaiser Permanente, Oklahoma State University, Principal Financial Group, Sprint, State of Kansas, and Westell Technologies.

Steve is the Knowledge Chair for the PMI Metrics Specific Interest Group and was responsible for leading the framework development and rollout of the first ever comprehensive project management metrics Knowledge Center in 2002 (www.MetSIG.org). Additionally, Steve is the Executive Chair for the Mid America PMO Regional Group that operates as a chapter of the PMI PMO SIG (www.PMI-PMOSIG.org). The Mid America PMO Regional Group has grown from its initial beginning in September 2001 to more than 650 members today and provides information and networking support to PMOs and project management professionals in seven states (Nebraska, Iowa, Kansas, Missouri, Oklahoma, Arkansas, and Texas) plus additional membership around the world. Steve is also co-author of the recent white paper “How to Get Value from PMOs,” and the author of white papers “How to Market your PMO” and “Growing the Business, the Value Proposition of Project Managers.”

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PART I:
SETTING THE STAGE
FOR A SUCCESSFUL
PMO IMPLEMENTATION
INTRODUCTION — BUILDING A PMO THAT EXECUTIVES EMBRACE

INTRODUCTION

In its ideal form, the Project Management Office (PMO) should represent, for an organization, what air traffic controllers represent to pilots. It should guide projects safely (minimizing the risk) and as quickly as possible to their destination. It should prevent mid-air collisions between projects and resources. It should be the project manager’s and the executive’s best friend.

In our view, the PMO must do even more. It must drive much higher return on the investment that any organization makes in projects. In this sense, it becomes a value machine. To do so, the PMO must be the arm of senior management. It must help the executives meet their strategic goals by providing them with a single point of knowledge for project management intellectual property, among other things. The PMO must help executives execute.

To date, most of the PMO directors with whom we have spoken describe a very different model of their PMO. In a meeting with over 100 PMO directors in Kansas City in 2002, over 90% told us that they have no direct involvement with or expectations from their executives. They also told us to stop preaching to the converted. They know they need executive involvement and support. This book is intended to help.

Most executives would not agree that a PMO is even necessary, unless they fully understand the problems that project and program managers face today. So that is where this book begins.
There are many detailed questions you might have about a PMO. For example, what are the different options for organization structures? Is there a road map that we can follow to successfully implement a PMO? What portfolios of information must a PMO maintain, and what data are included in each portfolio? How do you measure a PMO? What software products are available to support a PMO and how do they compare?

We have included chapters to answer all of these questions and many more. Before exploring the details of the PMO and portfolio management solution, we would like to come to an agreement on what the current problems are in project management common practices. Then the formal definition of the PMO charter, its mission, and deliverables will become much more meaningful.

**CURRENT PRACTICES IN PROJECT MANAGEMENT**

Some of the practices we see in project management are nothing less than bizarre. By analogy, it is like doctors scheduling surgery in a hospital, regardless of whether or not the operating room is available. Imagine having 10 doctors show up on the same morning, all with prepped patients. No one person “owns” the operating room schedule. The operating room support staff report to different supervisors.

The supervisor decides that she doesn’t want to have any surgeon be mad at her, so she instructs the operating room staff to multitask in order to assist all surgeons in the operating room. All surgeons will have access to the precious resource, the operating room table, and the one anesthesiologist and the one surgical assistant, but only for 15 minutes at a time.

Surgeon #1 begins surgery, but must relinquish the table to Surgeon #2 after 15 minutes. Surgeon #2 must relinquish to Surgeon #3 after 15 minutes, etc. Surgeon #1, who could perform his surgery in 1 hour dedicated time, is now stuck for 10 to 15 hours, trying to keep the patient stable. Each time a surgeon is given the precious resource, the operating room table, he struggles to remember how far along he had gotten in his last 15-minute slot, several hours earlier. Fifty percent of the 15-minute time slot is wasted just in getting restarted.

If this already sounds ridiculous, good! We are just scratching the surface of how projects are actually managed in organizations today.

The surgeons cannot afford to waste their time. They are a precious resource. So, in between their 15-minute time slots, they rush out of the operating room to do other important tasks. Sometimes, they become so preoccupied with another task, they do not even make it back to the operating room in time and miss their surgical slot completely. The surgery takes
even longer. The surgeons also waste half their time going to and from the operating room, switching tasks.

Senior management of the hospital comes under pressure. They paid a lot of money to build the hospital. The operating rooms are the most precious resource of the hospital. The flow of patients through the hospital, and through the operating rooms, determines how much money will flow through the hospital. And the flow of patients is dreadfully short of what is needed to keep the hospital afloat.

The hospital is being squeezed by insurance companies, HMOs, etc. who are all demanding to pay less money for the same procedure. Senior management cannot hire more surgeons and cannot build more operating rooms.

Reports to senior management make everything seem wonderful, when, in fact, the financial situation is getting worse and worse. The hospital sets up a Surgery Management Office (SMO), to gather information and help patient flow. The first thing the SMO does is demand that everyone fills out detailed time sheets to help ensure full utilization of all resources. Various reports claim that the operating rooms and the surgeons are almost 100% utilized. Yet the revenue flow is decreasing. How can this be? While it is true that the operating rooms are heavily utilized on paper, the truth is that half of the utilization is bad multitasking, moving patients on and off the operating room tables. *This activity generates no revenue*. The SMO reports are not helpful in pointing out this flaw.

To increase revenues, senior management instructs the surgeons to initiate more surgeries per month. Their false belief is that if they initiate more surgeries, they will complete more surgeries. Another false belief is that if all resources are busy doing important work, then the organization’s goals will be met.

Faithfully, the surgeons obey and the following month the picture is worse. Fewer surgeries are completed. Rework is increasing. Scrap (a bad word in a hospital) is increasing. The surgeons are complaining constantly that they are having fights with each other over the allocation of the operating room.

Senior management listens but would really like their staff to solve these problems themselves. Aren’t they adults? Can’t they get along with each other? Why do we, senior management, have to constantly be the referees?

The pressure increases and the executives declare that cost is too high. Procedures are taking too long. Surgeons are allocating too much time to each procedure. Supporting resource time is too high. Much of the focus is on cost and cost reduction. Schedules and budgets are cut across the board.

The following month, the executives are extremely unhappy, but are having great frustration in deciding what action to take. The surgeons *did*