Strategic Project Management

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Introduction

This paper introduces Project Management, with a focus on the use of Strategic Project Management and Project Portfolio Management to create a competitive advantage for an organization.

Project Management

The practice of project management can be traced back to the manufacturing, defense and construction industries. According to Cleland (1994), formal project management got its start in the late 1950's as a means to manage the development and implementation of large scale military systems (Cleland, 1994, p. 4). The field of project management began to grow and become more mature with the emergence of project management societies such as the Project Management Institute (PMI) and the interest of researchers in industry and academia. These societies and research helped to broaden the field of project management and formalize the field and bring the practice of project management to businesses worldwide.

The Project Management Institute (PMI), created in 1969 to establish project management standards and provide formal education in project management, defines project management as "the application of knowledge, skills, tools, and techniques to a broad range of activities in order to meet the requirements of a particular project." (Project Management Institute [PMI], 2000). Kerzrner (1998) provides a much narrower definition of project management when he defines project management as " the planning, organizing, directing and controlling of company resources for a relatively short-term objective that has been established to complete specific goals and objectives" (Kerzner, 1998, p. 5).

Regardless of how project management is formally defined, the focus of project management within an organization is to achieve the goal of 'getting things done'. Most of the early literature and research on project management revolved around learning how to better manage the execution of the project to ensure that a successful outcome is achieved (i.e., on time, on budget, within scope).

Project Management Processes

There are various societies and project management 'bodies of knowledge' around the world that have been responsible for the growth and formalization of the practice of project management. PMI has arguably created the industry standard certification for practitioners of project management with their Professional Project Manager (PMP) certification. Since the PMP certification seems to be the key credential for a project manager to obtain, the PMP guidelines published by PMI, known as the 'Project Management Body of Knowledge (PMBOK)' has become widely used as the de facto standard for project management guidelines.

The PMBOK contains over 200 pages of formal definitions of project management processes and procedures that the PMI believes should be used when managing projects. The most critical aspects of the PMBOK (and project management) can be more easily stated using five critical project management 'phases'. These phases are described in detail in the PMBOK and are briefly described below.

- **Initiation** – Defined as the "process of formally authorizing a new project or that an existing project should continue into its next phase" (Project Management Institute [PMI], 2000, p. 53).

- **Planning** – The planning phase is arguably the most important phase because it is during this phase that the project plan is created. The project plan is the document used throughout the lifecycle of the project.
- **Execution** – As the name suggests, this phase is concerned with implementing the project plan and 'getting the work done'. The majority of time spent within the project management framework is spent in this phase.
- **Monitoring and Controlling** – This phase deals with the aspect of ensuring the project is being executed according to the project plan and is remaining within budget, on time and remains within the scope of the plan.
- **Closing** – During this phase, a project plan is formally closed and all loose ends (hopefully few) are wrapped up and the project is closed.

The five phases listed above are considered by PMI and many project managers worldwide to be the necessary phases for starting, executing and completing projects. These phases provide a very good framework for running projects, but the focus of the PMBOK is strictly on the execution of projects. Morris (2003) describes the PMBOK as having shortcomings when he writes:

> Though widely accepted, many practitioners, academics and others however believe it has serious shortcomings. It contains nothing detailed on project strategy, nothing on project definition, little on value management, nothing on technology management, and little on the linkage with programs and portfolios. All these shortcomings derive from its intellectual perspective of project management essentially as an *execution* discipline: of delivering a project 'on time, in budget, to scope' (Morris, 2003, p. 2).

The shortcomings described above have led to a strict focus on the execution of projects, which has created 'tactical' tunnel vision within organizations. This tunnel vision has led many organizations to implement formal project management processes to create a tactical mindset at a time when the strategic use of resources is vital to these organizations. This tactical thinking is exactly what is needed for ensuring that 'things get done' within a project, but strategic thinking is also needed to ensure the optimal use of time, resources and money to ensure that each project undertaken is aligned with the business strategy of the organization.

Strategic Project Management (SPM)

Strategic Project Management (SPM) has been defined by Callahan & Brooks (2004) as "the use of the appropriate project management knowledge, skills, tools and techniques in the context of the companies goals and objectives so that the project deliverables will contribute to company value in a way that can be measured" (Callahan & Brooks, 2004, p. 23). They further describe SPM as a "process that takes into account a company's way of doing business, allowing for the possibility of a significant payoff with fewer risks" (Callahan & Brooks, p. 30).

The above definitions are good, but they do not convey the most important aspect of SPM, which is the fact that senior leadership needs to be involved in selecting, defining and prioritizing which projects are undertaken within the organization. Because of this, the following definition does a much better job of accurately defining SPM:

> *Strategic Project Management consists of selecting, managing and measuring project outcomes to ensure optimal value for an organization. All projects undertaken by an organization must meet a set of criteria setup by the organizations' leadership to ensure alignment with the strategic vision of the organization.*

Strategic Project Management is really nothing more than the picking the right projects for the organization to ensure optimal returns. This sounds very simple and straightforward, but research shows that there are many organizations that have overlooked the important fact of aligning projects with corporate strategy. The fact that SPM is often overlooked can be seen in research performed by Stanleigh (2006) and report in the article titled “From Crisis to Control: New Standards for Project Management”. Stanleigh reports that a fraction of projects undertaken by organizations (roughly 2.5 percent) are 100% successful (Stanleigh, 2006, p. 1). Stanleigh discusses the need for organizations to ensure that only those projects that are aligned with the corporate strategic vision be undertaken and he describes four key strategies that assist organizations in regaining control over their projects and ensuring strategic fit. These four key strategies are:

- **Ensure that all projects are strategically aligned** – According to Stanleigh’s research, “68 percent of organizations had no systematic approach for prioritizing projects or linking them to corporate and strategic goals.” (Stanleigh, p. 2).
- **Create a Project Management focused culture** – Stanleigh describes the need for a project management culture to permeate an organization from the executive leadership teams down to the administrative assistance
- **Implement Strategic Project Management best practices** – Stanleigh’s research showed that very few project management offices within organizations “didn't consider lessons learned to be of great importance in their overall mandate” (Stanleigh, p. 4).
- **Create a strategic project measurement system** – Stanleigh’s research shows a very tactical view of project management measurements. The survey results showed

that most organizations' project management success measurement systems included tactically driven measurements such as "projects on time, projects on budget, achieved scope requirements, customer requirements met and achieved all milestone deliverables" (Stanleigh, p. 5).

Stanleigh's strategies described above seem to be common sense, but most organizations have not taken the time to take the high-level view of their projects to ensure that the resources that are being consumed (i.e., time, money, people, etc) are creating value and/or returns to the organization.

Strategic Project Management Framework

Building on Stanleigh's strategies, a basic framework for implementing Strategic Project Management (SPM) methodologies within an organization can be created. This framework, along with the basic project management methodologies, can assist an organization in successfully selecting and implementing projects. The SPM framework is outlined below.

1. **Strategic Alignment of Projects -** An organization should ensure that any project undertaken is aligned with the goals and objectives of the organization. In order to do this, the executive leadership team needs to be intimately involved in the prioritization and selection of projects as well as the definition of the project outcome. This 'frame' within the SPM framework is described in more detail in a later section of this paper.
2. **Cultivate a Project Management Culture –** An organization should initiate training sessions to train personnel about the importance of project management and the tools and methodologies used to manage projects. This project management culture helps

to create a sense of teamwork, responsibility, understanding and accountability within the organization.

3. **Create Best Practices –** Each organization needs to create a project management 'best practices' document to outline the methodologies used in selecting and managing projects. This document should not only outline the procedures to be used to manage projects but also the information to be gathered during and after the project to ensure that knowledge gained during the project is passed along.
4. **Track and Measure Projects and Outcomes –** One of the more important aspects of the PMBOK is the 'controlling" of projects. The processes used to control a project are very well defined as are the tracking and reporting mechanisms for projects. There are areas that need to be improved though, such as measuring ROI, ROC and other value based measurements that will help the organization to measure and report on the value that the project has brought.
5. **Create Open Channels of Communication –** This is the key to successful implementation and practice of SPM and project management. Without open and honest communication throughout the organization, projects are doomed to not be as successful as they could be and could quite possibly fail completely.

The framework above seems very straightforward but it is very powerful if an organization were to implement it. By implementing this framework, along with a formal project management methodology, an organization can ensure that the projects selected are implemented successfully and bring most value to the organization.

Strategic Alignment of Projects

This first ‘frame’ in the SPM framework is usually the most difficult to implement and understand. Aligning projects with corporate strategy is not an easy topic to grasp for some organizations, but it is necessary to ensure that all projects are aligned with the organizations’ goals and objectives. To accomplish this task, an organization must review the project and assess what it is that they want to accomplish. In addition, the business value of the project must be completely understood and defined. When paired with the PMBOK project management phases, the strategic alignment of projects would assist in defining the project outcome and success factors for the ‘initiation’ phase. This process of aligning projects with corporate strategy helps to address the issue raised by Morris (2003) when he writes that project management must be about “delivering business benefit through projects and this necessarily involves managing the project definition as well as downstream implementation” (Morris, 2003, pp. 2-3)

In recent years, Project Portfolio Management (PPM) has become a methodology for selecting projects that are well-aligned and prioritized. Callahan & Brooks (2004) have defined PPM as “the use of the appropriate management knowledge, skills, tools and techniques to maximize the alignment of the company’s project portfolio” (Callahan & Brooks, 2004, p. 178). Winters (2005) described PPM slightly different when he wrote “PPM is an approach to the management of groups of projects that treats them as investments” (Winters, 2005, p. 1). As can be seen from these definitions, PPM consists of selecting, balancing and prioritizing projects to ensure optimal value for an organization. PPM is a valuable tool for any organization. Using the principles of PPM, an organization can:

- Select the proper projects according to company strategy.

- Balance all projects being undertaken by the company to ensure optimal resource usage.
- Optimize projects to ensure maximum value to the company.
- Quantify the project benefits in financial terms (Winters, p. 1).
- Identify and manage risks (Winters, p. 1).

The benefits of PPM outlined above can provide tremendous value to an organization by allowing the proper selection of strategically aligned projects, optimal resource allocation, project utilization and maximized value to the organization.

While using PPM principles to select projects provides a lot of very good benefits, one of the most important aspects of implementing PPM principles is that Return on Investment (ROI) and other financial measurements can be used to track project status and determine if the project(s) is/are creating value for the organization. Using financial measures such as ROI can provide immediate insight into the status of a project, which allows better executive decisions related to the optimal usage of resources within the company.

By using SPM and PPM principles, an organization will be able to ensure proper selection, prioritization and management of projects and project portfolios to ensure that projects are aligned with the business strategy and providing value to the company.

Strategic Project Management as a Competitive Advantage

Michael Porter described a firm's competitive advantage in his classic book titled *Competitive Advantage* when he wrote:

> Competitive advantage cannot be understood by looking at a firm as a whole. It stems from the many discrete activities a firm performs in designing, producing, marketing, delivering, and supporting its product. Each of these activities can contribute to a firm's

> relative cost position and create the basis for differentiation … A firm gains competitive advantage by performing these important activities more cheaply or better than its competitors perform (Porter, 1985, p.33).

Many books and articles describe competitive advantage and methods to achieve it by choosing one of Porter's methods of Cost Leadership, Differentiation or Focus to achieve an advantage over competitors. The purpose of this section is not to dive into a competitive advantage discussion over these methods, but to try to describe the use of Strategic Project Management as a method of achieving a competitive advantage.

Implementing project management methodologies by themselves will most likely not provide any organization a competitive advantage, namely because their competitors have implemented the same (or very similar) methodologies. Most modern organizations moved to a project management methodology such as PMI's PMBOK many years ago but have not completely understood the concept of using a strategic vision for project selection nor have they understood that strategic management of the PM function is necessary. There is ample evidence to suggest that poor project management will hurt an organization's ability to gain a competitive advantage, but there is very little evidence to show that the best project management team in the world could create a competitive advantage without proper project portfolio management and project selection.

In order to gain an advantage in the marketplace, an organization must properly identify and select the 'right' projects. The perfect summation to this argument of selection those projects that add value to an organization is provide in the article by Naughton & Green (2006). In the article, they write:

> The strategic imperative gives you a different way of prioritizing projects because it's saying that some projects may not be as profitable as others, but if they add to our competency relative to others, then that's going to be important. Therefore, if a company's competitive advantage is introducing new products more quickly than others … the projects that enable it to get the product more quickly to market are going to be the most critical ones, even if in their own terms, they do not have higher profitability than other sorts of projects (Naughton & Green, 2006, p. 1).

Strategic Project Management has recently become a more popular topic within the project management industry. Many of the world's project management societies have recognized the need to educate organizations about SPM and its benefits according to Naughton & Green. They write:

> Recently, a number of the world's leading project management organizations have taken major initiatives to enlighten executive management about the strategic importance and benefits of project management. The focus is to move from individual project management to organizational project management, which these organizations maintain is a strategic advantage in a competitive economy (Naughton & Green, 2006, p. 1).

Conclusion

The purpose of this paper has been to provide an overview of Strategic Project Management (SPM). The use of SPM and Project Portfolio Management (PPM) can provide a great deal of advantage to an organization to allow them to identify and select those projects that provide the greatest level of value to the organization. There are considerable advantages for an organization to undertake a rethinking and/or retooling of the project management function to include SPM methodologies and practices in the selection of projects that are undertaken.

An additional topic of measuring and reporting project status using a Balanced Scorecard has been covered as well. Current project management reporting mechanisms outlined in the PMBOK are very good for reporting status within the project team but are found to be confusing by project stakeholders that are not intimately involved in the project. The use of the Balanced Scorecard as a project management reporting mechanism has been considered by some researchers and implemented within organizations, but its use is not widespread. It is possible that the Balanced Scorecard can improve reporting and measurement of key project metrics but more research must be performed to determine the proper measurements to include in the scorecard.

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