

# Starting Points of Project Excellence

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## Abstract

*In modern business environment, it is becoming increasingly harder for organisations, regardless of their size and operational goal, to carry out the necessary changes in a timely manner. At the same time, it is becoming ever harder for companies to build competitive advantage. Projects and project management are key tools in gaining control over development processes and adapting to changes in the modern organisation business environment. Global trend analyses show that mastery of project work and project management is becoming one of the key success factors of any modern organisation, where the level of mastery of project work is gaining increasing importance. In the following text, the scope of project work and the concept of project excellence will be presented.*

**Key words:** modern environment, project, project management, project excellence

## 1. Characteristics of Modern Business Environment and New Approaches to Business Organisation

Why are projects and project work becoming increasingly important business ingredients in the modern world? Because we have been facing, since the beginning of the nineties, the problems of unstable business environment, requiring from us the ability to develop rapidly and a high level of adaptability in every-day business operations. Business globalisation and rapid technological development, particularly in the area of information technologies and telecommunications, have brought about problems of shortening of the product life cycle, necessity for drastic reduction of product/service development time, increase in the share of order-based production, and others. Traditional business organisation that we are all familiar with and, to a large extent, still practice, is a poor basis for the development of such competencies in a modern organisation that will allow it to successfully face emerging demands and challenges.

In many cases, organisational development did not, unfortunately, keep pace with the technological development described above. To illustrate the issue, let us just mention that the bases for the theory of business organisation that we still use today to a large extent, were developed at the beginning of last century by Fayol, Taylor and their contemporaries. We believe a comparison between technological development and business levels at the time with today's level and demands is needless. Project, network and quantum organisation are notions that apply to modern approaches to better business management in organisations facing problems and challenges of the modern business world.

In order to illustrate the usefulness of work methods and techniques developed by modern project management, let us mention the study (Kerzner, 1998) published in the

nineties, which presented the results of project work and compared them to work methods utilised in traditional business organisation. The results showed that, in most observed companies, new product development and mastery time reduced drastically, and an increase in revenues, business profitability and customer satisfaction level was also noted.

Another empirical example showing that new approaches to company business organisation and management must be sought is provided by some of the Japanese automobile manufacturers, such as TOYOTA. In the nineties, when American automobile manufacturers faced problems of decrease in competitiveness and profitability of their companies, TOYOTA's American subsidiary was achieving significantly better results. To illustrate this fact, let us mention (Baumann, 2005) that the profit during the period of observation was 2 % in the GM company, as compared to 8 % for the aforementioned Japanese manufacturer. As early as 1997, the American automobile industry commissioned a study seeking to find out what the essence of TOYOTA's approach was. The study shows that Japanese companies do not observe the golden rules of industrial production formulated in the West after World War II. These rules are based on the following premises (Baumann, 2005):

- The importance of capital, as capital, labour and raw materials are primary production inputs;
- Mass production – increase in prosperity through capital investment, labour cost reduction resulting from it, and using the force of capital to put pressure on suppliers;
- Scientific management – three groups of employees were formed, namely managers, responsible for decision-making and representing the interests of capital owners, experts, defining how and when things should be done, and workers, whose role is to physically carry out the set objectives;
- Financial management – the basic assumption is

that financial decisions have the most influence on a company's success and that investments should be made into growing economic activities and that companies in good standing should be bought.

Practice has shown many times that such an approach is questionable. Investment into new promising technologies often did not bring the desired financial results. Charismatic management model, based on constraint, personal charisma and cost reduction, has almost always proved to bring profitability only short-term.

Analysis showed that the TOYOTA company's business is based on different premises. The most important factor is knowledge, through which costs can be reduced, and utilisation of labour, raw materials and assets can be optimised. Another difference is that there is only one type of employees in their companies, comprising all the employees. Each individual employee contributes a portion of the knowledge in the process of creation of a new value. Knowledge cannot be bought; it is acquired through continuous learning. Transfer of foreign knowledge into a company's own environment shows considerable net losses of knowledge in such transfers. A lot of the learning occurs in the product development processes. Such an approach brought the TOYOTA company outstanding results, including a four-time increase in development productivity, two to three-time decrease in development time and costs, ten-time increase in the number of innovations, etc. The described cases show that modern times require different organisation governance and management concepts, as the traditional concepts' time is past, and they no longer produce appropriate results. The reasons for this are to be found in the instability and dynamism of the modern business environment, rapid technological development and globalisation of business and competition.

Companies are facing the demand to develop their key competencies, with which to compete on the global market. These competencies are largely connected with the ability to develop new knowledge. More knowledge means greater competitive capacity. Knowledge becomes tangible as a specific product, service, process or system. Final tangible knowledge is the result of the application of inter-connected incremental knowledges participating in such a process of creation of a new artifact. From the business point of view, it is a matter of defining appropriate process objectives, allocating adequate resources necessary for their realisation, and providing appropriate management and motivation of all participants for innovative cooperation. It is a specific type of a one-time business process, professionally referred to as "project".

## 2. The Scope of Project Management

Project management has hitherto acquired the reputation of a highly successful and efficient work method. Its role was limited solely to the implementation of one-time smaller or larger undertakings. Project management as a work method has doubtless prevailed, and still prevails, in large one-time construction feats, research projects

or other types of large-scale pooling of labour and other resources in order to complete a specific complex one-time undertaking.

In companies whose production is not project-oriented, project management is largely the work method of second level management, while the highest level management rarely or occasionally utilises the instruments of project management. (Hauc, Kovač, Vrečko, 2002). Recently though, a significant shift in the understanding and utilisation of project management has been noticeable. Project management is increasingly becoming the prevailing work method in companies searching for new forms and types of business process organisation with the aim of attaining a better competitive edge. In addition, project management is increasingly penetrating non for profit organisations, demanding higher efficiency and quality in search of new operation modes.

The prevalence of project work goes hand in hand with the development of project management theory. In the last twenty years, project management has developed from a systems viewpoint, through goal-oriented theory, to project-oriented management (the terms used in professional literature are: project-based management, management by project or project oriented management) (Turner, 1993, Turner, 2000, Lock, 2000, Cleland in Ireland, 2000).

Just as a project is a one-time process with clearly defined beginning and end dates, project management is a one-time undertaking, beginning with clearly defined and set project objectives and ending with the delivery of results to the customer or users organised by the company itself. The international standard (IPMA, ICB, 2002) defines project management as a series of tasks including the planning, organisation, monitoring and control of all the aspects of a project, and the motivation of all those involved in it to achieve the project objectives on time and to the specified cost, and other criteria used for evaluating the successfulness of project implementation. In order for a project manager to be able to carry out the set task, he/she must be familiar with a variety of fields required by the profession of project management, which are defined in the aforementioned standard.

Each project has a customer. The project customer can be a company's or organisation's management, appointing an employee to the position of project manager and thus delegating to him or her the responsibility for the carrying out of set development objectives of the company or organisation. In market projects, the customer is the official representative of the buyer of project results.

Customer satisfaction is one of the fundamental objectives to be pursued by any successful project manager. Well-defined and measurable expectations on the side of the customer are a pre-condition for successful project implementation. Project quality management is a professional field helping the project manager define, together with the customer, unambiguous, measurable results, and expectations connected with them. Project objectives are closely connected with organisations' development strategies and strategic goals. For this reason, the successfulness of development projects is conditional upon the appropriate level of integration of the strategic and project management process.

Projects represent the realisation of an organisation's development strategies. Regrettably, the traditional management theory makes a distinction between strategic and project management, which can be seen in traditional textbooks in this field. Let us take as an example a book on strategic management describing everything from the mission, vision, to methods utilised for defining strategic development objectives and development strategies connected with these objectives. In the part of the book dedicated to the realisation of the aforementioned development strategies, such sources are very general and succinct, and do not, moreover, mention project programmes or project management, which are, in practice, the basis for successful realisation of the said strategies. What follows are not theoretical research findings, but empirical facts having shown that companies achieve significantly better results through project approach than through traditional work methods.

The conditions for successful project realisation are closely connected with (IPMI, 2005):

- competency,
- knowledge,
- available equipment and
- willingness to work.

Competency is defined from the point of view of the involved employees and the organisation. Competency of the involved personnel is defined on the basis of their formal and informal training for the intended work, and their intellectual and emotional IQ. Competency level of the organisation is defined on the basis of the capacity to define project tasks, identify competent personnel capable of carrying out the planned tasks, identify the skills lacking in the involved personnel in light of the requirements, and eliminate the established deficiencies.

Knowledge required for the successful carrying out of a project should also be defined from the point of view of the involved individual, as well as that of the organisation. Individual employees are the ones possessing knowledge on how to perform a specific task. These are specific expert knowledges related to the implementation process of the intended project. They include project management knowledge, technical knowledge, economics and business-related knowledge, legal knowledge, financial knowledge, computing knowledge, knowledge required for the use of specific tools, methods, techniques, etc. The role of the organisation, on the other hand, is to define the needs for a specific knowledge and its level required for successful implementation of a specific task. In case of deficiencies, it must ensure transfer of the required knowledges to appropriate employees planned for the implementation of the project, through appropriate instructions, trainings, and other types of transfer of required knowledges and skills to individual employees. In any event, the organisation is responsible for seeking and ensuring the required knowledge sources.

Equipment required for the successful implementation of a project can also be defined from the point of view of the individual involved employee, or the entire organisation. The individual aspect involves equipment required for the successful work of an individual. It is the equipment connected with the work environment, and

we distinguish between "hard" and "soft" equipment. The first group is comprised of premises and equipment, standard computing hardware and software, work tools and the like. The second includes working climate and organisational culture representing the environment for the implementation of the planned tasks. The task of the organisation is to ensure adequate equipment for the individual. Logically, "soft equipment", assuring the appropriate working climate, as a pre-condition for successful work, is as important as the "hard equipment", if not more.

In order to achieve above average results, it takes willingness to work, which, again, can be viewed from the standpoint of the individual, as well as the organisation. Personal willingness to work manifests itself as inside motivation for achieving the expected results, and is, in addition, expressed through personal discipline required for the implementation of the task. Together with competency, it gives the individual adequate energy to perform the set task. The role of the organisation is to develop and systematically support the willingness of the involved persons to work. It achieves this through its preparedness to face problems of good and bad implementation of project tasks, and resolve them with the help of the competency described above. It encourages and rewards good work and has the ability to solve problems in a positive manner. Such an organisation has the ability to create willingness to work in all its employees, regardless of their area and level of employment.

### 3. Project Excellence

Customer satisfaction, connected with the criteria for successful project realisation described above, is the basic starting point for the introduction of project excellence. On the other hand, project management is the performing of management functions required for the implementation and achieving of the project's final goal. In addition to the well-known functions of management, a project manager must pay special attention to the activities of integration and connection of the project with the environment. Integration activities limit the function of project management to the execution level. At the execution level, project management is implemented through the so-called project (or project phase) life-cycle.

The basic phases in most projects include the following: definition of project starting points (purpose, objectives, environment and options), definition of the implementation (resources, implementation modes and manners, plans), implementation of the project and conclusion, and delivery of project results. The entire process of project pre-preparation, implementation and conclusion is a very complex network of various relatively independent sets of activities, differing from each other in contents and implementation methods.

How can it be determined where the observed organisation is at? For this purpose, various project management maturity models were established (OPM3 and others).

As concerns typical phases of introduction of project

management into practice, we can summarise the findings of the world renowned expert Kerzner, who distinguishes the following typical phases (Kerzner, 1998):

- embryonic phase; in this phase, the organisation begins to recognise the need for and benefits of project work,
- executive management acceptance phase; in this phase, the support of the executives to the introduction of project work in the organisation is noticeable,
- line management acceptance phase; the support of the line management has been involved and reached, which manifests itself in the preparedness of top executives and their subordinate employees in the organisation to undergo additional training,
- growth phase; in this phase, the organisation records changes in its business methods, develops and establishes a project management system, and the majority of employees are willing to partake in project work,
- maturity phase; the project management system is integrated and constitutes an integral and inseparable part of the organisation's business operations.

The described phases are connected with the organisation's development level and its preparedness to utilise project management in its own business environment. In the following, the author gives a very detailed description of the scope of project excellence. In his opinion, organisations reach project excellence in the growth and maturity phases of the introduction of project management (Kerzner, 1998). In order to achieve the cited objective, organisations must reach excellence in the following six elements of project management:

- Integrated Management Processes;
- Project Culture;
- Management Support;
- Training and Education;
- Informal Project Management;
- Behavioral Excellence.

There are several methods for evaluating the excellence of project work. The central model for evaluating project excellence, related to individual project implementation, is doubtless the one created within the framework of the International Project Management Association (IPMA), namely the project management excellence award programme for successful implementation of individual projects (IPMA Award).

The IPMA Award is based on the TQM model, which is, in this case, applied to the management process and result evaluation of a specific project. The largest number of points a project may be awarded is 1000. Out of this, 500 points may be awarded for project management, including project objectives (140 points), project leadership (80 points), people management (70 points), resources management (70 points) and processes management (140 points). The remaining 500 points are awarded for the results regarding customer expectations (180 points), results regarding employee expectations (80 points), results regarding expectations and satisfaction of other parties involved in the project (60 points) and the evaluation of key performance and project results (180

points). The first awardees of these prestigious awards were companies such as BMW AG, SIEMENS, DAIMLER CHRYSLER, DEUTSCHE POST and others.

However, project excellence does not consist solely in receiving and holding the prestigious IPMA Award, but also in a comprehensive and continuous concern for the development of personal and organisational competencies, development of personal and organisational knowledge, development and ensurance of adequate equipment and nurturing a culture of willingness to work in all the involved parties.

## 4. Conclusion

In modern business environment, it is becoming increasingly harder for organisations, regardless of their size and operational goal, to carry out the necessary changes in a timely manner. At the same time, it is becoming ever harder for companies to build competitive advantage. Projects and project management are key tools in gaining control over development processes and adapting to changes in the modern organisation business environment. Global trend analyses show that mastery of project work and project management is becoming one of the key success factors of any modern organisation.

In addition to team work, project work includes control over consumption of time and other resources necessary for the performance of the task, planning, quality control, designing a project information system and documentation, designing a control system, establishing a system of mutual cooperation (through contracts) with other project implementors (mainly outside parties), designing project organisation and IT support. A series of methods, techniques and work modes has been developed for the purpose of implementing the above-cited tasks.

A major advantage of project work is, among others, its efficiency. The vast majority of companies have a more or less rigid functional organisation. In recent years, in developed economies, major efforts are being made to lessen the negative impacts of rigid organisation. Project management is very successful in reducing the rigidity of organisational structures. Its utilisation is therefore rapidly spreading.

In the growth of project management utilisation, the level of mastery of project work is coming to the forefront. The level of mastery and utilisation of project work methodology in the implementation of individual projects is particularly important. There are several methods for measuring the utilisation of project work. Among them, the concept of project excellence developed by IPMA doubtless has a central role.

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