Strategic Project Management – Tool for Reaching Business Excellence

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Abstract

Strategic project management represents cross-cutting approach which is defined on a basis to reach business excellence in complex multi-project environment. This paper considers strategic project management as a tool for reaching business excellence. It is necessary to define a management system that will unite the expressed needs for change, both in the form of different project number and size, and in the form of programs being executed and a strategy inclusive of those needs. By applying this approach, supported by adequate organization, policy, leadership, resources and processes, the improvement of business results is greatly enabled, especially if the PM tools and techniques are applied, together with IT solutions for project collaboration. Thus, the balanced scorecard method should be considered as a starting point for strategy implementation and progress evaluation through projects.

***Key words**: project, strategy, project-oriented company, balanced scorecard*

1. Introduction

Project management is no longer considered as an approach to the planning and follow-up of a project, but rather as a tool to achieving the company strategic goals in a new business environment. This includes the application of modern PM disciplines that focus primarily on the strategic aspect of project management. The company in which project management has a strategic importance is project-oriented. Such a company demands organizational changes and the implementation of a Project management office (PMO), as well as adaptation of the classical managerial processes to a project-oriented company.

According to Loo (1996), project management represents a new management approach because the projects are:

- Results oriented;
- In demand for effective leadership;
- Meeting-point of various stakeholders in a company;
- Synergy factor which unites multidisciplinary teams towards a defined goal, with specific time and resource limits;
- Basis for individual development inside a team;
- Incentive factor for team-belonging.

On the other hand, in their extensive research directed towards PM processes, technologies and skills, which covered over 3500 articles, magazines and other research works, Kloppenborg and Opfer (2002) established the following trends relevant for the evolution of project management:

- Standardization of processes and tools;
- Wider use of Web based technologies for corporate communication and cooperation;
- Use of widely accepted PM practices and methodologies;
- Expressed "outsourcing" in the realization of some of the largest companies' projects;
- Increased contribution of nonprofit sector projects;
- Evolution of the project manager's role in leadership;
- Adaptation of project endeavors to business demands and measurable benefits;
- Increased importance of project selection and prioritization;
- Focus on formal PM trainings and accreditations;
- Increased attention towards risk management, communication management and stakeholder management, especially in the planning phase.

Webster (1999) claims that today's organizations, under the conditions of provisional organizational structures and chronic lack of resources, recognize project management as a means of achieving adequate system flexibility and desired business results. Hebert (2002), contributing to this line of thought, sees project management as a flexible, effective and strategic management system through the aid of which planned results in traditional management structures are obtained. Also, he claims that the role of project management today is primarily strategic (50 %), followed by managerial (40 %), and finally, least of all, technical (10%). Cicmil (1997) shares similar thinking and points to the idea that project managers should reposition the role of project management from the discipline of middle and operational management into a business philosophy which should support a company's strategic and organizational changes.

2. Model of a Project-oriented Company

The management of projects and programs in a project-oriented company is located within the so-called temporary organization covering both individuals and teams engaged in company projects. The temporary organization implies flexibility directed towards a continuous adaptability to the number and size of projects and programs, and openness through intensive interaction with the environment. The temporary organization is, in terms of the number of people involved and the number of complex business deals conducted under her supervision, dominant in relation to the remainder of companies composed of functional units and support services. The degree of hierarchy within the service for project support is dependant on the size of provisional organization – the larger the provisional organization, the more important the hierarchy and the strategic management of the service for project support.

The model of a project-oriented company, as an open and flexible system, is based on combined organizational structure and continuous organizational changes, corporate project guidance, strategic management, project leadership and team-work. The basic elements of the model (Fig. 1) are (Ives, 2005):

- Company demands,
- Business environment and company capabilities,
- Leadership and funding for project management,
- Project domain and success criterion,
- Project authority,
- Financing and resources.

The company demands cover internal requests for changes in terms of the strategic project direction, program and financial benefit assessment of planned undertakings, as well as external requests relating to the project users' satisfaction, key suppliers and changes in legal records and other legal rules and regulations.

The model elements, covering the company demands and abilities, and business environment can be treated as the organizational basis for the establishment of project management (enterprise project management) within a company.

The company response to changes, which the establishment of a project-oriented company carries, has four dimensions (Ives, 2005):

- Leadership and funding for project management,
- Project domain and success criterion,
- Project authority,
- Financing and resources.

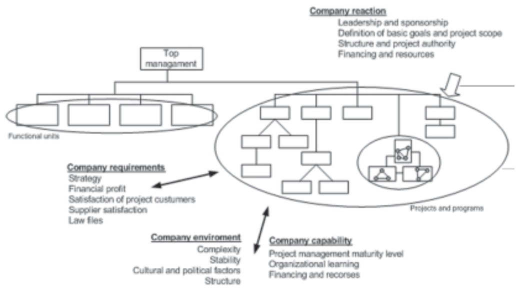

Figure 1: Model of a project-oriented company (Ives, 2005)

3. Strategic Basis of Project-oriented Company

3.1 Project Vision

One of the departure points in strategic management is the definition of the company vision. The vision implies orientation and understanding of a company's future position, prospects and field of activity, and is closely related to the macroeconomic forecasts and changes expected in long-term intervals. The central aspect here is the relatively stable and overall attitude towards the company future. The project vision is important for the definition of the company mission, goals and strategies resulting from them.

In a project-oriented company the project vision represents the project success factor, and its definition is found within the influence of the leader, which can result from the field of higher management, but also from the provisional organization, if it represents a person of authority. It is important that the leader clearly articulates the vision and directs efforts towards its realization. The project vision and the company vision have many common characteristics, but the project vision is more complex as it refers to a number of different projects at the same time, which, each for itself, represent a mini system with its very own organization, culture and value system. The project vision has the following characteristics (Christenson et al. (2004):

- It must be clear (should cover the overall goal, desired future condition and the essence of project goals),
- Must motivate stakeholders and propagate a specific system of values,
- Must be credible and adjusted to the stakeholders' culture and sub-culture,
- Must be demanding and challenging (should be proactive and direct teams towards efficient work).

The development of the project vision represents a complex process covering multiple phases depending on the approach. If transformational leadership is taken as the basis for the development of a vision of a project-oriented company, a model can be defined whose schematic depiction is shown in Figure 2. For the project vision to be understandable to all interested parties, its development should include representative groups of project stakeholders, whose mission is to bring closer the importance and influence of the vision to the employees.

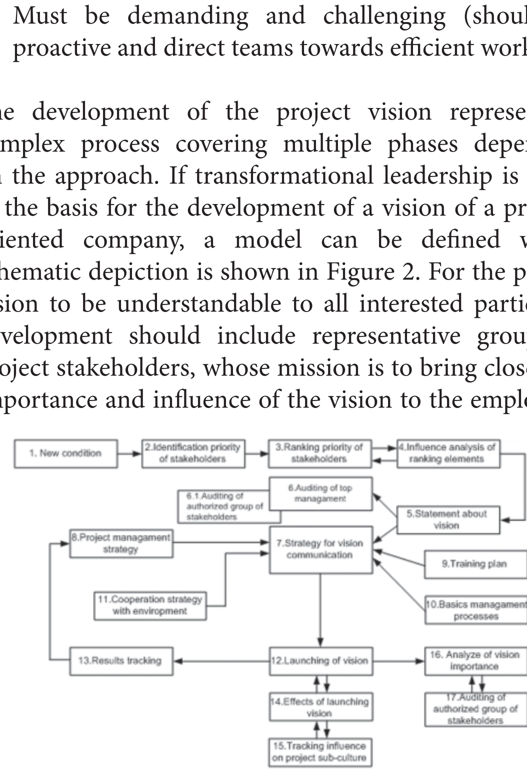

Figure 2: Development process of a project vision (Christenson et al. (2004)

As can be concluded from the above provided model, the project stakeholders have an important role in the development and implementation of the vision and in the modeling of strategic scope of project management within a company. This is why it is necessary to conduct an adequate analysis of all relevant stakeholders already in the planning phase of business undertakings, which also relates to the planning of project portfolio and the planning of individual projects. Therefore, the degree of project vision quality depends on the interaction of relevant stakeholders and the project management team. Their common work secures the realization of basic requests of good project vision: clarity, motivation, credibility and challenge.

3.2 Mission and Strategy

There are points of view according to which the mission is part of strategy, whereas other actors, who are in multitude, make a clear distinction between mission and action which should enable the strategy realization. According to them, the mission results from the company vision and represents the basis for the definition of the strategic goals and strategies corresponding to them. Therefore, with the aid of goals and realized strategies the company mission is realized.

For the mission to be in the function of strategic action of a project-oriented company it is necessary to conduct the so called statement of mission, which covers the following components:

- Most significant projects and programs,
- Major buyers and suppliers,
- Targeted markets,
- Basic economic goals,
- Project culture,
- Basic company and project management competence,
- Common values.

Making the mission concrete is realized though the formulation of strategic goals. These further enable a detailed elaboration of elements given in a statement or mission and secure the basis for the strategy implementation. Formulated goals are the criterion for the rationality of selected planning decisions and alternative action plans (Đuričin, Janošević, 2005).

If considering the strategy of a project-oriented company, one must take into consideration the research by Hamel and Prahalad (1989), which questions the conventional approach to the adaptation of company abilities with requests of the surroundings. According to this research, less successful businesses try and realize their strategic goals through available resources. Within them dominates the approach that strategic balance and maintenance of competitive advantage is achieved through the use of some of the already available generic strategies. The result of such an approach is repetition and imitation. On the other hand, most successful companies are directed towards the use of key competencies in a new and innovative way, so that, at first instance, the hard attainable goals, would be realized. Resources are used creatively, different requests in accordance to the environment are established, and the company continuously improves key competencies and undertakes organizational changes. It is exactly these qualities that represent a strategic basis for a project-oriented company. Its key project management competencies are in the function of establishing strategic goals.

One of the most important elements for the strategy of a project-oriented company is the formation of a project portfolio, which represents the first step towards action initiation. The goal of connecting strategies to a project portfolio is the adjustment of projects and priorities with a defined strategy and strategic priorities. This primarily corresponds to the adaptability of the portfolio size to the company capacities and project representation in the portfolio as key events in the process of reaching the desired future condition.

An adequate application of the principle of strategic management in the project-oriented company includes three phases in the increase of competencies and achievement of the so-called project management excellence. These are the strategic analysis, the strategic choice and the application of strategy. The strategic analysis covers the analysis of the goal of conducting business, general environment (political, economic, socio-cultural and technological factors), the concrete environment (entry barriers, intensity of competition, negotiation strengths of the suppliers or buyers and the ability of substitution of products and services), resources, competencies and overall company abilities. The strategic choice is composed of the creation of possible strategic options, their judgment and choice, so that an adequate strategy could be applied. The repertoire of strategic options is various and covers different directions: closeness with the buyers, product leadership, diversification, change of work structure, operational excellence, etc.

To bring a company into a desired strategic position it is not enough to have a well formulated strategy, but also to secure the corresponding conditions for her conduct. In that sense, three factor groups of strategic success and excellence accomplishments in project management vary – Table 1. Those are qualitative, organizational and quantitative factors, and they can be observed from a short-term and a long-term perspective.

3.3 Balanced Scorecard (BSC) and Project Management

Under the conditions of the present-day business, the performance measurement of a company represents one of the most important tasks of process planning and overall general management. Within the traditional approach to management, the performance measurement represents a combination of accounting measurements (e.g. Return on investment – ROI), marketing measurements (e.g. Consumer satisfaction index) and quality measurements (e.g. Rate of rejects). A basic setback of these methods is their static character that limits the possibility of the management of the process of value creation through the means of strategy (Đuričin, Janošević, 2005).

Factors	Short-term application	Long-term application
Qualitative	• Providing training and education • No direct (formal) authority • Share responsibility • Project sponsorship	• Team-work emphasizing and multifunctional employee relation
Organizational	• Emphasize political and formal procedures • Project proposals	• Project management career path • System of rewards • Using multifunctional teams
Qvantitative	• Using PM tools for planning, time schedule and control	• Using database

Table 1: Factors of strategic success in a project-oriented company (Kerzner, 2001)

In order to obtain a system of performance measurement which will respond to the present-day business conditions it is necessary to focus on planning and strategy instead of control and budget. In relation to this, the research conducted by Norrie and Walker (2004) adds a fourth element to the traditional project management model – strategy (Figure 3). Forming a model with four project limits, of which three are already well known within the literature – time, budget and quality, they position strategy as a key factor to project success. While in traditional project management the responsibility for planning, follow-up and time management, budget and project quality lies within the team members and project managers, the responsibility in this elaborated model is shared among the project sponsors and project managers.

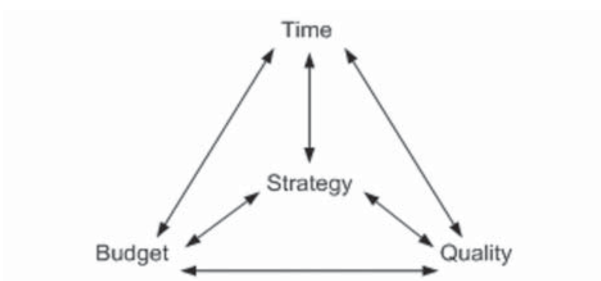

Figure 3: PM model with four constraints (Norrie and Walker, 2004)

Due to the flexibility of the management system of a project-oriented company, the employees must, by themselves, find the best means for the realization of planned activities towards the achievement of a project vision. The strategy realization becomes as important as a good vision. The problems in the application of a well formulated strategy appear because the strategy, as the unique means of value creation changes constantly, does not count for the tools with which the effects of a strategy are measured. These problems especially become evident in the present-day business because, in view of the potentials for the creation of values, there were important shifts from material resources towards knowledge and information. The strategy based knowledge and information is useful for intangible resources such as consumer relations, information systems, information base, motivation, competence of the employees, common values, etc. (Đuričin, Janošević, 2005).

The basic conditions that brought about the creation of a new approach to the measurement of company performance – list of adapted goals is:

- Management with the aid of decentralized business units,
- Team work,
- Knowledge as competition advantage,
- Employee involvement in continuous process of formulation and strategy implementation.

The Balanced Scorecard – BSC - came about at the beginning of the '90s of the last century as a tool for companies' performance measurement. The popularity of the method was influenced by the fact that it was implemented by the leading consultancy firms that introduced ERP software for business management (SAP, BAAN, ORACLE, and NAVISION). Unlike the traditional methods for performance measurement which rely on past performance indicators, the balanced scorecard is still used together with the future performance indicators, which are extracted from the strategy. In this way, the balanced scorecard becomes a tool for strategy management. Basic elements of this method are (Kaplan, Norton, 1996):

- Consumer perspective,
- Internal perspective,
- Development and training perspective,
- Financial perspective.

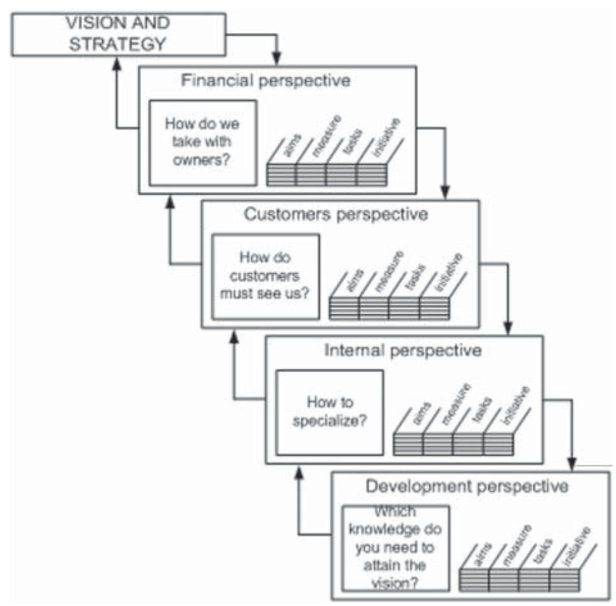

Figure 4: BSC`s four perspectives (Kaplan, Norton, 1996)

Thanks to the integration of financial performance measurements with marketing, internal and development measurements, loopholes within process planning are eliminated in traditional management, together with the reliance on exclusively historical data, the crude base of projected results, and likewise (Đuričin, Janošević, 2005). The concrete development of goals, performance measurements, missions and initiatives for the application of consumer perspective in the model of the balanced scorecard is provided in Figure 5.

3.3.1 Implementation of the Balanced Scorecard

The implementation of the balanced scorecard in a project-oriented company secures a better understanding of the project vision and strategy on behalf of the project managers and team members perspective, an adequate performance measurement, or rather project results, an improvement in the efficiency of the project team as far as traditional project limitations are concerned – time, budget and quality, and a better communication between internal and external project stakeholders. Also, the project balanced scorecard (Project's BSC) decreases the gap between the project vision and the concrete action taken in order to realize the strategy. This is achieved by emphasizing the practical aspects of the adopted strategy and minimization of theoretical stance.

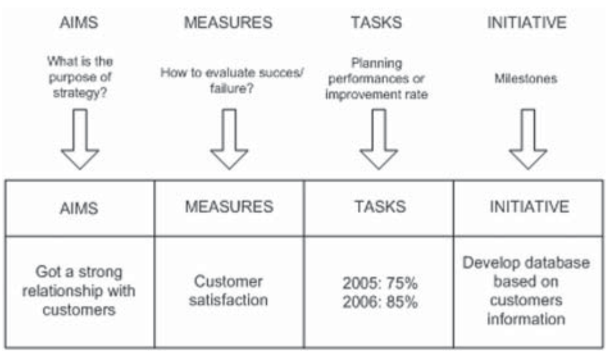

Figure 5: Example of consumer perspective in Balanced scorecard (Kaplan, Norton, 1992)

Unless the members of the team tie their activities and decisions for an adopted project strategy (corporate strategy) a double effect is achieved (Norrie et al., 2004).

- Team members assist the realization and control of project strategy,
- Presence of virtual leadership in all critical decision-making and events is important for the project.

Thus, implementation of the balanced scorecard is supported by all nine elements of the Business excellence model which is, with certain adjustments, also apply as "IMPA project excellence award model". The Model is an over-arching, non-prescriptive framework based on nine criteria. Five of these are "Enablers" and four are "Results". The "Enabler" criteria cover what an organization does. The "Results" criteria cover what an organization achieves. "Results" are caused by "Enablers". Excellent results with respect to Performance, Customers, People and Society are achieved through Leadership driving Policy and Strategy that is delivered through People Partnerships and Resources, and Processes.

The application of balanced scorecard methodology in a project-oriented company requires the following changes and adaptations (Norrie et al., 2004):

- The role of the balanced scorecard changes from the tools for the measurement of achieved strategic goals to the tools for the measurement of project performance and their comparison to planned influence of the projects on executable business strategies;
- Instead of focusing on business strategy, the focus is placed on the borderline of project and business strategy, their integrated application and use of project BSC as a leadership tool;
- Changes of traditional approach in the measurement of project goals and exits, and establishment of project-oriented measurements related to strategy.

4. Conclusion

The concept of project-oriented company comprises contemporary PM concepts (project portfolio management, program management, multi-project management, virtual project management, etc) and enables the integration of strategy, project portfolio and operational project management. The project-oriented company represents, on one hand, a system framework for PM methodology application, which ensures the strategic management by projects, and on the other hand, a promoter of concrete actions in order to achieve a competitive advantage in a multi-project environment.

Strategic project management provides an integrative management approach, based on the application of the theory and practice of project management, strategic management, PMO concept, change management and leadership. Such a system enables the increase of executed projects and programs effectiveness, which results in increasing the effectiveness of the whole company. Also, the balanced scorecard should be implemented in order to secure success of broad range of activities from launching strategy to measuring performance of related project. It is an important issue because the company's competitive advantage might be under threat by the following factors: globalization, new markets, the application of new organizational forms and the development of information and communication technologies.

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