

STRATEGIC PROJECT MANAGEMENT - A COMPETITIVE ADVANTAGE

Recently, a number of the world's leading project management organisations 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 organisational project management, which these organisations maintain is a strategic advantage in a competitive economy.

In this article, Ed Naughton, Director General of the Institute of Project Management and current IPMA Vice President, asks Professor Sebastian Green, Dean of the Faculty of Commerce and Professor of Management and Marketing at University College Cork (formerly of the London Business School), about his views of strategic project management as a vehicle for competitive advantage.

Ed: What do you think strategic Project Management is?

Prof. Green: Strategic project management is the management of those projects which are of critical importance to enable the organisation as a whole to have competitive advantage.

Ed: And what defines a competitive advantage, then?

Prof. Green: There are three attributes of having a core competence. The three attributes are: it adds value to customers; it's not easily imitated; it opens up new possibilities in the future.

Ed: But how can project management yield a competitive advantage?

Prof. Green: There are two aspects to project management. One aspect is the actual selection of the type of projects that the organisation engages in, and secondly there is implementation, how the projects themselves are managed.

Ed: Competitive advantage - the importance of choosing the correct projects - it isn't easy to define which projects should be chosen!

Prof. Green: I think that the selection and prioritisation of projects is something that hasn't been done well within the project management literature because it's basically been assumed away through reducing it to financial analysis. The strategic imperative gives you a different way of prioritising 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.

So, to take an example, if a company's competitive advantage is introducing new products more quickly than others, pharmaceuticals, let's say, getting product to market more quickly, then 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.

Ed: But if we're going to select our projects, we have to define what are the parameters or metrics we're going to select them against that give us the competitive advantage.

Prof. Green: Absolutely. The organisation needs to know which activities it is engaged in, which are the important ones for its competitive advantage and then, that drives the selection of projects. Organisations aren't very good at doing that and they may not even know what those activities are. They'll think it's everything they do because of the power system.

Ed: If a company formulates its strategy, then what the project management community says is that project management is the medium for delivering that strategy. So therefore, if the organisation is good at doing project management, does it have any strategic advantage?

Prof. Green: Well, I suppose that comes back to this issue of the difference between the type of projects that are chosen and the way you manage the projects. Obviously choosing the type of projects depends on being able to link and prioritise projects according to an understanding of what the capability of an organisation is relative to others.

Ed: Let us assume that the strategy is set. In order to deliver the strategy, it has to be broken down, decomposed into a series of projects. Therefore, you need to be good at doing project management to deliver the strategy. Now, the literature says that for an organisation to be good at doing projects it has to: put in project management procedures, train people on how to apply/do project management and co-ordinate the efforts of the people trained to work to procedures in an integrated way using the concept of a project office. Does taking those three steps deliver a competitive advantage for this organisation?

Prof. Green: Where project management, or how you manage projects, becomes a source of competitive advantage is when you can do things better than others. The 'better than' is through the experience and judgement and the knowledge which is built up over time of managing projects. There is an experience curve effect here. Two organisations will be at different points in the experience curve as to the knowledge they have built up to manage those bits of projects where the rule book is inadequate. You need management judgement and experience because however good the rule book is, it will never deal completely with the complexity of life. You have to manage down the experience curve, you have to manage the learning and knowledge that you have of those three aspects of project management for it to become strategic.

Ed: Well, then, I think there is a gap there that has to be addressed as well, in that we have now developed a competency at doing project management to do projects, but we haven't aligned that competency to the selection of projects which will help us to give this competitive advantage. Is project management capable of being imitated?

Prof. Green: Not the softer aspects and not the development of tacit knowledge of having run many, many projects over time. So, for example, you, Ed, have more knowledge of how to run projects than other people. That's why people came to you, because while you both may have a standard book such as the PMBoK or the ICB, you have developed more experiential knowledge around it.

In essence, it can be imitated a certain amount of the way, but not when you align the softer tacit knowledge of experience into it.

Ed: Organisational project management maturity models are a hot topic at the moment and are closely linked to the 'experience curve' effect you mentioned earlier - how should we view them?

Prof. Green: I believe in moving beyond painting by numbers, moving beyond the simplistic idea that an organisation is completely plastic and you can impose this set of procedures and skills and text book protocols and that's all you need to do. In a way, exactly the same problem was experienced by the developers of the experience curve. If you show companies the experience curve on cost, it's almost as though, for every doubling of volume, cost reductions occur without you having to do anything. What we know is though, that the experience curve is a potential of a possibility. Its' realisation depends on the skill of managers.

Ed: Are senior executives/ chief executives in the mindset to appreciate the potential benefits of project management?

Prof. Green: Until recently, project management has promoted itself in technical terms. If it was promoted in terms of the integration at general management, at the ability to manage across the functions lending technique procedures with judgement, then it would be much more attractive to senior managers. So, it's about the blending of the hard and the soft, the techniques with the judgement and the experience that makes project management so powerful. If senior managers don't embrace it at the moment, it's not because they are wrong. It's because project management hasn't marketed itself as effectively as it should've done.

Ed: Do we need to sell to senior executives and chief executives that it will deliver competitive advantage to them?

Prof. Green: No, I think we need to show them how it does it. We need to go in there and actually show them how they can use it, not just in terms of delivering projects on time and within cost. We need to demonstrate to them how they can use it to overcome organisational resistance to change, how they can use it to enhance capabilities and activities that lead to competitive advantage, how they can use it to enhance the tacit knowledge in the organisation. There is a whole range of ways in which they can use it. They need to see that the proof of the outcome is better than the way they're currently doing it.

