Strategy & Project Management: Project orientated organisations

Finnland 2005
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Current Position
- MCI, University of Applied Sciences: Director of studies „Management & IT“, Head of IT-Services

Academical Profile
- Research
  - projectmangement, knowledgemanagement strategic information management, e-learning
- Education
  - process, project, information management
- Publications and articles in journals

Practice Profile
- Management, R&D Project Management, CEO, CIO
- Consulting & Training
Agenda

10:00 – 14:00

- Brief project management overview
- Project orientated organisations
- Project scorecard
- Discussion

Literature

- De Marco T., „The Deadline“, Dorset House Publishing Co., 1997
- Heerkins G., „project management“, briefcase books 2002

Links

• www.p-m-a.at (pm baseline english, german)
• www.pmi.com (pm information)
Project Management Overview

Importance of Project Management

- Projects represent change and allow organizations to effectively introduce new products, new processes, new programs.

- Project management offers a means for dealing with dramatically reduced product cycle times.

- Projects are becoming globalised, making them more difficult to manage without a formal methodology – “mobile project paradigm.”

Project management helps cross-functional teams to be more effective!
Management of IT Projects

- More than $250 billion is spent in the US each year on approximately 175,000 information technology projects.
- Only 26 percent of these projects are completed on time and within budget.
- Project management is an $850 million industry and is expected to grow by as much as 20 percent per year.


What characterises a Project?

- Goal(s)
- Time frame
- Risk & Opportunity
- Complex
- Quality
- ...
Why do Projects Fail?

Studies have shown that the following factors contribute significantly to project failure:

- Improper focus of the project management system
- Fixation on first estimates
- Wrong level of detail
- Lack of understanding about project management tools; too much reliance on project management software
- Too many people
- Poor communication
- Rewarding the wrong actions

Not all Projects Are Alike…

“[in IT projects], if you ask people what’s done and what remains to be done there is nothing to see. In an IT project, you go from zero to 100 percent in the last second—unlike building a brick wall where you can see when you’re halfway done. We’ve moved from physical to non-physical deliverables….”

J. Vowler (March, 2001)

Engineering projects = task-centric

IT projects = resource-centric
Why do IT Projects Fail?

- Ill-defined or changing requirements
- Poor project planning/management
- Uncontrolled quality problems
- Unrealistic expectations/inaccurate estimates
- Naive adoption of new technology

Source: S. McConnell, Construx Software Builders, Inc.

Good reasons for cooperation…
### Project management model

- **Project oriented organisation:** dynamic, global oriented environment
- **Project oriented organisation:** PM-office with portfolio management

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<th>Offer</th>
<th>Contract</th>
<th>Planning</th>
<th>Implementation</th>
<th>Approval</th>
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**Project controlling and coordination**

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<th>the organisation within the organisation...</th>
<th>project staffing</th>
<th>teaming</th>
<th>projekt marketing</th>
<th>communication</th>
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**Creativity - formalization - coordination - innovation**

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### Shenhar’s Taxonomy of Project Types

- **Super High-Tech**
- **High-Tech**
- **Medium-Tech**
- **Low-Tech**

- **Construction**
- **Auto repair**
- **Assembly Projects**
- **System Projects**
- **Array Projects**

**System Complexity/Scope**

- **ERF implementation in multi-national firm**
- **Advanced radar system**
- **New shrink-wrapped software**
- **New cellphone**
Project Life Cycle

Time

Phase 1                    Phase 2                     Phase 3  Phase 4
Formation &                  Planning                     Scheduling &                        Evaluation &
Selection Control   Termination

Required Resources

Phase 1
Formation & Selection

Phase 2
Planning

Phase 3
Scheduling & Control

Phase 4
Evaluation & Termination

Design, Cost, Time Trade-offs

Required Performance

TARGET

Due Date

Optimal Time-Cost Trade-off

Budget Constraint

COST

DESIGN

TIME (SCHEDULE)
Phases of Project Management

- Project formulation and selection
- Project planning
  - Summary statement
  - Work breakdown structure
  - Organization plan
  - Risk management
  - Subcontracting and bidding process
- Project scheduling
  - Time and schedule
  - Project budget
  - Resource allocation
  - Equipment and material purchases
- Monitoring and control
  - Cost control metrics
  - Change orders
  - Milestone reports
  - Project close out

Project environmental diagram
- project organisation

**Role of Project Manager/Team**

- Client
- Subcontractors
- Regulating Organizations
- Top Management
- Functional Managers

**Project Team**

**Project Manager**
Subcontracting = Business Alliance

When you subcontract part (or all) of a project, you are forming a business alliance....

Intelligent Business Alliances: “A business relationship for mutual benefit between two or more parties with compatible or complementary business interests and/or goals”

Lorraine Segil, Lared Presentations
Responsibilities of a Project Manager

To the organization and top management
- Meet budget and resource constraints
- Engage functional managers

To the project team
- Provide timely and accurate feedback
- Keep focus on project goals
- Manage personnel changes

To the client
- Communicate in timely and accurate manner
- Provide information and control on changes/modifications
- Maintain quality standards

To the subcontractors
- Provide information on overall project status
Project Structure Plan

Project Organization Types

• **Functional**: Project is divided and assigned to appropriate functional entities with the coordination of the project being carried out by functional and high-level managers

• **Functional matrix**: Person is designated to oversee the project across different functional areas

• **Balanced matrix**: Person is assigned to oversee the project and interacts on equal basis with functional managers

• **Project matrix**: A manager is assigned to oversee the project and is responsible for the completion of the project

• **Project team**: A manager is put in charge of a core group of personnel from several functional areas who are assigned to the project on a full-time basis
Model of project oriented organisation

- definition:
  - organisation to accomplish complex projects
  - to take responsibility and manage project portfolios
  - set a project culture and standards

- important structural criteria of project-oriented organisations as temporary or permanent organisation forms.
  - temporary supports differentiation (programs and project)
  - permanent supports integration and settings (personal pools, pm-office)
processes in project oriented organisations

- projectmanagement
- program management
- commissioning of projects and programs
- project coaching and auditing
- organisational design
- development and design of project networks
Management of project portfolios

- the management of project portfolios requires the summary of all projects of an organisation at a certain point of time.

- targets
- coordination of all projects
- improvement of the results
- change management as 'hyper' definition
  - change
  - priority
- management of resources
- learning within and from projects
1. Multi-period investment problem
2. Top management typically allocates funds to different product lines (e.g., compact cars, high-end sedans)
3. Product lines sell in separate (but not necessarily independent) market segments
4. Product line allocations are changed frequently
5. Conditions in each market segment are uncertain from period to period due to competition and changing customer preferences

Programme management

- A programme is a definable unity of projects and timely restricted tasks tied by common targets.
- Examples:
  - Reorganisational projects concerning all organisations within a network
  - Complex IT-solutions
**Project strategy process**

1. Project-Vision
2. Project-Missionstatement
3. Project-strategy
4. Individual target agreements
5. Project-Organization
6. Project-Realisation

**Scorecard**

- **finances**: financial ratios (Return on Project)
- **customers**: customer satisfaction, customer loyalty, customer rentability, process time
- **processes**: identification of new processes supporting customer satisfaction
- **learning**: securing the longterm groth of further development and use of project outcomes
Scorecard

balance of:

• time limits to reach targets
• monentary and nonmomentary figures
• late and early indicators
• external and internal performance outlook

Kaplan, Norton 2001
Scorecard summary

- strategical overview of the project gathered and accordingly coordinated with the executive management – results in a combination of organisational strategy and in a project
- controlled and traceable target agreement process which has strategic (on the level of executive management) as well as operative character (on project level). Motivation through a clear defined target hierarchy.
- monitoring of the project progress through a clearly laid out number of together developed figures integrating qualitative aspects (for example customer satisfaction,...)
- possibility of comparison (benchmarking) between projects through an internal integrated system of project evaluation
- improved integration and systematic consideration of project stakeholder

Model of the Project-oriented Organisation

A project-oriented organisation is an organisation, which...
- uses "Management by Projects" as an organisational strategy,
- uses temporary organisations to carry out processes of a large scope,
- manages various types of projects in a project portfolio,
- has specific permanent organisations for integration,
- applies the New Management Paradigm,
- has an explicit project management culture and
- perceives itself as project-oriented.
Projects & Strategy

- **We have to focus and prioritise.** Sometimes even the most promising ideas do not mature into innovations for one reason or another.

- „We need to have the **courage to shut down projects**, because within the parameters of business efficiency, ideas have to be realised within a certain framework of time and resources (Ansi Vanjoki, Head Multimedia Division Nokia, 2005)

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Thank you!