

Strengthening competitive advantages by strategic project management

Author: Rudolf Pöppel

The ability to quickly adjust to changing market conditions or its current state is the ultimate strategic advantage for business enterprises in an intensively competitive environment.

Using strategic project management, consistency is created between company goals and operational results.

The successful development of this ability implies, in addition to technological support, a project-driven company culture in which fast feedback and constructive confrontation are valuable components.

Rudolf Pöppel
Project Management Partners
Am Ruhwehr 20, 65207 Wiesbaden,
Mobile Phone +49 (0) 170-4569865
poeppel@pmps.de

Introduction

After the first e-business enthusiasm subsided a new sobering phase was entered.. What remains, are web-based business models, quickly realised at a high investment cost. The expectations of many investors have not been fulfilled. Perhaps this is because the estimated chances and risks were based more on unrealistic marketing scenarios than on modifying processes of customers, suppliers and employees. After this experience, executive committees and investors demand more effectiveness and efficiency on future projects. Strategic project management will help to implement future demands.

What is strategic project management?

Strategic project management guarantees the smooth transition between an enterprise's strategy and its operational results. It identifies and contains the leading force of the projects, and stresses the urgency to introduce change in order to achieve the companies goals. Strategic project management deals with the entire life cycle of projects (see fig.1). The cycle begins with the development of project ideas. Strategic project management creates a relationship between short-term requests, the strengthening of effectiveness and efficiency potentials. Information sources are memos with customers/ suppliers, legislative regulations, market information, declarations of strategic intent and the current resources situation. All participating parties may document project ideas. The documentation must be comprehensibly detailed in the sense of „what, why, how”. Each project idea is evaluated by the writer. The basis for this evaluation is served by a standard assessment plan. This plan consists of the following properties: urgency, customer meaning, internal meaning, significance for the competition, risk and economy. This standardisation process enables the comparison of project ideas. An investment committee or the top management is responsible for general project recognition and budgeting. Long term projects benefit from strategic project monitoring which is implemented after the initial release of the project. Early monitoring ensures that any deviations to the original estimation are quickly identified. At the end of the project, the participating parties carry out a second examination. The goal is to examine the results against the estimations and to establish reasons for the adherence or deviation from the plan. This second examination provides valuable improvement ideas for strategic project management.

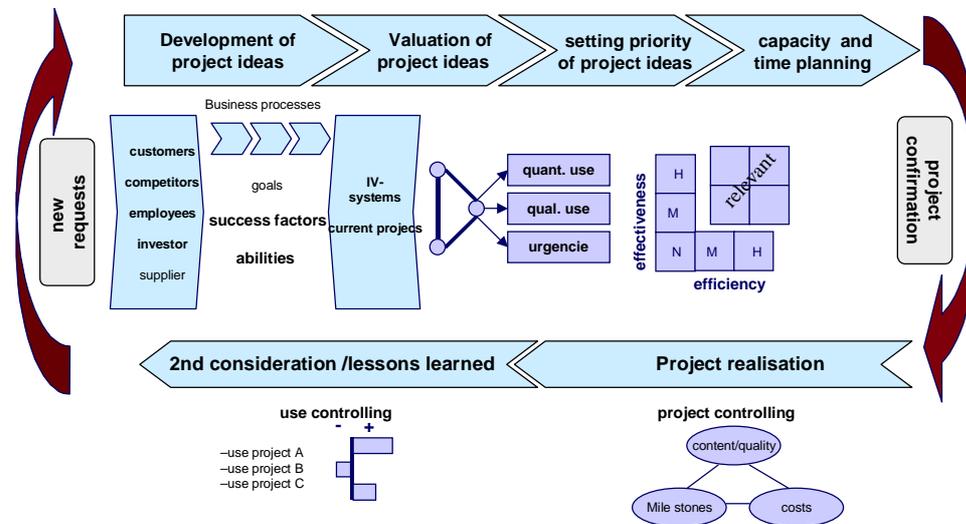


fig. 1: life cycle of the strategic project managements

Why is strategic project management necessary?

Enterprises in an intensive competitive environment are under continuous pressure to change. Pressure on management comes from different directions:

- Modified regulative basic conditions strengthens the competition
- Technological innovations must be integrated quickly into business procedures
- Progressive globalisation increases business uncertainty and raises certain questions. For instance, which product or service quality is adequate and which business partners are appropriate?
- Employee expectations for improved work conditions have clearly risen.

This means that both the identification of internal organisational abilities together with the knowledge of customer needs and competitor behaviour are highly important for the maximising of competitive advantages. Due to competitive pressure potential competitive advantages must be implemented ever faster. In this case strategic project management is a valuable organizational tool. It contributes to the business enterprise achieving dynamic stability in a competition-intensive environment.

How have projects often been handled?

Often, the „how“ is derived summarily from a „big future plan“, without thoroughly having understood the „what“ and „why“. One reason for this is the carelessness of the participating parties to formulate a meaningful and complete business plan. Therefore, projects are started with the hope that the things will become clearer as the project proceeds. Following this procedure leads to complex correction work in the analysis and implementation phase. The consequences of this are exceeding the agreed budget and the timeframe. This leads to upsetting the customers, frustrating the project workers and increases the strength of competitors. In a intensive competitive environment, this procedure can endanger the future of the business enterprise, allowing the competition to take full advantage.

Which added values do strategic project management offer?

Strategic project management solves these problems, as the business enterprise view appears in the project definition and not the area or department views. Furthermore, the project and line managers are motivated to present their project ideas as valuable contributions for the business enterprise. The connection with the operational project management enables a retrospective vantage point. The scope of this vantage point not only determines the extent the planned value contribution was achieved but also gives an opportunity to the participants to reflect on the past project. It also enables the project participants to implement the acquired knowledge into future projects, analysis and planning.

A practical example of strategic project management

Changing demands of the specialist areas and new strategic directions led the top management of a worldwide acting universal bank to re-align the role of data processing. The demands of the specialist areas led in particular to an increase in productivity in the DP areas. The strategic directions were drawn on two columns:

- Enabling of all departments to form their own business concern in order to assume flexible and economical market chances
- Further development of the bank to a global player in e-business.

As a result, the following strategic settings were derived for the DP areas:

- Adjustment of the services and DP systems both on internal and on external customers
- Development and marketing of e-business applications
- Development of a market and project-driven organization culture.

Due to Potential and lasting competition advantages the ability to embed deep bank-technical knowledge into safe and user-friendly application systems became identified.. A conclusive market strategy helped to maximise potential competitive advantages. Working groups were formed which compiled concrete suggestions for market product memorandum, IT platform conception and for the procedure with personnel recruiting and development. The results were used as sources of information to strategic project management.

The way ahead

On the basis of the described requests, the conception of the strategic project management was developed in co-operation with selected line and project managers of the DP area „retail & transaction systems“. It covers the technical description of process and their figuring in an internet-based management information system. In the following, the technical conception is stated more in detail. The estimation of the project ideas is based on two building blocks. The first building block referred to the logging of the project idea in the sense of the „what“, „why“, and „how“. An evaluation plan with the following dimensions formed the second building block: Urgency, customer meaning, internal meaning, risk and economy. These dimensions were translated in the form of questions (see fig. 2).

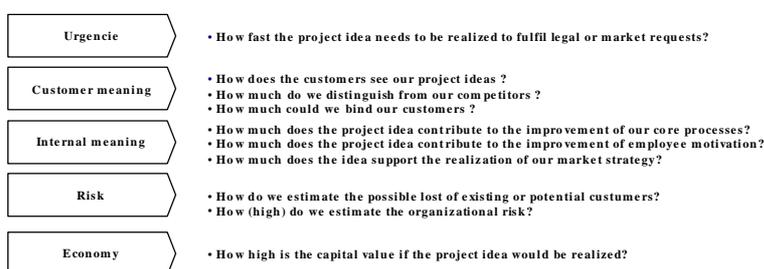


fig. 2: evaluation dimensions

Meaningful values were derived and described from the questions. These values formed the guide for the project manager to successfully estimate the project idea. (see fig. 3)

Evaluation aspect	Definition
Dated requests by the legislator	Requests given by the legislator, which must be realized by a certain point of time
Endangering of the competitive position	If the projects are not realized by a certain point of time danger is risked by <ul style="list-style-type: none"> · other/ new competitors · customers/ suppliers which could empower their negotiation force · replacement products
Chances on fast market successes	If the project ideas are realized by a certain point of time, the possibility consists to place rapidly new products/ services on the market
IT urgency	If the project ideas are not realized by a certain point of time, the IT technical preconditions to act on the market cannot be fulfilled anymore (example: scalability, ability for clients, ability for various currencies, multi –channel ability, etc.)
Direct customer perception	Customers perceive that the product functions/ services improve their working conditions/ processes
Possibility of differentiation against competitors	Product functions/ services have a significant advantage for the customer than those of the competitor
Contribution for customer binding	Contribution to more establish the products/ services at/ for the customer
Faster reactions on market requests	Contribution to speed up the process of requesting, development and introduction
Contribution for employees' motivation	Contribution to maintain or increase the employees' motivation

Contribution for improving competitiveness	Contribution to realize the competitiveness strategy (example: development of standard modules for credit functions etc.)
Market risk	Extent of the possible loss of existing customers/ interested parties
Internal risk	Extent of the risk by: High dependency of external processes which are hard to influence Loss of employees by very high working pressure or by abrupt internal change of organisation Missing specific knowledge
Relative capital value	Relation of capital value (sum of all cash values in the period of contemplation) to investments/ expenditures

Fig. 3 evaluation aspects

In order to achieve the systematic comparability of the project ideas, an evaluation raster with the scale of „1“ to „4“ was created. The „1“ being defined as high-urgency etc. Beyond that, a specific content was assigned to each value making the responses plausible and comprehensible for the decision maker. (see fig. 4).

The collective value of the assigned notes served as a starting point for prioritising the project ideas. A so-called project idea rank list resulted from the relative positions of the average notes. This rank list served as the starting point for discussions between project and line managers. Due to the technological conception, all relevant information could be called for immediate analyses. For example based on the individual aspects of evaluation, it was possible to generate different project portfolio descriptions, or display individual project ideas based on their description and evaluation.

	1	2	3	4
Dated requests by the legislator	Contribution for improving competitiveness	Must be decided at yearly planning	Can be decided after yearly planning	No need for action
Endangering of the competitive position	Contribution for improving competitiveness	Must be decided at yearly planning	Can be decided after yearly planning	No need for action
Chances on fast market successes	Contribution for improving competitiveness	Must be decided at yearly planning	Can be decided after yearly planning	No need for action
IT urgency	Contribution for improving competitiveness	Must be decided at yearly planning	Can be decided after yearly planning	No need for action
Direct customer perception	Significant and lasting improvement	Significant improvement	Perceptible improvement	No perceptible improvement
Possibility of differentiation against competitors	Differentiation leads to "standing alone" characteristic	Significant differentiation	Small differentiation	No differentiation
Contribution for customer binding	Very high contribution	Significant contribution	Small contribution	No contribution
Faster reactions on market requests	Realisation leads to "best practice"	Significant contribution	Small contribution	No contribution
Contribution for employees' motivation	Supports perfectly the individual ways of development	Significant contribution	Small contribution	No contribution
Contribution for improving competitiveness	Supports perfectly the strategic orientation	Significant contribution	Small contribution	No contribution
Market risk	No risk	Small risk	Significant risk	High risk
Internal risk	No risk	Small risk	Significant risk	High risk
Relative capital value	> 15%	> 10%	< 10%	< 5%

Fig. 4: evaluation raster

Experiences

Strategic project management was introduced during the annual budgeting process. The task was to document all project ideas, estimate and prioritise them. Almost 100 project ideas were documented from approximately 20 project managers. It should be mentioned that without the appropriate IT support the information capacity would not have been addressed fairly, impartially managed and evaluated. In order to present the benefits to the participants, the project manager followed the documentation and estimation process to completion and then adapted to the newly acquired knowledge. Due to the high level of respect that superiors and colleagues held for this project manager, his opinion held decisive influence on the overall introduction of strategic project management.

He was of the opinion that as a result of implementing this new system, communication with his employees and customers had substantially improved. Further, it became apparent that estimating the project idea supplied important arguments for the conversion of his project. For the line managers, the introduction had both a positive and negative effect. Positive was that the quality of information over the project ideas improved. This enabled the line managers to make better decisions regarding the means of allocation. The negative side was that concentrating only on the project idea potentially endangered their own position of power. Therefore an open, project-driven enterprise culture on all management levels is the critical success factor during the introduction of this instrument.

Summary

Strategic project management is a guidance tool. Successful implementation requires involvement from all participants. The introduction of such a tool influences the culture of the entire enterprise and vice versa. It realises its largest potential if the following basic conditions are fulfilled:

- Common understanding about the necessity to identify competitive advantages and to strengthen them
- Common understanding is used by strategic project management
- The top management enforces flexible strategic boundaries, which give the project managers the ability to freely develop valuable project ideas

Therefore the management is fully informed and able to carefully estimate the possibilities and limits of the strategic project management in view of the enterprise's culture and the current market demands.

Literature reference

Amit Raphael/Schoemaker Paul: Strategic Assets and Organizational Rent, in: The Strategy Reader hrsg. of Susan Segal-Horn, Blackwell Business, 1997

Leonard-Barton Dorothy/Kraus William: Implementing new Technology, in: Managing Change hrsg. of Christopher Mabey and Bill Mayon-White, PCP Ltd, 1993

Webster Gordon: Project definition – the missing link, in: Industrial and Commercial Training, Volume 31, Number 6, hrsg. of MCB University Press, 1999