

MGT 422 Lecture Notes

Module 1 - Strategy and Projects

The importance of learning about implementation of projects cannot be overemphasized, because this is the stage when everything comes together. For those of you who are familiar with the *PMBOK® Guide*, this stage is equivalent to the Integration Process.

The history of project management evolved in the construction industry until the middle of the twentieth century. Then in the 1950s, significant changes required the transfer of project management knowledge to the space and defense industry. The birth of information technology during the last twenty years of the twentieth century created the most significant cultural, ideological, ethical, and operational change in organizations. In order to accomplish strategic goals, corporations resorted to the initiation of a large number of projects and utilized project management as the methodology to facilitate this change.

To create products and generate services, organizations must conduct certain core activities. These core activities are determined by the internal characteristics that make up the composition of those organizations and also by their external environments. As these characteristics go through changes, other new core activities get created. "Therefore, organizations need to face certain kinds of duality. They need to carry out their actual core activities efficiently, while implementing the required changes effectively" (Görög, 2013).

We begin to realize that managing an organization is a "multifaceted phenomenon," which comprises various aspects or methodologies such as, strategic management, project management, and operational management. Strategic management allows for the continuous survival of the organization, and it is characterized by the development of a vision, which will define its direction. This vision will identify future potential competitive advantages and will assist in the allocation of resources to ensure the vision is realized. Due to constant internal and external change, this vision will be in a state of constant evolution. Thus, the organization must refine the vision and its related goals and objectives.

Project management implements the changes indicated in the vision and all its derived goals and objectives. Its focus is to conduct all needed projects effectively, efficiently, and successfully in order to realize all required changes. Operational management makes sure all core activities are operating constantly and in an efficient manner. Its goal is to take advantage of competitive advantages resulting from the actual market position.

Strategic management, project management, and operational management are closely interrelated and go hand in hand, facilitating and influencing organizational change. Strategic management's ultimate goal is to create or improve new operational (organizational) competences to ensure organizational survival while conducting the direction of change. Project management's ultimate goal is to implement all changes derived from the organization's strategy, utilizing projects as building blocks to realize strategic objectives. Operational management implements both strategic and project management goals by materializing results in the form of products and services on a daily basis.

To understand the strategy approach to managing projects, we must look at the basic concepts of organizational strategy and the interrelationships between strategies and projects. Johnson and Scholes (1993) believe that the following key questions create organizational strategy:

- "What is the desired future state of the organization?"
- "What are the goals and objectives to be achieved in order to fulfill the mission, and to achieve the desired future state (the vision)?"

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- “What are the strategies to be undertaken in order to achieve the objectives?”

Each step or action to be performed must be assigned with a specific time frame and cost. As a result of this time and cost combination, a specific product or service will be developed with inherent characteristics. For example, as one demands a higher quality product or service, then the time and costs associated will increase. The option to produce a more affordable product based on an organizational strategy is referred to as a deliberate strategy. **Deliberate strategy** consists of formal analysis and careful planning. **Emergent strategy** is derived from an unstructured, unplanned, and flexible process. An emergent strategy is spontaneous.

For an organization to be able to survive, it must translate its entire strategy into a multitude of projects. The omission of one strategic objective from a project can render that specific objective obsolete; no longer allowing it to contribute to the overall strategy. The organizational project portfolio is composed of all those projects that are required in order to fulfill the organization's strategy. To be part of this portfolio, each project must contain at least one strategic aspect as part of its goals and objectives. All these projects will compete for resources in the organization. When a project is implemented without regard for its resource demands or without considering the actual resource demands of other projects, it is termed a *single project*.

According to Grundy and Brown (2002), for a project to be considered strategic, it must contain a significant impact to the organization as a result of the magnitude of the change that it will bring about. A **Problem-solving project** focuses on fixing or eliminating an operational problem. For example: if you decrease the cost or time of a particular process or comply with specific government regulation such as HIPAA. An **Event Project** is a one-time occurrence. For example: the opening of a new branch, or organizing a yearly conference.

So far we have arrived at the following conclusions:

Projects are the tools of realizing organizational strategic objectives and resulting in organizational change derived from these objectives. Organizational strategy sets the direction for organizational changes and the organization's long-term success and survival depends on projects.

The type and level of success gained by projects depends on the role these projects play on the organization.

The appropriate methodology employed for project success leads us to realize the importance of the proper scope definition to obtain an anticipated and wanted result.

The traditional approach to project success is based on the triple constraint. Such an approach considers a project successful when the project results adhere to quality requirements and is delivered on time and on budget. In addition, this triple constraint—quality, cost, and time—was also used to evaluate the success of the project manager. This approach is narrow in scope as it was appropriate for a time of slow and predictive change—before the 1980s. In such a scenario, organizations were able to create long-term strategies that provided a stable platform for associated projects.

The challenges in the operational environment forced organizations to reengineer both their operational processes and their management structure. This gave rise to an increase of organizational development projects and their accompanying information systems projects.

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As a result, the triple constraint became insufficient when trying to assess a project's success—other criteria had to be developed.

Success Factors are the conditions or measures that we can modify to ensure the achievement of project success. **Success Criteria** represents the values the project needs to meet or the goals the project needs to achieve (Cooke-Davies, 2001). The research outcomes about project success can be grouped in two categories according to the research approach utilized: multi-criteria approach and value-based approach.

Multi-criteria approach characteristics include the following:

- The triple constraint alone is not sufficient; however, it is one of the required criteria to evaluate the success achieved on projects.
- Because project management success and project success are different, they should be evaluated separately according to different sets of criteria.

References

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