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Gaining Competitive Advantage with Program Management

By Russ Martinelli and Jim Waddell

Introduction

The term *competitive advantage* seems to be widely overused in business today, especially by those who produce products and services as a means to compete with their industry rivals. But what is really meant by competitive advantage? Bruce Greenwald, in an article from the September 2005 issue of the Harvard Business Review defines competitive advantage as[1]:

> *"… something that a firm can do that rivals cannot match. It either generates greater demand to give firms unequaled access to customers or creates technological or cost/supply advantages that competitors cannot duplicate."*

Achievement of competitive advantage over one's business rivals must be rooted in the creation and implementation of a firm's business strategies. For product and service development companies, competitive advantage is gained through the realization of business strategies that are focused on the creation of compelling products and services. As Mr. Greenwald states above, competitive advantage is only achieved if the business strategy results in products and services that provide market preference, technological superiority, or cost and profitability advantage.

While performing research for our book titled Program Management for Improved Business Results (ISBN: 0-471-78354-4), it became evident that firms which were using program management as a product or service development model viewed it as a competitive advantage. The following quote comes from the vice president of engineering for major a semi-conductor firm, who describes the competitive advantage of program management in the following way[2]:

> *"Good program management goes right to the bottom line; it improves a company's P&L (profit and loss). A company that delivers more products, better products, and does so faster wins the competitive race. Program management makes better, faster and cheaper a reality"*

In this paper, we explore how program management as a product and service development model can deliver competitive advantage by making better, faster, cheaper a reality.

Better: Aligning Project Execution to Business Strategy

For product and service development companies, competitive advantage is achieved through the creation of products and services that are of high value to their customers, offer recognizable differentiation, and are developed more efficiently and effectively than their rivals. As stated earlier, competitive advantage begins with business strategy. If a firm aspires to become the market leader within their industry – or *remain* the market leader – attainment of that goal is dependent upon creation of the right set of strategies

to achieve market and cost advantage over its competitors. Their development strategies therefore need to be focused on the creation of the right portfolio of products or services to achieve competitive advantage, and the right development model to deliver the business value (e.g: revenue, market share, market penetration) projected for each product or service.

However, one of the most critical business problems we hear from managers today is the misalignment between a firm's strategic business objectives and the ability to effectively identify, manage, and successfully deliver project outputs that achieve the strategic objectives[3]. Figure 1 demonstrates the difference between fully achieving one's strategic objectives through alignment between project output and strategy, and the problem stated above concerning misalignment between project output and intended strategic results.

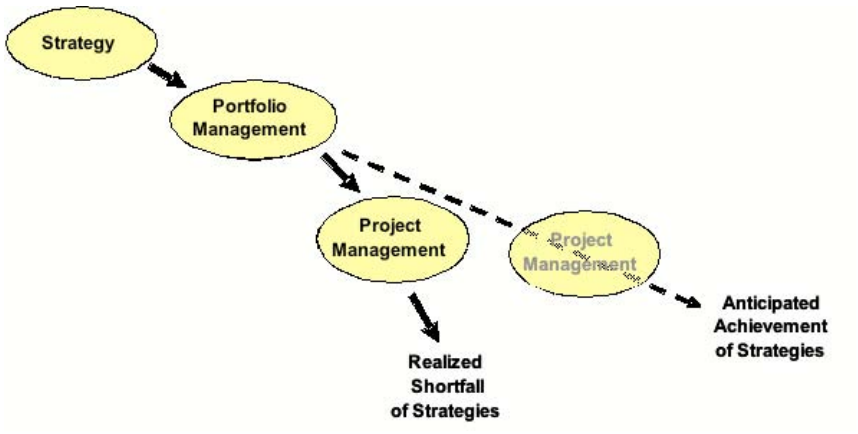

Figure 1: Misalignment between strategic objectives and project output

The use of good portfolio management processes has significantly helped to align projects to the strategic objectives of a firm. However, problems often begin to appear once the projects are in execution and a tendency to laser focus on the tactics of project management (schedule, cost, quality performance) opens up the opportunity for a project to unintentionally drift away from the strategic business results intended – therefore diminishing potential competitive advantage.

By introducing a program management development model to deliver a portfolio of high-value products or services, firms have found that the consistent focus on business success by a program manager results in a tight alignment between strategic objectives and project outputs. When implemented properly, the program management development model creates a closed-loop management system that creates competitive advantage by effectively delivering products and services that align to the competitive goals of a firm (Figure 2).

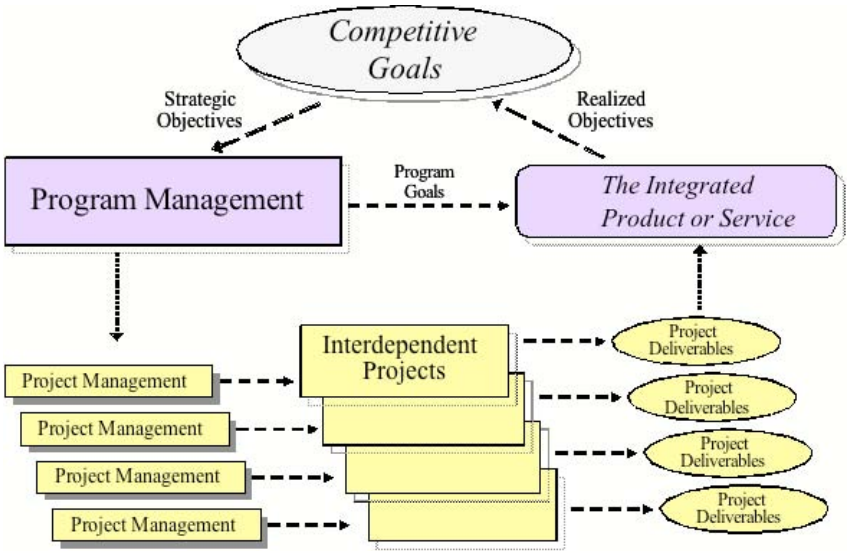

Figure 2: Aligning output to competitive goals

Program management links execution to strategy by integrating the work flows and deliverables of multiple interdependent projects to develop and deliver an integrated product or service. This integrated solution becomes the means by which strategic goals and competitive advantage are achieved.

Faster: Improving Time-to-Market

One company leader described the role of program management in accelerating time-to-market as follows[6].

> *"If you have a strong program management function, products are closer to what the customers want and the team spends less time iterating late in the program to meet customer expectations. A program manager adds clarity for the engineering team by balancing market requests with engineering capabilities, therefore setting realistic customer targets. This results in more efficient use of resources which allows a program team to deliver what the customer wants the first time and then move on to the next product development program."*

Acknowledgement by firms that time-to-market can be a significant competitive advantage has made many historical product or service development methods and processes obsolete[4]. The project hand-off or waterfall approach where project management ownership is transferred (or some times thrown over the wall) from one functional project team to the next is too slow to gain time-to-market competitive advantage.

As well, a purely concurrent development method where functional development occurs in parallel is inefficient due to the high potential for significant rework late in the project when the

concurrent efforts have to synchronize in order to reach an integrated solution. This synchronization many times occurs just before or in the early part of final validation and test. When the interfaces between the concurrently developed pieces are not properly defined, communicated or managed, rework is required and time-to-market advantage is lost.

By using an integrated development approach such as the program management development model, time-to-market goals are optimized. The program management model is built on the development, management and delivery of interdependencies between the functional elements of the program throughout the development life cycle. By incorporating and managing the cross-project deliverables through an iterative and integrated development process, a limited rework scenario exists. This translates to faster time-to-market possibilities, an advantage that brings an extended sales cycle, premium prices, higher profits, and faster learning over companies that do not use program management practices[5].

Cheaper: Achieving Efficiency in Distributed Development

As customer and end-user wants and needs drive product and service complexity to higher levels, the challenge to drive development and product/service cost downward increases to remain competitive. This has given rise to alternative development options such as out-sourcing, off-shoring, open-sourcing, and co-development alliances. The result? Highly distributed development teams that must work in a collaborative manner to achieve the cost advantages desired.

As an example, a leading consumer products company uses a highly distributed development model where product design is performed at five sites, two in Europe, two in the U.S., and one in India. In addition, a major sub-assembly is developed and manufactured by a strategic alliance partner in Korea, integration and testing is performed in the U.S., and final production is moving to China. This highly distributed development model has become more common, and differs significantly from traditional product and service development models where product development and manufacturing are performed from cradle to grave at one site in the home country of a firm.

Competitive advantage for companies that want to compete globally lies in their ability to successfully deploy and manage flexible networks of distributed resources focused on creating new products and services. It is recognized that the current trend is a movement away from co-located development teams and toward globally distributed program and project teams.

Thomas L. Friedman describes the need for effective collaboration best in his book titled The World is Flat, in which he writes the following[7]:

> *"The best companies are the best collaborators. In the flat world, more and more business will be done through collaborations with and between companies for a very simple reason: The next layers of value creation are*

becoming so complex that no single firm, or department [within a firm], is going to be able to master them alone."

This has created a new development model where horizontal collaboration is required across the globe in order to remain competitive. However, many companies continue to operate with traditional functional-based organization structures that contribute to what has been described as 'silo mentality'. The resulting lack of effective communication and coordination across the functional groups constrains effective horizontal collaboration. This horizontal communication and coordination is fundamental to the program management model and is effective for either co-located development efforts or highly distributed development efforts. Companies that utilize a program management model for product or service development have succeeded in managing highly distributed teams that the flattening of the world has made possible. These companies are now able to take full advantage of world-wide specialty and localized resources by using program management to effectively manage the horizontal collaboration between multiple, highly-specialized project experts.

As illustrated in Figure 3, program management becomes the means to connect the various specialists involved in creating a new product or service, and do so in a manner that efficiently develops an integrated solution that delivers the customer wants and needs – thus creating competitive cost advantage over a firm's rivals.

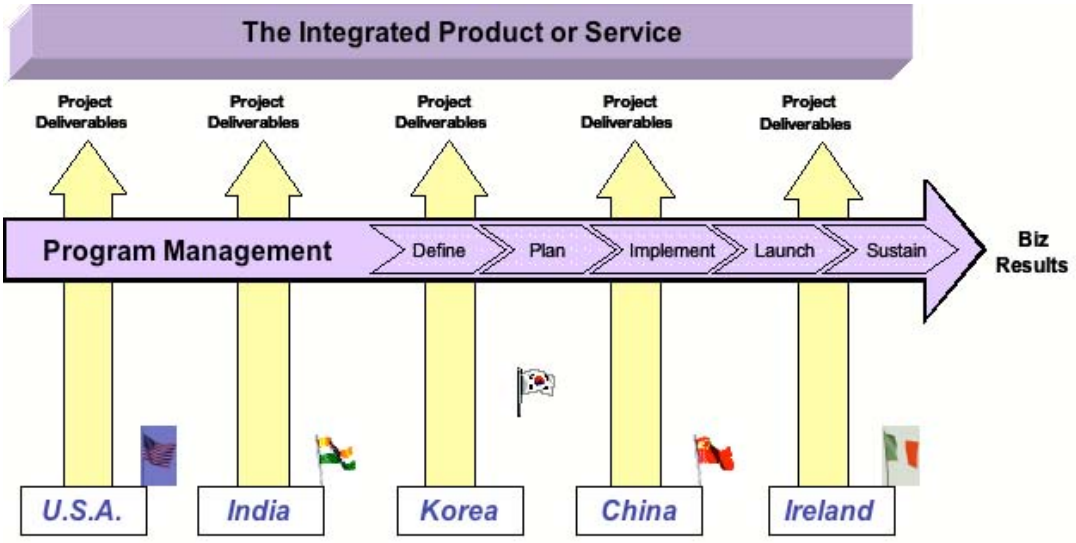

Figure 3: The collaborative nature of program management

As product or service complexity increases, the program management becomes increasingly valuable as a development model in delivering competitive cost advantage. The value comes from the horizontal nature of program management that focuses attention on cross-disciplinary collaboration within the team. The program manager, as the leader of the cross-disciplinary team, is responsible for three primary things: (1) synchronizing and coordinating the complex network of project interdependencies via a single cadence, (2) ensuring the deliverables from each project team form an integrated solution, and (3) making certain that the business case remains viable and delivers the means to create or maintain competitive advantage.

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