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Creating Project-Based Organizations to Deliver Value

By Michel Thiry

Introduction

Project-Based Organisations (PBO) are fast emerging as a serious trend, but many organisations still do not understand how to structure themselves to effectively create a strategic advantage from projects. PBOs need to be structured to create synergy between strategy, project, program and portfolio management and the project approach needs to both generate tangible value for the stakeholders and be sustainable.

PBOs refer to a variety of organizational forms that involve the creation of temporary systems for the performance of project tasks or activities. They include matrix organisations, projectized organisations and other forms of organisations that privilege a project approach for conducting their activities. PBOs are receiving increased consideration as an emerging organizational form, but many researchers report that there is very little knowledge on how project-based organizations actually operate in practice. There are also very few references on how the extensive use of unique and temporary endeavours like projects and programs can influence the strategy and the design of organizations. As the application of project management is spreading in organizations, one needs to understand the different project-based organizational models that can accommodate various situations and address the issues of compartmentalisation, typical of traditionally structured organizations, versus integration, typical of networked organizations, as they structure their project-based organizations (PBOs).

Project-Based Organisations

PBOs conduct the majority of their activities as projects and/or privilege project over functional approaches. They can refer to either entire firms (as in construction, consultancy and professional services) or multi-firm consortia or networks; it is also possible that some large project based organizations have functional support areas or that the PBO is nested within subsidiaries or divisions of larger corporations.

The current organizational management context is dominated by mechanistic, control-based organizational models. As a consequence, most current PBO structures are mechanistic in nature and their management approach is based on the extension of tools developed for the management of single projects. Mechanistic management is appropriate when goals are clear and little uncertainty exists in the prevailing environment but more organic forms are better suited to more turbulent environments. This mechanistic view is exemplified in Figure 1, which displays a generic model, similar to those promoted by many authors who have written on PMOs, Portfolio Management and Governance.

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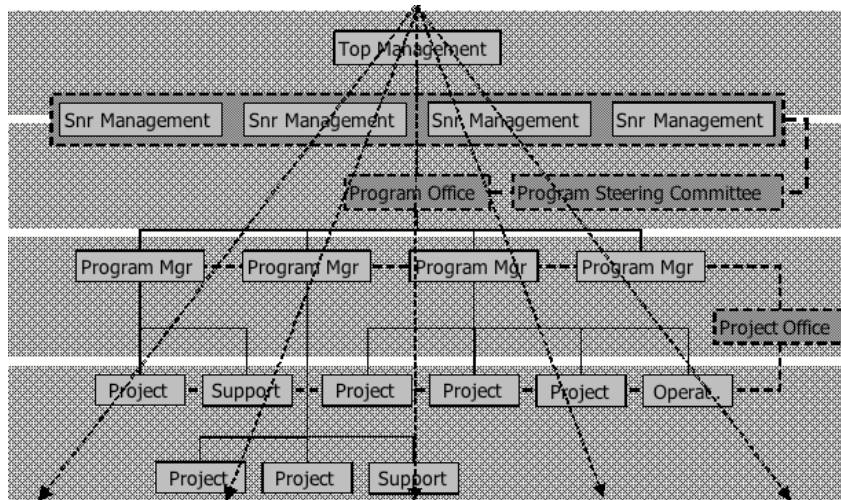


Figure 1: Typical mechanistic PBO model as described in recent PM literature

Recent studies have shown that traditional organizations that adopt a project management approach often face tension between a dynamic and flexible project approach and the firms' desire to exercise control at organizational level. Additionally, these studies and others have documented that, when set in traditional structures project-based organizations (PBOs) also display a number of weaknesses in regards of this traditional view. A particular issue that is poorly understood is the interaction between portfolio management, the PMO and programs to create real added value for the organisation.

New Developments in Organizational Management and PBOs

The recent movement towards a more strategic approach to project management provides the opportunity to take into account emerging theories of corporate governance and organizational value. An integrated vision of projects would directly link projects and programs to governance and strategy, whereas the continued promotion of single project management practices reinforces the top-down mechanistic shareholder approach and deny any value creation mission for project management. Well integrated PBOs would be expected to focus less on financial investment and more on organizational effectiveness; they would display clear signs of stakeholder and value creation perspectives, including innovativeness, empowerment and stewardship, a wider set of success criteria and a drive towards sustainability over short-term results and, overall, an increased focus on the link between expected benefits and results.

Better integration in PBOs can be provided by a coherent project governance approach, which can be summarised by addressing three major issues:

1. Vertical integration of projects across the project portfolio, to link it to the corporate strategy.
2. Horizontal integration of projects across the product life-cycle, from formulation of the business strategy to delivery of business benefits.
3. Integrative project governance structures to create and deliver value.

As graphically displayed in Figure 1, in an organization that reveals a focus on single projects and on a multi-project management approach that focuses on resource allocation and data gathering; project managers would be expected to play a predominantly product delivery role. On the other hand, as shown in Figure 2, a well integrated PBO will display strong interrelationships between its projects and both its business and corporate strategies to create and realize value. In such an organization project managers would be expected to be appointed in senior management roles, or senior managers would be expected to view project management as an integrative process to deliver value to the business.

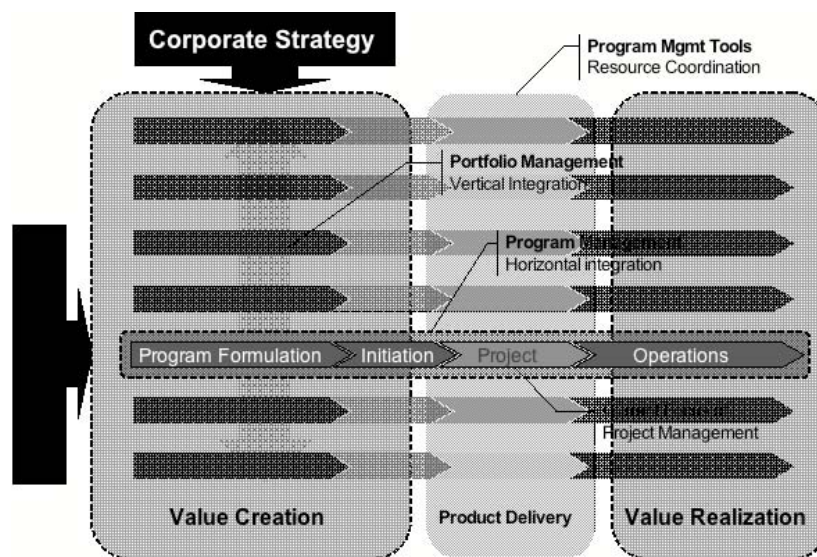


Figure 2: Vertical and Horizontal Integration in PBOs

Creating an integrated PBO

Current turbulence in organizational environments require the development of more integrated models of PMOs where the role of the PMO is not only to optimise the effort, issue processes and procedures and gather project data, but also to strongly link the programs and projects to the strategy as shown in the top part of Figure 3, thus exercising a true project governance role, as defined by the OECD: “governance provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined.” (OECD, 2004). This is a much broader view than the simple monitoring approach taken by many PMOs.

One interesting model of organizational integration and governance is the EFQM Business Excellence Model, introduced at the beginning of 1992, which has become the most widely used organizational model in Europe and is steadily spreading across the world, especially in the Middle-East. The basic concept of the model is that: “The 'Results' criteria cover what an organisation achieves. 'Results' are generated through 'Enablers' and 'Enablers' are improved using feedback from 'Results'.” (<http://www.efqm.org/Default.aspx?tabid=35>).

Elements of this model, especially “Enablers”, “Results” and “Innovation and Learning” arrows are represented in Figure 3.

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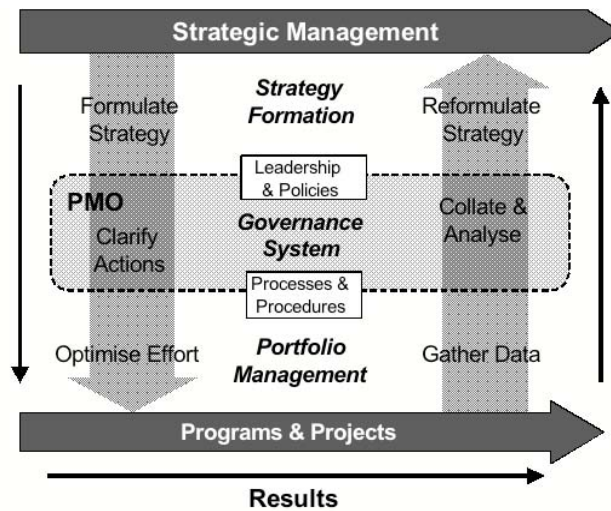


Figure 3: The PMO as a Governance System in the PBO

What is interesting is that, when this approach is applied in organizations the PMO often becomes a vehicle towards an integrated PBO as witnessed in my own practice and that of many of my clients and reported by other PMO experts in America and worldwide (reported in detail in my paper “From PMO to PBO: The PMO as a Vehicle for Organizational Change” presented at the PMI North America Congress, Atlanta, 2007)

When developing a PBO, it must be adapted to the culture and the purpose of the existing organization; it must take into account the political and structural circumstances and build on them, rather than fight them. In their study on PMOs, Aubry and Hobbs (2005) made it very clear that organizational reality is much more complex than textbook solutions. It should focus on functions and relationships and how different organizational entities relate to each other to produce the best value proposition for the business and its stakeholders.

Culturally, it should support the move from:

- Individual accountability to both individual and team accountability
- Shareholder only perspective to stakeholder perspective
- Task-oriented focus to both task and results-oriented focus
- Bottom-up only to top-down and bottom-up integrated vision of Governance
- Control focused approach to empowerment focused approach

Structurally, this is translated by an organisational approach that has:

- A strong leadership entity that drives the corporate vision and mission
- A clear cross entity process approach from identification of the stakeholder needs to benefits—and value—delivery.
- Both an operation/function-based entity and a program/project-based entity that has separate resources, but fosters strong interactions between entities through overlaps between the entities.

- a structure that promotes team accountability over individual, or business unit, accountability by grouping or overlapping individual entities
- Forums that are established to enhance innovativeness and creativity; either through governance, PMO, or leadership meetings/forums.

Conclusions

In summary, as project managers are asked to take a more strategic focus and, as organizational managers are looking for better strategy delivery results, both with mitigated success, well integrated PBOs could be a possible answer provided their structures provide horizontal integration from business strategy to operational benefits and vertical integration between corporate objectives and the prioritised portfolio of projects. It is also very likely that the adoption of an integrated wide-scale project approach, including a governance-oriented PMO, will enable organizations to deliver value consistently for all their stakeholders and therefore promote the Organizational Project Management concept.

Suggested Readings

APM (2004). *Directing Change: A guide to governance of project management*. High Wycombe, Bucks, UK: Association for Project Management. Free Download from: <http://www.apm.org.uk/Governance2.asp>

Hobbs, B. and Aubry, M. (2005). *A Realistic Portrait of the PMOs: The results of an empirical investigation*. Proceedings of the PMI North American Global Congress 2005, Toronto, Canada, Newton Square, PA: Project Management Institute.

Jamieson, A. and Morris, P.W. (2004). *Moving from Corporate Strategy to Project Strategy*. The Wiley Guide to Managing Projects. John Wiley & Sons, Hoboken, NJ.

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Thiry, M. and Deguire, M. (2006) *Recent Developments in Project-Based Organizations*. IRNOP VII Project Research Conference, Xi'an, China, October. Keynote Presentation.

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About the Author:***Michel Thiry****Author*

Michel Thiry, MSc, FAPM, PMI Fellow, is Managing Partner of Valense Ltd. He has over 30 years worldwide professional experience and has worked in many cultural environments. He is recognized as a worldwide authority in strategic applications of project, program and value and has supported the development and implementation of a number of strategic programs and organisational change for large multinational organizations. Michel is a regular Keynote Speaker for major International events and has been a Seminar Leader for PMI® SeminarsWorld since 2001. He is a visiting professor at Henley Management College (UK), UTS in Sydney (Australia) and Polyfinance Business School in Casablanca (Morocco). He has written and lectured widely in International forums, both at the Academic and Practice levels, and written many book chapters and a book. In 2006 he was awarded PMI Fellowship for his continued contribution to project management and in 2007 he was nominated Fellow of the Association for Project Management (APM) in the UK. Michel is also a PM Ambassador™ and is available for speaking engagements worldwide; see his profile at <http://www.pmforum.org/ambassadors/ambassadors.htm>.