Project management as a tool for implementing strategy

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Abstract
The implementation of strategic actions in an organization becomes effective when strictly linked to projects and programs. This paper analyzes the models and processes for programs and project portfolios management, investigating possible inconsistencies between these models and what the executives responsible for implementation really use.

Keywords: project management, portfolio management, strategy execution

Introduction
The Strategic Plan implementation in a company is made possible by the implementation of integrated and coordinated activities in order to achieve a particular goal. It must comply the constraints of time, human resources, available capital, technology, etc., as well as in project execution. According to Nieto-Rodriguez (2012, p.59) the company needs to be focused and use project management practices to have an effective and successful strategy implementation.

Although there are many techniques and best practices established and widespread use (e.g., PMBOK and PRINCE2) for project, programs and portfolio management, not always enterprise systems and even executives responsible for implementing strategies use these techniques and practices in their daily activities. This paper analyzes the models and processes driven to project, program and portfolio management in companies and investigates the differences and possible inconsistencies between what is recommended in the literature and that, indeed, is applied in practice. The results are relevant to all professionals in fields related to the strategy formulation and implementation, as well as for professionals in related disciplines of project management.

To survey the executives' perceptions we chose to analyze the phenomenon in companies where language and work culture for projects are not unknown. Were conducted seven (7) interviews with executives of multinational companies operating in Brazil for several decades, becoming thus a biased sample and not statistically selected. Still, they indicate a significant difference between the theoretical models and what is done in practice, suggesting that new models and standards should eventually be developed and/or adapted. Finally, we propose an answer to the research question: "How companies actually use the project management disciplines as a tool for implementing strategies?"

Theoretical Background

Project, program and portfolio management

In general, the activities of running a business can be divided into two major groups: the first group is the continuous and repetitive activities, being part of the operations management (run-the-business) and the second group is composed by the activities driven for implementing improvements and business development, composing projects (change-the-business) (Nieto-Rodriguez 2012; Shenhar and Dvir 2010). The project is a temporary endeavor to create a unique product, service, or result. The temporary nature of projects indicates that the project has a definite beginning and end (PMBOK, 5th Ed, 2013, p.3) and is an important part in the organizations management and ventures implementation. Despite the implementation of projects revamp dawn of humanity, it was not until the 50s that companies began to organize the work around projects, using tools, techniques and methods that are fairly standardized and form the new discipline: the project management (Shenhar and Dvir, 2010). Project management is the application of knowledge, skills, tools and techniques to meet the project requirements (PMBOK, 5th Ed, 2013, p.5).

Due to the increased complexity and volume of resources involved, from the 80s the demand for project management grew exponentially and many companies have adopted more formalized methods and principles of management (Urli and Terrien 2010). Institutions such as PMI (Project Management Institute) and IPMA (International Project Management Association) appeared to contribute to the consolidation and dissemination of best practices, publishing guides containing information, recommendations and best practices for project, program and portfolio management. The most important and used guides are the PMBOK (Project Management Body of Knowledge) from PMI and PRINCE2 (Project In Controlled Environment) published by OGC (The Office Government Commerce). By the way, the last one is the most used in the world, but not widespread in Brazil, where the PMBOK is predominant (Xavier 2012). Although the two guides divide the project into phases and processes, there are sensitive conceptual differences between PMBOK and PRINCE2. Unlike the PMBOK, where the project begins with the development of the Project Charter and the appointment of a project manager, assuming approval of the feasibility assessment phase, the PRINCE2 project begins with assembling the business case for assessing the viability of its implementation an may be terminated. Another significant difference is that the PRINCE2 principles, themes and processes always take into consideration the environment (corporate culture and project environment) in which the project is developed, with the possibility of adapting the methods for this reality (Tayloring). It means that the tenacity of the method must be appropriate to the characteristics of the project (Xavier 2012). This more adaptive model of project management is advocated by some authors as Shenhar and Dvir (2010) and Srivannaboon (2009).

When a project is created or decided it has a special purpose, a strategy. Project strategy is a direction in a project that contributes to success of the project in its environment (Artto et al., 2008). Inside the organizations, according to their implementing strategies the projects can be divided into three categories:

- Project as subordinate to a parent organization (the most common type).
- Project as an autonomous organization but connected to a parent organization (normally related to the strategy implementation).
- Project in a complex environment with unclear overall governance scheme.

In addition to its implanting strategy, a project can be classified according to the nature, purpose and type of industry to which it belongs. Archibald (2004) divides the projects in ten different categories, each having similar lifecycle steps and unique management processes. In organizations, we can observe that among these ten possible categories, three of them show up intensely present:

- Business & Organization Change Projects: acquisition/merger, management process improvement, new business venture, organization re-structuring and legal proceeding.

- Facilities Projects: decommissioning, demolition, maintenance and modification, design/procurement/construction (civil, energy, environmental), new plants, installations, and utilities.

- Product and Service Development Projects: industrial product/process development (new and/or improvements), information technology hardware, new and/or improvements on consumer services.

Whatever the category, the projects are directly related to the company's strategy, having its origin on something established in the strategic plan/map. They are part of programs, which are defined as a group of related projects managed in a coordinated way to obtain benefits and control that would not be available if they were managed individually (PMI, 2008).

To be neatly implemented and in order to rationalize the use of scarce resources in the company, there is the discipline of project portfolio management, which has become an important topic in recent years (Urli and Terrien 2010). An improved definition of portfolio management is presented by Cooper et al. (1999), where the "portfolio management is a dynamic decision process, in which a list of active projects is constantly updated and revised, where new projects are evaluated, selected and prioritized, others are put on hold and resources are allocated in the active projects". The portfolio management is from the strategic point of view the same as the project management from tactical point of view (Urli and Terrien 2010). Although, the portfolio management does not ensure success in achieving strategic objectives, but an effective portfolio management process can increase the chances of selecting and completing the projects that best meet the organizational objectives and that are aligned with the organization's vision (Bible and Bivins 2012). The annual PMI's Pulse of the Profession (2012) reinforces the importance of portfolio management and point out the discipline as one of the main trends for the coming years.

Implementing strategy

Strategy is the creation of a unique and valuable position, involving a group of different activities. Based on this assertion, many companies have sought this unique and valuable position, creating elaborated and complex strategies using the most modern tools. However, how to ensure the effective implementation of this strategy?

Concerns about implementing the strategy have gained force among CEOs in recent years, especially after the 2008 global crisis. The non-governmental organization *The Conference Board*, which seeks to facilitate strategic decision-making for more than 90 years, conducts an annual survey of CEOs' major challenges: the CEO Challenge Top 10 Report. The 2010 version of this report noted the "Excellence in Execution" as the number one challenge.

Despite this, implementing strategies has received less attention than its formulation. Once a strategy has been developed, its implementation appears to be seen as a matter of operational detail and tactical adjustment and has received less attention (Pellegrinelli and Bawnan 1994). According to Bossidy and Charan (2011, p.7) implementation is a specific set of behaviors and techniques that companies must master to have competitive advantage. The concern with these behaviors and techniques first appeared in the second half of the 90s, becoming more relevant among scholars in the field of strategy and especially among executives who need to increase their levels of results. According to Neilson et al. (2008) execution is the result of hundreds of decisions made every day by employees acting in accordance with the information they have and their own interests. There are several proposals of how to implement the strategy effectively and what are the determinants of success in such implementation. Although there are several approaches on how to implement strategies, concepts are repeated between academic articles and books. *Table 1* shows which factors are most often discussed in the literature as important for implementing strategy.

The data compilation shows that the *Strategy* itself is the most important factor cited. Second come the *Follow-up*, the third *Alignment*, followed by *Structure*, *Communication* and *Responsibilities*. Among the cited authors MacLennan (2011) is the only one that recognizes projects as an initiative to implement strategies effective and reinforces the importance of clear systematic for project, program and portfolio management for a successful implementation.

Table 1 – Authors and main factors for implementing strategy

Authors	Nielsen, G. L. & Martin, K. L. & Powers E. (2008),	Higgins, J. M. (2005)	Bossidy, L. & Charan, R. & Burck, C. (2002)	Coon, B. & Wolf S. (2005)	Kaplan, R. S. & Norton, D. P. (2008)	Khadem, R. (2008)	Getz, G. & Lee, J. (2011)	Gadiesh, O. & Gilbert, J. L. (2001),	Mankins, M. C. & Steele, R. (2005),	ROGERS, P. & BLENKO, M. (2006)	Kaplan, R. S. & Norton, D. P. (2007)	Haudan, J. A. (2004)	Schneier, C. E & Shaw, D. G & Beatty, R. W. (1991),	MacLennan, A. (2011)	Total
Factors most discussed in literature															
Strategy		1	1	1	1		1		1		1				7
Follow up			1		1	1			1		1			1	6
Alignment				1	1	1						1		1	5
Information (Communication)	1								1		1			1	4
Decision Rights (Responsibilities)	1									1			1	1	4
Structure	1	1					1							1	4
Resources		1							1					1	3
People		1	1				1								3
Engagement				1								1		1	3
Motivators	1												1		2
Acknowledgment			1						1						2
Development of skills									1			1			2
Priorities			1						1						2
Capacity			1											1	2
Performance criteria													1	1	2
Systems and processes		1													1
Values		1													1
Style		1													1
Operations			1												1
Sustainability				1											1
Strategic principle								1							1
Capability														1	1
Processes														1	1
Causality														1	1
Criticality (prioritization)														1	1
Projects														1	1

Link between implementing strategy and project, program and portfolio management

Project, program and portfolio management has been neglected over the years. It is not common for the most recognized authors in Business Management refer to project management as an important business methodology or a critical component for implementing strategy (Nieto-Rodriguez, 2012), but no longer simply a middle management tool for planning, organizing and controlling human and other resources, project management can now be regarded as an essential means of turning strategic objectives into operational ventures (Lord 1993). Although many executives believe that the alignment of project management with business strategy improve significantly the scope of organizational success in terms of strategy and performance, the literature on this subject is still in its infancy (Srivannaboon 2009) . When organizations have their projects related to strategy, they are better able to achieve their organizational goals (Milosevic and Srivannaboon 2006). Longman and Mullins (2004) consider the project management an essential tool for implementing strategies and say that project management must be practical and relevant for the organization. People, at various levels, must realize the benefits of project management day-by-day in strategy implementation.

Methodology

This research is exploratory and qualitative. The philosophical conception is pragmatist focusing on the consequence of actions, problem-centered, pluralistic and oriented to the practice in real world (Creswell 2010), with constant comparison of these practices with those described in the literature.

We used the individual interviews method with open-end structure (VERGARA, 2009), where interviewees has the role of respondents (the most common model of interviews, in which participants are asked and share their own experiences about the subject) (Alvesson and Ashcraft 2012), and describes internal processes that help to understand how this phenomenon occurs. Our position as interviewers was neo-positivist, focused on the facts and practices existent on the environment and context, but a novelist position (Alvesson and Ashcraft 2012) was not abandoned, with appreciation of human interaction and build of a confidence process.

The respondents were 7 (seven) executives of multinational companies with subsidiaries in Brazil, where language and work culture for projects are not unknown. These executives work intensely on projects and programs in positions like Project Manager, PMO (Project Management Office) Manager or Functional Manager. Given the interviewers selection method, this is a non-probabilistic sample.

The applied questionnaire had, as reference, questions used by Weaver (2007) in his research. From the responses, we performed a content analysis (Bardin 2009) which allowed reaching some conclusions and recommendations related to the research question.

According to Bardin (2009) content analysis is a set of analysis techniques of communications, through systematic and objective procedures to describe the content of the messages, to obtain indicators (quantitative or otherwise) that allow the inference of knowledge concerning the conditions of production/reception (inferred variables) of these messages.

Results

The interviews were coded in *Table 2*. The first column shows the *Strategic issues*. The second column shows strategic important aspects related to the issues from the first column. Next column describes the indicators that show the existence or not of aspects related to the strategic issues. In the column *Examples found of the strategic issue/aspect* are the text fragments (citations) that show the existence or not of the indicator related to the strategic issue. Next column provides how many times each similar answer was identified and their percentage within the universe of interviews. Finally, the last column gives an identification number to each citation.

Table 2: Analysis of links between project management and strategy as perceived by Brazilian Executives

Strategic issues	Important aspects inside the strategic issue	Indicator of strategic issue/aspect	Examples found of the strategic issue/aspect	Number of citations through interviews (7 in total)		Citation ID
				qty	%	
Corporate aspects	Strategic Plan / Map	Existence of a widespread strategic plan / map	*Yes, we have a widespread strategic plan/map*	4	57	1
			Strategic plan is not known or publicized. I don't know if one exists!	3	43	2
	Internal projects	Existence of internal projects aligned with the strategic plan / map	*There are internal projects to achieve goals related to the strategic plan*	5	71	3
			I am not aware about internal projects	2	29	4
	Alignment between projects' results and corporate goals	Indicators to measure project's performance against corporate goals	*For big projects related to our products we have some indicators, but for the others, like Capex or small ones, there is nothing specific.*	3	43	5
			The main criteria is the financial one. The other criteria came later.	4	57	6
	Operations vs. projects	Correct differentiation and split between activities related to operations and projects	*No, it is not clear and causes problems for the project management. Project is treated as production.*	7	100	7
	Execution capacity	Resources to execute all projects in portfolio	*There is no capacity planning and priorization.*	5	71	8
			We have not enough people to execute all projects and for that people we have there is a lack of competency and qualification.	6	86	9
	Political influence	Position with more political influence: project manager, functional manager or business unit manager	*At first come the Functional manager. Project manager comes later.*	7	100	10
	Stakeholders alignment and influence	Alignment between key stakeholders' expectation and project objectives	*There is no formal process. Interests are being treated when they come up.*	6	86	11
Project Management Processes	Success criteria	Criteria to evaluate the project success and guide decision-making	*The main criteria is the financial one. The other criteria, like scope and quality, are also important, but the financial is the boss!*	7	100	12

Strategic issues	Important aspects inside the strategic issue	Indicator of strategic issue/aspect	Examples found of the strategic issue/aspect	Number of citations through interviews (7 in total)		Citation ID
				qty	%	
Project Management Processes	Use of project management tools	Involvement of the board to guarantee that project management practices and tools are being used	*We use project management practices and tools but not as a disciplinary method and our board is not involved to guarantee the use of the project management tools.*	6	86	13
			We have developed a internal project management process based on best practices available. The implementation of this worldwide project is a PMO responsibility and need to be reported to the board.	1	14	14
	Orientation for project management style	Disciplines of the project that receive more focus from the project manager and board	*The financial one. Scope and quality are also important, but financial result guides the project conduction.*	7	100	15
	Support from corporate areas	Intensity and commitment from support areas to the project development	*Support areas do not provide the right resources for the project.*	6	86	16
			Some support areas do not show a strong commitment with the project, e.g. Finance and Purchasing.	7	100	17
	Change and risk management	Change and risk management processes, mainly related to the operative risk that the project can bring	*During the project execution the risks are not formally managed. They are treated when they come up.*	6	86	18
			There is a systematic, but the use depends on each project manager.	4	57	19
	Reporting	How corporate culture and project environment influence the honesty in reports	*Political environment influences the reports. People act to avoid conflicts and defend their own interests.*	4	57	20
			We are motivated to report honestly and inform if a problem exists or is coming.	3	43	21
	Results	Final project results alignment against initial objectives and targets	*In general, yes. There are projects with good results and others not so good, but in the total amount the results are satisfactory.*	5	71	22
			No, the results are bad. The financial results are bad. We cannot delivery the right scope and quality is not so good.	2	29	23

Strategic issues	Important aspects inside the strategic issue	Indicator of strategic issue/aspect	Examples found of the strategic issue/aspect	Number of citations through interviews (7 in total)		Citation ID
				qty	%	
Roles & responsibilities	Competent people for project deliverables	Board involvement to ensure that competent and responsible resources will be correctly allocated in the project	*No, the responsibility to allocate the people belongs to the functional manager. The board sometimes choose just the project manager or some important position.*	7	100	24
	Escalation process	Evidences of a escalation process for project problems	*We have a defined escalation process passing through some steps.*	7	100	25
	Responsibility in the team	Clear responsibility process for all team members and departments	*Normally, there are conflicts of responsibility when support areas are involved.*	6	86	26
	Robust decision-making process	Use of relevant and realistic information (not biased) for business case used in decision-making process	*Normally the right information is used, but sometimes we can see biased information oriented to a specific decision. Political issues influence this topic a lot.*	3	43	27
			During the project execution we use realistic information.	4	57	28

Discussion and Conclusion

The content analysis indicates, from the surveyed executives' point of view, a significant difference between the theoretical models and what is actually used and experienced by them. The main inconsistencies refer to:

1. Organization:

a. Projects for strategy implementation are not clearly differentiated from operating and repetitive activities and efforts. This overlapping causes difficulties in establishing priorities, responsibilities for results and allocation of resources in a convenient way (Citations: 7, 9, 11, 16 and 26).

b. In general, the authority of the Project Manager is lower than that from Functional Manager. This leads to low motivation and commitment to project results, as well as conflicts between the operation and the needs of strategic goals accomplishment (Citations: 10, 17 and 24).

2. Use of methodologies and best practices of project, programs and portfolio management:

a. The methodologies and best practices already established are not consistently used for managing projects related to strategy implementation. This is true even in organizations that have a Project Management Office (PMO) (Citations: 13 and 18).

3. Use of criteria and indicators to evaluate the results of projects related to strategy implementation:

a. Projects are evaluated mainly by financial indicators, thus neglecting other aspects related to the project deliverables and success such as scope, quality, time and alignment with the business strategy. The primary concern seems to be just trying to ensure "at any cost" that the project budget will be achieved (Citations: 12 and 15).

This analysis indicates also inconsistence with the main points cited in the literature as the most important aspect for implementing strategies (*Table 1*). *Strategy* itself is not clearly recognized by executives (Citations: 2 and 4). *Follow-up* of important project aspects is not perceived (Citations: 5, 6, 8, 11 and 15). *Alignment*, in general, appears as big problem, between project objectives (Citations: 5 and 6) or between important Stakeholders acting in the project (Citations: 11). *Communication*, as a basic attribute, seems to be weak with executives that do not know the main objectives of the company (Citation: 2) or not inform the board correctly in a decision-making processes (Citations: 20 and 27). *Decision rights* are disturbed as described above in the item 1. b. when Functional Manager has more power in allocating people in a project than the Project Manager. Finally, Structure presents also inconsistencies, mainly related to capacity of execution that conducts the company (and projects) to poor results (Citations: 8, 9, 16 and 23).

We conclude that, for the analyzed cases, practices and tools of project management in companies are present, but so disorganized and unsystematic, leaving it to project manager and his team the effective use of these practices. It is noticed also problems in appropriate allocation of labor (related to quantity and quality) to work on projects and also not detected alignment and engagement of support areas (corporate areas) with ongoing projects (predominant aspect in all companies). This misalignment worsens when the functional manager has more power to allocate resources than the project manager.

Given the misalignment between business strategies and the use of projects and project management practices, our work indicates that many of the basic practices of project management and strategies implementation are ignored or misused by the people responsible, opening a huge opportunity for improvement of operational performance, better allocation and utilization of resources and improvement of management practices. The findings also encourage the development and adaptation of new models and standards to approach the practices proposed in the literature with that actually used daily by executives.

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