

## **Effective Employee Engagement to Decrease Projects Complexity: Lessons from Organizational Economics**

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The success of a project depends on the ability of the Project Manager to coordinate and integrate activities for the effective achievement of established goals. However, this success is permanently hindered by the complexity, naturally derived from the specific attributes of the project and the business environment. Analogous to the development of any economic activity, complexity represents the project externalities resulting from the organization of resources and activities along with the uncertainty to the completion of the different tasks.

One of the main contributors to complexity lays in the interactions of human resources, and the specific and temporary nature of projects exacerbated by the challenges to engage personnel and integrate activities, especially when changes emerge and quick adaptation is required. Project Managers, as leaders of these temporary organizations, are expected to effectively engage project personnel for the accomplishment of project activities. It is possible therefore to draw some concepts from Organizational Theory and Economics in an attempt to address complexity associated with the human resources, seeking a set of ideas that assist Project Managers in the adequate orchestration of activities.

### **Complexity and the Elements of Effective Engagement**

The term “complexity” has been widely used in management literature to describe obstacles that hinder the achievement of objectives. Unfortunately, the loose use of this term, far from clarifying, adds a level of subjectivity that is a source of confusion (and anxiety) to the reader. For this reason, it is prudent to briefly examine the attributes of complexity in projects in terms that are tangible and useful for the advancement of our topic.

According to Professor Terry Williams, a prominent scholar in the field of Management Science and Operations Research, complexity in projects can be defined as a function of two major themes: 1- Structural complexity, defined by the number of elements involved in the project and the interactions among them and 2- Uncertainty, materialized in the level of clarity of project objectives and the methods used to achieve these objectives. This definition is in full correspondence with the recent PMI global Standard “Navigating Complexity” that explains complexity as a function of human behaviour, system behaviour (interactions and dynamics) and ambiguity (uncertainty and emergence).

A reflection on this definition allows inferring that it is imperative that the Project Manager understands human behaviour on a large scale to ensure effectiveness in the achievement of the planned objectives since, in essence, they are only possible through the aggregated contribution of the employees. Unfortunately, a simple

examination of traditional concepts that describe human motivations <sup>(1)</sup> is not the best start point for setting strategies for engagement: as human actors it is natural to expect that stakeholders prioritize the satisfaction of their own needs over the achievement of the project or company goals. These rationales have been the cornerstone of theoretical frameworks that explain the tensions that emerge between organization and employee's goals, including the well-known principal-agent problem.

In spite of these arguments, there are numerous examples of organizations that, fuelled with employees' efforts, dedication and pride, overcome these conflicts predicted by traditional theories, progressively strengthening their positions in the market, ultimately resulting in the enhancement of their competitive edge. What have these "different organizations" done to maximize employee cooperation? What drives these employees to "work harder" towards the organizational objectives besides a monetary compensation? An appealing perspective to answer these questions was proposed by the Nobel Laureate Herbert Simon, founded on the most essential component of a firm: the **Organizational Strategy**.

Dr. Simon criticized the use of traditional rationales to describe what occurs inside the organization as these approaches observe firms from an external-market perspective, framing human behaviour in terms of agency, asymmetric information, transaction costs and opportunism. However, they ignore three essential mechanisms that, derived from the firm-employee interrelation, are particular to organizational environments, namely **Authority, Identification and Coordination**. A brief reflection on how these mechanisms can be enacted allow to infer that their optimality seems to rely on the effective engagement of the employees into the organizational strategy, with a clear visualization of their actions into the accomplishment of the company's objectives.

- The implicit **authority** imposed by the incompleteness of the employment contract revolves around the transference of uncertainty to the employee by not specifying all the function of his/her position. However, this should not be seen as a challenge, but as an intrinsic motivator that provides latitude to enhance the functions beyond the job description and exploit opportunities for self-realization: doing the job well is not a matter of just responding to commands, but of taking the initiative to advance organizational objectives.
- The **identification** of employees with an organization is considered the strongest of the three mechanisms since it is the main originator of loyalty. In essence, an individual with a clear understanding of the organizational strategy knows the contribution of his/her activities to the company's objectives, developing a sense of belonging that encourages compliance with managerial directives, focusing decision-making processes towards the achievement of the organizational goals, with an increased potential to collaborate with other stakeholders and promotion of cross-functional support.

- The **coordination** of activities occurs by setting the corresponding “rules of the game” through the operational standards defined by the company. In Dr. Simon’s words, these standards are “the mechanisms to protect the organization against externalities” or, in the case of projects, against complexity. The compliance with the organizational standards not only depends on their functionality, but on the full engagement of the employees in the achievement of the corporate goals (authority + identification). When this occurs, standards are not perceived as “roadblocks” in day-to-day activities, but as the instruments that help achieve the organizational objectives and maintain a competitive edge.

In today’s economy, it is difficult (if not impossible) to imagine a sustainable organization whose components (systems and resources) are not synchronized and continuously improving to adapt. Mechanistic approaches based on traditional rationales are normally based on the extrapolation of performance metrics, assuming project stakeholders as individuals motivated exclusively by a monetary compensation. Although money essential, it is not sufficient to ensure employee engagement. The efficiency of a project whose culture is based on a transactional model is substantially challenged: stakeholders will be inherently demotivated to identify value creation initiatives at an adequate rhythm, and the lack of integration will progressively erode internal processes accelerating their obsolescence and hindering their evolution to new constraints.

### **Aligning Employee Engagement with the Project Strategy**

Understanding the three enhancing mechanisms Authority, Identification and Coordination should be paramount for any professional with managerial responsibility, and should be embedded into any organizational initiative intended to increase organizational effectiveness. However, for a successful integration of the human resource into the organizational objectives it is necessary to adopt communication initiatives that are strategic and go beyond ordinary informative where the project information is “cascaded” to the employees through impersonal mechanisms, including e-mails, company magazines and banners. Although important in communicating the objectives of the project organization, these mechanisms are not sufficient to reduce complexity because they are unidirectional in nature: they neglect employee’s feedback.

To reduce complexity, it is necessary to implement robust strategies in both directions. In other words, besides clearly establishing channels to communicate the project objectives, it is essential to establish the correlation of these goals to the contribution of stakeholders, mapping tangible deliverables at all levels and ensuring inclusion of their interactions with the different project stakeholders. Naturally, it is imperative to measure these efforts and interactions, providing a “controlled” window for improvement and self-exploitation of the capabilities of each individual. The success of this bidirectional strategy therefore requires a robust interface with the Human Resources unit to ensure the allocation of the right resource in the right task.

Now, it would be irrational to assume that a Project Manager understands all the activities performed by all stakeholders, particularly in large multi-discipline projects whose products result from highly specialized resources, or knowledge workers. What it is possible (and necessary) however is to know the relevance of the functions performed by each person or unit into the project deliverables. The Project Manager must invest special effort in determining the weight of these contributions as the first step in integrating the project organization, establishing a “bottom-up” model that shows the aggregate effort of stakeholders along with their interrelations. This crucial step is essential in designing communication and engagement strategies to decrease complexity in projects.

Project Managers possess the tools to clearly depict the project objectives to the project contributors. To effectively achieve these objectives, it is necessary to ensure employee engagement by fostering an environment that provides opportunities to perform and expand their functions with a clear line of sight of their contribution to the project strategy. This will cultivate a mutually benefiting environment where employee’s self-realization will positively align with the accomplishment of the goals, ultimately creating an orchestrated product whose value is higher than the simple sum of the individual components of the project.

## Notes

(1) Some of these concepts are originated in psychology and economics and include Maslow’s pyramid of needs, Smith’s “invisible hand” (that balances the markets as a net result from multiple actors seeking their own benefit), and the expected Utility function, advanced by John von Neumann and Oskar Morgenstern and amply used in decision theory.

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