Adding value to project clients

By Alan Stretton

INTRODUCTION

In recent articles in this journal (e.g. Stretton 2016b, c, d, e) I have been advocating that project management should move from a focus on project execution which many still have, to broader perspectives and involvement, which could include:

- increased involvement in converting project outputs to (business) outcomes
- increased involvement in project initiation activities, including
  - capturing client's needs
  - planning to convert these needs into outcomes
  - defining the project to best contribute to these outcomes
- increased involvement in organisational strategic planning, including
  - helping set organisational strategic objectives
  - developing, evaluating & choosing best strategic options for achieving the objectives
  - developing portfolios of projects to achieve these strategic objectives

From time to time in these articles I have made the point that early involvement in project initiation stages (whether collectively as in organisational strategic planning, or with individual project initiation activities) gives project management the opportunity to add value to the client (or to the client organisation). This article explores the matter of adding such value in a little more detail.

It should be noted here that the Japanese (in PMAJ 2008) put value creation right at the forefront in their definition of the nature of a project, as follows:

> A project relates to a value creation undertaking based on a project mission, which is completed in a given or agreed timeframe and under constraints, including resources and external circumstances.

The Western project management literature has traditionally been rather more concerned with product creation than value creation. However, the latter was very much at the heart of the development of project management with my old employer, Civil & Civic, in the 1950s and 1960s. We will first briefly look at their experience.

A PARTLY PERSONAL HISTORICAL PERSPECTIVE – VALUE TO THE CLIENT

It should first be noted that most of my nearly forty years hand-on experience in project management was with project-based organisations – i.e. organisations that derive most (if not all) of their revenue and/or other benefits from creating and delivering projects. This article strongly reflects this perspective on project management. In particular, when we are talking about value, we will be talking specifically about value to the project's client – or the client organisation, as I sometimes describe it.

Therefore this article does not necessarily reflect the perspective of project managers operating in production-based organisations, which derive most (if not all) of their revenue and/or benefits from producing and selling products and services. Evidently, value can mean different things to different people in this environment. We start with a snapshot of the Australian building industry in the 1950s.

Value (or lack thereof) in the Australian building industry through the 1950s

Through the 1950s (and indeed well beyond the 1950s) virtually all non-dwelling buildings in Australia were delivered under the traditional tender system. Buildings were designed by architects, and put out to competitive tender for construction. This system virtually assured that the client received poor value, for two primary reasons.

- Architects had little incentive to design in value for the client, either because of their fee structure, or with the prevailing architectural ethos up to that time.
- Separation of design from construction denied clients possibilities for benefiting from value-adding practical construction advice in the design phase.

Adding value in the design phase

Civil & Civic (C&C) was formed in Australia in 1951, and initially operated in the local building industry as a building contractor. Echoing the last bullet point above, Civil & Civic's construction people (along with most other building contractors) very directly recognised "that the important cost savings in any building project are to be made on the drawing board …" (Murphy, 1984:7). There were no checks-and-balances mechanisms at the time to help ensure that consultants' designs were efficient and/or effective.

It is quite certain that few people at the time had any idea of how inefficient and/or ineffective architectural designs often were. Civil & Civic soon found out that, in active management of the design of its own developments, effort spent on refining the design was invariably effort well spent. Along with its own development work, it was a natural step to offer design-and-construct services to external clients, which was initiated in the mid-to-late 1950s.

Perhaps even more revealingly, we began getting requests to do "rescue missions" on external projects which were going awry. Many of these were real eye-openers. In so many cases the genesis of the problem was design-related. It was not unusual for us to be able to reduce the final project cost by up to 40% (in one spectacular case double that!) by redesigning the project to improve efficiency, and in many cases to improve effectiveness as well.

Adding value by helping clients determine their business (or equivalent) needs

In describing the problems on these "rescue mission" projects as design-related, it should be emphasised that many of them were actually due to a failure to really clarify what the client's real needs were in the first place – by clients needs I mean their business (or equivalent) needs.

Many clients did not have the resources or background to do this well themselves, and needed help. Architects seldom (if ever) addressed this very basic value-related issue.

Of course it was not only "rescue mission" clients who needed help in this regard. Many other clients were similarly placed, and needed outside help to clarifying their basic needs, before one could even start thinking about specifying a project to best help satisfy these needs. In these circumstances, Civil & Civic quite rapidly developed a capability which we called "Client needs determination" (CND) – which was perhaps a slight misnomer, as its real function was actually to help clients clarify their basic business (or equivalent) needs.

By the early 1960s Civil & Civic had added CND to design-and-construct, describing the combined offering as its "Project management service". The increase in demand for this broader service was such that the organisation eventually had to build up a very substantial CND capability indeed, involving specialists in quite a few different areas, such as education, health, and meat processing. This turned out to be value adding for clients on a very substantial scale.

Adding value by helping clients clarify their organisational strategic objectives

As we became increasingly involved in CND processes, we found that, with many of our clients, particularly those with relatively small operations, we were also actually helping them clarify their organisation's strategic objectives. Either they had not previously done this work, or it had been undertaken some time ago, and needed updating.

So, very often, the CND process led naturally to us being able to add further value to the client by helping in this organisational strategic clarification context.

Discussion

I summarised the above experience with Civil & Civic to emphasise the fact that this is the way project management actually evolved in my company well over fifty years ago, and that we learned in a most hands-on way that the further we got involved in the front-end of projects, the greater the value we were able to deliver to clients.

Further, the amount of increased value was often very substantial indeed. I am tempted to describe the potential to increase value as one advances more deeply into the early initiation project stages as exponential. It is not quite that, but in our experience it is certainly much greater than is generally realised. For example, the most spectacular of the value-added percentages suggested above (the 80% reduction noted in parenthesis) was of course directly related to helping the client completely redefine his real business needs.

We even had a couple of cases which were, in a sense, 100% reductions! I have often recounted the circumstances of the first time this happened, which is described in the following text box.

> In the 1960s a quite small metal-working workshop in Sydney secured a large contract for many different metal products, with tight time limits. The owner's diagnosis of his needs was that his workshop had to be extended immediately to install extra machines to help process this order. Civil & Civic (C&C) had a reputation for being a fast designer/ builder, and was called in to undertake this extension.
>
> Civil & Civic soon realised that the owner did not need a workshop extension at all. In fact, he would have ample room in his existing premises, simply by reorganising and repositioning his existing and new machinery appropriately. C&C helped him plan it, but did not charge the owner for what was a small service, albeit a high value-added one. An (unexpected) outcome was a client who was so satisfied that he became, in effect, one of the best ever unpaid salesmen for C&C!

The main point I wanted to make in discussing the above is that the concept of adding value in the project context, particularly by getting increasingly involved in the project's 'front end', is far from being a new one. As Clark 2002:40 records, the CEO of Lend Lease put its approach this way.

> The 'correct solution' was the best *value* solution for the client.

Now, it does appear to be the case that, in the past decade or so, a good deal more emphasis is being placed on value creation in the project context. We now turn to some relevant contributions from the project management literature.

FROM PRODUCT CREATION TO VALUE CREATION AS THE PRIMARY FOCUS

One of the earlier examples from the literature which particularly caught my attention was a special issue of the *International Journal of Project Management* (Volume 24, Issue 8, November 2006), on "Rethinking Project Management". One of the five directions for future research identified in a paper by Winter, Smith et al 2006 was summarised as follows.

Direction 3

Product creation as the prime focus →	**Value creation as the prime focus**
From: concepts and methodologies which focus on: *product creation* – the temporary production, development, or improvement of a physical product, system, or facility etc – and monitoring and controlling against specification (quality), cost and time.	**Towards:** concepts and frameworks which focus on: *value creation* as the prime focus of projects, programs and portfolios. Note however: 'value' and 'benefit' as having multiple meanings linked to different purposes: organisational and individual.

Figure 1: Adapted from a table on Directions for Future Research, Winter, Smith et al 2006

In their discussion on Direction 3, Winter, Smith et al note that the thinking in this area was, at the time, "driven more by industry than academia". This is also reflected in their following observations.

> Another strong stream to emerge from the practitioner presentations to the Network is the increasing emphasis within organisations on *value creation,* rather than *product creation,* as the overall focus in the management of projects. For many organisations, the main concern now is no longer the capital asset, system or facility etc, but increasingly the challenge of linking business strategy to projects, maximising revenue generation, and managing the delivery of benefits in relation to different stakeholder groups.

These authors go on to make the following observation about 'value' and 'value management':

> Even the body of ideas known as 'value management' is historically and intellectually more aligned with the product creation perspective being described here.

We now turn to a second paper in that issue of the *International Journal of Project Management* entitled *"Focusing on business projects as an area for future research: An exploratory discussion of four different perspectives"*

'BUSINESS' PROJECTS AND VALUE CREATION

The nature of business projects

That paper, authored by Winter, Anderson et al 2006, was concerned with focusing on 'business' projects as an area for future research. They describe 'business' projects in the abstract of their paper as follows.

> An important development in project management in recent years has been the emergence of a new class of projects, in areas such as organisational change and IT, integrated business solutions, and long-term public service delivery. Often referred to as 'business projects', this new class of projects (and programmes) reflects a growing conceptual shift away from the traditional engineering view of projects, towards a more business-oriented view, in which the primary concern is no longer the capital asset, system or facility etc, but increasingly the challenge of implementing business strategy, improving operational effectiveness, and managing the realisation of stakeholder benefits.

They discussed four different perspectives on this topic, one of which was a value creation perspective, which they introduce as follows.

> With value creation rather than product creation being the prime focus of business projects, this section presents a new strategic perspective on business projects as 'value-creating systems', in contrast to the traditional engineering view of 'temporary production systems'.

As already noted, my primary experience has been with project-based organisations that provide project management services to external clients. My interest in this article is value creation for external clients. Most of the discussions about value in the articles in the special edition of the *International Journal of Project Management* were more concerned with projects in production-based organisations.

However, the way Winter, Anderson et al develop their paper is also very relevant to value creation for external clients, as now discussed.

Relating with the client organisation and its own customers

The following basic figure was developed by Winter, Andersen et al 2006, based on a model of value creation proposed by Normann. It was specifically concerned with business projects involving IT, integrated solutions, service delivery projects, etc.

However, I have amended the descriptors in the second and third text boxes to represent a project-based organisation providing a business project service to an external client organisation. Figure 2 shows a first-level customer relationship with a product focus, and a second-level customer relationship which also considers the client organisation's relationships with its own customers – which brings with it a value focus, as illustrated.

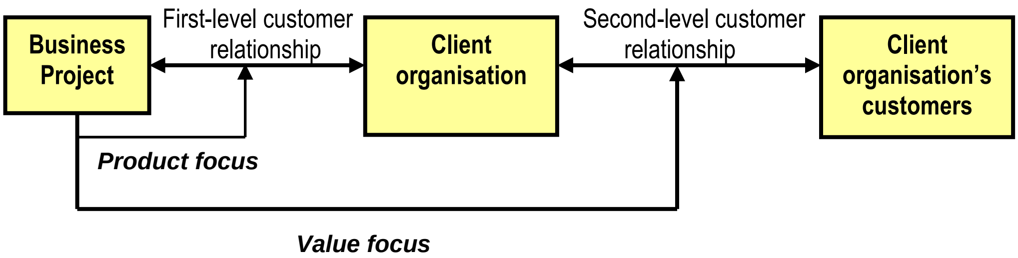


Figure 2: Business projects & external customers (based on Winter, Andersen et al 2006, Fig. 2)

Winter, Anderson et al say that, if you really want to maximise value to the client organisation, you really need to understand the client organisation's business and value-creating process. They then expand on this in quoting the approach of Normann 2001, in part as follows.

> Understanding the customer's [client organisation's] business implies that one must look at the customer's major stakes – and they generally are in the customer's relationship with his or her customers. Therefore, true customer orientation means that one has to go beyond the direct relationship between oneself and one's customers to understand the relationship between the customers and the customers' customers – from the 'first' to the 'second-level customer relationship'.

This focus on the client organisation and its relationship with its own customers can be related back to the earlier section on *Adding value by helping clients clarify their organisational strategic objectives.* As Winter, Anderson et al note,

> …being more concerned with value creation than product creation, the basic model in Fig. 2 implies a more strategic approach to the front-end definition of business projects and programmes.

The recommended 'second-level' focus on the client organisation and its customers can be seen as an integral part of helping clients clarify their organisational strategic objectives.

Discussion

There have been many more recent discussions on creating value for clients, or sponsors. For example, Morris 2013 has a whole chapter entitled "Ethos: Building Sponsor Value", which he discusses under the following sub-headings:

- Governance and strategy
- Stakeholders
- Requirements and innovation
- Commercial platform
- Project and program leadership
- Valuing time
- Control
- Benefits management and opex
- The Japanese approach: Pursuing innovation and value

As usual, Morris casts a wide net over this subject. Most of these sub-headings involve decision-making initiatives at the front-end of the project to help build sponsor value (with the exception of implementing benefits management, which is a post-execution activity).

However, neither Morris, nor any other Western author I have read, has delved quite as deeply into understanding the client and the client's customers as have the materials discussed earlier from the special edition of the *International Journal of Project Management.* The latter have got a good deal closer to the experience we had in Civil & Civic than anything else I have seen in the literature.

Morris also briefly discusses Japan's P2M (PMAJ 2008), which, as we mentioned in the introduction, places value creation right at the forefront in their definition of a project. The contexts of the projects which are of primary concern to P2M are somewhat different from my primary interest in project-based organisations providing services to external clients.

However, P2M places so much more emphasis than the Western literature does on creating value right from the outset, that it seems appropriate (albeit also somewhat daunting) to attempt to summarise some of the key processes in this primary component of the P2M approach.

JAPAN'S P2M – PURSUING INNOVATION AND VALUE

Japan's P2M Guidebook is subtitled "Project & Program Management for Enterprise Innovation". This subtitle reflects the primary area of concern for P2M – i.e. fostering innovation within enterprises via projects and programs, typically in a manufacturing context, with value creation as a core attribute.

P2M is predominantly concerned with programs (and projects) which initially have a somewhat abstract and/or ambiguous concept of the program's mission, and with handling substantial levels of uncertainty and complexity.

P2M approaches project and program management in the following sequence, as outlined in its *Figure 3-2-6: Road map to achieve values through programs,* and discussed in detail in its Chapter 4, pp. 75-127, under the following main headings.

- **Mission profiling:** In the program context, mission profiling management is essentially concerned with developing and clarifying details of the mission – i.e. the desired business outcome – which the program is to achieve, and with developing feasible scenarios for the mission's realisation.

- **Architecture management:** In the program context, architecture management is essentially concerned with designing structured relationships between the program's component projects, and subsequently managing these so as to retain mission value whilst coping with changes in the program's environment.

- **Program strategy management:** P2M's program strategy management is essentially concerned with formulating and implementing detailed strategies to achieve the program's mission, particularly catering for uncertainties in the program's environment and other diverse circumstances.

- **Integration management of program execution**

- **Assessment management:** In the words of P2M 2008:121,

  > Assessment refers to systematically evaluating, maintaining and advising means for increasing and preventing a decrease in the value of the program through concerted activities of design, planning, implementation to achieve the results

It is not feasible even to attempt to do justice to P2M's very detailed materials on these topics. However, I propose to provide a sampling which hopefully will give some indication of the extent to which P2M has developed project initiation activities in particular, and with a continuing strong focus on value. We start with the first main heading above, whose management is summarised in P2M's Figure 3-4-3 as follows:

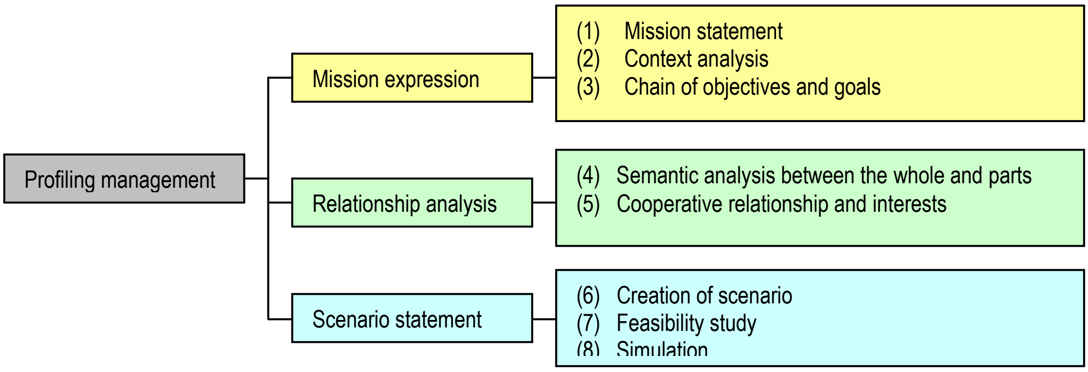


Figure 3: P2M Figure 3-4-3 – Mission Profiling

We now turn to *Mission expression*, and indicate some of the detailed treatment of *(1) Mission Statement, (2) Context analysis,* and *(3) Chain of objectives and goals,* as follows

MISSION PROFILING Management

- Mission expression
  - (1) Mission statement
  - (2) Content analysis
  - (3) Chain of objectives and goals
- Relationship analysis
- Scenario statement

(1) Mission statement

P2M advocates using the "6W1H" model to help prevent ambiguity or omissions,

Who	**Owner**	**Mission Planner**
What	Problem & solution	Multiple projects
When	Start and end	Schedule, uncertainty
Why	Significance of existence	Value, objective, expectation, policy
How	Engineering	System, resource, budget
Which	Direction, selection	Policy, direction, alternative plan, decision making
Whom	Stakeholder	Persons interested

Adapted from Figure 3-4-4 : "6W1H" method for clarifying ambiguity

(2) Content analysis

P2M advocates visualisation to help understand the overall context, and recommends using a value context matrix, as is illustrated in Figure 3-4-5

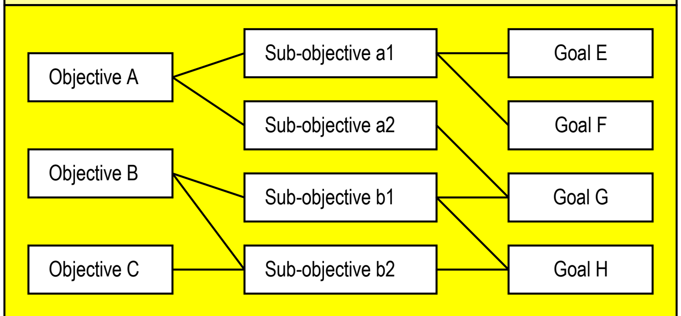
Desire for results / Assessment	Profit-ability	Growth potent'l	Market share	Low-risk feature	Adapt'n to envir-onment
Quantitative contraction project	A	C	C	A	A
Purchase reduction project	A	B	B	A	A
Cost cutting project	A	B	B	A	A
Qualitative expansion project	B	A	A	B	A
New awareness & expansion project	B	A	A	A	A

A: Excellent, B: Moderate, C: Inferior

Adapted from Figure 3-4-5: Case example of value context matrix

(3) Chain of objectives and goals

P2M recommends decomposing the mission in a logic-tree manner as illustrated in Figure 3-4-6. In this figure, "objectives" mean the reasons for the projects' existence, and the "goals" mean the types of business outcomes expected.



Adapted from Figure 3-4-6: Chain of objectives and goals

A practical example of a chain of objectives and goals is given in Figure 3-4-7

Figure 3-4-7: Chain of objectives and goals for the revival of a major Japanese manufacturing company

Figure 4: A sampling of more detailed materials on "Mission expression", adapted from P2M

This sampling of the P2M approach, with its emphasis on creating and maintaining value right from the outset of the project/program, contrasts sharply with the lack of detailed attention accorded to these issues in the Western literature. It also gives some idea of the potential for redressing this current imbalance.

I conclude with a comment made by Morris 2013:267 in relation to the P2M approach.

> Not every project will need or want a project or program management approach that puts so much emphasis on innovation and value management. Sometimes just getting completion as quickly and cost-effectively as possible is all that is required. But philosophically, we should be prepared to adopt a style of management that is focused on meeting or surpassing the customer's – the sponsor's – goals. It makes sense to do so.

SUMMARY

I introduced this article by pointing to my many recent articles advocating that project management should move from a focus on project execution to broader perspectives, with wider involvement in both pre-execution and post-execution phases of projects, thus giving project management more opportunities to add value to the client. This article has explored the matter of adding such value in more detail.

I started with some personal experiences, and those of a former employer, Civil & Civic, from the 1950s into the 1960s, and summarised how we moved in quite an organic way from building construction contracting, to adding value by managing the design process, to adding further value by helping clients determine their business (or equivalent) needs, and still further value by helping clients' clarify their organisational strategic objectives.

The main point I wanted to make here was that the concept and practice of adding value to the project's client, particularly by getting increasingly involved in the project's 'front end', is far from being a new one. Yet it has not received all that much attention in the literature until the past decade or so.

I then drew on a couple of papers from a special issue of the *International Journal of Project Management* (Volume 24, Issue 8, November 2006), on "Rethinking Project Management". The first of these papers discussed movements – mainly emanating from industry – from product creation as the prime focus of project management, towards value creation as the prime focus.

Another paper from that special issue went on to discuss 'business projects', and in particular I drew on its observation that, if you want to maximise value to the client organisation, you really need to understand the client organisation's business and its value-creating process. Further, if you want to do this really well, you will need to understand the relationship between the client organisation and its own customers. I regard this as a particular example of the degree of detail that may be needed in the process of helping the client organisation clarify its strategic objectives.

I focus on this aspect of adding value to the client because it does not get anything like the attention in the project management literature that its importance deserves. In this connection, I also noted that, although my primary interest is with project-based organisations providing project management services to external clients, this second paper was primarily concerned with projects in production-based organisations, to which this task appears to be equally relevant.

This led me to thinking further about Japan's P2M (PMAJ 2008), which, as mentioned in the introduction, places value creation right at the forefront of its definition of a project. The contexts of the projects which are of primary concern to P2M are also production-based organisations. However, PMAJ 2008 places so much more emphasis than the Western literature does on creating value right from the outset, that it seemed appropriate to attempt to give a sampling of some of these aspects of the P2M approach.

I don't know how successful this sampling has been in illustrating the essentials of the P2M approach. However, its emphasis on creating and maintaining value right from the outset of the project/program contrasts sharply with the lack of detailed attention accorded to these issues in the Western literature – and it also gives some idea of the potential for redressing this current imbalance.

Overall, I am moderately encouraged to see a few more materials in the Western literature that move on from the traditional product orientation of project management towards a greater client orientation, and that some of these particularly focus on value to the client.

However, it is also disappointing to note that, by and large, project management practice still tends to have an inward focus. This missed opportunity to add value to its clients – and, ultimately, I believe, to its own long-term prosperity – is a continuing concern to many in the project management fraternity. One can only hope that project management at large continues to move towards rectifying this situation much more rapidly than it has done in the past.

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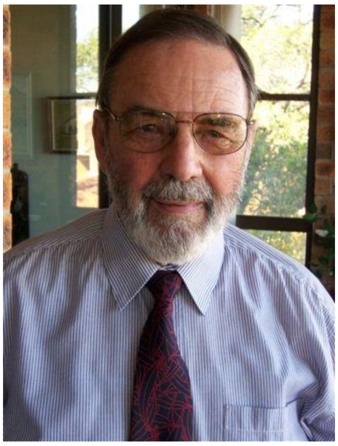

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