

Advances in Project Management Series¹

Commercial Project Management

Expands the body of knowledge into an essential domain

Robin Hornby

Introduction

Most of my career in IT and software development has been spent with vendors - migrating from an emphasis on hardware, to software, then to services as the decades passed. Services were really always a part of it, usually bundled, but the reality of managing a delivery team where real dollars are being consumed against a fixed project budget only struck home when I joined a dedicated contracting outfit in the early '80s. There I started to experience the unique problems faced by both vendor project managers (PMs), and increasingly by PMs operating under commercial terms or constraints, as encountered in larger corporations operating an internal economy.

These problems fall into two general and related categories. The first is the lack of standards and the need that arises for an extension to the body of knowledge, not supplied by current offerings, such as PMBOK[®], or PRINCE2[®]. The second category arises from the multiple views of project management (client, prime, and subcontractors) that inevitably exist in this environment. This demands flexibility from the vendor, who must adapt to the client (more often than vice-versa) and who is also faced with the need for internal (vendor) management discipline.

This has spawned a number of potential failure causes uniquely observed in the commercial project environment - poor integration as exhibited by project 'silos', poor recognition of the business role of PMs, poor connection between sales commitments and delivery capability, futile generation of multiple SOWs when really only one project is operating, poor project management communication, plummeting client satisfaction, and narrow or disappearing vendor margins.

1. Overview of the Situation

The introduction of a business relationship between a services firm, their project manager, and a sponsor who is now a customer has a salutary effect on the traditional project management role. Project managers with little experience in these situations manage less effectively, jeopardizing customer satisfaction and project profitability. At the same time, executives or owners of the firm are often unfamiliar with the disciplines of project

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management, especially at an early stage of their firm's evolution, so their support for a struggling project manager is lacking and the firm may never gain the foundation for healthy growth or even survival.

My generalized observations are:

- PMs lack experience and knowledge of business essentials, fail to run their projects as profit centers, and have difficulty understanding that their sponsor is also their customer; and
- Business owners are unaware of the potential for project management disciplines to enhance their business operations and are missing opportunities to gain much-needed business control.

Firms who have primed their PMs with business acumen and balanced an enthusiastic and skillful sales team with delivery management disciplines are rewarded with both successful projects and repeat business, which is the secret of a firm's profitability and longevity.

This, of course, is easier said than done. The essence of the problem is the inevitable encroachment of business management demands into the exclusive realm of project management. The PM requires training, proper exposure to legitimate vendor interests (and sometimes an attitude adjustment) to be successful.

The intersection between business and vendor project management can be expressed in three simple terms:

1. Customer satisfaction and repeat business;
2. Employee skill, growth and retention; and,
3. Profit

Contemplate the advice I received from a boss at my old consulting company who had a unique way of emphasizing these three priorities of the professional services firm: "Success in this business is like juggling three balls: the profit, the customers, and the employees. If you drop one, I am not so interested in which one you dropped; just don't drop any!"

Resistance to Process

In the minds of many managers, project management is synonymous with process, process, and more process. Regrettably, implementing process as a driver of business success has been out of fashion since the late nineties and the bursting of the great quality bubble. The current trend seems to downplay or even marginalize process with the focus being on creativity and haste, freeing the talented employee from any form of discipline, and promoting results (what kind of results?) and a satisfied customer (for how long?) ahead of adherence to procedure. These are tempting options for the services firm who finds processes unappealing and relies instead on their above-average talent. They find reassurance in Tom Peters' infamous line in *The Pursuit of WOW!* where Peters quotes his colleague Richard Buetow who ironically suggested that a manufacturer of concrete lifejackets could be ISO certified so long as they were made following documented procedures and the next of kin were given instructions on how to complain about defects. I don't believe Peters was arguing against process, but instead pleading for balance between freedom to innovate and business discipline.

Although talent in business is needed, there aren't enough talented people to go around, and even if there were, building a business totally dependent on superior people, is at best a short-term strategy and at worst a recipe for disaster. The majority of long-term successful businesses are dependent on the application of intelligent process. This must also apply to the professional services business.

Having argued that more is needed, be cautioned that distributing a procedures manual to all and sundry is not going to work. Firms are essentially entrepreneurial and sales people are instinctively hunters. A delicate touch must be applied, ensuring formalization is genuinely needed and can be appreciated by those who might resist. As the reader will discover, I generally avoid prescribing procedures and instead discuss practices (perhaps best practices), which leave more fluidity in the implementation than procedures, and can be supported by a loosely coupled variety of techniques and checklists.

Project Management Standards have Limits

There are two dominant standards in the world today: the PMBOK® and PRINCE2®. Both are now widely implemented, but PMBOK® had its origins in the US and Canada, where it is prevalent, whereas PRINCE2® was developed in the UK and is stronger in Europe.

PMBOK® process groups show a sequential flow from initiation through a cyclic process of planning and executing, ending with closing. Monitoring and controlling is represented as a process group overarching all others. Procurement is described as a knowledge area, though purely as a buyer process executed as part of the client's existing project.

An unfortunate side effect of the process group representation is that the groups are widely misinterpreted as part of a project lifecycle, even though the PMBOK® states that process groups are not project phases. It appears to be a hybrid, caught between sequential phases such as initiation and closing, and repetitive functions such as planning, executing, and controlling.

Both parties flounder with PMBOK® when the concept of a contract is introduced. It appears as though a new project is beginning and should go through initiation, but this cannot be true as the project must already exist or there would be no procurement. Important preliminary deliverables such as the charter become ambiguous with no clear ownership.

Adherence to the PMBOK® process group cycle almost encourages the emergence of a new project every time a procurement is launched. Essential unity is lost, and the silo effect between the vendor team and the client team can become dominant.

PRINCE2® is based on eight interacting high level processes including directing, start-up, initiating, planning, controlling a stage, managing delivery, managing stage boundaries, and closing. There are also eight components that can interact with all of the project management processes.

The major difficulty is that procurement is omitted from the scheme. This is explicitly acknowledged in the standard with the assumption that the PM, and presumably the team, already exist on contract, or alternately exist in-house. The buyer and seller processes to get to this point are absent. It is not improbable to imagine an extension to these processes and components that might accommodate buyer and seller activities to bid and execute a scope of work (or 'work package'), but at present they are not there.

2. The Way Forward

I have come to several conclusions when wrestling with these existing standards and how they might assist the goal of achieving wholesome integration between client and vendor project teams, and the need to bring structure to the fluid world of professional services.

The first conclusion is that imposing an operational standard on project management is counterproductive. Although standards have many benefits and over the past 20 years have resulted in appreciation and respect for the PM role, they have unfortunately contributed to the perception that project management exists in its own universe and is disconnected from the work of the project. The work of the project is expressed in a technique called the project lifecycle (aka the application lifecycle or the development lifecycle) and it is time to put project management back where it belongs – integrated with the actual work.

Another conclusion is that implementing the minutia of process in a mixed team and between managers from different organizations is next to impossible. Things need to be defined and agreed, but at a different level. Thus, specifying project management in terms of process, other than for those fundamentals called the core processes, is an uphill struggle. A much more productive view of the PM job, especially in the commercial world, is to see it as a set of functions. There are four – Plan, Organize, Control and Lead, sometimes abbreviated as POCL. These functions interact with the people and their organizations to get the work done.

A final conclusion is that really nothing in the standards addresses the reality of the vendor's role in the bidding and delivery of projects to the client's order. A framework is needed; project management's favorite technique comes to the rescue again and offers us a lifecycle for vendors – Opportunity, Bid, Initiate, Execute, and Complete. Just as with the project lifecycle, practices borrowed from project management can be applied to this lifecycle as well, to provide business and risk management of the contract and get the job done.

An integrated solution summary, or CPE architecture diagram in figure 1, clearly features the three concepts crystalized from my conclusions: a Project Lifecycle; a Vendor (or Contract) Lifecycle; and Functions of PM.

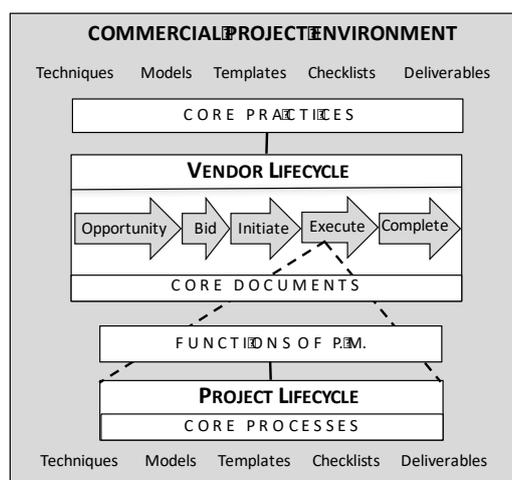


Figure 1 Architecture of the Commercial Project Environment (CPE)

Recognition of Two Critical Lifecycles

The Project Lifecycle describes the project work. A generic example might include phases for Requirements, Design, Build, Test, and Implementation. The project lifecycle is managed by applying the four Functions of PM, and a small set of core processes. The Vendor Lifecycle (sales and delivery) is supported by a set of core documents and practices. The Execute phase provides for internal vendor management of the contracted phases of the project lifecycle, as shown by the dashed lines. In the ecology are an array of techniques, deliverables, and so forth, to be employed as needed.

The complexities of vendor project management are much simplified by this application of the lifecycle technique. The vendor's need to bid, and then manage the contract to yield a profit, is based largely on vendor-confidential data and is satisfied by an internal contract lifecycle. The customer's need to see the work of the project managed and executed in terms they understand is the intent of a shared project lifecycle. Attempting to bend one or the other to meet both purposes is unrealistic and disruptive.

I hope the reader is persuaded by my conclusion, and perhaps their own experience, that working with the standard frameworks on a contracted project is an exercise in frustration, and there is little to support the vendor. A custom architecture, as presented, is the most productive solution. But the baby is not going out with the bathwater. Under the covers, most elements of sound project management are the same. Practices, techniques, checklists, and deliverables are shamelessly taken from the standards, adapted and enhanced to meet our needs. They are then packaged into a more useful framework.

The Functions of Project Management

My preference for representing project management as a set of functions, not a set of processes, and certainly not a lifecycle, has been influenced by a definition of project management that impressed me many years ago. It is not in any standard literature that I can recall, but here it is and I commend it.

Project management is a structured approach to plan, organize, control, and lead the work of the project to meet project objectives.

Using this definition, the work of the project is organized (structured) into a lifecycle and the work of the project manager is characterized as four functions. The definition does not mention deliverables, though the project manager accomplishes many of her functions through the production of deliverables. To firmly bring project management into reality, these deliverables should also be considered as 'work of the project' and integrated with the project lifecycle and not hived off into some theoretical project management structure. This practice is called lifecycle mapping.

A project lifecycle aggregates project activities into sequential phases where each phase is distinctive in terms of the work being done by the team and the deliverables being produced. The work of the PM, on the other hand, is embodied in the functions of planning, organizing, controlling, and leading (POCL). These are repetitive and never-ending, as shown in figure 2,

and must not be confused with the sequential, phased work defined by the project lifecycle and set in place by the project manager to guide the team.

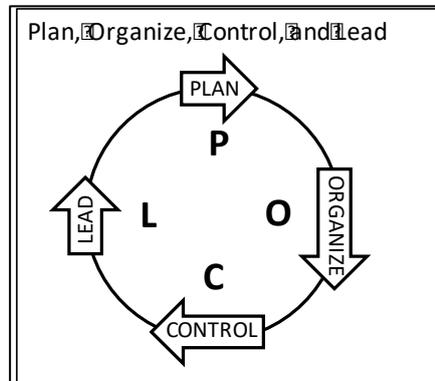


Figure 2 The Four Functions of Project Management (POCL)

Another way of thinking about the concept of project management functions during the project lifecycle is to envision the project manager as continuously juggling her daily duties between POCL functions. Obviously, the emphasis placed on a specific function depends upon the deliverables being worked and the current phase situation. If the project is wrapping up a requirements phase and a project plan is being prepared, then the bulk of the day goes to planning, with the occasional hour or two on organizing. But the next day may bring a working session with the sponsor where it is discovered that expectations are misaligned and departments have conflicting objectives. Now is the time for the project manager to show leadership. In due course, plans are baselined and the emphasis moves to controlling, but details must still be worked and variances resolved, so a day or two each week still goes to planning.

We now have the essential platform elements for commercial practice development. To recap: the establishment and general exposition of a universal project management model that fits client and vendor needs; the explicit adoption by client and vendor of a shared project lifecycle into which everyone's deliverables are mapped; and the policy of the vendor to view contract management as a disciplined lifecycle and not just a signing event. Practices developed on this platform, described in *Commercial Project Management*, address many of the failure causes uniquely observed in the commercial project environment.

3. Towards Collaborative Procurement of Services

A natural extension of this discourse on vendor methods is a vision for full collaboration - a rational, collaborative procurement and delivery methodology - in which buyer and seller work together to optimize the results for both parties. The premise is that a new foundation must be laid.

Problems in the Market Place

Currently, buyers and sellers tend to operate as silos, creating communication tangles and misunderstandings, unnecessary complexity, and sometimes causing project failures.

Procurement, as generally understood by clients, is almost entirely focused on the selection and contracting of the vendor firm. The actual delivery of the project, which is surely the real goal of procurement, is left to oversight by a steering committee and maybe occasional audits by the procurement department. Paradoxically, although skeptical buyers might feel otherwise, my case histories suggest that more savings will accrue to buyers than vendors if a collaborative approach is adopted. One area overlooked in such assessments is the frequent over-dependence on the vendor. Buyers tend not to properly examine methods used by their vendor, often fail to ask for meaningful status, fail to train their own staff, delegate the vendor to deal with risk and quality, and often by default let the vendor PM entirely drive the project.

Total Collaborative Procurement (TCP)

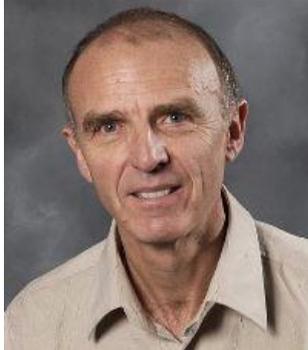
A common framework that supports a collaborative approach would eliminate many direct and indirect costs for both parties and create a more effective project environment. It would vastly improve communications by jointly establishing a set of ground rules and practices to guide the parties through procurement, project execution and completion.

The vendor lifecycle, merged with the buyer's procurement phase(s), is an obvious starting point to bring the vendor and client together at the business level in the same way as the shared project lifecycle brings project management together at the PM level. The main challenge is to offer collaboration at the front-end where scope, estimates, risk, and quality might be uncertain or ambiguous, whilst at the same time maintaining a fair and competitive environment.

A Total Collaborative Procurement (TCP) architecture, perhaps ultimately developed, maintained and administered by a 3rd party, includes a description of five joint phases and six joint practices. It is a significant adaptation of the CPE to support a collaborative approach. It eliminates the current inefficiencies but still permits a fair and competitive environment. Using the qualifier 'Total' is a reminder that successful procurement is much more than just getting a qualified vendor selected for the project. Success demands that the entire delivery cycle is addressed. The client must abandon the idea that all risks and problems are delegated to the vendor. Projects are always a joint endeavour.

To bring this vision to reality will require considerable effort. The hope is that the productivity benefits, potentially of national significance, are recognized and the opportunity seized.

About the Author



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After graduating from Queens University Belfast with a degree in aeronautical engineering and a Masters in applied science, Robin's career began with IBM United Kingdom as systems engineer. Moving to Canada in 1977, he worked in the telecommunications sector as systems planner before embarking on his project management career with DMR Consulting. When DMR expanded overseas, Robin accepted a six-month assignment in Melbourne, Australia, where he assembled a team of DMR consultants to successfully implement a time-critical on-line health insurance system. Returning to Edmonton, he managed multiple government contracts and assumed responsibilities as office development manager.

In 1987 Robin returned to Australia to help establish the Canberra and Perth offices and provide training as part of the acquisition of about 100 consultant staff into DMR. Back in Canada in 1990, he joined the Calgary office of DMR as a member of the management team for DMR Western Region, with responsibility for systems delivery and project profitability. In 1995 he was offered the role of National Delivery Manager for Intergraph Canada, and in a few years returned the services business to profitability. This role continued following the establishment of Tempest Management Inc. (TMI) in 1997 which allowed the pursuit of wider interests including a ten-year affiliation with Mount Royal University to teach the PMBOK® curriculum and collaborate in the development and delivery of custom courses for corporate clients.

Robin is the author of three books, most recently *Commercial Project Management – a Guide for Selling and Delivering Professional Services*. Recent consulting assignments have included project risk reviews, contract reviews, PM coaching, and delivery and project office management roles. His current focus is on writing and conducting seminars on the aspects of project management he believes are neglected – commercial practice, methodology for collaborative procurement of services, and PM leadership to achieve project quality.