Project Business Management[1]

Be the Project (Business) Manager that People Think You are—And Get Paid as That!

Oliver Lehmann

" Success is a lousy teacher. It seduces smart people into thinking they can't lose. And it's an unreliable guide to the future"[2]
Bill Gates

Summary

The demand for Project Managers with business skills is robustly growing. However, they face additional challenges, compared with project managers in strictly internal projects and have an increased responsibility for the well-being and the survival of the own organization. Their mindset should reflect this, but also their payment.

A Loss-Making Contractor

It was some years ago that I was hired by a software development company to give project management basics training to their staff. The company was about midsize and we had last been in contact about 15 years earlier. For the case story, let's call the firm Mosquito, Inc. I thought it was a good feeling to be a guest at the company again, after such a long time, and do a seminar for them.

When Mosquito's general manager booked me for the class, he requested me to plan some time at the end of the seminar to talk with him about my observations and some

[1] *This is the 7th in a series of articles by Oliver Lehmann, author of the book "Situational Project Management: The Dynamics of Success and Failure" (ISBN 9781498722612), published by Auerbach / Taylor & Francis in 2016. See full author profile at the end of this article.*

[2] (Gates, Myhrvold & Rinearson, 1996)

other issues. I agreed, knowing what this kind of request means. Managers commonly ask for such additional time, when their companies have a specific problem, or challenge, or a difficult question, hoping that I can provide a solution or an answer from my more distant position. I am booked as a trainer but, as I am there anyway, also am in addition used as a free consultant.

The specific problem became visible during the class and was a topic of repeated discussion among attendees: A troubled customer project. Mosquito had a major client, a professional association that needed to implement a new fee clearance system with its members. These members were small service companies that had to use the system to make their cost calculations more transparent to their customers. Another purpose was to make it easier for tax authorities to assess tax claims based on the services provided by these members.

The main components of the clearance system were a centralized database to which the association members had access, and an ID card the size of a credit card that was owned by the customers and allowed access to their data in the system. The implementation of the system was not a strategic decision by the association or its members, it was a new legal demand on them, and the law had a deadline imposed for the implementation of the system. The deadline was originally not too short, but a lot of time had been lost during requirements identification and clarification. These delays have made the deadline pressing. Another problem: Mosquito, the contractor was about to make a heavy loss, that could grow big enough to jeopardize the existence of the company.

The customer project had been agreed to be performed under a fixed-price contract. It was further agreed to be performed based on the "Agile Manifesto"[3], a document from 2001, which is generally considered the basis of agile approaches. Among its statements are four value assignments:

> *"We are uncovering better ways of developing software by doing it and helping others do it. Through this work we have come to value:*
>
> *Individuals and interactions over processes and tools*
> *Working software over comprehensive documentation*
> *Customer collaboration over contract negotiation*
> *Responding to change over following a plan*
>
> *That is, while there is value in the items on the right, we value the items on the left more."*

The customer had no clear understanding of the specific requirements on the software at the beginning of the project, which therefore began with a discovery process on these

[3] (Beck, K. et al., 2001)

requirements and the solution to meet them. When I was at Mosquito, the software design and development process was well on its way, but the discovery of the requirements was still not finalized.

I asked project managers in 2012, how often such a situation has occurred in their projects, and the answer was: in roughly 1/3 of the respondents' projects. The results of the survey are shown in Figure 1. Mosquito's customer project would fall under the third category.

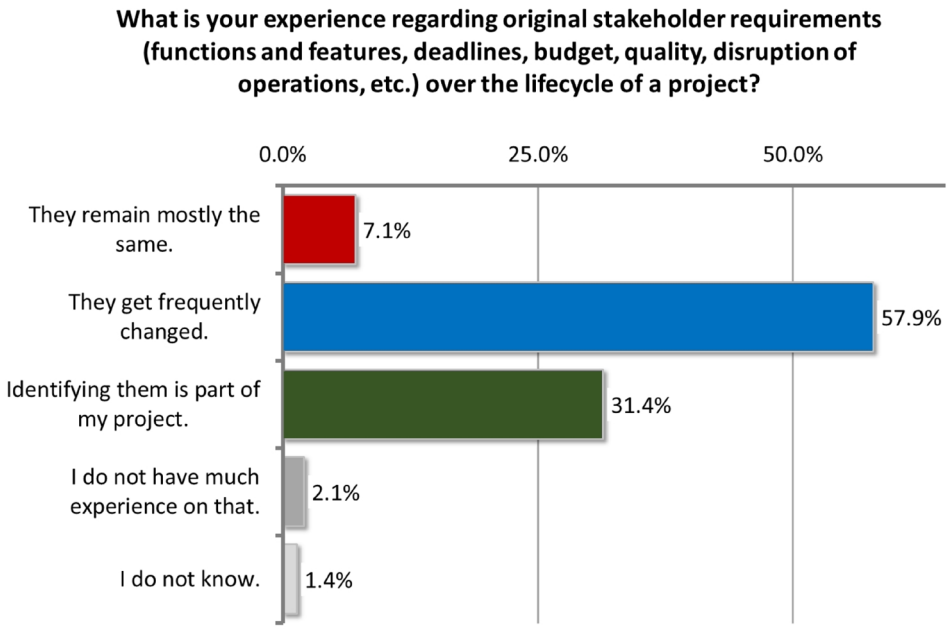

Figure 1: Results from a 2012 survey I made with 140 respondents on the dynamics of requirements. N = 140.

Most people would probably agree that this is the kind of project for which agile methods have been developed, and where these methods can be most appropriate.

All the time, it went without saying for the customer that this permanent discovery, and all the other work that would follow, was also covered by the fixed-price contract. Mosquito's development team including the project manager supported this view.

The project was making a loss for Mosquito, Inc., and no end to the financial disaster was in sight. To the general manager, it felt like someone had switched off the light at the end of the tunnel in order to save energy.

The project team shared the view of the customer that the Agile Manifesto allowed for unlimited change and that this should not lead to renegotiation of the fixed price. Particularly the project manager characterized himself as an "Agilist", and the improvements to the solution and the happiness of the customer were his greatest concerns. The economic situation of the own firm was secondary to him, and as long as the customer paid the agreed upon price, why should anyone bother? Was it his fault that the price offered had been found too cheap? When I confronted him with the fact that the future of his employer was at risk, he told me, he doesn't care. He added that he could find a new job anywhere else and stated further that he was a software developer more than a project manager, and that software was his concern, not company profit.

Figure 2: A promotional t-shirt of a software vendor addresses the almost religious dedication of many agilists.

I should add: He made these statements not in private but openly in the class so that everyone could hear it. This made it easy for me to discuss his position after the seminar with the general manager in the four-eyes talk about my observations and recommendations.

"Professionalism in the Process; Success in the Results"

I have written a series of articles on Project Business Management (PBM). They showed that outsourcing of project work is a robustly growing market that is already the task of 50% of all project managers, possibly more[4]. Figure 3 shows the results of a survey that I made in 2015 to learn how the two groups of project managers are distributed.

The previous articles gave recommendations on how to improve the business as a contractor[5]. They also looked at project business from customer side and gave advice for contract types that turn contract parties into contract partners[6] and prioritize *completing* over *competing*.

[4] (Lehmann, 2017a)
[5] (Lehmann, 2017b)
[6] (Lehmann, 2017c)

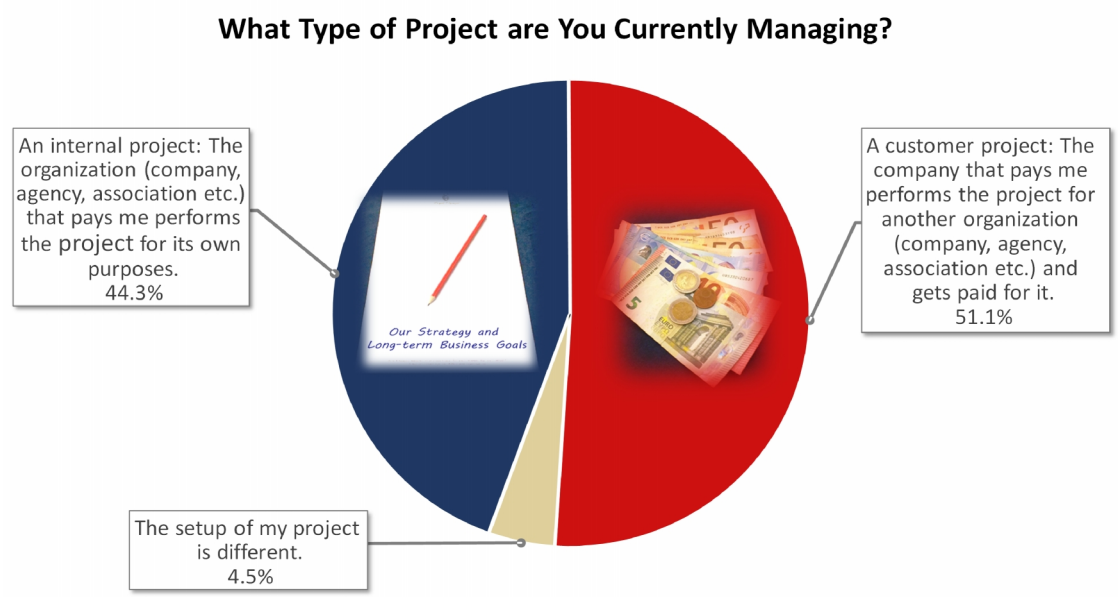

Figure 3: Responses to a survey from 2015, asking project managers, what type of project that they are managing, internal or customer projects. N = 246

The articles then emphasized Conway's law, that the functioning of a system built from components developed by different teams will mirror how these teams worked together[7]. I recommended to learn from organizations like NASA, who subordinated themselves and their contractors to a motto "Mission Success First"[8] and moved from a series of painful and expensive failures into an epoch characterized by incredible successes.

I further showed that the driving force for looking at the monetary aspects of projects is not necessarily *greed* but the *need* to protect the running project, the organizations carrying it out, and the people involved in them including the families, for which they must bring income home[9].

I am sometimes told that bringing concepts of commercial awareness and business acumen to project managers is impossible. Just like the project manager in the case story at the beginning of this article, many reject to deal with commercial questions of our discipline. Are project managers really not interested in such questions. Possibly.

I will nevertheless try to deliver the message of profitability to project managers in client-facing projects. I will also talk with the client-side project managers, who are tasked to lead complex *project supply networks* (PSNs) that may grow up to business systems with hundreds of independent parties involved. In essence, both groups look at the same kinds of contracts, they are just sitting on opposite sides of the negotiation tables.

[7] (Conway, 1968)
[8] (NASA, 2000)
[9] (Lehmann, 2018)

There is also the group of project managers working for "in-betweeners", intermediate companies between the customer and subcontractors, often as prime contractors. As project supply networks can span over several tiers, there can also be a multitude of such intermediates, who act as contractors to their customers, but are at the same time customers of their sub-contractors. Project managers must be familiar with what it takes to sit in the morning on one side of the negotiation table and in the afternoon on the other. This place in the middle may be highly profitable. Often, however, the margin between the amount invoiced by subcontractors and paid by the customer may be small, particularly in relation to the investments in time, energy and work and to the risks that come with this position.

Why should project managers in commercial settings be proficient in Project Business Management? There are many reasons:

- Corporations that perform projects and build teams that extend beyond the borders of the own organization need executives with new skills.

  While the world of project management in associations (PMI, IPMA member associations, etc.), literature and education is focused on achieving internal improvements like better agility, team-spirit, efficiency, and results-orientation, the world of project management is rapidly changing, and the majority of projects today are no more only cross-functional but also cross-corporate.

  How can such organizations be sure that the new employee will not only be able to manage the technical and organizational aspects of the project, but also the commercial and legal ones?

- Project Business Management is high risk business for all parties involved.

  When the well-being of stakeholders in many organizations is at stake, project managers with business skills are needed to manage the increased risks proficiently.

- Qualified Project Business Managers are well-paid.

  On contractor side, it is their job to bring money home and ensure the survival of the organization. On customer side, they must protect the project from the conflicts that derive from the different business interests of the participating organizations, but also from incompatible egos, corporate values and other conflict zones. Both tasks have a high monetary value for the organizations, and the payment of the project managers reflects the seniority needed for these tasks.

- A customer of mine named his requirement: "Professionalism in the Process; Success in the Results".

> Professionalism and results in projects performed by project supply networks are easier to assess and to evaluate and failure quickly turns into cumbersome losses. Project managers need the skills to not become the source of such failure.

Project managers in this kind of responsibility should be perfectly educated for the job and prepared to take more responsibility than in internally performed projects. They should be aware of the commercial opportunities and risks. While being customer-centred is an important attitude for success, they should not forget, who signs their pay checks and owns their final loyalty.

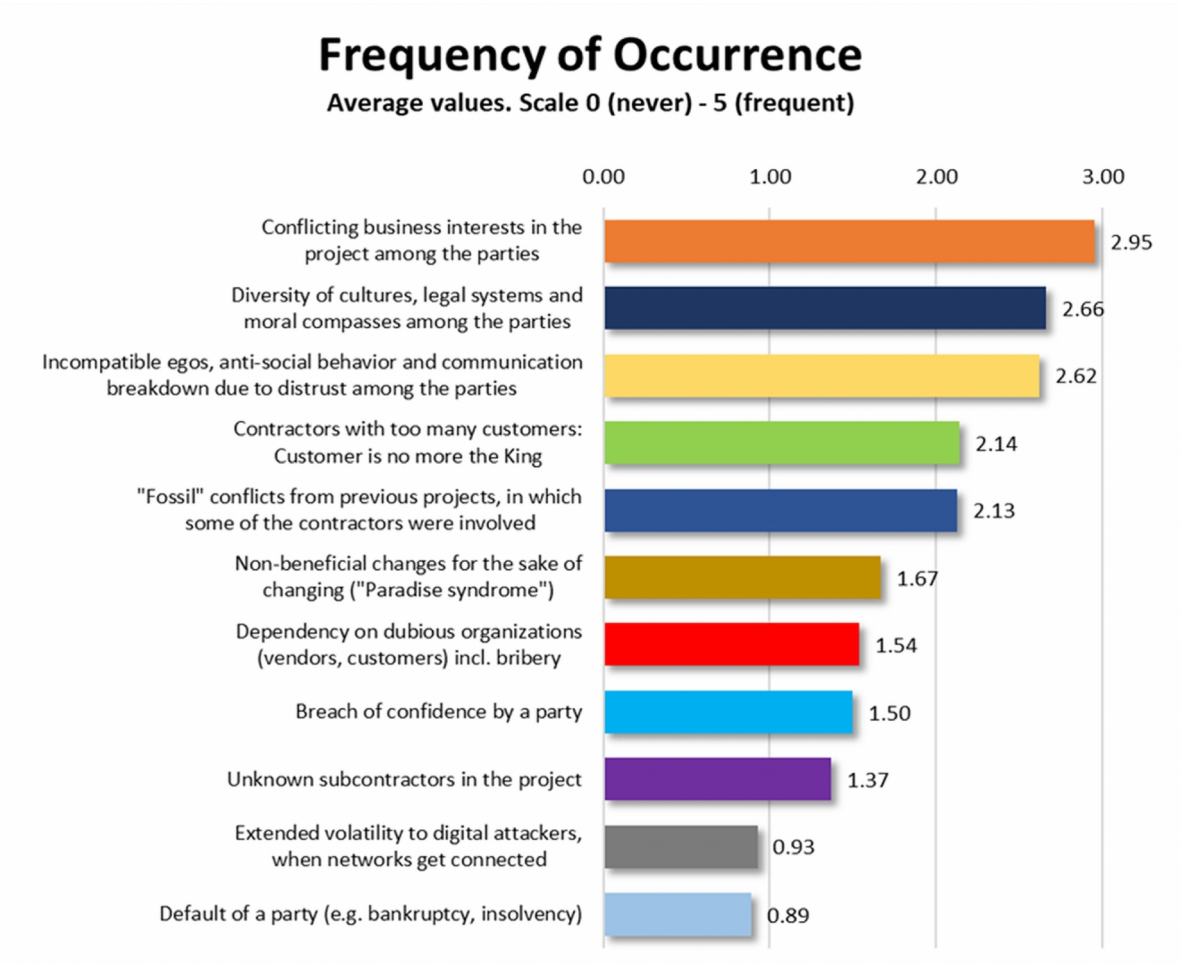

Figure 4: Frequency of causes of conflicts in Project supply networks (PSNs). N = 302

This loyalty is particularly important when conflicts arise. Figure 4 shows the result of a survey I made in 2017, which ranks the causes of conflicts for their relative frequency. Divergent business interests was mentioned at the first place. Project managers need business understanding to identify these conflicts early and manage them appropriately.

A Resolution

Finding a solution for Mosquito, Inc., was not easy. The progress of the project and the technical complexity already developed made it difficult to simply replace the project manager with a person, who adds business acumen to software and project management skills. A successor would take too long to get introduced to the project and obtain the knowledge and understanding necessary to make decisions. The agile approach and the methods linked with it was something the company did not want to give up in order to meet the expectations that the market had on them, so changing the basic approach unilaterally seemed also not feasible.

A common response in agile methods on scope creep is to tell an internal requestor or a paying customer to de-scope the project in other aspects and remove functions that seem less important. This in turn would have required renegotiations that the company wanted to avoid. Many of these functions were already developed, and one can not recover sunk costs by deleting software code.

I then asked the general manager of Mosquito, whether the project was performed against a deadline. The answer was "Yes". My next question was, whether the deadline was pressing, and the response was "Yes" again. Then I asked, who was under pressure from the deadline, Mosquito, the contractor, or was it instead the customer of the project, the association that needed the solution to comply with law? It was the customer who had to have a solution implemented and accessible over the internet by that date.

Further discussion showed that the legally demanded functionality was already finished. This had been the easiest part for the team, as the requirements could be directly derived from the wording of the law. The current change requests, that made life so hard for Mosquito were on top of the legal requirements, as the customer tried to gain some extra benefit out of the mandatory project. Not much work would have been necessary to make the software usable as it was and implement it. Hardware, particularly the ID cards, were already bought and not much work was necessary to make them marketable.

At this point, recommending a solution became a simple task. I suggested that Mosquito should explain to the customer that further changes were generally welcome (which was a white lie), but that these change requests would make it impossible to meet the deadline imposed by law for the customer. To comply with legal requirements and particularly with the deadline, the solution should be made market ready as it was and implemented. Instead of adding more features and functions, the team would collect the change requests and develop a follow-up project from them. This would allow Mosquito to orderly finish the project, limit the losses, that would occur on top of those that were already in the books, and would give them an opportunity to win new business with an existing customer inside a familiar environment.

I learned later that Mosquito followed the recommendation and that the follow-up project was indeed agreed upon. This second project was commercially far more attractive for Mosquito, who were now in the comfortable role of the incumbent contractor. Only they knew the solution for which the second project had to bring improvements, so there were no competitors able to win the business against them. They had a much better understanding of the requirements of the customer, which made the project a safe and profitable undertaking for them, under a time and material contract type by the way, which was much more suitable for the agile approach, that was used further. The follow-up project was able to recover the losses from the first and the entire business came out with a small overall margin. This financial success was achieved with a second one: the smile of a happy customer, who found that wishes sometimes come true with a great contractor and the right overall approach.

The project managers of the company were then trained in *Benefit engineering* to raise their business acumen and the understanding, how commercial opportunities could be used to enhance the value of the project and its results for all parties involved, but also what risks lurk in projects under contract that need to be identified and responded to.

Conclusion

The change from strictly internal projects over projects with some procurement here and there[10] to the use of complex *Project supply networks* (PSNs) brings new challenges to their project managers.

The same is true for project managers, who perform customer projects and bring their companies the income needed to survive the day and the happy customer that protects their future.

Project managers should develop the fitness to manage these projects and their increased exposition to conflicts, risks, and complexity. Organizations in turn need to learn to find the people that have these additional skills, on top of classical project management. They should also develop their staff and they should be prepared to reflect the increased responsibility of a project business manager in monetary form and in additional benefits.

[10] The kind of projects described in the *PMBOK® Guide* (PMI, 2017).

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About the Author

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Oliver F. Lehmann, MSc., PMP, is a project management author, consultant, speaker and teacher. He studied Linguistics, Literature and History at the University of Stuttgart and Project Management at the University of Liverpool, UK, where he holds a Master of Science Degree. Oliver has trained thousands of project managers in Europe, USA and Asia in methodological project management with a focus on certification preparation. In addition, he is a visiting lecturer at the Technical University of Munich.

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