
A commentary on “commercial management” in the program/project context¹

By Alan Stretton

INTRODUCTION

Quite recently, Dalcher 2017 and Hornby 2017b wrote articles in this journal about commercial management in the project context. Both were concerned, in somewhat different ways, with a lack of recognition in the project world about the key importance of the commercial side of project activities. This commentary is about a few of the issues raised in those articles.

TWO DEFINITIONS OF COMMERCIAL MANAGEMENT IN PROJECT CONTEXTS

Institute for Commercial Management (ICM)

For me, by far the most startling item to emerge from Dalcher 2017 was the following definition of commercial management from an institute I had not previously heard of, namely the Institute for Commercial Management (ICM) in the UK. Dalcher says that ICM “purports to be the leading international body for commercial and business development staff”. Its definition is as follows:

Commercial management: ...*the identification and development of business opportunities and the profitable management of projects and contracts, from inception to completion.*

The first part of this definition evidently relates closely with project-based organisations providing project management services to external clients.

This definition relates directly to providers of project management services

What is most startling about the above definition is that it reflects precisely what my old employer, Civil & Civic, did in providing project management services to external clients. But in nearly forty years working in such project-based organisations in the construction industry, I never once heard the descriptor *commercial management* used. This is in direct contradiction to Dalcher’s report that Lowe (in Lowe & Leiringer 2008) “contends that the term commercial management has been used for some time, not least in construction”. Maybe this is so in the UK, but not in my long experience in practice in Australia, New Zealand, or the USA.

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The board and GM are responsible for commercial management

The situation with organisations which provide project management services to external clients is that they are automatically operating in a commercial environment. The commercial decisions and management are the responsibility of the board and senior general management (GM). That is a key part of their work.

Since commercial management is part of general management, the descriptor commercial management therefore appears to me to be redundant in this context, in spite of the fact that it appears in the title of Hornby's book *Commercial project management: A guide for selling and delivering professional services* (Hornby 2017a)

A final comment is that ICM appears to be running a course exactly parallel to the project management services industry. Should the latter be doing something about this? Is it an opportunity, thinly disguised as a problem?

Lowe & Leiringer 2008

Dalcher reports that Lowe & Leiringer 2008 define commercial management as:

“the management of contractual and commercial issues relating to projects, from inception to completion”.

This definition focuses mainly on managing projects per se

The above differs from the ICM definition in that it does not include “the identification and development of business opportunities”, which implies an organisation-wide perspective. Otherwise it is virtually identical with the ICM definition, being concerned with the management of projects from inception to completion, with an emphasis on contracts and commercial issues.

I simply regard these issues as part of project management. I have never encountered a situation where the project manager is not responsible for managing contractual and commercial issues. Indeed, in Lend Lease/Civil & Civic in particular, we ran each project as a business, with only very limited central services.

Managing projects as businesses in their own right

Murphy 1984:69 records the following comments of a long-time CEO of Civil & Civic (R. G. Robinson):

“We established a principle of attempting to make people responsible for the work they were given to do. For example, we regarded a site manager, putting up a building, as being the manager of a business. He was given certain targets, and he had to run it as a business”.

In these circumstances, our project management teams needed to have substantial commercial skills, rather along the lines of the key knowledge areas highlighted in

publications by the Institute of Commercial Management (ICM), and listed by Dalcher 2017 as follows:

...commercial awareness, contracts, contract performance, commercial relationships, negotiation, risk management, post-delivery risk, project planning, team building and project progression.

One could well add other related skills such as financial, legal, technical, and environmental.

Now, certainly there were some support groups within Civil & Civic, but we kept these to a minimum, confining them to things that had to be centralised, like payroll. However, as far as possible, we endeavoured to have each project manager run the project as an independent business.

Governance of project businesses

To further illustrate the degree to which we managed projects as businesses, I will briefly describe the governance arrangements for our projects. From the early 1960s all of our projects were required to have a Project Control Group (PCG), which, in effect, acted as a Board of Directors for the project as a business enterprise.

The PCG normally had four core members, comprising a senior client manager, a client representative (who would be our ongoing client contact), a senior Civil & Civic manager (who normally acted as chair), and the Civil & Civic project manager.

These core members would be supplemented by other more specialist appointees, both internal and external to Civil & Civic, and sometimes on a temporary basis, to contribute to effective governance during phases of the project where their specialisations were most relevant. The PCG would normally meet on a monthly basis, similar to a regular Board of Directors, and with similar governance obligations.

Another critically important role of the PCG was that, through the client’s senior management representative, we were constantly focused on the project’s contribution to helping achieve the client’s desired outcomes.

With this background of managing projects as businesses, including their business-related governance processes, I have substantial difficulty in visualising situations where project management teams do not have relevant business and commercial skills. Yet it is clear from Dalcher and Hornby that this is not uncommon. But, having had no hands-on experience in such situations, I have nothing more to contribute on this particular matter.

However I want to make another point about commercial skills in the project management context.

The relevant commercial skills should be covered by project team members

It will have been noticed that I discussed commercial skills of project management teams rather than those of the project manager alone. Few, if any, individual project managers would have high skill levels in all the commercial areas relevant to any one project.

The important thing in this context is to ensure that the relevant commercial skills for each project are covered by either the project manager, or at least one key member of the project team. In many cases this was one of the key elements we sought to cover in choosing members of project teams. In other cases it appeared to develop naturally, as members of the project team were encouraged to apply their individual commercial management skills in the most appropriate way. Yet, this rather obvious need or attribute is largely ignored in the literature. In my opinion it should get much more attention than it presently does.

I conclude this section with the following observation by Hornby 2017b:

Firms who have primed their PMs [project managers] with business acumen and balanced an enthusiastic and skilful 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.

I basically very much agree with Hornby’s observation, but would tend to add the above qualifier about having the relevant business skills within the project team membership at large. (I would also substitute “marketing” for “sales” – and may discuss my reasons for making such a distinction in a future article).

ANOTHER INTERPRETATION OF COMMERCIAL MANAGEMENT**Commercial management as the link between strategic and projects?**

Dalcher 2017 quotes from Lowe (in Lowe & Leiringer 2008) as follows:

Given that projects play a key part in executing organisational strategies [Lowe says] ‘*the commercial management function is vital in linking operations at the project level and multiple projects (portfolios/programmes) at the organisational level with the organisational (corporate) core of the company*’.

This interpretation of the role of the commercial management function as being the link between organisational strategic management and projects which facilitate strategic objectives adds an unexpected (to me) candidate for this linking position.

There does not appear to be any unanimity in the project management world about what or who should undertake this linkage. I discussed this recently in Stretton 2018f in this journal. In the strategic management context I saw strategic portfolio management as the key active link between organisational strategy and the projects which contribute to achieving strategic objectives. Others see programs as being the active agent in this role, with portfolios being in more of a background role.

However, it still appears to me that strategic portfolio management provides the link between strategies and projects. This link may involve only one such manager, or several managers. I certainly do not see a case for a separate position of commercial manager, which could only worsen what is already a reasonably complicated organisational situation.

SUMMARY

This commentary has touched on three broad aspects of “commercial management” in the program/project context. A definition by ICM related directly to organisations that provide project management services to external clients. It was observed that such organisations are operating in a commercial environment, and that decision-making and managing commercial matters is the direct responsibility of the organisation’s board and senior general management.

A definition by Lowe & Leiringer focused mainly on managing projects per se, and this led to discussions on managing projects as businesses in their own right, which has been my main experience. I discussed governance of such project businesses, and also pointed out that, in this environment, the relevant commercial skills should be covered by project team members (rather than relying on just the project manager).

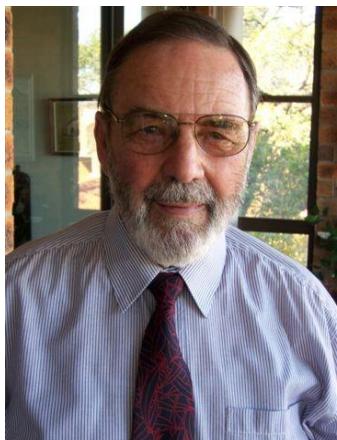
Finally we discussed an interpretation from the literature of commercial management being the link between organisational strategies and projects. Some see programs as the link, but I have argued that strategic portfolio management is the most natural link, whether with only one such manager, or several.

In all three contexts, a separate commercial manager would appear to me to be utterly redundant.

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