

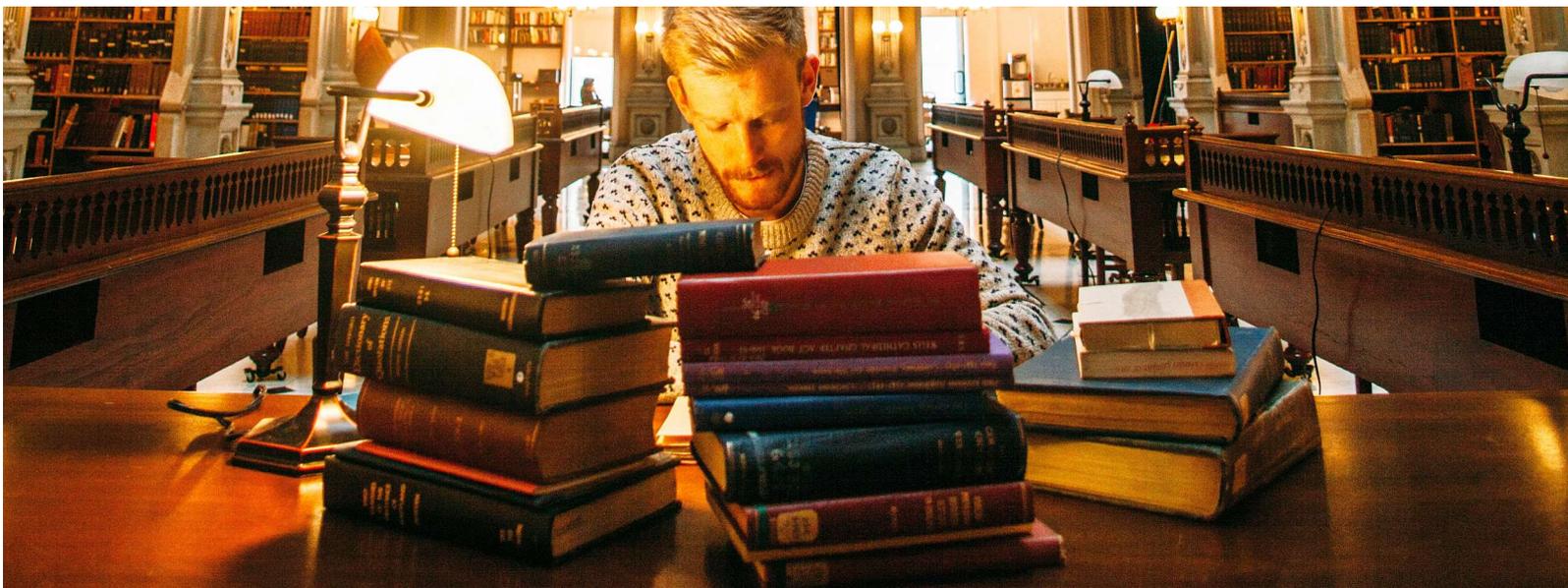
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***Project Business Management*<sup>1</sup>**

# Educating Professionals for Project Supply Networks

Oliver F. Lehmann

*“Learning never exhausts the mind”*  
—Leonardo da Vinci



## Summary

Similar to supply chains in manufacturing, Project Supply Networks (PSNs) emerge in projects and become increasingly complex. Organizations involved should prepare their project managers better to engineer and manage them.

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<sup>1</sup>Editor's note: This series of articles is by Oliver Lehmann, author of the book [“Project Business Management”](#) (ISBN 9781138197503), published by Auerbach / Taylor & Francis in 2018. See full author profile at the end of this article.

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## Project Business on the Way into Trouble

The Czech Ministry of Defense is in the process of replacing its aging tracked infantry fighting vehicle of the originally Russian type BVP-2 with a new generation of vehicles. The number of vehicles to be procured is 210. Three companies submitted bids: General Dynamics European Land Systems, BAE Systems, and Rheinmetall.

On 5 November 2021, the Ministry announced that none of the bids submitted meets all the requirements and that they will accordingly not be considered further. to replace the aging BVP-2 infantry fighting vehicles. A total of 210 new vehicles were to be procured.

The Ministry said that a 15-member expert panel had evaluated the bids, and came to an unanimous assessment, stating that "The offers of all three bidders cannot be evaluated on the basis of the responses/documents submitted, as none of the bids meets all the requirements of the contracting authority. The deficiencies identified relate, for example, to missing or inaccurate information on the technical characteristics of the vehicles offered or incomplete information on cooperation with the Czech defense industry."<sup>2</sup>

According to the statement, the offers did not sufficiently correspond to the stated requirements of the buyer and left too many questions open that needed to be answered to make the procurement decision. The suspension of the procurement program was not caused by technical insufficiencies or price tags, but by poor communications.

For many project buyers, this sounds familiar: Offers are too often not written with the needs and intentions of the customer in mind but with the own wishes what the seller intends to sell. This is often a cause of frustration for the customer not only during the business development phase, but also during delivery. The buyer makes it—at least in their own understanding—clear what they want and expect but sellers apparently don't listen.

In the other direction, buyers often do not listen to sellers' statements on what they are able to make and are prepared to deliver. This leads to Statements of work (SOWs) that are not feasible for sellers to fulfill, forcing the sellers to deliver what they have and can offer.

On the first glance this behavior seems to show a lack of empathy and attention span on both sides. Looking deeper, it is essentially a lack of professionalism of the people involved. And the root cause for this is poor education of project managers in matters of project business.

How can both sides improve for better projects and better business?

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## Project Managers and Project Business

When it comes to project business, project managers are mostly unprepared.

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<sup>2</sup> (Geiger, 2021)

Project business takes place when two or more organizations work together to jointly perform projects, typically in a customer/contractor relationship. Project business is cross-corporate by definition and is governed by bilateral or multilateral contracts. Project business management is a discipline which is different from the management of internal projects in many aspects.

Most internal projects are cross functional, which means that teams come together from different business units, such as divisions and departments. In a cross corporate project, in contrast, different parties act together to do the project and the members of the project team are employed by different companies. Figure 1 visualizes this difference and shows that there is a trend to do a growing number of projects as cross-corporate project business.<sup>3</sup>

### Examples of Project Teams

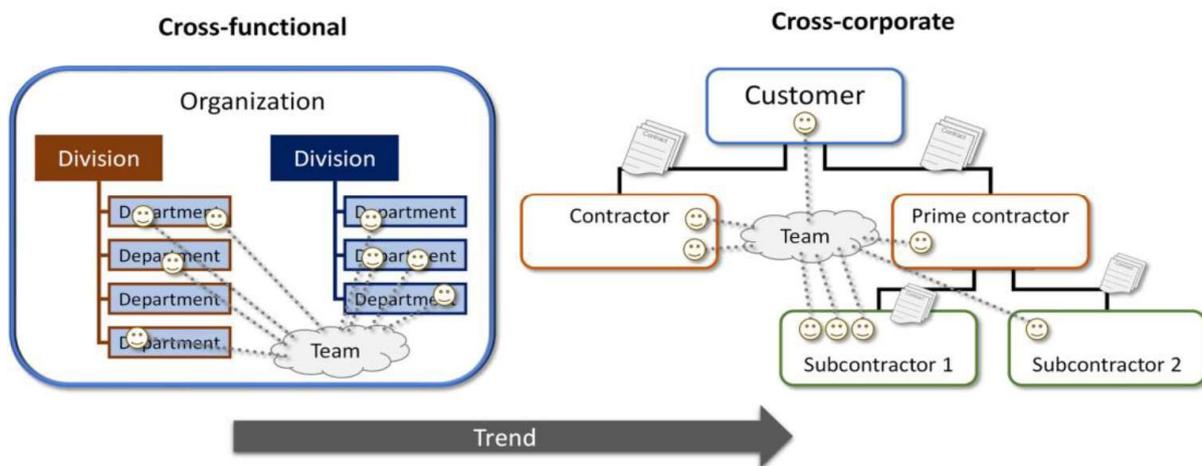


Figure 1: The trend from cross-functional to cross-corporate projects<sup>4</sup>

So far, project managers are primarily trained for internal projects. Education, research, literature, and other providers of professional knowledge consider these projects the normal situation and are mostly silent on questions of project business.

Stakeholders in project business management suffer from this lack of education to different degrees. For a contractor, a project manager is a manager of a profit center that must be profitable and protect the organization's liquidity. While most project managers have learned to focus on customer satisfaction, they mostly disregard these projects' commercial and legal aspects. With business acumen and business spirit underdeveloped, these project managers cannot satisfy the needs of the customer and the contractor.

<sup>3</sup> The trend is described in a market report (Project Business Foundation, 2021a), which confirms a study made in 2017 and published in PM World Journal (Lehmann, 2017)

<sup>4</sup> Image taken from the Project Business Study Book (Project Business Foundation, 2021b).

A similar deficiency of education exists on the customer side. Today, many projects are performed by complex multi-tier networks of contractors, which are comparable to supply chains in manufacturing and other operational activities. However, supply chain management in operations is well developed with education, literature, software, certifications, and all the different aspects that contribute to the professional character of a management discipline, as Table 1 shows.

	Supply Chain Management (SCM)	Project Supply Networks (PSNs)
Complex requirements	✓	✓
Professional understanding	✓	✓
Supply chains/networks are engineered and managed	✓	--
Specific Education	✓	✓
Standardization	✓	--
Certifications	✓	--
Software	✓	--
Procurement portals	✓	--
Literature	✓	✓
Consulting	✓	--

✓ Yes    ✓ To a limited degree    -- No

*Table 1: Comparison Supply Chain Management and Project Supply Networks*

Management of project supply networks (PSNs) is much less understood as a discipline on its own. A supply chain manager in operations has engineered systems of suppliers and subsuppliers. The person clearly understands who is part of the supply chain and what is happening in it.

The supply networks in cross-corporate projects, in contrast, are rarely engineered and understood. They emerge when contractors need the help of subcontractors to do the business, often without the knowledge of and agreement by the customer. When they evolve to a certain complexity, no one knows who all the parties are that form the network. This lack of engineering and understanding of the PSN leads to poor performance and inconvenient surprises.

Other aspects that make supply chain management a professional discipline in operations are inexistent in customer-side project business, too, such as software and textbooks. While the

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construction and direction of Project Supply Networks should be understood as a core competency of a project manager, almost no one prepares people involved for the task.

## SCM as a Role Model

Supply Chain Management emerged as a new discipline in production and later in service environments around the year 1990. The driving industry was automotive, where at least manufacturers in Europe and the USA had focused on in-house manufacturing. Buying components was considered an exception and often called the “extended workbench”.

In this understanding, a manager who wanted to procure parts externally had to answer the question, “Why do you want to spend money on these components, when we could as well save the expenditure and make them by ourselves, keeping cash and know-how insider our corporate walls.

There were mainly three factors driving the transformation from in-house manufacturing to the development of well-engineered and complex supply chains:

- ISO 9000 series of standards ensured that internal quality management systems in the organizations involved used the same language and could talk with each other, making quality management cross-corporate.
- Electronic Data Interchange (EDI), which standardized technical and commercial data communications. EDI allowed corporate computers to talk with each other in a common language, making Information systems cross-corporate too.
- Visionary individuals who understood that the manufacturers would not be able to satisfy the necessity to become more innovative and efficient without the help of external partners.

One should add that IS 9000, EDI, and visionary personalities faced strong resistance from the supply industry, which disregarded for a long time the opportunities that came with the transformation from the extended workbench to SCM and instead feared the discomfort of having to renew their business models.

Project management is in a similar transformation today. Projects that would have been done internally still some years ago are today given partially or entirely to contractors, who in turn pass on work to subcontractors. However, the growingly complex networks that materialize in this modern form of projects are not actively engineered at all. They just emerge, and typically, no one in the project knows all contributors to the project.

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## Experiences

As a trainer, I repeatedly had the opportunity to teach Project Business Management to project managers on both sides sellers and buyers, and here are some observations I made:

- Contractor side
  - Project managers are generally unprepared to manage the various interfaces between the projects inside a supply network. These include not only project management interfaces but also inter-organizational, inter-personal, legal, and commercial aspects.
  - Opportunities to enhance the existing business for the contractor by applying methods such as Benefit Engineering are often ignored.
  - Project managers often regard the margins from their customer projects as profits. They are unaware of the contractors' costing terminology and calculations, where these margins must also cover the costs of winning new business and running the organization.
  - Project managers are generally unprepared to manage the various interfaces between the projects inside a supply network. These include not only project management interfaces but also inter-organizational, inter-personal, legal, and commercial aspects.
- Customer side
  - Project managers do not show enough interest in engineering and managing Project Supply Networks. They save attention and energy by allowing contractors to make their sub-procurement decisions without influence from the customer. However, the contractors have their own interests, which may differ from the customer's. Without a holistic view of the Project Supply Network, the project may get disrupted in a turmoil of conflicting interests and uncoordinated decision-making.
  - The complexity of interfaces between the parties is overwhelming for the customer-side project managers. The employees' lack of education and support makes it hard to keep their work's commercial, legal, and interpersonal aspects in mind.

## Recommendation

Project Management is more and more turning into Project Business Management, a cross-corporate discipline by nature. It follows in the footsteps of other industries such as manufacturing and services. Project managers and their stakeholders should get prepared for this development.

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The critical issue is a lack of education, but there is more: A shortage of infrastructure, standardization, and systematic support. This is true inside most organizations involved, but also across industries.

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## About the Author

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**Oliver F. Lehmann**, MSc, ACE, PMP, is a project management educator, author, consultant, and speaker. In addition, he is the President of the [Project Business Foundation](#), the home association for professionals and organizations involved in cross-corporate project business.

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 (with Merit). 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.

He has been a member and volunteer at PMI, the Project Management Institute, since 1998, and served as the President of the PMI Southern Germany Chapter from 2013 to 2018. Between 2004 and 2006, he contributed to PMI's *PM Network* magazine, for which he provided a monthly editorial on page 1 called "Launch", analyzing troubled projects around the world.

Oliver believes in three driving forces for personal improvement in project management: formal learning, experience and observations. He resides in Munich, Bavaria, Germany and can be contacted at [oliver@oliverlehmann.com](mailto:oliver@oliverlehmann.com).

Oliver Lehmann is the author of the books:

- ["Situational Project Management: The Dynamics of Success and Failure"](#) (ISBN 9781498722612), published by Auerbach / Taylor & Francis in 2016
- ["Project Business Management"](#) (ISBN 9781138197503), published by Auerbach / Taylor & Francis in 2018.

His previous articles and papers for PM World Journal can be found here:

- <https://peworldlibrary.net/authors/oliver-f-lehmann/>