Project Business Management [1,2]

High Risks Demand Educated Professionals

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"An investment in knowledge pays the best interest."
– Attributed to Benjamin Franklin

Summary

Project Business is high-risk work: projects cross corporate borders, involve legally enforceable contracts, and directly impact business outlook, profitability, and trust.

For project contractors and their project managers, projects are profit centers. Yet most project managers are unprepared to manage projects as such. This article shows why Project Business requires educated professionals who apply the same rigor to commercial and legal risks as to technical ones – and calls for urgent professionalization of this overlooked discipline.

[1] This is an article in a series by Oliver Lehmann, author of the book "Project Business Management" (ISBN 9781138197503), published by Auerbach / Taylor & Francis. See full author profile at the end of this article. A list of the other articles in PM World Journal can be found at https://pmworldlibrary.net/authors/oliver-f-lehmann.

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Introduction

One of my training customers, a mid-sized European engineering contractor, once won a prestigious project to deliver a new production line for an overseas client. At the start, both sides celebrated the contract as a strategic success. Yet within months, difficulties emerged: late equipment shipments, disagreements over clauses, and escalating costs that neither party had foreseen. The project, meant to strengthen both businesses, instead strained cash flow, damaged trust, and ended in legal disputes.

This story illustrates a reality that sets Project Business apart from internal projects. Internal projects happen within a single organization, under one governance system, budget, and culture. In contrast, Project Business crosses corporate borders: customers, contractors, and subcontractors interact under binding agreements, each with its own interests and obligations. What unites them is the project; what separates them are their divergent business goals.

Failure in Project Business can strike on several dimensions:

- Economic – losses that undermine profitability and liquidity.
- Contractual/legal – disputes, claims, or litigation that consume resources and relationships.
- Operational – delays, overruns, or technical shortfalls that ripple across companies.
- Relational – broken trust, reputational damage, and partnerships that collapse under pressure.

With Project Business estimated at 20–30% of global GDP, these risks are too significant to ignore. Yet most project managers are educated only for internal projects, not for the commercial, contractual, and financial complexities of Project Business.

This article explores why Project Business is inherently high-risk business and why it requires educated professionals who can balance risk, opportunity, and trust across organizational borders.

Why Project Business Is High-Risk Business

Every project has risks. Internal projects may fail due to unclear requirements, resource shortages, or shifting priorities.

In Project Business, however, the risk landscape is far broader and often more severe. Because Project Business spans corporate borders, failures rarely affect just one organization – they cascade across all involved parties.
Key drivers of risk in Project Business include:

- Cross-corporate complexity

- Contractual exposure
- Financial fragility
- Operational volatility
- Relational vulnerability

A telling example comes from another of my training customers: a contractor that had successfully delivered several projects for a long-term client suddenly faced a cash flow crisis when that client delayed milestone payments. The agreement allowed the customer to withhold funds while change requests and complaints were being negotiated, but these discussions dragged on for months. The contractor, unable to pay its own suppliers, saw its credit lines cut and its reputation in the market damaged. Although the technical side of the project was progressing well, the financial and contractual risks brought the company close to insolvency.

What the contractor had not noticed was that the central management team on the customer's side had been replaced, and the new people in these roles did not value the long-term partnerships that their predecessors had built over the years – partnerships based on trust and mutual dependability. Instead, they prioritized their company's cash flow, delaying payments to improve the bottom line in the eyes of shareholders.

In short, Project Business is not just about delivering scope within time and budget – it is about safeguarding business continuity, profitability, and long-term relationships in a high-stakes environment. These risks demand more than classical project management methods. They require professionals who understand contracts, finance, and inter-organizational trust as much as scheduling or resource allocation.

The Professional Gap

Despite its economic weight and inherent risks, Project Business remains underrepresented in mainstream project management education and standards. Most project managers are trained for internal projects. They learn how to plan schedules, manage stakeholders, and optimize resources within one organization. These skills are essential – but they fall short when managers are confronted with the realities of Project Business.

A survey

A 2022 survey of over 500 practitioners performed by the Project Business Foundation[3] confirmed this gap: nine out of ten respondents said Project Business requires domain-specific education, yet only one in three reported having received any, as shown in Figure 1. The majority admitted they had 'not much' or 'no' training at all for the job. In other words,

[3] (Project Business Foundation, 2022)

professionals are expected to learn by trial and error – but in Project Business, trial is expensive, and error even more so.

The gap is not only educational but also attitudinal. Many project managers in contractor organizations are reluctant to see themselves as what they really are: managers of profit centers. A customer project is not just a technical assignment – it is a temporary business venture. Its success depends on entrepreneurial thinking, including tight control of revenue, margins, and cash flow. Yet too often, project managers shy away from this responsibility. They focus on schedules and deliverables, while profitability becomes 'somebody else's problem.'

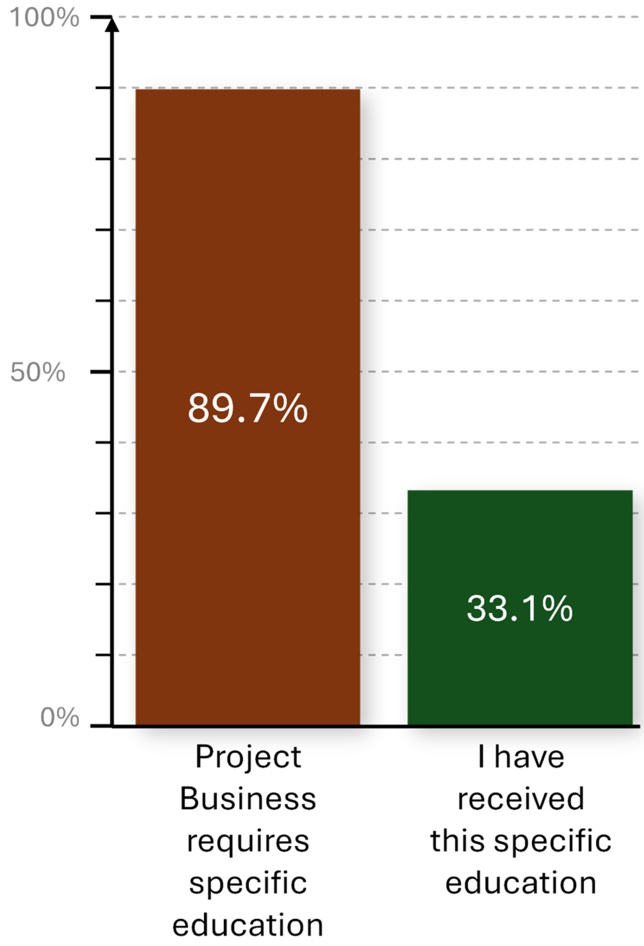

Figure 1: The survey responses

The reality is harsher: if the project manager does not assume this responsibility, in most organizations, no one else will. Finance departments may track figures in aggregate, but they rarely manage project-level margins in real time. Executives are too far removed from the day-to-day. That leaves the project manager as the only person close enough to delivery to defend profitability against scope creep, complaints, and one-sided change requests.

What Education in Risk Management for Project Business Must Cover

Closing this professional gap requires education that goes beyond the technical dimension of project management. Project Business professionals need to be trained to see each customer project as a temporary profit center – and to manage it accordingly.

The processes of risk management

A central element of this education must be risk management. In internal projects, risk management often focuses on technical issues, schedules, and resources. In Project Business, the scope must be wider: risks arise not only from engineering challenges but also from contracts, cash flow, and relationships between organizations. To address these effectively, the well-established discipline of risk management can be extended from the organizational and technical domain into the commercial and legal domains.

This aligns with the position of ISO 31000[4], which states that risk management must be aligned with the organization's governance and leadership. It should be:

- Integrated into governance structures (not just operational layers).
- Customized to the business environment (industry, regulation, project type).
- Supported by leadership commitment (tone from the top).
- Implemented systematically (policies, procedures, resources).
- Evaluated and improved continuously.

The basic cycle of risk management can serve as the backbone to meet these requirements:

1. **Organizing and planning risk management**
   This step defines the structure, responsibilities, and timing of risk activities. It sets out the governance framework for who identifies, escalates, and reports risks across corporate borders. The key document here is the Risk Management Plan, which specifies methods, responsibilities, escalation paths, and timing. It may also include reference to corporate standards and templates to be used.
2. **Identifying risks**
   Risks must be proactively collected from stakeholders, documents, and analyses. Inputs include the Assumption Log, Constraints List, and Stakeholder Register. The output is the first version of the Risk Register, which describes all identified risks, even those that have not yet been analyzed. Some risks that must be managed by higher management ranks or even the project customer are transferred into the Risk Report for escalation.
3. **Qualitatively analyzing and shortlisting identified risks for further analysis**
   In this step, the identified risks are assessed for probability and impact. The results are recorded in the Risk Register, often supplemented by priority ranking tables. Low-priority risks may be set aside, while high-priority risks are shortlisted for deeper analysis.
4. **Quantitatively analyzing shortlisted risks**
   The selected high-priority risks are subjected to deeper analysis, using tools such as expected monetary value, decision trees, or Monte Carlo simulation. The numerical results – such as consolidated contingency values – are documented in the Risk Report, which provides management with a summary view of critical risks and justifies reserves.

[4] (International Organization for Standardization, 2018)

5. **Developing risk responses**
   For each major risk, response approaches are defined: Avoid, mitigate, transfer, accept, or escalate. These strategies are documented in the Risk Register and elaborated in detail in one or more Risk Response Plans. The documented risk responses provide guidance on what will be done if the risk occurs or to proactively reduce its likelihood and impact.

6. **Implementing risk responses**
   Planned actions are turned into actual tasks, sometimes added as activities in the project schedule or other plans. Documentation continues in the Risk Register (to update status) and may also appear in Change Requests or Contract Amendments if contractual arrangements must be updated to reflect shared risk ownership.

7. **Closing the loop by monitoring the effectiveness of risk management processes**
   Ongoing monitoring ensures that risks are tracked, responses are effective, and new risks are identified. The Risk Register is updated continuously. The Risk Report is periodically issued to management or customer representatives to escalate unresolved or systemic risks. At the end of the project, a Lessons Learned Document captures risk-related insights for future projects, closing the loop. Even the risk management plan may need adjustments when it turns out that too much, not enough, or the wrong things are done to protect the project and the organizations involved from risk.

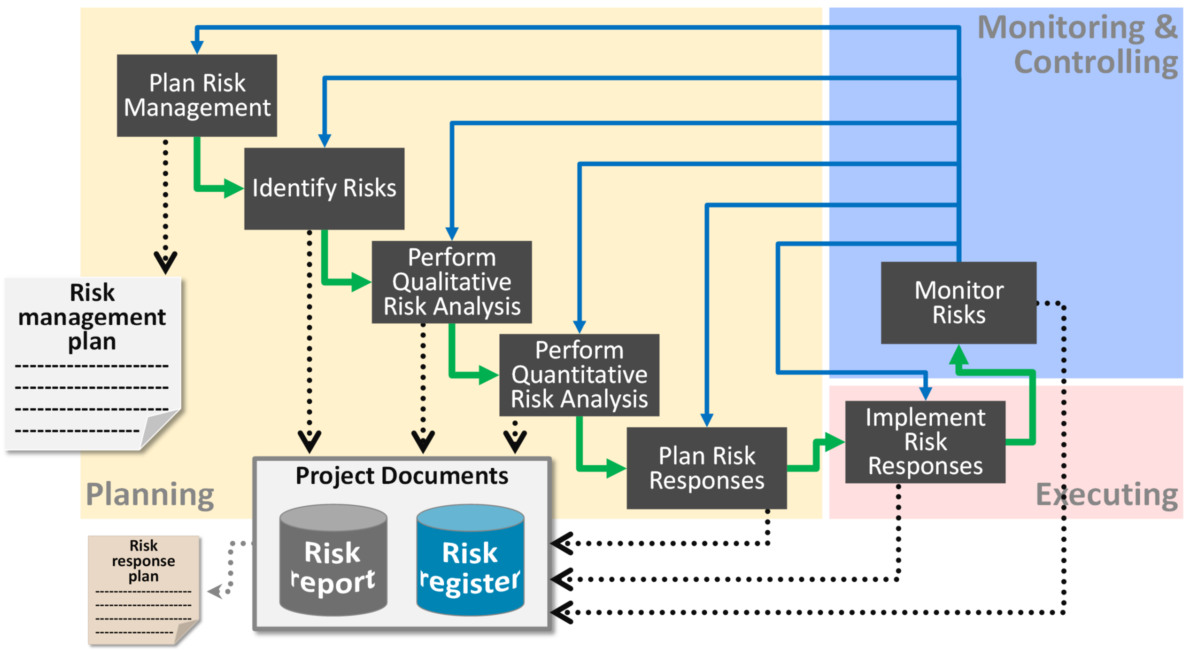

Figure 2: The iterative risk management process and its associated documents

This good practice, long proven for project risks[5], must also be applied consistently to business and contractual/legal risks. In Project Business, a missing payment or an unfair

[5] Compare older versions of the PMBOK Guide (PMI, 2017)

interpretation of a contract clause can be just as damaging as a technical failure or a key resource getting ill.

Expanding the RBS (Risk Breakdown Structure)

While the process view explains how risks are managed, it does not yet show what kinds of risks must be addressed in Project Business. Unlike internal projects, customer projects are embedded in commercial transactions, contractual frameworks, and cross-corporate relationships. As a result, the risk spectrum extends far beyond technical or organizational issues inside one company.

Typical exposures in Project Business include commercial risks such as liquidity shortages and payment delays, legal risks from disputes and litigation, and relationship risks that can undermine trust between partners. A Risk Breakdown Structure (RBS) helps capture this broader landscape, making visible the categories of threats that educated professionals must consider when managing cross-corporate projects.

Figure 3 shows a simplified example of a Risk Breakdown Structure, which includes the specific risks of the Project Business, added to project risks that are common for every project.

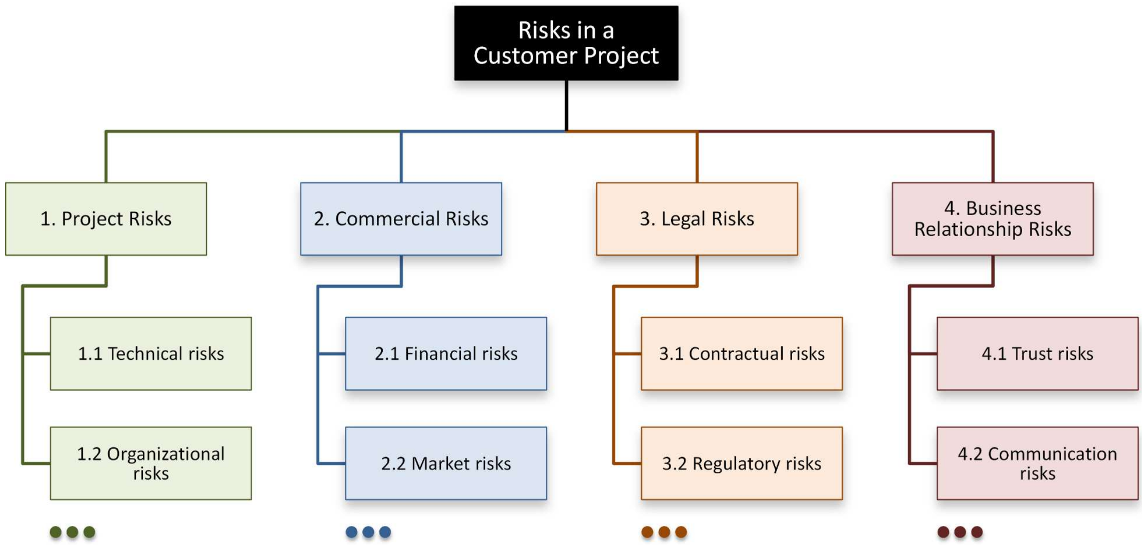

Figure 3: Simplified Risk Breakdown Structure for Project Business

One of my training customers experienced this firsthand. Their project had been technically successful: milestones were met, deliverables worked as specified, and the customer appeared satisfied. Yet when the time came to release a large payment, the customer claimed that a minor deviation constituted a breach of contract and withheld funds. Legally, the argument was weak, but it bought the client time — and pushed the contractor into a severe liquidity crisis. The project team had delivered flawlessly, but because the contractual and financial risks were not managed with the same rigor as the technical ones, the project ended as a financial failure.

This case shows why education in Project Business must go further than technical competence: professionals must be able to anticipate, analyze, and respond to business and legal risks with the same rigor they apply to project risks.

Applying 'the same rigor' means:

- Systematic identification of financial and legal vulnerabilities.
- Structured analysis of their probability and impact.
- Documented response planning.
- Continuous monitoring.
- Maintaining a risk register.
- Preparing risk reports to escalate issues upward or outward.

Without this rigor, business and contractual risks remain vague concerns until they materialize. With it, organizations can approach these risks proactively, turning them from existential threats into manageable uncertainties.

The Role of Educated Professionals

The contractor's story above shows the gap vividly: technical excellence alone was not enough. What was missing was the ability to anticipate contractual risks, negotiate from a position of strength, and secure a stable cash flow. An educated Project Business professional would have recognized the danger in vague clauses, planned liquidity buffers, and escalated the issue before it became a crisis.

This is what distinguishes educated professionals in Project Business. They combine the skills of project leaders with the mindset of business managers. They:

- Read contracts with the same attention as they read schedules.
- Calculate cash flow forecasts as carefully as resource allocations.
- Monitor relational signals – trust, openness, alignment – as early indicators of risk.
- Defend margins not as an afterthought, but as a primary success criterion.

A key skill: Rigor

Crucially, they apply the rigor of structured risk management not only to technical challenges but also to business and legal threats. In practice, this means:

- Keeping a risk register that documents engineering, financial, and contractual risks.

- Using risk reports to escalate major threats that cannot be resolved at project level.
- Building a culture where risks are neither hidden nor ignored but openly addressed.

Educated professionals act as the bridge between the technical and the commercial world. They make sure that a project does not just work, but also pays. In doing so, they protect not only the contractor's financial health but also the long-term partnership with the customer.

The earlier case of the contractor whose payment was withheld demonstrates both sides: the risk of leaving business matters unattended, and the potential if handled by professionals trained to manage Project Business. Such stories underline why Project Business cannot be left to chance or intuition – it requires knowledge, rigor, and education.

The Call to Action

The evidence is clear: Project Business is high-risk business. It requires project managers who are not only technically competent but also commercially and legally educated, capable of defending profitability and trust in cross-corporate ventures. Yet too many are left unprepared, navigating contracts and cash flows with tools designed for safer, internal projects.

Closing this gap will not happen by itself. It requires action on several fronts:

- Companies must recognize that every customer project is a temporary profit center. They should equip their project managers with the training, authority, and tools to manage risks and margins, rather than leaving them in a purely technical role.
- Professional associations must expand their standards and certifications to reflect the realities of Project Business. Internal projects and customer projects share methods, but their risk profiles and success criteria diverge significantly. This distinction must be institutionalized.
- Universities and business schools must integrate Project Business into their curricula. Students should learn early that project managers may one day carry responsibility not only for deadlines and deliverables but for profit and survival of their organizations.
- Literature must grow beyond scattered references. While shelves are filled with works on internal projects, comprehensive treatments of Project Business remain rare. Without a strong body of knowledge, both practitioners and educators lack the foundation they need.
- Software must evolve to support Project Business realities. Today's project management tools are largely designed for internal work. There is no standard offering for managing customer projects — and, even more damaging, none for portfolios in this field. Existing tools may help manage costs, but they do not help

manage margins, leaving project managers and their sponsors without the means to protect the profitability of their projects.

- Project managers themselves must embrace the mindset shift: leading a customer project means leading a business. To decline responsibility for cash flow, margins, and contractual clarity is to gamble with the very reasons why the project exists.

This is particularly important for:

- Beginners, who must start their careers with a realistic view of Project Business.
- Project managers from the field of internal projects who are suddenly “thrown” into customer projects and face risks they were never trained for.
- Project managers who have suffered from failures and need a helping hand to find the way back to the success route.

The time for incremental adjustments is past. With Project Business representing up to a third of the global economy, failure to professionalize this discipline leaves billions at risk and undermines trust across industries. Educated professionals are no longer a luxury — they are a necessity.

Conclusion

The stories of my training customers show a consistent pattern: projects that succeed technically but fail financially are not true successes. They drain margins, weaken companies, and damage relationships. In Project Business, technical delivery is only half the battle. The other half — often decisive — lies in managing contracts, finances, and trust across corporate borders.

The contractor whose payment was withheld despite flawless delivery exemplifies the danger. Nothing was wrong with the engineering. Everything was wrong with how risks were anticipated and addressed. Had the project been led by professionals trained to apply the same rigor to business and legal risks as to technical ones, the outcome might have been very different.

Project Business is high-risk business. But risk is not destiny. With proper education, project managers can learn to recognize projects as temporary profit centers, defend margins, and build resilience in their organizations. They can protect not only their companies but also their customers, suppliers, and partners from unnecessary loss and conflict.

The choice is stark: leave project managers underprepared and let them stumble into failures that erode trust and profitability, or equip them with the knowledge and rigor required to succeed in one of the toughest arenas of today’s economy.

It is time to stop treating Project Business as a footnote to internal project management. It deserves recognition, institutionalization, and education in its own right. The survival and prosperity of many organizations — and the stability of entire industries — depend on it.

Appendix: What is Project Business?

Many of today's projects are no longer internal endeavors. In a world shaped by global supply chains, outsourcing, and cross-border collaboration, projects are increasingly delivered by networks of companies. These projects are not just technical undertakings – they are commercial ventures.[6]

Project Business arises when two or more companies team up to perform a project under contract. It operates at the boundaries between organizations and often involves diverse legal systems, cultures, and moral compasses. Some project networks are simple; others are complex and fragile ecosystems with dozens, sometimes hundreds of organizations involved.

Though long overlooked, Project Business contributes an estimated 20% to 30% of global GDP and employs more project managers than internal projects. It deserves far more attention – not only for its scale but for the unique challenges it poses.

Traditional project management handbooks (for example, Turner, [7]) typically address internal projects within organizations. By contrast, project business takes place across corporate boundaries, introducing commercial, legal, and relational complexities that such works only partly cover. Project business (cross-corporate, customer-contractor) has different challenges and rules – success depends here not only on planning and execution, but on commercial acumen, legal awareness, and a deeply cooperative mindset. Trust must be built among parties with differing interests and asymmetric power to enable collaboration toward shared success.

The risks in Project Business go beyond deadlines and deliverables – they include cash flow instability, legal exposure, reputational damage, and contractual disputes. Where information is asymmetrical and objectives diverge, the project manager must act as negotiator, strategist, and builder of partnerships.

[6] (Lehmann, 2018)
[7] (Turner, 2009)

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Oliver F. Lehmann, MSc, ACE, PMP, is a project management educator, author, consultant, and speaker. In addition, he is the owner of the website Project Business Foundation, a non-profit think tank for professionals and organizations involved in cross-corporate project business.

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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.

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- "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://pmworldlibrary.net/authors/oliver-f-lehmann