

Project Management as a Core Competency (1)

By Robert Youker Revised February 2006
Presented at ESC, Lille. France, August 2005

For many organizations the capacity to effectively and efficiently manage projects from conception to completion should be considered a core competency. This means the entire project life cycle not just the implementation phase. Thus project management includes selecting the right projects as well as good implementation. Some people call this Strategic Project Management or just Strategic Management.

First we must distinguish between organizations whose whole business is time based contracts, which means all of their business is projects and regular companies where projects are internal like developing new products. Project Management is certainly a core competency for a construction company where all of their business is projects.

Professor Sebastian Green, Dean of the University College, Cork, Ireland in an interview in the Spring 2005 IPMA Newsletter, Project Management Practice defines Strategic Project Management as completing “projects which are of critical importance and enable the organization to have a competitive advantage”. There are three attributes to a core competence: it adds value to customers, it is not easily imitated and it opens up new possibilities in the future. Strategic PM includes the selection of the right projects as well as effective implementation. Thus we have a continuum of Strategic Objectives and Plan – Portfolio Management – Project Management – Organizations PM Capability. This takes an organization from Goals to Results. Doing this well can be a core competency. He says, “Project Management should be promoted to General Managers as the ability to manage across the functions, blending technique procedures with judgment”.

Another strategic management approach to Core Competencies is the Balanced Scorecard system developed by Drs. Robert Kaplan and David Norton in the early 1990s. The balanced scorecard goes beyond financial measures of performance and includes progress towards long term capabilities and customer relationships. Organizations today “must create future value through investment in customers, employees, processes, technology and innovation”. The Balanced scorecard views the organization through four perspectives and develops metrics, collects data and analyzes progress relative to these four perspectives:

The Learning and Growth Perspective

The Business Process Perspective (example of Project Management as a process)

The Customer Perspective and

The Financial Perspective.

Using this analysis the organization sets strategic goals and objectives in all four areas to develop long lasting competitive advantage. For some organizations project management could be a core competence.

The Balanced Scorecard organization defines Core Competency as “a competitive advantage of an organization that is built up over time and cannot be imitated easily. This encompasses a system of activities, tangible assets, skills, information bases, managerial systems and values that together create special advantage for an organization”. www.balancedscorecard.org An example of this from the early 1970s continuing until today, would be banks and financial

organizations where the ability to manage IT projects became a competitive advantage as one statement banking and INTERNET connections to your accounts were critical to customers.

Portfolio management is particularly important because in the selection of projects it entails resource allocation between projects and concentrating effort on the most critical projects as priorities change over time. The portfolio will include some projects that involve several divisions or functions of an organization and some projects that are just within one function such as manufacturing. The project selection process needs to set priorities and allocate resources to both types. Organizations need to concentrate their scarce resources on vital projects and not dissipate them on non-critical efforts. In some cases killing projects to redirect resources is more important than approving new projects. Thus Project Management is a business process that converts strategies into programs and programs into projects and finally into results on the ground that provide a major competitive advantage.

The project management profession, including the PMI PMBOK® (Project Management Institute, Project Management Body of Knowledge) has tended to define Project Management as just the implementation phase of a project or just the management of the process of the project life cycle and has excluded the business of selecting projects for the organization's portfolio of projects. In many organizations, project managers are not appointed until the project has been completely developed and the implementation phase started. Bob Gillis of the Canadian Pacific Corporation use to say that "we should be in the development business, not just the implementation business".

What does all this mean for the Chief Executive (CEO) who thinks that Project Management should be a Core Competency in his organization?

1. First, the entire top management team needs to know and understand the basics of PM.
2. The organizational structure and culture needs to be amenable to PM. Some methodology for cross functional communication and cooperation needs to be in place.
3. The various management systems for selecting projects and managing the project life cycle and project implementation need to be developed and implemented.
4. The total reward and punishment systems of the organization need to support project management and not do the opposite.
5. The management systems need to be documented and all of the necessary people trained in their use.
6. The top management team needs to understand that PM is much more than one or more computer software packages that promise to solve all problems.
7. Finally, the CEO needs to be totally committed and involved over time to be sure that Project Management in fact does become a true "Core Competency" in the organization.

1. The original presentation of the concept of Core Competence was by Prahalad and Hamel in the Harvard Business Review May-June 1990.