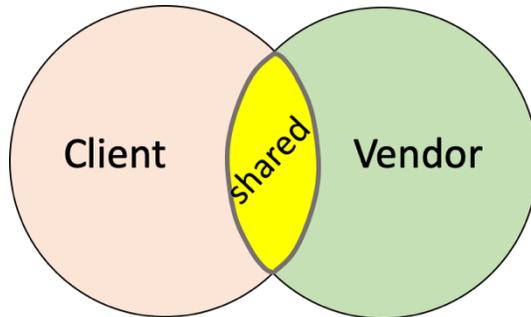


The Business of Projects

This 9-minute read presents the author's views on the categories of change that commercial 'for-profit' projects entail and will interest experienced vendor PMs. I argue that there is an important and increasingly urgent need to provide standards or commonly accepted guidelines for this class of project.



I was motivated to write my last book [Commercial Project Management](#) out of a strong belief that commercial (contracted) projects are sufficiently at variance with normal practice and the supporting project management (PM) literature that it might be regarded as an additional body of knowledge. The book was therefore naturally preoccupied with recording my views and experiences of practices that work in this environment and might be new and useful to the reader. But it occurs to me that more effort should be spent on identifying and classifying what

the underlying variances are and the problems that would be solved by changing normal practice. Many might disagree and debate *how* it should be changed, but if commercial projects are to receive the attention from standards as I believe they deserve, then surely the first thing to agree on is the scope of the PM change. The purpose of this post is to contribute to that discussion.

Categorization of Changes arising from Commercial Projects

A good starting point would be to list the unique observable factors of commercial projects (from now on just referred to as 'projects') and place them into categories. My list would be:

1. Multiple Organization Management: The involvement of more than one organization (client, vendor, possible subcontractors) and an expansion of influential and at-risk stakeholders.
2. Contract Management: A legal contract governs the work and, inevitably, the working environment.
3. Business Requirements: Primarily the need to deliver client benefits *and* vendor profitability.
4. Process Requirements: Client and vendor processes that greatly impact the project should in some cases be integrated and in other cases be re-developed (e.g. procurement, delivery risk, financial management).
5. Personal.

It seems to me that these five roots are a useful starting point for analysis, and all other issues can be traced to these. For example, a perennial concern about conflicting or non-aligned objectives can be traced to the involvement of two or more organizations.

I will use PMBOK as a reference point for this discussion as it is the most widely known of PM standards, particularly in US and Canada. The nature of the topic may imply some criticism, but I am pleased to note that PMBOK in general has been hugely successful in bringing knowledge standards into PM.

Thought Model

A Venn diagram approach might help us contemplate the nature of the four technical areas of change that define commercial projects, and how to describe them from a consistent point of view. Applied to two organizations, the shared area might represent the project. The legal contract might be regarded as shared, but in my experience the bulk of clauses put onus on the vendor, less on the client. Overlap of business requirements might represent an *alignment* between the parties. For processes, the shared area might be those project processes that both parties engage in and might be considered as integrated.

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If I was to take a totally process view of the new scope, then the Venn diagram does suggest the three top categories: Client, Vendor, and Integrated Processes. I currently believe process analysis leaves out too much that is important and can also lead to the misunderstanding that PM is just a process, so I have not taken that approach.

1. Multiple Organization Management

Problem Areas: poor communications, formation of project 'silos' and lack of project integration, resource management, objectives in conflict, unclear roles and responsibilities, vendor versus client commitments.

Suggested Standards: (1) Project Organization Chart(s), (2) Stakeholder Responsibilities, (3) Integration Practices.

PMBOK Reference: As the vendor role is largely absent, this would include a new scope. Modification to Procurement is needed to remove the unfortunate implication that outsourcing to a vendor spawns a 'new' project that requires an additional Charter rather than update of the existing. This can encourage negative silo formation. Stakeholder Management, Integration Management, & Human Resources should also be enhanced.

Other Comments: The decision to outsource a project is very influential on project success. There is a strong need for a selection of techniques and methods to address the noted problem areas.

2. Contract Management

Problem Areas: PM flexibility is curtailed, productivity impacted by unthoughtful T&Cs, reluctance to change when project encounters unexpected conditions, dominance of legal input and exclusion of PM input, type of contract not compatible with project, unbalanced penalty and incentive conditions, tendency to adversarial rather than collaborative postures.

Suggested Standards: (1) Stakeholder Responsibilities, (2) Applicable Terms and Conditions, (3) Applicable Contract Types, (4) Project Processes to Include in Contract, (5) Dispute Resolution.

PMBOK Reference: This would be new scope for PMBOK, plus enhancement to Stakeholder Management.

Other Comments: Contracting a selected vendor is often very time consuming and a standard based on type of project, understood and accepted by both parties, would be very helpful. Of course, variances may be required based on specifics of the project. Project managers (PMs) are generally uneducated on contract law and unfortunately often unfamiliar with the contract they are supposed to be managing.

3. Business Requirements

Problem Areas: Vendor and client PMs are unclear on business objectives and benefits, vendor PM is unskilled as profit centre manager with little knowledge of standard and alternative compensation models, poor or no communication between PMs and financial managers or project accountants, no delegation matrix, rate-setting, (non) billable time and margin misunderstood, impact of bookings, recognized revenue, and cash flow not differentiated, vendor sales executive and PM at variance, inadequate PM engagement in team development, performance evaluation, recognition, and initial hiring.

Suggested Standards: (1) Stakeholder Responsibilities, (2) Project Cost/Benefit Identification, (3) Project Accounting Fundamentals, (4) Project Pricing Models, (5) PM as Resource Manager.

PMBOK Reference: This would be new scope for PMBOK, plus enhancement to Stakeholder and Human Resources Management.

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Other Comments: There is a case for including some of this new scope as a new KA such as Project Financial Management. Other thinkers in this field go further and contemplate a much broader KA such as Project Business Management. Both options will be challenging to adequately express using the process modelling standard of PMBOK.

To accept the broader role of contributing to the business interests of the vendor, the PM must accept resource management responsibilities in addition to the profit centre role. This is on top of the usual demands of matrix management, which most likely applies to both vendor and client PMs.

4. Process Requirements

Problem Areas:

- Project: Vendor and client PMs are uncertain, and sometimes even disinterested in shared project processes, and may make misguided attempts to improve efficiency by narrowing process engagement leading to silo 'protection'.
- Client: Project cost/benefit is rarely shared, sponsor is often hard to locate, procurement is dominated by client processes, the risk transference paradigm positions procurement as 'complete' after contract signing, delivery is seen as a vendor process, integrated financial reports are rarely viewed and PMs are ignorant of project cost specifics.
- Vendor: Internal sales and delivery management processes weak, delivery risks rarely reviewed, estimates subject to sales pressure, weak PM influence on proposal approvals.

Suggested Standards: (1) Stakeholder Responsibilities, (2) Client Procurement Practices (Professional Services), (3) Vendor Delivery Methodology (Professional Services), (4) Joint Risk Management, (5) Estimate Counselling, (6) Joint Quality Plan Development, (7) Joint Resource Management.

PMBOK Reference: Enhancements would be required to all KAs except the basic triple constraint (Time, Cost, Scope). The update to Procurement is extensive, and could be classed as new scope. Vendor Delivery Methodology is new scope.

Other Comments: To accommodate commercial projects, I recommend a move away from the emphasis on process towards the concept of practice (perhaps best practice). This allows more fluidity in the implementation, and can be supported by a loosely coupled variety of methods, techniques and checklists. Practices are needed to govern joint client/vendor agreements on integration, stakeholders, risk, estimates, quality, and resource management. (Implementing the minutia of process/procedure in a mixed team and between managers from different organizations is next to impossible for all but a few well-defined cases. Things need to be defined and agreed, but at a different level.)

5. Personal

Problem Areas: Vendor PMs are not just managing a project, but managing business relationships with one or several stakeholders. Some PMs are uncomfortable with a role they have not been prepared for. A key stakeholder relationship is with the sponsor who must be held to her contractual commitments and occasionally be asked for money. Another is the vendor sales executive, who generally consider they are senior to the PM although the PM must be the authority on project matters. Some PMs have difficulty handling these relationships. Project management can be a lonely unsupported job and even more so as a vendor PM, who will need more than average self-confidence, assertiveness, and leadership ability.

Suggested Standards: None

PMBOK Reference: None

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Other Comments: I have included these thoughts on the personal dimension for completeness and because it's important. I have worked with PMs who firmly believe that business requirements have nothing to do with them, who believe their job is to give the client what he wants. One or two have even said that project management to make a profit is immoral! This raises a familiar debating point as to whether PMs are born and not made, but I will say this: commercial projects are hard, and may not be for all of us. If interested, refer to an earlier post [Going on Contract – Into the Lion's Den](#).

Conclusions

Projects are increasingly being run by professional services firms on contract to the project owner. This trend shows no sign of reversing and it is therefore inevitable that the skills of a vendor PM will be in increasing demand. Formal definition of the new knowledge required must precede the techniques and methods designed to deploy it. This in turn will provide an agenda for vendor PMs to acquire the necessary skills. My observation is that the knowledge lies broadly in four categories that either do not exist in current standards, or are significantly different. These are: (1) Multiple Organization Management, (2) Contract Management, (3) Business Requirements, (4) Process Requirements. Feedback is sought on the adequacy or correctness of these categories. I also note that a vendor PM's performance in the commercial environment is influenced by personal or behavioural preferences. My earlier publication [Ten Commandments of Project Management](#) describes these behaviours, complementing the purely technical descriptions in PMBOK.

An objective, I thought, might be to make this new knowledge available through an established standard, such as PMBOK. But it now seems obvious that the required changes are complex, overlapping, and will be challenging. A better solution is found in an existing PMI precedent and is to produce a stand-alone document - *A Practice Guide to Commercial Projects*. Moving ahead with this solution requires a consensus on what the scope of the guide should be, as this post has attempted to initiate.

Vendor methodology is an interesting part of the scope. There is an opinion that it is business management (true), and not PM (it borrows parts), and therefore may not be included in a guide. But it is, in my view, a very important prerequisite to a vendor's success, analogous to a Procurement methodology which lives on the client side of the house. I have given this matter considerable thought and some years ago published a workbook for a five phase [Commercial Delivery Methodology](#). Similar to PMBOK it takes a phase/process/procedure decomposition approach, and in spite of my cautious remarks earlier on process/procedure dependency, it does serve as a cohesive blueprint for less formalistic implementations.

Finally, some thoughts on collaboration. This concept is implicit in integrated project processes and makes a big contribution to eliminating vendor/client project silos. Could this concept be extended beyond the practices I specified for the execution phase of the project and introduced into the project identification and RFP phases? This would respond positively to my experience of avoidable loss associated with current methods. In fact, a creative integration of the vendor delivery and the client procurement methodologies could eliminate many inefficiencies but still permit a fair and competitive environment. I hope to return to this theme in a future post. Meanwhile, please let me know what you think of today's discussion.

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