

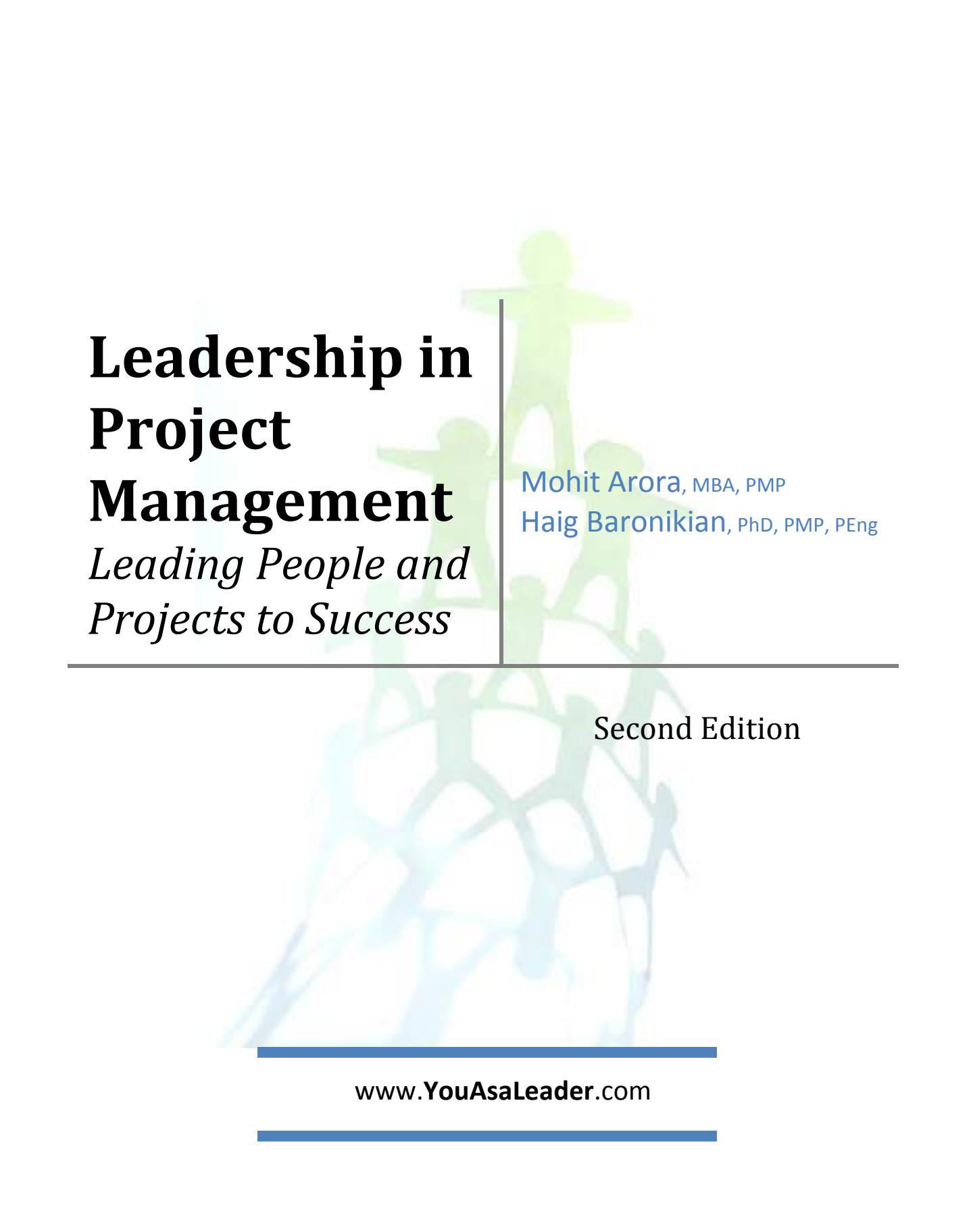
Second Edition

Leadership in Project Management

Leading People and Projects to Success

Mohit Arora and Haig Baronikian





Leadership in Project Management

*Leading People and
Projects to Success*

Mohit Arora, MBA, PMP
Haig Baronikian, PhD, PMP, PEng

Second Edition

www.YouAsaLeader.com

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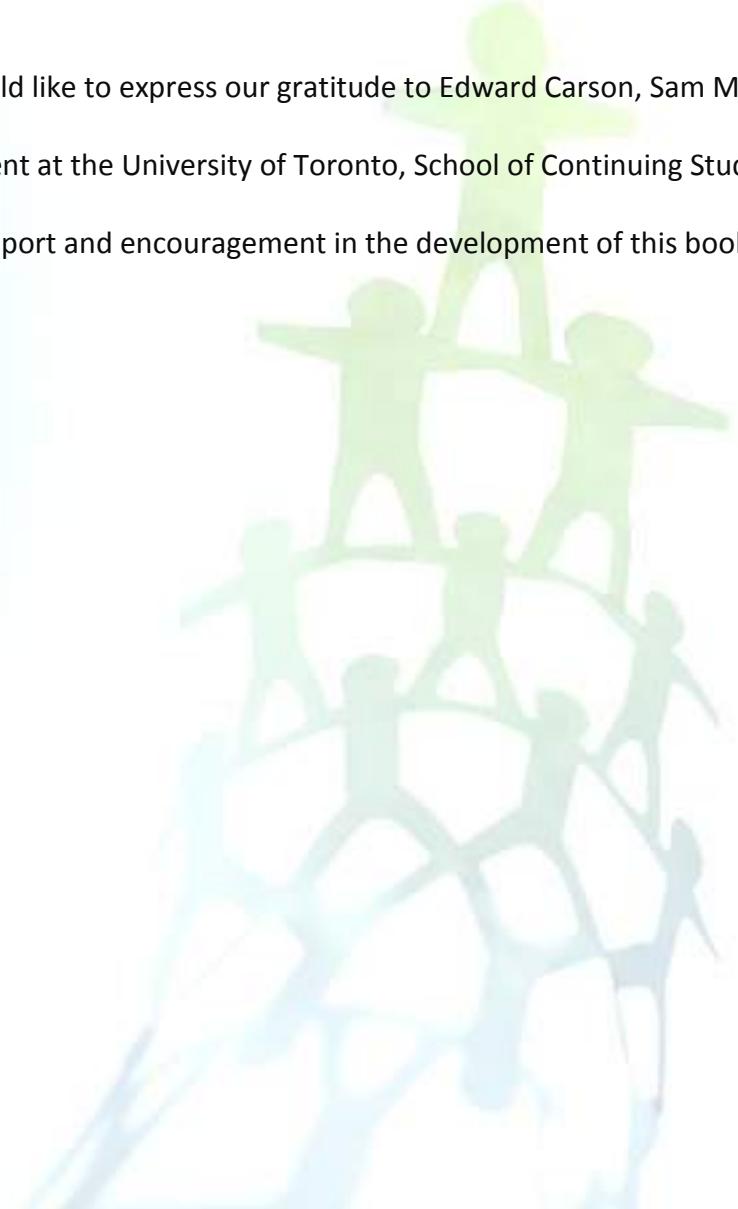
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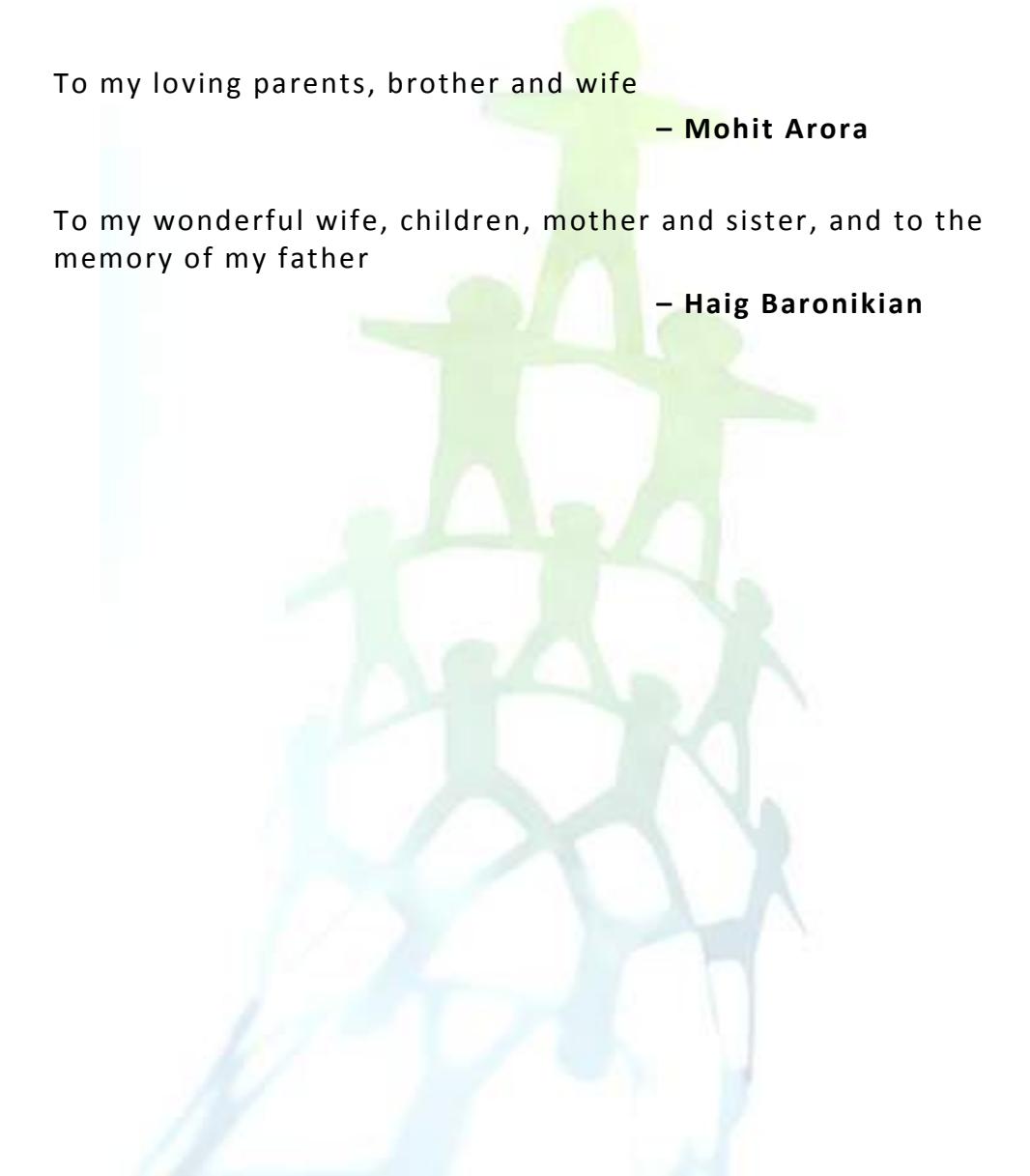
DEDICATION

To my loving parents, brother and wife

— Mohit Arora

To my wonderful wife, children, mother and sister, and to the
memory of my father

— Haig Baronikian



PREFACE to the Second Edition

“If you want to build a ship, don’t drum up people together to collect wood and don’t assign them tasks and work, but rather teach them to long for the endless immensity of the sea.”

Antoine de Saint-Exupery

Since launching this textbook, we have been gratified by the very positive response from students and instructors alike. More and more universities and colleges have chosen to adopt it for their programs. The second edition of the book introduces various additions and improvements in the content, an expanded set of resources, some research perspectives and colour illustrations. It has also been updated to be consistent with the Project Management Institute’s (PMI) Guide to the Project Management Body of Knowledge, 5th Edition. We believe wholeheartedly that this edition represents an even more effective and practical resource for project leadership.

As practitioners, we have led a wide range of projects for organizations across the private, public and charitable sectors. As educators, we have developed or co-developed various programs in project leadership. We have also taught such programs, both in the classroom and online, to well over a thousand learners from a broad range of backgrounds. We have ourselves learned a great deal from these experiences and thought the timing was right to share the insights we have gained in the form of this book.

There is a significant body of knowledge and research on leadership – a topic that has been of great importance and interest since ancient times. Leadership, whether in the spheres of politics, business, the military, science or other endeavours, has been intensively explored and studied. The conclusions drawn from such studies have been applied extensively. Project management itself can be considered something of an ancient art, one that must have been used, at least to some extent, to construct the pyramids, run military campaigns or erect the great cathedrals of Europe. It has, however, been more formally recognized as a discipline and a topic for research relatively recently. With the development of a body of knowledge has also come accreditation, such as the Project Management Professional (PMP) designation from PMI.

Our objective in writing this book, and now the second edition, was to create a course text to address the fundamentally important intersection of leadership and project management. While there are a number of books available on project leadership, to our knowledge this is the first text specifically intended to accompany and support courses on the subject. We believe this book will facilitate a more comprehensive and robust learning experience.

Why should project leadership be of interest? The simple answer is because projects rely on people. They are launched to serve people by producing some desired deliverable. Projects

are influenced, accomplished, supported and stymied by people (internal or external stakeholders of various kinds and attitudes). In other words, projects happen with, through and for people – and people need leadership to work towards a common goal in a sustained and energetic way. Project leadership is also an essential set of skills because projects have become such a pervasive way of doing business, whether they are large or small, complex or relatively simple, risky or straightforward in nature. The volume of project work and the investment poured into projects has grown so much in numerous organizations that project leadership is now a highly valuable competence, one recognized as critical to achieving project and indeed organizational success.

In addition to people leadership, we should highlight a second, key component of project leadership: ‘idea leadership’. Idea leadership includes having an innovation-oriented mindset and seeking opportunities which can add value to the project – not simply running through the project’s mechanics. It also means fostering such an approach with project team members and other stakeholders. A project leader, wherever appropriate, should capitalize on opportunities that arise in order to multiply or accelerate project benefits, present the case for and facilitate changes in project direction, seek to continuously improve how the project is planned and conducted, and generally behave as an entrepreneur to maximize returns from the project investment

Altogether, in our view project leadership implies multiple roles: team leader, project advocate/change agent, cheerleader, entrepreneur, role model and influencer. We discuss these roles in Chapter 5.

We have observed too many project managers who operate on the basis of only managing to the triple constraint of scope, cost and schedule. Worse, some project managers treat projects as an exercise in documentation and reporting, spending much of their time at their desks updating project plans and preparing reports. While doing so is an essential aspect of running projects and cannot be ignored, it is hardly sufficient for achieving full project success. Certainly, it is not about either people or idea leadership.

It is our hope that this book will provide the key concepts, insights and techniques to help individuals grow from being a competent project manager to an effective, even brilliant project leader. Various activities and tools are provided at the end of each chapter to deepen understanding and support application.

Organization and Pedagogy

The book has been divided into three parts:

Part I: Leadership and Organizational Context addresses the organizational setting for projects, including organizational strategy, organizational structure, organizational culture, the project management office (PMO) and project management maturity. This is the macro-level view of projects and project leadership.

Part II: Leadership and Project Teams turns to the role(s) of the project leader and their work in building and supporting project teams. Included also in Part II are chapters on communications, stakeholder management as well as ethical leadership – an especially important topic. Largely, this is the micro-level view of projects and project leadership.

Part III: Leadership and Project Execution attends to leadership concerns surrounding typical project execution: managing change during the project; effectively closing projects; recovering troubled projects; and, working to ensure appropriate benefits realization. We can say that this is the meso-level view of projects and project leadership.

Together with various organization snapshots, activities, tools, review quizzes, key terms and other supports in each chapter, we trust that you will find this book to be of direct value to your understanding and application of project leadership.

One final note... we fully believe that leadership, whether in terms of project leadership or more generally, is a lifelong journey. This book may launch you on that journey, or help you to carry on with a journey you have already begun, but it certainly won't end here. It can and should continue on.

We wish you much success on this exciting journey!

Mobit Arora, MBA, PMP

Haig Baronikian, PhD, PMP, PEng

Toronto, Canada

August, 2013

“A leader is one who knows the way, goes the way, and shows the way.”

John C. Maxwell

About the Authors



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Mohit is a recipient of the 'Excellence in Teaching Award' from the School of Continuing Studies at the University of Toronto. He has taught numerous in-class and online courses in Project Management and Business Analysis and is an active practitioner of Lean Six Sigma.

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Haig holds a Ph.D. in Industrial Engineering from the University of Toronto. He also holds the M.Ed. Degree from the University of Toronto/OISE and Degrees in Engineering from the University of Waterloo and McGill University. He may be contacted at haig@youasaleader.com

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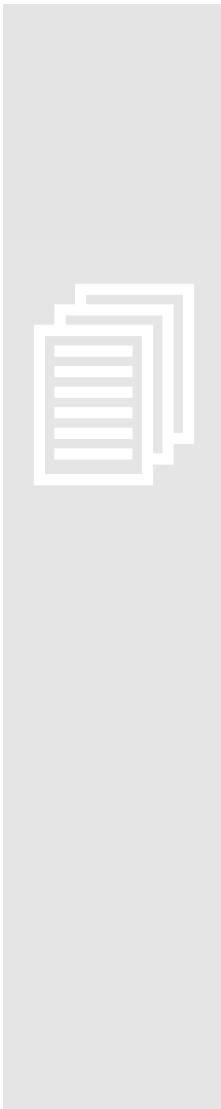
Part I -
LEADERSHIP AND
ORGANIZATIONAL
CONTEXT



Vision, Strategy and Project Management

“In real life, strategy is actually very straightforward. You pick a general direction and implement like hell.”

Jack Welch¹



LEARNING OBJECTIVES

- Define and outline key aspects of organizational vision, mission and values statements
- Understand and describe how these provide context for strategy and the strategic planning process
- Describe the basic steps in strategy development
- Explain the concepts of portfolio, program and project management and their relationship to organizational strategy
- Understand and describe the importance of being ‘On-Strategy’, in addition to fulfilling the triple constraint
- Explain how the Balanced Scorecard can be used as a translation, communication and tracking tool in the execution of a strategy
- Discuss the relevance of the above concepts and approaches for the project leader

IT ALL STARTS WITH A VISION!

Project leaders and projects operate within an organizational context. Every organization's internal and external circumstances define and drive its priorities, resourcing and work. Therefore, it would be premature to discuss project leadership without first discussing organizations and organizational vision, mission, values and strategy. This context guides the organization in selecting the right and most beneficial projects in which to invest. To be effective, project leaders must recognize and work within this organizational context. They must also help their teams to understand this context. As our starting point, then, this chapter explains these foundations, beginning with the concepts of organizational vision, mission and values, and continuing with strategy.

VISION

The vision of an organization is simply a statement about its desired future. It is a description of the organization's hopes and dreams, answering the question, 'What do we want for our future and what will success look like?' The vision sets the broad direction of the organization and serves as a guiding image of success. It speaks to the 'what' of the destination, not the 'how' of getting there.

| The vision can be and often is figurative rather than literal.

Steve Jobs had a vision to put an Apple Macintosh computer on every desk. This was a figurative or aspirational statement. While it never came true, it gave Apple employees a compelling context for their efforts and what these efforts were meant to achieve – bringing great computing power to humanity. Jobs and Apple, eventually accomplished something even more significant: putting an iPod, iPhone or iPad in the hands of millions and millions of people! The vision was transformed from a Macintosh computer on every desk to an Apple device in every pocket or purse (not to mention music, apps and other services for those devices).



The Vision Statement

An organization's Vision Statement is a concise, aspirational word picture of its future. It is about what the organization wants to become. Inherently, it is a long-term and idealized view, broadly based on the organization's history, its potential direction and the value it believes it can bring forth. Many organizations around the world, whether in the private, public, charitable or non-governmental organization (NGO) sectors, have developed their own Vision Statements as part of their identity. For larger organizations, the Vision Statement is typically generated through a formal exercise with senior management, the Board and sometimes other stakeholders participating. Once created, it is publicized, both internally and externally. For smaller, mid-sized or start-up organizations, it is often less

formal and likely to be driven by the founder's own views; it may or may not be well publicized.

A Vision Statement should serve as a source of inspiration for a range of stakeholders, both internal and external.

It should resonate with all involved with the organization and help them feel proud, excited, motivated and part of something much bigger than themselves. In particular, when employees internalize the Vision Statement, they can and do take action to make it come true. Thus, an organization's Vision Statement helps to focus energy and mobilize resources toward a common and significant goal.

The following are sample Vision Statements from private, public and charitable/NGO sector organizations around the world:

Private Sector Organizations

- **Mazda²** To create new value, excite and delight our customers through the best automotive products and services.
- **Manulife Financial³** Manulife Financial's vision is to be the most professional financial services organization in the world, providing strong, reliable, trustworthy and forward-thinking solutions for our clients' most significant financial decisions.
- **SolarPark Korea⁴** SolarPark Korea's motive stems from our vision of providing future generations a cleaner and more sustainable environment through cost-effective methods of converting sunlight into energy.

Public Sector Organizations

- **University of Illinois⁵** To create a brilliant future for the University of Illinois in which the students, faculty and staff thrive and the citizens of Illinois, the nation and the world benefit, a future in which the University of Illinois is the recognized leader among public research universities in: Teaching, scholarship and service, Engagement and public service, Economic development, Arts and culture, Global reach, Athletics.
- **SickKids [Hospital for Sick Children]⁶** Healthier Children. A Better World.
- **NASA⁷** To reach for new heights and reveal the unknown so that what we do and learn will benefit all humankind.

Charitable Sector/NGO Organizations

- **Plan International⁸** Plan's vision is of a world in which all children realise their full potential in societies that respect people's rights and dignity.
- **Africare⁹** Africare is committed to being the premier Africa-focused non-governmental organization working in partnership with African people to build

sustainable, healthy and productive lives and communities, and to be a leading voice addressing African development and policy issues.

- **Wikimedia Foundation¹⁰** Imagine a world in which every single human being can freely share in the sum of all knowledge. That's our commitment.

For Project Leaders...

The organization's Vision Statement (along with its Mission Statement, core values and strategy) communicates the ultimate, broad context for a given project and why that project is relevant for the organization's success. A project leader, therefore, must first be able to understand this context herself. After all, she will be the face of the project, championing it through its life-cycle. Further, she should be able to connect the dots and explain to her project team and other stakeholders how the particular project fits within this context and how it will advance the organization's goals. Conversely, if it is difficult to see or explain the fit, then it is important for the project leader to probe deeper into the project rationale or to ask why the project is being pursued. She may need to seek out the project sponsor or other key stakeholders for additional dialogue, to ensure she sees the project rationale with the required clarity.

MISSION

An organization's mission is very closely tied to its vision, and vice versa.

While the vision is about the future, the mission is about the present and near-term.

The mission of an organization answers the question, 'Why do we exist?' In other words, the mission describes the organization's core purpose. Contained within this broad question are the following, more detailed questions:

- What do we do, provide or deliver?
- What needs do we serve?
- Who do we serve?

The mission may also contain elements of 'How do we do it?' Additionally, it may communicate directly or indirectly to answer the question, 'How are we different?'

The mission, then, clarifies and communicates the organization's purpose and role to all stakeholders.

The Mission Statement

The Mission Statement briefly describes the mission of an organization. It should be succinct, informative and show some degree of organizational distinctiveness with respect to rivals or peers. It should also give some indication of how the organization will achieve its vision. As with the Vision Statement, a strong and effective Mission Statement will guide employees in defining and pursuing the most appropriate priorities and actions. It will make it easier for everyone to actualize the mission in their daily work. Coupled with an organization's Vision Statement, the Mission Statement helps to motivate staff, focus energy and mobilize resources toward a common goal.

The following are sample Mission Statements from private, public and charitable/NGO sector organizations around the world:

Private Sector Organizations

- **Nike¹¹** To bring inspiration and innovation to every athlete* in the world.
*If you have a body, you are an athlete.
- **Singapore Airlines¹²** Singapore Airlines is a global company dedicated to providing air transportation services of the highest quality and to maximising returns for the benefit of its shareholders and employees.
- **The Ken Blanchard Companies¹³** Our mission is to unleash the potential and power in people and organizations for the greater good.

Public Sector Organizations

- **UNESCO¹⁴** UNESCO's mission is to contribute to the building of peace, the eradication of poverty, sustainable development and intercultural dialogue through education, the sciences, culture, communication and information.
- **McGill University¹⁵** The Mission of McGill University is the advancement of learning through teaching, scholarship and service to society: by offering to outstanding undergraduate and graduate students the best education available; by carrying out scholarly activities judged to be excellent when measured against the highest international standards; and by providing service to society in those ways for which we are well-suited by virtue of our academic strengths.
- **City of Pasadena, California¹⁶** The City of Pasadena is dedicated to delivering exemplary municipal services responsive to our entire community and consistent with our history, culture and unique character.

Charitable Sector/NGO Organizations

- **United Way Toronto¹⁷** To meet urgent human needs and improve social conditions by mobilizing the community's volunteer and financial resources in a common cause of caring.
- **World Wildlife Fund¹⁸** To stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature, by: conserving the world's biological diversity, ensuring that the use of renewable natural resources is sustainable, promoting the reduction of pollution and wasteful consumption.
- **Lions Clubs¹⁹** To empower volunteers to serve their communities, meet humanitarian needs, encourage peace and promote international understanding through Lions clubs.

VALUES

The values of an organization are those shared beliefs that are held to be most important to the organization. Values, in other words, are at the heart of what the organization is and what the organization cherishes.

Values are the answer to the question, ‘What are the essential beliefs that we share as an organization?’

Effective organizations identify, develop and promote a clear, concise and meaningful set of values (sometimes called ‘core values’, ‘governing values’, ‘governing principles’ or simply ‘principles’). Together with the vision and mission of the organization, the values provide the framework within which organizational strategy is set and operates.

Over time, the values of an organization become an essential element of its culture. They inform the behaviour of employees, helping them understand organizational norms and to put them into practice. They also communicate to all stakeholders what is to be expected from the organization. Once established, its values should influence every aspect of an organization’s sense of itself and its operations, including:

- How customers (or clients, citizens, patients, donors, etc.), suppliers, investors and other stakeholders should be treated;
- How staff should interact with each other;
- What behaviours should be recognized and rewarded, and conversely, what behaviours should not be acceptable;
- What kinds of candidates are appropriate for recruitment;
- How projects should be conducted; and

- In general, the approach and expectations for all practices, processes, actions and relationships.

For the values of an organization to be understood, absorbed and realized, they must be modeled by the senior leadership. When everyone, starting with the CEO, commits to and acts in accordance with the declared values (sometimes described as ‘walking the talk’), it demonstrates individual, team and organizational integrity. This is important as the basis for trust in organizational relationships, whether internal or external.

Values Statements

Values Statements are declarations of the central values of the organization. They may reflect the key beliefs of the founders, the history of the organization or the current view of the organization and what it chooses to uphold. For example, David Packard and Bill Hewlett, founders of HP, describe their values and how they built their company around these values in their book *The HP Way*. These values continue to influence the company today.

Typically, an organization describes its values in 5 – 10 short statements. The following are sample Values Statements from private, public and charitable/NGO sector organizations around the world:

Private Sector Organizations

- **Tata Group²⁰**

Tata has always been values-driven. These values continue to direct the growth and business of Tata companies. The five core Tata values underpinning the way we do business are:

Integrity: We must conduct our business fairly, with honesty and transparency. Everything we do must stand the test of public scrutiny.

Understanding: We must be caring, show respect, compassion and humanity for our colleagues and customers around the world, and always work for the benefit of the communities we serve.

Excellence: We must constantly strive to achieve the highest possible standards in our day-to-day work and in the quality of the goods and services we provide.

Unity: We must work cohesively with our colleagues across the group and with our customers and partners around the world, building strong relationships based on tolerance, understanding and mutual cooperation.

Responsibility: We must continue to be responsible, sensitive to the countries, communities and environments in which we work, always ensuring that what comes from the people goes back to the people many times over.

- **Zappos²¹**

Deliver WOW Through Service

Embrace and Drive Change

Create Fun and A Little Weirdness
Be Adventurous, Creative, and Open-Minded
Pursue Growth and Learning
Build Open and Honest Relationships With Communication
Build a Positive Team and Family Spirit
Do More With Less
Be Passionate and Determined
Be Humble

▪ **HSBC²²**

Dependable and do the right thing
Stand firm for what is right, deliver on commitments, be resilient and trustworthy
Take personal accountability, be decisive, use judgment and common sense, empower others
Open to different ideas and cultures
Communicate openly, honestly and transparently, value challenge, learn from mistakes
Listen, treat people fairly, be inclusive, value different perspectives
Connected to customers, communities, regulators and each other
Build connections, be aware of external issues, collaborate across boundaries
Care about individuals and their progress, show respect, be supportive and responsive

Public Sector Organizations

▪ **Government of Jamaica – Ministry of Justice²³**

1. Service

We keep our promises to our customers
We are sensitive to the needs of our internal and external customers
We go the extra mile
We keep agreed time frames

2. Professionalism

We focus on results
We take ownership of our responsibilities
We keep our knowledge and skills current and relevant
We exercise our initiative when the situation demands it

3. Integrity

We are trusted and trustworthy
We are honest and open with each other
We are honest and open with the public

We are impartial and non-partisan

4. Respect

We value diversity in people

We treat everyone respectfully

5. Innovation

We constantly look for new ways to use resource more efficiently

We are committed to continuous improvement

We challenge the status quo

6. Teamwork

We are supportive of each other

We focus on our common purpose and goals

We value each team member's contribution

▪ **MGH Institute of Health Professions²⁴**

As members of the MGH Institute community, we collectively commit to and strive to reflect the following core values in all we do:

The highest standards of professional, academic, and scientific excellence, ethical conduct, integrity, and personal responsibility

An inclusive and equitable environment that is respectful of diversity in its broadest meaning

Mutual trust and collegiality in our relationships with each other and those we serve in health care and the community

Productive partnerships among faculty, staff, and students that support learning and work and that allow for inter-professional and global collaboration

A connected and engaged learning community where students fulfill a passion for lifelong learning, and become graduates of choice for employers

An environment that embraces and rewards inquiry, ingenuity, innovation, resourcefulness, and continuous learning

A rewarding work environment to ensure we are an “employer of choice”

Accountability for our work and for prudent, efficient stewardship of our resources

Charitable/NGO Sector Organizations

▪ **World Vision International²⁵**

We are Christian

We are committed to the poor

We value people

We are stewards

We are partners

We are responsive

- **The Rockefeller Foundation²⁶**

At The Rockefeller Foundation, we embrace a set of core values to guide our work to promote the well-being of humanity throughout the world.

Leadership: We take steps to achieve our vision of a better world and inspire others to join us.

Equity: We enable broad and fair access to resources and networks that facilitate inclusion of diverse people and perspectives.

Effectiveness: We work to achieve impact by using efficient and creative processes in our work to accomplish short and long-term goals.

Innovation: We believe in the potential of ideas to transform the lives of people and build stronger social relationships. We invest in new work along a spectrum from discontinuous to incremental.

Integrity: We make decisions transparently, in line with our values and mission, acting with candor and courage.

Increasingly, organizational values are also manifested in Corporate Social Responsibility statements that articulate an organization's role as a good corporate citizen in the environmental or social areas. This can affect every aspect of an organization's operations. Such statements send an important signal to stakeholders about 'who we are and what we care about'. The following are two examples of Corporate Social Responsibility statements:

- **Sony Group – Corporate Citizenship²⁷**

Sony recognizes the importance of preserving the natural environment that sustains life on earth for future generations and helps humanity to attain the dream of a healthy and happy life. Sony is committed to achieving this goal by seeking to combine ongoing innovation in environmental technology with environmentally sound business practices.

- **Telus – Corporate Citizenship²⁸**

In support of our vision to become a leading corporate citizen, we are committed to building a corporate culture of giving, and engaging the hearts and minds of our team members and retirees to improve the quality of life in our communities.

PROJECT TEAM VALUES STATEMENTS

A project team may well develop or have its own set of values. While it will likely inherit the values of the larger organization in which it operates, for any substantial project lasting a few months or longer the project leader should establish and promote a set of values in support of the project team's culture. This is especially pertinent if a project team is drawn from multiple organizations, which has become a common characteristic for many projects such as for joint R&D with partners, co-design with key suppliers or customers, etc.

Individuals from different organizations will arrive with the values of their own organization.

In such cases, instead of sharing in and working to values inherited from a single organization, the team is likely to find itself dealing with multiple, possibly contradictory, sets of values. This can cause confusion, discord and ambiguity – ultimately, negatively affecting team morale and performance. In such situations, building and promoting a new, shared set of values for the project team becomes even more necessary. As the project leader, you should act as the facilitator and editor for this exercise, working collaboratively with team members. You should also avoid being directive or prescriptive.

The project team values will be most meaningful and motivating if they emerge from the team itself. Values statements should be expressed in the form of “We will...” This implies that participants are making a commitment to upholding the team-defined values. The statements should also exclusively use active verbs. There should be no more than 10 values statements. Avoid statements consisting of a single word, as they carry little meaning and don’t promote a sense of ownership. Developing a mnemonic to help everyone remember the values is very helpful.

A few examples of project team values statements:

- We will use this project as a foundation for the future, both to help us reach our next level of growth and to model the way for other significant initiatives;
- We will seek sustainability in all aspects of the design and deployment of the project;
- We will act with the highest integrity, professionalism and quality in all our interactions;
- We will share in and celebrate our project successes.

As you and the project team together develop your own set of values statements, ask yourself:

- Are they concise, but complete?
- Is there something distinctive or special about them?
- Would they be clear to a client or other stakeholders?

Once developed, a good practice is to include the statements in the project or team charter.

For Project Leaders...

Developing and promoting a culture for your own project and project team can be a very powerful way to motivate a project team and other stakeholders. The right values help to build a sense of ownership (in both the values and the project), provide a reference point for addressing conflicts and serve to strengthen team identity and cohesiveness.

The values should be developed in collaboration with the team at project launch. They should also be shared with the sponsor and other key stakeholders. This effort, then, becomes a critical investment in team effectiveness and project success.

STRATEGY LAYS THE PATH FOR AN ORGANIZATION TO ACHIEVE ITS VISION AND MISSION

“Strategy is about being different. Strategy means deliberately choosing a different set of activities to deliver a unique mix of value.”

Michael Porter²⁹

Combined, the vision, mission and values statements provide the essential context for the development and execution of strategy. A firm's strategy describes the way in which it will compete in the marketplace against rivals; for public sector and charitable/NGO organizations, it serves as the roadmap to reach their ambitions. It is the course the organization charts, the journey it imagines and the steps it will take. Strategy is built upon a range of insights, experiences, objectives, expertise and expectations. When ready, it sets forth the general direction as well as an action plan in pursuit of the identified goals.

The vision, mission and values of an organization should remain relatively stable, while the strategy of the organization is typically renewed every 3 – 5 years.

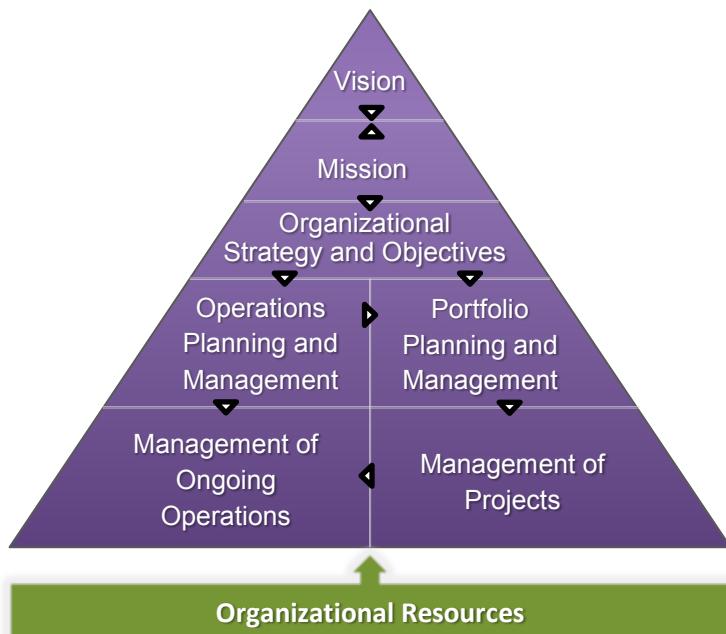


Exhibit 1.1: The Organizational Context for Strategy and Projects³⁰

Exhibit 1.1 illustrates the connections between vision, mission and values and the organization's strategy. Note that an organization's strategy encompasses both ongoing

operations as well as a set of projects. Projects are investments meant to generate new value for the organization and, ideally, are managed within a program and portfolio structure. Operations and projects require various resources, including money, staff, equipment, information systems and real estate, to be realized. The strategic choices an organization makes may, at various times, direct more resources into operations to support immediate needs or into projects to build for the future. Internal projects introduce new capabilities into the operations of the organization. Every organization strives to achieve an appropriate resource allocation and balance between the present and the future. Strategic planning is central to determining what that balance should be and why.

STRATEGIC PLANNING

“It is extremely difficult to develop a unique strategy for a company; and if the strategy is truly different, it is probably highly risky [. . .] Execution really is the critical part of a successful strategy. Getting it done, getting it done right, getting it done better than the next person, is far more important than dreaming up new visions of the future.”

Louis Gerstner, IBM³¹

Strategy is important as it acts as the organizational compass. Strategic planning is a disciplined process for making key decisions and agreeing on actions that will shape and guide what an organization is, what it does, and why it does it. Although the strategic planning process is normally informed by the existing vision, mission and values, it can at times lead to the reformulation of some or all aspects of the organization’s vision, mission and values.



Exhibit 1.2: Strategic Planning – Simplified

There are various strategic planning techniques and the selected approach must fit the needs of the organization. Fundamental components typically include an analysis of the organization’s strengths and weaknesses, as well as the opportunities and threats confronting it. The core of strategic planning is always the same: discovering the critical

factors in the current or near-term situation and designing a set of coordinated, focused actions to address these factors and succeed. At its simplest, strategic planning involves three steps, as illustrated in Exhibit 1.2:

1. **Consider the current situation** – this includes assessments of strengths, weaknesses, market and other external conditions, resources, etc. When completed, it describes the organization's current state. This step will often reveal key issues or opportunities and will point to necessary organizational changes.
2. **Reflect on where we would like to be** – informed by the organization's vision, mission, and objectives for the next stage of growth and development, this step would see the elaboration of specific goals and the rationale for these. This describes the organization's future or target state.
3. **Determine how best to get there** – with the understanding of current and future states, various options and initiatives can be considered to reach the stated goals and choose the path which:
 - Optimizes use of resources to achieve the best possible returns or greatest impact
 - Minimizes negative risks (threats)
 - Maximizes positive risks (opportunities)
 - Overall, maximizes the likelihood of success.

The third step, 'Determine how best to get there', calls for a gap analysis. This involves an assessment of what skills, tools, infrastructure, funding or other resources are necessary for the organization to reach its desired future state from its current state. In identifying these gaps, it becomes clear that particular programs or projects are needed to close the gaps and enable organizational progress.

The strategy developed through the planning process should be considered somewhat flexible³². As with any other kind of plan, it is impossible to prepare for every possible contingency. During the 3-5 year duration of the typical strategic plan, much can happen. Therefore, we can assume that while the organization has worked hard to take into account various possibilities or scenarios that may unfold during the time-span concerned, unexpected circumstances can arise. Exhibit 1.3 gives an overview of how an organization's strategy evolves over time. The planned or proactive component of strategy is called the 'deliberate strategy'.

Given changing conditions and the dynamics of the marketplace, some elements of the deliberate strategy may have to be abandoned. This may happen, for example, if a planned new line of business, or a targeted geographic market, becomes unexpectedly crowded with rivals. At the same time, the organization may need to react to events and adjust strategy by adding new elements to the original strategy. For instance, an acquisition opportunity becomes available, which could accelerate the growth of the organization. These new elements constitute the 'emergent strategy' – the reactive component of strategy.

The deliberate strategy and the emergent strategy, taken together within changing circumstances and the reality of execution, constitute the organization's 'realized strategy'.

An organization's strategy can be considered a compass as well as an evolving roadmap. It sets out the direction and the major steps to reach the organization's desired future state. It provides the basis for the portfolios, programs and projects which should be implemented to create that future state. In some cases, certain programs or projects may need to be terminated as they are deemed to be no longer viable or in keeping with the new strategy. Resources may need to be shifted to launch new projects or reconfigure existing ones.

Proactive Strategy Elements

Deliberate Strategy



Exhibit 1.3: Realized Strategy³³

All projects begin with some core idea that inspires the project charter, deliverables, and outcomes. The quality of this initial idea is also critical to the project's business impact. Effective strategic planning in an organization leads to appropriate new projects, programs and portfolios. Strategic planning can involve a variety of tools and techniques, including:

- Visioning exercises, to develop a desired future state
- SWOT Analysis (Strengths, Weaknesses, Opportunities, Threats)
- Market Analysis and Gap Analysis
- Competitive Analysis and Benchmarking
- Porter's Five Forces Analysis (see video in the 'Additional Resources' section)
- Ideation and innovation (for new products, services, processes, etc.)

Strategic planning can be extremely useful for uncovering innovative ideas and approaches – which may then lead to new initiatives, and to specific programs and projects. In a world of rapid change, it is imperative to think strategically to better prepare for the future – even create the future – and to succeed. The best-managed enterprises tend to engage in continuous strategic planning, not just once every four or five years. Through effective strategic planning, and all that that entails for selecting and launching the right projects, there is a much better likelihood of attaining long-term performance and growth.

THE BALANCED SCORECARD AS A STRATEGIC PLANNING AND EXECUTION FRAMEWORK

“Leaders need new measurement and management systems to align their tangible and intangible assets to deliver a coherent and integrated strategy.”

Robert S. Kaplan and David P. Norton³⁴

The Balanced Scorecard is a powerful strategic planning, execution and performance management system used to align business activities to the vision and strategy of the organization. It helps make an organization’s strategy more practical, digestible and easier to communicate to all levels of the organization. It also aids in tracking the progress and measuring the performance of specific initiatives which are meant to fulfill the strategy. While the phrase ‘Balanced Scorecard’ was coined in the early 1990s by Robert Kaplan and David Norton of the Harvard Business School, the roots of this approach are deep, and include the pioneering work at General Electric on performance measurement and reporting in the 1950s.³⁵ Similar tools such as ‘Performance Prism’ and ‘Results-Based Management’ have also become common.

The traditional approach in strategy execution and performance management was to focus on financial parameters. This is because financials are inherently quantifiable, comparable and more easily tracked. Investors and other stakeholders understand metrics and trends of this kind, such as increasing costs or improving profitability. Too often, strategy has been viewed by employees as something abstract or the exclusive domain of the executive team. It can be unclear how the strategy affects the daily lives of a function, a project team or an individual.

The Balanced Scorecard creates a closer link between strategy, projects and operations, making strategic plans more concrete for the benefit of all.

As the name suggests, it also offers a framework that is more balanced in its coverage. It retains the use of financials as a component, but complements this to promote attention to internal processes, customers and staff for more comprehensive performance management. Exhibit 1.4 illustrates the relationship between vision, mission, strategy and organizational values, and the four perspectives of the Balanced Scorecard.

The Balanced Scorecard provides a framework to translate strategy into operational reality. The four strategic perspectives of Financial, Internal Processes, Customers, as well as Learning and Growth are also known as ‘quadrants’ or ‘themes’. This approach helps to ensure that the organization is improving and progressing on its strategy on multiple fronts. It also guards against one quadrant being impoverished while others receive sufficient resources. Each of the four quadrants will be defined by suitable objectives, measures, targets, initiatives and budget allocations, likely on an annual basis.



Exhibit 1.4: Relating Strategy to the Four Quadrants of the Balanced Scorecard³⁶

Descriptions for the four quadrants are as follows:

1. **Financial** – This quadrant is the traditional one used in organizations. It defines financial objectives and performance measures that provide evidence of whether or not the organization’s strategy is yielding increased shareholder returns or other improvements. Private sector enterprises are especially concerned with profits, while public or charitable/NGO sector organizations will likely focus on effective use of revenues and the management of costs. Different industries use different types of financials. Example measures for this quadrant include:

- Earnings per share
 - Revenues/revenue growth
 - Profits/profit growth
 - Costs
 - Percent of donations used for administration (for a charitable organization)
2. **Internal (Business) Processes** – This quadrant represents the functioning and impact of various core processes. These can range from product development, to customer service, to supply chain management, among others. Attention to this quadrant helps to translate strategic plans into specific objectives and initiatives which will drive improvements in key processes, in terms of cycle time, responsiveness, quality, underlying costs, etc. This in turn will advance the organization's position in the marketplace. Internal process measures and targets are then developed for monitoring and reporting (Brown, 1996). Again, there will be differences between private sector enterprises and public or charitable/NGO sector organizations. Example measures for this quadrant include:
- Cycle time
 - Cost of services
 - Productivity
 - Public complaints registered for a regulatory agency
 - Number of accidents in a certain period
3. **Customer** – This quadrant is concerned with performance directly related to the customer, client, patient, citizen, donor or others served by the organization. Objectives and initiatives here will most likely have links to the Internal Processes and other quadrants. It addresses how the organization must act with customers in order to fulfill the organization's mission. Example measures for this quadrant include:
- Market share
 - Customer satisfaction
 - Referral rate
 - Customer retention
 - Warranty returns
 - Educational success in universities or schools



4. **Learning and Growth** – This quadrant is focused on the development and well-being of staff. Much of the work represented by the three other quadrants is enabled through this one. This quadrant highlights the main objectives and initiatives necessary for staff advancement and quality of the work environment. In some organizations, this may extend to the development of volunteers or others who are integral to the functioning of the enterprise. The Learning and Growth quadrant helps to identify gaps between current employee competencies, culture, training and supporting systems and what must be implemented to move to a new, future state (Niven, 2003). Example measures for this quadrant include:

- Employee satisfaction
- Training days per year
- Employee absence
- Skills mix
- Employee turnover
- Level of external volunteering



Exhibit 1.5: Balanced Scorecard Quadrants with Objectives, Measures, Targets and Initiatives³⁷

As Exhibit 1.5 depicts, the Balanced Scorecard framework elaborates strategy through specific objectives, measures, targets, and initiatives (programs or projects) under each quadrant. These are detailed as follows:

- **Objectives:** A specific objective in support of the overall strategy. Examples would include achieving strong profitability, or faster product development, or a high level of employee retention.
- **Measures:** These are the basis for tracking performance in relation to a given objective. They tend to be quantitative, but can be qualitative, also. Examples would include return on equity, faster cycle time or employee turnover rate, respectively. Defining a measure will also normally include how the data is collected and from where, the reporting frequency, the scale and units being used, etc.
- **Targets:** These state the desired outcome for a given objective and in terms of a particular measure. Examples would include 15% return on equity, less than six months for product development cycle time, or less than 4% employee turnover, respectively. Targets are usually annual or quarterly, and the organization would typically strive to see year over year, or quarter over quarter improvements.
- **Initiatives:** These are programs, projects or other activities intended to realize the relevant objective and to reach the accompanying targets. Examples would include the sale of underperforming assets, restructuring the product development department or the introduction of a new benefits package for employees, respectively. For each initiative, an appropriate budget allocation and resourcing would also need to be established and monitored accordingly.

The following organization snapshot illustrates the use of the balanced scorecard at a regional airline. Each quadrant in Exhibit 1.6 is detailed in terms of the applicable objectives, measures, targets and initiatives. A budget allocation is also assigned for each initiative.

Different terminology and prioritization may be used for the four perspectives, depending on whether the context is a private, public or charitable/NGO sector organization. For example, the ‘Customer’ perspective used for the private sector will often become the ‘Stakeholder’ perspective for the public or charitable sectors. In the charitable/NGO sector ‘Learning and Growth’ will sometimes be termed ‘Capacity Development’. The prioritization of perspectives will also vary between industry sectors. In the private sector, the ‘Financial’ perspective is usually accorded the highest priority. However, in the public and charitable/NGO sectors the ‘Stakeholder’ perspective is often held as the highest priority. Case studies and example balanced scorecards in the ‘Activities’ section at the end of this Chapter further illustrate these differences.

The Balanced Scorecard framework has evolved substantially from its early days and many organizations now rely on it for translating, communicating and operationalizing strategy. It provides a more comprehensive approach for planning, execution and monitoring to achieve success. For project leaders and their teams, it helps to make clear how a given project connects with the declared strategy of the organization.

ORGANIZATION SNAPSHOT: REGIONAL AIRLINE BALANCED SCORECARD

A US regional airlines uses the Balanced Scorecard framework to link mission with organization vision and key performance targets³⁸

- **Organization Mission** - Dedication to the highest quality of Customer Service delivered with a sense of warmth, friendliness, individual pride, and Company Spirit.
- **Organization Vision** - Continue building on our unique position -- the only short haul, low-fare, highfrequency, point-to-point carrier in America.



Simplified Strategy Map		Performance Measures	Targets	Initiatives
Financial		<ul style="list-style-type: none"> ▪ Increase profitability ▪ Lower costs 	<ul style="list-style-type: none"> ▪ 25% per year ▪ 20% per year ▪ 5% per year 	<ul style="list-style-type: none"> ▪ Optimize routes ▪ Standardize planes
Customer		<ul style="list-style-type: none"> ▪ Increase revenue ▪ More customers ▪ On-time flights ▪ Lowest prices 	<ul style="list-style-type: none"> ▪ FAA on-time arrival rating ▪ Customer ranking ▪ Number of customers 	<ul style="list-style-type: none"> ▪ First in industry ▪ 98% satisfaction % change
Internal		▪ Improve turn-around time	<ul style="list-style-type: none"> ▪ On-ground time ▪ On-time departure 	<ul style="list-style-type: none"> ▪ < 25 Minutes ▪ 93%
Learning		▪ Align ground crews	<ul style="list-style-type: none"> ▪ % Ground crew as stockholders ▪ % Ground crew trained 	<ul style="list-style-type: none"> ▪ YR1: 70% ▪ YR4: 90% ▪ YR6: 100%

Exhibit 1.6: Balanced Scorecard in Action – Linking Scorecard Quadrants with Metrics and Organization Targets

PORTFOLIOS, PROGRAMS AND PROJECTS ENABLE A SUCCESSFUL STRATEGY IMPLEMENTATION

With a strategy in place, an organization can turn its attention to execution. Hrebiniaik (2006) states, though, that it is more difficult to make strategy work than to make strategy. The right portfolios, programs and projects are powerful building blocks for implementing strategy – to help ‘make strategy work’. The link between strategy, portfolios and projects is represented on the right side of Exhibit 1.1. The Project Management Institute’s ‘Guide to the Project Management Body of Knowledge’ (PMBOK)³⁹ offers helpful definitions of projects, programs and portfolios.

PMBOK defines a **project** as “a temporary endeavor undertaken to create a unique product, service, or result”. Projects can be large or small, relatively simple or highly complex. They end when their objectives have been reached or the project has been terminated.

A **program** is “a group of related projects, subprograms, and program activities managed in a coordinated way to obtain benefits not available from managing them individually”.

A **portfolio** consists of “projects, programs subportfolios, and operations managed as a group to achieve strategic objectives”.

Exhibit 1.7 outlines key differences between managing projects, programs and portfolios. It should be noted that while there is already a connection with strategy evident at the level of projects and project management, that connection is more likely to relate to functional, departmental or business unit goals. Even at this level, though, there should still be a clear sense of how the project relates to the bigger organizational strategy.

Program and portfolio management would have even more significant connections to enterprise-level strategy.

This is as it should be, since at the level of portfolio management, the aggregate investments are much larger and their potential impact is much greater than at the level of an individual project. At the portfolio management level, appropriate governance becomes critical to enterprise performance. It encompasses selecting the right investments, maintaining alignment with strategy, monitoring how programs and projects are doing, managing risks and ensuring the realization of benefits.

In organizations with more formalized methodologies, strategy is operationalized for project work through portfolio management, then program management and eventually at the project management level.

	Project Management	Program Management	Portfolio Management
Purpose	Provide deliverables by executing a network of tasks	Deliver benefits by executing a network of projects	Support strategy formulation and execution from an investment perspective
Duration	Temporary	Longer time-frames compared to projects	Enduring process with regular balancing of investments
Strategic Alignment means...	Accomplishing specific requirements and objectives	Accomplishing specific requirements and objectives, typically on a grander scale	Adjusting the balance of investments to increase probability of achieving financial and other outcomes
Strategic Accomplishment means...	Projects address functional or business unit strategies	Programs fulfill functional, business unit or enterprise strategies	Portfolios accomplish enterprise strategies
Success defined by...	Meet defined metrics in terms of the triple constraint	Meet broader objectives of and generate benefits for different stakeholders	Produce longer-term value to investors and shareholders
Risk Management	Risks are typically regarded as threats	Risks are framed as opportunities and threats	Risks are deviations from investor expectations managed through portfolio balancing
Key Competencies	Management skills	Leadership skills	Analysis and decision-making skills

Exhibit 1.7: Comparison of Key Aspects of Project, Program and Portfolio Management⁴⁰

There is much evidence supporting the value of portfolio management to organizations. Respondents to PMI's 2012 *Pulse of the Profession In-Depth Report: Portfolio Management* cited customer satisfaction (73%), cost reduction (59%), revenue growth (58%) and improved ROI (45%) as the top reasons to utilize portfolio management.⁴¹ Further, those respondents who consider their own organizations as being highly effective at portfolio management indicated that, on average, they experienced substantially better project performance than

those peers who consider themselves as minimally effective. This was the case whether in terms of projects being completed on time (68% vs. 50%, respectively), on budget (64% vs. 54%), meeting original goals and business intent (77% vs. 65%), or meeting/exceeding the forecast return on investment (62% vs. 48%).⁴²

Some organizations do not have a portfolio management process or governance structure, particularly if there is no Project Management Office. In such cases, the finance department may step in to oversee portfolios mainly on the basis of financial indicators such as return on investment (ROI), return on assets (ROA), net present value (NPV) or payback period.

An organization's strategic objectives considerably influence portfolio criteria and performance indicators, hence the portfolio decisions and structure of the portfolio.

Program and project intake, monitoring and, ultimately, the success of the portfolio would be evaluated based on a set of agreed-upon indicators; a weighted scoring system is usually employed for project intake. See the 'Additional Resources' section at the end of this Chapter for more on portfolio management, project intake and scoring.

An example of the cascading of organization vision and mission through one or more strategies to one or more programs and then to a set of projects, is illustrated in Exhibit 1.8. The full set of programs and projects can be considered a portfolio. The example is drawn from the mobile telecom services sector. This particular enterprise has determined that it will be more successful if, instead of participating in intense price competition with rivals, it pursues a strategy of differentiation on the basis of superior customer care. This is the proactive, deliberate strategy chosen and is entirely in alignment with its declared vision and mission. In order to implement this strategy, a program has been identified to create a 'Multi-channel customer care' centre. 'Multi-channel customer care' means that this firm is willing to communicate with and service customers through whatever channel the customer chooses: telephone, e-mail, fax, Web chat, etc.



The program consists of three distinct, but coordinated projects: one relating to the human resources aspects, including recruiting and training appropriate staff for this centre; a second to design and deploy the information technology and network infrastructure; and a third to acquire and

organize the necessary real estate and workstation furniture for the staff. There could be multiple, mutually reinforcing strategies (Strategy 1, Strategy 2, etc.) in place to support the vision and mission of the organization. Each strategy would be supported through one or more portfolios, programs or projects, as noted in the example. At the same time, a given portfolio, program or project could be aligned with any one strategy or be applicable to multiple strategies.

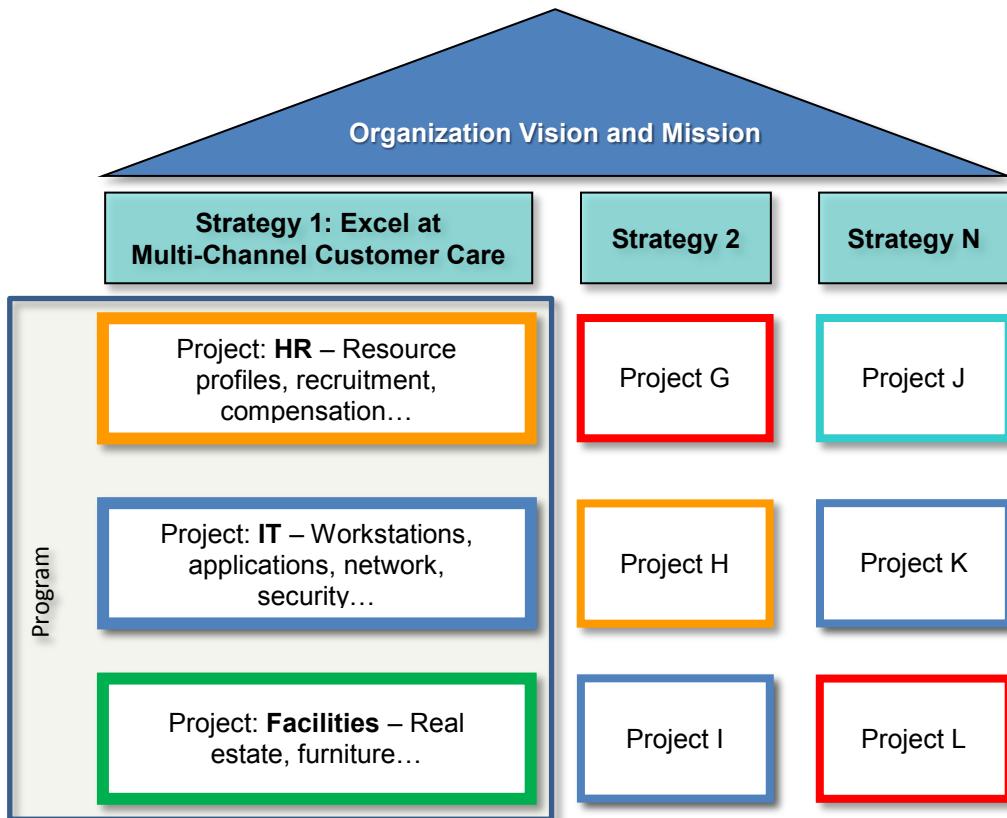


Exhibit 1.8: Relating Portfolios, Programs and Projects to Strategies

The coordinated management of all projects and programs within a portfolio delivers benefits beyond the results of independently-managed projects and programs.⁴³ The limited perspective of an individual project, or even a program, is broadened through portfolio management to ensure that there is appropriate integration and balance across all initiatives, in meeting organizational strategic goals.

The following organization snapshot is an example of an initiative that is aligned well with the organization's strategy of delivering very high levels of customer care while improving corporate efficiency.

ORGANIZATION SNAPSHOT: CANADA POST⁴⁴



Canada Post implemented a software solution from SAS in order to enhance customer experience and improve corporate efficiency. This project was well-aligned with its stated organizational vision, mission and strategy.

SAS Implementation in Canada Post - Canadian postal service, Canada Post, implemented SAS to enable decision-makers and analysts to view metrics and key reports directly via the Web.

The goal of the project was to provide accurate, timely information about the performance of its postal services and products such as Xpresspost and Expedited Parcels. The reports measure the service performance against corporate service standards from the national level down to regional, city, depot or postal station level.

“SAS provides managers and business analysts at Canada Post with strategic information and a toolset, which allows a more refined look at its business performance – information that supports better decision-making. The result is higher-quality decisions and more informed employees throughout the company, which leads to higher customer satisfaction and greater profitability”, states Ladas Giriunas, Canada Post. “The system helps in understanding our service operations and helps us respond in a timely fashion to operational problems, from pick up to delivery – hence increasing customer satisfaction,” says Denis Bossé, Operations Director, Québec.

“The new system will help increase delivery consistency and the overall quality of the delivery (such as track and trace), which will introduce yet another competitive advantage for our customers,” says Gérald Gervais, General Manager, Sales Public Sector.

‘ON-STRATEGY’ IS THE FOURTH DIMENSION OF THE ‘IRON TRIANGLE’

In project management, the iron triangle refers to the three fundamental constraints that characterize every project: scope, cost (or budget) and time (or schedule). This is often described as the ‘triple constraint’ (and if quality is included, the ‘quadruple constraint’). These constraints interact. For example, if the scope is increased, either the budget and/or the time necessary to complete the project will have to be increased. If not, the timeliness, quality or some other aspect of the work will suffer.



Exhibit 1.9: On-Strategy is the fourth dimension of the Iron Triangle⁴⁵

These traditional constraints or success criteria should be extended to incorporate strategic alignment – or being ‘on-strategy’. This fourth dimension is depicted in Exhibit 1.9 to emphasize the strategic perspective. It highlights the criticality of strategy in selecting and driving the *right* projects – not just any projects which come forward – to achieve organizational success. Aligning portfolios, programs and projects to strategy, then, is a key step in the transition from strategic planning to execution.

It is even more important to be ‘On-Strategy’ than just ‘On-Cost’, ‘On-Time’ and ‘On-Scope/On-Quality’.

A project which fully meets the triple constraint, but has little or no strategic value, is likely a lost investment. It may also have incurred a substantial opportunity cost. One major exception to this would be projects which are mandated by a compliance requirement. Examples would be those projects which must be undertaken in response to direction from

industry regulators, health and safety agencies or taxation authorities. An ‘on-strategy’ project will have a larger impact on the organization and yield a better return on investment and human capital than one which is not ‘on-strategy’ or where the connection is unclear.

This fourth dimension facilitates not only the alignment of project objectives with strategy, but also the alignment of the organization’s limited resources with strategy. In practice, within the portfolio management process a check is made at project intake to ensure that the project is aligned with the organization’s strategy. More formally, strategic alignment may be a criterion within a project scoring system, which helps to filter and prioritize projects.

As illustrated in Exhibit 1.10,

- ‘Good projects’ are those that are aligned well with the organizational strategy;
- ‘Bad projects’ are those which are not and should not be authorized (Shenhar et al., 2001); and
- ‘Naughty projects’ are those which are marginal and may be challenging to assess.

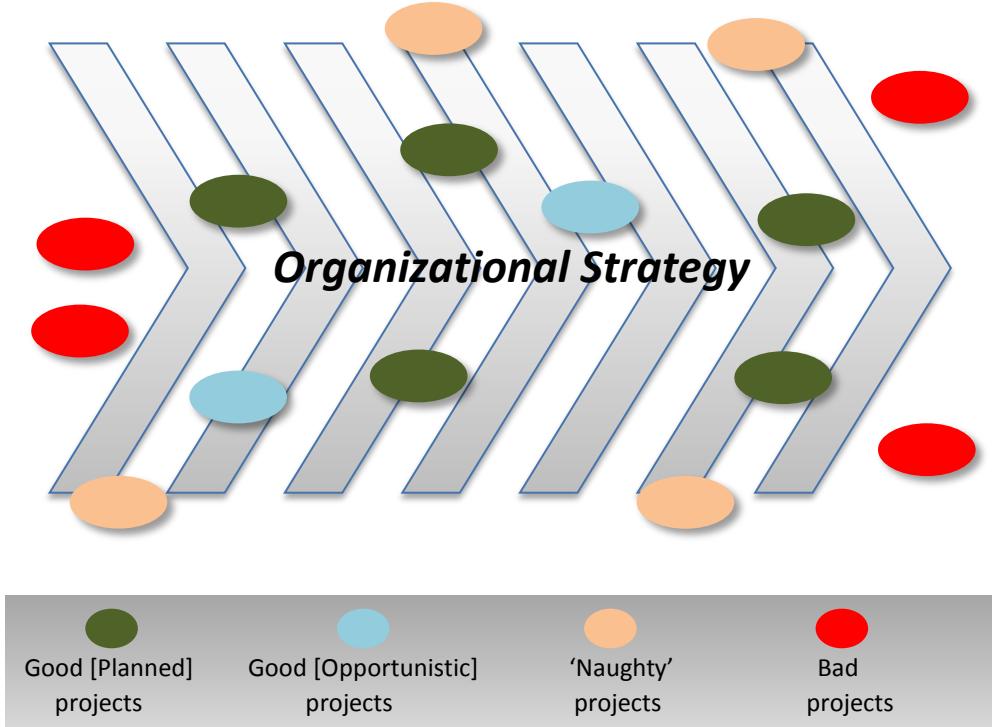


Exhibit 1.10: Aligning Projects to Strategy

As they are marginal in terms of being on-strategy, ‘naughty projects’ will be highly dependent on the strength of the rationale for launching them and the influence of the

sponsor. They may require more analysis, may be sitting just at the usual threshold for approval or may call for a leap of faith. Such projects will likely be more prone to having budget cuts or being cancelled if there are financial pressures.

There could also be opportunistic projects that come along as a consequence of emergent strategy. These would be projects not initially in the plan (i.e. within the deliberate strategy), but which become relevant, sometimes even urgent, due to changing circumstances.

Despite the acceptance of strategic fit or alignment as one of the major objectives of portfolio management, organizations often begin projects with no links to strategy.

According to Mankins and Steele, firms realize only 63% of their strategy's potential value⁴⁶ and Johnson reports that 66% of corporate strategy is never implemented.⁴⁷ To avoid this, using tests and scoring for strategic fit or alignment in project selection, authorization and portfolio management should be institutionalized. The process must be an objective and transparent one. A business case, cost/benefit analysis or feasibility study should be used to provide the formal rationale for the project. The interrelationships between projects and programs must be considered.

Without an appropriate process and attention to strategic fit, projects may be driven by personal agendas. For example, a project sponsored by a director that makes him/her look good might not generate the right organizational benefit. In fact, it may be counter to the organizational strategy. Such 'Director' or 'pet' projects may be based on a hidden agenda, such as promotion to VP, transfer to a new role, receiving a large bonus, etc. Projects of this nature squander resources, can create unnecessary risks and may have high opportunity costs. As major deliverables are produced through different programs and projects, new possibilities will surface and lessons learned will be captured. These will, pave the way for the next generation of the strategic plan. Each 'good project' advances one or more strategic goals. At the 'back end' of the project life-cycle, there is the need to track and assess the benefits generated by the project against what was committed.

Implementing appropriate mechanisms to assess realized benefits will provide for a more disciplined approach to project business cases at the 'front-end' and foster a learning process in support of future projects. Benefits realization is discussed further in the final chapter of the book. The end of a project also drives executives to assess the progress made against their earlier goals, to revisit those goals or formulate new goals and bring forth new ideas for the organization.

CHAPTER SUMMARY

An organization's vision, mission and values provide fundamental context for project leaders as they work with their project teams and other stakeholders to achieve project success. Establishing a project team culture enables improved team identity and performance. Effective strategic planning is vital for every organization's health and can mean the difference between long-term success and failure. An organization's strategy

provides the compass, roadmap and rationale to help it move from its current state to its desired future state, while optimizing resources and minimizing negative risks.

At its simplest, strategic planning involves three steps: consider the current situation; reflect on where we would like to be; and determine how best to get there. The deliberate strategy and the emergent strategy, taken together within changing circumstances and the reality of execution, constitute the organization's 'realized strategy'.

The Balanced Scorecard is a powerful strategic planning, execution and performance management system used to align business activities to the vision and strategy of the organization. It helps make an organization's strategy more practical, digestible and easier to communicate to all levels of the organization. The Balanced Scorecard provides a framework to translate strategy into operational reality in terms of four strategic perspectives: Financial, Internal Processes, Customers, and Learning and Growth. Each of the four perspectives would be accompanied by suitable objectives, measures, targets, initiatives and budget allocations.

Projects, project teams and project leadership have become the proven way for organizations to attain their strategic objectives and to realize the intended organizational benefits from their investments. An organization will not succeed without both strategic planning and project management to realize the plan. The effective project leader is mindful of being ‘on-strategy’ and can articulate the links between the strategy and their own program or project for their project team and other stakeholders. By coordinating strategy with project, program and portfolio management, and ensuring strong strategic alignment for every project, organizations are better able to achieve success.

ACTIVITIES

1. With your assigned team, collaboratively develop a set of project team values which will be motivating, build team identity and cohesiveness, and help achieve project success. Everyone should feel a sense of ownership in these statements and what they express in terms of desired behaviours. The values statements should be in the form suggested in this Chapter and number no more than 10.



2. Develop your own vision, mission and values statements, for both the professional and personal sides of your life. Check them for clarity and inspirational strength.
3. Discuss the relationship between business cases, strategic alignment, project selection and benefits realization at your own organization. Describe the processes and how well they function. Discuss the involvement of portfolio management and/or the Project Management Office. Suggest possible improvements to the current situation.
4. Review the following case study on strategic alignment:

<http://tiny.cc/1kwm0w>

Discuss: What was the central issue? How was it addressed? What were the outcomes? What implications might there be for project selection and for the project leader?

5. Review the following case study on the application of the Balanced Scorecard:

<http://tiny.cc/orjczw> [case study]

<http://tiny.cc/hujczw> [strategic map for organization]

<http://tiny.cc/mvjczw> [strategic map cascaded to one department]

Discuss: What was the central issue and motivation for introducing the Balanced Scorecard for this organization? How was the organizational-level BSC cascaded to the departmental level? Why is it useful to make these links? What were the outcomes for the organization? What was done to support monitoring and reporting? What implications might there be for project selection and for the project leader?

6. Review the following two examples of the Balanced Scorecard showing objectives, measures, targets and initiatives:

<http://tiny.cc/lwjczw> [NGO example]

<http://tiny.cc/axjczw> [airline example]

Discuss: What are the missions of the two organizations?

What key differences are evident in the structure terminology used in the two charts?

How do the four perspectives, and the accompanying objectives, measures, targets and initiatives, differ? What implications might there be for project selection and for PM?

TOOLS

1. A range of strategic planning tools, templates and articles are available at:
<http://tiny.cc/zulczw>
2. A five-level Strategic Management Maturity Model, spanning eight dimensions, is described here:
<http://tiny.cc/dwlczw>

3. Building a Balanced Scorecard using the Balanced Scorecard Process:

<http://tiny.cc/bxlczw>

REVIEW QUESTIONS

1. A good organizational vision statement should include _____
 - a. An aspirational word picture of its future
 - b. Details of why it exists
 - c. Direction regarding its values
 - d. None of the above
2. Being ‘on-strategy’ means:
 - a. Complying with the application of the triple constraint to the project
 - b. Ensuring that there is (and continues to be) alignment between the strategy of the organization and the project
 - c. Avoiding ‘bad’ or ‘naughty’ projects
 - d. B and C
3. Strategic Planning involves all of the following steps except:
 - a. Consider the current situation
 - b. Reflect on where would like to be
 - c. Determine how best to get there
 - d. Plan an implementation roadmap to get there
4. An organization’s ‘Realized Strategy’ consists of:
 - a. Deliberate strategy
 - b. Emergent Strategy
 - c. Both A and B
 - d. None of the above
5. A program is a group of _____ projects managed in a coordinated way to obtain benefits not available from managing them individually.
 - a. portfolio
 - b. related
 - c. temporary
 - d. grouped

6. All of these are financial criteria to align projects with strategy, and may be used with a Balanced Scorecard, except:
 - a. ROI
 - b. ROA
 - c. VPN
 - d. Payback Period
7. Opportunistic projects are initiatives that organizations work on because of:
 - a. Emergent strategy
 - b. Bad projects
 - c. Deliberate strategy
 - d. Naughty projects
8. Which of the following is most likely an outcome of deliberate strategy?
 - a. Naughty projects
 - b. Good projects
 - c. Emergent projects
 - d. Bad projects
9. Mission, vision and values statements are:
 - a. Applicable to organizations, teams and individuals
 - b. Invaluable for clarity of purpose
 - c. Very helpful in inspiring and motivating people
 - d. All of the above
10. The Balanced Scorecard is very helpful as a:
 - a. Communication tool
 - b. Measurement approach
 - c. Framework to translate strategy into concrete, actionable plans
 - d. All of the above

KEY TERMS

- **Balanced Scorecard** is a framework which helps make strategy more concrete and workable, through the use of four perspectives and accompanying objectives, measures, targets and initiatives.

- **Deliberate strategy** is the planned or proactive component of strategy.
- **Emergent strategy** is that component of the ‘realized strategy’ which grows out of a response to changing circumstances. This is the reactive component of strategy.
- **Mission** of an organization answers the question, ‘Why do we exist?’
- **Mission Statement** briefly describes why an organization exists and gives some indication of how it will achieve its vision. The statement should be succinct, informative and show some degree of organizational distinctiveness with respect to rivals or peers.
- **On-Strategy** means, beyond the traditional expectations for a project to meet the triple constraint, being well aligned with the strategy of the organization.
- A **Portfolio** consists of “projects, programs subportfolios, and operations managed as a group to achieve strategic objectives”
- A **Program** is “a group of related projects, subprograms, and program activities managed in a coordinated way to obtain benefits not available from managing them individually”.
- **Project** is a temporary endeavour undertaken to create a unique product, service, or result.
- **Realized strategy** is the combination of ‘deliberate strategy’ and ‘emergent strategy’ within the reality of execution. Abandoned elements of the original strategy are those which are no longer applicable and are therefore absent from the realized strategy.
- **Values** of an organization are those beliefs that are held to be most important to the organization. It is an answer to the question, ‘What are the essential beliefs that we share as an organization?’
- **Values Statements** are declarations of the central, shared values of the organization.
- **Vision** of an organization is a statement about its desired future. It is an answer to the question, ‘What do we want for our future and what will success look like?’
- **Vision Statement** is a concise, aspirational word picture of its future.

ADDITIONAL RESOURCES

1. Mintzberg, H. *Strategy Safari: A Guided Tour Through The Wilds of Strategic Management*. Free Press, 2005.

2. Two primers on strategic planning:

<http://tiny.cc/s5lczw>

<http://tiny.cc/56lczw>

3. Drucker, P. *Managing the Nonprofit Organization: Principles and Practices*. HarperBusiness, 2006.
4. A video of Michael Porter regarding the Five Forces model for strategy development:
<http://tiny.cc/v7lczw>
5. A paper on project portfolio management, project intake and scoring:
<http://tiny.cc/68lczw>
6. A video on project, program and portfolio management:
<http://tiny.cc/99lczw>
7. A PMI white paper on the value of portfolio management:
<http://tiny.cc/1imczw>
8. Two presentations on project portfolio management:
<http://tiny.cc/1gmczw>
<http://tiny.cc/0hmczw>
9. A paper by Kaplan and Norton on the Balanced Scorecard and its use as a strategic management system:
<http://tiny.cc/0mmczw>
10. A video on the application of the balanced scorecard:
<http://tiny.cc/snmczw>
11. A presentation on applying the Balanced Scorecard in project management:
<http://tiny.cc/gomczw>

REVIEW ANSWERS

1. A 2. D 3. D 4. C 5. B 6. C 7. A 8. B 9. D 10. D

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- 15 <http://www.mcgill.ca/secretariat/mission/> [Accessed July 9, 2012]
- 16 <http://cityofpasadena.net/MissionStatement/> [Accessed July 9, 2012]
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Project Management Maturity and the Project Management Office

“We are what we repeatedly do. Excellence, therefore, is not an act but a habit.”

Will Durant



LEARNING OBJECTIVES

- Define Project Management Maturity (PMM)
- Understand the linkage between PMM and successful projects
- Describe the process of assessing an organization's PMM
- Explain the different types of PMM models and assessment tools
- Describe the importance of the Project Management Office (PMO) in strategic planning
- Understand the key organizational mandate and functions of the PMO
- Recognize the benefits as well as the disadvantages of the PMO
- Describe the role a PMO plays in enhancing organizational PMM

ORGANIZATION PROJECT MANAGEMENT MATURITY MAXIMIZES INVESTMENT, ACHIEVING BUSINESS STRATEGIC OBJECTIVES

En even after all the advances in Project Management, the rate of failed or comprised projects remains high. According to PMI's 2013 Pulse of the Profession report, responses suggest that there has actually been a decline from 2008 (72%) to 2012 (62%) in the percentage of projects meeting original goals and business intent.¹ In many organizations the evolution of project, program and change management capabilities lags behind the development of other capabilities within the organization. Some typical challenges facing the practice of project management in organizations:

- PMs not being provided with templates, resources, methodologies or adequate coaching.
- Poorly defined project management processes and success metrics.
- PMs spending too much time on the creation of reports and ensuring document accuracy instead of meeting milestones.
- Executives spending insufficient time on prioritization of projects and continuing to sponsor the 'Bad' or 'Naughty' projects.
- Project sponsors not pushing for project deliverables and having no formal method for tracking project benefits.
- Sponsors not getting accurate forecasts for project completion.
- Stakeholders having inconsistent understanding of project objectives, deliverables or expectations.

All of the above examples relate to low project management 'maturity'. Such conditions suggest the need for a maturity assessment.

Project Management Maturity (PMM) is defined as the progressive development of an enterprise-wide project management approach, methodology, skills, tools and decision-making processes.

As per PMBOK, PMM is defined as "the level of an organization's ability to deliver the desired strategic outcomes in a predictable, controllable, and reliable manner".² A high level of maturity supports effective strategic planning and project execution. Conversely, a low level of maturity can undermine strategy and hamper the organization. The concept of a PMM model has evolved considerably in the last decade. With ever-increasing project complexity, there is an even greater need to understand and measure success factors, obtain consistent project results and achieve stringent delivery targets within budget. A PMM model offers a methodology to determine gaps and address issues, process shortcomings,

resourcing and quality considerations.³ It provides a standardized approach for measuring and benchmarking maturity, as well as a set of best practices and a plan for improvement to reach the next level of maturity.

An organization's current level of maturity is evident in the extent of best practices achieved within the project, program and portfolio domains. The lowest level of maturity is usually termed 'ad hoc', 'initial' or perhaps 'awareness'. Here, project management processes and practices do not exist or are chaotic, though there may be a degree of awareness of the value of project management as a discipline.

The highest level of maturity is usually termed 'optimizing', 'institutionalized' or

'continuous improvement'. The greatest benefit of using a PMM model or undertaking an assessment within an organization isn't so much understanding the current level at which the company is performing, but rather in setting direction, prioritizing PMM-related improvement projects and initiating cultural change. PMM goes hand in hand with strong schedule and cost performance, project quality and customer satisfaction. As Exhibit 2.1 illustrates, PMM facilitates the connection of strategic goals to project management principles and best practices, enabling successful, consistent, predictable project performance.



Exhibit 2.1: Project Management Maturity (PMM) – Bridging Organizational Strategy to Successful Projects

PMM helps organizations use project management to accomplish their goals on time, within budget, and most importantly to improve their overall effectiveness.

The application of PMM models helps to:

- Build a culture of project management excellence
- Articulate what project success means
- Make the delivery of projects more predictable

- Measure project performance
- Coordinate projects such that they complement instead of work against each other
- Determine the need for a Project Management Office (PMO), and suggest where it might fit in the organizational structure.

The appropriate level of maturity will vary for each organization based on specific goals, strategies, resource capabilities, scope and needs; there is no one optimum level of maturity that is appropriate for every organization.

Many organizations do not know their level of PMM or how their project practices and performance compare to other similar organizations. In fact, the very concept of PMM may be unknown.

Enterprises with more mature practices, though, deliver a larger number of projects on time, on budget, on scope and on strategy.

PMI regularly conducts a global survey of practitioners and project management leaders. The 2012 report analyzes and presents responses from over 1,000 professionals, across a variety of experience levels and organizations. Exhibit 2.2⁴ indicates that the self-reported level of ‘high’ overall PMM has been growing, nearly doubling in the span of five years. It is worth noting that larger organizations (more than US \$1 billion in annual revenues) tend to report higher maturity levels at nearly 30% of respondents, while smaller enterprises under US \$50 million report at about 10% of respondents.⁵

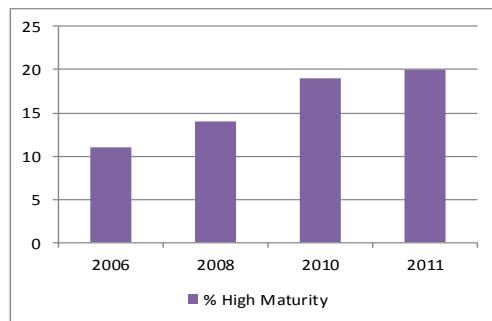


Exhibit 2.2: Growth of Reported ‘High’ Overall Project Management Maturity

Reported Organizational PMM	On-Time Projects [%]	On-Budget Projects [%]	Projects Meeting Original Goals and Business Intent [%]
High	67	68	73
Medium	55	58	67
Low	39	44	53

Exhibit 2.3: Relationship of Project Performance to Project Management Maturity⁶

Is there value in reaching a higher level of project management maturity?

From the same PMI report, Exhibit 2.3 indicates that there is a positive relationship between higher levels of project management maturity and improved project performance. Those organizations reporting ‘high’ maturity outperform those at ‘low’ by 28 percentage points for on-time project delivery (67% versus 39% of projects).

Similarly, those organizations reporting ‘high’ maturity outperform those at ‘low’ maturity by 24 percentage points for on-budget project delivery (68% versus 44% of projects). Lastly, there was a difference of 20 percentage points in terms of meeting the original goals and business intent of projects (73% versus 53% of projects).⁷ Even comparing responses for ‘medium’ with ‘low’ level of maturity, there is a visible difference in project performance. These findings illustrate that there is substantial value to be gained from investing in and operating at a higher level of project management maturity.

High maturity is more evident in particular industry sectors such as retail, consulting, aerospace, IT and telecommunications.⁸

In a 2009 research paper, Yazici also reported a strong and statistically significant link between project management maturity and organizational performance.⁹ This was the case for both external (increased market share, improved competitive position, or benchmarked performance) and internal (savings benefits of projects, projects delivering sales growth, or performance compared to the previous year)



organization success indicators. Project integration management, one of the ten PMBOK knowledge areas, was found to have statistical relevance for the internal success indicators. This implies that the project charter, project change control and other aspects of integration management are important in terms of achieving greater maturity.

PMM MODELS CAN HELP DETERMINE CURRENT STATE ORGANIZATION MATURITY AND HELP CHART THE STEPS FOR IMPROVEMENT

There are many PMM models in use today. Generally, these models are based on overarching principles of consistent standards and continuous improvement. Exhibit 2.4 provides a listing of few maturity models.

The application of a maturity model typically starts with an assessment tool used to perform a gap analysis on the current state of project/program management maturity in that organization.

This analysis documents the current state, helps the organization identify a path for improvement, and provides guidance on project prioritization and strategic planning. PMM models follow a structured approach, from assessing maturity to implementing improvement.

The Organizational Project Management Maturity Model (OPM3), developed by PMI, addresses maturity in terms of the extent of best practices used within the project, program as well as portfolio domains. The four levels of maturity (lowest to highest) are:

1. Standardize
2. Measure
3. Control
4. Continuously improve.

Building on a research-based knowledge foundation, OPM3 aims to assess and improve relevant practices (see the related case study in the ‘Activities’ section at the end of this Chapter).

As per Exhibit 2.5, the 5-step OPM3 process is as follows, with organizational knowledge increasing through each step¹⁰:

Maturity Model	Source
Organizational Project Management Maturity Model (OPM3)	PMI
Kerzner Project Management Maturity Model (KPM3)	IIL, US
Project Management Model (PM2)	Interthink, Canada
PRINCE2 Maturity Model (P2MM)	CCTA, UK
Portfolio, Programme and Project Management Maturity Model (P3M3)	PM Solutions, APMG, UK
Capability Maturity Model Integration (CMMI)	Carnegie Mellon University (SEI), US

Exhibit 2.4: Project Management Maturity Models

1. Prepare for the assessment
2. Perform the assessment
3. Plan for the improvement
4. Implement the improvement
5. Repeat the process

Underlying the improvement component are the four levels of maturity mentioned above and the progression among them. Improvement is based on the use of over 600 best practices ranging across the initiation, planning, execution, monitoring and control, and closing process groups. Each best practice is comprised of several capabilities, as well as key performance indicators.

The OPM3 assessment also suggests appropriate improvement paths.

The Capability Maturity Model Integration (CMMI)¹¹ approach represents a more generalized maturity model, but one which has relevance for project management maturity. 22 process areas are covered, seven of which speak directly to project management. There is a version specifically for product and service development called CMMI-DEV, which is the version most applicable to project management. CMMI categorizes organizational capability maturity according to five levels, listed below from lowest to highest maturity:¹²



Exhibit 2.5: Process Followed by the OPM3 Model

- **Level 1 – Initial:** At this level, capabilities are ad hoc, with no consistent or repeatable processes. Processes may be poorly controlled or reactive. Although there may be awareness of the value of project management and a degree of recognition of the need for project management processes, there are no established practices or standards.
- **Level 2 – Managed:** At Level 2, project requirements are being managed and there are processes in place to plan, perform, track and control projects. Processes, work products and deliverables are visible to management and can be monitored effectively. Commitments are made and reviewed with stakeholders. Adjustments are usually made

as the project progresses. The process discipline in place at this level helps to ensure that practices can be maintained during stressful periods.

- **Level 3 – Defined:** At level 3, processes are described in more detail and more rigorously. They are well documented as organizational standards, procedures, tools, templates and methods. Interrelationships between processes are also better understood and documented. The processes that are utilized across the organization are consistent, except for the differences allowed by any provisions for tailoring to address the specific characteristics of different projects.
- **Level 4 – Quantitatively Managed:** This level represents a relatively mature project management organization with processes applied consistently on all projects. Processes are measured and well controlled. Project management is recognized as an important organizational resource. Project management processes, standards, and supporting systems are well integrated with other organizational processes and systems. Management uses a range of appropriate efficiency and effectiveness metrics to plan, execute and monitor projects and to make related decisions.
- **Level 5 – Optimizing:** At this level, there is a fully mature project management organization, a set of standardized processes and practices which are applied consistently throughout the organization. Continuous improvement processes are in place and actively used to improve project management operations. Lessons learned are regularly prepared, examined and used to improve project management practices and assets. The organization is focused on learning and continuous improvement.

Another popular PMM model is Dr. Harold Kerzner's five-level project management maturity model (KPM3).

Kerzner's maturity model defines five levels by which an organization is ranked, from insufficient project management processes to adequate project management processes leading to continuous improvement.

Closely aligned with the PMBOK, the model consists of a series of questions on subject areas including common language, common processes, singular methodology, benchmarking and continuous improvement. These five levels are shown in Exhibit 2.6 below and are described as follows:¹³

- **Level 1 – Common Language:** The organization recognizes the importance of project management and the need for a good understanding of the basic knowledge and terminology of project management. Level 1 can be fulfilled through a strong understanding of the guide to the project management body of knowledge (PMBOK).
- **Level 2 – Common Processes:** At this level, the organization recognizes that common processes need to be defined and developed so that project success can be repeated. This is the level where the organization realizes that successful processes used on one project should be replicated and applied to others.

- **Level 3 – Singular Methodology:** The organization defines a single methodology for project management in order to take advantage of the associated synergistic effect. All project management staff would be expected to adhere to this methodology. This also helps stakeholders understand how projects are to be managed. Organizations that have reached this level are committed to project management.
- **Level 4 – Benchmarking:** The organization recognizes that their project management practices must be at least as good as their peers in their own sector. This is necessary to maintain or build on competitive advantage. For project management benchmarking, the critical success factors are usually tied to the integration of key business processes.
- **Level 5 – Continuous Improvement:** At this level, the organization evaluates the information obtained through benchmarking and applies this understanding to improve its processes. This level will determine if the organization has embraced continuous improvement and has reached an advanced stage of project management maturity. It also means that effective project management practices have become institutionalized and will be sustained.

One key aspect of the model is the feedback component, which suggests learning takes place at each successive level of maturity.

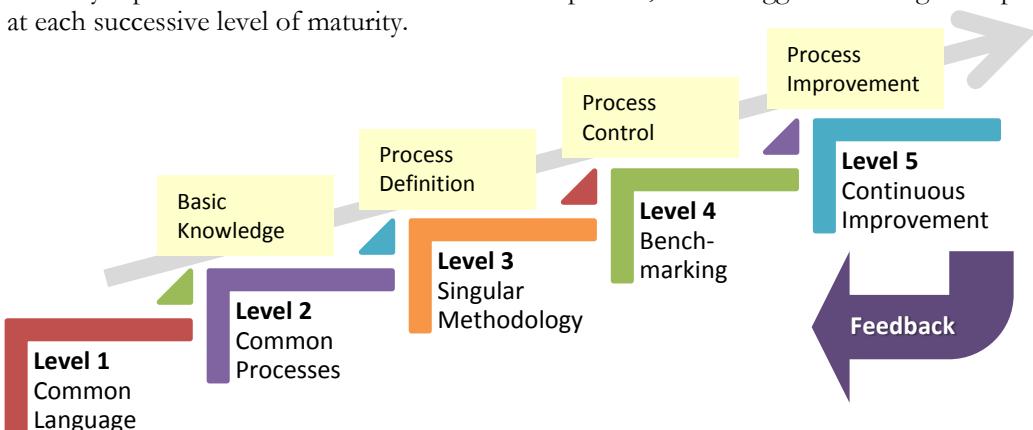


Exhibit 2.6: Kerzner's Five Levels of Maturity (KPM3)¹⁴

These models are powerful tools, as they benchmark organizational performance against peers in the same sector and in the wider marketplace. By measuring the maturity of portfolio, program and/or project management, and implementing effective improvement plans, organizations can substantially increase their operational effectiveness. Higher levels of project management maturity correlate positively with organizational success, benefits realization and competitive advantage.

In conclusion, project management maturity is critical to the long-term improvement of project delivery outcomes.

Even as efforts are pursued to improve the PMM of the organization, organizational culture and its relevance for success should not be overlooked. Yazici speaks of the relationship between PMM and culture, and having the right culture in place to support project performance.¹⁵ Organizational culture is covered further in an upcoming Chapter.

The following organization snapshot describes the project management maturity journey of one major public sector organization, the Ontario Public Service. It includes the perspectives of two particular Ministries – Transportation and Health and Long-Term Care.

ORGANIZATION SNAPSHOT: OPS¹⁶

The Ontario Public Service’s (OPS) journey in improving Project Management Maturity highlights fundamental transformation in project management capability across all levels.

Since projects are the key drivers of transformational change, building project management capacity and skills across the OPS [the Ontario Government] is critical to achieving results and meeting the government’s priorities. To increase the project management maturity level in the OPS, a Project Management Centre of Excellence was created to focus on both the art (people and processes) and the science (tools and technology) of project management.

The Centre and its partners created the OPS Integrated Project Management Framework and Methodology (IPMFM). This tool steers projects away from entering the project management ‘Twilight Zone’ – an unreal world that exists between the actual time and resources available for projects and the unrealistic demands of sponsors. The Centre’s tools and training are tailored to the needs of the OPS. “We were one of the first public sector organizations in Canada to negotiate with the Project Management Institute (PMI) so that the entire process could be closely aligned with industry standards reflected in PMI’s Guide to the Project Management Body of Knowledge,” says Daniel Martyniuk, Manager at OPS.

As part of its community of practice meetings, the Centre has hosted a Project Management Professional (PMP) exam orientation sessions. A new Project Management Internship stream was developed as part of the Ontario Internship Program. “The project management internship will be a paid, two-year employment offering career development in the project management field,” explains Morag McLean, Assistant Deputy Minister – Centre for Leadership and Learning. “This program will attract, develop and retain qualified new professionals. This initiative clearly supports the OPS’s continued recognition that having the ‘right people, at the right place, at the right time’ is key.”

An estimated 10% of OPS staff and 30% of senior managers are engaged in projects at any one time. The scope of the province's projects runs the gamut of essential services, from keeping people alive and safe to keeping people, vehicles and merchandise efficiently moving into and around Ontario (e.g. through licensing and registering provincial and international drivers and vehicles, including trucks and buses).

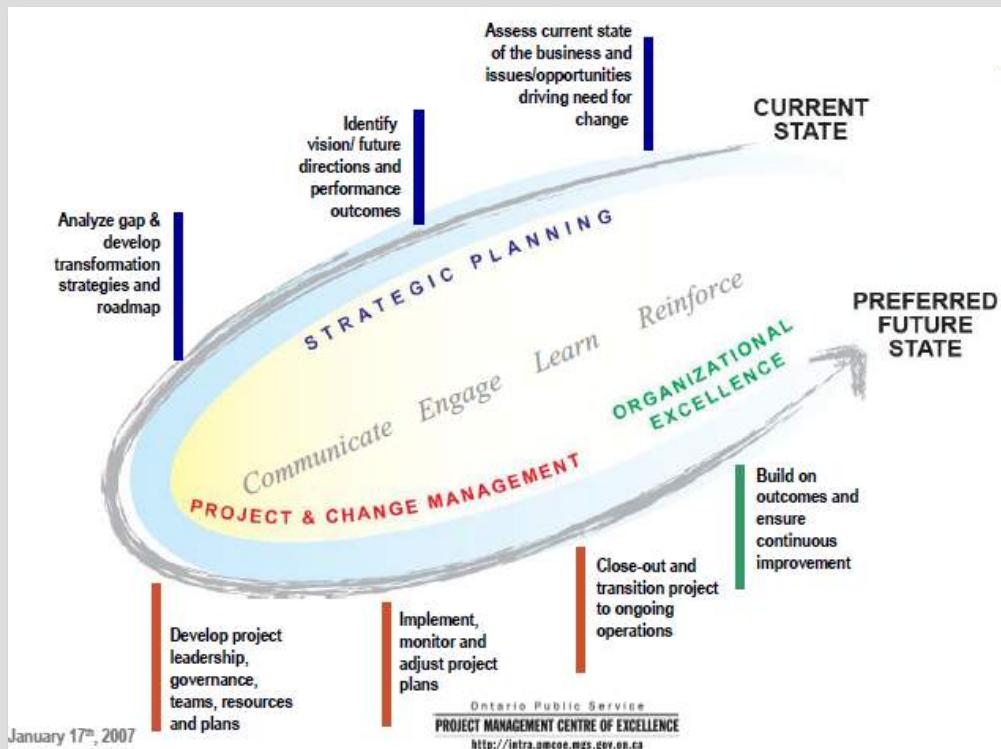


Exhibit 2.7: OPS PMM Journey – Toward Organizational Excellence

In such a complex environment, the various Ministry champions of project management throughout Ontario are the real promoters of change and enablers of organizational capacity building.

The Ontario Ministry of Transportation

The Ministry of Transportation (MTO) Road User Safety Division (RUS) handles more than 100 projects annually of varying scope and complexity.

Working in partnership with the Project Management Centre of Excellence, the RUS Project Management Office (PMO) established a service model to support executive decision making, with a primary focus on learning and development, coaching and mentoring, and strategic

project performance reporting. They also developed a Project Executive Reporting and Tracking System using an award-winning Access database.

“We improved the Ministry’s ability to group and align project investment decisions with corporate objectives,” says Janice Orlando-Sottile, RUS PMO. RUS spends \$43 to \$70 million annually on projects. The RUS PMO also implemented an Enterprise Project Management (EPM) solution that has been integrated with the branch’s web-based knowledge management portal.

“Simply offering project management tools and templates by themselves is only part of the solution,” explains Frank D’Onofrio, Assistant Deputy Minister of RUS. “Continuously nurturing a culture of project management excellence from project sponsor to project team members and everyone in between is a critical piece of achieving project objectives – on time, within budget and scope, using a common and consistent approach across the enterprise.”

“Overall, we believe that moving the project management culture forward through small successes and learning from past experiences goes a long way to making project management meaningful to everyone in the RUS Division, Ministry and Cluster,” says David Nicholl, Chief Information Officer of the Transportation Cluster.

The Ontario Ministry of Health and Long-Term Care

In Ontario, the health budget currently represents 46% of the government’s total program spending. Given that health care expenditures are increasing at about 8% annually, the Ministry of Health and Long-Term Care (MOHLTC) is keenly interested in maximizing the value it gets for health care dollars in order to fulfill the transformation of the health care system.

A portfolio management approach is required at MOHLTC to support resource allocation decisions. The approach links funding decisions to strategic goals for the health system by drawing on innovative strategic management tools. “The idea is that each portfolio will have clearly articulated strategies and a scorecard to monitor and manage progress,” explains Adalsteinn Brown.

“The strategy map identifies key strategic goals for the health system and provides the big picture framework for evaluating health system performance by way of a scorecard. This system scorecard is a tool for monitoring and reporting on the state of the provincial health care system.”

Chris Renaud, CIO for the Health Services I&IT Cluster says that “Project management, reporting and portfolio management can help us support the implementation and delivery of projects that meet business objectives.”

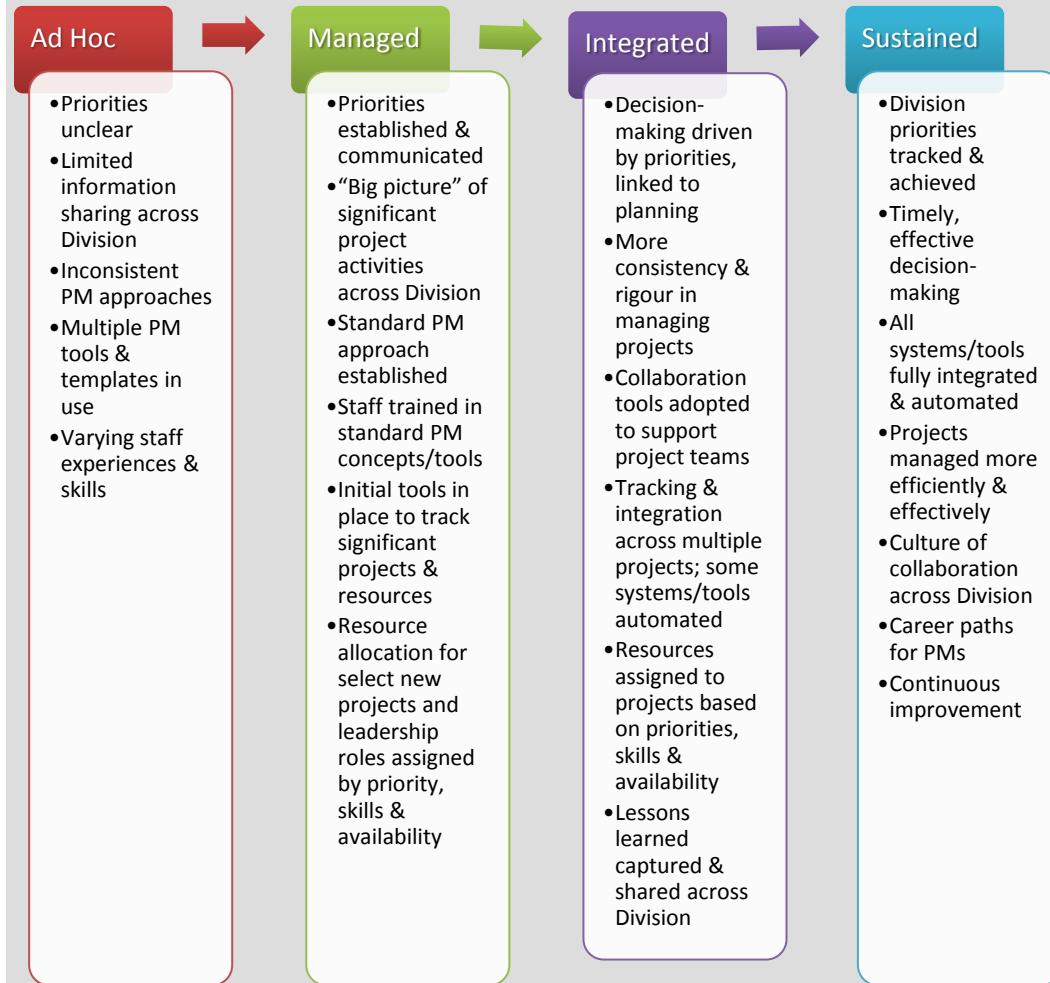


Exhibit 2.8: OPS Project Management Maturity Journey

“When faced with two projects that are good, we will be able to drill down and determine that maybe one could potentially detract from another great project that might be a higher priority for the Ministry and may be already underway,” states Peter Chow, PMO manager.

The Project Management Centre of Excellence continues to support project management capacity building across the OPS.

THE PMO ENHANCES ORGANIZATIONAL PROJECT MANAGEMENT MATURITY AND FACILITATES THE STRATEGIC TIE-IN

“In today’s business climate, companies are expected to deliver results on a quarterly – not yearly – cycle. As a result, senior management is increasingly expecting the PMO to ensure delivery of projects as committed because of their significant impact on corporate financials.”

Robert Chaves, PMO Director, Fifth Third Bank (2007)

Establishing a Project Management Office (PMO) is one of the most effective approaches for organizations to select, prioritize and conduct projects successfully. It is a competitive tactic for organizations since well-governed PMOs tend to experience half the rate of major project cost overruns, delays, and cancellations of poorly functioning ones.¹⁷ PMOs first appeared in the aerospace, defense and heavy construction industries due to the prevalence of large dollar value, complex, risky and long-duration projects. Today, PMOs are pervasive and are in use across all industries and a range of organizations, including government and not-for-profit firms. As of 2011, according to PMI’s 2012 Pulse of the Profession report, 67% of organizations now have a PMO.¹⁸ In its 2013 survey, ESI reports that 72% of organizations now have a PMO.¹⁹ Interestingly, a PM Solutions study notes that the greatest growth by far is in small firms where, as of 2012, 73% have PMOs (48% in 2010).²⁰

PMOs are effectively business units that provide the structure and expertise needed to improve project success rates. They are tasked with creating an efficient, effective, consistent and high-quality project management organization.

As the focal point for all projects within an organization or a functional area, the PMO contributes to overall governance, while facilitating the alignment of projects with the organization’s vision, mission and strategy.

The PMO implements the chosen, standardized body of knowledge needed to be effective in planning and executing projects. It ensures that tools, templates, processes and metrics are available, constantly improved and put to the best use. The PMO is also closely involved with change management, risk management, project issues, communications and benefits realization. It holds the important role of supporting learning and career development for project managers and fostering the growth of project management as a discipline in the organization. PMI’s recent survey indicates that the presence of a PMO is the 11th most important project success factor (and many higher-ranking factors would commonly be driven by an active PMO).²¹ Under the direction of the PMO, the organization gradually grows in project management maturity. A PMO can operate at an enterprise-wide level, or could serve a particular department, functional area or major project. In many larger

organizations, there is more than one PMO and a mix of these forms. Those at the enterprise level tend to focus on the more significant, strategic programs and projects.

PMOs are increasingly asked to deliver across a broad set of activities.²² The mandate and specific services of the PMO can differ from one organization to the next, depending on that organization's needs. Generally, PMOs can be divided by their relative focus:²³

- **Strategic Focus** – This kind of PMO generates value through strategic activities such as portfolio management, portfolio governance, capacity management, change management, executive reporting, and standard setting.
- **Operational Focus** – This kind of PMO generates value through project execution tasks, including managing Project Managers, defining methodology, and allocating resources.
- **Monitoring Focus** – This kind of PMO generates value through monitoring portfolio status and health, recognizing emerging portfolio risks, and possibly ensuring compliance with corporate standards.

The growing criticality of project management governance to ensure effectiveness in project selection, execution and benefits realization is driving a shift toward a strategic focus for many PMOs. A combination of additional factors, such as greater project complexity and diversity, rising stakeholder demands, regulatory pressures and technology evolution, is accelerating the shift in focus. Exhibit 2.9 shows some important differences between an operational or monitoring focus, and a strategic focus. This does not mean that the former is not relevant or does not need attention; the shift simply represents a greater weighting of PMO attention on strategic considerations. Organizations working at higher levels of project management maturity will have

Operational/Monitoring Focus	Strategic Focus
▪ Process and methodology compliance	▪ Quality and value delivery
▪ Manage project inputs	▪ Own project outcomes
▪ Technical expertise	▪ Organizational change management
▪ Project team task management	▪ Program office management
▪ Manage execution issues	▪ Manage value delivery risks
▪ Resource coordination	▪ Project stakeholder influence
▪ Benefits tracking	▪ Business transformation

Exhibit 2.9: Shifting PMO Attention from Operational/Monitoring Focus to Strategic Focus

made this shift. High-performing project organizations provide 20% more key PMO capabilities to the organization than comparable low-performing organizations.²⁴

According to a 2013 ESI study, 22% of PMOs are strategic in nature, 30% are operational and 46% are tactical (or tactical with some strategic reach).²⁵ The report defines operational PMOs as those involved in providing services for a specific project or individual, while tactical PMOs are those which serve the needs of a group of projects or individuals. Strategic PMOs are defined as those with their activities well aligned with the strategic direction and goals of the organization. The study also notes that strategic PMOs tend to be working at a higher level of project management maturity.

Highly-regarded PMOs are strongly connected to the executive team. In fact, this would be an expectation in organizations at higher levels of project management maturity.

PMOs are normally accountable for oversight of their portfolio and must provide aggregate, regular reporting of progress, major issues and significant changes for that portfolio.

This includes monitoring of all project resources, timelines, budgets, quality standards and risks. When necessary, either in response to direction from the executive team or under its own initiative, the PMO may need to intervene to correct a particularly severe project situation. Being at the table during executive discussions also means that the PMO will be highly involved in business planning, portfolio management and the overall development of project management as a key organizational asset. The PMO can have tangible impact on business outcomes if it helps the business take an end-to-end value lens to project management.

ORGANIZATION SNAPSHOT: CANADIAN NORTHERN DEVELOPMENT AGENCY PMO²⁶

Serving Industry and Supporting the Northern Regulatory Process

The Northern Project Management Office (NPMO) within the Canadian Northern Economic Development Agency brings a project management approach to northern regulatory and consultation processes.

The NPMO's work includes coordinating federal regulators, tracking projects and providing pathfinding guidance to industry. In addition, the NPMO holds the official record of Aboriginal Crown consultation for resource development and regional infrastructure projects. The Office works with other federal government departments and agencies to coordinate Crown consultation.

Using a ‘single-window’, customer-oriented approach, the NPMO works with project proponents, federal departments, regional regulators and

other authorities to address any process bottlenecks and improve the timeliness, predictability and transparency of federal regulatory participation in the North. Its work supports economic drivers in the Territories by creating more certainty for industry and helping to ensure environmental assessments and permits proceed smoothly on northern projects.

PMO STRATEGIC TIE-IN²⁷

How does the PMO facilitate strategic tie-in for its portfolios, programs and projects? PMOs accomplish this in several ways:

- **Change enablement and improving project success –**

Since all projects bring about some form of change, and PMOs are central to project management, PMOs play an important role in facilitating change for organizations. PMOs can act as strategic change enablers both by connecting different parts of the organization and promoting superior project management practices. The head of the PMO can review projects and report findings to improve project success, operating as a project advisor to cross-functional project management teams. The PMO is able to recognize and ‘market’ Project Management teams to organization functions with the greater impact. The PMO may not be directly responsible for project success, but it must share in the blame for the failures.

Manulife Financial – PMO

The Global Services Project Management Office (PMO) provides resourcing, project delivery oversight and a project methodology framework with processes, tools and templates to support successful delivery of large projects within Manulife’s Corporate Division. This includes delivering projects and programs for the Corporate Systems, Information Risk Management, Strategic Initiatives and Global Expense Management departments, as well as for the Global Chief Technology Officer.

The Global Services PMO also chairs the Global Project Management (PM) Council. The PM Council collaborates across Manulife and the John Hancock division to develop project standards, tools and templates and to recommend best practices and lessons learned, facilitating the growth of the project management profession at Manulife.

- **Coaching Project Managers** – PMOs build relationships of trust by supporting the growth, training and mentoring of PMs. They assist PMs in being successful. The PMO does not directly run project activities or meetings but rather coaches the Project Manager in doing so where necessary. PMOs with a greater strategic focus will place more emphasis on ensuring PM appreciation of the strategic relevance of, and the benefits to be generated from, the given program or project. The PMO can help improve PM behaviours for effective value delivery by using in-depth performance evaluations, training²⁸ and related coaching. Of course, having strong PMs begins with appropriate recruiting, led by the PMO.
- **Connecting organizational silos** – A key advantage of having a PMO is its capacity to connect with other parts of the organization, to bridge the divisional silos and review projects at an enterprise level. This also improves consistent application of project selection criteria and helps to avoid duplication of effort in different departments.
- **Centralized, superior project management assets** – The PMO identifies, develops or acquires PM methodology, best practices, standards, training and other resources to support the discipline of project management in the organization. This could include monitoring and reporting systems, configuration management databases and other tools. Methodology is

NHS Scotland – eHealth PMO

The key objective of the Scottish Government's National eHealth PMO is to co-ordinate the delivery of all nationally funded projects, programs and systems. With bases in Glasgow and Edinburgh, the PMO is well placed to provide advice, support and guidance in a range of areas relating to project management.

The strategy of the PMO is to ensure that core services are understood and adopted by all of key stakeholders and customers. These core services include:

- Streamlining existing project monitoring processes to encourage information sharing and facilitate more pro-active knowledge management;
- Strengthening the governance of the eHealth Program through the establishment of Portfolio Management Groups;
- Supporting NHS Boards in improving their project management maturity through facilitated maturity assessments and the provision of relevant specialist project and management support and advice; and,
- Rationalising project management processes through the development of a PMO Handbook, which documents operational procedures.

regularly reviewed, monitored and modified to meet the organization’s evolving needs. The PMO acts as the central source of methodology information, documentation relating to past projects and lessons learned.

- **Selection of the right projects** – Selection of the right projects and resourcing those projects for success is critical to achieving an organization’s strategy. This begins with PMO participation at project intake and continues with assessing projects during execution to ensure continued viability and alignment.

When necessary, the PMO can help the PM justify continuing, cancelling, or modifying a project. This includes the use of stage-gating to ensure that milestones and objectives for that stage have been met, risks are well understood and there is a good plan in place for the next stage, in order to proceed. With their clearer understanding of the big picture, PMOs are instrumental in choosing the right projects for the organization, and creating an environment for success.

PMOs can provide significant cost savings when they align with the delivery of the organization’s strategic plan and are well-managed.

Establishing a PMO can come with associated challenges, as a poorly managed PMO offers more risk than benefit. Many PMOs set up to improve project success continue to have a high rate of project failure due to lack of leadership, insufficient influence, inadequate practices or other factors. PMOs can face difficulty in being accepted as a real value-adding proposition. It is also notable that in low-performing organizations, the executive team is approximately 60% less likely to have an appreciation of the strategic value of a PMO, as compared to higher-performing organizations.²⁹ Other common challenges include:

- **Increased headcount** – Headcount may increase in creating the PMO, significantly contributing to overall costs. In order to keep costs low, it is critical to define a PMO management structure that is truly aligned with the PMO’s objectives and the needs of the broader organization.
- **Excessive demand on Project Management resources** – In most organizations, there are more programs and projects needing resources than there are PMs available. If the demand and PM assignments are not managed well, this could result in PM burn-out, stakeholder disappointment and other poor outcomes, reflecting badly on the PMO. This can be addressed partly through careful selection and prioritization of programs and projects at intake, and partly through appropriate assignments which allow for rotation, educational opportunities or other arrangements for PMs to avoid burn-out.
- **Increased bureaucracy** – PMOs could require the implementation of (additional) administrative processes within each project. There could be an increased focus on document management and status reporting at the expense of project results. To minimize this risk, reporting expectations need to be carefully managed to capture the

essentials – the “need to know”, not “just wanted to know” approach. Otherwise, the PMO may be seen to be subtracting, rather than adding value.

- **Power struggles** – The launch of a PMO represents the emergence of a new business unit. This may mean that PMs may need to be moved from existing functional areas into the PMO, or reporting relationships may need to be changed, or the PMO is now to be involved in program and project selection or other decision-making. Any of this can be viewed as a direct threat to the power base of the management of existing departments. Much preparation, communication and collaboration is needed from the PMO, and indeed from the executive team, to point out the larger benefits and minimize such concerns.

In conclusion, a major responsibility for a PMO is to improve the maturity level of project management within the organization. Before establishing the PMO, it is important not only to think of the current state of PMM but also the desired future state and how the PMO should contribute to attaining this increased level of maturity. As PMOs assume more responsibility in areas such as program and people management, project success metrics improve, enhancing the organization’s project management maturity. Progressive PMOs foster and reward the critical leadership skills, such as team-building, judgment and collaboration, which enable project managers to have high performing teams and to respond to complex business needs. Indeed, successful PMOs tend to act as the developers and exporters of leadership – treating the project management role as a stepping stone for general management positions.

ORGANIZATION SNAPSHOT: CENTRAL EAST LHIN³⁰

Central East Local Health Integration Network PMO: The Central East LHIN has adopted a project management philosophy and processes to support Planning Partners (collaborative networks, task groups, project teams) and Health Service Providers to develop and implement projects designed to enhance and strengthen health care delivery in the Central East region of Ontario.

Central East LHIN

Project Management Philosophy

In support of its project management philosophy, the Central East LHIN has created a Project Management Office (PMO) to ensure that projects can be aligned and supported within one cohesive structure and process. This will facilitate efficient workflow as projects are presented to the Central East LHIN Board of Directors for decision-making or funding approval. It also provides effective, transparent and consistent processes to support the Central East LHIN’s goals of shared communication and transformational leadership.

The purpose of the Central East LHIN PMO is to:

- Lead the identification and uptake of correct project management methods;
- Provide access and linkage to resources;
- Provide leadership to Central East LHIN planning teams; and,
- Provide a point of contact on new project ideas and integration opportunities.

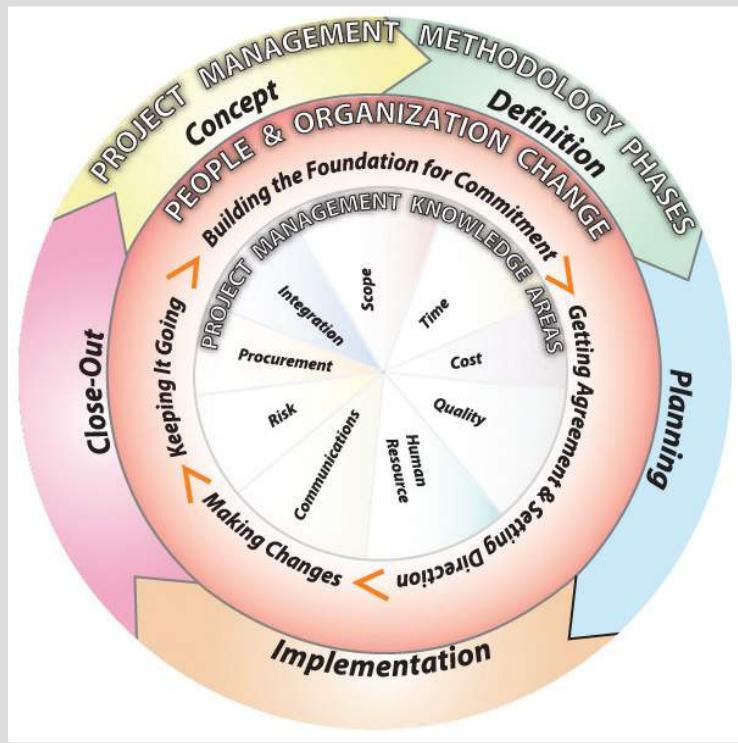


Exhibit 2.10: Integrated Project Management Model

Benefits from the PMO include:

- A central source for a consistent process, templates, tools and standards;
- Building of in-house capacity;
- A level playing field for all project participants;
- Shorter project ramp-up time, shorter duration and earlier completion;

- Improved decision making through the use of standard processes and tools;
- Identification of integration opportunities; and,
- Support for cultural/transformational change.

Project Management Methodology

The PMO has adopted the Ontario Public Service Project Management Framework (IPMFM) as best practice for Central East LHIN projects. The framework addresses the key project management knowledge areas and is aligned with PMI's Guide to the Project Management Body of Knowledge (PMBOK) – the recognized standard of project management practice. The framework also incorporates a five-phase project management methodology.

For Project Leaders...

The PMO, where it exists, is a significant internal resource for project leaders. It is likely that, as the project leader, you will be dependent on the PMO for project approvals, resource allocations and many other facets of your project.

The project leader should fully understand the role of their PMO and build strong relationships with PMO management. The relationship will differ depending on whether the project leader is reporting directly or secondarily to the PMO.

The PMO will have a strong interest in your project and its success, either as a stand-alone project or as part of a larger program. It will also have a substantial interest in the project management staff. As such, the PMO should be treated as a project stakeholder.

The astute project leader will put to use the practices, tools, templates, lessons learned and advice that can be obtained from the PMO. There may also be training or mentoring services available, either for you as the project leader or for your project team members, which can be highly beneficial.

As a project leader you should in turn seek opportunities to contribute to the advancement of the PMO itself, such as assisting in a project management maturity assessment or in helping to implement the recommendations generated from such an assessment.

CHAPTER SUMMARY

Higher levels of organizational project management maturity correlate well with strong and consistent project performance. Project Management Maturity Models provide a framework for understanding the requisite elements for more sophisticated and effective project, program and portfolio management. Maturity assessment tools allow organizations to assess their current state, gain an appreciation of strengths, weaknesses and gaps, and then prepare and execute an appropriate improvement plan. OPM3, as one such model and assessment system, provides a roadmap, suitable capabilities and improvement paths to help an organization systematically grow to a more mature level of project management performance. There is evidence to show that reaching a higher level of maturity pays dividends.

Each organization, though, is different. What counts more is that the organization is progressing toward increased maturity, and progressing well against rivals or peers, rather than that it is at level 5. A PMO facilitates improvements in PMM by serving as a focal point for the project management discipline and the associated processes and capabilities. It acts as an essential bridge between the organizational strategy and the realization of that strategy through the execution of various programs and projects. Without a PMO, organizational project management efforts and outcomes are likely to be lacking in strategic alignment and show inconsistent performance.



There are many kinds of PMOs, delivering a range of services. Important functions of a PMO include (among others): being a resource to and supporting the growth of PMs; overseeing and reporting on their portfolio; providing superior expertise, tools, templates, methodologies and other assets for strong and consistent project performance; and, maintaining a repository of project documents and lessons learned.

ACTIVITIES

1. The Kerzner Project Management Maturity Model (KPM3) is based on Dr. Harold Kerzner's five-level project management maturity model, further described at:

<http://tiny.cc/ntllzw>

The assessment consists of a total of 183 multiple-choice questions, structured according to the five levels of maturity. The resulting scores (a score is generated for each level) would provide insight as to the maturity level for project management within your organization. An online demonstration may be found at:

<http://tiny.cc/mvllzw>

Review the synopsis of the five levels, as well as the demonstration, and discuss with your assigned team (or in class): what do you believe the maturity level would be for your respective organizations and why? From your experience and observations, how is project performance affected by the maturity level in your respective organization?

2. Review the following case study involving OPM3:

<http://tiny.cc/2wllzw>

Discuss: What was the central issue? How was it addressed? What were the outcomes? Could OPM3 be useful for your organization?

3. Review the following research report on PMOs:

<http://tiny.cc/eyllzw>

Discuss: How does the PMO (or PMOs) in your organization compare to the state of the PMO described here? What level of PMO capability has it reached? To what extent is it engaged in portfolio management? To what extent is it engaged in benefits realization?

4. Review the following research report on PMOs:

<http://tiny.cc/rzllzw>

Discuss: How does the PMO (or PMOs) in your organization compare to the state of the PMO described here? To what extent is it engaged in supporting training? To what extent is it engaged in supporting the career development of PMs?

TOOLS

1. A quick, though basic maturity level calculator may be found at:

<http://tiny.cc/r2llzw>

It shows the estimated maturity level, as well as implications for project performance, for your organization.

2. A sample PMO Charter:

<http://tiny.cc/k3llzw>

3. The SUKAD Seven Elements of Project Management Maturity™ is another maturity model³¹:

- Element 1 – Organizational and Strategic Aspects
- Element 2 – Project Management Methodology
- Element 3 – Project Management Process and Functions
- Element 4 – Project Management Competence
- Element 5 – Project Management Tools and Technology
- Element 6 – Knowledge Management Aspects
- Element 7 – Leadership and Professional Development



More details are available at

<http://tiny.cc/p4llzw>

Exhibit 2.11: The SUKAD 7Es

REVIEW QUESTIONS

1. All of the following are examples of low project management maturity, except:
 - a. Working on bad projects
 - b. Hiring a bad PM
 - c. Providing poor templates or none at all to the PM
 - d. A sponsor campaigning for a bad project
2. To which levels does Process Control apply in Kerzner's Five Levels of Maturity?
 - a. Level 1 > 2
 - b. Level 2 > 3
 - c. Level 3 > 4
 - d. Level 4 > 5
3. To which levels does Process Definition apply in Kerzner's Five Levels of Maturity?
 - a. Level 1 > 2
 - b. Level 2 > 3
 - c. Level 3 > 4

- d. Level 4 > 5
4. Organizational change management is more likely a part of the mandate for which kind of PMO?
- a. Monitoring focus
 - b. Operational focus
 - c. Strategic focus
 - d. Control focus
5. Which of the following statements is false?
- a. PMOs are responsible for project success
 - b. PMOs strive to bridge divisional silos
 - c. PMOs maintain standard methodology
 - d. PMOs help to match projects to appropriate PMs
6. A PMM model follows a structured approach from assessing the current state of maturity to implementing improvement. Which step, as per OPM3, is critical before performing the assessment?
- a. Plan for the improvement
 - b. Implement the improvement
 - c. Prepare for the assessment
 - d. Analyze the assessment.
7. The following is true about OPM3, except:
- a. It addresses project, program and portfolio management capabilities
 - b. There are five levels of maturity
 - c. The top level of maturity is ‘Continuously Improve’
 - d. There are four levels of maturity
8. Organizations that recognize the need for project management processes without established practices are at which CMMI maturity level?
- a. Level 1 – Initial
 - b. Level 2 – Managed
 - c. Level 3 – Defined
 - d. Level 4 – Quantitatively Managed

9. The PMO acts as an overseer and ambassador for its programs and projects, but heavy demand on PMO resources can result in _____:
 - a. Increased headcount
 - b. Increased bureaucracy
 - c. Burn-out of PMO resources
 - d. Power struggles
10. Which of the following statements on PMM is false?
 - a. PMM is a key strategic driver
 - b. Organizations with higher PMM are expected to be more successful in project effectiveness
 - c. Increased PMM can increase competitive advantage
 - d. Increased PMM means increased direct and indirect project costs

KEY TERMS

- **Benchmarking** – Benchmarking is the practice of comparing the performance or attributes of one organization to that of others (and possibly an entire industry), in order to understand differences and learn from the approaches and practices of others.
- **Monitoring Focus** – This kind of PMO generates value through monitoring portfolio status and health, recognizing emerging portfolio risks, and possibly ensuring compliance with corporate standards.
- **Operational Focus** – This kind of PMO generates value through project execution tasks, including managing PMs, defining methodology, and allocating resources.
- **Organizational Project Management Maturity Model (OPM3)** – This model, developed by PMI, addresses maturity in terms of the extent of best practices used within the project, program as well as portfolio domains.
- **Project Management Maturity (PMM)** – PMM is an assessment of the sophistication of an organization's project management practices. It is typically based on a 5-level maturity scale, from 'ad hoc' as the lowest level to 'fully institutionalized and optimized' at the highest level. It is a statement about the standardization and use of best practices, as well as the recognition of project management as a discipline. It usually references the ten knowledge areas described in the PMBOK for the purposes of assessing and improving capabilities.
- **Project Management Maturity (PMM) Models** – A number of different PMM models are available, such as OPM3 or KPM3. Each is a representation of the key considerations and assumptions for a particular view of project management maturity.

The model is typically the basis for an assessment tool. The assessment is used both to understand the current state of maturity and to help develop a path for improvement.

- **Project Management Office (PMO)** – The PMO is a business unit which exists to lead the project management discipline and practices for that organization. There are a range of approaches and structures for PMOs. PMOs may have a multiplicity of roles. Effective PMOs correlate well with better project performance and the generation of strong business value from projects.
- **Project Performance** – Project performance is a statement about the consistency of project planning and execution, as well as the effectiveness and efficiency of resource utilization (people, money, time, etc.). Higher levels of project management maturity correlate well with improved project performance and success.
- **Strategic Focus** – This kind of PMO generates value through strategic activities such as portfolio management, portfolio governance, capacity management, change management, executive reporting, and standard setting.

ADDITIONAL RESOURCES

1. A video of Kerzner describing maturity models:
<http://tiny.cc/66llzw>
2. Two presentations on OPM3 and its use with different organizations:
<http://tiny.cc/s7llzw> and <http://tiny.cc/h8llzw>
3. A demonstration of the OPM3 tool, sample reports, etc.:
<http://tiny.cc/78llzw>
4. A comparison of OPM3 and CMMI:
<http://tiny.cc/09llzw>
5. The CMMI-DEV reference document:
<http://tiny.cc/wamlzw>
6. Portfolio, Programme and Project Management Maturity Model (P3M3):
<http://tiny.cc/kbmlzw>
7. The State of the Project Management Office – Two Research Reports:
<http://tiny.cc/lcm1zw>
<http://tiny.cc/vgolzw>
8. A presentation by Dr. Brian Hobbs, providing an overview of his PMO research program, at the 2010 PMO Symposium in Hamburg.
<http://tiny.cc/fdmlzw>

REVIEW ANSWERS

1. B 2. C 3. B 4. C 5. A 6. C 7. B 8. A 9. C 10. D

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- 31 <http://blog.sukad.com/20121005/what-are-the-gaps-in-pmpmo-and-how-to-close-them/> [Accessed October 15, 2012] Image Courtesy CC



Organizational Structure

“Every company has two organizational structures: The formal one is written on the charts; the other is the everyday relationships of the men and women in the organization.”

Harold S. Geneen, President and CEO of ITT ¹



LEARNING OBJECTIVES

- Explain the link between Strategy and Structure
- Understand McKinsey's 7S Framework
- Understand the linkage between Structure and the overall Organization Architecture
- Define Organizational Breakdown Structure (OBS)
- Explain different types of organizational structure
- Understand the influence of organizational structure to project success
- Describe the advantages and disadvantages of each type of organizational structure
- Realize the key differences between Functional, Matrix and Projectized structures
- Recognize the relevance of structure in relation to organizational culture

STRATEGY FOLLOWS STRUCTURE, STRUCTURE SUPPORTS STRATEGY

Stategy follows structure, and structure supports strategy.² Organizational structure defines the firm's formal reporting relationships, procedures, controls, authority, decision-making and key processes. It provides the foundation on which organizational culture and operations rest. It is not simply an organization chart. The structure defines how all the pieces and processes join up, relate to one another, and work together.

Strategy and structure have a reciprocal relationship and are not merely dependent on one another: they are almost married to each other!

A decision to change either strategy or structure, whether driven by changes in circumstances or other reasons, requires an in-depth effort to adapt the one to adjustments in the other. It takes the right structure for a strategy to succeed. Since structure outlines the design of the organization through which strategy is realized, it becomes a critical element of a successful strategy implementation process.



When an organization changes its strategy, it must consider and map out all major aspects of structural change required to support the implementation of the new strategy. A modification in strategy could have multiple implications for business units, people, projects, priorities and processes. If the organizational structure is not simultaneously altered to be consistent with the new strategy, there may be significant unanticipated problems, such as confused lines of reporting or ambiguity in decision-making power. Senior management cannot simply implement a change by sending out a proclamation about the new strategy and expect the organization to follow it or understand how to act on it. There is the risk that the existing structure, left unaltered or poorly addressed, will cause the new strategy to fail and the organization to revert to its original state (i.e. where it was

with the old strategy). Implementing a strategic shift may well require an array of significant changes, even major redesigns, to the organizational structure itself.

Similarly, organizational restructuring can create a more effective or synergistic environment, but without a corresponding and appropriate strategy, the restructuring can lead nowhere. Given the disruption involved, it may in fact make things worse. People and project teams routinely carry out their assigned responsibilities, but it is only when their daily work is set within a strategy-oriented structure that the organization's direction and progress is sustainable over time.

Organizational structure is an enormous influence in reinforcing or undermining strategy. When an organization changes its structure but not its strategy, the strategy will likely mutate to fit the new structure.³ Thus, linking and integrating strategy with structure, and vice versa, is imperative to accomplishing the organizational mission and goals.



Exhibit 3.1: McKinsey's 7S Framework⁴

The relationship between strategy and structure is emphasized in McKinsey's 7S Framework.

According to McKinsey's 7S Framework, strategy and structure are two of seven key pillars which, when addressed well, support and enhance organizational performance. Like the other pillars, these two need to be aligned and mutually reinforcing. All seven are

interdependent. Any one, neglected or not properly coordinated, can affect all of the others and cause much organizational pain. This model serves as a powerful tool for identifying what realignments are required to improve performance and determine how best to implement a proposed new strategy. The 7S Framework offers a sound approach that combines all of the essential factors (or pillars) that sustain strong organizations: strategy, systems, structure, skills, style, and staff - all united by shared values.⁵ It is illustrated in Exhibit 3.1.

'Shared Values' appears at the centre of the diagram, because values are fundamental to the organizational culture. They drive all aspects of the organization. The seven factors are characterized as hard or soft,⁶ and are listed in Exhibit 3.2.

Hard elements are easier to define or identify and management can directly influence them. These are evident in or through: strategic plans and statements (strategy); organization charts, accountabilities and reporting lines (structure); and, formal processes, policies, resources, tools and infrastructure (systems).

Soft elements on the other hand, can be more difficult to describe, are less tangible and more influenced by culture. Nevertheless, these soft elements are as important to consider as the hard elements if the organization is going to be successful. The four soft elements are:

- Shared Values: these are the core values of the organization, evidenced in its culture and the general work ethic.
- Style: the style of leadership adopted.
- Staff: the employees and their general capabilities.
- Skills: the actual skills and competencies of the staff.

Organizational structure is also the foundation stone of an organization's architecture, outlining clear roles and responsibilities to ensure efficient decision-making, development of values, norms for cultural alignment, design of rewards and metrics, and identification of key capabilities (skills and knowledge) required to execute strategy.

An organization can properly and forcefully act upon its business strategy if there is strong alignment between strategy and structure. A reorganization should only be embarked upon if strategy changes or if it is determined that the current structure is not serving the existing strategy well. Since there are always multiple possible ways of restructuring, with attendant trade-offs, the options must be discussed carefully to arrive at the approach which will

Hard Elements	Soft Elements
Strategy	Shared Values
Structure	Skills
Systems	Style
	Staff

Exhibit 3.2: McKinsey's 7S Framework – Hard and Soft Elements

maximize strategic effectiveness. The Mini Case Study which follows demonstrates the importance of this interdependence between strategy and structure in planning for and implementing changes, especially major ones.

ORGANIZATION SNAPSHOT: HP



HP Restructures, Merging PC and Printer Units To Help Its Go-To-Market Strategy, Branding, Supply Chain, and Customer Support⁷

Hewlett Packard's new strategy resulted in the need to consolidate and restructure PC and Printer units into one. By aligning their structure with their strategy, they were able to design a new operating model that they could effectively execute; consolidate product

development, manufacturing and sales resources into a new structure with clear roles, accountabilities and operating norms; and design new metrics and rewards to enable effective collaboration and execution. The realignment also supported the company's go-to-market strategy, branding, supply chain, and customer support.

"By providing the best in customer-focused innovation and operational efficiency, we believe we will create a winning scenario for customers, partners and shareholders," said HP CEO Meg Whitman.

Along with combining the PC and printer units, HP also re-jigged its central services as well as other units. According to HP, this restructuring would "speed decision making, increase productivity and improve efficiency, while providing a simplified customer experience." The company also moved real estate management into the global technology and business processes division. By consolidating these functions, HP planned to offer one unified voice instead of a series of separate self-enclosed businesses. Whitman's big task in 2012 is to improve HP profitability amid sluggish revenue growth as well as work on the company's messaging to employees and customers.

Two HPs

The move to consolidate the PC and printer units essentially created two HPs, connected by central services. HP's printing and PC units would henceforth represent the consumer side of the company. Whitman said that "We believe if HP cuts costs, a large portion of any savings will be reinvested in R&D and sales".

ORGANIZATIONAL STRUCTURE HELPS OR HURTS PROJECT SUCCESS

Most project management is accomplished in a project team environment working within the parameters of an existing organization. The project team is formed of members drawn from various areas of the organization (or from client, partner, supplier or other organizations) according to their expertise and the needs of the project. Once the project is completed, the team is disbanded or absorbed back into the main organization.

A useful tool for understanding, communicating and generally working with a given organizational structure in a project setting is the Organizational Breakdown Structure (OBS). It is akin to a Work Breakdown Structure (WBS), Resource Breakdown Structure (RBS) or Risk Breakdown Structure (RBS), in that it helps the project manager methodically deconstruct and document the relevant structure. The structure relevant to any specific project or program will always vary, but it tends to include: all key participating departments, business units, other project teams with dependencies to this project; the project sponsor or Steering Committee; other entities performing work for the project; etc.

The OBS provides a hierarchical representation of the organizational structure surrounding a project or program.

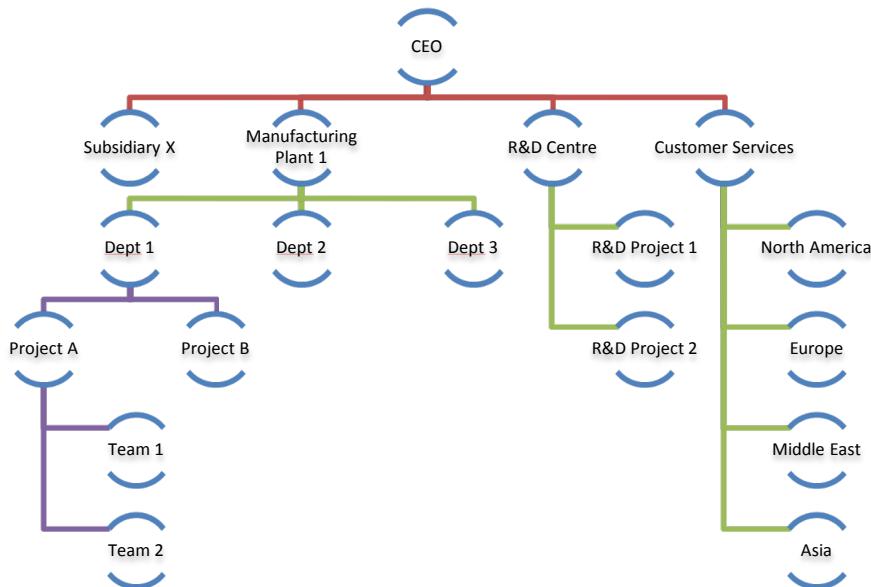


Exhibit 3.3: Sample OBS

The OBS can also incorporate the pertinent organizational framework for project planning, resource management, time and expense tracking, cost allocation, revenue/profit reporting,

and work management.⁸ As Exhibit 3.3 illustrates, an OBS conveys the main components of the relevant organization and how they relate to each other. It identifies the linkages or connections that tie the various organizational components together in terms of control and communication. Sometimes, this information is included in the Project Charter or in project plan documents to add clarity to the project context, reporting lines, relationships with stakeholders, etc.

There are three primary organizational structures relevant to projects and project management: functional, projectized and matrix. These account for the design and operation of nearly every organization, in every sector. Each kind of structure has its own advantages and, if used properly in the correct environment, can further project success. However, along with their advantages, all three structures also have specific disadvantages in given contexts which can impair successful project delivery. While a project manager is not normally in a position to alter the organizational structure, experienced PMs will be aware of the implications of the structure in which they, their project team and their project is operating. In some cases, it may also be feasible to influence the design of the organizational structure to better serve the project and its needs.

FUNCTIONAL STRUCTURE

Prior to about 1960, most enterprises favoured a functional organization structure, also known as a traditional or classical structure. It is a very common form of organization still, with clear hierarchical lines of authority. The organization is divided by function, department or area of specialization, with each employee reporting to only one superior. Within each, employees tend to perform a specialized set of tasks. For example, the sales department would be staffed with sales personnel, engaged in sales processes and activities. Such functional distinctions and specializations promote operational efficiency within each group and help a business capitalize on the use of specialized skills, facilities and equipment.

Within functional organizations, a project's scope is usually limited by the boundaries of the function.

Functional organizations are well-suited to repeated processes and to exploit efficiency gains from specialization. The functional structure is appropriate for organizations that produce standardized goods and services at large volume and low cost (e.g. manufacturing cars). Projects are required only infrequently in this environment or are considered relatively less important than ongoing operations. This type of structure is poor at recognizing or supporting project work, especially if the work must involve multiple departments. Typically, an ad hoc arrangement is made, with a functional manager being asked to coordinate project work, relatively informally, with colleagues from other departments. It is thus difficult to assign overall accountability for a project. This kind of structure is depicted in Exhibit 3.4.

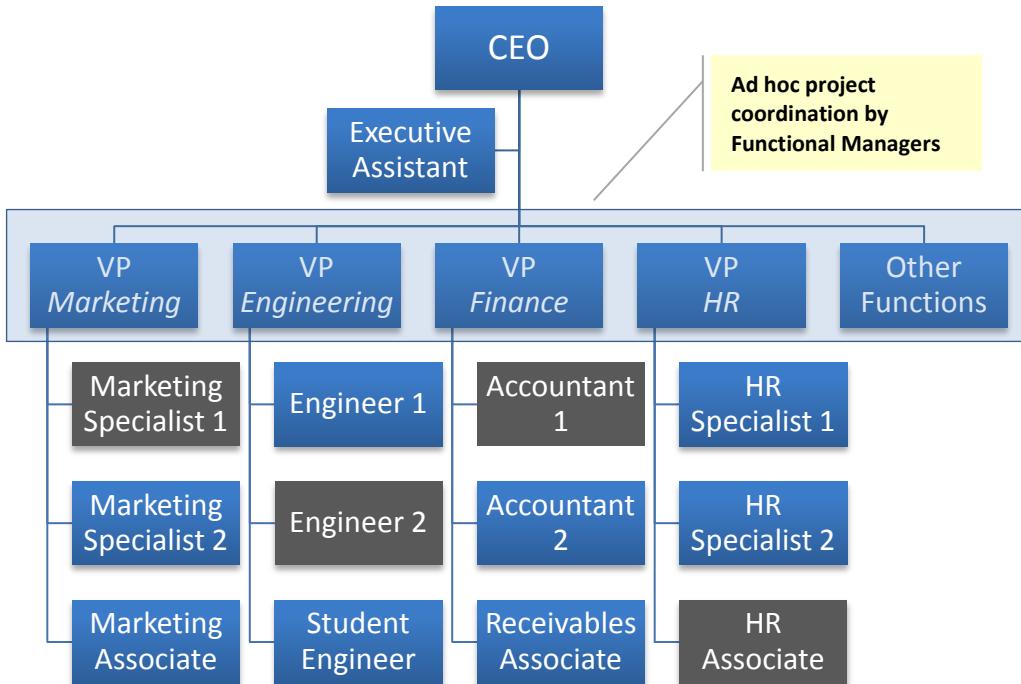


Exhibit 3.4: Functional Organization Structure

This functional structure mirrors the traditional pattern of authority and is common in large, hierarchical organizations, including:

- Many government ministries, departments and agencies
- Police, armed forces and emergency services
- Many companies in regulated industries (telecom, airlines, insurance, etc.)
- Healthcare organizations like hospitals.

There is a close relationship between the hierarchical, top-down and sometimes authoritarian nature of the functional structure and the control-oriented culture described in Chapter 4. It could also be said that this structure tends to be low in organizational project management maturity. It is also likely that there is no PMO or that any existing PMO is limited to departmental work.

Influence on Project Management

- Projects in Functional Organizations are most likely to be implemented to improve systems, procedures, or processes, and tend to be internal rather than external in scope. They are smaller in scale, less frequent and relatively less complex.

- Project Managers have little or no formal authority. There may not even be any designated Project Managers in the organization at all. Most or all of the authority remains in the hands of a functional manager or department head.
- Ongoing and efficient output is the organization's primary objective. Project team members may well be part-time and may have little dedication to their project (their functional roles are given higher priority). They may have no preparation or training in project management. In most cases, project work is considered additional work, often causing a conflict of priorities with the individual's main workload. Project Managers can find it difficult to acquire resources for a project. It may also be hard to hold people accountable when requirements, commitments and work slip.
- Projects generally occur within a department and it is difficult to cross functional boundaries.
- Project Managers can have limited career opportunities, as career paths are tied to function rather than projects or to project management as a discipline. Given the functional orientation, there is an inherent lack of recognition for project-related work, project execution rewards or success measures for project performance.

Advantages

- Clear reporting authority with only one supervisor or boss. Having one boss makes it easier for reporting, decision-making and problem-solving. Personal roles and responsibilities are clearer.
- Facilitates functional specialization, with knowledge and practices shared between individuals in the functional unit. The structure promotes the development of a specialist career path. Duplication within the particular specialization is minimized. Emphasizes functional effectiveness and efficiency
- Supports repetitive processes, knowledge transfer and continuous improvement. Staff can continually use experience gained from one task for the next, similar task.

Disadvantages

- This structure can force functional groups to operate as silos at the expense of the whole organization. Functional managers tend to stick to functional specialization, avoiding involvement in cross-functional activities. These independent operations result in a tendency to replicate functions in each silo. For instance, there could be separate software developers in the sales, accounting and HR departments, because each of these functional units has their own demands for technology.
- Organizational strategy can suffer from a lack of “big picture” thinking. Each department is pursuing its own objectives and activities without much regard for those of other departments.
- Functional segregation can lead both to more communication barriers and more conflict.

- The functional structure tends to be more fixed and can become quite resistant to change.
- A project client may become frustrated when trying to understand the status and progress of their project or issues related to their project. Each functional manager may be familiar with a specific aspect of the project work, but no one may have the full knowledge or accountability required to provide a complete view.

PROJECTIZED STRUCTURE

A projectized structure facilitates the work of an organization that is primarily concerned with planning, organizing and executing projects (though there can still be back office operations, such as accounting, that are still functional in nature). Most of the organization's resources are allotted to project work. Typically, these are organizations which deliver projects to external clients.

A completely projectized organization structure is a relatively less common entity than either functional or matrix organizations.

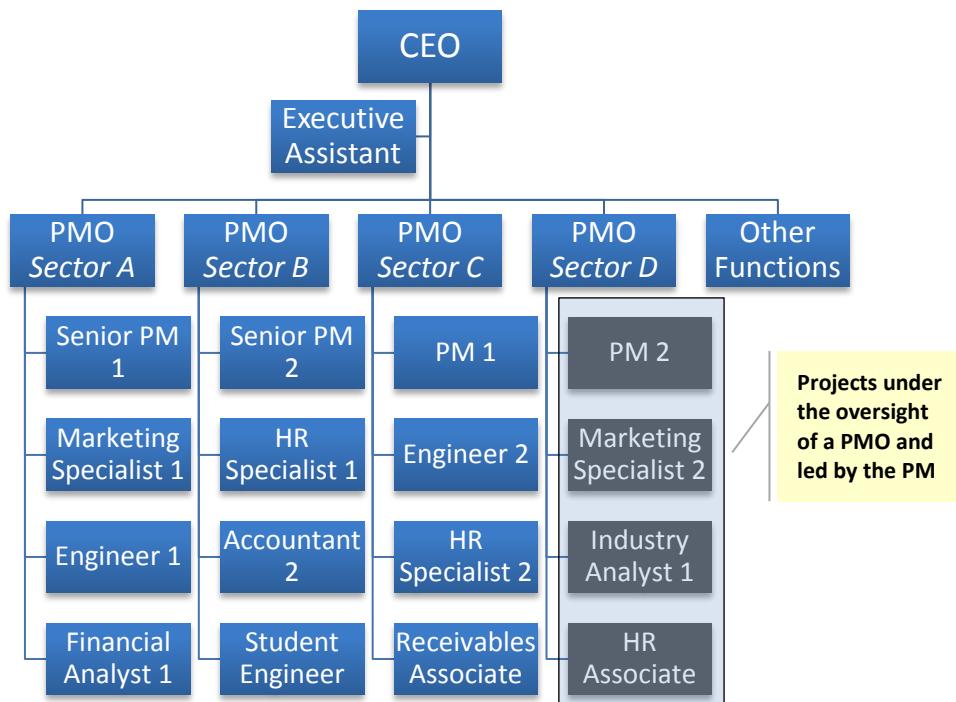


Exhibit 3.5: Projectized Structure

Consulting companies, construction contractors and international development organizations are three examples of sectors where the work is predominantly project-oriented and for the benefit of external clients.

In the projectized organizational structure, project and program managers are common and have a great deal of authority. As shown in Exhibit 3.5, they often report to a Project Management Office or equivalent. Projectized organizations can also exist within a larger and otherwise purely functional or matrix organization (a mixture of different types of organization structure is termed a ‘composite organization’).

In this structure, there is an actual project team, staffed with various specialized resources. The project team reports to the Project Manager, who has a high level of or complete authority over budget, work assignments, etc.

Influence on Project Management

- The Project Manager is “all-powerful”, with a great deal of authority and independence. The structure provides for strong control of the project and oversight of the project team. The PM also manages the budget, rewards and team performance evaluations.
- Project Managers are generally drawn from a resource pool or one of several specialized pools, e.g. organized by industry knowledge, as is done in management consulting firms.
- Project Managers and project team members are ‘assigned to’ and ‘released from’ projects. The team is disbanded after completion of the project and the individuals return to their pool, from which they will be allocated to the next project.
- Project participants work directly for the Project Manager. Members of the project team do not have functional loyalties. Both Project Manager and team members may have concerns about their next assignment as their project is ending. There may not be a project to which that individual can be assigned in a timely way. The structure is extremely effective for projects that are difficult to plan accurately and where resource requirements and allocation levels cannot be accurately established beforehand. It is also well-suited to larger, more complex and longer-duration projects.

Advantages

- Lines of communication between the PM and various stakeholders are straightforward, without interference from functional managers.
- There is ultimate clarity in accountability: it is held by the PM. This makes for a more effective and responsive relationship with the project client.
- In the pure projectized structure, fast reaction times help to keep activities on schedule and on budget. The structure is flexible and can be extremely responsive to change. Innovation and evolution are encouraged.
- Given the attention to project management as a discipline and as a key organizational asset, there is an extensive career path from junior roles all the way to PMO Director, or equivalent, for Project Managers.

- Easier to incorporate external consultants and other temporary staff to augment resources.

Disadvantages

- Tendency exists to retain personnel on a project long after they are truly needed.
- Opportunities for knowledge exchange between projects can be limited.
- A sense of competition can develop between various project teams.
- Project deadlines may create a culture of cutting corners.
- Since each project is different, it is difficult to compare and reward performance.
- Running several projects concurrently can result in duplication of effort.
- Prolonged absence from specialization pool or functional area can lead to that individual's specialization becoming diluted over time.

MATRIX STRUCTURE

Many organizations have moved toward the matrix structure, which tends to alleviate many of the functional form's deficiencies.

A Matrix organizational structure is a blend of functional and projectized characteristics and can incorporate the best of both worlds.

The matrix arrangement is based on two (and sometimes more) channels of reporting, two lines of budget authority, and two sources of performance and reward: one set that runs through the functional manager and one set through the PM. At the same time, individuals (functional specialists) are assigned to one or more projects from their home base in a functional area. Consequently, they would be reporting to two (or more) supervisors: their functional manager and one or more Project Managers. The matrix structure, which has the three variations of weak, strong or balanced, is illustrated in Exhibit 3.6. Across the top are shown different functional departments; across the left side are different PMs running various projects. The nine unlabelled boxes indicate that there are three personnel assigned to projects (one of three) from each of the three departments. In turn, each PM is overseeing an individual from each of the three departments. It is common to have both PMs and project team members working on more than one project, which increases the complexity of the matrix structure.

There are 3 types of Matrix structures:

- **Weak Matrix** – Possesses many of the characteristics of a functional organization, with a Functional Manager having power and control over budget, human resources and rewards. The term 'weak' comes from the weak power of the Project Manager relative

to the functional manager. The Project Manager's role is more of a project expeditor or facilitator. The functional managers maintain control over their resources and project areas. PMs supervise the execution and are completely reliant upon the functional managers to make resources available. Project members typically have less allegiance to the PM, because the functional managers are the ones to determine their career progression, rewards, recognition and incentives. Thus, performance assessments are mainly the territory of the functional manager and relate to the work being done for a functional manager, rather than for a Project Manager. Working on a project could be seen as not desirable by project team members as it takes time away from doing functional work and better opportunities for recognition.

Projects are often ignored, leading to disputes between the PM, functional managers and project team members.

- **Strong Matrix** – Possesses many of the characteristics of a projectized organization, with full-time Project Managers having a high degree of authority and control over budget and rewards. The term 'strong' comes from the strong power of the PM relative to the functional manager. This is the reverse of the Weak Matrix situation, with PMs possibly having dedicated cross-functional teams with almost total responsibility and accountability for project success. Project Managers typically discuss project demands with the functional managers, who can then allocate resources for the duration of the project, with a large amount of control being devolved to the PM. Project Managers may also have HR responsibilities (usually in conjunction with the functional managers) for the team members allocated to them and can be involved in performance evaluation, training, and career progression. Functional managers maintain some ability to assign their resources to projects or move them between projects. In effect the Project Managers and the functional managers work jointly, but command of the project and resources, as well as full accountability, rest with the PM.
- **Balanced Matrix** – In a Balanced Matrix, power is shared between the functional and project managers relatively equally (hence the term 'balanced'). A Project Manager is assigned to oversee the project but not given full authority over project budget and rewards. To effectively balance the power, a Balanced Matrix organization creates rules that outline organizational policies and practices on resource allocation. For instance, there could be more specific protocols over resource assignments and control depending on project duration. For a shorter-duration project, this could result in control remaining with the functional manager. However, for longer-duration projects, the PM could have greater control. All such protocols would be guided by the goal of equalizing power between project managers and functional managers so that everyone feels they have a win-win arrangement.

A successful matrix implementation (irrespective of the matrix type) requires alignment of strategy, structure, rewards, communications and people.

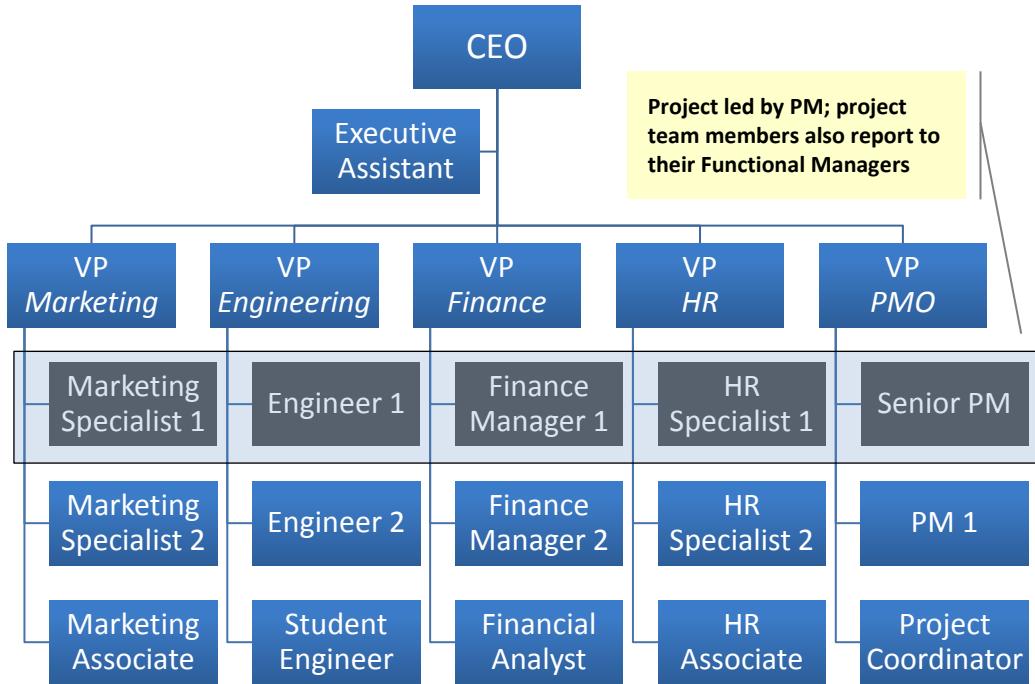


Exhibit 3.6: Matrix Organization Structure

The matrix structure is suited to organizations with a large number and range of projects. Many of these organizations have or develop a “split authority” way of life, with functional managers and PMs sharing power in connection with projects.

Influence on Project Management

- Project management within a matrix structure, to some extent, offers the best of both the projectized and functional structures.
- Multiple bosses can lead to conflicting requirements and loyalties. Project team members may be feeling that they are being given contradictory directions by their multiple ‘bosses’. This is a common feeling in matrix arrangements. It can be unclear who is assessing performance for the project team member. Negotiations for resources can be complicated and slow down the project.
- Clear, frequent communications, in every direction, are essential to minimize conflicts or confusion.
- Each project organization can operate independently. Policies and procedures can be set up independently for each project.
- Team members will always have a “home” after project completion. They are assigned to the Project Managers for as long as the project requires and return to their functional group once their task is accomplished.

- There is a more defined career path for PMs. Project team members can work on a variety of projects across functional boundaries, making for a more stimulating and challenging environment. Knowledge can be shared across projects.
- Given organizational politics, the balance of power between PMs and functional managers must be monitored.
- The Project Manager and Functional Manager share responsibility for assigning priorities and directing the work of individuals.
- Competing demands between different functions and projects can exhaust resources, affecting morale and project performance. Project team members can have difficulty re-integrating into functional units after a long absence.

Advantages

- The matrix structure provides for a relatively rapid response to changes, conflicts, and other project needs.
- Allows efficient balancing of functional and project resources, as resources can easily be reassigned to absorb changes in demand or supply.
- This structure can have reasonable access to a range of functional units with different specialists to fulfill project requirements.
- Projects tend to be closer to the operational objectives of the functional units.
- The matrix structure distributes risk between projects and functional units.
- Given the extent of cross-functional work, there is likely more opportunity for learning and innovation.

Disadvantages

- Communication issues both for the PM and for project team members, can create barriers to project progress.
- This structure can be less cost-effective, as more people than otherwise necessary could be required (e.g. administrative support hired for both functional units and projects).
- The matrix structure can also require more time and effort to define policies and procedures, compared to the functional organizational structure.
- Conflicts and conflict management is an everyday challenge. Project team members can feel that they have limited control over their own destiny when continuously reporting to multiple managers.
- Project team members can work on multiple projects at once, and as a result be spread too thin. They may feel overloaded. A given subject matter expert, perhaps being the only one with that expertise, may be in extremely high demand and get burned out.
- There are also losses in efficiency with continual mental and/or physical switching between projects.

For Project Leaders...

The matrix organization structure, whether in its weak, balanced or strong form, tends to be a very complex working environment. There is a duplication of supervision, reporting, communication and performance management for each member of your project team.

One line of oversight and reporting runs between you as the PM and everyone on the project team. For each team member, the second line runs to the functional manager who supplied that particular team member. Some team members may be assigned to more than one project, which means that one or more other PMs are involved, too. Sometimes, there is even a third line related to resource management. The role of resource managers, who can be found in, for instance, some consulting organizations, is to maximize the utilization of available staff across various programs and projects. This includes optimal assignment and scheduling based on skills required and availability, timing and priority of projects, and the release of team members from projects as the project nears closure.

All of this makes for a potentially stressful, conflict-filled work environment. As a project leader, interactions with functional managers as well as team members (and resource managers or other PMs, if they are present) will be complex and ever-challenging. You will need to be alert to the needs and competing demands of all involved functional managers, who must be treated as project stakeholders. Building partnerships with them will be very important for project success.

Functional managers will be interested in regular updates on the use of their staff and may pull them away for other priorities. Such conflicts can be aggravated if a given team member happens to be assigned to multiple projects. You may need to engage in frequent negotiations, both to establish resource assignments at project initiation and to retain these resources throughout the project's life. Functional managers may call upon you to provide input toward performance assessments for their staff. You may also be asked to be involved in development plans or even performance improvement plans for their staff.

Project Characteristics	Functional	Matrix			Project-ized
		Weak	Balanced	Strong	
Project Manager's Authority	Little or None	Limited	Low to Moderate	Moderate to High	High to Almost Total
Resource Availability	Little or None	Limited	Low to Moderate	Moderate to High	High to Almost Total
Control of Project Budget	Functional Manager	Functional Manager	Mixed	Project Manager	Project Manager
Project Manager's Role	Part-time		Full Time		
Project Management Administrative Staff	Part-time			Full-time	

Exhibit 3.7: Summary of Types of Organization Structure⁹

Exhibit 3.7 summarizes the three types of organization structures. From left to right, the PM's power increases relative to the functional manager. Many larger organizations incorporate some or possibly all of these structures. Even a fundamentally functional organization may create a special project team to handle a critical project, with many of the characteristics of a projectized structure.

INSIGHTS AND TRENDS ON STRUCTURE

Individuals from 213 organizations participated in a PricewaterhouseCoopers survey entitled, “Insights and Trends: Current Programme and Project Management Practices.”¹⁰ Exhibits 3.8 and 3.9 offer perspectives on the relative proportion of the five main organizational structures discussed, by industry and by region, respectively. The dominant kind of structure appears to be that of the matrix organization (weak, balanced and strong forms combined), while projectized organizations are in the minority. An exception to this result is South America, but this could be due to a very small set of respondents from that region. Another notable difference is the dominance of the Balanced Matrix structure in Asia.

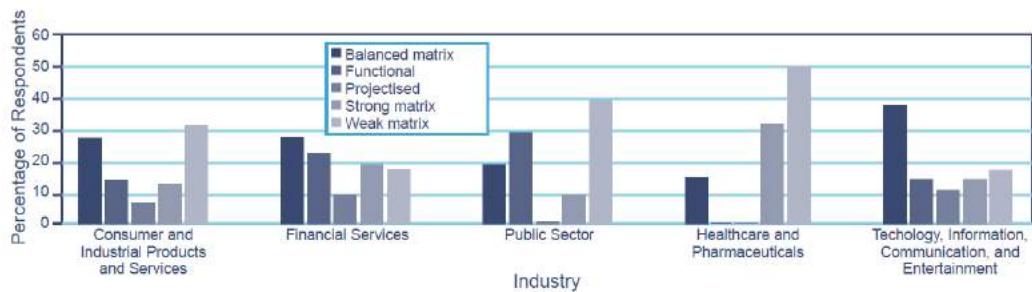


Exhibit 3.8: Organizational Structure by Industry¹¹

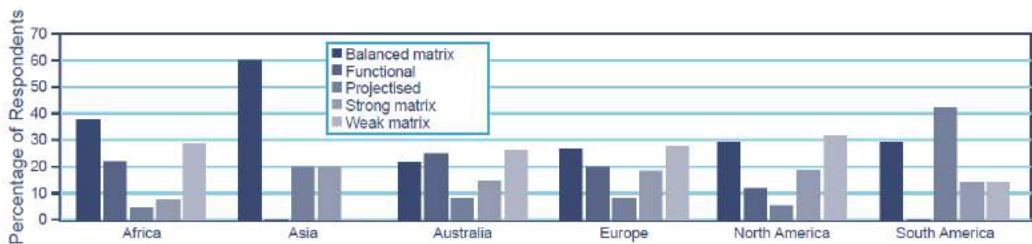


Exhibit 3.9: Organizational Structure by Region¹²

In a second PricewaterhouseCoopers study entitled “Insights and Trends: Current Portfolio, Programme, and Project Management Practices”,¹³ based on 1,524 respondents from 38 countries and 34 industries, the authors reported:

“We asked respondents if suitable project organisational structures exist on their project(s) that clearly outline the project team and reporting relationships. More than 70% of respondents reported the presence of a suitable organisation structure. For those who responded unfavourably to the same question, we conducted cross comparisons to assess the relationship between organisational structure and appropriately defined and documented roles and responsibilities within the governance structure. Survey data reveals an undeniable positive correlation between organisations that do not have a suitable organisation structure in place and those without appropriately defined and documented roles and responsibilities within the governance structure. Since organisational structure provides the foundation for roles and positions, hierarchical levels and spans of responsibility, it is not surprising to see such a positive correlation between these elements. Poor organisational design and structure can result in unnecessary role and responsibility ambiguity and confusion, a lack of accountability and less coordination among functions.”¹⁴

The following case study describes the deliberate transition of one organization from a matrix to a projectized structure. This was done in order to achieve better alignment with strategic goals, improved focus on major projects and more clarity with respect to roles, responsibilities and communications.

ORGANIZATION SNAPSHOT: BC ENVIRONMENTAL ASSESSMENT OFFICE¹⁵



BC Environmental Assessment Office 2012/13

Business and Organization Restructuring¹⁶

In April 2012, the BC Environmental Assessment Office (EAO) underwent a business and organizational restructuring in order to improve strategic objectives of efficiency and effectiveness. The restructuring will also help strengthen public confidence in British Columbia's environmental assessment (EA) process.

British Columbia continues to see growth in the resource sector and increased demand for projects requiring an environmental assessment. BC is committed to enhancing the compliance and enforcement capacity related to its EA processes.

At the same time, the federal government has announced it intends to increase its reliance upon strong provincial EA processes and will consider stepping away from EA in some cases. The EAO plays a critical role in ensuring the province's major projects are environmentally, socially and economically sustainable. The restructuring ensures that resources are focused on key priorities and that EAO's work is undertaken in the most effective and efficient manner possible.

Key Structural Changes – Matrix to Projectized

The changes made to the organization structures are intended to ensure that EAO's senior management are aligned and will lead the organization to manage the best EA process in Canada. The changes are intended to:

Improve the operational consistency and efficiency of project teams - The former model of matrix management has been transitioned into a Projectized structure, each under the leadership of an Executive Project Director (formerly known as a Project Assessment Director). Executive Project Directors have responsibility in their project team for project priority setting and decision-making regarding resources to support that direction. Project Teams are primarily responsible for delivering projects assigned to their team. Each Project Team is also responsible for sector

work (e.g. energy, mining, transportation, waste management). The EAO will be considering ways to improve the efficiency, effectiveness and timeliness of EA. The Executive Lead, Environmental Assessments (formerly Executive Project Assessment Director) has operational responsibility for these functions.

Enhance the capacity for consistent and timely policy development - In order to focus project staff on projects while having a key role in shaping policies that impact their work, the Policy and Quality Assurance Team will lead all policy writing and development. New policy positions have been added to ensure this function is properly resourced. The Executive Director, Policy and Quality Assurance, has operational responsibility for these functions.

Enhance emphasis on compliance and enforcement functions - There will be an enhanced focus on compliance and enforcement. The Policy and Quality Assurance Team will continue to lead the implementation of EAO's strengthened compliance management strategy, taking a coordinated and integrated approach with other natural resource sector agencies, as one of its top priorities. In 2012/13, the addition of dedicated compliance management staff will enable EAO to fully implement the enhanced compliance strategy. An immediate focus is to complete the compliance management strategy and engage all staff on

the strategy so that roles and responsibilities respecting compliance management, including the coordinated involvement of other natural resource sector agencies, are clearly understood. A number of compliance management policies are being developed and will be rolled out in the coming months. The Executive

Director has operational responsibility for these functions.



1. Enhance the consistency of EAO's stakeholder

communications¹⁷ – The EAO has added the new position of Director, Client Communications and Engagement, reporting to the Associate Deputy Minister. The Director will ensure the EAO has a comprehensive and independent strategic communications capacity related to the EA

process, projects and decisions. The Director will lead a number of communications and engagement processes on behalf of the office.

2. Streamline EAO's strategic approach to decision-making -

Executive Committee - Sets strategic direction for the office and makes decisions on resources to support that strategic direction.

Project Management Team - Sets project priorities and makes decisions on resources to support the delivery of EA projects. Focuses on operational policy needs and sector work, to ensure operations take a cohesive approach to EA. Senior Management Team - Links strategic policy and direction to operational project and policy priorities.



Benefits of these Changes

These structural changes clarify EAO's lines of authority, responsibility and accountability. They ensure that the office is meeting its corporate, strategic and operational policy objectives. The changes are part of a more consistent approach to setting priorities with resourcing policy and project work. They provide more accountability and clarity around responsibility for all elements of the office's internal HR management in project teams, specifically streamlining the process of assigning staff to projects and ensuring a more cohesive approach to project management challenges like project planning and risk tolerance. These changes also provide direct and indirect benefits to all parties involved in an EA process, including proponents and working group members. The new structure provides more consistency in project leadership and management and a more predictable and better coordinated compliance management plan for each project.

Implementation and Transition

The new structure was announced and effective April 26, 2012. To ensure the orderly management of current projects, the Project Management Team is developing transition plans for all other project and policy work. All such transitions were to be completed by September 1, 2012.

ONE MORE: THE FLAT STRUCTURE

An emerging type of organizational structure is the flat structure (also known as ‘open’, ‘horizontal’ or ‘decentralized’). This is a structure with minimal or no management hierarchy, whereas all the forms previously described in this chapter are based on a hierarchical structure with clearly defined chains of command for supervision and reporting. Relatively few organizations so far work with a flat structure, but the number is growing. As shown in Exhibit 3.10, the PM may be considered only one person among a peer group and may act more as a facilitator or catalyst for the project within this kind of structure. There is no reporting relationship to the PM for team members, as there is for the other structures discussed. An example of a flat organizational structure is to be found at Valve Software Corporation (see the ‘Activities’ section at the end of the Chapter). Hamel has written about such organizations in his book, *The Future of Management*.¹⁸

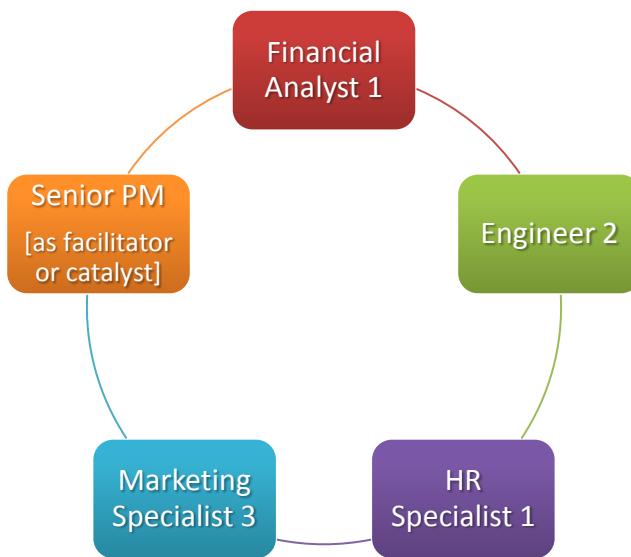


Exhibit 3.10: Flat Structure

The flat organizational structure operates on the premise that empowered, well-trained employees can accomplish a great deal without supervision.

The flat structure relies on the intrinsic, natural motivation of staff to produce high-quality work, to be creative, to make independent decisions and to organize themselves. In contrast to the more traditional organizational structures, which rely particularly on extrinsic motivation such as salary, bonuses and promotions, intrinsic motivation is considered a more powerful and sustainable force for strong organizational performance.

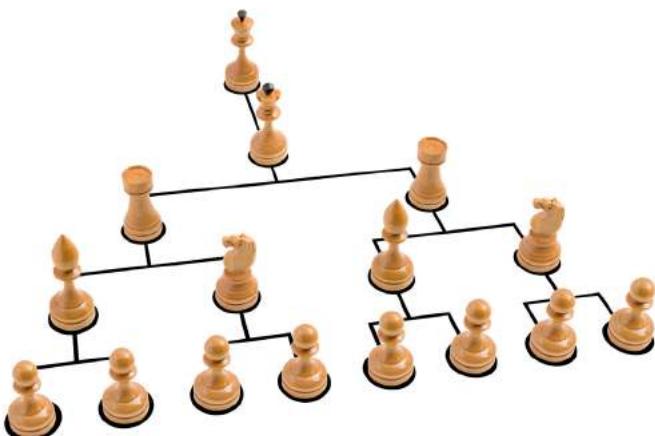
The Wikipedia project and other “open source” projects represent another category of flat organizational structure: that of the dispersed, temporary organization. Such projects have been enabled by the rise of the Internet, as they use a broad network of people from around the world. Many of these projects, though certainly not all, have been for the purposes of software or content development. Typically, the “organization” consists of a small core group (or just one person) which has launched the project and attracted committed volunteers to work on it. Aside from some ground rules established by the project founders, contributions to the project take place with minimal or no supervision; there are no management layers. If it is a volunteer effort, no extrinsic motivation is involved. Rather, participants are driven by professional pride, the opportunity for stimulating and creative work, making a difference, etc. – all connected to intrinsic motivation. With the benefit of a vast volunteer army of article authors and editors, Wikipedia has already accumulated a huge number of high-quality articles, which are arguably consulted more often than traditional encyclopedias. Linux, Joomla, MySQL and Apache are examples of other major ‘open source’ projects.

CHAPTER SUMMARY

There is a reciprocal, mutually reinforcing relationship between strategy, structure and culture. The design of the organizational structure can either impede or support the overall success of the organization and the various programs and projects intended to realize the organizational strategy. Changes in strategy should be coordinated with changes in structure, and vice versa. McKinsey’s 7S Framework highlights the interdependencies of strategy, structure and five other important factors.

At the project level, research with senior project management leaders suggests that the most important skill for managing today’s complex projects and programs is the ability to align the team to the vision of the project and design the project’s organizational structure to align people and project objectives.¹⁹

The Organizational Breakdown Structure technique helps to deconstruct and document the structure surrounding a given project. This information may be included in the Project Charter or in project plan documents to add clarity to the project context, reporting lines, relationships with stakeholders, etc.



There are three kinds of organizational structure: functional, matrix and projectized. There are, in addition, three variations of the matrix structure: weak, balanced and strong. Each kind of structure has its particular strengths and weaknesses in relation to project work and the relative power of the PM to control resources. The functional structure gives the PM the least power, while the projectized structure offers the most.

Matrix structures are particularly tricky to navigate and can be stressful for the PM, for the project team members and for others concerned. Many organizations have a mix of structures at various levels, or in different departments or lines of business. This is considered a composite structure. An emerging approach, the flat organizational structure, operates on the premise that empowered, well-trained employees can accomplish a great deal without supervision. Around the world and in different industries, there are differences in terms of which structures are more or less pervasive.

ACTIVITIES

1. Review the following case study regarding strategic alignment, organizational structure and the role of the PMO:

<http://tiny.cc/vusnzw>

Discuss: What was the central issue? How was it addressed? What were the outcomes?

2. Review the following paper on leadership approaches in matrix organizations:

<http://tiny.cc/wvsnzw>

Discuss: What are the characteristics of the modern matrix organization? What are relevant approaches for effectiveness as a (project) leader in a matrix organization? How is NHS putting these insights into practice?

3. Review the following case study regarding organizational structure and cross-cultural project teams:

<http://tiny.cc/nwsnzw>

Discuss: What was the central issue? How was it addressed? What were the outcomes?

4. Valve is a gaming software company which has adopted a non-hierarchical organizational structure. They refer to it as 'flatland' and 'boss-free'. No-one reports to anyone and everyone has the ability to launch projects. Review their handbook for new employees and the related blog at:

<http://tiny.cc/hxsnzw>

<http://tiny.cc/9xsnzw>

Discuss: How would a project manager operate in this environment to lead people and projects, as compared to functional, matrix or projectized structures? Would the role be

quite different or, perhaps, not needed at all? What additional or alternative skills and behaviours would be required to be successful in such an organization?

5. Review the following, a plan by IBM, to become a ‘project-based enterprise’:

<http://tiny.cc/f0snzw>

Discuss: What were the key drivers to structure and operate the organization differently? What were the desired outcomes? What were the 7 keys for project health monitoring and management reporting? In what ways would IBM’s approach be useful (or not) to your own organization?

TOOLS

1. The following questions²⁰ help to explore and understand the current state at your organization in terms of strategy, structure and the other five elements of McKinsey’s 7S Framework:

Strategy

- What is our strategy?
- How do we intend to achieve our objectives?
- How do we deal with competitive pressure?
- How are changes in customer demands dealt with?
- How is strategy adjusted for environmental issues?

Structure

- How is the company/team divided?
- What is the hierarchy?
- How do the various departments coordinate activities?
- How do the team members organize and align themselves?
- Is decision making and controlling centralized or decentralized? Is this as it should be, given what we’re doing?
- Where are the lines of communication? Explicit and implicit?

Systems

- What are the main systems that run the organization? Consider financial and HR systems as well as communications and document storage.
- Where are the controls and how are they monitored and evaluated?
- What internal rules and processes does the team use to keep on track?

Shared Values

- What are the core values?
- What is the corporate/team culture?
- How strong are the values?

- What are the fundamental values that the company/team was built on?

Style

- How participative is the management/leadership style?
- How effective is that leadership?
- Do employees/team members tend to be competitive or cooperative?
- Are there real teams functioning within the organization or are they just nominal groups?

Staff

- What positions or specializations are represented within the team?
- What positions need to be filled?
- Are there gaps in required competencies?

Skills

- What are the strongest skills represented within the company/team?
- Are there any skills gaps?
- What is the company/team known for doing well?
- Do the current employees/team members have the ability to do the job?
- How are skills monitored and assessed?

2. A ‘capacity’ assessment grid from McKinsey, relating to and extending the 7S Framework. It helps in assessing an organization’s capabilities from a very low level to a high level of capacity.

<http://tiny.cc/g3snzw>

3. An organizational effectiveness self-assessment tool for use by individuals. It includes questions on vision and mission, structure, governance, systems, organizational renewal, etc.

<http://tiny.cc/f4snzw>

4. A software tool for drawing organizational structures:

<http://tiny.cc/84snzw>

REVIEW QUESTIONS

1. A project manager works in a company that has a matrix organizational structure. A server administrator is assigned to the project manager’s project team. The server administrator is not taking direction from the project manager and the delay in the server administrator’s tasks is causing a negative variance to schedule. The server administrator works for the Director of Server Administration. Who is primarily responsible to solve this problem?

- a. The project manager
 - b. The Director of Server Administration
 - c. The project manager, in consultation with the Director of Server Administration
 - d. The project sponsor
2. An obstacle to team building in a matrix organization is that the:
 - a. The team is technically focused
 - b. Team members are borrowed resources and may be hard to motivate
 - c. Teams are too centralized
 - d. Teams are too large and therefore very hard to handle
3. A resource assigned to your project contacts you, trying to get off the team. He knows that an important project in his department is going to be approved and will take place at the same time as yours. He wants to work on the other project. Under the circumstances, what should you do?
 - a. Release him from the team
 - b. Talk to the functional manager about releasing him from the team
 - c. Release him after he finds a suitable replacement
 - d. Speak with the project sponsor about releasing him from the team
4. The strong alignment of the following three elements are particularly important for a well-functioning organization:
 - a. Strategy, culture, PMO
 - b. Structure, strategy, matrix
 - c. Culture, structure, OBS
 - d. Culture, structure, strategy
5. McKinsey's 7S Framework consists of both hard and soft components. Which component is at the centre of this Framework?
 - a. Staff
 - b. Shared values
 - c. Structure
 - d. Strategy

6. You are managing a project with part-time resources in a weak matrix organization. Several of the team members only attend team meetings and have not completed assignments. At your next team meeting, the MOST important agenda item would be:
 - a. To review the work breakdown structure
 - b. Team building
 - c. Define the impact of the delays
 - d. To review project schedule and assignments
7. Communication in a matrix organization, especially for new staff, is quite _____ compared to other kinds of organization structures.
 - a. Straightforward
 - b. Complex and stressful
 - c. Complex
 - d. Direct
8. An emerging kind of organizational structure is the flat organization. What role would the PM have in such an arrangement where there is very limited or no hierarchy?
 - a. Facilitator or catalyst for project
 - b. Project overseer
 - c. Person with most project authority
 - d. Link to owners/investors
9. The terms ‘strong’, ‘balanced’ and ‘weak’, in the context of the matrix form of organizational structure, refer to the:
 - a. Ability of the organization to achieve its goals
 - b. Degree of authority the PM has over team resources
 - c. Physical proximity of project team members to one another and to the PM
 - d. Degree to which team members bond together
10. A consulting company regularly builds teams to create products for clients. When the product is delivered, the team is dissolved and assigned to other projects. What kind of organization is this?
 - a. Weak Matrix
 - b. Functional
 - c. Projectized
 - d. Strong Matrix

KEY TERMS

- **Balanced Matrix Structure** – A matrix structure where the relative power of the project manager and the functional manager(s) is approximately equal.
- **Flat Structure** – An organization structure in which there is minimal or no management hierarchy. Sometimes called decentralized, non-hierarchical, flat or open organizations.
- **Functional Structure** – An organization structure which is divided by area of specialization, with each employee reporting to only one superior. Sometimes called traditional, hierarchical or classical organization.
- **Matrix Structure** – An organization structure which is a blend of functional and projectized characteristics and can incorporate the best of both worlds. It involves dual reporting relationships for project team resources.
- **McKinsey 7S Framework** – A framework developed by McKinsey Consulting which inter-relates 7 important organizational elements. The ‘hard’ elements are strategy, structure and systems, while the ‘soft’ elements are shared values, skills, staff and style.
- **Organizational Breakdown Structure (OBS)** – A hierarchical breakdown approach, similar to a work breakdown structure or risk breakdown structure methods, describing the current or planned organizational framework for project planning, resource management, time and expense tracking, cost allocation, revenue/profit reporting and work management.
- **Projectized Structure** – An organization which is structured in a way that most of the organization’s resources are allotted to project work.
- **Strong Matrix Structure** – A matrix structure where the relative power of the project manager is greater than that of the functional manager(s).
- **Weak Matrix Structure** – A matrix structure where the relative power of the project manager is less than that of the functional manager(s).

ADDITIONAL RESOURCES

1. Paper: Challenges and Strategies of Matrix Organizations
<http://tiny.cc/98snzw>
2. Paper: Success of Projects in Different Organizational Conditions
<http://tiny.cc/69snzw>
3. Paper: Organizing for Product Development Projects – Five Different Project Management Structures:
<http://tiny.cc/watnzw>

4. Video: Explaining the McKinsey 7S Framework
<http://tiny.cc/lbtnzw>
 5. Sample Organizational Breakdown Structure charts:
<http://tiny.cc/9btmzw>
<http://tiny.cc/6ctnzw>
 6. Video: Gary Hamel on the limitations of leadership, if constrained by the traditional organizational structure:
<http://tiny.cc/wdtnzw>
 7. Workforce 2020, a white paper from Cisco on the transformation of organizations:
<http://tiny.cc/qetnzw>
- Books on decentralized, flat, non-hierarchical and/or open organizations:**
8. The Starfish and the Spider: The Unstoppable Power of Leaderless Organizations, O. Brafman and R.A. Beckstrom, Portfolio, 2006
 9. The Future of Management, Gary Hamel, McGraw-Hill, 2007

REVIEW ANSWERS

1. C 2. B 3. B 4. D 5. B 6. D 7. B 8. A 9. B 10. C

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Chapter 3 – Organizational Structure

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Organizational Culture

“Company cultures are like country cultures. Never try to change one. Try, instead, to work with what you’ve got.”

Peter Drucker



LEARNING OBJECTIVES

- Define “Culture” and explain the origin of culture in organizations
- Explain the importance of organizational culture to achieve project and organizational success
- Understand the building blocks of an ideal culture
- Explain Schneider’s model of four core cultures
- Understand the linkage between strategy, culture and leadership
- Outline different leadership styles based on organizational culture
- Define project management team culture
- Understand the influence of project manager leadership and ‘cultural architects’ on establishing team culture
- Describe a framework for establishing and reviewing team culture
- Recognize structure in relation to organization culture

ORGANIZATIONAL CULTURE PLAYS ONE OF THE LARGEST ROLES IN ACHIEVING PROJECT SUCCESS

“Culture isn’t just one aspect of the game – it is the game. In the end, an organization is nothing more than the collective capacity of its people to create value.”

Lou Gerstner¹

Culture is the set of values, beliefs, shared assumptions, behavioural norms and patterns of interaction that, together, characterize an organization. Schneider defines culture as “how we do things around here in order to succeed”.² Seel suggests that “Organisation culture is the emergent result of the continuing negotiations about values, meanings and proprieties between the members of that organization and with its environment”.³

Culture provides order and structure for an organization. It outlines boundaries or ground rules for behaviour, including what is to be rewarded and what is not.

Culture also embodies an organization’s dominant motivators and drivers – for instance, quality, excellence, customer service, employee respect, service to the public, speed, transparency, teamwork, innovation, etc. Exhibit 4.1 highlights the key aspects of organizational culture.

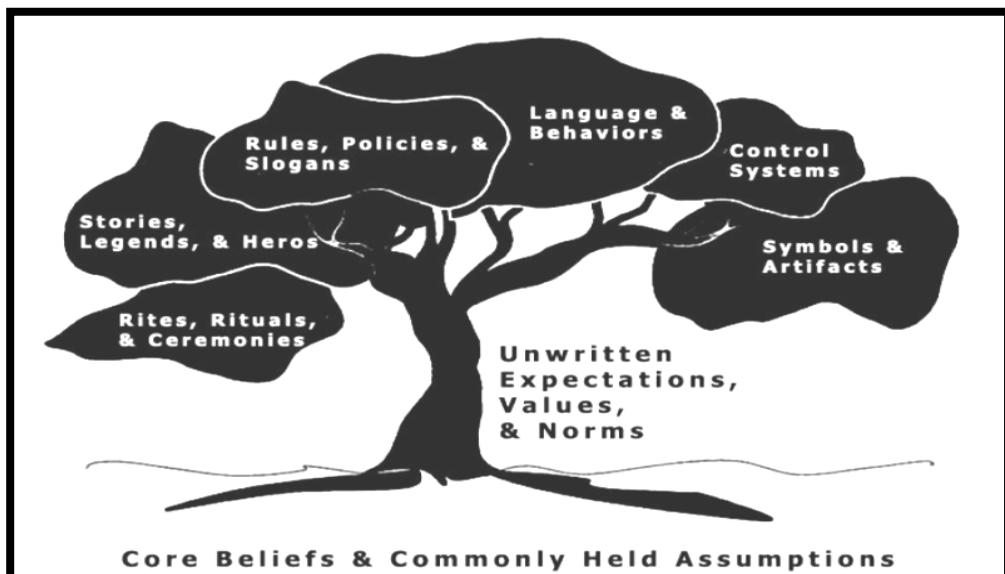


Exhibit 4.1: The Culture Tree⁴

Founders often have a significant and long-lasting influence on an organization's culture. So does the environment in which an organization operates. For example, enterprises in regulated sectors such as telecom, airlines, banking and health care tend to be more conservative and risk-averse due to the oversight of government regulators and the nature of their work, such as the need to avoid a plane crash or concern for patient safety. The stage of development in the organizational life-cycle will also have a bearing on culture. A young, small entrepreneurial venture will typically have quite a different, though less well-formed, culture than an organization that has already been in existence for a hundred years.

It is natural for an organization's culture to evolve and shift over time.

As people share in the organization's successes or failures, and in how these are handled (e.g. are people punished for failing?), they develop views about how the organization does its work and meets its objectives. This reinforces certain perceptions, norms and behaviors and drives others to be altered. The older or more successful the organization, the stronger (and sometimes quite rigid) is its culture.

It is important to note that an organization's culture inherits characteristics from and is a subculture of the national culture in which it exists. While a firm's culture is formed through people working for the same organization, national culture is the sum of behaviours, norms, beliefs, etc. of people residing in a specific country or region. Hall stresses that culture is a part of everyday life, formed through personal encounters with other people, both within and outside the work environment.⁵ The national or regional culture thus shapes the culture of the enterprise and there will be a multiplicity of influences for multinational organizations.

In project management, we must deal with three distinct cultures at the same time:

1. The culture of the organization in which we work;
2. The culture of the organization, external or internal, contracting us to do work for them (the 'project client'); and,
3. The culture of the Project Team itself.

An organization may be one of several working within a partnership to deliver a project and the 'project client' may actually consist of multiple clients or a consortium. Project members may also be working across multiple national cultures. Any of these situations will substantially complicate the culture of the project, requiring much awareness and sensitivity.

An organizational culture survey, published by the American Management Association, provides insight into the role of culture across a diverse set of organizations. Selected findings are presented below as Exhibits 4.2, 4.3 and 4.4. The study is based on 1,967 responses, 65% of which were from managers and directors. A range of functional areas were represented. Nearly three-quarters of the responses were from the US and another 18% were from Canada.

To what extent do the following statements describe your organization's culture?		
Responses	Percentage Responding to a High or Very High Extent	Correlation with Market Performance Index
We have a cooperative culture	47.9%	.21**
Our corporate culture is aligned with our strategy	41.8	.24**
We have a culture that encourages innovation	39.4	.22**
We have a culture that encourages strategy execution	38.9	.21**
Our culture fosters trust	35.6	.21**
We have a culture that promotes quick responses to needed changes	34.3	.19**
Our corporate culture brings out the best performance in our employees	32.0	.27**
Decision-making authority exists at all levels, not just top management	29.2	.19**

Exhibit 4.2: Findings from 'Cultivating Effective Corporate Cultures – A Global Study of Challenges Strategies'^{6 7}

Based on the percentage of 'high extent' and 'very high extent' responses, it is evident from this data that alignment of corporate culture with strategy is in place for a large number of organizations. There is a similar finding, in a more applied sense, for the presence of a culture that encourages strategy execution. Both of these factors correlate positively and at a statistically significant level with the responding organizations' market performance. As indicated with the double asterisks in Exhibit 4.2, all of the factors are shown to be correlated positively and at a statistically significant level with market performance.

The study also demonstrates the relationship between the culture of an organization and influence on behaviours. The data in Exhibit 4.3 provides positive and statistically significant results in connection with the two factors. The highest percentage of 'high extent' and 'very high extent' responses is for influence on ethical behaviour. There is a high level of correlation here with the Culture Index at 0.55. The highest level of correlation for market performance is for influence on behaviours related to maximizing return on investment. This factor is also found to have a quite high correlation with the Culture Index. Altogether, every factor listed displays a positive and statistically significant correlation with the Culture Index and the Market Performance Index.

To what extent does corporate culture help your organization achieve the following?			
Responses	Percentage Responding to a High or Very High Extent	Correlation with Culture Index	Correlation with Market Performance Index
Encourage ethical behavior	69%	.55**	.16**
Comply with regulatory policies	66%	.30**	.10**
Increase customer satisfaction	52%	.61**	.26**
Boost resiliency in the face of challenging times	40%	.65**	.23**
Increase workforce diversity	39%	.46**	.09**
Retain high-performing employees	38%	.67**	.23**
Improve productivity	38%	.67**	.25**
Maximize return on investment	35%	.61**	.36**
Increase satisfaction of employees	31%	.72**	.25**
Build outsourcing relationships	30%	.43**	.13**
Engage employees effectively	29%	.73**	.22**
Increase global competencies	29%	.39**	.22**
Decrease carbon footprint	20%	.37**	.16**

**significant at p<.01

Exhibit 4.3: Findings from ‘Cultivating Effective Corporate Cultures – A Global Study of Challenges and Strategies’^{8, 9}

Various leadership behaviours, and their implications in the context of organizational culture, are explored in Exhibit 4.4. Again, it is notable that all of the listed factors show a positive and statistically significant correlation with both the Culture Index and the Market Performance Index.

Other studies have confirmed that:

- Companies that managed their cultures well saw revenues rise 682% on average over 11 years, compared with 166% for firms that didn't.¹⁰
- Organizations that place more emphasis on key cultural characteristics such as customer satisfaction, stakeholder management, employee growth, and leadership development, outperform their competition.¹¹
- Organizational cultures supporting communication and cooperation between teams are expected to perform better.¹²

- There exists a significant and positive relationship between team leader effectiveness and the organizational culture that supports communication and cooperation among teams.¹³

To what extent do the following statements describe all leaders' behavior in your organization?			
Responses	Percentage Responding to a High or Very High Extent	Correlation with Culture Index	Correlation with Market Performance Index
They are highly ethical	63.5%	.49**	.14**
They align work to organizational business needs	57.3	.61**	.21**
They celebrate successes	40.9	.56**	.14**
They model desired behaviors ("walk the talk")	40.5	.66**	.19**
They make sure programs support desired culture	35.3	.70**	.19**
They are strong communicators	31.9	.59**	.13**
They are emotionally self-aware	26.5	.59**	.15**
They are good listeners	25.5	.64**	.15**
They use rewards and recognition well	23.2	.61**	.19**

** Indicates that the correlation is significant at the p<.01 level.

Exhibit 4.4: Findings from 'Cultivating Effective Corporate Cultures – A Global Study of Challenges and Strategies',^{14, 15}

The existence of a strong organizational culture, then, enables people to know their organization's expectations and gives them the guidance to get the work done. Conversely, a culture that is weak or not constructive can generate confusion, disengage employees and leave them unmotivated.

The following organization snapshot describes how Disney has set in place and promoted a very successful culture for its operations around the world.

ORGANIZATION SNAPSHOT: WALT DISNEY¹⁶

The Magic of Disney's Organizational Culture¹⁷



Walt Disney once said, “You can dream, create, design and build the most wonderful place in the world, but it requires people to make the dream a reality.” Disney is a well-known company in homes across the world because of the magical

experience you have when visiting one of their many theme parks. The magic begins with the vast amount of training each employee receives to make every visitor’s experience a memorable one.

Disney has created a culture for its employees (or ‘cast members’) wherein each feels that they are valued as individuals and as a vital part of the team. They achieve this with open communication, comprehensive training and rewards. Preparing this type of dynamic employee has given Disney one of the lowest attrition rates for any company in the United States. This philosophy of how to treat an employee has been passed on year after year by the likes of Walt Disney. The basic belief is that you cannot have happy guests if you do not have happy employees – this is an essential component of Disney’s organizational culture and human resources practices.

One way Disney determines if its employees are happy is with a 120-question survey about management’s performance. The survey is a good approach to determining if management and employees are communicating effectively. A staff meeting is held within three weeks of survey completion and at that time all staff concerns are addressed so that any problems can be resolved. This demonstrates that the Disney Company is concerned about the welfare of its employees and wants to keep them satisfied, in turn making for happy customers.

The company-wide belief that every cast member has valuable insights and information to share is given life through Disney’s ongoing employee communication efforts. Cast members receive a biweekly newsletter with company information and updates available in English, Spanish, and Haitian Creole. They can find updated information online via the Disney

intranet as well, which contains everything a cast member could need, from the current Disney stock price to the day's weather forecast.

Disney's organizational culture is built upon innovation, quality, community, storytelling, optimism, and decency because the foundation of the company was based on the beliefs of Walt Disney. Disney's goal is to treat every employee in the same manner as their guests, believing that if they operate in this fashion they can ensure everyone gets a dose of the Disney magic. Disney respects and trusts their consumers and believes that we should laugh at ourselves and our experiences, which help us all grow as people. Innovation is very important for the Disney Company because without having innovative ideas the company would not be as successful as it is today. In addition, treating their employees so well enables Disney to keep the magic alive even eighty years after Walt Disney's dreams first became reality.



Within their organizational culture, community is vital, even though Disney is in business to make money. Disney ensures that their visitors are supplied with the best accommodations. They also make sure that accommodations are affordable for everyone, including through their new "magic your way" vacation plans. Each Disney location aligns its culture with the cultural expectations of its location, such as Disney Japan. Even though it is physically an exact replica of Disney California,

its culture reflects the microscopic attention to detail that Japanese citizens are used to. For example, the World Bazaar is similar to Main Street USA, but manipulated to appeal to the Japanese.

It is evident that when each of the various Disney locations was created, a great deal of thought was put into forming a culture and environment that would appeal to the local community. Management understood that neglecting this would harm the theme parks' popularity with its closest potential customers. At the same time, Disney created its time-share programs, which allow visitors from around the world to visit any Disney theme park of their choice. This permits the company to be both local and global at once. Though all customers are welcome at all locations, there are cultural differences evident at each park based on location.

An American visiting Disney Europe or Disney Japan, for example, may not find the park as appealing as, say Disney Orlando or Disney California, because the latter parks are calculated to specifically appeal to Americans and their cultural norms.

Employee training at each location is varied to match the prevailing culture of both employee and the community in which the park operates. The success Disney has had in developing methods for training vast numbers of employees in highly divergent cultures and locations has been noted and studied by other companies, and has helped them become more successful with organizational culture, human resources practices, communication, and motivation¹⁸.

Many companies have turned to the Disney magic and the assistance of the Disney Institute to refurbish their own image and brand. The Disney Institute continues to actualize Walt Disney's original thoughts on how employees should be trained, allowing everyone to gain access to the magical experience at all of the Disney theme parks.

SCHNEIDER MODEL OF ORGANIZATIONAL CULTURE

Many models of organizational culture have been described in the literature and are used in practice, including their application toward assessing an enterprise's culture. One such model is that developed by Dr. William Schneider, who categorizes organizational culture according to four core cultures that emerge from social organization archetypes.¹⁹

Schneider's model of organizational culture provides a powerful tool that illustrates the relationship between the four core cultures with four core strategies and four core leadership practices.

The four core cultures in Schneider's model are collaboration, control, cultivation and competence, as illustrated in Exhibit 4.5.

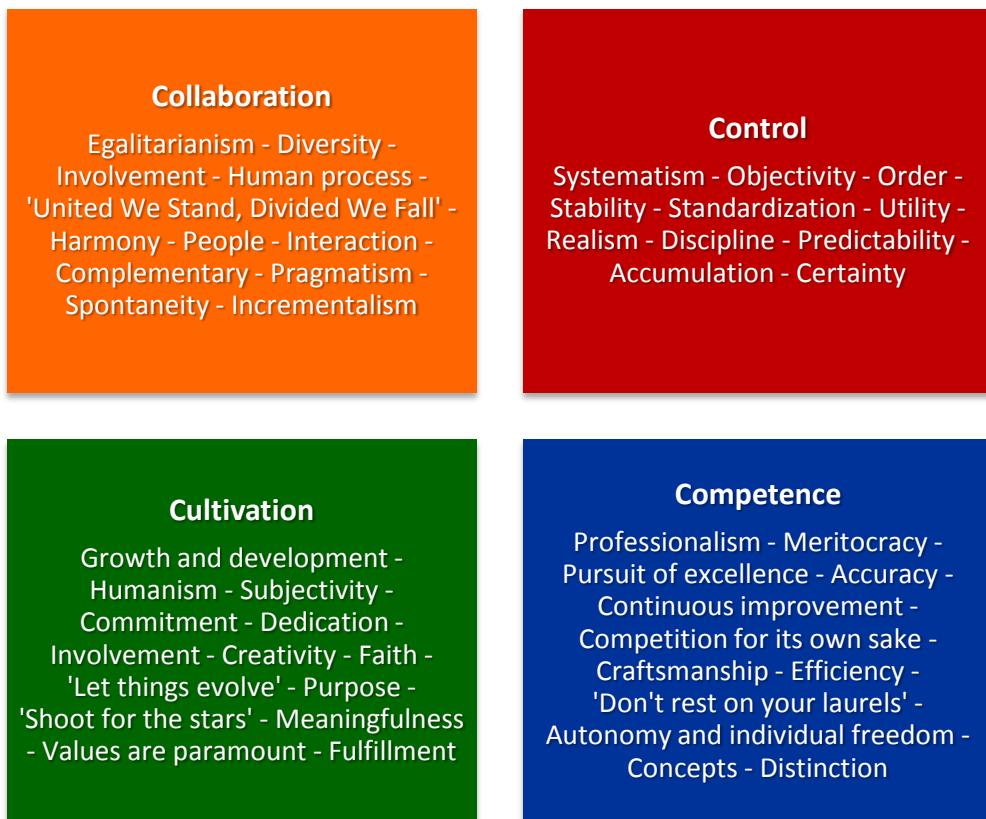


Exhibit 4.5: Schneider's Model of the Four Core Cultures²⁰

Each organization will have its own ‘ideal’ organizational culture based on its central motivators, drivers or goals. Larger organizations may have multiple cultures among their

various departments, divisions or subsidiaries, though all of these subcultures should be aligned with and supportive of the main organizational culture.

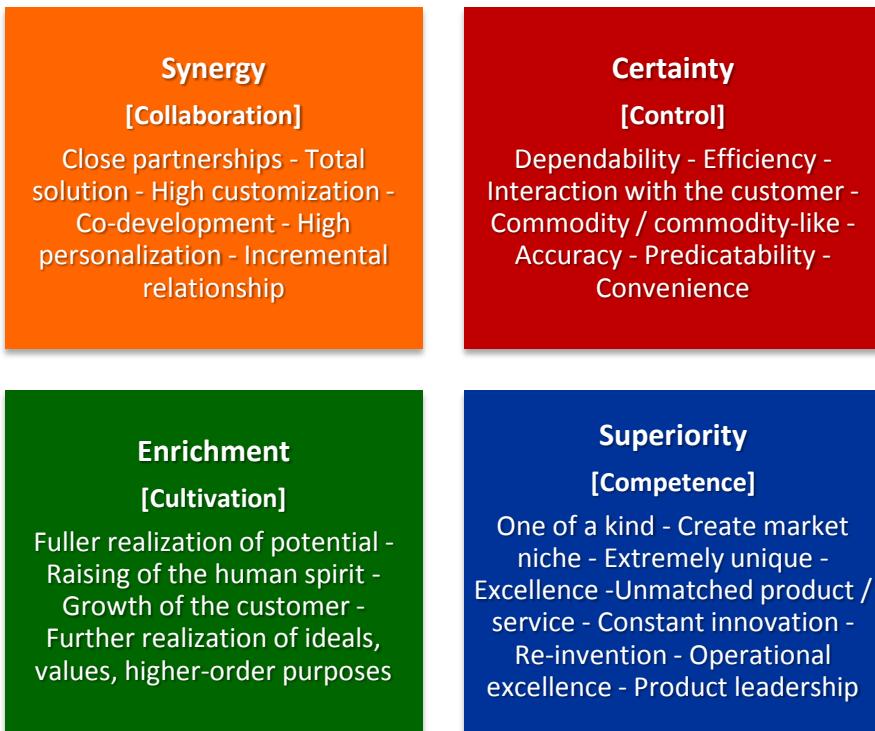


Exhibit 4.6: Schneider's Model of the Four Core Cultures Related to Strategic Desires²¹

A brief description of each core culture is provided below:

- **Control:** This culture is based on the desire for certainty (see Exhibit 4.6). It seeks to have predictability, safety, accuracy, efficiency and dependability in all of the enterprise's operations.

The control culture is very much oriented towards the present (actuality) and is highly focused on organizational goal attainment.

As an extreme example, policing or military organizations will typically have a complete control culture, allowing for no divergence or individual exceptions, in order to preserve lives and successfully complete missions in the face of dangerous, fast-changing or ambiguous situations. There is an ambition for organizational systematism, which means that the key issue in a control culture is to preserve, grow, and ensure the well-being and success of the organization. In other words, the organization as a system is primary, implying that this is an impersonal or more task-oriented culture (see Exhibit 4.11). Example organizations include Kellogg's, Procter & Gamble, Exxon and

Marriott Hotels. The strengths and weaknesses for this culture are listed below in Exhibit 4.7.

Control Culture ²²	
Strengths	Weaknesses
Planning	May be impersonal
Building systems, policies and procedures	Very intense work environment
Spotting problems quickly; corrective action	May give people a message of “up or out”
Creating order	Good ideas from below may get lost
Clarifying roles	People are reluctant to volunteer bad news
Realistic decision-making	Too much compliance
Being objective and realistic	Hard to voice conflict, disagreements
Gaining a dominant position in markets	Information flows upwards, not laterally

Exhibit 4.7: Strengths and Weaknesses of Control Culture

- **Collaboration:** This culture is based on the desire for synergy (see Exhibit 4.6). Fundamentally, it is about ensuring unity, which can apply to staff, customers, the supply chain or other stakeholders. It is a culture relatively more concerned with people than tasks.

Collaboration culture is primarily driven by respecting, gathering and exploiting the collective experience and thinking of participants.

Collaboration Culture ²³	
Strengths	Weaknesses
Building and managing diversity	Prone to short-term thinking
Open, free and direct communication	May become overly compromising
Building and developing values that drive the organization	May fail to properly recognize individual achievement
Developing and utilizing teams	Takes longer to make decisions
Supporting relationships, people treat one another in a sensitive and caring manner	People refrain from dissent and fear team ostracism
Partnering with its customers	Over-adaptive, environment sways decisions
Listening to other people	Inclined toward de-emphasizing planning

Exhibit 4.8: Strengths and Weaknesses of Collaboration Culture

▪ **Competence:** This culture is based on the desire for superiority (see Exhibit 4.6). Fundamentally, it exists to deliver unparalleled, distinctive products or services. This is the culture of producing something unique for its own sake. There is the element of conceptual systematism, which means that this culture seeks to realize conceptually superior and distinctive goals – how can we achieve excellence and innovation – for ourselves and for our customers. The strengths and weaknesses for this culture are listed in Exhibit 4.9. Example organizations include Apple, Lucent Technologies, ADP, Citicorp, Four Seasons Hotels, Bell Canada and Intel.

Competence culture is impersonal (i.e. more task-oriented) and is focused on the future or possibility (see Exhibit 4.11).

Competence Culture	
Strengths	Weaknesses
Setting high performance standards	Over-plans and over-analyzes
Having very high technical expertise	Emotionally controlled
Establishing a creative and exciting place	Tough on people – people feel pressured
Being future-oriented	Winning becomes overly important
Valuing professionalism	Advises against collaboration and teaming
Incentive-based reward systems	May lose sight of the human element
Promoting individual accomplishments	Generalists are not developed
Good at adapting and changing	Win-win situations may be overlooked
Decision-making is thorough and systematic	People may feel leadership is never satisfied and they are underperforming

Exhibit 4.9: Strengths and Weaknesses of Competence Culture²⁴

- **Cultivation:** This culture is based on the desire for enrichment (see Exhibit 4.6). Primarily, it exists to ensure the growth and fulfillment of employees, staff and partners. This culture is all about the further realization of ideals, values, and higher order purposes. Putting these values and ideals to work can be challenging, though. This culture is focused on value-centered goal attainment. Cultivation culture is personal (i.e. more people-oriented) and is focused on the future or possibility (see Exhibit 4.11). Example organizations include Royal Bank of Canada (RBC), 3M, Celestial Seasonings and universities in general. The strengths and weaknesses for this culture are listed below in Exhibit 4.10.

Cultivation Culture	
Strengths	Weaknesses
People feel cared for and nurtured	Projects may not always get finished
Builds commitment and dedication within its ranks	Prone to idealism and searching for perfect solutions
Offers many opportunities for growth	Prone towards playing favourites
Values creativity, people's aspirations	Details may get overlooked
Trust is abundant	Tends to be oriented against controls
Very open to change	Some ideas outlive their usefulness
People feel inspired	Prone to inefficiency
Places high value on training	

Exhibit 4.10: Strengths and Weaknesses of Cultivation Culture²⁵

Each of the four cultures is further defined by the dimensions of Content and Process, as illustrated in Exhibit 4.11 and outlined below:

- **Content** – Content is represented by the vertical axis and highlights to what an organization pays attention. It has the poles of ‘actuality’ and ‘possibility’. The former describes a culture focused on the present; the latter, a culture focused on the future.
- **Process** – Process is represented by the horizontal axis and extends from ‘personal’ to ‘impersonal’. Personal is sometimes termed ‘people-oriented’; impersonal is sometimes termed ‘task-oriented’. Process is about the degree to which people and their well-being are a significant concern when an organization forms judgments and makes decisions.

It is important to note that an organization may have characteristics of more than one core culture, but that there is usually a dominant core culture in place. In other words, Schneider’s four core cultures should not be treated as mutually exclusive.

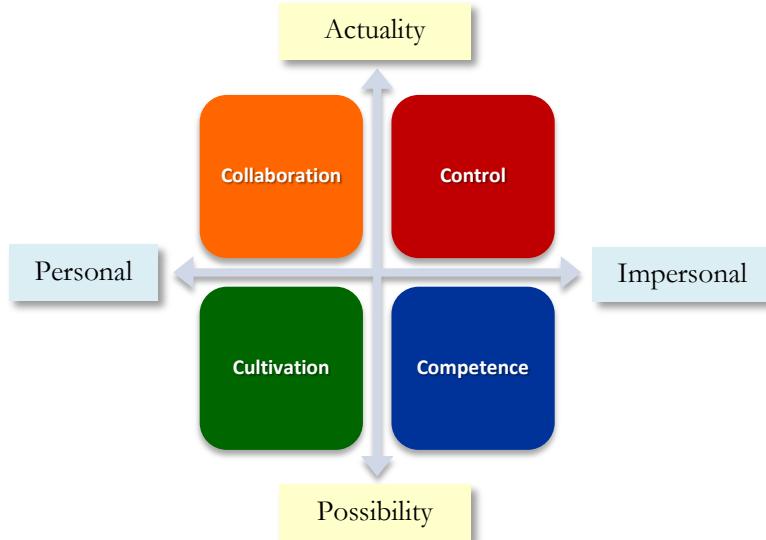


Exhibit 4.11: Schneider's Model of the Four Core Cultures Related to the Dimensions of Content and Process²⁶

DENISON MODEL OF ORGANIZATIONAL CULTURE

On the basis of his research at IMD, Dr. Daniel Denison developed another frequently used model of organizational culture.

The Denison model is founded on the shared beliefs and assumptions of the organization and has four dimensions.

This model is based on four major dimensions – adaptability, mission, involvement and consistency, with each having a further three attributes. These are briefly described as:

- **Adaptability** is concerned with the organization's ability to adapt to changing conditions, including external signals from the marketplace. It incorporates the attributes of creating change, customer focus and organizational learning.
- **Mission** is about clarity of purpose. It is an indicator of whether the organization is working strategically and systematically to advance itself, or whether it is short-sighted. This dimension incorporates the attributes of vision, strategic direction and intent, and goals and objectives.
- **Involvement** refers to building employee capabilities and engagement. It reflects the extent to which the organization seeks to develop, communicate with and involve employees. This dimension incorporates the attributes of empowerment, team orientation and capability development.
- **Consistency** deals with the relative strength and cohesiveness of the internal culture. This dimension incorporates the attributes of core values, agreement, and coordination and integration.

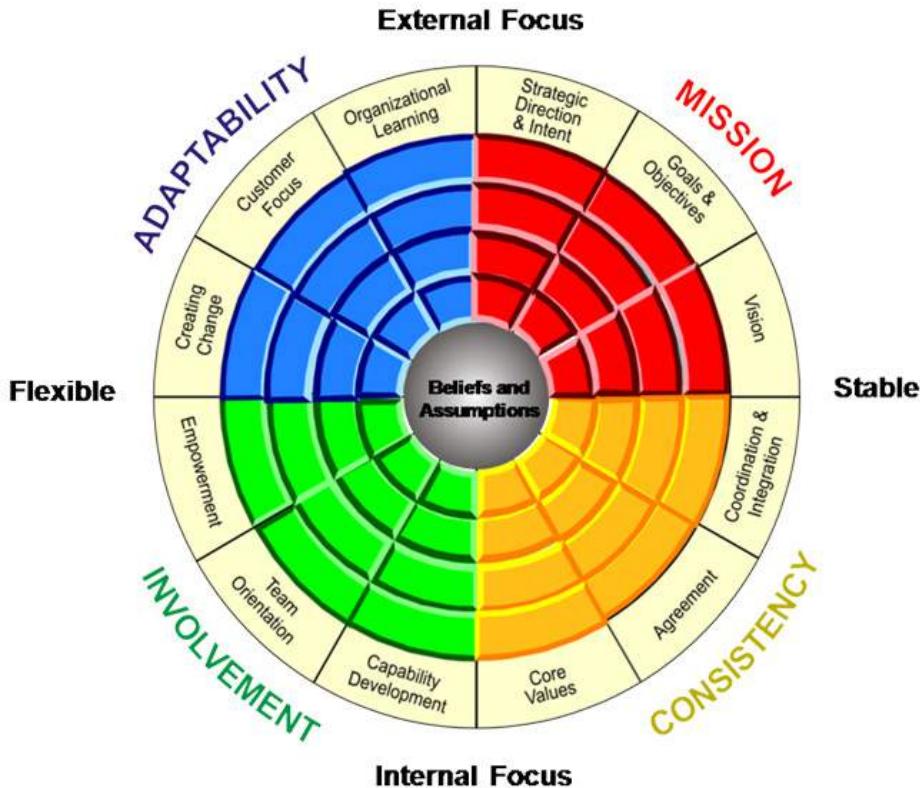


Exhibit 4.12: Denison Model of Organizational Culture²⁷

The four dimensions, and their corresponding attributes, are illustrated in Exhibit 4.12. Activity 2, at the end of this Chapter, gives further details on all of the attributes and applies this model to a range of Chinese enterprises, both in the private and the public sector.

The two dimensions on the left side of the figure, Involvement and Adaptability, are primarily concerned with change and flexibility. The two dimensions on the right side, Mission and Consistency, are primarily concerned with predictability and stability. The two dimensions in the upper half of the figure, Adaptability and Mission, deal particularly with the external situation. The two dimensions in the lower half of the figure, Involvement and Consistency, deal particularly with the internal situation.

This organizational culture model highlights the tension between consistency and adaptability

The model also highlights the tension between the ‘top-down’ mission of management and the ‘bottom-up’ involvement of staff. This is the challenge of balancing high-level direction-setting while not losing sight of employee engagement, to ensure that everyone is feeling empowered and working toward the same future.

HOFSTEDE ET AL'S TEN DIMENSIONS OF ORGANIZATIONAL CULTURE

One additional model of organizational culture is explored here. From their research findings on the attributes of cultures around the world, Hofstede et al. proposed ten dimensions which, taken together, characterize an organization's culture. They are listed in Exhibit 4.13.

Dimension	Description
Member Identity	The extent to which employees identify with the organization as a whole, rather than with their type of job or specialization or professional expertise
Group Emphasis	The extent to which work activities are organized around the group or team, rather than the individual
People Focus	The extent to which management decisions take into consideration the effect of outcomes on people within the organization
Unit Integration	The extent to which cooperation and interdependence between different areas or business units of the organization is encouraged
Control	The extent to which rules, regulations and direct supervision are used to oversee and control the behaviour of staff
Risk Tolerance	The extent to which employees are encouraged to be aggressive, innovative, and risk-seeking
Reward Criteria	The extent to which rewards such as salary increases, bonuses or promotions are allocated according to employee performance or merit rather than seniority, favoritism, or other non-performance factors
Conflict Tolerance	The extent to which staff are encouraged to air conflicts and criticisms openly
Means-Ends Orientation	The extent to which management focuses on results or outcomes, rather than on the techniques and processes used to achieve those outcomes
Open-Systems Focus	The extent to which the organization monitors and responds to changes in the external environment

Exhibit 4.13: Hofstede et al.'s Ten Dimensions of Organizational Culture²⁸

Each of these dimensions is pertinent to the functioning and success of a project team.

Most larger organizations today are operating with a diversity of organizational cultures or subcultures. In other words, there can be variations from one department to the next and from one project to the next. Among other factors, these subcultures may be moulded by the characteristics of an occupational community, such as sales, research, engineering, finance and project management. Different subcultures have different cultural values. While some differences enrich the organization, others may lead to clashes which can interfere with organizational or project performance. It is important that the organization recognizes the existence of these differing values and harnesses them toward a shared set of values and a common purpose. Schein (1996) cautions that a majority of strategic change programs fail due to the existence of multiple, unaligned cultures or subcultures within an organization.

A project has a higher probability of success if it identifies, adapts to, and aligns with the core culture of the organization.

As an example, a public hospital intending to double patient capacity in a single year may not succeed – not because the hospital doesn't have a skilled Project Manager or suffers from budget limitations, but because there may be a cultural constraint. This hypothetical project requires a control culture to meet the aggressive schedule and requirements, but the core culture of the hospital is one of collaboration. The task-oriented nature of the control culture, driven by the urgency of the project situation, would be working against the people-oriented character of the collaborative culture. The project culture would thus be working counter to the core organizational culture and could well fail because of the ensuing clashes. Projects which diverge too much from an enterprise's core culture tend to fade away, run out of energy, or suffer a loss of commitment from senior management.

There are a number of organizational factors that influence a PM's ability to deliver projects successfully and organizational culture plays quite a large role. The PM is ultimately accountable for a project's success or failure, but is reliant on an organization's culture to enable project work. A PM toiling in an organization that does not support project efforts or does not recognize or reward the work of project teams will become a very frustrated PM. For projects to truly succeed, PMs have to develop a strong understanding of their and the client organization's specific cultures. They should also ensure that their project team understands these cultures and respective implications.

Organizational culture tends to play a stronger role in achieving success than even organizational structure.

An organization with a functional structure, usually seen as being at a lower level of project management maturity, could still execute projects with great success by creating a focused, projectized 'team culture', perhaps operating as a distinct business unit. Similarly, an organization with a projectized structure, normally considered to be at a higher level of project management maturity, might struggle to empower the PM sufficiently for successful project completion due to cultural issues. This suggests that an organization's structure can change, or there may be ways to compensate for that structure, but an organization's core culture is not easily altered.

ALIGNMENT BETWEEN STRATEGY, CULTURE AND LEADERSHIP IS CRITICAL

For culture to have a strong, positive effect on an organization, it needs to be aligned with the enterprise strategy and leadership style in use (and vice versa). The ideal organizational culture is one that applies to everyone, from the CEO to the most junior employee. On the other hand, the wrong culture can hold the strategy hostage! Exhibit 4.14 highlights the relationship between culture, strategy and leadership style for each of Schneider's four core cultures.

Culture	Strategy	Leadership
Control	<ul style="list-style-type: none"> ▪ Market share dominance ▪ Commodity or commodity-like ▪ Life and death ▪ Predictability 	<ul style="list-style-type: none"> ▪ Authoritative ▪ Directive ▪ Conservative ▪ Cautious ▪ Definitive ▪ Commanding ▪ Firm
Collaboration	<ul style="list-style-type: none"> ▪ Synergistic customer relationship ▪ Close partnership with customer ▪ High customization ▪ Total solution for one customer ▪ Incremental, step-by-step, customer relationship 	<ul style="list-style-type: none"> ▪ Team builder ▪ First among equals ▪ Coach ▪ Participative ▪ Integrator ▪ Trust builder
Competence	<ul style="list-style-type: none"> ▪ Superiority ▪ Excellence ▪ Extremely unique ▪ Create market niche ▪ Constant innovation to stay ahead 	<ul style="list-style-type: none"> ▪ Standard setter ▪ Conceptual visionary ▪ Taskmaster ▪ Assertive, convincing persuader ▪ Challenger of others
Cultivation	<ul style="list-style-type: none"> ▪ Growth of customer ▪ Fuller realization of potential ▪ Enrichment of customer ▪ Raise the human spirit ▪ Further realization of ideals, higher-order purposes 	<ul style="list-style-type: none"> ▪ Catalyst ▪ Cultivator ▪ Harvester ▪ Commitment builder ▪ Steward ▪ Appeal to higher-level vision

Exhibit 4.14: Schneider's Model of the Four Core Cultures and Their Relationship to Strategy and Leadership²⁹

Project Managers must make the connection between the desired strategic focus, the organizational culture and leadership required to accomplish project objectives.

The four core leadership practices in Schneider's model are elaborated in Exhibit 4.15. As an example, control culture is, as shown, typically associated with a directive or authoritative leadership style or practice. Strategically, it seeks to be dominant and to assure predictability. It is concerned with building and preserving the organization as a system. It is motivated by power and control. This leadership style requires employees to closely follow rules, policies and approval processes, limiting decision-making and independence of action. This can be considered a centralized approach to management. While this supports predictability and helps to manage risk, it is likely to affect the confidence of employees in dealing with unusual situations or in being innovative.

Participative [Collaboration]

Team Builder - Coach - Amiable - Pragmatist - Close partner with customers - Push for consensus - Conflict manager

Integrator: Ensures utilization of diversity

Epicenter: People process

Motive: Affiliation

Goal attainment: Unique customer

Directive [Control]

Authoritative - Conservative - Driver - Firm and assertive - Definitive - Realist

Structurer: Builds systems

Epicenter: System

Motive: Power

Goal attainment: Organizational system

Charismatic [Cultivation]

Cultivator - Catalyst - Idealist - Expressive - People steward - Commitment builder

Developer: Appeals to higher-level vision

Epicenter: Values

Motive: Self-actualization

Goal attainment: Value-centered

Standard Setter [Competence]

Conceptual visionary - Spurs competition - Challenger of others - Tough taskmaster - Stretcher of people - Analyst

Exceller: Drives constant improvement

Epicenter: Concepts

Motive: Achievement

Goal attainment: Conceptual

Exhibit 4.15: Schneider's Model of the Four Core Leadership Practices³⁰

In contrast, across the diagonal, cultivation culture is typically associated with a charismatic or catalyst leadership style. Strategically, it seeks to be enriching, fostering growth and the pursuit of ideals. It is concerned with the development of people and organizations. It is

motivated by self-actualization and centred on values. This can be considered a decentralized approach to management. This leadership style generally allows employees much freedom in decision-making and actions, perhaps at the expense of organizational unity.

Denison's model of organizational culture also makes a significant connection to strategy, along with vision and goals, within the Mission dimension; it speaks less directly to leadership style.

A core culture and leadership style already exist in any organization, whether these have developed organically or deliberately. Linkage and alignment of these with the organizational strategy is important. Instituting a new strategy which is in conflict with the existing core culture may seem feasible on paper, but it is difficult to implement in reality.

Peter Drucker said, “Culture eats strategy for breakfast.”

An organization can formulate the best possible strategy, but if it is not aligned with the prevailing culture, it will stall, fail or be very disruptive to the organization. Employee reactions such as “this is just the flavour of the day”, “this too shall pass”, “this will last about a year and then we'll be into something else”, or “this is just like those other crazy initiatives – here today, gone tomorrow”, reflect employee distrust in the organization's strategy and misalignment of strategy with organizational core culture. Any significant change will also require an intensive communication effort with everyone in the organization, along with appropriate change management techniques (discussed further in Chapter 10). If well-aligned with existing cultural values and norms, the strategy will be more readily accepted and may even seem to be rather obvious, as opposed to being deemed a dramatic change.

The following organization snapshot describes the culture of empowerment and teamwork in place at WestJet. It is representative of Schneider's core culture of collaboration. The coaching and participative leadership style, well suited for this kind of culture, is also evident.

ORGANIZATION SNAPSHOT: WESTJET³¹

Creating a fun and friendly organization culture at WestJet in alignment with organizational vision and leadership style³²

“WestJet strives to be a company where no one takes themselves too seriously,” says Director of Customer Service, Rosanna Imbrogno, “but everyone takes their job seriously.” Thanks in large measure to its staff, WestJet is a bona fide, oft-repeated, made-in-Alberta success story. The numbers tell part of this story. When it launched in 1996, WestJet had three planes, 220 employees and served five destinations; in 2005, there were 55 planes in its fleet, 4,700 employees on its payroll, and 32 destinations in its flight plans. The company had posted profits for 31

out of 32 quarters, an amazing feat in an industry with a 97% failure rate. But it's the faces behind these figures that complete the picture. Regardless of the field you're in, a clear company vision and strategy, a positive culture and leadership style that empowers employees, are the foundations of top-notch teams.

Workers and customers sing the praises of WestJet so loudly it has become the place to work. Since different companies and industries offer distinct products and services, a myriad of tools are used to build these foundations. But the goal is the same: a strong organizational culture where people want to work.

How does WestJet keep employees motivated, provide stellar customer service and make money? Its competitive advantage, according to Imbrogno, starts with the company's vision: "WestJet will be the leading low fare airline that people want to work with, customers want to fly with and shareholders want to invest with." People are deliberately listed before customers because WestJet believes that happy employees are the key to pleased customers, which in turn leads to satisfied shareholders. It's also important to have core values and guiding principles to show people how to live the vision. Imbrogno stresses that company's strength "lies in their strong values and principles, and the culture created as a result of employees who live those values."

Kay Devine, a human resources professor at the University of Alberta, says that, "WestJet was fortunate in that they started with a new operation and they had a great model with Southwest Airlines. They could create a healthy, productive culture from the start."

An organization's culture is defined by the way its people collectively act, what they value, and their overall beliefs. WestJet's culture is easy to identify – fun and friendly, with a focus on delivering enjoyable travel experiences. But this culture didn't just appear. The company has a CARE department (it stands for 'Creating A Remarkable Experience') dedicated solely to perpetuating their company culture.



Taking a huge leap away from established practices, the Big Guys at WestJet decided up front that they were going to stay away from policy and procedure manuals. WestJet feels policies are typically in place to stop people from doing the wrong thing, not to show them the right thing. “We believe most people are good and do things with the right intentions,” says Imbrogno. “They don’t come to work to screw up. Customer service comes from the heart, not a manual. You need to be in an environment to do the right thing.”

Imbrogno illustrates her point with an anecdote. An autistic child travelling with an adult companion on a competitor’s airline was experiencing major anxiety at take-off. When the anxiety escalated and became a behavioural issue, the pilot taxied back to the terminal. The child was taken off the plane because the pilot said they did not have a policy on how to deal with autistic children. The child and companion found their way to the WestJet counter. Unencumbered by policies, a WestJet pilot and flight attendant sat with the child, explained what was going to happen and offered him support, leading to a successful trip. The parents wrote to WestJet, praising the company for having no policy or manual, yet doing the right thing. Because of this kind of flexibility and front-line authority, WestJet receives hundreds of e-mails from satisfied customers every year. In fact, 95% of e-mail feedback from customers is positive.

A leadership style that empowers employees is a pillar at WestJet. Creating an atmosphere of trust, respect and open communication, and pushing decision-making authority down the line, helps develop a culture where employees work together to achieve personal and company goals. Obviously, company goals can’t be ignored – if the company doesn’t do well, there will be no need for star employees.

One powerful tool WestJet has used to help employees balance personal needs with company goals is making their employees owners. At WestJet, the entire compensation system is designed to align individual goals and behaviour with company objectives and strategy. WestJetters are paid an average base salary, but twice a year every employee receives a share of company profits. The largest payout so far was 55% of base salary. In addition to sharing profits, WestJetters can contribute up to 20% of their salary towards purchasing WestJet shares, with the company matching their contribution.

What happens, however, when employees make bad decisions? WestJet believes no one deliberately does a bad job, so if they make a mistake, it’s important to help them correct it and, hopefully, not repeat it. Performance measurement, feedback and recognition are important

ways to help employees develop personally and learn the culture of the organization.

Another way to create a winning team is to hire people who “fit” with your values and culture, and then provide them with the appropriate tools to do their jobs. At WestJet, the company hires people with the right attitude and then trains them. Having staff who fit well is key to success at WestJet, and the company recognizes that not everyone has what it takes to be a WestJetter. Someone who may do well at other organizations, where policies are an important part of the company’s success, may find the lack of direction at WestJet hard to live with.

For Project Leaders...

Project leaders must recognize and be able to work with multiple cultures and subcultures, within and beyond their own organization. Those leaders with the requisite awareness and sensitivity will be able to avoid or minimize conflicts and misunderstandings arising from differences in values, beliefs, assumptions, motivations, etc. The kind of project communications which would take place, in a control culture will likely be quite different than what occurs in a cultivation or collaboration culture. It will be your job as a project leader to build bridges across cultures or sub-cultures and to avoid a ‘them’ versus ‘us’ mentality.

It is important for you as a project leader to be alert to, understand and account for these differences. When encountering unusual behaviour from an individual, a department, a customer or other stakeholder, consider whether the source of that behaviour might be a cultural difference. The danger is that cultural differences can be quite fundamental in nature and lead to stubbornness, resentment, inflammation of issues and escalations – all of which can hamper project progress.

Suda suggests the following points to gain a higher likelihood of project success:

- “Start with the premise that organizations are living social systems.
 - Assess, identify, work with and align with the organization’s core culture.
 - Be clearly tied to the organization’s strategy
 - Understand that all organizations have a lead core culture and subcultures and the key is that the project culture must function in service of the organization’s core or lead culture.”
-

CREATING A PRODUCTIVE PROJECT TEAM CULTURE

A project's team culture can essentially make or break a project. The right team culture encourages appropriate behaviours and generates enthusiasm for the project. The wrong team culture, or the absence of attention to team culture, can lead to poor performance, much conflict and low morale. Project metrics may slip quite easily because there is very little concern for or attachment to the project. Central to the desired team culture is a strong, shared commitment to the project goals and to achieving successful outcomes together. This goes beyond project methodology, structure, resources or job titles.

The team culture cannot be left to just happen. It requires leadership and role modeling to promote and instill the right behaviours.

Fundamentally, it means each individual on the project team knows what is expected of them and is fully dedicated to working collaboratively for the success of the project and the project team. Further, each person feels that they have a personal stake in that success. The team culture may be developed directly from the broader organization's mission, vision, values and strategy statements, from the views and collaboration of project team members, or simply from the project manager's insights and perspectives based on the particular nature of the project. It is likely to be derived from some combination of all of these inputs. Like organizational culture, team culture takes time and effort to shape. Coming into the project, it is unlikely that all team members have the same shared vision of the project and its goals. There is usually a great deal of ambiguity at this initial stage, whether in terms of performance requirements, general stakeholder expectations or expectations within the project team. The PM and the entire project team need to collaborate to establish and operate a suitable culture. The PM and their leadership style will be critical throughout.

Project teams, as is the case for other kinds of teams, often have one or more ‘cultural architects’, the people whose actions are most influential.

The PM or someone else may be the ‘cultural architect’ within a given project team. While others may influence the cultural values and norms of the team, the PM should be in the lead. The PM must create the right, enabling and energizing atmosphere for the project. This truly is another important dimension of leadership. If other ‘cultural architects’ on the team are displaying appropriately positive behaviours, the PM can capitalize on this and use them as role models. However, if other ‘cultural architects’ are exhibiting more negative behaviours, the PM must suppress or work to transform this influence. The efficient project coordinator, who ensures that minutes are quickly circulated following each status meeting and always updates the project archives, can serve as an example of a ‘cultural architect’. Their behaviour upholds values of accountability, timeliness, diligence and quality work, observable by everyone on the team.

There are different types of team culture. Frohman identified three in his research on technology companies:³³

- **Paternalistic** – Senior management takes on a parenting role, allowing the PM and the team to escape responsibility or simply wait for direction from management.
- **Individualized** – This team culture has few boundaries. Team members are free to make their own decisions with little regard for others.
- **Collaborative** – In a true team culture, everyone is a member of the team and there is a high degree of conformity and trust, due to established group norms that govern how work is performed.



In effect, the ‘collaborative’ culture is the only true team-oriented culture of the three. As will be discussed more in Chapter 7, effective teams are characterized by high trust, interdependence, working to a shared purpose and holding each other mutually accountable. Neither the ‘paternalistic’ or ‘individualized’ kinds of team culture fit this characterization.

Some tactics to build a successful team culture include:

- Recruiting, to the extent possible, the right people with the right attitudes
- Preparing and using a team charter, starting with working closely together to voice and establish the core team values, norms and desired behaviours
- Holding well-designed, collaborative team meetings
- Having open communication, incorporating active listening
- Ensuring assignment of clear roles and responsibilities
- Engaging in ethical decision-making (discussed further in Chapter 6)
- Promoting a fun, mutually supportive environment

Exhibit 4.16 depicts one model of team culture, consisting of the following four major components:

- Project Manager leadership
- Organization (or project) performance management
- Project management process
- Organization (or project) design

The outer circle in the model represents the overall culture that defines the organization. The organizational culture influences organization design and project design. It also influences organizational, and in turn, project performance management. The choices that the organization makes to select the project manager are affected by the broader culture. Lastly, the project management process or methodology adopted is an outcome of the larger culture. In other words, the general project environment is inherited from the approaches and values of the enterprise surrounding it. Ultimately, the project team itself operates with a certain culture of its own in this context.

For example, one team member might value project performance at the individual level (compensation and reward) while another individual from the same team might value measures at the project level (time, cost and scope).

Even though differences exist between the different participants, there would be some shared values and beliefs about project management to unite the members in a single team culture.

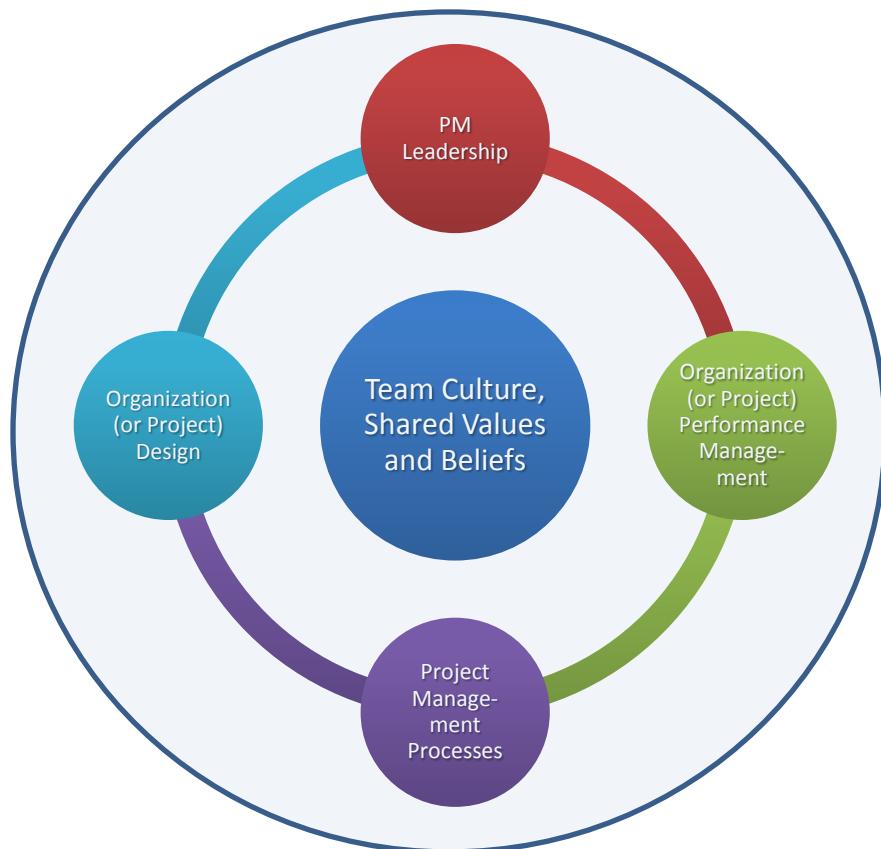


Exhibit 4.16: Team Culture Model

The above model provides a useful framework for project managers to conduct formal assessments of their own team cultures. An organizational culture assessment tool, cited in the ‘Tools’ section at the end of this Chapter, may be helpful for this purpose. The framework can also be applied toward the develop action plans focusing on improved project management performance in the areas of project management leadership, project performance management, project structure/design and project management processes.

The presence of an effective team culture supports and reinforces project performance. Conversely, its absence creates conflicts among the PM, project team and other stakeholders; it leads to compromised performance. Business objectives are more likely to be fulfilled when both the social – and team culture is a major, enabling social component – and technical needs of projects are well addressed. Effective project leaders pay attention to and balance both.

CHAPTER SUMMARY

Organizational culture is the set of values, beliefs, shared assumptions, behavioural norms and patterns of interaction that, together, characterize an organization. There is evidence from various studies indicating that organizational culture influences behaviours. The right culture drives stronger performance. Project leaders should understand and be alert to the different kinds of organizational culture, each of which promotes certain priorities and behaviours. Schneider’s model consists of four variations of core culture: control, collaboration, competence and cultivation. Each has its own strengths and weaknesses, as well as implications for strategy and leadership. A given project is likely to operate within multiple cultures: that of the broader organization, that of the client organization, and that of the project team itself³⁴.

Denison, Hofstede and
Frohman, among others, have
also proposed various models,
each emphasizing particular
characteristics and/or
indicators of culture.
Hofstede, for example, has
suggested ten dimensions
which may be used to describe
culture.

Project team culture can and
should be developed in
support of the project and
project team, but must
ultimately be in the service of
the organization’s core culture.

If it diverges too much, there may be a loss of commitment from senior management.



Project managers, and ‘cultural architects’, have many opportunities to shape a project culture; the PM, though, should be in the lead in forging it. The team culture may be developed directly from the broader organization’s mission, vision, values and strategy statements, from the views and collaboration of project team members, or simply from the project manager’s insights and perspectives based on the particular nature of the project. It is likely to be derived from some combination of all of these inputs. Various tactics are available to promote the right team culture, starting with appropriate recruitment and the use of a team charter. Alignment between culture, strategy, structure and leadership style is a major enabler for organizational and project success.



ACTIVITIES

1. Review the following case study regarding changing competition, strategy and culture at Sony:

<http://tiny.cc/dq9szw>

Discuss: How is Sony’s organizational culture changing? How is it aligned with changing strategy (and vice versa)? How are the organizational culture and strategy evolving at your organization from five or ten years ago? How are they influencing each other? What implications are there for project management maturity and how projects are being conducted?

2. Review the following article about assessing organizational culture in a range of Chinese organizations using the Denison Organizational Culture Model:

<http://tiny.cc/fr9szw>

Discuss: What are some key differences among the different enterprises profiled? How does the culture of each enterprise relate to its performance and outlook? Consider your own organization in the context of the Denison model. What strengths or weaknesses do you perceive in your organizational culture? To what extent are these evident in project team culture(s) and in the leadership of those projects?

3. Review the following paper relating brand and corporate culture:

<http://tiny.cc/jz9szw>

Discuss: How do Google, Zappos and American Express promote and demonstrate their respective corporate culture? To what extent does your organization’s brand relate

to and is consistent with its culture? To what extent is this evident in projects and with project teams?

- Review the Schneider culture model and its relationship to strategy and leadership styles. Consider your own organization in the context of the Schneider model. Which of the four core cultures is representative of your organization? Are the strategy and leadership aspects in your organization consistent with that core culture? To what extent are these characteristics evident in project team culture(s) and in the leadership of those projects?

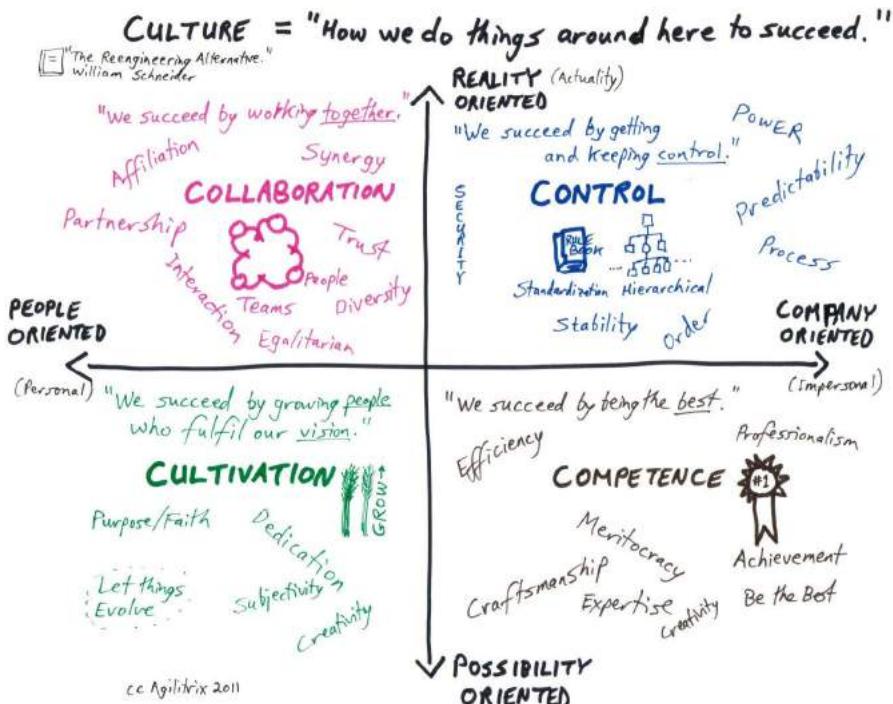


Exhibit 4.17: Schneider's Core Cultures³⁵

TOOLS

- An organizational culture assessment tool which can be used to contrast the current culture of an organization to a desired culture:
<http://tiny.cc/wu9szw>
- A self-assessment tool to help understand what kind of organizational culture you may prefer for yourself:
<http://tiny.cc/py9szw>

3. Trompenaars and Hampden-Turner's Seven Dimensions of Culture is another model of culture, described in their 1997 book, 'Riding the Waves of Culture: Understanding Diversity in Global Business' The dimensions are:

- Universalism versus particularism.
- Individualism versus communitarianism.
- Specific versus diffuse.
- Neutral versus emotional.
- Achievement versus ascription.
- Sequential time versus synchronous time.
- Internal direction versus outer direction.

It may be used to assess your own organizational or project team culture. More details can be found at:

<http://tiny.cc/yz9szw>

REVIEW QUESTIONS

1. A Project Manager has to deal with many cultures at the same time. Which one of the following sub-cultures is comparatively least important to the Project Manager?
 - a. Culture of the organization
 - b. Culture of the project team
 - c. Culture of the Steering Committee
 - d. Culture of the vendor country
2. Schneider's model of organizational culture includes the following core cultures, except?
 - a. Cultivation
 - b. Control
 - c. Coordination
 - d. Competence
3. The center of the circle in the Denison model is formed of:
 - a. Beliefs and assumptions
 - b. Adaptability
 - c. Core mission
 - d. Core vision

4. The Denison model of organizational culture deals with external and internal cultural factors. A dimension related to the external situation is:
 - a. Consistency
 - b. Involvement
 - c. Mission
 - d. Empowerment
5. As per Schneider's model of four core culture types, the leadership style of 'Catalyst' is typically associated with _____ culture.
 - a. Cultivation
 - b. Control
 - c. Competence
 - d. Collective
6. The Frohman culture model includes which of the following cultural types?
 - a. Paternalistic
 - b. Individualized
 - c. Collaborative
 - d. All of the above
7. A 'cultural architect' could be anyone on the project team, except a(n):
 - a. Influential team member
 - b. Efficient project coordinator
 - c. Passive PM
 - d. Subject matter expert who keeps everyone connected
8. Which leadership style(s) would be expected within Schneider's core culture of 'Collaboration':
 - a. Integrator
 - b. Coach
 - c. Team builder
 - d. All of the above
9. Which of the following statements is false?
 - a. The project life-cycle has limited to no influence on the team culture
 - b. Team culture takes a similar amount of time to shape or re-shape as organizational culture

- c. Team culture is influenced by the leadership style of the PM
 - d. Team culture can be influenced by the project charter
10. Organizational culture is important because:
- a. It sets up expectations and priorities
 - b. It determines the nature and use of power
 - c. It establishes an internal way of life for people
 - d. All of the above

KEY TERMS

- **Collaboration culture** is based on the desire for synergy. Fundamentally, it is about ensuring unity, which can apply to staff, customers, the supply chain or other stakeholders. It is a culture relatively more concerned with people than tasks. Collaboration culture is personal (i.e. people-oriented) and is focused on the present or actuality.
- **Collaborative team culture** is a true team culture where everyone is a member of the team and there is a high degree of conformity and trust.
- **Competence culture** is based on the desire for superiority. It exists to deliver unparalleled, distinctive products or services. This is the culture of producing something unique for its own sake. Competence culture is impersonal (i.e. more task-oriented) and is focused on the future or possibility
- **Control culture** is based on the desire for certainty. It seeks to have predictability, safety, accuracy, efficiency and dependability in all of the enterprise's operations. Control culture is very much oriented to the present (actuality) and is highly focused on organizational goal attainment. The organization as a system is primary, implying that this is an impersonal or more task-oriented culture.
- **Cultivation culture** is based on the desire for enrichment. Primarily, it exists to ensure the growth and fulfillment of employees and other stakeholders. This culture is about the further realization of ideals, values and higher order purposes. Cultivation culture is personal (i.e. more people-oriented) and is focused on the future or possibility.
- **Cultural architects** are people whose behaviours are most influential.
- **Denison Model of Organizational Culture** is based on the four major dimensions of Adaptability, Mission, Involvement and Consistency. Involvement and Adaptability are primarily concerned with change and flexibility. Mission and Consistency are primarily concerned with predictability and stability. Adaptability and Mission deal particularly with the external situation. Involvement and Consistency deal particularly with the internal situation.

- **Frohman Model of Team Culture** is based on team behaviours categorizes team culture into paternalistic, individualized and collaborative.
- **Individualized team culture** has few boundaries and team members are free to make their own decisions with little regard for others.
- **Organizational culture** is a set of values, beliefs, shared assumptions, behavioural norms and patterns of interaction that, together, characterize an organization.
- **Paternalistic team culture** is a culture where senior management acts as a parent, causing the PM and the team to avoid responsibility, wait for direction from management and exercise minimum responsibility
- **Project team culture** is the culture fostered at the project team level. It inherits many aspects of the broader organizational culture, but can add values or other elements which are particularly meaningful for that project and project team. It promotes a shared commitment to those values and the goals of the specific project.
- **Schneider Model of Organizational Culture** categorizes organization culture in four core cultures of collaboration, control, cultivation and competence. Each of the four cultures is further defined by the dimensions of Content and Process.

ADDITIONAL RESOURCES

1. More background for Schneider's model relating organizational culture to strategy and leadership can be found here:
<http://tiny.cc/p29szw>
<http://tiny.cc/339szw>
2. The American Management Association is a good source for videos and other material relevant to project management. It is free, but requires registration. The following is on the topic of corporate culture and how it affects performance:
<http://tiny.cc/749szw>
3. Two videos on the organizational culture at Zappos:
<http://tiny.cc/459szw>
<http://tiny.cc/m69szw>
4. There is a very interesting global study report, also from AMA, on corporate culture:
<http://tiny.cc/o79szw>
5. The American Management Association's webinar 'Creating a Culture of Emotional Commitment' may be of value to you. It is pre-recorded and free, but requires registration.
<http://tiny.cc/b89szw>

6. The following is an example of a short survey seeking to gather attitudes and views regarding culture in one particular organization:
<http://tiny.cc/x99szw>
7. A presentation on recruiting based on cultural fit:
<http://tiny.cc/7aatzw>
8. Book on leadership and organizational culture by developer of Denison Model:
Denison, D. et al. *Leading Culture Change in Global Organizations: Aligning Culture and Strategy*. Jossey-Bass, 2012
9. A research paper on cultural factors for international projects, including a framework for leadership:
<http://tiny.cc/dcatzw>
10. Paper by Edgar Schein on organizational culture:
<http://tiny.cc/ssgtzw>

REVIEW ANSWERS

1. D 2. C 3. A 4. C 5. A 6. D 7. C 8. D 9. A 10. D

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Part II -
LEADERSHIP AND
PROJECT TEAMS



You as a Leader

“The task of leadership is not to put greatness into people but to elicit it, for the greatness is there already.”

John Buchan



LEARNING OBJECTIVES

- Define leadership in project management
- Explore leadership sources of power
- Discuss generally applicable leadership qualities and traits imperative for project success
- Understand a Project Management leadership model comprised of leadership maturity, strategic awareness, executive presence and execution orientation
- Appreciate the importance of motivation for leadership
- Describe McGregor's 'Theory X' and 'Theory Y', Maslow's 'Hierarchy of Needs' and Herzberg's 'Motivation-Hygiene' theories of human needs and motivation
- Explore the differences between leaders and managers
- Discuss different types of leadership styles
- Explain the 'situational leadership' model
- Understand your role as a Project Leader and the six project leader 'hats'

WHAT ARE THE MOST IMPORTANT LEADERSHIP TRAITS FOR ACHIEVING PROJECT SUCCESS?

Leadership is “the ability to guide the project team while achieving project objectives and balancing the project constraints”, according to the Project Management Institute and PMBOK.¹ Furthermore, leadership “involves focusing the efforts of a group of people on a common goal and enabling them to work as a team.”

Schermerhorn defines leadership as the art of motivating and influencing others to work energetically to realize and support organizational or project goals.² Thus, it is often described as an influence relationship between the leader and their followers or collaborators, in the context of a shared purpose. Leadership is difficult to teach; it is developed and earned primarily through self-knowledge, experience and continuing practice. It is truly a lifelong journey.

Throughout the project, a project team leader is responsible for establishing and maintaining the vision, strategy, and communications; influencing, mentoring, and monitoring; and evaluating the performance of the team and the project”.³ PMI has begun to refer to the new ‘triple constraint’ of project management skills as leadership, technical project management and strategic and business management.⁴ This is illustrated in Exhibit 5.1.



Exhibit 5.1: PMI's New 'Triple Constraint' of Project Management Skills

Take a moment to examine this question: “Who do I consider a great leader?”

For some, famous politicians or statesmen may come to mind, such as Obama, Lincoln, Mandela, Gandhi or Churchill. For others, it may be sports figures, like Diego Maradona (Argentinean soccer), M.S. Dhoni (Indian cricket), Brian O'Driscoll (Irish rugby), Wayne Gretzky (Canadian hockey) or Michael Jordan (US basketball). Others yet may be inspired by visionary business captains such as Richard Branson (Virgin), Steve Jobs (Apple), Li Ka-shing (Hutchison) or Carlos Slim (Grupo Carso). Major scientific, artistic or spiritual personalities are other possibilities.

Leadership involves moving others, and moving others involves power.

Each of these leaders was or is famed for his or her ability to lead. While these leaders possessed remarkably different leadership ‘styles’, the differences in the leader’s personalities are less significant. People remember these leaders because of their incredible ability to influence and inspire their followers to achieve monumental accomplishments. Some of these individuals have been given ‘formal power’. That is, by virtue of their title or position, they hold formal or legitimate authority and are accepted as having that authority. This is a leader’s most obvious source of power. Formal power is always advantageous and can be a major asset, as it provides legitimacy and thus avoids the question of ‘Why should we listen to this person?’ This allows the leader to direct the team and focus its attention on critical tasks and issues. But holding formal power does not necessarily imply that people will respect you, want to work for or with you, or be willing to follow your direction. Because you hold formal power, they will do as you say, but not necessarily because they agree with you.

It should be evident from the list of personalities above, that leadership is not always based on formal power. It is usually earned and exercised through other sources of power, as described below. In his book, *Power and Love*, Adam Kahane⁵ argues that it is not power over others, but the power to lead others that achieves beneficial outcomes.

SOURCES OF LEADERSHIP POWER

“Being powerful is like being a lady. If you have to tell people you are, you aren’t.”

Margaret Thatcher⁶

A Project Manager, as the individual charged with a project team and by virtue of their accountability for the assigned project, is automatically the leader. The Project Manager has therefore been given formal or legitimate power by the organization. Despite this, it is unlikely that the project team members actually report to the Project Manager. The PM usually has no direct control over the project team except in the relatively less common projectized organization. Together with the nature of the role, this means that the project leader will require more than legitimate power to succeed in influencing and motivating the project team, as well as other stakeholders, towards achieving the organization’s goals.

Even when formal power is bestowed, what makes some individuals stand out as true leaders, while others do not?

The answer to this question lies in other, often stronger and more sustainable sources of power. Legitimate power may be called ‘hard power’, while the other sources of power, taken together, may be termed ‘soft power’. Team members accept or authorize you to lead them because of what you represent for them, the value that you provide and your credibility. Credibility, in particular, is the passport to this form of power.⁷ In other words, instead of being forced to follow you due to your legitimate power, the project team becomes willing to follow. On a different scale, it is the difference between a dictatorship,

where people are ordered about at the point of a gun, and a democracy, where leaders must persuade people that they have the right approach and should be voted into office.

Social psychologists John R. P. French and Bertram Raven, in a now-classic study, provide a theoretical basis for these sources of power. They explain leadership effectiveness in terms of five bases of power, the amount and type of power used by the leader, and how these are perceived by the follower.⁸ Power may be defined as the ability to move people to do things which they would otherwise not do. Exhibit 5.2 shows these five bases or sources of power, plus one other: information power. It is interesting to note that information power was not part of their original framework but it has come into the literature as an additional source of power. Each source is described as follows ('legitimate' is covered above):

- **Reward** – The power of reward is the ability to recognize or acknowledge individuals for adhering to standards or expectations, such as for reaching a key project milestone by the required date. This power is dependent on the perceived value of the rewards, the extent to which rewards are controlled by the leader, how the rewards are used and the fairness with which they are awarded. This power is central to the positive reinforcement of desired behaviours and outcomes. The mix of individual and team rewards is also pertinent to the use of this power.



Exhibit 5.2: Sources of Project Leader Power

- **Coercive** – The power of coercion is the ability to sanction or penalize individuals for failure to conform to standards or expectations. It is used to influence others through

negative reinforcement, such as via punishment, threats, termination, suspension or simply the withholding of rewards.

Coercive power has limited value for a project leader as it tends to generate resentment or even resistance in those affected, undermining motivation and the willingness to follow.

- **Information** – Information power is the ability to influence through knowledge of certain privileged information. Power may come from sharing the information resource, keeping it private, augmenting it, connecting facts with it or even falsifying it. Information can also confer power through its use in supporting an argument or position, or in having advance insight into a particular situation, such as an organizational restructuring and the implications for specific people.
- **Expertise** – The power of expertise is the ability to influence others based on particular skills or specialized knowledge of a domain and their perceived value to the project. Demonstrating such expertise garners respect for and trust in the individual's knowledge, judgment and decisions. This respect and trust encourages a willingness to follow that leader. For instance, Churchill was a cabinet minister in 1940 with some experience as a war minister during the First World War. This was quite apart from his own background as a trained officer who, as a regimental commander, served on the Western Front, as well as having fought in the Boer War. Beyond his gifts of oratory and character, Churchill thus had a considerable stock of expertise relevant to running a war, which supported his leadership power with his colleagues.
- **Referent** – Referent power is the ability to attract others and build loyalty. Principally, it is derived from charisma or other personal traits. This creates admiration for the leader and a desire to identify with them, giving the leader the opportunity to influence.

For the most part, leaders using referent power do not have to do anything to earn it – which makes it dangerous.

Charisma may be an advantage in times of crisis and change, but solid other leadership powers can be as, or more, effective in more normal circumstances.⁹ For example, someone who is very cheerful and likeable may be highly admired, but if along the way they show that they are not trustworthy, they will quickly lose their admirers and their ability to influence. Thus, it is a power which must be used carefully so as not to alienate. Few people possess the charisma or traits necessary to exercise referent power. It is also possible for an individual to have the necessary traits but be unaware of them, thus exercising referent power unconsciously.

There are a number of other models of power to be found in the literature. Morgan identified 14 different types of power.¹⁰ Thamhain and Wilemon identified nine influence bases particularly relevant for project managers, a number of which overlap with French and Raven's definitions:¹¹

- **Authority** – the ability or legitimacy to issue orders
- **Assignment** – the ability to influence future assignments
- **Budget** – the ability to authorize use of funds
- **Promotion** – the ability to improve an individual's position
- **Money** – the ability to increase an individual's salary, pay a bonus (or determine size of bonus) or improve benefits
- **Penalty** – the ability to sanction or punish
- **Work challenge** – the ability to assign stimulating or enjoyable work, or work which may be directly supportive of the individual's career development
- **Expertise** – the specialized knowledge, skills or experience and its value, held by the project manager
- **Friendship** – the ability to develop friendly, positive relationships between the project manager and the individuals in the project team

An important type of power for project leaders identified by this set is that of work challenge. Thoughtful assignment of project roles, responsibilities and tasks to project team members, so as to tap into each individual's respective skills, strengths, interests and development needs, is a powerful and sustaining motivator.

The qualities and traits of the project leader, though not considered sources of power on their own, can certainly contribute to strengthen the sources of power described above.

LEADERSHIP ATTRIBUTES AND PROJECT SUCCESS

Leaders are found in every part of society and many of the same leadership qualities and traits are evident across this diverse range. These qualities and traits are largely a matter of personality and character. In project and program management, a leader needs to have an appropriate mix of many qualities and traits. Some of the key ones are situation-related, but others are found across a wide spectrum of strong leaders.¹² They include:

- **Integrity** – This is probably the most critical quality of all. It is difficult to follow a leader who demonstrably lacks integrity or trustworthiness. By integrity, we mean both ethical conduct and being consistent between words and actions ('walking the talk'). Integrity is essential to all healthy human relationships, but it is foundational in project leadership (as outlined further in Chapter 6).
- **Credibility** – The project leader's personal and professional credibility will determine how team members respond to them. Credibility implies a number of things: that the person has good judgment and makes sound decisions; is well-qualified for the role; and is believable. Credibility is like a bank account: deposits are hard-earned and the

balance builds slowly over time. Without credibility, the PM's effectiveness is significantly compromised.

- **Toughness** – This trait speaks to the importance of resilience and firmness. This is also the ability to cope with stressful situations. Depending on the nature of the project, it may require any combination of mental, emotional or physical types of toughness. For example, a short-term, intense project may require physical toughness in terms of energy level and stamina.
- **Fairness** – This attribute concerns treating team members or individuals differently, based on the needs of the situation, but equally and without any favoritism. There needs to be impartiality in rewarding or penalizing for performance. Team members are constantly monitoring for signs of hidden agendas, favoritism and gamesmanship.
- **Warmth** – The effective project leader is engaged with both heart and mind. It is critical to love what you are doing and to care about the well-being and success of project team members.
- **Humility** – This trait is a characteristic of the very best leaders. It is hard to follow an arrogant leader.

Humility is also demonstrated by the willingness to listen to and take into account the ideas or concerns of others.

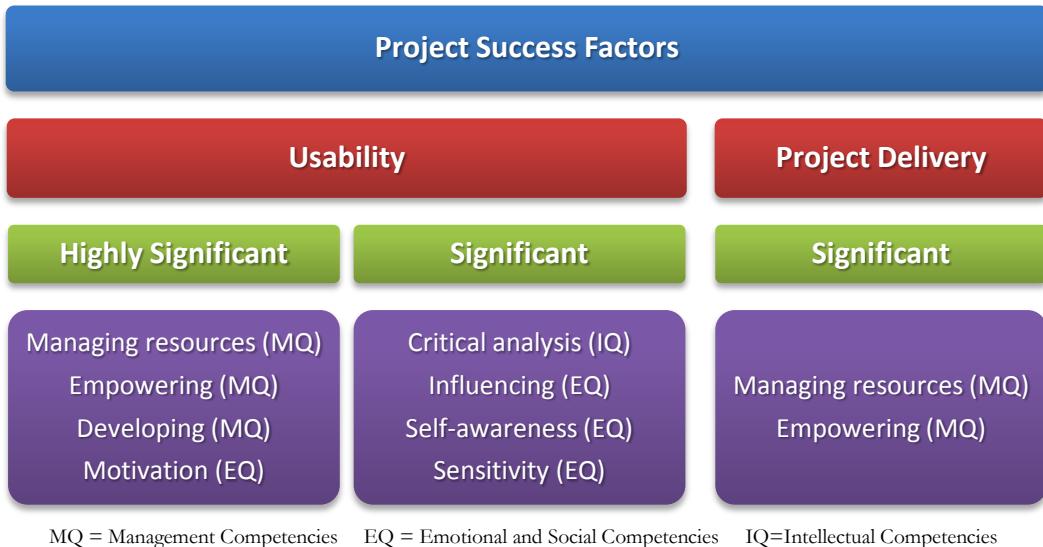
Lack of excessive ego helps create a positive and collaborative project environment, setting the right atmosphere and expectations for performance, accountability, decision-making and resolving problems. The concept of servant leadership, meaning that leaders are there to serve the team, relies significantly on this trait.

- **Confidence** – The substantial accountability placed on the shoulders of a project leader requires that they are constantly setting direction, solving problems, negotiating, dealing with conflict and making decisions. This implies that leaders must have a strong sense of confidence and be decisive; they cannot continually question or second-guess their actions. Teams will quickly notice if a leader is not confident, which can in turn affect the team's own sense of confidence over their direction and their performance. Having confidence is important, but being overconfident can lead to arrogance.

A research study by Geoghegan and Dulewicz explored a range of project leadership competencies and their connection with project success. They investigated three kinds of competencies: Intellectual (IQ); Management (MQ); and, Emotional and social (EQ). Main findings are summarized in Exhibit 5.3.

The study focused on two main project success factors for correlation analysis: 'usability', meaning the project scope was met and value was generated for the client; and, 'project delivery', which refers to the project processes. We might say that the former is about the project destination, while the latter is about the project journey. Among management competencies (MQ), empowering the team was found to have high statistical significance for usability and significance for project delivery. Managing resources as well as developing

the team also appear to be highly significant or significant. In the emotional and social competencies (EQ) category, motivation, influencing, self-awareness and sensitivity were found to be highly significant or significant, all in relation to the usability factor. Lastly, for intellectual competencies (IQ), critical analysis was found to be significant for usability.



MQ = Management Competencies

EQ = Emotional and Social Competencies

IQ=Intellectual Competencies

Exhibit 5.3: Project Leadership Competencies Found to Correlate Strongly with Project Success

Clearly, many of these competencies have relevance for the project leader. Prominent among these is the importance of empowering, motivating and developing your team.

ELEMENTS OF EFFECTIVE LEADERSHIP

“The first responsibility of a leader is to define reality.”

Max DePree¹³

The above-mentioned sources of leadership power and the various leadership traits make project leadership complex. Ongoing development in these areas will build what we might call leadership maturity in a PM.

Expanding our understanding of leadership, Exhibit 5.4 illustrates how successful leadership as a PM comes from a combination of leadership maturity, strategic awareness, executive presence and execution orientation. These four attributes are explained below.

1. Leadership Maturity

Leadership maturity is the degree of experience and sophistication in developing, leading and supporting project teams possessed by the project leader. Leadership maturity also

refers to the broader leadership skills or qualities described earlier in this chapter, such as the ability to influence, integrity and humility. The combination of the necessary intellect with proven leadership maturity is not very common.

**The rarity of leaders is reflected in the old Chinese proverb,
“It is easy to find a thousand soldiers but very difficult to
find a general”.**

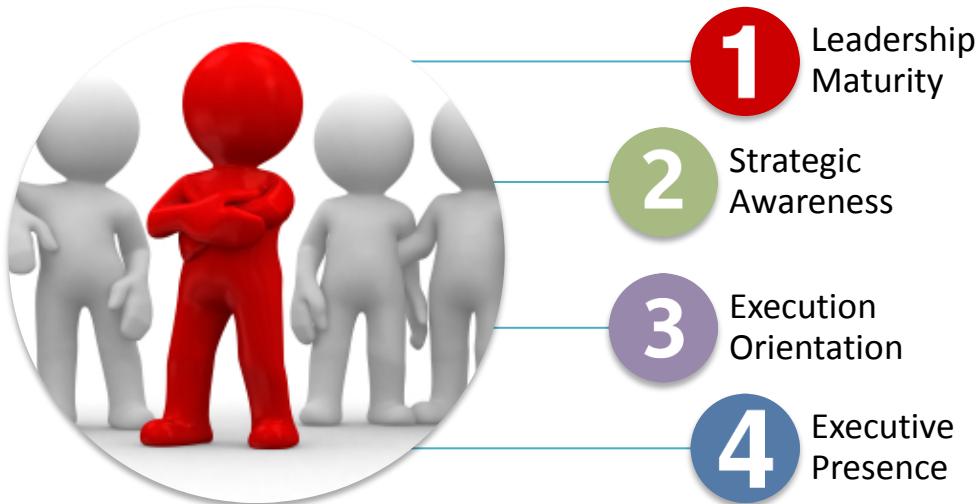


Exhibit 5.4: Elements of Effective Leadership¹⁴

The following are key questions, suggested by Petty, to probe further in determining to what extent a PM possesses leadership maturity:¹⁵

- Does the PM understand the true role of a leader?
- Can the PM lead effectively without formal authority?
- Is the PM capable of inspiring and motivating others and leading across silos?
- Does the PM understand her role in creating a high performance culture?
- Is the PM comfortable receiving and delivering constructive feedback?
- Does the PM have high credibility as a professional and a person?
- Does the PM manage upwards and communicate with stakeholders effectively?
- Does the PM understand the stages of team development and the different leadership tasks at each stage?

2. Strategic Awareness

Strategic awareness relates to the PM's ability to understand the strategic importance of a project and to work accordingly. It's hard to be an effective leader unless you are well-versed in your organization's strategy and know how your project links to and supports that strategy. The following key questions help to probe further into the level of strategic awareness:¹⁶

- Is the PM's thinking grounded in an understanding of the market situation?
- Does the PM think about the project activities in the context of the organization's strategic objectives?
- Does the PM reinforce strategy, communicating how the project will contribute to the output of the firm?
- Does the PM understand the voice of the customer?
- Can the PM translate that voice into work activities that create value for all stakeholders?
- Does the PM help other stakeholders connect activities to the organization's strategic situation?
- Does the PM constantly link project goals to strategic objectives, vision and mission?
- Is the PM able to challenge the status quo and conventional thinking when it seems necessary?²¹⁷

3. Executive Presence

Executive presence is the ability to work with executive or senior management as a credible and effective leader. It implies knowledge of how to communicate and manage upwards in the organizational hierarchy. The project leader's ability to influence is key in this context.

In meetings and presentations, executive presence means that the project leader is confident, assertive, can command attention, and is able to deliver the right message in the right way for this kind of audience.

Many capable PMs struggle to develop executive presence. The following key questions help to probe further:

- Is the PM comfortable relating to senior managers and executives?
- Does the PM develop and deliver a message that is at the “right level of detail”, crisp and to the point?
- How good are the PM's PowerPoint and slide creation skills?
- Does the PM exude confidence, even in tough circumstances?

- Does the PM speak the language of strategy – core values, guiding principles, priorities, vision and mission of the organization?
- Does the PM avoid excuses and focus on solutions?

4. Execution Orientation

Performance is king! Project leaders must have a bias for action. The ability to work with team members and other stakeholders to get things done is a critical attribute for the PM. The following key questions help to probe further regarding execution orientation:

- Does the PM have a big picture view of what it takes to execute and implement within groups and across functional areas?
- Does the PM work to develop meaningful performance indicators?
- Does the PM troubleshoot and solve problems with others to improve operational effectiveness?

**A leader is best when people barely know that he exists;
Not so good when people obey and acclaim him;
Worst when they despise him.
Fail to honor people, they fail to honor you.
But of a good leader, who talks little,
When his work is done, his aim fulfilled,
They will all say, 'We did this ourselves.'**

The above quote from Chinese philosopher Lao Tzu in the 6th century BC highlights Execution Orientation.

LEADERSHIP POINTS OF VIEW¹⁸

Whether granted by nature or nurture or some combination thereof – Leadership Skills can be improved. The following interview, combining a business and an academic perspective, addresses the topic of the qualities, preparation and growth of project leaders.

Your leadership style today may not be so different than that of the bossy 8-year-old you used to be on the playground. The strongest influences on a person's leadership skills stem from childhood and early adulthood experiences, according to a 2005 survey comparing 31 leaders, conducted by the Center for Creative Leadership, a not-for-profit global leadership development and research foundation. But even

if you're not born with an innate desire to be in charge, you can still train yourself to be a more effective leader. **J. Rodney Turner**, Ph.D., Professor at Lille Graduate School of Management in Lille, France, and **Daniel J. Crowley**, Executive Vice- President and General Manager at Lockheed Martin Aeronautics Joint Strike Fighter Program in Bethesda, Md., USA, discuss how leaders are made.

What are the most important qualities in project management leaders?

DR. TURNER: The ability to define a vision and lead people in that direction is the most important skill. There are a lot of supporting ones—emotional intelligence, scheduling, cost management and staffing—but if a person can't define a vision and motivate people to go in that direction, then the other skills don't matter that much. Organizations are looking for people verbal about their ambition, rather than people who sit in the corner and think they're good engineers and will be noticed for doing good engineering work. Those people don't really make good leaders.



MR. CROWLEY: People have to have the desire to be in charge. There are reluctant leaders and reluctant warriors, but people who generally shy away from leadership tend not to be as effective. The best leaders succeed when hard skills, project management skills and domain knowledge intersect with people skills and emotional intelligence.

Can these qualities be learned or are they decided at birth?

MR. CROWLEY: Leadership skills aren't necessarily inherent, but they are strongly influenced by your parents or guardians during the first five years of life, which impacts the formation of your personality, including how you view the world, your degree of inquisitiveness and how you relate to others.

DR. TURNER: People are born with innate leadership skills that place them somewhere on a scale of 0 to 10 in terms of inherent leadership ability. But by training and practice, people can learn the skills and techniques to improve leadership ability, to build on strengths and

downplay weaknesses. Almost nobody is born a 10, but some have the potential to reach it.

What are the best methods for leadership training?

MR. CROWLEY: [At Lockheed Martin] we do formal training on the hard skills to build competencies, but the most effective method is experiential and situational training based on multiple assignments. Our project managers may have a so-called “day job,” but they also have special assignments that stretch them further to learn time management and to apply lessons from one domain to another. Learning leadership skills takes having a high awareness of the environment around you. But most importantly, leadership is about implementation. Those who put the ideas into practice and turn the knobs are the ones that will progress faster. You can acquire pieces of it, but you need time to apply it and reflect to improve.

DR. TURNER: Sure, leadership skills can be gained through job experience, but classroom simulations can also develop leadership skills. You can't teach mathematical formulae for leadership, but you can give people psychometric tests, such as the Myers-Briggs, and find out what their strengths and weaknesses are. Training courses are designed to develop explicit knowledge and they tend to focus on hard skills, but leadership is really much more tacit knowledge.

So you can't just take Leadership 101?

DR. TURNER: You could start to teach some things, such as the schools of leadership and traits. Not a lot has changed from Confucius through Aristotle to present day. Two things that leaders must always work on are building relationships with their team and selling their team the vision.

MR. CROWLEY: All one needs is pure motivation. People tend to operate in the paradigm of their last role and are not aware that they've now become that leader to whom they used to look up. They tend to be five to 10 years lagging in their self-perception of where they are in their career. My father used to say, “My job is to do only those things that only I can do, and not do those things that others should do.” A leader has to figure out what those things that only he or she can do and not go too far into other areas.

Do leadership skills also vary across cultures and geographic locations?

DR. TURNER: The West has a very individualistic culture, where people are driven by personal ambition, and that requires a certain leadership

style. In China, however, success is based very much on relationships and building relationships, so leadership styles have to reflect a country's values.

MR. CROWLEY: People are imprinted as they grow up about a willingness to be open to other cultures and countries. My father had done some business in China and talked about it when I was young. But someone raised in more of a parochial, anti-foreigner mindset would engage in business and use a leadership style with different countries and cultures in a different way. Such views are not innate, but the learned behaviors start early in childhood.

Can a project manager make the jump to executive leadership?

DR. TURNER: That depends upon the industry and the size of the projects. If a project manager wants to go from being a project manager of a \$100,000 project up to manager of a \$1 billion corporation, they have to be willing to learn new skills. In the construction industry, it's quite normal for project managers to move into operational ends of management. When somebody has been managing billion dollar projects, moving up to a board director is not a big jump. But if you go to the high-tech industries, the projects tend to be much smaller, and project managers need to progress to program managers to program directors before slipping into more senior management levels.

MR. CROWLEY: Good leaders acknowledge that each level brings a new set of challenges. If one stays within a certain skill set, he or she will hit a glass ceiling and will fail when placed at the next levels. So it's important to anticipate needed skills in terms of strategy, team-building or external stakeholder engagement, and acquire and experiment with these before they're needed—when the stakes are lower.



LEADERSHIP, MOTIVATION AND THE PROJECT MANAGER

Motivation is closely linked to leadership and power. It can be described as inducing an individual or project team to work toward desired organizational goals. Derived from the Latin for ‘to move’, motivation is a source of energy enabling the team to accomplish its goals. The absence of motivation or the wrong kind of motivation can hurt or even destroy a project. PMBOK explains that “motivating involves creating an environment to meet project objectives while providing maximum satisfaction related to what people value most. These values may include job satisfaction, challenging work, a sense of accomplishment, achievement and growth, sufficient financial compensation...”.¹⁹ A highly motivating leader and environment can support and power people to accomplish the extraordinary, ideally both benefiting the organization and fulfilling individual objectives and needs – whether developing some new skills, adding some accomplishments to their resume, getting a bonus or simply feeling the satisfaction that comes from doing a job well.

If communication is considered the sister to leadership, then motivation is its brother.

There is no easy blueprint for how to motivate or a magic button that fires up all team members! A PM needs to have the leadership traits to motivate people, as well as the skills to recognize what will best motivate different people. Just as important is understanding each team member and their particular interests and needs. PMs are responsible for developing high levels of motivation within their teams. The challenge is to move the team from stage to stage while maintaining a high level of morale and productivity.

Understanding various motivational theories and knowing how to motivate the team helps the PM lead effectively. Most contemporary motivation theories differentiate on the basis of intrinsic and extrinsic factors:

- **Intrinsic** factors are those which arise from within us – our interests, beliefs and other inherent (sometimes latent) needs. They are linked to the desire to do something because one finds it interesting, compelling or desirable in and of itself – no one needs to tell us to do it. The researcher seeking new knowledge, simply for the sake of it, is an example of an intrinsic factor propelling behaviour.
- **Extrinsic** motivation comes from outside us. It is the influence of other people and other things pushing us to take certain actions. The opportunity for good pay, or a better position, can be a strong external influence on our behaviour. Deadlines are also a form of extrinsic motivator. Leaders can utilize extrinsic motivation factors with their powers of reward, as well as coercion, encouraging or driving particular behaviours desirable for the organization or the project. The particular action may not be one we would otherwise choose to undertake, but that extrinsic factor makes it more compelling.

Research suggests that the best companies seek to capitalize on the intrinsic motivation of employees.²⁰ An inclusive approach, using a democratic or participatory leadership style, values and fosters intrinsic motivation. An exclusive approach, using an autocratic or authoritarian leadership style, relies on extrinsic motivation. Intrinsic motivational factors are unique to each person. Factors such as desires for autonomy, opportunities for growth and responsibility are among the determinants of high or low motivation. Factors like rewards and recognition are related to both intrinsic and extrinsic motivation.

For Project Leaders...

What motivates people? Beyond building a sound understanding of the relevance of motivation, learning about motivation theories and how these relate to the leader's sources of power, it is essential to actually understand the people in your project team. If the PM does not know the different individuals, what they like or dislike, it becomes rather difficult to attempt to motivate them.

This implies each project leader must treat every individual in the project team as a human being, rather than simply a worker or employee. That is, the leader should see each as the whole person that they are. This requires the project leader to listen, to observe and to probe gently to learn about each person. It means being curious about them and their background. What interests or hobbies does this person have? What professional goals do they have? What sports do they like to play? Do you have some shared interests? And so on. All of this adds to the PM's understanding of that person and insight into what motivates them. Most importantly, the leader should care, and show that they care, about each person. This in itself, being acknowledged and appreciated, is a powerful motivator. It is typically also returned with loyalty.

Getting to know the people on your project team is much harder to do when working with very large teams, cross-cultural teams or virtual teams. Still, it is possible and desirable to do so. It may take more effort, be a slower process or hard to get beyond the first few layers of understanding, but it is still worthwhile. In most instances, merely seeing that you are genuinely interested in knowing the individual better is enough to motivate them.

There are a wide range of theories regarding both intrinsic and extrinsic motivation. Some key ones relevant for project leadership and team motivation include:

- McGregor's 'Theory X' and 'Theory Y'
- Maslow's 'Hierarchy of Needs'

- Herzberg's 'Motivation-Hygiene' theory

MCGREGOR'S 'THEORY X' AND 'THEORY Y'

Douglas McGregor developed two contrasting models of management and employee motivation, Theory X and Theory Y, at the MIT Sloan School of Management in the 1960s. They are summarized in Exhibit 5.5:

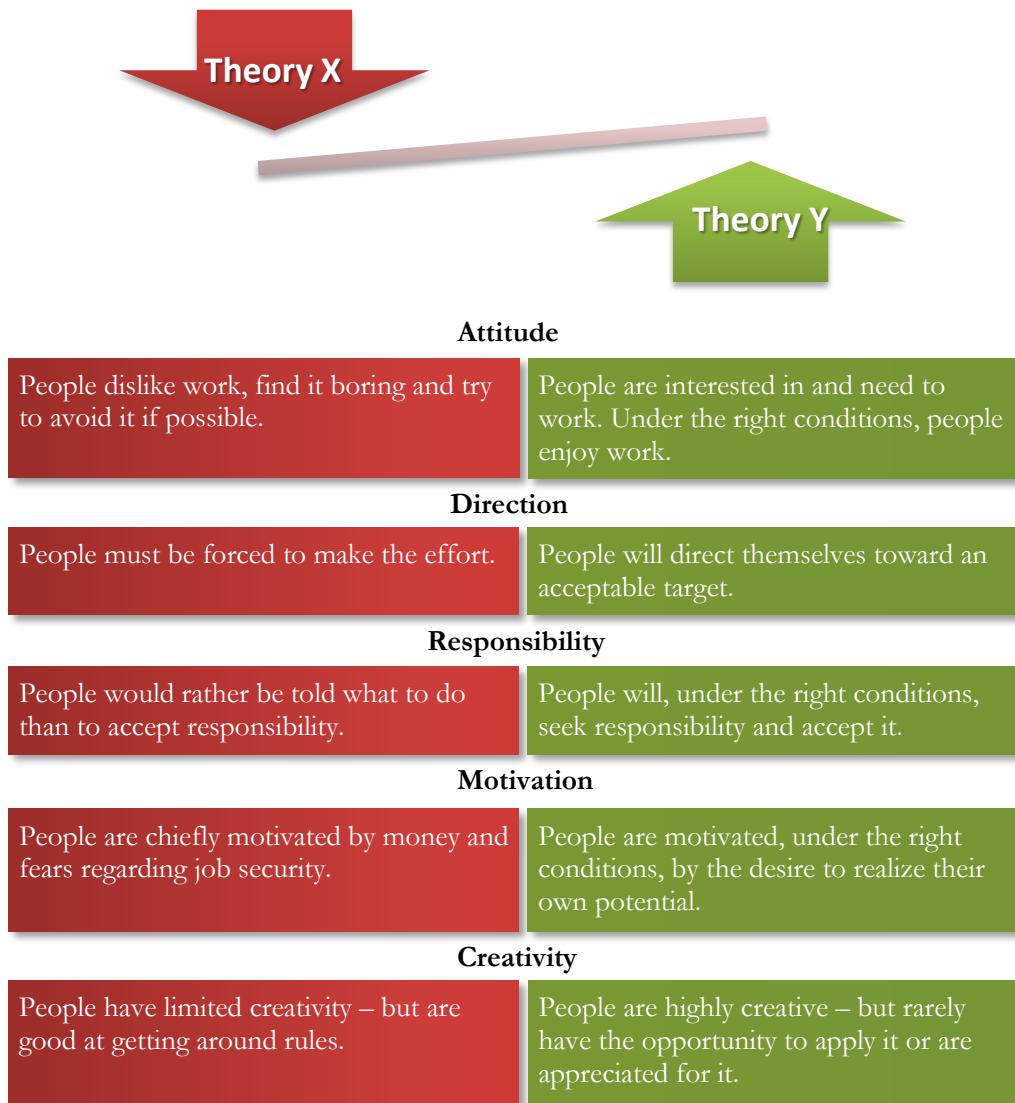


Exhibit 5.5: Theory X and Theory Y²¹

- **Theory X** – In this view, which has been proven counter-productive in most modern organizational practice, management assumes employees are inherently lazy, dislike work and will avoid work if they can. Consequently, management believes that workers need to be closely supervised and that comprehensive systems of control are required. A hierarchical structure is needed, with a narrow span of control at each and every level.

According to this theory, employees will show little ambition without an enticing compensation program and will avoid responsibility whenever they can.

Managers operating within a Theory X environment rely heavily on threats and coercion to gain their employees' compliance. An example of this kind of employee (or of this perception of an employee) would be one who arrives at work at the designated start time, leaves as soon as the workday is officially over, does only what he is asked to do, does not seek any responsibility and only wants his paycheque.²² Theory X, then, represents a pessimistic or negative view of people, their inherent capabilities and the need for extrinsic motivation.

- **Theory Y** – In this contrasting view, management assumes employees are ambitious, self-motivated and able to exercise self-control. Employees are believed to enjoy their mental and physical work duties. According to this theory, work is considered to be as natural as play.²³ Employees are able problem-solvers, will seek out and accept responsibility, will exercise self-direction and will be committed to accomplishing objectives.

Managers operating within a Theory Y environment believe that, given the right conditions, most people will want to perform well at work and that the satisfaction of doing a good job is itself a strong motivator.

Theory Y, then, represents an optimistic or positive view of people, their inherent capabilities and the role of intrinsic motivation.

MASLOW'S 'HIERARCHY OF NEEDS'

In his 1943 paper, “A Theory of Human Motivation”, Abraham Maslow suggests that there are different levels of individual need depending on the relative position of a given person within the needs hierarchy.²⁴ As illustrated in Exhibit 5.6, a pyramid has become the de facto way to represent this hierarchy. The most fundamental needs appear at the bottom. Each incremental need, going upward on the pyramid, is reliant on the fulfillment of the lower-level need. As the wide base indicates, also, the physiological need applies to the broadest possible population. Needs become more specific moving to the top, with self-actualization having the narrowest application – potentially the single individual and how that one individual views their own self-actualization.

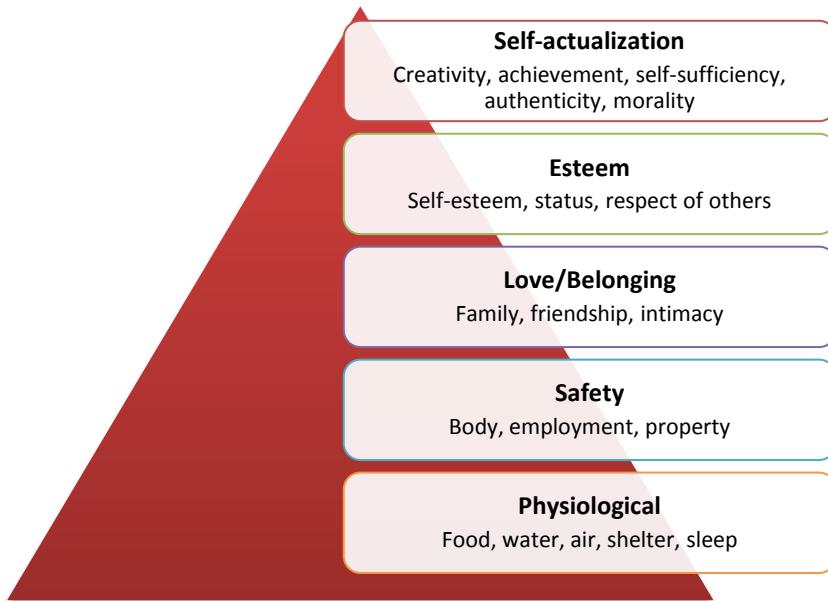


Exhibit 5.6: Maslow's Hierarchy of Needs

The five levels of need, beginning with the most fundamental, are:

- **Physiological** – These are literally the requirements for human survival. If these requirements are not met, the human body simply cannot continue to function. Examples are food, water, air, clothing, shelter, comfort, etc.
- **Safety** – With the physical needs relatively satisfied, the individual's safety needs would begin to take precedence and dominate behaviour. Personal security, financial security, safety against accidents/illness and their adverse impacts, are examples of this category of needs.
- **Love/Belonging** – With physiological and safety needs fulfilled, the individual's behaviour would now be guided by the third layer: love and belonging. This is the need for love, friendship and intimacy. This also involves the social element of belonging to a given community, as expressed in acceptance, group membership and companionship.
- **Esteem** – All humans have a need to be respected as well as to possess self-esteem and self-respect. Once the prior three levels of need are satisfied, the individual's behaviour is governed by the need for esteem. Engaging in activities that give the person a sense of contribution is important. Along with respect, other facets of this level of need are prestige, recognition, a sense of competence, etc. Note the value of having 'a sense of contribution' as a motivator for each individual in project work.

- **Self-Actualization** – This level pertains to a person's full potential and the ability to realize it. It is therefore very specific to a given individual and cannot be applied across the board. For example, one individual may have a strong desire to become an ideal parent, while for another it may reside in athletic expression, and a third's need might lie in the ability to create, whether artistically (painting, music, sculpture, etc.) or scientifically (inventions, etc.).²⁵ It represents the need to grow and to use one's abilities and talents to the fullest and most creative extent.

As per this theory, a need that has been satisfied is no longer a motivator. Also, if a lower-level need changes from a state of being fulfilled to no longer fulfilled, behaviour is drawn back and driven by that level of need again.

HERZBERG'S 'MOTIVATION-HYGIENE' THEORY

Frederick Herzberg built on Maslow's Hierarchy of Needs, with his Motivation-Hygiene Theory (also known as the Two-Factor Theory, in the context of job satisfaction). He suggests that the bottom two layers of Maslow's hierarchy should be considered extrinsic motivators. He named these lower levels "hygiene" factors. In addition, there are a set of "motivation" factors, somewhat in keeping with the upper layers of the hierarchy. These are connected more with intrinsic motivation.

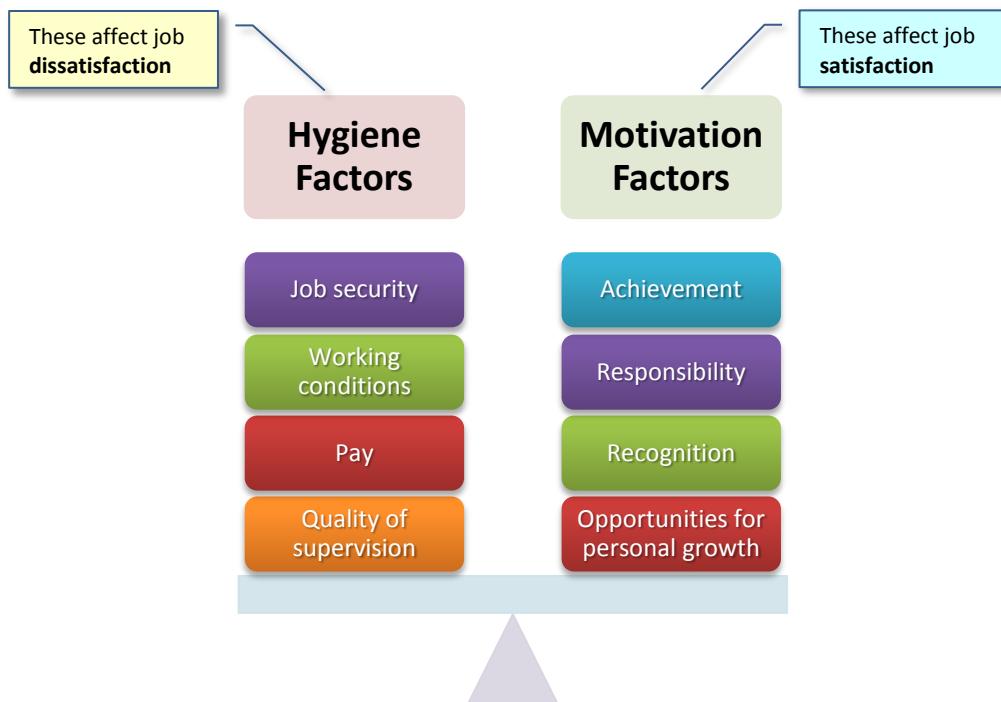


Exhibit 5.7: Herzberg's 'Motivation-Hygiene' Theory

Herzberg suggested that hygiene factors cannot motivate people in themselves, but that their absence can result in dissatisfaction.

The presence of hygiene factors (see Exhibit 5.7) eliminates dissatisfaction, while their absence generates dissatisfaction for staff. For instance, paying a competitive salary would serve as a hygiene factor, but would not sustain motivation. Poor pay, though, would bring dissatisfaction. The presence of motivation factors (see Exhibit 5.7) provides satisfaction, while their absence leads to lack of satisfaction. For example, having opportunities for personal growth is a motivation factor, and so its presence would be a motivator and bring satisfaction. Thus, when hygiene factors have been adequately addressed, people will not be dissatisfied, though neither will they be motivated without the presence of the motivation factors. In other words, the hygiene factors are necessary but not sufficient for full motivation. Herzberg distinguished very carefully between satisfaction and lack of satisfaction, as well as dissatisfaction and lack of dissatisfaction, suggesting that satisfaction and dissatisfaction are not merely opposites.

In order to motivate project team members, it is important to first eliminate any dissatisfaction they are experiencing, and then support them toward achieving satisfaction. Relying on Herzberg's theory, the PM should focus particularly on motivation (satisfaction) factors like achievement, recognition, and responsibility, and less so on hygiene factors.

Hygiene factors by themselves do not provide for sustained motivation. Largely, they are also largely outside the control of the PM (e.g. pay structures, company policies, the physical work environment). Approaches to consider, which take advantage of the motivation factors, include:

- Providing opportunities in the project for personal accomplishment
- Recognizing team members' contributions
- Allocating work that matches team members' skills and abilities
- Promoting accountability for team members in their roles
- Giving executive exposure to team members and providing opportunities to advance in the organization

Realistic targets, constructive feedback, appreciation and rewards are important enablers for any team to achieve a desired goal.

In summary, an essential principle for successfully motivating others is to be motivated yourself. If you are not committed or enthusiastic about the project, it is difficult to expect others to be so.

YOUR PROJECT MANAGEMENT LEADERSHIP STYLE

Leadership style is defined as the pattern of behaviours that a leader displays during their work with and through others.²⁶ It can be viewed as the set of interactions, including those related to directing, communicating and motivating, between leaders and project team members or subordinates.

HOW ARE LEADERSHIP AND MANAGEMENT DIFFERENT?

The project manager role requires both management and leadership skills. Attention is needed on managing project activities, leading project team members, as well as influencing other stakeholders.²⁷ A leader's focus is on communicating a vision and motivating people toward the stated goal. The manager's focus is on the short-term horizon, devising processes and solving problems.²⁸ Management and leadership skills are complementary and both are needed; one without the other is usually insufficient for project success.

The classical, broader perspective of management is described as the process of achieving organizational goals by engaging in the four major functions of planning, organizing, leading and controlling.²⁹ That is, leadership is actually considered part of management and not as something separate or different.

By definition, a good manager is a good leader, since leading is a component function of managing. Nevertheless, in common usage in today's organizations, these are viewed as two distinct roles, each requiring certain skills and having different characteristics. Neither should be viewed as a better or worse kind of role; each brings its own value to the organization. While most people are strong in one or the other role, a relatively few are able to perform both roles well.

Exhibit 5.8 illustrates some differences between management and leadership. Some notable quotes on the differences between the two:

- Management is doing things right, leadership is doing the right thing³⁰



- Managers work with processes and leaders work with people³¹
- Management is efficiency in climbing the ladder of success; leadership determines whether the ladder is leaning against the right wall³²
- Management is about skills, leadership is about skills coupled with character³³
- Management is getting work done through others. Leadership is taking people where they haven't been but need to go³⁴
- Effective leadership is putting first things first. Effective management is discipline, carrying it out.³⁵

Differences Between Management and Leadership		
Tasks	Management	Leadership
Creating an agenda	Planning & budgeting <ul style="list-style-type: none"> ▪ Establishing detailed steps ▪ Allocating necessary resources ▪ Focus on the short-term, details ▪ Eliminating risks 	Establishing direction <ul style="list-style-type: none"> ▪ Developing a vision and strategies for change ▪ Focus on the long-term ▪ Taking calculated risks
Developing a human network for achieving the agenda	Organizing & staffing <ul style="list-style-type: none"> ▪ Establishing structure ▪ Staffing, delegating ▪ Providing policies/procedures ▪ Creating processes/systems ▪ Focus on specialization ▪ Compliance 	Aligning people <ul style="list-style-type: none"> ▪ Communicating direction by words and deeds ▪ Influencing the creation of teams and coalitions ▪ Focusing on integration ▪ Creating commitment
Execution	Controlling & problem-solving <ul style="list-style-type: none"> ▪ Monitoring results vs. plan ▪ Identifying deviations ▪ Organizing to solve problems ▪ Focus on containment and control ▪ Getting right person for the job 	Motivating & inspiring <ul style="list-style-type: none"> ▪ Energizing people ▪ Satisfying higher-level needs ▪ Focusing on empowerment ▪ Creating environment for development
Outcomes	Predictability & order <ul style="list-style-type: none"> ▪ Consistently producing key results expected by various stakeholders 	Change <ul style="list-style-type: none"> ▪ Producing (often dramatic) change to become more competitive

Exhibit 5.8: Comparing Management and Leadership³⁶

Leadership styles are distinguished by the interactions and influence leaders have with team members or subordinates. They can be classified according to the leader's power and behaviours as Autocratic, Democratic, or Laissez-faire. Each of these styles is discussed below within the context of McGregor's Theory X and Theory Y. For McGregor, Theory X and Y are not different ends of the same continuum but two discrete continua in and of themselves.

The Project Manager's leadership style can fall anywhere on the continuum of autocratic, democratic and laissez-faire.

- **Autocratic PM** – The autocratic (also called ‘authoritarian’) PM makes all the decisions, instructs team members what to do without asking for feedback or opinions, and closely supervises them. An autocratic style might be exercised by leaders who have been given full organizational power and authority over decision-making.³⁷ Team members under an autocratic PM are not involved in decision-making and have little to no autonomy. The autocratic leadership style is commonly practiced by organizations and PMs who follow McGregor’s ‘Theory X’ view of employees – that is, they believe that employees are inherently lazy and need to be told what to do. The autocratic style may be seen as appropriate in situations where tasks are simple and repetitive. It may also be that project team members are relatively junior and inexperienced, and therefore more dependent on the PM’s direction and decision-making. Control cultures rely on an autocratic style of leadership to ensure certainty, dependability and predictability. These constitute a different set of drivers for having an autocratic style than the Theory X view. Any project success with this leadership style, though, may be limited and short-term.

Modern project management takes a team-based approach to accomplishing organizational goals. Project planning and execution is typically enriched through consultation and collaboration with and within the team. Project tasks are relatively more complex and non-repetitive, requiring a more sophisticated level of problem-solving and decision-making. Involving project team members also builds commitment and motivation for the project. In contrast, when professionals find that their ideas are not being sought or that they have no autonomy, they will quickly tire of the project, lose motivation and leave for better positions elsewhere.

The autocratic style does provide for faster decision-making since no time is lost in consultation, but the decision may be a poorer one due to lack of input.

- **Democratic PM** – The democratic (also called ‘participatory’) PM continuously seeks input from project team members and takes this input into account in planning and executing the project. A democratic PM may be seen as more of a facilitator than a manager. The democratic leadership style is commonly practiced by organizations and PMs who follow McGregor’s ‘Theory Y’ view of employees. They believe employees to be motivated, trustworthy, and capable of making good decisions that in support of the project goals.

This style can lead to high team morale, as members feel part of the decision-making process and in turn buy into the PM's vision. As described in the chapter on organizational culture, collaboration or competence cultures rely on a democratic style of leadership. This is to ensure synergy in the former and superiority or excellence in the latter. To varying degrees, these two cultures seek to tap and benefit from the sharing of ideas, leading to accomplishing a common goal. There is consistency in this with the premise of Theory Y.

A democratic style implies that leaders share their decision-making authority with the project team.

Some PMs, however, may have difficulty adopting this style because they believe that doing so would force them to relinquish control. Given that the PM holds final accountability for the project, ultimately it is the PM who will be judged on the success or failure of democratically-reached decisions. Since the democratic style calls for more participation and input from many people, decisions can take longer compared to the autocratic style, possibly leading to project delays.

- **Laissez-faire PM** – The laissez-faire (also called ‘delegative’) PM takes a hands-off approach to project leadership, allowing team members to make most of the decisions. Such a PM is a more of a catalyst than a manager. The mantra of a laissez-faire PM is “hire good people and get out of their way”. The laissez-faire PM defers to the team member responsible for a given task to provide the leadership in that area. This type of PM offers incredible autonomy to team members – so much so that it can be argued that it goes beyond a ‘Theory Y’ orientation. A PM with a laissez-faire style lets the team figure out how to respond to challenges with little to no interference. It is a highly delegative approach to leadership, allowing maximum room for each individual in the project team to grow and develop. Cultivation cultures rely on a laissez-faire style of leadership, aimed at ensuring personal enrichment and growth. Arguably, all of this means that the most important aspect of the laissez-faire leadership style is the recruitment of the best qualified and most highly motivated team members for the project.

The PM’s leadership style, in this case, is very much focused on delegating authority to team members, supporting them and giving them the tools and resources required to be successful.

This leadership style is generally not well-suited for project management and leading project teams, though flat or open organizations can benefit from this approach. It can mean a boat without a rudder or everyone rowing in a different direction – potentially leading to project failure.

Whether an autocratic, democratic, or laissez-faire style of leadership is adopted depends on the combination of the personal characteristics of the PM, the team being led, and the project environment. The personality, knowledge, values, experience and education of the

PM determines their specific leadership style. Combined with the personalities, backgrounds, expectations and experiences of the project team members, this determines the suitability or effectiveness of a given style for a given project. For instance, team members who are more knowledgeable and experienced will work better under democratic leadership because they will have the opportunity to contribute their ideas, expertise and problem-solving capabilities. In contrast, team members with little experience will benefit from an autocratic leadership style, because they will need to rely much more on the leader's skills and insights.

The organizational culture, structure and other environmental factors may also influence the choice of leadership style.

Exhibit 5.9 shows the range of leadership styles from autocratic on the left to laissez-faire on the right. Depending upon the strength or type of the team, the PM has to select a style that will be most effective for the situation at hand.

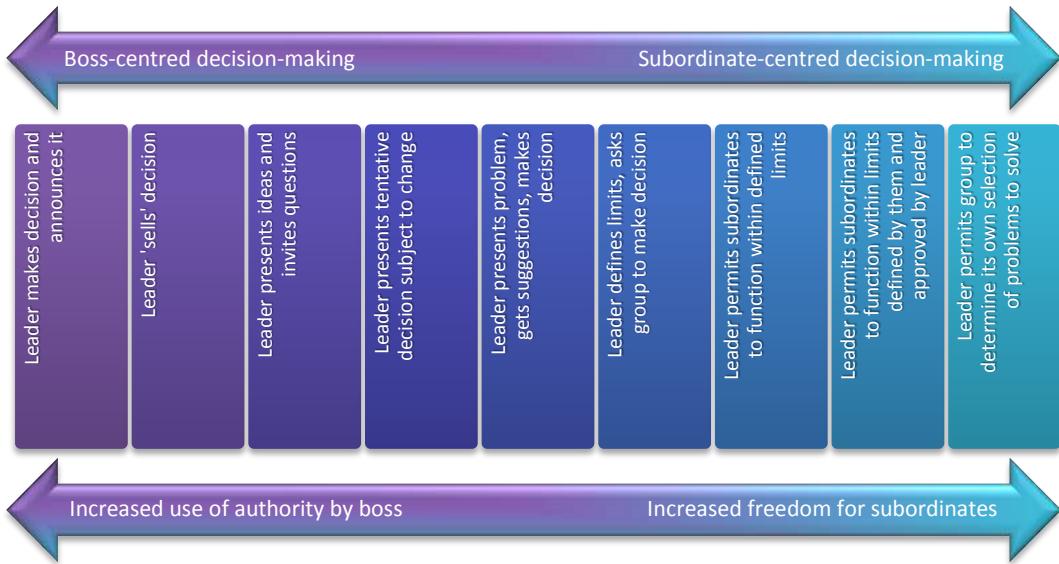


Exhibit 5.9: *The Leadership Continuum – What's Your Leadership Style?*³⁸

SITUATIONAL LEADERSHIP

Situational leadership is about how leadership approaches and behaviours change according to the different situations faced by a leader.

The leadership style is also largely influenced by the work at hand, which is a determining factor of the situational leadership model.

The concept of situational leadership is based on the premise that a single fixed leadership approach may not be suitable for every situation, and may even be entirely contrary to what a given situation calls for to achieve optimal organizational or project team performance. A situational leadership model is depicted in Exhibit 5.10. It highlights four different leadership behaviours which may be exploited, depending on the maturity and knowledge of the leader as well as the readiness of the project team:³⁹

- Participating
- Selling
- Telling
- Delegating

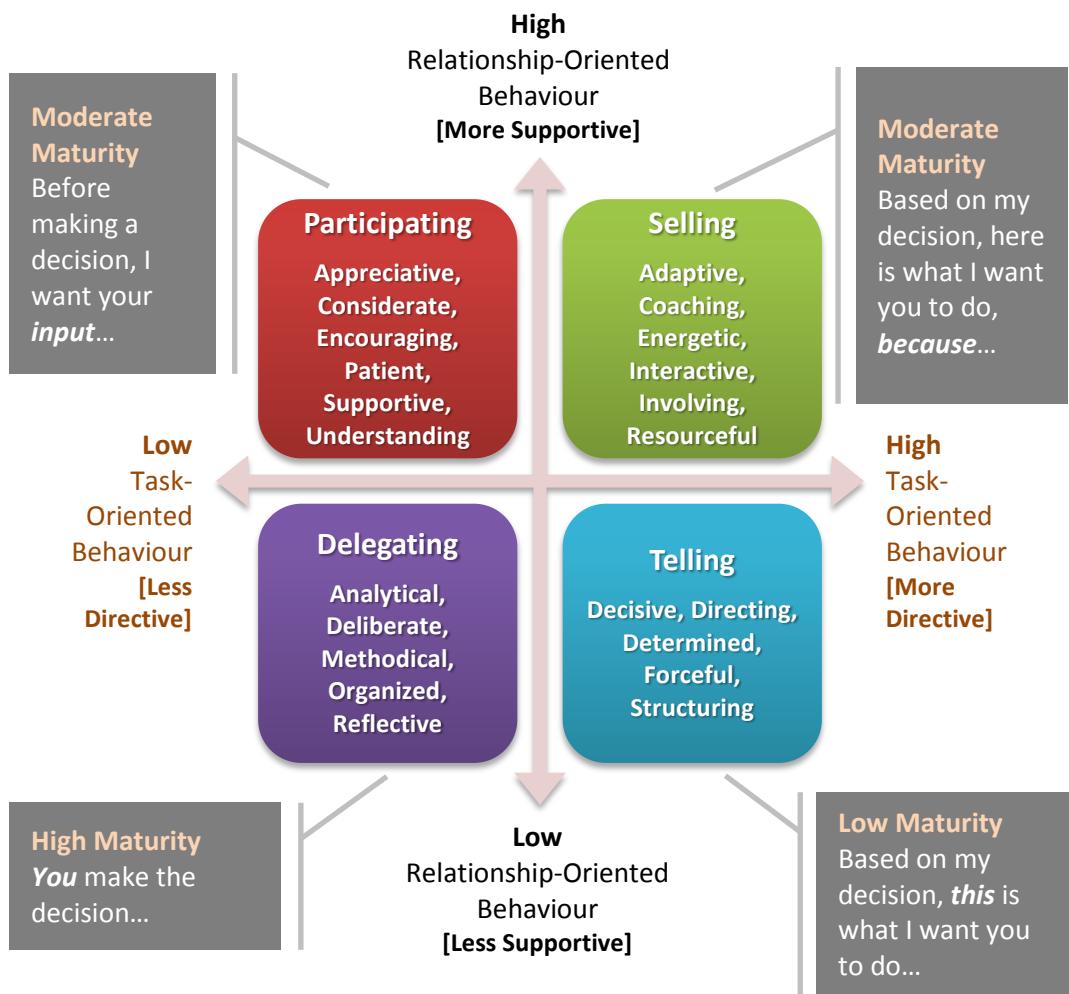


Exhibit 5.10: Situational Leadership Model⁴⁰

This situational leadership model is based on the relative balance of relationship-oriented versus task-oriented behaviour that a PM might use in a particular situation. Both of these types of behaviour are guided by the readiness or development levels of team members and the nature of the situation itself, as follows:

- Task behaviour is the extent to which the leader engages in one-way, task-based communication, such as telling people what, how or when to do something. The focus is more on structure, control, power and task completion. This is a more directive form of leadership behaviour. At its extreme, this would represent an autocratic or authoritarian leadership style.
- Relationship behaviour is the extent to which the leader engages in two-way communication driven by relationship development, such as active listening, praise and encouragement. The focus is on being appreciative, patient and understanding. This is a more supportive form of leadership behaviour. It would be consistent with a democratic or participatory leadership style.
- Readiness or development level of team members refers to the ability and willingness of the team members to perform given tasks. This is a combination of competence (task-relevant knowledge and skills, as well as transferable skills), commitment (motivation and self-confidence) and attitude toward others (interpersonal skills). The most appropriate leadership approach would be the one that is well matched to the readiness or development level of team members at that stage of the project or in a given situation.

A PM's leadership style will affect the project team in a number of ways such as job satisfaction, project performance, team turnover and project stress.

Unless there are other cultural or situational factors involved, an autocratic leadership style tends to lead to lower levels of job satisfaction, while democratic leadership leads to a higher level of job satisfaction.

The level of job satisfaction under laissez-faire leadership is also lesser than under democratic leadership.⁴¹ Truly effective leaders can adapt their leadership style to the perceived preferences of team members. There is no one “right style” guaranteeing success. Consistency is important as team members appreciate predictability, unless a changing situation warrants a change in leadership style.

Leadership style and skills can be learned, but they have to grow organically from a leader's inherent personal characteristics to be authentic. Project Managers need to make sure that they stay true to themselves, as team members will notice if their manner is forced or strained, and lose confidence. Kippenberger said that “how we lead is a reflection of our own character, personality and experience”.⁴²

Leadership starts with who you are and continues with who you want to become. A hallmark of effective leaders is a high level of self-knowledge and self-awareness. Self-awareness was noted earlier as a statistically significant competency element in connection

with project success.⁴³ There are a large number of free and paid self-assessment tools available on the market. Such tools help you assess your strengths and weaknesses. They challenge you to think about why you think you are strong or weak in certain areas. Several are noted in the ‘Activities’ and ‘Tools’ sections of this chapter and serve as a helpful beginning for self-awareness as a leader.

A leadership self-assessment is an important tool to help you think about the many skills and attributes of leadership, both the ones you already possess and the ones you would like to develop.

Most of these tools assess your leadership across one or more of the following broad areas:

- Personal Leadership
- Interpersonal Leadership
- Project and Organizational Leadership
- Community Leadership

Results from such tools will guide you toward areas needing particular attention. They will also help in establishing self-development goals. Setting such goals and continually working toward them is an important professional and personal investment.

The more effort you put into this exploration and growth, the more you will get out of it. As the Cheshire Cat said to Alice in Wonderland when she asked which path to take, “if you don’t know where you want to go, it doesn’t matter – any path will get you there”. Lack of clear goals means the steps for a successful journey will be poorly defined. Progress may take much longer or may not happen at all. Growth in project leadership capabilities requires self-knowledge, sustained focus and hard work. A leadership example from the New Zealand Army is illustrated in the organization snapshot below⁴⁴.

ORGANIZATION SNAPSHOT: NEW ZEALAND ARMY⁴⁵

The New Zealand Defence Force (NZDF) operates across bases throughout New Zealand. The Chief of Defence Force commands the Defence Force and is supported by the Chief of Navy, Chief of Army, Chief of Air Force and the Joint Force Commander. The NZDF is a highly professional organization with a unique culture, briefly described below. It is well equipped to meet the challenges of today’s world.

Mission To secure New Zealand against external threat, to protect sovereign interests, including within the Exclusive Economic Zone, and to take action to deal with contingencies relating to any strategic area of interest.

Vision Joint Operational Excellence – which means ‘we are integrated in the way we work, train and operate at home and abroad.’

Values

1. Courage means being brave enough to do what one believes is right.

2. Commitment means loyally serving the interests of the NZDF and the NZ Government.

3. Comradeship means embracing the bonds of friendship as both a necessity and a benefit of the job.

4. Integrity means acting honourably to bring credit to the NZDF and New Zealand.



The Army Leadership framework (illustrated above) describes what leaders do at every level of the organization. The objective of the framework is to build a strong leadership culture in the NZ Army. The foundation rests on a base of shared values, a straightforward framework, strong professional identity and clear sense of leadership mission.

The Army has a dedicated Army Leadership Centre that runs experiential Leadership Development Activities (ELDAs) in support of the Army Leadership Framework. As a part of ELDA, the attendees participate in outdoor activities such as rock climbing, whitewater kayaking, ski touring, wilderness travel, or sea kayaking. Attendees also spend a fair amount of time discussing handling pressure, among other topics. The objective is to develop leadership through experiential, adventure-based training in order to build operationally focused, professional military leaders. ELDA provides attendees with ‘real risks, real environments and real interactions’.⁴⁶

YOUR ROLE AS A PROJECT LEADER

The role of a project leader is quite a significant one.

Effective project leadership involves multiple hats!

As Exhibit 5.11 highlights, project leadership spans (at least) six hats: that of team leader, cheerleader, role model, project advocate and change agent, entrepreneur and influencer.

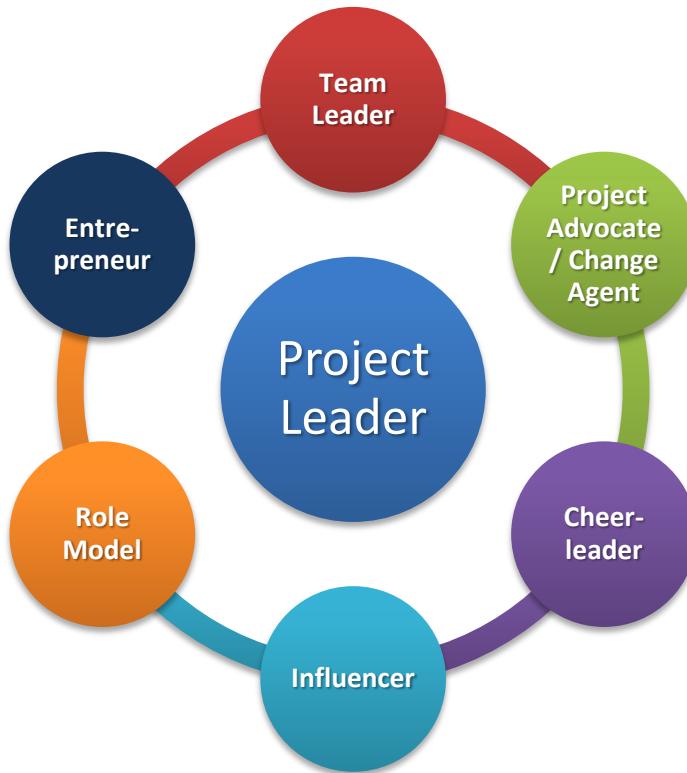


Exhibit 5.11: The Multiple Hats of Project Leadership

- **Project Advocate and Change Agent** – Project leaders are the everyday face and champion for the project. Through thick and thin, they are willing and able to communicate the project vision, rationale and benefits to stakeholders. They will defend the project when encountering opposition. Being successful as a project advocate requires well-honed communication, influencing and stakeholder analysis skills. Understanding of organizational change processes is also helpful if not critical, since every project in one way or another brings about some kind of change.

Wearing the change agent hat implies that, as the project leader, you are representing the change to any and all stakeholders.

It will mean that you are called upon to explain the background and drivers for the change, how people might be affected and what the ultimate benefits are expected to be for the organization. It requires complete understanding of the project and its rationale.

- **Team Leader** – A key role of the project leader is, obviously, to lead the project team. The team is the heart and soul of the project. The team leader understands the value and huge potential of teamwork. They also support their project team through all obstacles and ensure that the team gets due credit for its work. The focus is on ‘We’ as opposed to ‘I’. UK writer John Adair points out the importance of choosing the right words as a team leader with the following:

The six most important words... ‘I admit I made a mistake.’

The five most important words... ‘I am proud of you.’

The four most important words... ‘What is your opinion?’

The three most important words... ‘If you please.’

The two most important words... ‘Thank you.’

The one most important word... ‘We.’

And the last, least important, word... ‘I.’

- **Cheerleader** – Projects typically have many ups and downs. The project team will sometimes grow demoralized over missed deadlines, sponsor pressure, a failed prototype, the departure of a key person, or any number of other possible reasons. While that may be a natural reaction, it can be debilitating for the team to linger there, which can affect project performance. As a project leader, you will need to provide enthusiasm and optimism for the project, to encourage your team, remind them of their successes and get them back to a positive state of mind. Enthusiasm is contagious and will help turn the focus away from the bad toward the good. You will be in the best position to be the cheerleader, given your knowledge of the project as well as of the project team.
- **Role Model** – Whether you are conscious of it or not, and whether you are deliberate about it or not, the project leader is a role model for the project team and for others. You are constantly being observed. Are you ‘walking the talk’? How are you handling stressful situations? What are your patterns of interaction with the project team, with

the sponsor or with other stakeholders? Are you setting a high standard? Role models are those we look up to. We aspire to be like them because of their qualities and traits. They are effective because they have built and used their leadership powers well. People want to learn from their leaders and will emulate the leader's behaviours.

The ‘role model’ hat represents the project leader’s opportunity to lead by example.

- **Entrepreneur** – The concept of the entrepreneur hat is to suggest that, as a project leader, many of the characteristics of the successful entrepreneur are relevant to successfully carrying out projects. Entrepreneurs are generally bold, courageous and imaginative. They are willing to be explorers and to seek out new possibilities or take on positive risks. They are constantly in search of opportunities and improvements. The entrepreneurial project leader may, for instance, see that if the project scope were adjusted a little, the benefits would be disproportionately greater. They may notice that if the project team were to work in a somewhat different way, the process would become more efficient, saving time and money.

“Entrepreneurship is living a few years of your life like most people won’t, so you can spend the rest of your life like most people can’t.”

- A student in Warren G. Tracy’s class

The entrepreneurial project leader would also encourage the same entrepreneurial attitude of continuous improvement among everyone in the project team.

This means that instead of slavishly or mechanically following the project plan, all team members would be seeking small or large opportunities to make the project more efficient, more effective and more beneficial for the organization.



- **Influencer⁴⁷** – Lastly, the role of the project leader is also that of influencer. Influence was noted earlier as a statistically significant competency element in connection with project success.⁴⁸ Influencers focus time and energy on the most important stakeholders and concerns. They have identified and understood the views, interests, positions and power of their stakeholders very well. They pursue those things they are able to tackle and are persuasive negotiators. They have the ability to move people to take action. Influencers work at being convincing through their knowledge, their credibility and their arguments, thus swaying opinion and decisions in support of their project and project team. Influencing others is an essential competency for all projects, but is especially important for complex ones with large project teams, numerous stakeholders, and diverse user communities.

CHAPTER SUMMARY

This chapter described what constitutes leadership and the implications of various leadership styles for leading projects and project teams. There are six main sources of leadership power: legitimate, expert, reward, coercive, referent and information. Alternative models for power and influence bases are cited, also. Additionally, there are a set of desirable leadership traits such as fairness, integrity, humility and confidence. In the context of project management, leadership maturity was presented as the ongoing development and improvement of leadership patterns of behaviour, qualities and traits. For the successful project leader, leadership maturity should be combined and strengthened with strategic awareness, executive presence and execution orientation.

Given the importance of motivation in leadership, three theories of motivation were reviewed: McGregor's 'Theory X' and 'Theory Y', Maslow's 'Hierarchy of Needs' and Herzberg's 'Motivation-Hygiene' frameworks.

These helped us understand what leadership styles – autocratic, democratic or laissez-faire – work best in different organizational cultures or project situations to obtain the most from project teams.

The functions, priorities and behaviours of leaders versus managers were shown as being distinct, though complementary. The importance of situational leadership was also highlighted. A project leader needs to adapt and balance their task-oriented and relationship-oriented behaviours to match the readiness or development level of the project team, as well as the requirements of a given situation, so as to optimize performance. Lastly, this chapter covered the six 'hats' of team leader, role model, cheerleader, entrepreneur,



influencer and project advocate/change agent, that together encompass the role of project leader.

ACTIVITIES

- The following Project Leadership Mobile App takes you through a leadership self-assessment designed specifically for project managers. Your responses will indicate your strengths and weaknesses in terms of the following dimensions of leadership:

- Team-Building and Interpersonal;
- Planning and Risk;
- Communications;
- Decision-Making, Problem-Solving and Performance;
- Trust and Interdependence; and,
- Cultural and Environmental.

Where there is sufficient data, benchmarking against others in the database will be provided in your results. The app is available for Android and BlackBerry devices.

<http://tiny.cc/qncvzw>

This is the website of the management consulting firm operated by one of the authors.

- Leadership Strengths and Challenges - Prepare the following table of skills or traits for yourself. Have you identified goals for further refining your strengths or improvements to address weaknesses?

	Leadership Strengths		Leadership Challenges	
	Skill or trait	Why do I do this well?	Skill or trait	Why do I not do this well?
1				
2				
3				
4				
5				

Exhibit 5.12: Self-Assessment on Leadership Strengths and Challenges

- Leaders Have a Brand - Review the following video:

<http://tiny.cc/pocvzw>

Discuss: Why is your brand important in the context of projects, project teams and project leadership? What does this video suggest to you regarding your personal brand? What is effective in your brand and what needs attention?

4. Team Leadership - For your project team, discuss:
 - What are the skills, qualities, behaviours or other traits needed in the team for your project to succeed?
 - How can you, as a leader, promote these strengths and buttress any weaknesses?
 - Take time to review with your project team.

5. Leadership Hats - The project leader was described as having six important ‘hats’.

Discuss: Give an example situation where each may be needed. What additional ‘hats’ does a successful project leader need to wear? Give an example situation where each of these additional ‘hats’ may be needed.

6. Leadership Styles

Discuss: What leadership style – authoritarian, participative or delegative – is being employed in each of the situations described in the following:

<http://tiny.cc/qpcvzw>

TOOLS

1. The ‘Leadership Matrix Survey’ is a self-assessment tool consisting of 18 questions. The matrix has two dimensions, concern for people and concern for tasks, resulting in four quadrants. Based on your responses, your leadership style would then be plotted against these quadrants. It is available at:

<http://tiny.cc/0rcvzw>

2. The ‘Leadership Style Survey’ is a self-assessment tool consisting of 30 questions. Based on your responses, your dominant leadership style is shown. It is available at:

<http://tiny.cc/vscvzw>

3. This leadership self-assessment tool consists of 108 questions. Based on your responses, your strengths and weaknesses are presented in relation to the 12 key leadership areas covered (registration is required). It is available at:

<http://tiny.cc/rtcvzw>

4. This leadership self-assessment tool utilizes the DISC model and takes about 15 minutes. Based on your responses, your leadership ‘dimension’ is documented in a one-page report. The report may be viewed, saved or e-mailed. It is available at:

<http://tiny.cc/fucvzw>

REVIEW QUESTIONS

1. When appointed, a project manager has formal power conveyed to him/her. Based on the PM's role, the formal power could include _____ power.
 - a. Charisma and Reward
 - b. Reward and Coercive
 - c. Reward and Expert
 - d. Expert and Information
2. The project leader was described as having (at least) six important 'hats'. These include:
 - a. Project Advocate / Change Agent
 - b. Role Model
 - c. Influencer
 - d. All of the above
3. You are working with a 25-member project team in a matrix organization. You are devoting much time to building connections both inside and outside your department. The network of people you know, if enthusiastic and supportive of the project, will play a huge role in project success. Which kind of power are you using when doing this?
 - a. Referent
 - b. Coercive
 - c. Formal
 - d. Reward
4. Among the four components of effective leadership are:
 - a. Risk Awareness
 - b. Strategic Awareness
 - c. Executive Presence
 - d. b and c
5. Understanding the alignment between the organization's broader goals and what your own project is meant to deliver is a reflection of:
 - a. Leadership Maturity
 - b. Strategic Awareness
 - c. Executive Presence
 - d. Execution Orientation

6. Theory X holds that:
 - a. Quality improvements lie in the hands of quality circles
 - b. Profits are tied to meeting schedule deadlines
 - c. Absenteeism is tied to poor working conditions
 - d. Workers are inherently unmotivated and need strong guidance
7. Which of the following is an example of Theory X in action?
 - a. Self-led project teams
 - b. Micromanagement
 - c. Team members are able to work without much direction
 - d. Earned Value Management
8. Theory Y orientation is more likely to have which form of leadership style?
 - a. Autocratic
 - b. Laissez-faire
 - c. Democratic
 - d. All of the above
9. The PM is in a tough project situation, with a large number of deadlines and several milestones behind schedule. There is a huge push from the sponsor to quickly complete the project and the team is working in an ‘all hands on deck’ mode. Which kind of behaviour is best suited to this situation?
 - a. Task behaviour
 - b. Relationship behaviour
 - c. Readiness behaviour
 - d. Development behaviour
10. The PM is dealing with a large number of strong-willed people. However, most of the team members have worked with the PM before in this projectized environment, and there is a great deal of trust among all team members. There are a large number of tasks associated with this project and several upcoming milestones. Which kind of leadership behaviour is best suited to this situation?
 - a. Telling
 - b. Participating
 - c. Selling
 - d. Delegating

KEY TERMS

- **Autocratic leadership style** is exhibited when a PM makes all the decisions, instructs team members what to do without asking for feedback or opinions, and closely supervises them.
- **Democratic leadership style** is exhibited when a PM seeks input from project team members and takes this input into account in executing the project.
- **Extrinsic motivation** comes from outside us. It is the influence of other people and other things pushing us to take certain actions. The opportunity for good pay, or a better position, can be a strong external influence on our behaviour.
- **Herzberg's 'Motivation-Hygiene' theory** suggests that hygiene factors cannot motivate people for long and that their absence can result in an overall level of dissatisfaction. Motivation factors are more powerful and longer-lasting influences on behaviour and satisfaction.
- **Intrinsic motivation** factors are those which arise from within us and are linked to the desire to do something because one finds it interesting, compelling or desirable in and of itself.
- **Laissez-faire leadership style** is exhibited when a PM takes a hands-off approach to project leadership, allowing team members to make most of the decisions.
- **Leadership** is the ability to guide the project team while achieving project objectives and balancing the project constraints.
- **Leadership Maturity** is the degree of experience and sophistication possessed by the project leader in developing, leading and supporting project teams.
- **Maslow's 'Hierarchy of Needs'** suggests that there are different levels of individual need which guide behaviour. Behaviours are driven by the relative position of a given person within the needs hierarchy.
- **McGregor's 'Theory X'** is based on a philosophy that management assumes employees are inherently lazy, dislike work and will avoid work if they can. It is a pessimistic view of employees.
- **McGregor's 'Theory Y'** is based on a philosophy that management assumes employees are ambitious, self-motivated and exercise self-control. It is an optimistic view of employees.
- **Situational leadership** is about how leadership behaviours should change according to the requirements of different situations faced by a leader.

ADDITIONAL RESOURCES

1. A recorded webcast of Steven Covey speaking about the seven habits, culture and leadership at the American Management Association website (requires registration):
<http://tiny.cc/7edvzw>
2. A PwC paper on leadership circles and their relevance for project success:
<http://tiny.cc/pgdvzw>
3. A video discussing the importance of mastery, autonomy and purpose as motivation factors:
<http://tiny.cc/chdvzw>
4. A presentation on project manager leadership competencies:
<http://tiny.cc/6hdvzw>
5. Recommended books:
 - The Leadership Challenge, by Kouzes, James M., and Posner, B.Z. Jossey-Bass, San Francisco, CA, 2007.
 - The Elements of Great Managing, 1st ed. by Wagner, Rodd. Gallup Press, New York, NY, 2006.
 - Project Leadership, by T.J. Kloppenborg et al, Management Concepts, Vienna, Virginia, 2003.

REVIEW ANSWERS

1. B 2. D 3. A 4. D 5. B 6. D 7. B 8. C 9. A 10. C

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Ethical Leadership

“Ethics and leadership go hand in hand. An ethical environment is conducive to effective leadership, and effective leadership is conducive to ethics. Ethics and leadership function as both cause and effect.”

William D. Hitt



LEARNING OBJECTIVES

- Demonstrate understanding of and explain ethical leadership
- Describe how leadership relies on and benefits from ethical leadership
- Define the 4-V model of ethical leadership
- Understand attributes of ethical leadership
- Describe the PMI Code of Ethics and Professional Conduct
- Understand ethical challenges and the use of a framework for ethical decision-making

WHAT IS ETHICS AND ETHICAL LEADERSHIP?

“The phrase ‘ethical leadership’ is redundant. Leadership can’t exist without ethics . . . and ethics can’t exist without leadership.”

Sonny Perdue

Ethics have been the subject of much discussion for millennia. The modern application of ethics plays an important part in the functioning of organizations in all sectors and professions, including project management. With ever-growing competition and the pressure for organizations to increase profits at any cost, situations involving unethical behaviour seem to be commonplace. Corporate failures such as Enron and WorldCom, largely due to major ethical lapses, have brought business ethics and ethical conduct to the forefront. In ever changing times, Ethical leadership has become more crucial than ever.

Ethics involves judgments about the rightness or wrongness of human behaviour.¹ Ethics outline standards of behaviour that are integral to an organization’s core values and ideals, therefore influencing the management process at every step of decision-making and establishing a baseline for all relationships, internal and external. There are many ethical codes, but they all centre on consideration of these key components:

- Examination of right, wrong, duty, obligation, rights, justice, fairness, etc.
- Values that relate to the nature of human conduct
- Fairness in response to a given situation
- Rules and principles that guide a society
- Conduct which produces the greatest happiness or benefit to the greatest number of people (a principle known as utilitarianism in ethical philosophy)
- Morality based on rational people’s respect for other rational people (notably supported by Kant’s ethical philosophy)

| It is believed that like values, ethics are learned through the influence of others.

Ethical leadership builds upon ethics and can be defined as the application of ethics to leadership scenarios. It is the ability to motivate, influence, and enable others, through ethically sound thinking. This also calls for appropriate communication, interpersonal relations, behaviour, reinforcement and decision-making, in order to work together to achieve a common, morally acceptable purpose.

There is evidence indicating that organizational integrity is positively correlated with enterprise performance. Exhibit 6.1 shows such a correlation from a study by the Corporate

Executive Board. It suggests that in addition to the intrinsic value of ethical conduct and organizational integrity, there is a business or performance dividend.

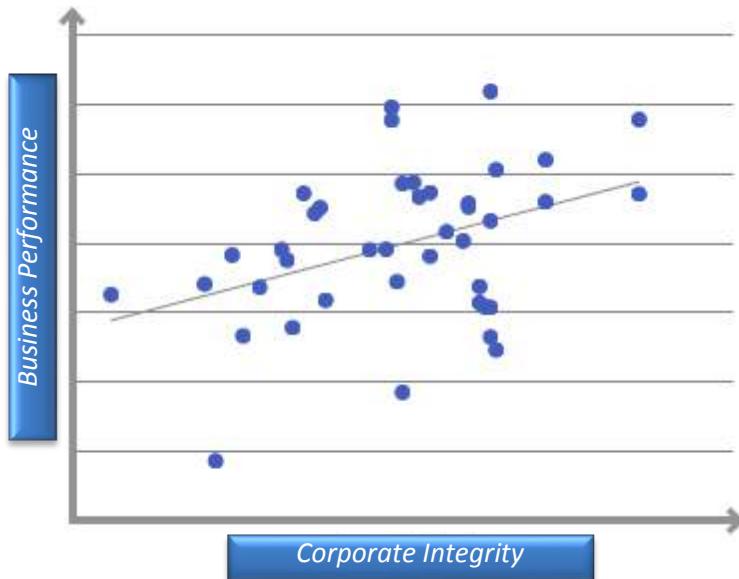


Exhibit 6.1: Relationship Between Integrity and Performance²

Leaders are by nature in a position of power and some leaders, such as CEOs of corporations or presidents of nations, have enormous power!

The ancient Greeks defined leadership by characterizing the opposite, the tyrant – the one who holds power and rules by fear.

In contrast to this, the leader holds power and rules via the approval or sanction of his or her followers. In both cases, power is the key characteristic that differentiates both leaders and tyrants from others, and the possession of power is what makes ethics a crucial consideration for leaders. Power is relevant because it may allow the leader to coerce others into unethical behaviour. Being in a position of power also makes leaders role models. Through such influence, their own behaviours may suggest to others that unethical conduct is acceptable.

The study of ethical leadership focuses on how leaders use their power in the decisions they make, the actions they engage in and the ways they influence others.³

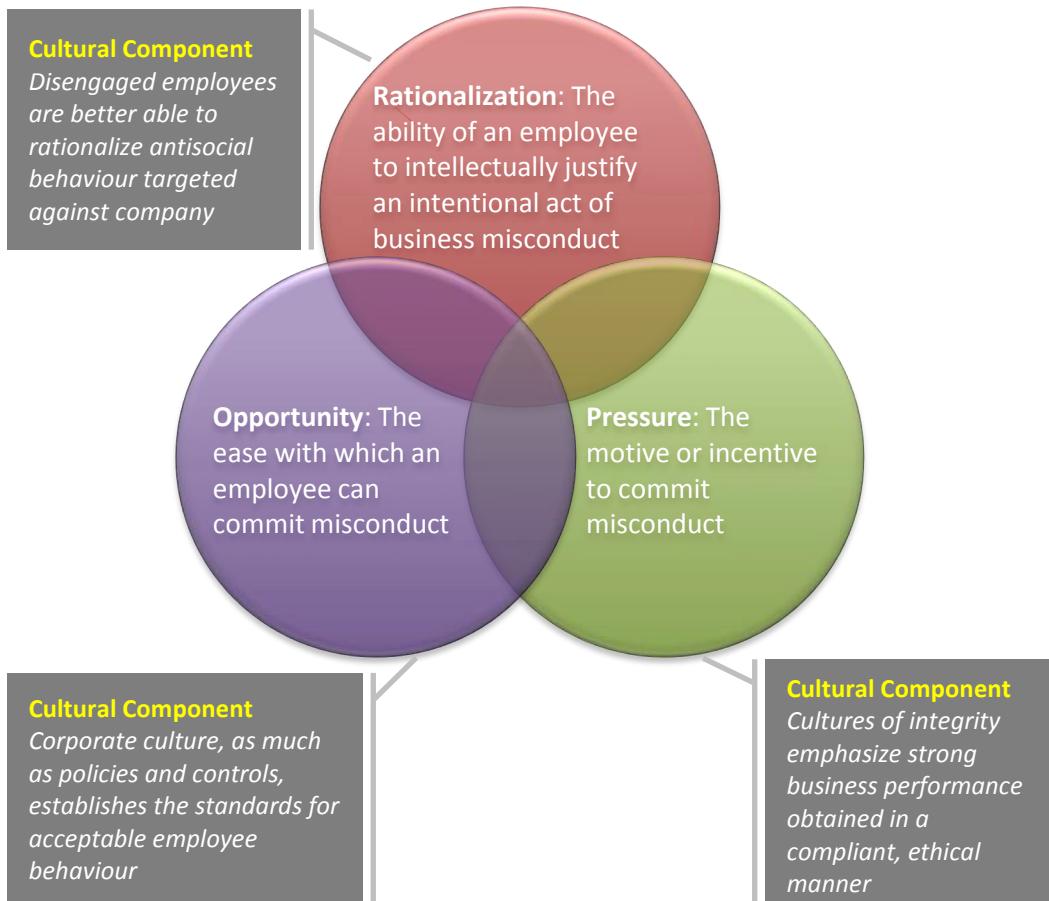


Exhibit 6.2: Factors Behind Business Misconduct and Related Cultural Components⁴

The example of Lehman Brothers and the recent financial crisis in the US highlights how executive power and extremely high levels of compensation can corrupt business leaders. Why does this happen? The major factors behind such business misconduct or lapses, as Exhibit 6.2 illustrates, are opportunity, pressure and rationalization. Each is tied to the organizational culture in which the individual works. There is a natural temptation that comes with such power. The way leaders choose to exercise their power is a key measure of ethical leadership. The ethical challenges faced by leaders are both intellectual and emotional.

Some authors argue that emotional integrity is the super-virtue of leadership.⁵

Emotions also mask or enhance the way people understand the morality of a leader's actions. Robert Solomon notes how difficult it is for leaders to keep emotional integrity when the media and professional consultants literally mediate and repackage their emotions.

The entire concept of referent or charismatic power is in fact a rationalisation of the effect of emotions. A charismatic leader doesn't just show team members how to act but how to feel. Charismatic leadership works by creating emotion in the team members: the desire to follow or emulate the leader is rarely purely intellectual. The team reflects the emotions of the leader and its perception of the leader's ethics. For instance, if a leader does not treat team members with respect and fairness, the team members may not treat each other or their jobs with fairness and respect. From the team's perspective, the leader's ethics are major and influencing components of motivation and commitment. Ethical leaders demonstrate a level of integrity that is important for stimulating a sense of leader trustworthiness, which in turn is essential for team members to accept the vision of the leader.

Due to the special moral relationship that leaders have with the team, leaders have to care about and consider the well-being of more people than others.⁶

4-V MODEL OF ETHICAL LEADERSHIP

The 4-V Model of Ethical Leadership, developed by the Center for Ethical Leadership, is a framework that aligns the internal (beliefs and values) with the external (behaviours and actions) aspects of leadership. This model is shown in Exhibit 6.3 and explores the hearts of leaders, including their virtues, vices, emotions and beliefs. It is about embracing an inner journey of integrity and through it, making an outer commitment to the common good. The four Vs are as follows:

- **Values** – Ethical leadership begins with an understanding of and commitment to our own core values. Values are central to identity and play a key role on all levels of personal choice-making and decisions. Ethical leadership means having the courage to live and lead by our core values, in service of the common good. Values are reflected through our actions and influence our behaviour. The influence of values on behaviour tends to be consistent. The individual's core values may or may not be aligned with those of their organization or project team. When there is misalignment, there can be confusion or errors in our decisions and actions. Have you thought about your values and how they align with your job, your project team or even your organization?
- **Vision** – Vision is the description of a desired future. It sets the broad direction for action and serves as a guiding image of success. One reason why vision is so important to leadership is that a compelling vision contains more than a common goal. It incorporates a rationale for why that goal is good, helpful or valuable in the larger context.
- **Voice** – This is the communication component of this model. Voice concerns the ability to articulate our thoughts and vision in an authentic and convincing way so as to motivate team members toward ethical decisions and actions.

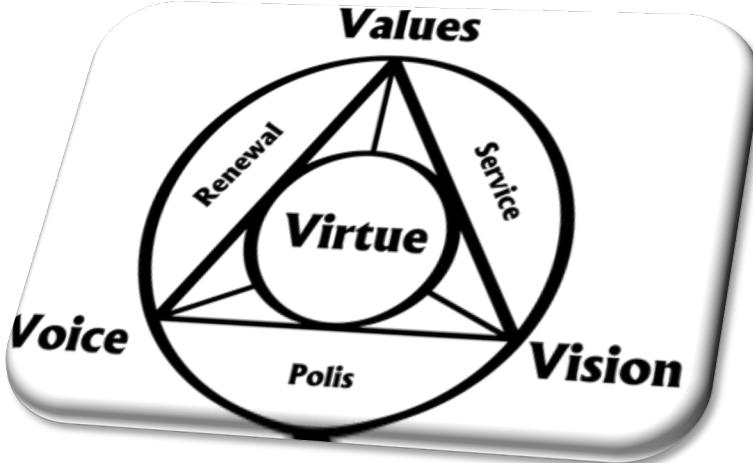


Exhibit 6.3: 4-V Model of Ethical Leadership⁷

- **Virtue** – Virtue brings values, vision and voice together. Virtue is one of the key traits an individual can possess. Exhibited through actions, it is an actualisation of the idea that ‘we become what we practice’. Those who take pride in their accomplishments and know that they did their work in an ethically sound manner, will retain their personal dignity and can be said to be displaying virtue. Virtue can be fostered by practicing ethical behaviour – striving to do what is right and good. Virtue is being dedicated to the common good rather than to any sort of personal gain or advantage. It is every individual’s responsibility to make good ethical decisions; it is not something that can be passed on to someone else. The PM has the capacity, and some would say the responsibility, to practice virtue through his or her leadership. This can at times be difficult. Acting virtuously sometimes requires the courage to face negative reactions or pressures when such ethically correct actions are perceived by some, including those with greater power, to be somehow detrimental to their interests. In other words, pursuing virtue will not always be popular or be accepted by all – unethical behaviour is often easier and more remunerative than the ethical choice.

Exhibit 6.3 also indicates that the 4-V model has three additional elements. ‘Polis’ is the Greek word for city, and the root of the word ‘politics’. When leaders give voice to the vision in the context of a public act, they are said to be engaging in the art of politics. Vision and Values are connected by ‘Service’, indicating that when our values are tested and tried through service to others, the latent vision within them is often revealed. As Voice links to Values, the nature of the work changes to ‘Renewal’. As Voice is expressed over time, we need to pause regularly to consider if our actions are congruent with our values and vision, making adjustments if necessary.

The concept of ethical leadership has evolved along with changing conceptions of the moral dimension of leadership.

Other theories of leadership morality, such as authentic, spiritual and transformational leadership, overlap with the concepts of ethical leadership.⁸

Similarities with Ethical Leadership:

- Concern for others (Altruism)
- Ethical decision-making
- Integrity
- Role modeling

Differences with Ethical Leadership:

- Authentic leaders emphasize authenticity and self-awareness
- Spiritual leaders emphasize visioning, hope and faith
- Transformational leaders emphasize vision, values and intellectual stimulation

For Project Leaders...

Numerous studies have found that having leadership role models is usually the top enabler for promoting an ethical culture. A survey by the American Management Association places the statement, ‘Leaders support and model ethical behaviour’, first among ten factors for ensuring an ethical culture, with 76% of 1,121 respondents indicating this as ‘extremely important’ and another 18% as ‘highly important’.

In Chapter 5, it was noted that being a role model was one of the essential hats worn by the project leader. For the ethical project leader this means that they are themselves demonstrating a high standard of ethical behaviour. This also implies that they have created an atmosphere and expectations for a high standard of ethical conduct among their project team.

ORGANIZATION SNAPSHOT: NASA SPACE SHUTTLE CHALLENGER DISASTER^{9,10}

The Space Shuttle Challenger, with school teacher Christa McAuliffe aboard, exploded in flames on live television on January 28, 1986. The direct cause of the Challenger explosion was technical – faulty O-rings. But the Challenger also presented a case study in organizational communication and ethics, including the ethics of organizational structure and culture as it promotes or discourages necessary communication, the ethics of whistle-blowing, and an excellent study of group-think.

A System Breaks Down

On January 28, 1986, the space shuttle Challenger exploded in midair moments after takeoff. The initial public reaction was shock and disbelief. Americans had come to expect routine flights from NASA. Well before the shock had eased, the public wanted to know how the accident could have taken place. The press reported that engineers at Morton Thiokol, the contractor responsible for building the solid rocket booster, had vigorously opposed the launching of Challenger, but their warnings had not been heeded by management. These engineers suspected what the Rogers Commission would later support, that the immediate cause of the explosion was a burnthrough of the solid rocket booster joint O-rings - the same O-rings that engineers had been concerned about for more than eight years.

Despite this concern, top NASA decision-makers (at levels I and II) told the Rogers Commission that they had no knowledge on January 27 that these matters had been the subject of intense controversy within Thiokol and between Thiokol and the Marshall Space Flight Center (levels IV and II in the decision-making chain). These officials added that they would not have given the final approval to launch if they had heard the views of the Thiokol engineers.



NASA Goals and Pressures

In March 1970, President Nixon made an important political choice. For budgetary reasons, he scrapped the Mars project and the space platform, but he ordered the development of the shuttle vehicle. This decision forced NASA to put all its eggs in one basket; it significantly shaped NASA's goals for the future. From this point on, to prove that the shuttle could be used as a universal launch vehicle, NASA tried to create an operational shuttle system by instituting a heavy schedule of flights. President Ronald Reagan, in an important speech on national space policy on July 5, 1982, increased the pressure on NASA when he declared that the shuttle was "fully operational".

The Reagan administration was eager for the shuttle system to become operational because it had developed some rather ambitious commercial and military goals for NASA. One of these goals was for NASA to become an economically self-sufficient cargo hauler, primarily of communication satellites. Thus NASA found itself in the business of launching satellites for a wide variety of customers. According to the Rogers Commission, pressures withinin NASA increased as a result, perhaps at the expense of engineering considerations. It is evident, then, that NASA was subjected to strong external pressures to accept very ambitious goals. These goals were internalized within NASA's organizational structure, setting the stage for the Challenger explosion.

The agency committed itself to a frenetic pace of launchings in the 1980s, at one point proposing 714 flights between 1978 and 1990. This pressure was undoubtedly felt by individuals at NASA. It was this pressure to launch that led the manager of the Marshall Space Flight Center solid rocket booster project, Lawrence Mulloy, to comment, on hearing the

Thiokol engineers' objections to the Challenger launch, "My God, Thiokol, when do you want me to launch, next April?"



The Engineers Speak

How strongly did the Thiokol engineers speak out? The Rogers Commission provides considerable testimony regarding this issue. Robert Ebeline, manager of the ignition system and final assembly for the solid rocket motors project at Thiokol, told the Commission that when it was learned that cold weather could be a problem, he convened a meeting of engineers. The meeting began at 2:30 p.m. on January 27. During the one-hour meeting, according to Ebeline, several engineers expressed serious concern about the low temperature for which the O-rings had been tested.

“Ebeline actually got up from his position which was down the table, and walked up the table and put a quarter pad down in front of the table, in front of the management folks, and tried to sketch out once again what his concern was with the (O-ring seal) joint, and when he realized he wasn’t getting through, he just stopped”.

“I tried one more time with the photos. I grabbed the photos and I went up and discussed the photos once again and tried to make the point that it was my opinion from actual observations that temperature was indeed a discriminator and we should not ignore the physical evidence that we had observed. I also stopped when it was apparent that I couldn’t get anybody to listen”.

Mr. Mason said, “We have to make a management decision”. He turned to Bob Lund and asked him, “take off your engineering hat and put on the management hat”. From this point on, management formulated the points to base their decision on. “I left the room feeling badly defeated, but I felt I really did all I could to stop the launch”.

The launch went ahead, with its disastrous consequences, but the Challenger accident is not a story of moral villains. No-one has suggested that any individual whose actions causally contributed to the accident had evil intentions, or that they were callously indifferent to human life; rather, they made choices that they believed to be correct or necessary at the time, however obviously faulty they were later proven to be.

Perhaps some individuals could have (heroically) prevented the disaster. But we cannot rely only on moral individuals to make proper decisions in the use of technologies that carry enormous risks. As we have seen, these individuals are subjected to tremendous organizational pressures and constraints.

BECOMING AN ETHICAL LEADER – IT STARTS WITH YOU!

Anyone can be an ethical leader, whether in leading project teams or in other roles. Ethical leaders must uphold high ethical standards such as being strong, generous, full-hearted, trustworthy and completely reliable. They should seek to guide the team rather than just direct it. They will typically cite the contributions and achievements of others on the team ahead of their own, and take much pleasure in seeing the growth and success of team members.

Ethical leaders are driven by internal character comprised of values, rather than external personality. They lead in a manner that respects the rights and dignity of others. Their approach is mindful of the journey and not just the destination or bottom line. In other words, the means or how the project team gets to the goal is just as important as the ends or the goal itself.

Ethical Leaders make ethics part of every significant decision, whether alone or in collaboration with the team.

There are several dimensions that distinguish ethical and unethical leadership. Exhibit 6.4 states several of them in relation to project leadership, self-management and working with project team members¹¹.

Thinking, and doing, the right thing is not easy. The pressure in many corporations and

Criterion	Ethical Leadership	Unethical Leadership
Use of leader power and influence	Serves followers and the organization	Satisfies personal needs and career objectives
Handling diverse interests of multiple stakeholders	Attempts to balance and integrate them	Favours coalition partners who offer the most benefits
Development of a vision for the organization	Develops a vision based on follower input about their needs, values and ideas	Attempts to sell a personal vision as the only way for the organization to succeed
Integrity of leader behaviour	Acts consistent with espoused values	Does what is expedient to attain personal objectives
Risk taking in leader decisions and actions	Is willing to take personal risks and make necessary decisions	Avoids necessary decisions that involve personal risk to the leader
Communication of relevant information	Makes a complete and timely disclosure of information about events, problems and actions	Uses deception and distortion to bias follower perceptions about problems and progress
Response to criticism and dissent by followers	Encourages critical evaluation to find better solutions	Discourages and suppresses criticism or dissent
Development of follower skills and self-confidence	Uses coaching, mentoring and training to develop followers	Deemphasizes development to keep followers weak and dependent on the leader

Exhibit 6.4: Distinguishing Between Ethical and Unethical Leadership

enterprises to conform, to maximize profits or to engage in questionable behaviour, can be immense. Ethical leaders must be courageous to stand their ground in uncomfortable or challenging situations. It is not easy to oppose the more immediately popular point of view. A key ingredient of moral courage is independence of thought. Imagine how unpleasant it must have been for those who first advocated for racially integrated sports teams or first spoke out in favour of gay marriage. It requires modeling the right action, even in the face of negative consequences or risks to oneself. Just asking the question, ‘Is this the right thing to do?’, can highlight ethical considerations when making a decision, because it keeps the big picture in mind as to who would be affected and how.

Ethical leadership also requires knowledge – it recognizes the moral obligation to know enough to do the job competently.

Leading ethically for most leaders is a constant quest to keep a perspective on ‘who they are’, ‘how they relate to the organization or the project team’, and ‘to whom they have obligations’. It is also important to ask:

‘What are the practices or behaviours that foster the right ethical environment?’

Exhibit 6.5 details the four points of the ‘Ethical Leadership Compass’¹² and the corresponding behaviours which are central for the ethical leader to employ in working with their team. The quest is a highly personal one that takes place in the hearts and minds of leaders. At the same time, there is a strong desire held by individuals, groups, organizations, communities and societies to have leaders who are both ethical and effective.¹³ This extends to finding leaders who are able to motivate followers to be ethical. Ethics is a powerful motivator but also an extremely powerful de-motivator. It is being above the crowd and yet one of the crowd.

Ethical leadership is both difficult to find and difficult to sustain. Being an ethical leader can perhaps be summarized in the golden rule: “Do unto others as you would have them do unto you”.

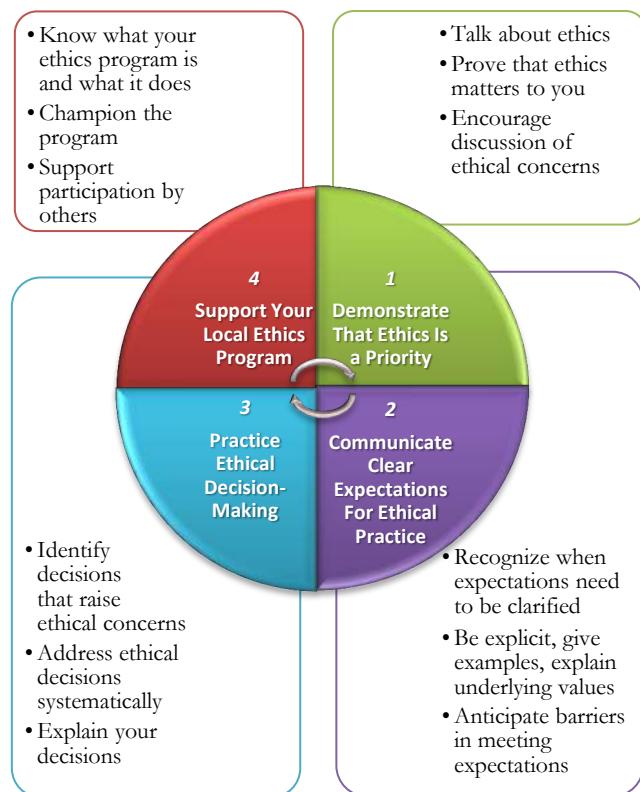


Exhibit 6.5: The Ethical Leadership Compass

ETHICS IN PROJECT MANAGEMENT

Ethics in project management teams is everyone's business. The idea that ethics are only the PM's concern suggests that team members have the license to undertake unethical decisions and actions – beginning with the unethical decision not to tell the PM what they're up to. Everyone on the project team needs to take ownership of the ethical consequences of decisions and actions. Ethical behaviour, by both the PM and the team, is vital to building positive, trusting relationships with all stakeholders.

When PMs focus on ethics, they increase their trustworthiness and credibility.

Exhibit 6.6 gives just a partial listing of desirable everyday ethical behaviours for Project Managers. PMs who demonstrate ethical leadership will foster and influence such ethical behaviour across their organization.¹⁴



Exhibit 6.6: Ethics in Project Management

Whether managing a large, mid-sized or small project, Project Managers must be alert to and work with ethical considerations on an ongoing basis. Ethical issues may arise from interpersonal project team conflicts, challenges with project sponsors, handling of customer data, vendor negotiations, cultural differences, government regulations, etc.

Project professionals face unique challenges as they navigate political and social dynamics, both inside and outside their organization.

The larger and more complex the project, the greater the frequency and significance of issues to be addressed. As outlined in Exhibit 6.7, a complicating factor for project leaders and other professionals is the likelihood that multiple codes of conduct may apply in their project environment. Project management practitioners, as members and credential-holders of a professional body such as PMI, come under that body's code of conduct. Those who work within the regulated professions (e.g. engineers, physicians, accountants and architects) and other disciplines are governed by the code of conduct of their own profession or discipline. Most organizations have developed their own code of conduct and expect this code to be followed. The 'project client' organization(s), if external to the project leader's own organization, may well have yet another code of conduct. If we account for supplier organizations and other stakeholders, this picture becomes even more confused!

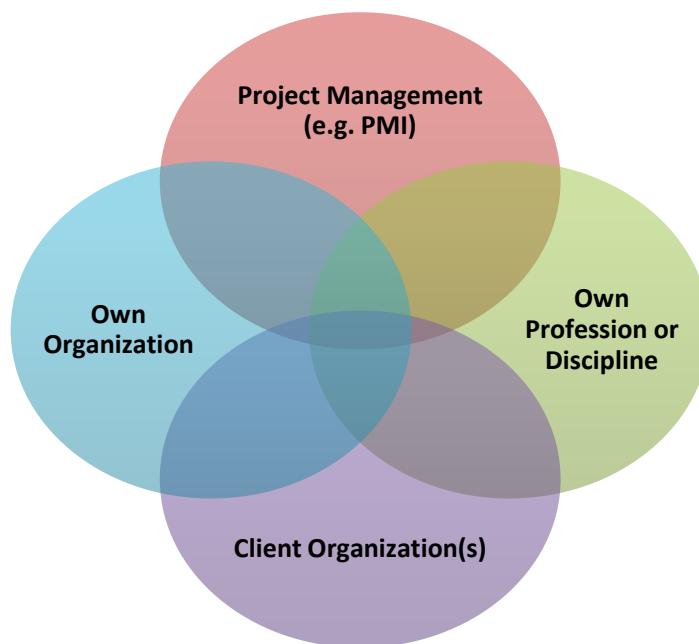


Exhibit 6.7: Working Within Multiple, Overlapping Codes of Conduct

Most codes of conduct originate from many of the same core values (e.g. honesty and integrity) and promote similar expectations for ethical behaviour. In practice, conflicts may arise between codes applicable to a given situation. For example, the amount or type of gift that is acceptable from a client for a well-done project can vary considerably. Some codes of conduct will prescribe that no gifts may be accepted, regardless of value, so as to not create any perceptions of conflict of interest or favouritism. Others provide for more flexibility, allowing gifts up to some preset maximum dollar value. Some may also require a formal declaration of the gift to a supervisor or that it is presented in a public way, to ensure transparency. Thus, reviewing and being knowledgeable of the codes of conduct applicable to you and your project is mandatory. If uncertain on the details of some aspect or another, it is best to consult with the project sponsor or those with expertise in interpreting the particular code of conduct and how to handle the expectations from overlapping codes of conduct. Such expertise would be available in most organizations' Human Resources departments, or in registrar's departments within professional regulatory bodies.

Professional services organizations (e.g. consulting, software development, etc.) that consider PMs primarily revenue-generating and billable resources often put the PM in even more trying positions, since the PM must operate right in the middle, between the paying 'project client' and their own professional services organization. They are effectively working for two masters, where not only must they perform well and deliver on the project, but must also generate revenues from their own hours and keep project costs down. Expectations for their project performance and their 'revenue performance' may well be at odds with each other¹⁵.

In these scenarios, the PM needs to make careful choices about resources including their own time, estimates, scope and requirements, overall effort, risk factors, and even the overall validity and value of the project as a whole. In attempting to meet the needs of two masters, and trying to address the best interests of each, there is much potential for conflict. Their own job as PM may well be at constant risk.¹⁶ Strong understanding of expectations, constant communication with key stakeholders, and, again, being knowledgeable about the applicable codes of conduct will be very helpful, if not essential.

Decisions on the best response to an ethical question will differ depending on the applicable code(s) of conduct, organizational culture and societal biases. In dealing with tough ethical dilemmas, it is important to lead by example and create an ethical environment¹⁷ – one that also encourages team members to raise ethical concerns on the project and to contribute to solutions. If a PM acts in an ethical manner, it is likely that team members will follow this behaviour, and this can make all the difference.

Unethical acts may also attract legal or media attention.

They can happen at any level within the organization or the project. They can often go unnoticed and without consequences when on a smaller scale. This does not mean, though, that they are acceptable or excusable. Some unethical practices that a PM might be tempted to engage include:

- Submitting a Green project status report when the status is actually Yellow or Red
- Moving to execution when testing results are showing large errors
- Overcharging project work hours or making late payments
- Accepting gifts from suppliers when the contract is up for renewal
- Allowing senior executives to delete key points about delays in a status review with the steering committee
- Withholding information about possible project delays

PMs are regularly tested in these and other situations, and must make appropriate decisions while navigating among conflicting choices, expectations and values.

In order to highlight the importance of ethical behaviour in the field of project management and provide a guide to help project practitioners exercise their best ethical judgment, PMI has established a code of ethics and professional conduct that is discussed further in the next section.

PMI'S CODE OF ETHICS AND PROFESSIONAL CONDUCT¹⁸

Nearly all professions have a code of ethics and project management is no exception. The PMI Code of Ethics and Professional Conduct ('PMI Code') provides for a structure and guidance that everyone in the profession can and should use to make decisions. The PMI Code articulates both aspirational and mandatory standards of behaviour to be followed. It is intended to communicate expectations for, and to uphold, exemplary professional practice and accountability. Other project management professional associations, such as the Association for Project Management, have an equivalent code.

The PMI Code applies to all PMI members and all non-members who:

- Hold PMI certification
- Apply to commence a PMI certification process
- Serve PMI in a volunteer capacity

The Code of Ethics evolved from the original Ethics Standard for Project Management Professionals formulated in the late 1980s.

The current Code is based on extensive global research conducted by PMI with project management practitioners and other stakeholders.

The following excerpt from the PMI Code explains its vision and purpose:¹⁹

“As practitioners of project management, we are committed to doing what is right and honorable. We set high standards for ourselves and we aspire to meet these standards in all aspects of our lives—at work, at home, and in service to our profession.

This Code of Ethics and Professional Conduct describes the expectations that we have of ourselves and our fellow practitioners in the global project management community. It articulates the ideals to which we aspire as well as the behaviours that are mandatory in our professional and volunteer roles.

The purpose of this Code is to instill confidence in the project management profession and to help an individual become a better practitioner. We do this by establishing a profession-wide understanding of appropriate behaviour. We believe that the credibility and reputation of the project management profession is shaped by the collective conduct of individual practitioners.”

Four values, in particular, came to the forefront from these consultations: responsibility, respect, fairness and honesty. As Exhibit 6.8 depicts, the framework for the PMI Code is organized around standards of conduct aligned with each of these four values.

The Code affirms these four values as its foundation and sets forth both aspirational and mandatory standards for each:

- Aspirational Standards are standards that we strive to uphold. Adherence is not easily measured, but is expected (i.e. not optional). Aspirational provisions lead to the ethical advancement of the profession.
- Mandatory Standards are firm requirements, and in some cases, limit or prohibit practitioner behaviour.

The values that the global project management community defined as most important were: responsibility, respect, fairness and honesty.



The conduct covered under the aspirational standards and that covered under the mandatory standards are not mutually exclusive. For instance, one specific act or omission could violate both aspirational and mandatory standards. The four values, with their respective aspirational and mandatory standards, are further detailed below²⁰.

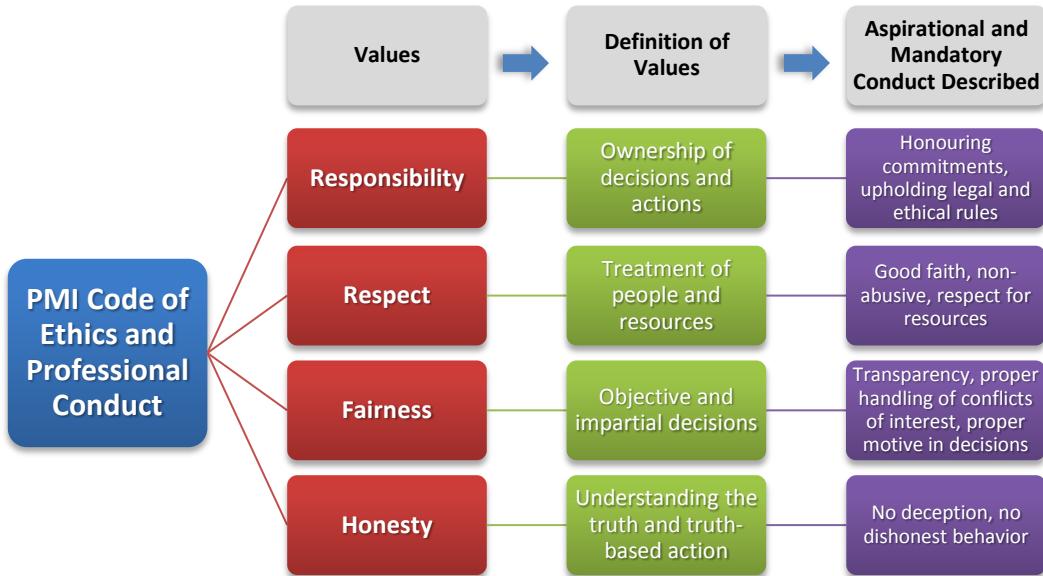


Exhibit 6.8: Framework for PMI Code of Ethics and Professional Conduct²¹

CORE VALUE 1

Responsibility – Take ownership for decisions and consequences

Aspirational Standards

- Make decisions and take actions based on the best interests of society, public safety and environment
- Accept assignments that are consistent with background, experience and qualifications
- Do what we say we will do
- Take ownership of errors or omissions and make corrections promptly
- Protect proprietary or confidential information entrusted to us
- Uphold this Code and hold each other accountable to it

Mandatory Standards

- Regulations and Legal Requirements: Inform yourselves and uphold the policies, rules, regulations and laws that govern our work. Report unethical or illegal conduct

- Ethics Complaints: Report code violations to the appropriate body for resolution. File ethics complaints only when substantiated by facts. Pursue disciplinary action against an individual who retaliates against a person raising ethics concerns

CORE VALUE 2

Respect – Create an environment where diverse perspectives and views are encouraged and valued



Aspirational Standards

- Understand cultural norms and customs; avoid engaging in behaviours that may be considered disrespectful
- Listen to others' points of view
- Directly approach people with whom we have a conflict or disagreement
- Act professionally (even when not reciprocated)

Mandatory Standards

- Negotiate in good faith
- Do not try to influence decisions or actions of others to benefit personally at their expense
- Do not act in an abusive manner toward others
- Respect the property rights of others

CORE VALUE 3

Fairness – Avoid competing self-interest, prejudice and favouritism. Make decisions and act impartially and objectively

Aspirational Standards

- Demonstrate transparency in decision-making process
- Constantly maintain impartiality and objectivity
- Provide equal ²²access to information to authorized persons
- Make opportunities equally available to qualified candidates

Mandatory Standards

- Conflict of Interest: Full disclosure of any conflicts of interest. Avoid any decision making process if there is a conflict of interest, unless specific conditions are met

- Favouritism and Discrimination: Do not hire or fire, reward or punish, or award or deny contracts based on personal considerations, including but not limited to, favouritism, nepotism, or bribery. Do not discriminate against others. Apply the rules of the organization without favouritism or prejudice

CORE VALUE 4

Honesty – Understand the truth and act and communicate truthfully

Aspirational Standards

- Seek to understand the truth
- Be truthful in communications and conduct
- Provide accurate information in a timely manner
- Make commitments and promises in good faith
- Create an environment in which others feel safe to tell the truth



Mandatory Standards

- Do not engage in or condone behaviour designed to deceive others
- Do not engage in dishonest behaviour with the intention of personal gain or at the expense of another

All PMI members and credential holders must sign the Code, agreeing to adhere to a high standard of ethical behaviour. Violations of the PMI Code of Ethics and Professional Conduct may result in sanctions by PMI under the Ethics Case Procedures.

PMI has developed a guide for ethical practice called the Ethical Decision-Making Framework.²³ It is meant to complement its Code of Ethics and Professional Conduct and to promote critical thinking about ethical issues. The Framework consists of five steps, as shown in Exhibit 6.9.

At each step, a set of questions are provided to help clarify the situation, consider options, assess against ethical principles and to make an appropriate decision. This is a practical tool which should help towards understanding and addressing a range of ethical issues.



Exhibit 6.9: PMI's Ethical Decision-Making Framework

CHAPTER SUMMARY

Ethics and leadership are mutually reinforcing and together forge the ethical leader – the highly trustworthy, fair and responsible leader. Not only is there intrinsic value in ethical conduct, stronger organizational integrity correlates with better business performance. One useful framework for ethical leadership, which incorporates the elements of values, vision, voice and virtue, is the 4-V model. The model aligns the internal (beliefs and values) to the external (behaviours and actions) aspects of leadership. It is about embracing an inner journey of integrity and making an outer commitment to the common good.

Ethical leaders make ethics part of every significant decision, whether alone or in collaboration with the team. For them, the means, how the project team (ethically) gets to the goal – is just as important as the ends or the goal itself. As role models, their behaviour sets expectations for and influences the behaviour of the project team. The Ethical Leadership Compass enumerates a set of practices and behaviours which are helpful to the PM in fostering ethical conduct among team members.

Most organizations have a code of ethics or code of conduct. Project managers may need to work, though, within a multiplicity of codes of ethics including but not limited to own organization, ‘project client’ organization, profession or discipline and as a project management practitioner, that of PMI (or similar association).

PMI’s Code of Ethics and Professional Conduct is founded upon four key values: responsibility, respect, fairness and honesty. Each is accompanied by both aspirational and mandatory standards. PMI has also made available a guide for ethical practice called the

Ethical Decision-Making Framework, which is helpful toward understanding and addressing ethical issues²⁴.

ACTIVITIES

- Surfacing and understanding your own core values is a critical step in being an ethical leader. Review the Core Values Exercise at:

<http://tiny.cc/xrf0zw>

Discuss: What are your core values? Are there any surprises? Why would you interpret these as your core values? How might they be applied in your everyday practice as a project leader (the background information provided may help)?

- Lockheed Martin's Integrity Minute series consists of videos regarding a range of ethical issues. They are available at:

<http://tiny.cc/nsf0zw>

Select one of the series and discuss: What are the key ethical points raised in the scenario presented? What decisions are made or actions taken in relation to these points? What would be a better, more ethically sound decision or action?

- Ethical leadership extends to Corporate Social Responsibility (CSR). CSR is an approach to balancing financial drivers with commitments toward the environmental stewardship and contributions to the community. Review the following case study:

<http://tiny.cc/6sq0zw>

Discuss: What are the central issues being addressed in the context of ethical leadership? What specific practices has Nissan put in place in relation to CSR? How does it influence project work?



Exhibit 6.10: What Is Essential to Ethical Leadership?

4. Circle 3 leadership competencies in Exhibit 6.10 which you believe matter most when it comes to your ethical leadership.

Discuss: Why you chose the three that you did? How do you demonstrate these in your daily practice of project management? What circumstances make these particularly challenging to uphold?

5. Review PMI's Ethical Decision-Making Framework at:

<http://tiny.cc/kf0zw>

Discuss: Think of some ethical challenges you have experienced with projects. Go through the challenge and apply the framework at each step. In what ways does it help you? Would you have come to a different, possibly better, decision using this framework? Are there still some gaps?

TOOLS

1. An Ethical Leadership Self-Assessment Tool to help identify strengths and weaknesses:

<http://tiny.cc/f0f0zw>

2. Another Ethical Leadership Self-Assessment Tool:

<http://tiny.cc/80f0zw>

3. Checklists for use toward an ethical corporate culture, including aspects of leadership:

<http://tiny.cc/01f0zw>

4. An extensive toolkit, with a health care orientation, on ethical leadership and related ethics topics (includes videos, papers, tools, etc.):

<http://tiny.cc/q2f0zw>

REVIEW QUESTIONS

1. Three important factors identified as being behind business misconduct are:

- a. Rationalization, pressure and personal circumstances
- b. Rationalization, opportunity and pressure
- c. Poor decisions, opportunity and pressure
- d. Pressure, poor oversight, opportunity

2. There may be more than one code of conduct applicable to the work of a PM. Why?

- a. Because a PM changes employment periodically

- b. Because in addition to the code of conduct promoted by PMI or other applicable project management professional association, the PM's employer, own profession and/or even the client organization may have their own codes of conduct
 - c. Because PMs are often working on international projects
 - d. Because different codes are useful for different situations
- 3. As part of professional and social responsibility, a Project Manager must balance stakeholders' interests. A customer has requested a change in a project that will have an obvious detrimental effect on the local community. The PM is not an expert in assessing such an impact, but believes this request deserves special attention. What should the PM do?
 - a. It is not for the PM to decide this. The requested change should be added to the project through the usual change management process
 - b. Indicate that the change will not be considered because the project is near closing anyway
 - c. The requested change should be added to the project through the usual change management process, with appropriate notes from the PM regarding possible repercussions for the community. A subject matter expert may also be needed to advise the Change or Steering Committee for the project
 - d. Explain to the customer that a verbal request is insufficient and ask for the request to be in writing
- 4. You are about to send a deliverable to your customer when you realize there is a defect. The customer would probably not notice it, but it is technically not consistent with the contract. What should you do?
 - a. Discuss it with the customer.
 - b. Go ahead and send the deliverable.
 - c. Inform your senior management and seek their guidance.
 - d. Extend the project deliverable timeframe.
- 5. You have recently changed jobs and discovered that your new employer routinely violates environmental and affirmative action requirements on projects. You should:
 - a. Do nothing; it's not your problem.
 - b. Inform the appropriate government agencies about the violations.
 - c. Talk to the corporate legal department.
 - d. Start by asking management if they are aware that regulations are being violated.

6. A Project Manager is in the execution phase of a highly visible project and a major milestone is due in one week. The Project Manager has discovered that a vendor's deliverable for this milestone will be two weeks late. What should the PM do?
 - a. Do not report this problem in the status meeting.
 - b. Meet with the team and brainstorm about how to create a workaround for this problem.
 - c. Halt all payments to the vendor until the deliverable is received.
 - d. Report the status of the missed milestone.
7. A Project Manager has been contracted by a company to manage the development of a software game. The PM discovers that half the software developers are contractors and do not have legal software licenses. What should the PM do in this case?
 - a. Report this violation to the company's senior management.
 - b. Call the software vendor.
 - c. Report this violation to PMI.
 - d. Fill out a software piracy report.
8. The five-step ethical framework recommended by PMI is intended to:
 - a. Minimize the impact of poor ethical decisions
 - b. Support ethical decision-making by any stakeholder
 - c. Support ethical decision-making by PMs
 - d. Provide for documentation of important decisions
9. The 4-V model of ethical leadership incorporates all of the following, except:
 - a. Voice
 - b. Vision
 - c. Values
 - d. Virtual
10. The PMI Code of Ethics and Professional Conduct focuses on all of the following values, except:
 - a. Transparency
 - b. Respect
 - c. Honesty
 - d. Fairness

KEY TERMS

- **4-V Model of Ethical Leadership** – a framework that aligns the internal (beliefs and values) to the external (behaviours and actions) aspects of leadership.
- **Aspirational Standards** – These are standards that we strive to uphold. Adherence is not easily measured, but is expected.
- **Ethical Decision-Making Framework** – A framework developed by PMI as a guide for ethical practice. It is meant to complement its Code of Ethics and Professional Conduct and to promote critical thinking about ethical issues.
- **Ethical Leadership** – Ethical leadership is the application of ethics to leadership scenarios, such as in leading project teams. It is the ability to motivate, influence, and enable others, through ethically sound thinking. This also calls for appropriate communication, interpersonal relations, behaviour, reinforcement and decision-making
- **Mandatory Standards** – These are firm requirements, and in some cases, limit or prohibit PM behaviour.
- **PMI's Code of Ethics and Professional Conduct** – The code provides guidance that everyone in the profession can and should use for their decisions and actions.

ADDITIONAL RESOURCES

1. The PMI ‘Code of Ethics and Professional Conduct’:
<http://tiny.cc/89f0zw>
2. APM Code of Professional Conduct:
<http://tiny.cc/gcg0zw>
3. PMI video on ethics – ‘Why Ethics Matter’:
<http://tiny.cc/odg0zw>
4. A set of resources for ethical leadership in business, including case studies and videos:
<http://tiny.cc/deg0zw>
5. Canadian Centre for Ethics and Public Policy:
<http://tiny.cc/rfg0zw>
6. The Ethical Enterprise: Doing The Right Things In The Right Ways, Today And Tomorrow, American Management Association, 2006:
<http://tiny.cc/bhg0zw>

REVIEW ANSWERS

1. B 2. B 3. C 4. A 5. D 6. B 7. A 8. C 9. D 10. A

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Building a High Performance Team

“Coming together is a beginning. Keeping together is progress.
Working together is success.”

Henry Ford



LEARNING OBJECTIVES

- Define teams and team spirit
- Distinguish between Teams and Groups
- Gain understanding of the stages of team development – forming, storming, norming, performing and adjourning
- Understand leadership styles and activities appropriate for the different stages of team development
- Gain appreciation of tools, such as GRPI, to improve team effectiveness
- Explore best practices and guidelines for using RACI
- Understand team dynamics and personality differences using MBTI
- Explore the five basic approaches to conflict management
- Discuss the importance of delegation and how to do it
- Understand the essentials of negotiation, including the basic process, as well as issues, positions, interests and different approaches to bargaining

DEFINING A PROJECT MANAGEMENT TEAM AND BUILDING TEAM SPIRIT

“The era of the rugged individual is giving way to the era of the team player. Everyone is needed, but no one is necessary.”

Bruce Coslet

The word ‘team’ is often used loosely, sometimes merely as a synonym for a group. But people grouped together do not necessarily come together as a cohesive and high-performing team. According to Francis and Young, a team is an energetic group of people who are committed to achieving common objectives, who work well together, who depend on each other and who produce high quality results.¹ A team is comprised of some number of people with complementary skills who are dedicated to a common goal, for which they hold themselves mutually accountable. They accomplish this goal by working interdependently, communicating effectively and making decisions that affect their work.

Project management teams are formed for a particular objective, as outlined in the project charter. The team is usually disbanded once the project objectives are accomplished. Team members are typically drawn from different functional areas or specializations, such as finance, engineering, human resources, marketing, IT, etc. Each individual tends to bring to the table their own area’s interests, including business, user and specialist interests. Defining the range of skills or background needed for a given project and picking the project management team to match these will be based on the requirements of the project. The right people, with the appropriate expertise, authority, responsibility and commitment to the project goal and to each other, are crucial for project success. Conversely, poorly chosen team members, lacking the right set of skills, with little commitment to the initiative, could spell project failure.

Team spirit is one of the essential agents for superior project performance and success. The fundamentals and rationale for any project are derived from the business case, project charter and the project management plan. These documents give the project leader and the project team the legitimacy, resources and capabilities to make decisions, do the project work and accomplish milestones.

| The project fundamentals and rationale are insufficient to propel a project forward without the emotional commitment of the team members to that project.

Team spirit binds team members together, leading them to dedicate themselves to the common goal of accomplishing project objectives. Open and honest communication, along with clearly defined roles and responsibilities, are key elements in building team spirit. The sense of autonomy produced by the latter becomes a motivator for project team members. Team spirit enhances the power of synergy and makes up for the possibility of a few team

members being less productive than others. It results in innovative project outcomes and faster issue resolution. One of the greatest benefits of having a shared, well-understood project goal is the team spirit which is generated. It's the feeling of working together, which is an incredible motivator for project team members and distinguishes a group of people from a team.

<i>Group</i>	<i>Team</i>
Strong, focused leader	Shared leadership
Manager or leader makes most decisions and communication tends to be top-down, one-way	Shared or consensus decision-making and much more two-way communication
The group's purpose is the same as the broader organizational mission	The team may forge its own specific purpose, though aligned with the broader organizational mission
Each team member is accountable for his or her own work	Individual and team accountability
Individual work assignments	Joint work assignments
Dependent on the manager or leader	Interdependent on other team members
Team/interpersonal skills not too important	Team/interpersonal skills are critical
Manager gives feedback on how team members are doing	Team members and manager give feedback

Exhibit 7.1: Work Group vs. Team²

Achievement is a ‘WE’ thing, not a ‘ME’ thing, always the product of many heads and hands.³

There are substantial differences between groups and teams, as much in terms of dynamics and the roles of team members as in levels of commitment, authority and reporting relationships among team members. Exhibit 7.1 highlights the differences.

STAGES OF TEAM DEVELOPMENT

Teams, once formed, do not automatically launch themselves to lofty levels of high performance and a fun team culture. Reaching this state can take time and requires effective leadership. As there is a life-cycle for projects, teams also evolve through various stages. Only some teams ultimately become high performing ones. Many factors are involved, including the selection and recruitment of appropriate team members, what sort of team chemistry develops, the nature of the project and the project manager's capabilities as a leader and motivator.

Each stage of team development has its own particular challenges, characteristics and tasks.

The five stages of team development, originally conceived by Bruce Tuckman in 1965⁴, are forming, storming, norming, performing and adjourning. 'Prestage I' refers to the situation prior to team formation, when individuals are working independently. The various stages are illustrated in Exhibit 7.2 and described below.

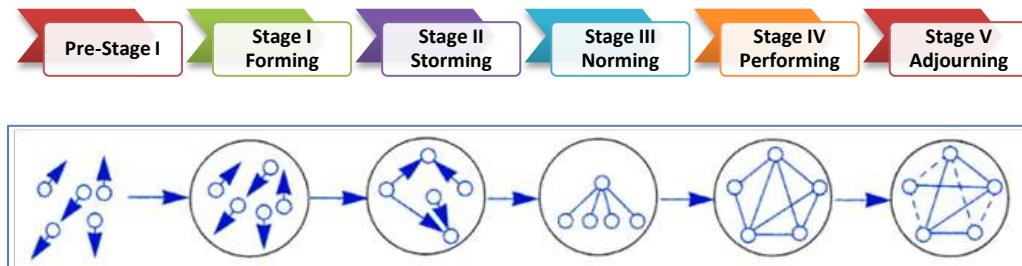


Exhibit 7.2: Stages of Team Development

FORMING

Forming is the first stage of team development and represents the very beginning of team evolution. This is the starting point, where individuals from different functional areas or specializations are brought together to form the team and start working together. The forming stage is characterized by high levels of uncertainty. Project and team processes at this early stage are often unclear or yet to be designed. Individual roles and responsibilities are relatively undefined. It is easy to think of this as the "Honeymoon Stage", because everything is possible and there is little or no conflict. Team members generally come into a new project scenario with a mix of excitement and concern. There is natural excitement about new goals, opportunities and what lies ahead. At the same time, there is uncertainty and even anxiety about the project's nature and scope, how they might fit in and whether they will be able to perform well. Team members will be seeking out information and a

deeper understanding of how everything will work. Some questions or concerns that team members typically voice at the forming stage include:

- Who are the stakeholders (core team members and those external to the team)?
- What is my role in the project? What is the role of others?
- How will I fit in and how will I be perceived?
- What is our goal?
- Who is the PM and what is his/her authority, style or credibility?
- What does success look like? How do we measure it?

During the forming stage of the project team, individuals' skills, knowledge, experience, attitude and commitment are key considerations for team membership. It is important to note that this stage is often characterized by introductions and polite conversation. Everyone is becoming acquainted with everyone else, understanding each other's backgrounds and how they came to be part of the project team.

A few team members may emerge early to establish their credentials, while others may be more passive, preferring to sit back and get a better sense of the “lay of the land”.

Unless the team members have had some positive previous history with each other, trust levels may be low. The forming stage of team development is perhaps best depicted in this extract from a speech by Montgomery during World War II.⁵

“You do not know me, I do not know you, but we have got to work together. Therefore, we must understand each other; we must have confidence in each other. I have only been here a few hours, but from what I have seen and heard since I arrived, I am prepared to say here and now that I have confidence in you. We will work together as a team. I believe that one of the first duties is to create what I call atmosphere. I do not like the general atmosphere I find here – it is an atmosphere of doubt, of looking back. All that must cease. I want to impress upon everyone that the bad times are over and it will be done. If anybody here thinks it cannot be done, let him go at once. I do not want any doubters. It can be done and it will be done beyond any possibility of doubt.”

Field Marshal Viscount Montgomery on taking over the Eighth Army, before the Battle of El Alamein

STORMING

Storming is the second stage of team development. This stage is sometimes called the “terrible twos”, because there can be much squabbling. At this point, polite conversation is over and differences in personal styles, needs, individual agendas, attitudes and expectations start to become evident. Frustrations and intragroup conflict are quite common at this stage. Initial high hopes from the forming stage may now change to pessimism as the realities of the daunting work ahead set in. Team members may have different understandings and opinions about the project objectives, approach and direction. There may be questions as to why certain people are on the project team, about their roles or the reporting relationships. There may even be questioning of the project manager and why they were chosen to lead this particular project. Team members, each with their own personality, may have quite different communication styles and problem-solving or decision-making approaches. Again, these natural differences may lead to conflict at this stage. In addition, team members may become irritated if they perceive others to be intruding into their role or domain.

This stage tests the project manager's leadership as they face challenges from the team or team members vie for leadership themselves, either formal or informal.

Even though formal leadership is held by the PM, team members may test for degrees of autonomy, or other formal or informal leadership within the team. A typical storming stage team meeting is characterized by interruptions, poor listening, competition for attention and unfocussed discussion.

In teams, there can be differences in the level of contribution and effort provided by each person. Unevenness of contribution can undermine overall team performance. This may start appearing at this stage or later. Those who contribute less, known as ‘free riders’, benefit from the work of other team members, but do not themselves make a proportional contribution towards achieving team goals. Free riding affects the morale of the team, especially if it is seen to be condoned. Such individuals also tend to create a ‘sucker effect’, because some team members, seeing this behaviour, start feeling that they are being abused and so withhold their efforts.⁶ All of this takes away from the reciprocity or exchange found in well-functioning teams, where there is give and take in work assignments and sharing the load.

In the book ‘Good to Great’, Collins cites the importance of ‘getting the right people on the bus and the wrong people off the bus’, and then ‘getting the right people in the right seats’, in order to be successful.⁷ Rather than the polite and somewhat safer environment of the forming stage, during the storming stage intragroup conflict becomes visible and may require changes in team membership or in role assignments. The PM must therefore be watchful here, because unless there is a conscious effort to bring issues to the surface, remedy sources of conflict and mitigate any frustrations, storming can become chronic and long-lasting. It may mean, in other words, that the team never progresses to the norming or performing stages. Simply continuing without any resolution can be disastrous for the team,

as professional and productive team conduct could be displaced by lack of trust, deficient collaboration or even outright hostility. In the absence of the support that comes from accepted team norms, effective processes and positive team relationships, teams and projects can fail.

NORMING

At some point, and likely with some degree of facilitation from the PM, most teams resolve conflicts and are able to move to the norming stage. The timing and circumstances of this transition can differ widely from team to team. In the norming stage, the team should be working towards a single common goal. There should be a well-understood project plan to which everyone is able to commit. The overall level of enthusiasm and motivation should rise as the team evolves into this stage and goals, processes and relationships are clarified. The team begins to understand and operate within an appropriate set of behavioural expectations and ground rules, which would be linked to team values and culture. Ideally, these are established in a collaborative manner between the PM and the project team. At this stage, team members should start to value their colleagues more and general trust levels should increase. There should also be greater comfort at expressing ideas and opinions.

Since team members know each other better, they may be socializing together, and become more comfortable at asking each other for help and providing constructive criticism.

Problem-solving and conflict management should also see improvements at this stage. Commitment to the team, the project and the project leader grows. Everyone begins to take responsibility and to work for the success of the team's goals.

PERFORMING

If the norming stage continues to evolve, the team eventually reaches the performing stage, a point at which task orientation and relationships become more focused and effective. Trust between team members increases further and 'hidden agendas' are minimized. Productivity should be much higher at this stage and project progress accelerates. Improved communication and team processes enable faster conflict resolution. Team members start genuinely appreciating the views and contributions of others. This stage is also characterized by little or no oversight by the PM and mutual accountability between team members.

In their leadership role, the PM is able to move to more of a delegative style and concentrate on developing team members. The challenge of the performing stage is that it may take some time to reach. This can be a concern for a short-term project or if there are significant early deliverables in the project plan.

High performing teams function as a cohesive unit, finding ways to get the job done smoothly and effectively without inappropriate conflict or the need for external supervision.

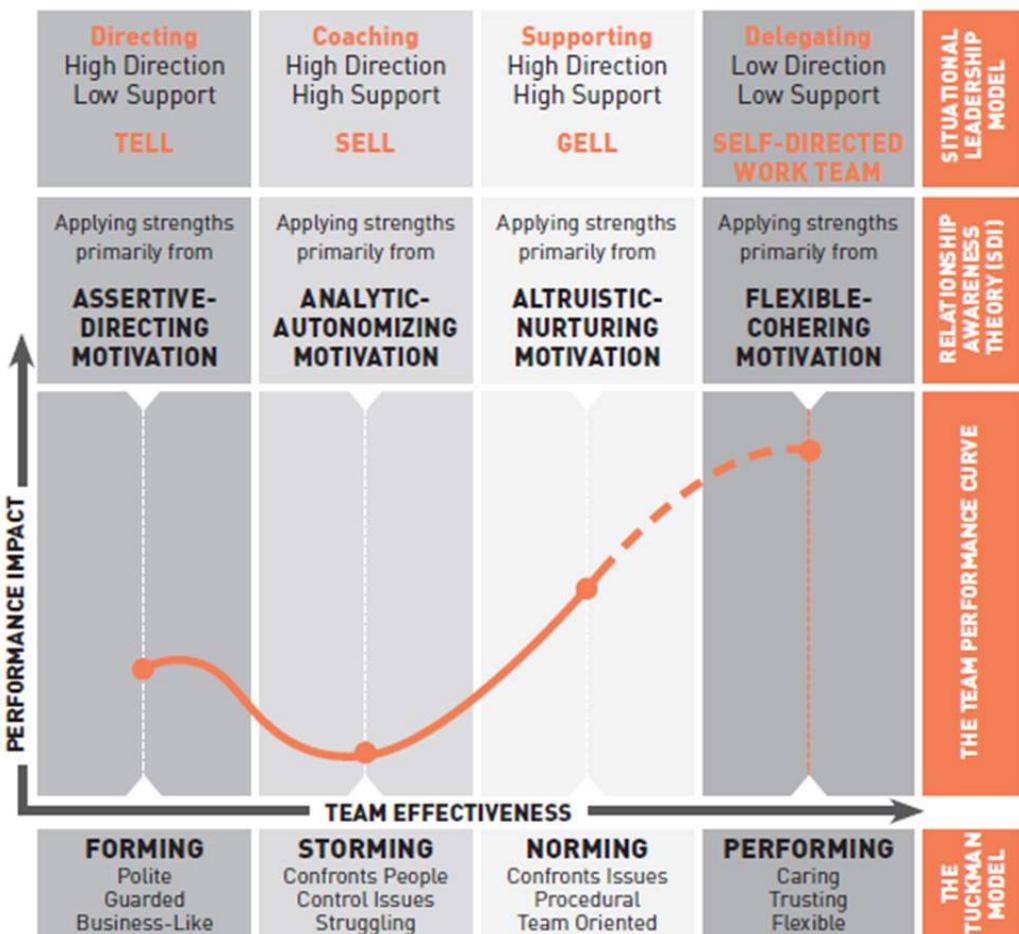


Exhibit 7.3: Team Development Life-Cycle from Forming to Performing⁸

ADJOURNING

By definition, project teams are temporary and only exist for a fixed period. The adjourning stage marks the end of the project, assuming an orderly completion of the project deliverables. Disbanding a team, especially one that was highly productive and fun, can be a stressful task. Close working or even personal relationships may have developed and these will be disrupted. Thus, this stage is sometimes called the mourning stage. It should be mentioned that the adjourning stage can be quite abrupt if the project is suddenly

terminated due to a shift in organizational priorities, changing market conditions, poor project performance or for other reasons.

Exhibit 7.3 suggests that in the first two stages, forming and storming, team members may be considered to be acting predominantly independently. They are concerned about themselves as individuals.

Substantial direction and support is needed from the PM. As team development progresses, with some level of facilitation from the PM, concern turns toward the team and the interdependence within the team in the norming, performing and adjourning stages. This

interdependence is manifested in members relying on each other, trusting each other, sharing the workload, collaborating and being accountable to each other so as to succeed together. It is important to mention that teams do not always proceed clearly from one stage to the next. In larger teams, several stages may occur simultaneously within sub-teams. Also, sometimes teams regress to a previous stage. This may happen if team membership changes or if the team is under pressure from project deadlines, stakeholder demands, budgets or due to other factors. As team effectiveness grows over succeeding stages of team development, performance impact for the project increases.

As the team evolves through these stages, the PM should also alter their leadership style. Each stage calls for a different kind of involvement for the PM to be most helpful to the project team. Exhibit 7.3 references the situational leadership model, discussed previously, in connection with the stages of team development.

The PM, to be most effective, should adjust their leadership style to each stage of team development.

The aim for the PM is to help the team reach the performing stage and sustain high performance levels as soon as possible. Effective PMs understand the stages of team development and the needs of the team at each stage. They are able to anticipate the different challenges and issues at each stage and support the project team in overcoming them. As the team evolves, the PM should shift their leadership style from a more directive or foreground one at the forming stage, to a more delegative or background one at the performing stage where the team would be relatively self-directing. Exhibit 7.4 highlights the most appropriate project leadership style and associated, supporting activities for each stage.



Stage	Leadership Style and Supporting Activities
Forming	<ul style="list-style-type: none"> ▪ Project Manager's leadership style: Directing ▪ Initially, the PM has the most knowledge of the project – the rationale, the goals and the team itself – necessitating a more directive approach. ▪ Articulate the project rationale, goals, expectations and deliverables. Outline a clear structure and project plan. Be prepared to communicate, explain and answer questions about the team's purpose, objectives, priorities, team member roles and stakeholder (and your) expectations. ▪ Introduce everyone and hold a kick-off meeting. ▪ Set forth team processes and ground rules. ▪ Be highly engaged and out in front and demonstrate desired behaviours. ▪ Work to establish a team culture, in collaboration with the team. ▪ Practice openness and transparency, explaining the “what” and “why” of the project. ▪ Promote a climate that models and values team participation.
Storming	<ul style="list-style-type: none"> ▪ Project Manager's leadership style: Coaching ▪ Provide support, especially to those team members who are less secure or clear about their roles. ▪ Check for understanding, inviting and providing feedback. ▪ Where there is conflict, facilitate understanding and conflict resolution. Reinforce that this is natural at this early stage and that things will get better. Coach for assertiveness and conflict resolution skills, where applicable. ▪ Intervene where conflict is quite serious and might persist, including changing team membership if necessary. ▪ Take an active listening and problem-solving approach in dealing with issues. ▪ Clarify and reinforce ground rules, expectations, team processes, roles and relationships. ▪ Remain positive and firm in the face of challenges to your own leadership or project goals. ▪ Be alert to evolving formal or informal leadership within the team and implications for roles and reporting relationships. ▪ Allow enough creative tension and positive conflict for the team to mature toward comfort with each other's ideas and

	<p>opinions. Positive forms of conflict are very beneficial to the team and the project!</p> <ul style="list-style-type: none"> ▪ Leadership style during this stage might need to shift from directive to coaching, and back, as needed.
Norming	<ul style="list-style-type: none"> ▪ Project Manager's leadership style: Participating ▪ Allow the team to become more autonomous, stepping back and enabling the team to take responsibility for progress. ▪ Demonstrate support to all team members. ▪ Organize one or more social events or other team-building activities to continue building team cohesion. ▪ Reinforce and model team norms, ground rules and expectations. ▪ Ensure resolution of interpersonal conflicts. ▪ Monitor for progress, issues and conflicts.
Performing	<ul style="list-style-type: none"> ▪ Project Manager's leadership style: Delegating ▪ Let the team make most of the decisions, raise issues or problems, and find solutions. ▪ Delegate as much as possible, focusing on team member goals and development in order to support growth of skills, confidence and responsibility. ▪ Focus own energy on stakeholder relations, sponsor interaction, championing the project and removing project roadblocks.
Adjourning	<ul style="list-style-type: none"> ▪ Project Manager's leadership style: Detaching ▪ Engage team in reviewing the project experience and suggesting solutions to issues encountered through a 'lessons learned' exercise. ▪ Take the time to celebrate achievements and reward team member contributions. ▪ Release resources as appropriate and, where possible, assist them toward their next assignment.

Exhibit 7.4: Leadership Styles and Supporting Activities

As the team matures from the forming stage to the performing stage, it needs the PM less and less for internal, day-to-day team operations and more for external interactions with the various stakeholders. A highly-evolved, well performing team may become very much a self-managing team.

IMPROVING TEAM EFFECTIVENESS – WHAT TOOLS CAN THE PM USE TO ENHANCE TEAMS?

“On every team, there is a core group that sets the tone for everyone else. If the tone is positive, you have half the battle won. If it is negative, you are beaten before you ever walk on the field.”

Chuck Noll, Pittsburgh Steelers Four-time Super Bowl Winning Coach

Whether the team is localized or dispersed, large or small, one of the key challenges the PM faces is, “How to get the best performance out of the team?” The project team’s success depends, at least to some extent, on the PM’s leadership and capabilities. There are various tools and techniques, some of which are described in this section, which should prove helpful for the PM in fostering a strong team.

While it is the leadership style and capabilities of the PM that ultimately influences team success, there are a variety of tools and techniques which may be used to improve team effectiveness.

CLARIFY ROLES AND RESPONSIBILITIES USING RACI

As teams are comprised of multiple individuals, each with their own expectations and ways of working, it is easy for accountability, responsibility and other roles to be mis-assigned, poorly understood or simply assumed. The RACI (pronounced “racey”) chart is one of the most widely used PM tools for establishing a clear, explicit structure for roles and responsibilities for the project team. As illustrated in Exhibit 7.5, it consists of a matrix of project team participants on one side and project activities or tasks on the other side. Each cell is then filled in to indicate whether the given individual is responsible (R), accountable (A), needs to be consulted (C) or needs to be informed (I) for or about the activity or task. The RACI roles are as follows:

- **Responsible** (the doer) (R): The person charged with doing the work for a certain activity or task is considered to be responsible for that activity or task. Ideally, the work should be assigned to only one person. If two or more people are being assigned as responsible for the same activity or task, it is a good practice to break down the work further such that each individual has their own, relatively independent task. This makes tracking progress much simpler and avoids the confusion of having multiple people tackling the same work. For example, a software developer who is creating a particular module, or a construction worker who is charged with installing windows on a new building, are responsible for those tasks.
- **Accountable** (the owner) (A): The person who has ownership of and must answer for a certain activity or task is considered to be accountable for that activity or task.

Ultimately, it is this person's 'neck on the line' if the work is not completed in a satisfactory manner. The accountable person would have the authority to approve of and sign off on properly completed work, or have the power to ask for it to be redone. They are likely to control aspects of the resourcing for that work. There should only be one person accountable for each activity or task. In the above examples, these might be the senior software architect who reviews and releases the software produced by the software developer, or the foreman who checks and confirms that the construction worker has installed the windows correctly and according to the specifications.

- **Consulted (SME) (C):** The person who should be asked about a particular course of action, a process, a design or some other issue, such as a subject matter expert (SME), is considered to be the individual who needs to be consulted. Consultation implies that this person's input should be obtained prior to making a decision or taking action. The expert may be a member of the project team or be external to the project. A given activity or task may require consultation with multiple experts or authorities. For example, a database expert might need to be consulted on the database design for the software development project and the construction project's mechanical engineer could be asked about the reliability of the window-fastening mechanism.

Activity	Ann	Reza	Mike	Jacob	Rod
Define	R	I	C	R	A
Design	C	I	A	R	I
Develop	R	R	C	A	C
Test	C	I	A	R	R
Inspect	R	A	C	C	I
Go-Live	A	R	R	R	R

Exhibit 7.5: RACI in Action

- **Informed (I):** The person who should be informed of a decision made, an action taken or the status of any given element of the project. Most often, these will be reports of tasks being completed, milestones being reached or deliverables being ready. It may also be necessary to inform this person of new risks, scope changes, personnel issues and other matters. There may well be more than one person who needs to be informed, internal and/or external.

It is sometimes not a person but an entity or body that has the role of R, A, C or I for a given task, phase, deliverable or other aspect of the project. Some projects, for example, have a Steering Committee. This body might be the ultimate A or it may have various C and I roles. It may even have its own R role, such as delivering a project status to the Board on a quarterly basis. External entities, such as a regulatory agency, can also hold some of these roles. The RACI definitions are summarized in Exhibit 7.6 below.

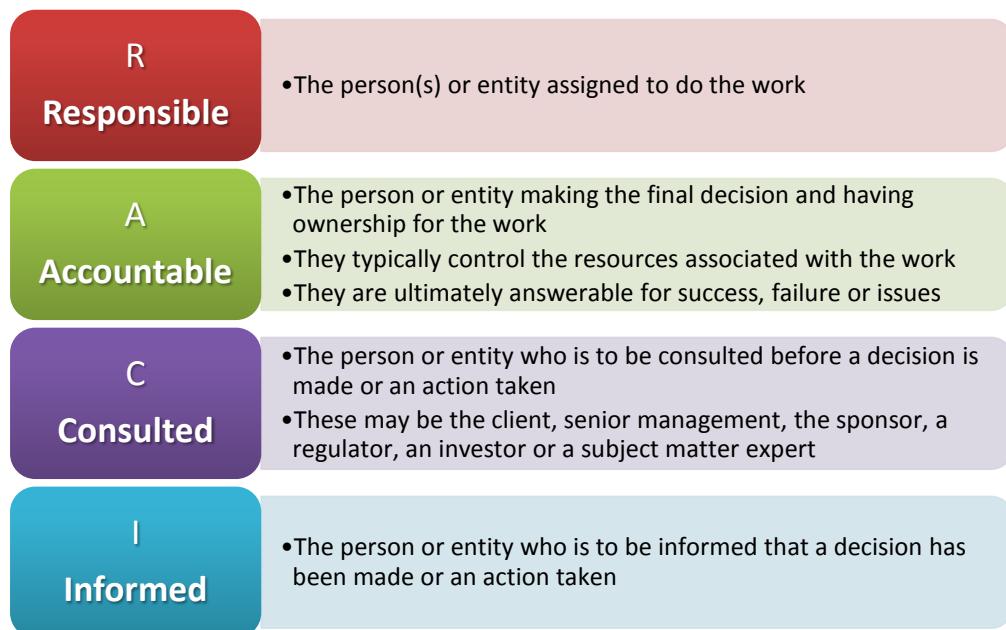


Exhibit 7.6: RACI Summarized⁹

Variations of the RACI tool that are followed in different industries include RASCI (Responsible, Accountable, Subject Matter Expert, Coach, Informed) and ARMI (Approval, Resource, Member, Interested). PMBOK suggests that a RACI chart is also important to describe the interface between the project team and other functions or entities, such as the marketing or finance departments as well as external enterprises.

A RACI chart is a powerful tool that brings structure and clarity to the assignment of roles within the project team as well as with specific other stakeholders.

Detailing roles and assignments with a RACI chart supports diagnosis and highlights possible issues. Exhibit 7.7 highlights the possible analysis which can be performed by work package, task or activity, as well as by person or entity, to uncover problems¹⁰. The RACI chart, when finished, also functions as an important communications tool, informing team members and others of their assigned project roles. Some tips for diagnosis follow:

Analysis by Work Package, Task or Activity	Analysis by Person or Entity
Multiple R s: Too many people involved in doing the work – will cause confusion or duplicated effort	Multiple R s: Too much work for that person to do
No R s: No-one is assigned the work	No R s or A s: How will the work get done? Is it even necessary?
No A s: No-one is accountable for the work	Multiple A s: Is accountability in the right hands? Will there be conflict or confusion for decisions, approvals or escalations?
Multiple C s or I s: Do they all need to consent, advise or monitor?	

Exhibit 7.7: Diagnosing Issues with Roles and Assignments Using RACI

- Multiple Rs for the same task can cause unnecessary or duplicated work. It creates confusion as to who should be doing what and difficulty in tracking individual performance. A second R as a back-up can be very useful if the primary R is absent, ill, etc. Conversely, the absence of any Rs means that the task will not be accomplished. Each task should have at least one R.
- Multiple Rs for the same person may point to a case of work overload. Too few Rs, however, may indicate a case of under-loading.
- Having more than one A for a given task means that there is likely to be conflict or confusion in decision-making, approvals, escalations or obtaining direction related to that task. It may also imply that the A is not at the right level. Just as with Rs, a back-up A rather than a co-A can be helpful. The absence of any A means that there is no decision-making or approvals authority for that task¹¹.
- Multiple Cs could lead to conflicting input on the same task or may cause delays in proceeding with the task. Some tasks will not require a C at all.
- Multiple Is may imply that there is too much time and effort being spent on informing various people or entities; it may not be necessary. While over-communication is seldom a bad thing, there may be need to optimize communications to use project resources more efficiently.

ASSESS TEAM EFFECTIVENESS USING GRPI

GRPI is a team effectiveness assessment tool consisting of four components: Goals (G), Roles (R), Processes (P) and Interpersonal relationships and norms (I). These four components, listed in Exhibit 7.8, are considered foundational for high performing teams.

It was originally developed by General Electric and MIT for use in the change acceleration process.

The GRPI tool is simple enough to remember and has enough depth to be useful again and again in a variety of team scenarios.



Exhibit 7.8: GRPI – Goals, Roles, Processes, Interpersonal

GRPI can be used in many ways. For instance, if the team appears to be lost in terms of project objectives, GRPI can help members reconnect with a common purpose and realign with what is most important for all team members and the organization at large. The tool acts as a team health check by eliciting the views of team members in relation to the four components, helping everyone understand the gaps and issues. Both the PM and the team as a whole are then in a better position to address any problems.¹² The mere act of seeking this kind of input engages everyone in communication and problem-solving, and shows commitment and leadership from the PM in promoting a strong, well-functioning team.

The four GRPI components are described below:

- **Goals** provide the foundation of good teamwork by establishing the project's mission. They provide guidance to the team, along with an understanding of which stage the team has reached and what direction it should be pursuing. This assessment helps to reinforce working towards a shared goal and points out differences or gaps in comprehending the project goals. In order for project team or individual goals to be effective they should follow a SMART framework – Specific, Measurable, Achievable, Realistic and Time-bound.
- **Roles** can be defined in terms of the authority, responsibilities and tasks assigned to the team members. All roles should be aligned to support the achievement of project goals. Each team member should have a clear picture of who is doing what, the relevant role boundaries and how their own work relates to the work of others. Clear role definition takes into account the interdependence between authority and approvals, responsibility, subject matter expertise and tasks. The RACI chart is an effective communication tool regarding roles.
- **Processes** refer to the decision-making, conflict management, communication and other arrangements a team must have in place to facilitate project operations. Such processes help to keep the team productive throughout the usual challenges encountered in any project. Establishing clear, well-understood processes early in the life of a project is an important investment in the functioning of the project team and ensuring high quality deliverables.
- **Interpersonal** is specifically about the presence or absence of team behavioural norms and positive relationships. Norms are the expectations regarding what is acceptable or unacceptable in the project team members' behaviours and their relationships with each other. It concerns factors such as trust, open communication, acceptance of diverse viewpoints and constructive feedback, all of which engender a positive team environment. The level of trust can be enhanced with use of the 'Emotional Bank Account'¹³, a metaphor for how trust can be built and defined through the deposits and withdrawals inherent in a relationship. Improving interpersonal relationships could be achieved in many ways, including displaying personal integrity, apologizing sincerely when necessary, clarifying expectations, engaging in acts of courtesy or kindness, seeking to understand what is important to other team members, etc.

Though the PM may lead this assessment process, it can be even more powerful to allow the project team to take ownership and to work through it in a collaborative manner. They can assess how well the team is doing with respect to the GRPI components and then put a plan in place to close any detected issues or gaps.

Project team members can either complete an assessment of the GRPI elements using a survey approach, or it could be facilitated in a team meeting.

Exhibit 7.9 below shows the four 5-point scales for use in a GRPI exercise.

	1	2	3	4	5
G	I am unclear about our specific team goals				I am very clear about our specific team goals
R	I am unclear about roles and boundaries				I am very clear about roles and boundaries
P	Team processes are lacking or unclear				Team processes are in place and clear
I	People are uncomfortable with each other				People are very comfortable with each other

Exhibit 7.9: GRPI – How Effective or Healthy Are We as a Team?

In a meeting, the scales could be displayed on a large sheet of flip chart paper or on a whiteboard, allowing everyone to view the input from the team as the exercise progresses. Team members can indicate their opinion for each scale. Once everyone has expressed their views for each of the GRPI scales, the PM can engage in discussion with the team to assess the results and delve into possible issues or gaps. If there are a lot of 1s or 2s, there are clearly problems. Everyone can contribute to the elaboration of any problems and the development of solutions in an open forum.

The approach is a relatively ‘public’ one for gathering input from team members and has certain pros and cons. Since opinions are readily attributable to specific people, it may cause those individuals to bias their views as most people prefer not to be seen as outliers. This may lead to ‘group-think’ and hide issues. It does have the advantage of bringing everyone together to understand and address issues. If there are a few individuals with a contrary view and they are willing to express it, the process can generate some healthy debate.

Alternatively, views may be provided privately in an anonymous ‘survey’ mode. The PM can then record the views collected from the survey for everyone to see and discuss. This helps to limit bias and group-think. The disadvantage of the anonymous approach is that it

becomes difficult for the PM to follow up with specific individuals in order to discuss and resolve their particular concerns.

Using the GRPI tool facilitates the team-building process, improving team effectiveness and ensuring productivity, efficiency and quality. It helps to enhance the way team members work together and to create a collaborative team environment. The tool may be less useful in the storming phase due to inherent instability, but has value across all phases of team development. It is best to apply it early in the project's life, establishing a reference point, and then return to it at regular intervals or when there is a significant change in the project or the project team. Major stresses, the departure or arrival of team personnel, or other disruptions can affect the health and operation of the project team. Even if it had been a healthy team up to that point, these new circumstances may change things. Within perhaps two weeks of the change or event, which allows for some settling, a round of GRPI assessment can confirm that the team is still functioning well or that it needs some attention to solve newly-emerged issues.

For Project Leaders...

A caution about using the GRPI process in a public manner with the project team: while applying the process this way allows for sharing of viewpoints and collaboration, it can affect how honestly people express their opinions. If a minority have a quite different view of the situation, peer pressure from the team may push them to soften their positions. This will especially be the case if it is just one person who sees things differently.

Most people do not want their opinions to be outliers. For example, if most of the team indicates that interpersonal relationships and norms (I) are fine, and a few believe there is dysfunction in the team, they may well censor themselves. In other words, a 'group-think' bias can set in, which may hide problems.

For teams which have developed high trust, mutual respect and openness, the public approach works very well. The alternative, when the team is not operating with high trust and to minimize such bias, is to ask everyone to provide their input confidentially with their own sheet of paper, preferably self-identifying on the paper. The next step can be the project leader noting on a whiteboard what everyone has stated privately for each GRPI dimension, without identifying the source. This allows the team to see the outcome and to work through problem-solving, while permitting everyone to be honest and direct with their assessment on their own piece of paper. If individuals have identified themselves, the project leader also has an opportunity to have follow-up discussions with each person, as needed, to understand their views and concerns better.

UNDERSTAND TEAM DYNAMICS USING MBTI

Personality and behavioural assessments have been used extensively in business and other sectors for a variety of purposes, such as recruiting. In a project team context, it can be used in recruiting as well as to understand the personalities of existing project resources. The Myers-Briggs Type Indicator (MBTI) is a powerful tool that helps to understand individual personalities and, in turn, the dynamics of teams with the presence of certain personalities. Swiss psychiatrist Carl Jung developed a personality theory early in the 20th century to describe basic individual preferences which could serve to explain similarities and differences between people. Isabel Myers and Katherine Briggs, a mother-daughter team, expanded on Jung's work by developing the MBTI to help identify these preferences.

The MBTI¹⁴ assessment is a psychometric questionnaire designed to measure psychological preferences in how people perceive the world and make decisions.

Fundamental to the MBTI are four dichotomous pairs of preferences:

- Extraversion (E) versus Introversion (I) (the particular spelling of 'Extraversion' here is intentional)
- Sensing (S) versus iNtuition (N)
- Thinking (T) versus Feeling (F)
- Judging (J) versus Perception (P)

The first dichotomy is termed 'attitude' or 'energy'. The following are key distinctions:

- Extraverts are action-oriented, while introverts are thought-oriented.
- Extraverts seek breadth of knowledge and influence, while introverts seek depth of knowledge and influence.
- Extraverts often prefer more frequent interaction, while introverts prefer more substantial interaction.
- Extraverts recharge and get their energy from spending time with people, while introverts recharge and get their energy from spending time alone.

The next dichotomy spans Sensing and Intuition, which are considered the information-gathering functions. The differences between the two are described as follows:

"Individuals who prefer sensing are more likely to trust information that is in the present, tangible, and concrete: that is, information that can be understood by the five senses. They tend to distrust hunches, which seem to come 'out of nowhere'. They prefer to look for details and facts. For them, the meaning is in the data. On the other hand, those who prefer intuition tend to trust information that is more abstract or theoretical, that can be associated with other information (either remembered or discovered by seeking a wider context or

pattern). They may be more interested in future possibilities. For them, the meaning is in the underlying theory and principles which are manifested in the data.”¹⁵

The third dichotomy covers Thinking and Feeling, which are viewed as the decision-making functions. The differences between the two are described as follows:

“Those who prefer thinking tend to decide things from a more detached standpoint, measuring the decision by what seems reasonable, logical, causal, consistent, and matching a given set of rules. Those who prefer feeling tend to come to decisions by associating or empathizing with the situation, looking at it ‘from the inside’ and weighing the situation to achieve, on balance, the greatest harmony, consensus and fit, considering the needs of the people involved. Thinkers usually have trouble interacting with people who are inconsistent or illogical, and tend to give very direct feedback to others. They are concerned with the truth and view it as more important than being tactful.”¹⁶

The last dichotomy distinguishes Judging and Perceiving. Myers and Briggs added this as a ‘lifestyle’ dimension to Jung’s original model. This dimension describes the person’s outer life. Judging represents the more structured and decided kind of lifestyle, while Perceiving represents a more flexible and adaptive lifestyle. There are specific connections between this dimension and the three others.

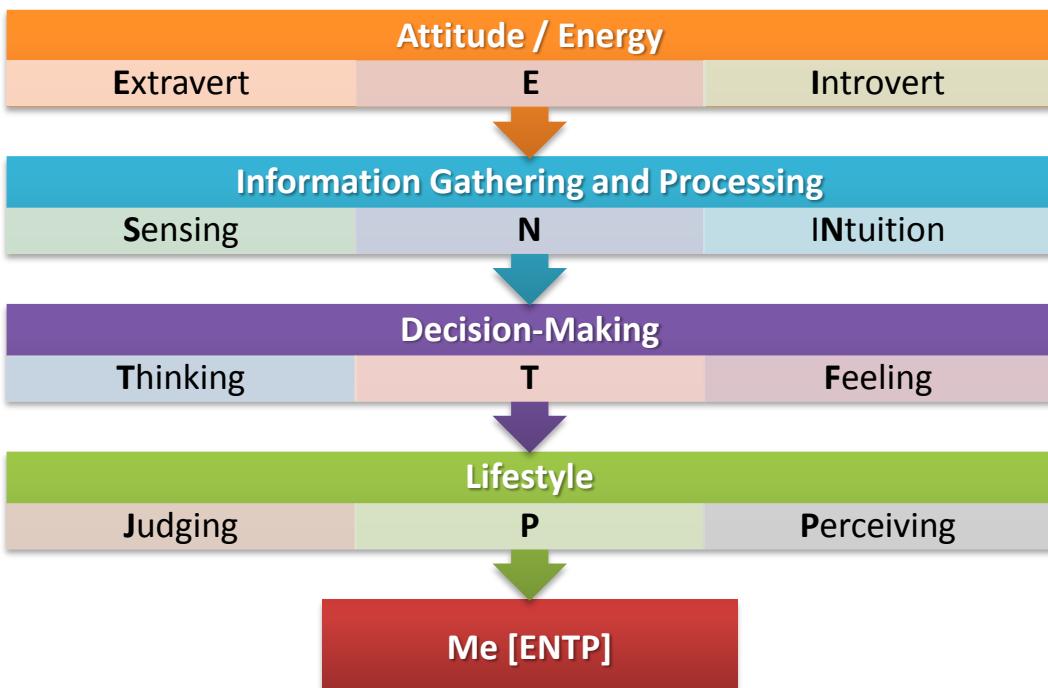


Exhibit 7.10: Illustrative MBTI – ENTP Profile

The MBTI assessment sorts these psychological differences into four opposite pairs with a resulting 16 possible psychological types or profiles. None of these types are better or

worse; they are simply descriptions.¹⁷ Exhibit 7.10 illustrates one particular type: the ENTP. This would be an Extraverted individual, with iNtuition and Thinking dominant, and Perceiving as their preferred ‘lifestyle’.

Explorer		N	Driver
I	E	S	A
INTJ 1%	INTP 1%	ENTP 5%	ENTJ 5%
compelling vision self-confident strategic creative drive	vision concentrated analytical impatient not a builder	alert to next move analytical good judge too many projects restless	drive to lead harnesses people structured pushes hard enjoys responsibility
INFJ 1%	INFP 1%	ENFP 5%	ENFJ 5%
strong contributor consistent looks to the future enjoy problems good at public relations	idealistic prefers values, not goals perfectionist Impatient with details	has influence skilled with people likes drama emotional gets team off track	good leader charismatic cooperative organized good follower
ISFJ 6%	ISFP 5%	ESFP 13%	ESFJ 13%
service oriented works hard dependable/ responsible likes stability down-to-earth	hedonic impulsive not a planner spender, not saver Insubordinate	adept at selling excellent at PR enjoys entertaining impulsive conceals problems	sociable interacts well orderly conscientious needs appreciation
ISTJ 6%	ISTP 7%	ESTP 13%	ESTJ 13%
practical, thorough persevering patient decisive not a risk taker	impulsive thrives on excitement hunger for action irresponsible dislike for authority	resourceful manipulative ruthlessly pragmatic no follow-through antisocial	responsible dependable highly organized loyal, in tune pillar of strength
Coordinator		S	Administrator

Exhibit 7.11: MBTI Grid as Seen from the Project Management Perspective¹⁸

MBTI can be a useful tool to determine a candidate’s suitability for project work. Exhibit 7.11 shows a MBTI grid with the 16 types and their corresponding characteristics in the context of project management. The grid is divided according to two of the dichotomies: Extraversion/Introversion and Sensing/iNtuition. Wideman has argued that some personality types are very well suited to project management (whether as leader or follower), while others are unsuited. For example, the ISTP is described as irresponsible and disliking authority – making them less suited for project work. The approximate proportion of each type in the total population is given.¹⁹

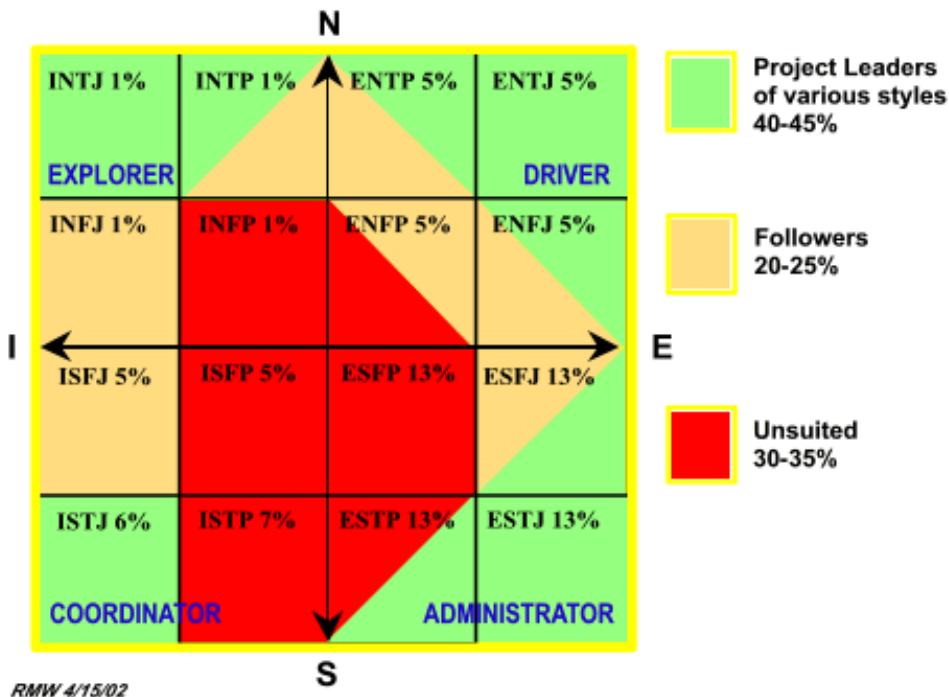


Exhibit 7.12: What Is Your Suitability for Project Work?²⁰

Exhibit 7.12 depicts the same grid introduced previously but shaded to reflect different ‘project personality’ types relative to suitability for project management teamwork. It indicates that four of the personality types, comprising about 25% of the population, are well-suited to project management as project leaders. These are represented in the four corners in green, and are termed the Explorer (also described as the entrepreneur), Driver (marshal), Coordinator (catalyst) and Administrator (stabilizer). About 20 - 25% of the population are more suited to being ‘followers’ – those who would be content to take the lead from someone else due to personality, lack of leadership skills or other factors. Some of the personality types represent a mix of followers and leaders (boxes coloured part beige and part green). Another 26% of the population, those in the four red boxes, seem to be unsuited to projects. One personality type, ESTP, is coloured part red and part green, indicating that those in this category could either be leaders or unsuited to working on projects. Lastly, ENFP, is part red and part beige, indicating that those in this category could either be followers or unsuited to working on projects.

Altogether, some individuals can be leaders or followers in a project setting, but up to one-third of the population may not be well suited to working in a project environment.²¹ Thus, it is a mistake to think that everyone will be highly motivated by working on projects. For example, the long-distance truck driver who enjoys working quite independently, may well

be someone who prefers neither to lead nor to follow. They may well fall into one of the personality types shown in red.

OBTAIN STRUCTURED TEAM FEEDBACK USING PLUS/DELTA

A day in the life of a PM can be filled with meetings. For the benefit of all participants and the project itself, meetings must be as productive and effective as possible. Obtaining feedback and debriefing team members about the operation of the meeting is important for continuous improvement. Plus/Delta is a simple yet effective tool that can be used at the end of team meetings, where the PM can solicit input in two areas:

- **Plus** – What worked well
- **Delta** – What could be improved and are there suggestions for how to do so

Exhibit 7.13²² illustrates a Plus/Delta chart generated from a short brainstorming exercise at the end of the team meeting. On the left of the chart is the plus, or the positive feedback. On the right is the delta, or the issues needing attention.

You begin with a blank T chart and ask two questions: ‘What is working well around here?’ and ‘What is not working around here?’ The former are captured as the Plus comments and the latter as the Delta comments.

Some key considerations that can serve as food for thought in the Plus/Delta discussion include:

- Goal, objective of session clear
- Roles explained & assigned (e.g. timekeeper)
- Described agenda, process to follow
- Session on track, focused
- People able to ask questions, explore
- Balanced participation
- Minimal digressions, interruptions
- Watched the time
- Captured key ideas, points of view

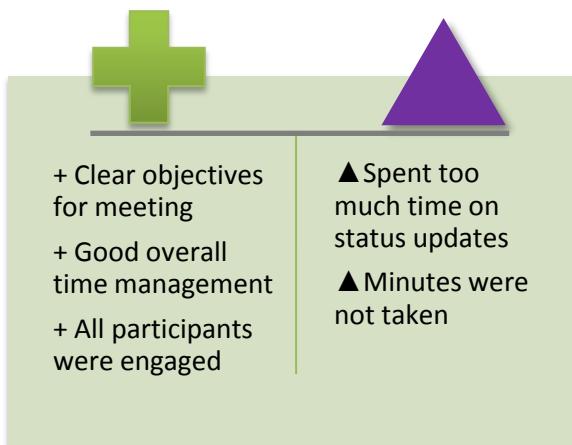


Exhibit 7.13: Plus/Delta Chart

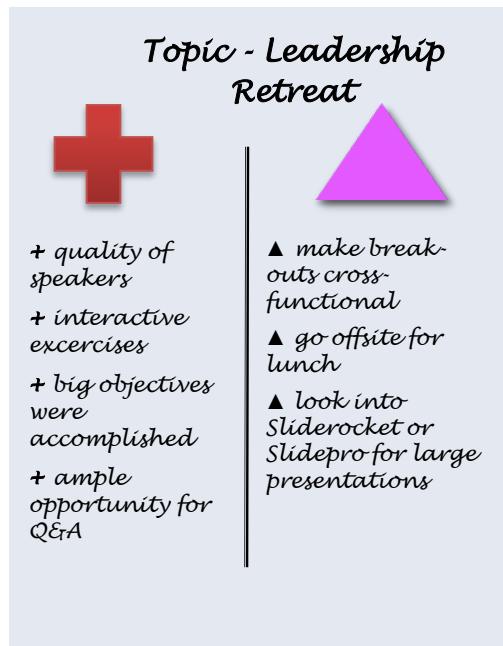
- Checked for agreement
- People acknowledged others
- Ended with an action plan
- Actions to follow are clear

This can be a 5 – 10-minute exercise and does not need to be done at every meeting. For example, it could be done only once a month for weekly project status meetings. It should appear as an agenda item itself for meetings where it will take place. Once feedback is gathered, the PM must demonstrate that they have taken the comments seriously and apply this input toward changes to future meetings. Plus/Delta can also be used for activities other than meetings with similar benefits²³.

The Plus/Delta assessment has proven to be one of the most effective ways to quickly bring a team together to focus on any required improvements.

It is quick and effective, as the brainstorm-type format creates a comfortable atmosphere for openness and honesty.

The involvement and collaboration of all participants means that everyone has a voice and suggestions can come from anyone. When team members provide feedback, they often experience a sense of responsibility for the changes and solutions connected to their feedback. Some may take ownership of an issue to apply the change or take on a new role with respect to meetings – e.g. “We are having trouble with keeping on time and I am willing to become the timekeeper”.



The PM may take on certain action items for improvements and distribute some to others. A PM who is seen to welcome feedback and to possess a willingness to change will gain respect. Finally, the exercise also serves to give the PM a snapshot of how things are going or perceived to be going.

PROMOTING TEAM COLLABORATION THROUGH EFFECTIVE DELEGATION

“Surround yourself with the best people you can find, delegate authority, and don’t interfere as long as the policy you’ve decided upon is being carried out.”

Ronald Reagan²⁴

Effective delegation is critical for both the project leader and the project team. Delegation is the act of granting authority to another person. Delegation has many benefits. It allows the PM to help project team members develop their competencies, gives team members a chance to shine with peers or senior management, and supports their preparation as future leaders themselves. At the same time, by sharing his or her workload, the PM is freed to focus on other important aspects of the project.

Delegation is a low risk way of giving team members opportunities to work on areas where they are not very experienced.

Many PMs fear delegation, because they have overall accountability for the project, and worry the delegated work will be poorly done. They may believe that giving up control will result in deadlines being missed, errors being made or quality being substandard. Even though delegation promotes collaboration and teamwork, they may think it is better to do most or all of their work themselves. The astute project leader will overcome these reservations and see delegation as a key technique to distribute their work while giving others opportunities for personal and professional growth. Delegation can be very motivating for the team and encourage greater engagement in the project by everyone.

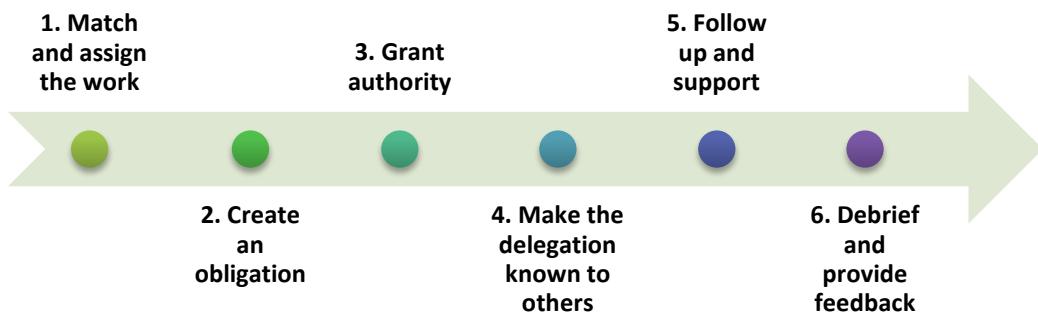


Exhibit 7.14: Delegation Process

Delegation consists of six major steps, shown in Exhibit 7.14, as follows:

1. **Match and assign the work** – The delegation process starts with assigning the task. The project leader (delegator) should seek an appropriate fit between the work to be done and the person who is being delegated the work (delegate). While delegation is often about stretching the capabilities of the delegate, a significant gap between capabilities and task requirements could be a recipe for failure. The delegate's interest level, development needs, existing workload and availability are additional factors in choosing the right person for the particular work. Any objectives related to specific development needs should be discussed and agreed upon; if the individual reports to a functional manager, that manager's input toward development needs will be important. The description of the task, why it needs to be done and any associated expectations must be clear. The following points should be covered:
 - What you want done (requirements)
 - When you want it done (deadline)
 - The assignment parameters (scope of authority)
 - Why you want it done (purpose and how it fits into overall goals or objectives)
 - Available tools and resources
 - Possible challenges or obstacles to consider.²⁵
2. **Create an obligation** – The delegate needs to understand that the delegated task is important for the PM, for the project team and other stakeholders. The conversation between the delegator and delegate should help the delegate appreciate that there is a 'contract' involved, even though it may simply be a verbal agreement. In other words, the delegation should be treated seriously and with the understanding that proper completion of the task, on time, with an appropriate level of quality is expected. The delegate should also know that they will not be alone in performing the task: they will have the ongoing support of the PM.
3. **Grant authority** – Having established the obligation with the delegate, it is time to grant them the authority to proceed. They will now need to be empowered to do the work. This means that as the PM's representative, within the scope of the authority granted, they can call upon resources, undertake certain expenditures, and make decisions. The PM must resist the temptation to constantly look over the delegate's shoulders, but the appropriate level of oversight and involvement will be determined by the characteristics of the task and the delegate, as suggested in the decision matrix illustrated in Exhibit 7.15.
4. **Make the delegation known to others** – If no-one else knows that a delegation is in place, a delegate may encounter resistance or barriers. A delegation, unless it is quite contained, should be communicated by the PM to those who may be involved. That way, those individuals will know to expect the delegate, will better understand their authority and decision-making power, and be prepared to cooperate with them.
5. **Follow up and support** – The PM should check in, perhaps once a week, with the delegate, depending on the duration and complexity of the task. These are opportunities

to assess how the delegate is progressing, if they have come across any issues or if they need some support. Through the follow-ups, the delegate will also continue to see that the task is relevant and useful. This helps to ensure that the delegation is a positive experience and leads to a successful outcome. Without the PM's support, the delegate may founder and fail.

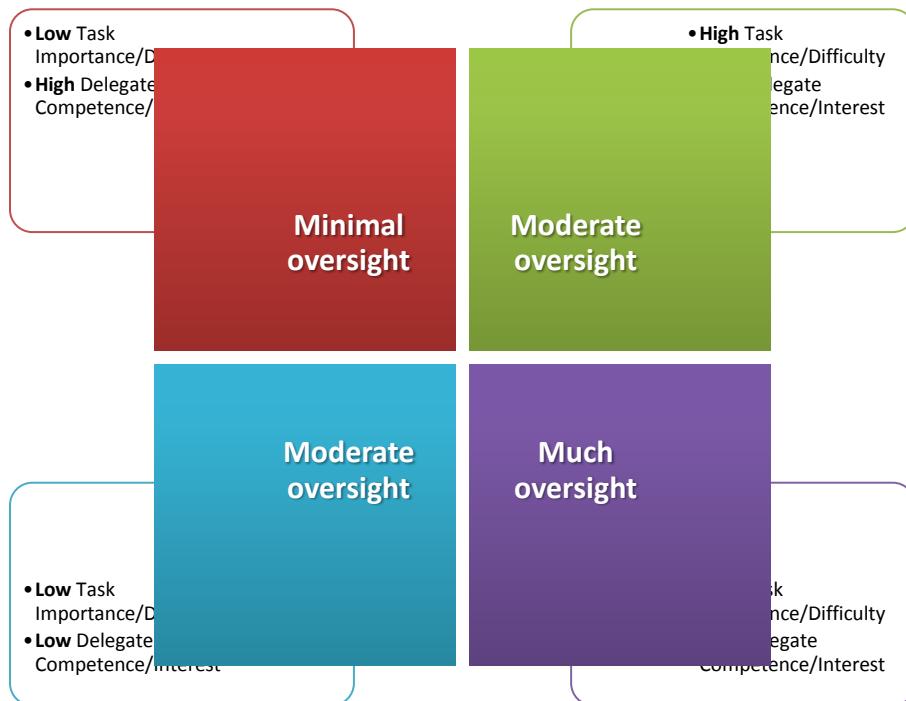


Exhibit 7.15: Decision Matrix for Level of PM Oversight

6. **Debrief and provide feedback** – At the close of the delegation, it is important for the PM to have a debriefing session and to offer their feedback to the delegate, helping them to learn from the experience. This last step also gives the delegate a chance to describe to the PM what went well, what was difficult and their interest in future delegated work. Taking the time to provide feedback is critical if the delegation was in connection with professional development or career advancement for the delegate. Lastly, it is important to give praise and acknowledge the work done.

The level of oversight needed from the PM will vary given the demands of the task as well as the capabilities and interest of the delegate. Exhibit 7.15 indicates that if the task is highly important and/or quite difficult, but the delegate has a lower level of competence or interest, much oversight will be needed. This may mean more frequent check-ins with the delegate or extensive coaching. At the opposite end of the spectrum, where the task is less important and/or not very difficult, and the delegate is highly competent and interested, little oversight will be required. Such an individual should be able to work relatively

independently and the risks for the project are small. A moderate level of oversight will be appropriate for the other two situations.

A healthy level of delegation helps the project leader build a stronger team. The whole team participates in fulfilling the project mission and everyone has opportunities for growth.

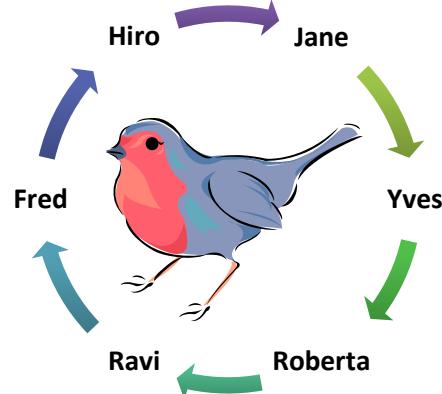
BALANCE TEAM CONTRIBUTION USING ROUND ROBIN

Discussions in teams are often dominated by a few more active and vocal members. This may be due to certain dominant personalities or because some individuals are more engaged. It can result in an imbalance in participation. Over time, there is a risk that quieter members will become less and less willing to contribute and their ideas, suggestions or comments will be lost to the team.

Round Robin is a simple technique that attempts to seek input from everyone at a team meeting.

Round Robin is conducted in the following way:

- **Going around the table** – On an important issue or key point raised, the PM or facilitator pauses to check in with all team members. This can be as simple as going around the table and asking each team member if they have anything to add or provide their opinion on the issue. For virtual team settings, this would mean going around the ‘virtual table’. For major project decisions, asking for input not only gives everyone a chance to provide ideas or express concerns, but also builds consensus and buy-in around the decision taken. Since everyone has an opportunity to comment, there is much less likelihood of subsequent resistance to the decision and more unity in forging ahead.
- **Asking open-ended questions** – Rather than asking a closed question, it is important to ask, for example “What do you think about the proposal?” or “What reaction do you have to this course of action?” By utilizing more neutral statements, the PM does not project his or her own bias on the discussion at hand.
- **A variation of the Round Robin** – When starting to generate ideas for problem-solving, give everyone a few minutes to write down their own thoughts first, and then go around the table collecting the various ideas. This particular technique allows for the more reflective, quieter team members to gather their thoughts prior to the discussion.



MANAGING CONFLICTS AND NEGOTIATIONS IN PROJECTS

“Conflict is inevitable in a team... in fact, to achieve synergistic solutions, a variety of ideas and approaches are needed. These are the ingredients for conflict.”

Susan Gerke, IBM, Leadership Development²⁶

Every organization has conflicts, and these are simply part of the process of doing business. Conflict is inevitable during projects, in part because project management involves a number of different stakeholders with competing interests, including the sponsor, project team, client, performing organization, suppliers and interested public.²⁷ When team members interact during the project life-cycle to complete their tasks and responsibilities, there is always the potential for conflict, whether stemming from different backgrounds, viewpoints, personalities, priorities or other factors.

| It is almost impossible for people with diverse skills to collaborate together, make decisions and accomplish project goals without any conflict.

There could be significant differences between the personalities or communication styles of certain individuals, leading to constant irritation. Conflicts can also arise from lack of or insufficient information, power struggles, lack of trust or a history of bad faith. Other sources of conflict include²⁸:

- Competition for scarce resources, including less tangible scarcities such as promotions
- Breakdown in communication or miscommunication
- Lack of respect
- Misinterpretation of project deliverables
- Failure to execute instructions
- Managing trade-offs between scope, cost and time
- Differences between project priorities



The natural tendency for most people is to avoid conflict, but not all conflict is bad.

There is evidence that in many situations an increase in conflict actually improves performance.²⁹ Positive forms of conflict, which are generally task- or problem-oriented rather than centred on personalities, can be a very productive force for the project and project team. Benefits include:

- Challenging status quo paradigms and processes
- Forcing team members into an intellectually stimulating yet respectful environment
- Avoiding a “yes, boss” and group-thinking mentality
- Bringing root problems to the surface
- Developing alternatives and solutions using “out-of-the-box” approaches
- Generating a more creative product
- Revitalizing team energy, motivation, and commitment.
- Forging more effective team relationships
- Forcing team members to clarify views

“If we all agree about every issue, we have no need for seven of our members and I'll get rid of all of you. Dissenting viewpoints are not encouraged - they are required. I don't need any more ‘yes-men’. For heaven's sake, don't be afraid to tell me what you really think, even if your opinion is going to really tick me off.”

Creating anything new, whether a work of art, a new paradigm, a new product, or a new process, requires some degree of disruption in the status quo.³⁰ In a project environment, such disruption will most likely result in conflict among people. Promoting healthy debate and focusing on issues or problems helps the project team to minimize dysfunctional conflict and to maximize fresh thinking. Establishing this kind of positive atmosphere for the team is a highly valuable contribution from the project leader.

In the absence of conflict, there is a tendency for a “yes-man” culture to develop, rendering most team members redundant, as the quote here suggests. Conflict can be uncomfortable, but overcoming conflict is one of the best trust-building techniques. When team members see the Project Manager working through uncomfortable issues and overcoming personal differences for the greater good of the project, they'll feel more comfortable and secure with the idea of engaging in constructive conflict with one another. As Doris Kearns

Goodwin has said, “Good leadership requires you to surround yourself with people of diverse perspectives who can disagree with you without fear of retaliation.”³¹

MANAGING CONFLICT IS A COMBINATION OF HARD AND SOFT SKILLS

Project environments are particularly prone to generating conflict. Getting strong-willed team members from diverse disciplines to adapt to a team environment requires a combination of soft and hard skills. In a project management context, conflict management is the process by which the Project Manager uses appropriate techniques to deal with the inevitable disagreements that develop among those working toward project goals.

Because of the significant impact that conflict can have on project success, conflict management is a key skill for a PM to possess.

Project Managers must have the skills and leadership to embrace the positive potential of conflict. Managing team conflict requires both preparation and courage.

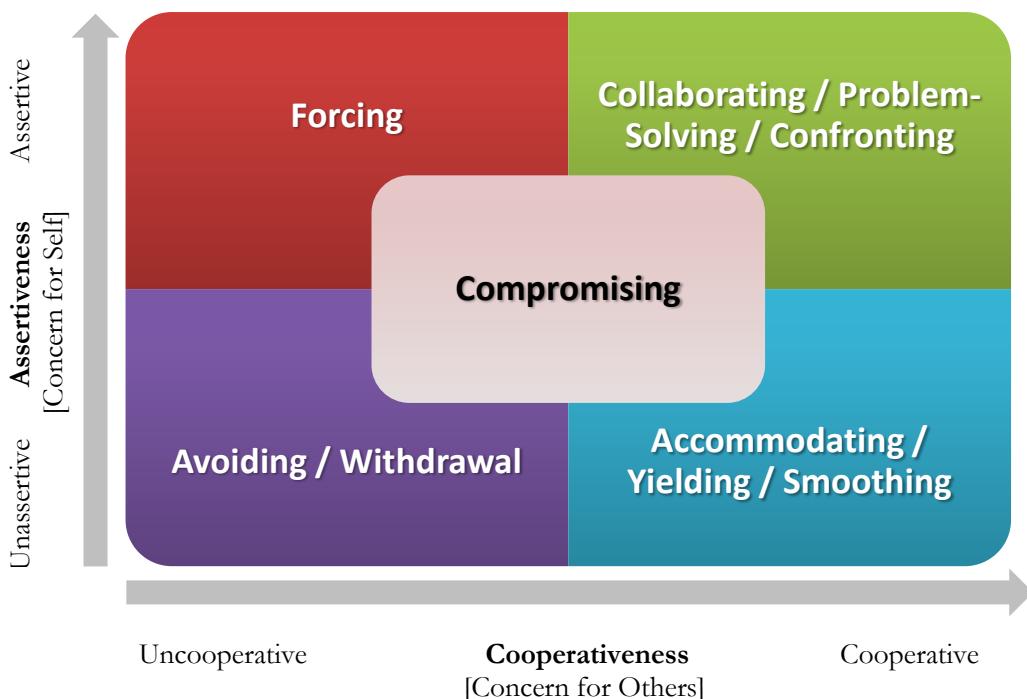


Exhibit 7.16: Conflict Management Techniques

Blake and Mouton have presented five general techniques for resolving conflict, as outlined in Exhibit 7.16.³² The differences between these and their appropriateness for a given situation stem from the respective level of cooperativeness (concern for others) and assertiveness (concern for self) involved. They are as follows:

- **Avoiding or withdrawal** applies when both cooperativeness and assertiveness are very low. It is a passive way of handling conflict and generally fails to solve the problem. It may be acceptable where there is little to be gained or lost, or where it is believed the conflict will resolve itself. Avoiding is also useful when a “cooling off” period is warranted and may help to overcome the issue later. However, if as PM you were to regularly avoid resolving conflict, it would be seen as a weakness.
- **Accommodating**³³ is also called ‘yielding’ or ‘smoothing’. It is a technique that is high on cooperativeness, but low on assertiveness. The prime focus is on meeting the needs of others at the expense of oneself. The challenge with accommodating is that it can be viewed by others as too passive and as not being able to “fight the good fight”. This can even encourage others to resort to conflict more often as a preferred way of achieving their ends, knowing that the other party will be accommodating to their needs. When used too frequently, this can severely undercut a PM’s power in the project team’s eyes. It also risks loss of respect for the PM and anger from team members who might believe that their position was not represented and pursued forcefully. However, accommodating can be a useful technique to demonstrate open-mindedness during the forming stage of the team. It is effective as an appeasing approach to avoid disagreements with those at a higher level of authority or when something important is at stake in the relationship. It generally fails to provide a permanent long-term solution but can help preserve an important relationship.
- **Compromising** involves moderately high assertiveness combined with moderately high cooperativeness. It requires each party to the conflict to give up something, meaning that neither will be fully satisfied with the result. Compromising tends to lead toward a shorter-term solution. For the PM, it can be useful in many situations where collaboration or problem-solving, generally the preferred approach to conflict management, might take too long.
- **Forcing** implies use of formal power and dominance to resolve conflict. As a technique, it is low in cooperativeness and high in assertiveness. The individual’s own concerns and goals are pursued at the expense of others with this technique. The challenge with forcing is that it can create long-term bitterness or resentment, or at the extreme, destroy relationships.

Project managers should use this technique judiciously, ideally only as a last resort.



If forcing is applied by the PM in the wrong situation, it can lead to negative consequences, such as alienating or shutting down team members. It can also be seen as disrespectful. Conflicts resolved by forcing often surface again at a later date. The technique is, however, very useful when time is of the essence and the PM has confidence in the solution. It can be appropriate for quick, unpopular decisions such as those related to headcount reductions, budget cuts, schedule fast-tracking, etc. It is important to have a contingency plan in order to manage the negative repercussions of forcing.

Avoiding	Accommodating	Compromising	Forcing	Collaborating
<p>“Let it Be”</p> <ul style="list-style-type: none"> ▪ When the stakes are high, but you aren’t ready yet ▪ When you think the problem will go away by itself ▪ When the conflict is in-significant ▪ When more information is needed ▪ When a ‘cooling off’ period is warranted 	<p>“Lose/Win”</p> <ul style="list-style-type: none"> ▪ When any solution will be adequate ▪ When you know you will lose anyway ▪ When you believe you can use the favour for future, more important issues ▪ When you want to preserve an important relationship 	<p>“Give In”</p> <ul style="list-style-type: none"> ▪ When it’s a temporary fix ▪ When relatively quick action is required ▪ When objectives are moderately demanding ▪ When collaboration fails ▪ When you know you could lose ▪ When you’re not sure you are right 	<p>“Win/Lose”</p> <ul style="list-style-type: none"> ▪ When it’s an emergency ▪ When other avenues have been tried and failed ▪ When you are the only one who knows what to do ▪ When there is ample trust ▪ When you know you are right ▪ When it involves a short-term relationship or there is little concern for relationships 	<p>“Win/Win”</p> <ul style="list-style-type: none"> ▪ When there is enough time and resources ▪ When both positions have merit ▪ When there is mutual trust and confidence ▪ When ‘you have got what you wanted’ already ▪ When particularly creative solutions are needed ▪ When the relationship is important to preserve, even strengthen

Exhibit 7.17: Conflict Resolution Techniques³⁴

- **Collaborating**, also called confronting or problem-solving, is distinguished by high cooperativeness and high assertiveness. This technique is applicable when there is merit in fully considering the other party’s position and seeking ways to fulfill both their needs and your own needs. Since in this scenario conflict is treated as a problem, both

parties work to find a mutually acceptable solution. This implies that both parties must be open to, and even encourage, creativity and different possibilities. In general, this is the preferred technique for the PM to use. The challenge with collaboration is that both parties must feel they have a stake in working together and actually do so in a constructive manner. It can take longer than other techniques, but provides a longer-term, more satisfying solution for all. It also preserves, and often strengthens, relationships.

Individuals attempt to manage interpersonal conflict in a variety of ways, depending on the relative importance and intensity of the conflict, the time pressure for resolving the conflict, the position taken by the players involved, and the motivation to resolve the conflict on a long-term or a short-term basis. As with situational leadership styles, choosing the specific conflict management technique applicable to a given situation is driven by various factors.

The PM or project team members need to analyze the situation at hand in order to select the most appropriate technique for managing the particular conflict. Most techniques for conflict resolution involve applying the art of negotiation. Conflict management is often dependent on negotiations. The best technique is one that resolves the conflict while ensuring a cohesive team environment. The choice of technique also depends on the relative importance of maintaining good relationships versus accomplishing project goals in a timely manner. Exhibit 7.17 outlines the most suitable conflict resolution technique for different project management scenarios. Regardless of the approach, conflicts are best managed if they can be resolved on a permanent basis.

Observation-Feeling-Need-Request	
Observation	Describe what you observed in terms of actual behaviour. Use factual information, sensory language — what you saw, counted, heard... Use statistical information relative to quantity, frequency, duration... Avoid such words like “always”, “never”, “whenever”, etc.
Feeling	Acknowledge your reactions to what happened or the impact the behaviour had on you. Concentrate on expressing feelings, ideas and reactions as clearly, sincerely and concisely as possible.
Need	Connect your feelings with your needs. If we express our needs, we have a better chance of having them met. Instead of using the expression: “I feel (an emotion) because you...”, try: “I feel... because I (need, value...)”
Request	Make requests in clear, positive, concrete action language to let the other person know what you really want.

Exhibit 7.18: Observation-Feeling-Need-Request Script

A useful, non-confrontational technique to deal with conflict is the ‘Observation-Feeling-Need-Request script’, detailed in Exhibit 7.18. It is an effective way to express concerns or differences about a situation, which may in itself help prevent a conflict from escalating. Many people have a tendency to use “you-blaming” statements, such as, “You are always late to our meetings”. Instead of using such statements, it is better to express feelings and let the person know the effect his or her behaviour has on us.³⁵ Examples are given in Exhibit 7.19.

Poor Version	Better Version
‘I feel scared when you raise your voice!’	‘When you raise your voice (Observation), I feel scared (Feeling) because I’m telling myself someone might get hurt here, and I need to know that we’re all safe (Need). Would you mind not raising your voice when you speak with me? (Request)?’
‘You never get the data to me on time. You make me so angry I could scream. Can’t you get the numbers to me on time for once?’	‘When you turned in the staff absentee reports after noon on Monday (Observation), I felt frustrated and rushed (Feeling) because I didn’t want Personnel to complain again (Need). Would you mind getting the data to me by noon next time? (Request)?’

Exhibit 7.19: Observation-Feeling-Need-Request Script – Examples³⁶

The following organization snapshot describes how teamwork is promoted at one major firm known for its innovations, Google.

ORGANIZATION SNAPSHOT: GOOGLE³⁷



Enhancing Teamwork with a fun environment³⁸

Google co-founders Larry Page and Sergey Brin most likely never imagined they would launch what would become what many consider the most popular and perhaps best search engine in the world when they first met. Initially, Brin and Page called their search engine

“BackRub”, with the starting search point being from Larry Page’s own Stanford Home Page. By 1997, the name Google was chosen to replace BackRub. The name originates from googol, a “number that is equal to 1 followed by 100 zeros”. They played with the word and invented the company name Google. Suffice it to say that one service at a time,

Google has been changing the way the world does business, communicates and learns. The awards are many and the accomplishments amazing.

In all the growth Google has witnessed, it never lost sight of fun in the work environment – an important aspect of keeping down work-related stress. The Senior Vice-President of Operations used to bring his dog to work and they had hired a chef who had catered for the Grateful Dead band. It was clear that Google was not going to be an ordinary place of employment. Street Hockey games in the employee parking lot, lava lamps, grand pianos and doggie visits are just some of the techniques utilized at Google to maintain this fun, stress-free environment at work..

Google is sure to take part in April Fool's Day pranks. For example, it announced in 2000 that Google can read your mind with its MentalPlex service, which started the annual April Fool's Day hoaxes and pranks. On April 1, 2004, it was announced that Google has plans to open a research facility, Googluniplex on the moon, and in 2006, Google announced the new product Google Romance, stating that "Dating is a search problem."

Much can be learned about Google by just reading the 10 things they know to be true:

1. Focus on the user and all else will follow.
2. It's best to do one thing really, really well.
3. Fast is better than slow.
4. Democracy on the web works.
5. You don't need to be at your desk to need an answer.
6. You can make money without doing evil.
7. There is always more information out there.
8. The need for information crosses all borders.
9. You can be serious without a suit.
10. Great just isn't good enough.

Google strives to maintain the open culture often associated with startups, in which everyone is a hands-on contributor and feels comfortable sharing ideas and opinions. In the weekly all-hands ("TGIF") meetings - not to mention over email or in the café - Googlers ask questions directly to Larry, Sergey and other executives about any number of company issues. The offices and cafes are designed to encourage interactions between Googlers within and across teams, and to spark conversation about work as well as play. A simple search engine has turned into a powerfully innovative company.

NEGOTIATION AND CONFLICT RESOLUTION

Negotiation is a fundamental skill for many different situations, whether in connection with projects or simply in life in general. The ability to negotiate eases the process of reaching an agreement between conflicting parties. Negotiation is a process involving two or more parties holding conflicting positions who are willing to attempt to reach an agreement. This implies that along the way, one or more parties will need to alter their initial position.

Negotiation is an important competency for a PM. It equips the PM to get what is needed for their project, for their project team and for themselves. Negotiation is required, for example, to acquire project team members, to procure goods and services for the project, or to address a change management request affecting the scope of the project with the sponsor. It applies, on a daily basis, to reaching agreements with team members on tasks, deadlines and other matters. It also applies to working with the sponsor, project client and a range of other stakeholders.

Negotiation often entails building a new relationship or managing an existing one. Those engaged in a negotiation which is clearly about a one-time transaction will not be concerned with longer-term implications for the relationship – such as when haggling to buy a carpet in a bazaar! In many other situations, though, the development of the relationship will be an important component of negotiation. This would usually be the case, for example, when dealing with a key supplier.



Exhibit 7.20: The Basic Negotiation Process³⁹

In any negotiation, each party brings issues, positions and interests to the table. ‘Issues’ are those items which are placed on the negotiating table for discussion. A ‘position’ is the stance of the party with respect to an issue. Each party in the negotiation may have a different position on a given issue. ‘Interests’ are the motivations underlying the issue and position for the party, which may or may not be known to the other parties. For instance, as the PM, you have brought forward to your sponsor the issue of a change request to accelerate the project schedule by one month. Your position is that it is not doable, and if it is attempted, the quality of the deliverable will suffer. Your interest is to complete a project which is highly satisfactory for the project client and is very positive for your team’s and your own reputation. In other words, you would prefer to see this request rejected. The basic negotiation process is illustrated in Exhibit 7.20.

In cases with high stakes, a more formal negotiation process will be necessary, with each of the steps accorded their required weight, and is likely to take some time. In contrast, where there is relatively little at stake, a more casual form of negotiation will be appropriate; some steps may be skipped or covered in a lighter way and the overall process will be much shorter. Note that the process is shown as a cycle. At various points, there may be need to return to an earlier step. For instance, if a new issue or position is introduced during the ‘Bargaining, Trade-Offs and Problem-Solving’ step, it may be necessary to return to the ‘Discussion, Clarification and Justification’ step. In a longer-term relationship, the entire process will be repeated over time for a range of different negotiations.

The essential steps are as follows:

1. **Preparation/Mobilization** – The first part of this step is to outline your own issues, positions and interests, as well as your ultimate goals from the negotiation. The preparation should also cover information gathering and review of what the other party may be seeking, such as:
 - What might their issues, positions, interests and goals be?
 - How entrenched are these likely to be?
 - What hidden agendas might they have?
 - What history do you have with the other party?

This preparation may involve some combination of direct information about the other party, insights from past negotiations or input from other sources who have some knowledge of them. Knowledge about the other party and how they might respond to your stance is a significant source of power in negotiations. This step also includes mobilizing the negotiating team, where appropriate. For a major negotiation with a supplier, a team may consist of the PM, a subject matter expert and a representative of the Purchasing department. Internal roles, responsibilities and reporting for the team will also need to be determined.

2. **Development of Negotiation Strategy** – The second step is concerned with formulating a negotiation strategy. Again, the negotiation will be premised both on the

specific exchange of value involved as well as the importance of the relationship. Some relevant considerations:

- How similar or different in outlook are the parties?
- What are their respective commitments to the negotiation?
- Will the bargaining approach be ‘distributive’ or ‘integrative’ (discussed below)?
- What will be your desired position or preferred outcome? This is called the ‘target point’. What might be their target point?
- What will be your worst case acceptable position? This is called the ‘resistance point’. What might be their resistance point?

For each party, the distance between the target point and the resistance point would be their ‘aspiration range’. If there is overlap in the negotiating parties’ aspiration ranges, there is room for bargaining.

An important concept to mention here is that of ‘Best Alternative to a Negotiated Agreement’ (BATNA). This is the outcome faced by the respective parties if negotiations fail. Consider what your BATNA would be versus the other party’s. For example, if the analysis suggests that the other party has more to lose if negotiations are unsuccessful, this will strengthen your bargaining position. In addition to these elements, the negotiation strategy should also include what ground rules you would seek to have, the scope of the discussion and how much time you will allow.

3. **Establishment of Roles and Ground Rules** – During this third step, roles, ground rules, processes, scope, time allocation and other preliminaries are shared and confirmed between the negotiating parties. In effect, this is a negotiation in itself. This can be a sensitive stage, as is often seen in international peace negotiations. Working to develop goodwill and trust at this early stage will be very helpful as the negotiation proceeds.
4. **Presentation of Issues and Positions** – With the fourth step, the respective issues and initial positions are presented by the negotiating parties. Priorities may also be covered.
5. **Discussion, Clarification and Justification** – Closely tied to the previous step, discussion, clarification and justification for the various issues and positions now begins. This provides an opportunity for each party to express how important the various items of negotiation are for them and why. Effective communication is the key here.
6. **Bargaining, Trade-Offs and Problem-Solving** – The sixth step is where actual bargaining takes place. Having understood each other’s issues, positions and overall goals, the parties engage in ‘give and take’. Each party will likely have to soften their position or give up something to get to a negotiated settlement. This process may be confrontational if following a distributive negotiation approach, or may be collaborative if following an integrative approach. Using problem-solving as a technique, just as in

conflict management, helps to expand the realm of solutions and open new possibilities to reach a ‘win-win’ agreement.

7. **Documentation, Closure and Implementation** – Once bargaining is finalized, the final step is to document the agreement. This may be in the form of a contract, a lease or some other record. There may be several iterations to fully reflect the points of agreement, terms and conditions; it may go back and forth between the parties for reviews of accuracy and completeness. Legal counsel and other departments may also become involved. When ready, the document is signed, as appropriate. The negotiation is then closed, the negotiating parties are disbanded and the agreement moves into implementation.

There are a wide variety of approaches to negotiation. Two important ones to understand are ‘distributive bargaining’ and ‘integrative bargaining’, summarized in Exhibit 7.21.

Bargaining Characteristic	Distributive Bargaining	Integrative Bargaining
Available resources	Fixed (‘the pie is limited’)	Variable (‘the pie can be expanded’)
Primary motivations	I win – You lose (Individual gain)	I win – You win (Joint and individual gain)
Primary interests	Opposed	Convergent
Issues involved	Single	Single or multiple
Ability to make trade-offs	Low flexibility	High flexibility
General approach	Adversarial	Collaborative
Focus of relationship	Short-term	Long-term

Exhibit 7.21: Distributive versus Integrative Bargaining⁴⁰

The distributive bargaining approach is based on the premise that the situation is a zero-sum one. That means that there is a fixed ‘pie’, so the more one party gains from the negotiation, the less the other party would have. Consequently, if one party ‘wins’, the other ‘loses’. It may truly be the situation or it may be how the situation is perceived. This is a confrontational way of reaching a solution, and as such tends to result in short-term relationships. In comparison, integrative bargaining operates on the assumption that the ‘pie’ can be expanded and there are multiple possibilities for a solution. Integrative

bargaining seeks mutual gain and a ‘win-win’ outcome. It supports the development or continuation of longer-term relationships.

Fisher and Ury recommend using the following four principles for ‘win-win’ negotiations:⁴¹

- **Separate the people from the problem** – Concentrate on the issues, rather than who is involved, their personalities or the emotional elements of the situation;
- **Focus on interests and not positions** – Having entrenched positions makes it difficult to find common ground. Instead, focus on what the other party needs to gain, and their priorities, to help find solutions;
- **Explore for mutual gains** – A collaborative spirit, and applying problem-solving or brainstorming techniques, will often generate new possibilities where both parties can achieve gains; and,
- **Use objective criteria** – Objective criteria help to eliminate perceptions of bias or unfairness. Such criteria guide the negotiating parties toward the optimal, mutually beneficial solution.

When related to conflict management, negotiation is relevant for the collaboration/problem-solving, compromising and possibly the accommodating/yielding approaches. It does not play a role in the forcing or avoiding/withdrawal approaches, which are inherently one-sided behaviours. Referring to Exhibit 7.16, note that the first three are aligned with having a degree of concern for others or ‘cooperativeness’; the last two are not. Integrative bargaining corresponds particularly well with, and is applicable to, the collaboration/problem-solving approach.

CHAPTER SUMMARY

A team is comprised of a number of people with complementary skills who are committed to a common goal for which they hold themselves mutually accountable. They achieve this goal by working interdependently, communicating effectively and making decisions that affect their work. There are substantial differences between groups and teams, whether in terms of dynamics, the roles of team members, level of commitment, authority and reporting relationships among team members.

Teams usually move through certain stages of development. Tuckman’s model of team development spans forming, storming, norming, performing and adjourning. Each has its own characteristics and calls for a different kind of leadership. There are a range of tools and techniques available to support team development and healthy team operations, including RACI, GRPI, the MBTI personality assessment, Plus/Delta and Round Robin.

Effective delegation is critical for both the project leader and the project team. Delegation is the act of granting authority to another person and has many benefits, including: helping project team members develop their competencies; sharing the workload; giving team members a chance to shine with peers or senior management; and, preparing future leaders. Delegation can be very motivating for the team and encourage greater engagement in the

project by everyone. The basic delegation process consists of six steps. A decision matrix to determine the level of oversight needed from the PM is discussed.

In every team and in every project there is bound to be some conflict. Positive forms of conflict can be very beneficial. Blake and Mouton's model of conflict management is comprised of five approaches to addressing conflict: avoiding, accommodating, compromising, forcing and collaborating. The five stem from the respective level of cooperativeness and assertiveness involved. Each approach has pros and cons, and each is suitable for specific situations. The preferred approach for PMs is collaborating, though this is not always feasible. A very useful, non-confrontational technique to deal with conflict is the Observation-Feeling-Need-Request script. It is an effective way to express concerns about a situation, which may in itself help prevent a conflict from escalating.

Negotiation is helpful for a range of situations, including conflict management, and is an important competency for the PM. Negotiation is a process involving two or more parties with conflicting positions who are willing to attempt to reach an agreement. Each party brings issues, positions and interests to the table. Both the stakes involved and the value of the relationship are highly relevant in determining how to negotiate. The basic negotiation process, consisting of seven steps, is outlined. Two important negotiation approaches to understand are 'distributive bargaining', which tends to be confrontational, and 'integrative bargaining', which tends to be more collaborative. Four principles for 'win-win' negotiations proposed by Fisher and Ury are also described.



ACTIVITIES

1. Conduct a GRPI session with your own team. Use the four usual scales and add a fifth one, such as 'motivation', to explore an attribute of your choice.
2. Review the following case study and research regarding team development within virtual teams:

<http://tiny.cc/3hn4zw>

Discuss: What are the particular characteristics and challenges of team development in virtual teams compared to co-located teams? What differentiated the better performing virtual teams from the poorer performing ones? What interventions are recommended or might be warranted for the challenges experienced at different stages of team development?

3. Review the following case study regarding building employee engagement:

<http://tiny.cc/q117zw>

Discuss: What were the particular challenges facing the organization? What approaches were utilized? How do these compare to what you have done or observed in various projects?

4. Review the following case study regarding the challenges of working with extremely large project teams:

<http://tiny.cc/bjn4zw>

Discuss: What were the particular challenges in mobilizing for such a significant project? What approaches were utilized? How do these compare to what you have done or observed in various projects?

5. Prepare a RACI chart for your current or upcoming project. Use the analysis techniques described in this Chapter to diagnose possible issues with roles and responsibilities.

6. Review the following case study regarding conflict management:

<http://tiny.cc/ckn4zw>

Discuss: What kinds of conflict were evident? What is your experience with similar conflicts? What approaches or resolutions were recommended? How do these compare to what you have done or observed in similar situations?

TOOLS

1. The MBTI assessment is generally a controlled, licensed test, for use by registered psychologists. A link to a free online assessment tool that emulates the MBTI is given below (it is called here the 'Jung Typology Test'). It will give you an idea of how the MBTI works.

<http://tiny.cc/vwo4zw>

2. The Keirsey Temperament Sorter is another assessment tool. Overview is available at:

<http://tiny.cc/jxo4zw>

To use the tool for yourself (free, but requires registration):

<http://tiny.cc/1xo4zw>

3. Another commonly used assessment tool is DISC. For an overview, see:
<http://tiny.cc/wyo4zw>
4. A self-assessment tool for willingness to delegate and a delegation worksheet:
<http://tiny.cc/lzo4zw>
5. A comprehensive team development assessment tool and worksheets for improvement:
<http://tiny.cc/w0o4zw>

REVIEW QUESTIONS

1. The GRPI tool can be used:
 - a. To assess clarity of goals
 - b. As a ‘live’ team survey
 - c. To identify challenges in interpersonal processes
 - d. All of the above
2. Which of the following dimensions is used in the MBTI tool?
 - a. Introvert - Extravert
 - b. Feeling - Extravert
 - c. Sensation - Perception
 - d. Introvert – Thinking
3. A useful non-confrontational technique for working through conflicts as well as providing constructive feedback is:
 - a. The Observation-Feeling-Need-Request script
 - b. Straight talk
 - c. Confronting
 - d. Observing and negotiating
4. Delegation is:
 - a. A process of granting authority
 - b. Beneficial for the PM
 - c. Helpful in developing future leaders
 - d. All of the above

5. The Round Robin technique provides for:
 - a. Turn-taking in chairing project meetings
 - b. Each team member to express their views regarding a particular solution or direction
 - c. Different individuals from the team to prepare the agenda for successive meetings
 - d. Alternating roles to take minutes
6. A team member is not performing well on the project because she is inexperienced in database development work. There is no-one else available who is better qualified to do the work. What is the BEST solution for the project manager?
 - a. Consult with the functional manager to determine project completion incentives for the team member
 - b. Obtain a new resource more skilled in this kind of work
 - c. Arrange for the team member to get required training
 - d. Allocate some of the project schedule reserve
7. Which of the following conflict resolution techniques generate the MOST lasting solution?
 - a. Forcing
 - b. Smoothing
 - c. Compromising
 - d. Problem-solving
8. There are many negotiation approaches and techniques. Two important approaches are:
 - a. Structured and ‘win-win’ negotiation
 - b. Preparation and bargaining
 - c. Distributive and integrative bargaining
 - d. Problem-solving and trade-offs
9. Which of the following is not a stage in team development:
 - a. Storming
 - b. Delegating
 - c. Performing
 - d. Adjourning

10. A project team that needs minimal direction or support regarding the project work, and is able to operate effectively and collaboratively to achieve project objectives, exhibits which of the following stages of team development?
- Norming
 - Storming
 - Forming
 - Performing

KEY TERMS

- **Accommodating** – Also called yielding or smoothing. A conflict management technique which is high on cooperativeness, but low on assertiveness. The prime focus is on meeting the needs of others at the expense of self. It can, however, be appropriate for some situations.
- **Adjourning** – The final stage of team development in Tuckman’s model. This stage marks the end of the project (assuming an orderly completion of the project deliverables) and the disbanding of the project team.
- **Avoiding** – Also called withdrawal. A conflict management technique where both cooperativeness and assertiveness are very low. It is a passive way of handling conflict and generally fails to solve the problem. It can, however, be appropriate for some situations.
- **Coaching** – The project leadership style most suited for the storming stage of team development. The presence of intragroup conflict at this stage requires facilitation for conflict resolution.
- **Collaborating** – Also called confronting or problem-solving. A conflict management technique distinguished by high cooperativeness and high assertiveness. In this scenario conflict is treated as a problem and both parties work to find a mutually acceptable solution. In general, this is the preferred technique for the PM to use.
- **Compromising** – A conflict management technique which involves moderately high assertiveness combined with moderately high cooperativeness. It requires each party to the conflict to give up something, meaning that neither would be fully satisfied with the result. It can, however, be appropriate for some situations.
- **Delegating** – The project leadership style most suited for the performing stage of team development. The PM lets the team make most of the decisions, raise issues or problems, and find solutions. Much is delegated to the team, permitting the PM to focus on team member goals and development.
- **Directing** – The project leadership style most suited for the forming stage of team development. Initially, the PM has the most knowledge of the project, the rationale, the goals and the team itself, necessitating a more directive approach.

- **Distributive Bargaining** – The distributive bargaining approach is based on the premise that the situation is a zero-sum one; if one party ‘wins’, the other ‘loses’. It tends to be more confrontational and results in short-term relationships.
- **Forcing** – A conflict management technique which relies on formal power and dominance to resolve conflict. As a technique, it is low in cooperativeness and high in assertiveness. The individual’s concerns and goals are pursued in this technique at the expense of others. It can, however, be appropriate for some situations.
- **Forming** – The first stage of team development in Tuckman’s model. It represents the very beginning of team evolution where individuals from different functional areas or specializations are brought together to form the team and start working together.
- **GRPI** – A tool that helps to assess the operational health of the team in terms of goals (G), roles (R), processes (P), and interpersonal norms and relationships (I). Based on the results, the PM, potentially in collaboration with the team, can address issues.
- **Independence** – In the context of team development, referring to the forming and storming stages, which are characterized by people acting relatively independently (i.e. not truly working as a team yet).
- **Integrative Bargaining** – Integrative bargaining operates on the assumption that the ‘pie’ can be expanded and there are multiple possibilities for a solution. Integrative bargaining seeks mutual gain and a ‘win-win’ outcome. It tends to be more collaborative and results in longer-term relationships.
- **Interdependence** – In the context of team development, referring to the norming, performing and adjourning stages, which are characterized by people depending on each other for mutual success.
- **MBTI** – An assessment tool that helps the PM understand the personality profile of a given individual. The Myers-Briggs Type Indicator is based on four dichotomies: extraversion/introversion; sensation/intuition; thinking/feeling; and, judging/perceiving. This leads to 16 different personality profiles.
- **Norming** – The third stage of team development in Tuckman’s model. At some point, most teams resolve conflicts and are able to move to this stage. The team should now be working to one, common goal. There should be a well-understood project plan, to which everyone is able to commit.
- **Observation-Feeling-Need-Request Script** – A very useful, non-confrontational technique to deal with conflict. It is an effective way to express concerns about a situation, which may in itself help prevent a conflict from escalating.
- **Participating** – The project leadership style most suited for the norming stage of team development. The team is allowed to become more autonomous. The PM steps back and enables the team to take more responsibility for progress towards the end goal.
- **Performing** – The fourth stage of team development in Tuckman’s model. At this point, task orientation and relationships have become more focused and effective. Trust

between team members increases further and ‘hidden agendas’ are minimized. Productivity should be much higher at this stage and project progress accelerates.

- **Plus/Delta** – A tool that helps to elicit feedback from team participants regarding what is going well and what needs improvement. It can be used for the refinement of meeting structure and process, as well as for other project activities. Team members can be involved in the development of solutions for issues cited.
- **RACI** – A tool that helps to clarify and communicate roles and responsibilities. It categorizes the involvement of team members, as well as other stakeholders, according to whether they are responsible (R), accountable (A), to be consulted (C) or to be informed (I) in connection with a given task, phase or other component of the project.
- **Round Robin** – A tool that helps to ensure that there is opportunity for input from all team participants in meetings and other settings.
- **Storming** – The second stage of team development in Tuckman’s model. At this point, polite conversation is over and different personal styles, needs, individual agendas, attitudes and expectations start to become evident. Frustrations and intragroup conflict is quite common during this stage.
- **Team** – Comprised of some number of people with complementary skills who are committed to a common goal for which they hold themselves mutually accountable.

ADDITIONAL RESOURCES

1. Paper on MBTI profiles and their relationship to leadership and project management:
<http://tiny.cc/8dp4zw>
2. A paper describing steps and considerations for building teams:
<http://tiny.cc/5ep4zw>
3. An article on relationships, leadership and conflict management in projects:
<http://tiny.cc/9tq4zw>
4. A report with case studies and suggested practices for creating an engaged workforce:
<http://tiny.cc/8uq4zw>
5. An extensive resource for employee engagement tips and techniques:
<http://tiny.cc/6vq4zw>
6. Paper on effective delegation:
<http://tiny.cc/exq4zw>
7. Video on delegation:
<http://tiny.cc/xxq4zw>

8. Video on the delegation process:
<http://tiny.cc/nyq4zw>
9. An article on negotiation:
<http://tiny.cc/bzq4zw>
10. Two videos from a series of videos on negotiation:
<http://tiny.cc/zzq4zw>
<http://tiny.cc/h0q4zw>
11. Lewicki, R.J., Barry, B., Saunders, D.M. Essentials of Negotiation, 4th Edition, McGraw-Hill/Irwin, 2007.
12. Six essential skills for managing conflict:
<http://tiny.cc/c1q4zw>
13. A handbook for conflict management:
<http://tiny.cc/71q4zw>
14. A paper on conflict management techniques:
<http://tiny.cc/02q4zw>

REVIEW ANSWERS

1. D 2. A 3. A 4. D 5. B 6. C 7. D 8. C 9. B 10. D

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Stakeholder Management

“The project manager who sits in the office looking at network diagrams will not have the same feel for the pulse of the project as the project manager who talks to the stakeholders on a regular basis. When you build a personal relationship with the team, the customer and others, you are much more likely to get honest feedback and early warnings.”

Hans Jonasson ¹



LEARNING OBJECTIVES

- Define stakeholders and stakeholder management
- Recognize the various principle stakeholders and their roles in the ‘web’ of stakeholder management
- Understand the importance of sponsorship, the role of the project sponsor and building an effective relationship with the sponsor
- Appreciate the attributes of a great project sponsor
- Describe the elements of stakeholder analysis, as well as the application of the ‘stakeholder register’ and stakeholder analysis tools
- Outline ways to influence stakeholders to support project success
- Explain the leadership competencies that relate to effective stakeholder management

PROJECT SUCCESS REQUIRES MANAGING A VAST WEB OF STAKEHOLDERS

A stakeholder is a person or entity that has an interest in a project or in its outcome. Effective relationships with an organization's entire network of stakeholders are essential for the long-term survival of the organization itself, as well as the success of the projects operating within it.² In other words, both the broader organization and the project management team rely on productive relationships with stakeholders and must manage them appropriately.

The Project Management Institute, with the introduction of the 5th Edition of PMBOK, has documented a new, tenth knowledge area of Stakeholder Management. Previously, aspects of stakeholder management were covered within the Communications Management and Human Resource Management knowledge areas. Project stakeholders are more formally defined by the PMI, International Project Management Association (IPMA) and PRINCE2, respectively, as:

“... individuals, groups, or organizations who may affect, be affected by or perceive themselves to be affected by a decision, activity, or outcome of a project. They are comprised of persons and organizations such as customers, sponsors, the performing organization, and the public who are actively involved in the project, or whose interests may be positively or negatively affected by the execution or completion of the project. They may also exert influence over the project and its deliverables.”³

“... people or groups, who are interested in the performance and/or success of the project, or who are constrained by the project.”⁴

“... any individual, group or organization that can affect, be affected by, or perceives itself to be affected by an initiative programme, project, activity, risk.”⁵

Clearly, actual as well as perceived connections to the project are important. Exhibit 8.1 illustrates the common web of stakeholders surrounding the typical project. The inner circle consists of the project team itself, with the PM at its centre. The outer circle represents the organizational boundary; beyond this circle are the external stakeholders, such as government agencies, suppliers, contractors, investors and others. Between the two circles are the other members, functions and business units of the organization who may have a stake in the project. The customer is shown in this diagram as an external client, but could also be an internal client.

Each of these different stakeholders has its own agenda and its own relationship between that agenda and the project, with varying levels of alignment or conflict between these and the actual project objectives.

Each stakeholder also tends to evaluate the project and its performance independently, according to their own perceptions of the economic, cultural, political and social environment surrounding the project. Consequently, stakeholders' views of the rationale behind the project, its progress, its implications and its expected or actual outcomes can vary widely.

The principle stakeholders in the web are:

- **Project team** – The team does the actual project work. Team members are typically drawn from multiple functions and disciplines, can include internal and external resources and may be either dedicated full-time to or working part-time on the project. Most, if not all, participants want to do a good job, but they may also be concerned with other priorities and obligations, such as their commitments to other projects. They may also be assessing how their involvement with the project will contribute to their professional or personal goals and aspirations.

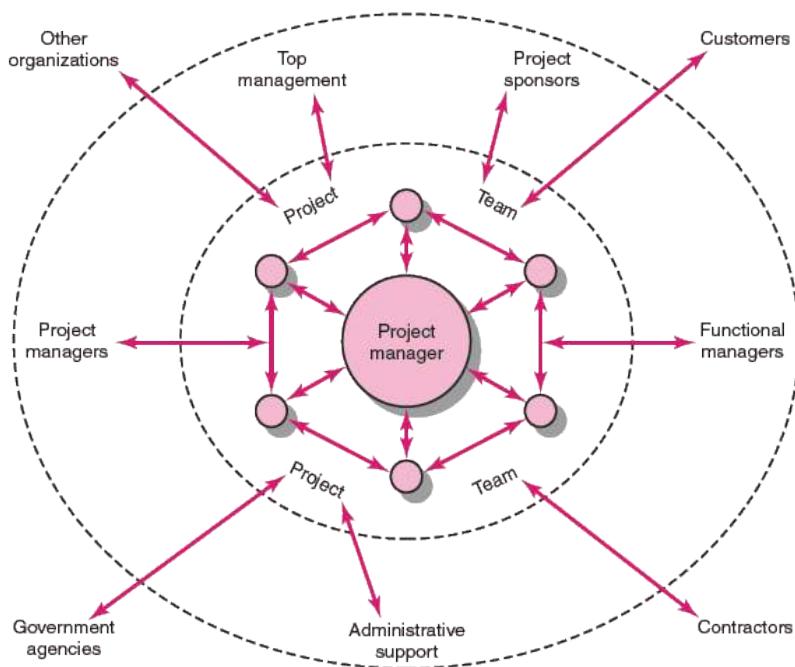


Exhibit 8.1: PM at the Center of a Complex Web of Stakeholders

- **Other project managers** – As part of the organization or a PMO structure there may be other project managers running other projects. Naturally, they compete with each other for resources and the attention of top management. Some subject matter experts may be particularly in demand across several projects, creating conflict around the use of those resources for the respective PMs. In projectized structures there could also be an added constraint on resource sharing and exchange of information, especially if there

are dependencies among the projects. Every PM is seeking to shine and to achieve success.

- **Functional managers** – Depending on the organizational structure and how the project is organized, functional managers or other business unit managers may have direct or indirect involvement in the execution of the project, the use of their staff on the project, etc.
- **Top management** – Senior management approves funding of the project and establishes organizational priorities, monitoring and intervening as necessary. They establish expectations for the outcomes and benefits to be generated, as well as defining success.
- **Project sponsor** – The sponsor authorizes the project, names the PM and champions the project internally and externally. They use their influence on behalf of the project to obtain resources and to clear barriers. Their reputation may be closely tied to the project's success.
- **Customers** – The customer or project client defines the scope of the project, sets forth the requirements and communicates expectations. They may be internal or external to the organization. PMs should be alert and responsive to changes in client desires.

The art of project leadership includes engaging this multiplicity of stakeholders in productive relationships.

The PM needs to be able to get the best from these various stakeholders.

When describing and defining successful stakeholder relationships, the concept of 'directions of influence' provides a good framework for stakeholder management activities. The four directions of influence are as follows:⁶

- **Upwards** – Managing upwards is about developing and maintaining robust relationships with senior management, the sponsor and/or the Steering Committee whose support is vital to maintaining organizational commitment to the project.
- **Downwards** – Managing downwards is about effective communication with project team staff and subordinates.
- **Sideways** – Managing sideways is about managing peers, such as other PMs or Business Analysts in the PMO, functional managers and others at a similar level. Managing sideways promotes collaboration and helps in knowledge sharing.
- **Outwards** – Managing outwards is about fostering valued relationships with external project stakeholders such as clients, government agencies, shareholders or investors, suppliers, the media, etc.

It is crucial to pay ongoing attention to all of these directions of influence and be active in managing these relationships.

Bank of Montreal describes the evolving role of a Project Manager with accountability placed on effective management of stakeholder relationships. Stakeholder management is a key part of the project leadership role.

ORGANIZATION SNAPSHOT: BANK OF MONTREAL⁷

Evolving the role of the Project Manager⁸ “An Accountable PM fully practices all aspects of Project Management, so that the organization obtains the maximum value of the PM resource,” says Robin Dhillon,



Bank of Montreal Enterprise Program Office

A successful ‘Accountable Project Manager’ provides leadership in all aspects of running a project. They work in partnership with management to ensure that information is shared and transparent. They work with decision-makers to ensure that the right decisions are made at the right time based on the right information. They provide requirements on team composition to functional management and ensure that the right people have been assigned to the project based on required skills/knowledge, not just on who is available.

An Accountable PM requires solid relationships with all stakeholders, in order to reduce the likelihood of disconnects between stakeholders. Project Managers are accountable for maintaining key relationships on the project. The Project Manager’s primary relationship is with the Accountable Executive.

Certain roles, including Project Managers from sub-projects, will be supplied by teams from other areas, but in terms of the overall project, they all report to the Accountable Project Manager.

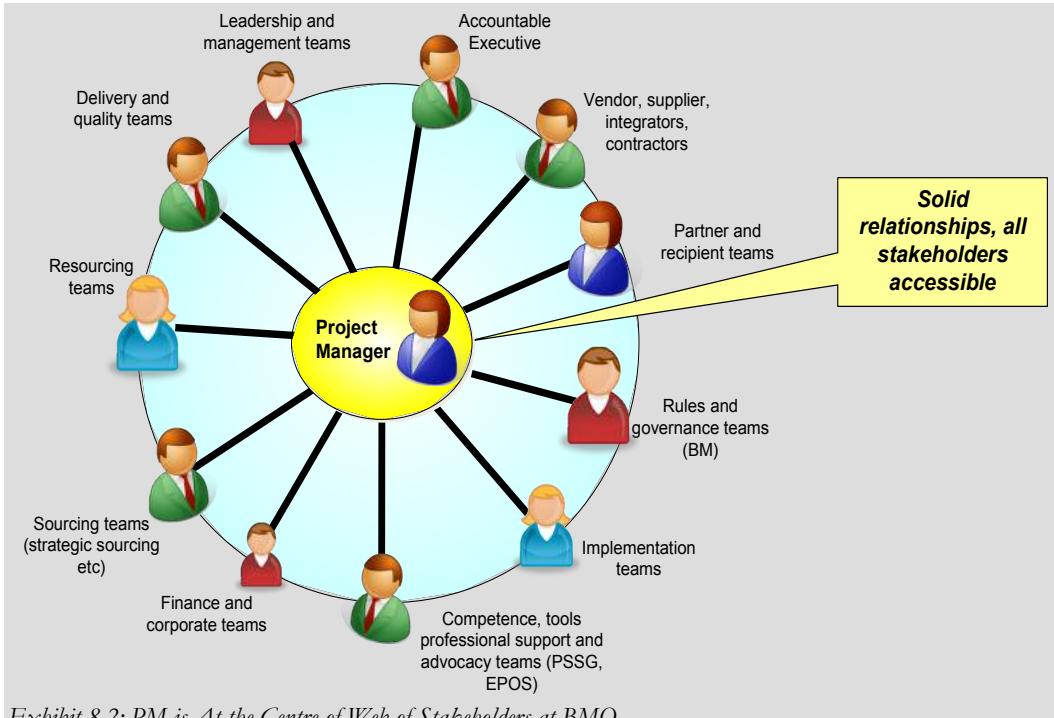


Exhibit 8.2: PM is At the Centre of Web of Stakeholders at BMO

LIVING WITH PROJECT POLITICS

This complex web requires the PM and the project team to work closely with each of the stakeholders to understand and manage their expectations in order to deliver the project to those expectations. It should be recognized that different stakeholders, with their varied skills, personalities, interests and priorities, are likely to pull the Project Manager in different directions according to their own objectives.

Internal politics can affect all stages of a project's life, from project selection and intake, to execution, to acceptance – including the definition of what constitutes project success. The larger the number and variety of stakeholders, and the more intimately they are involved in the project, the higher the potential for major political issues to arise. The PM must acknowledge that politics are part of the reality of organizations and projects, understand as much as possible the motivations of the key stakeholders and then develop an appropriate approach to each of them. This also includes assessing stakeholder sources of power, such as legitimate, expert, reward, etc.

All organisations are ‘political’ to some extent, but some projects are easier to implement than others as they align more closely with the status quo and may not cross politically sensitive boundaries.

The bigger the scope of the project, the more it challenges the status quo or disrupts the organization's power balance and the more political the stakeholder web is likely to become. Some projects are about fundamental transformations that could lead to shifts in the internal or even external power base. Such transformational changes will not necessarily be beneficial to everyone they touch; some may gain and some may lose or believe that that is the case. These could trigger much conflict, resistance and political squabbling.

The possible range of stakeholders and different agendas makes stakeholder communications quite a challenge for the PM. All of this is further complicated by the fact that stakeholder needs, expectations and priorities, as well as the project itself and its environment, are continually changing. Ineffective communication can create the perception of poor project performance in the minds of stakeholders, even when the project is progressing well.

For Project Leaders...

Who is the ‘project client’? The ‘project client’ can be an external customer, a single entity or a consortium, one or more internal departments or business units, and in some instances the public or other user of the project deliverables.

The project client is certainly a fundamentally important stakeholder. They are quite often, however, not a single individual or entity. Looking deeper as a project leader, you would quickly find that there is the individual or entity making the buying decision; the one who is the end-user of the deliverables; the acceptance authority for the project work and output; the procurement manager involved in any purchasing arrangements; the accounts payable manager, who signs off on payments based on suitable completion of the agreed-upon work; etc. In effect, there may be multiple project clients, each of whom represents a different aspect of the project ‘purchase’, planning, execution, monitoring and acceptance. Collectively, they will define project success from the client’s perspective. The complexity of the situation increases if there is a consortium involved. Stakeholder analysis and engagement planning then has to be broader in scope.

A good approach is to divide the parties into primary and secondary client stakeholders, based on the stakeholder analysis. It is also quite useful to understand the interrelationships between them: who influences or drives whom? The ones designated as primary will have the greatest relevance for the project or will need the most attention. Once the necessary stakeholder understanding and engagement plan is in place for the various players, it is critical for you as a project leader to meet with and develop positive, trusted relationships with each and to monitor their interests, power, attitudes and expectations over time.

BUILDING AND STRENGTHENING THE SPONSOR RELATIONSHIP

“Before you start your project, find a committed project sponsor who has enough clout in your organization. Your project sponsor will prove invaluable in helping you overcome organizational roadblocks as they arise.”

Duncan Haughey, editor of Project Smart

The project sponsor is a critical stakeholder and a vital resource for the PM in any project. West speaks of projects resembling an hourglass, with sponsors and PMs having distinct but complementary roles.⁹ The lower half of the hourglass represents the project team members and others who will do the work required to deliver the project. The project client also appears in this lower area. The upper half of the hourglass represents the broader organization within which the project is being executed. It encompasses the executive team, different business units and functional areas of the organization, such as Human Resources, Finance or Customer

Service, which will affect or be affected by the project. Investors or funders would also be considered part of this upper area.

At the neck of the hourglass are the project sponsor and the project manager, working in partnership.

The sponsor would focus on the upper half of the hourglass and the project manager would run the lower half. Though the project

client is treated as primarily a PM responsibility, the sponsor would certainly be involved, also. The sponsor and PM should be working in partnership, toward the shared goal of planning and executing a highly successful project. The overall relationship is depicted in Exhibit 8.3.

Of all the stakeholders in the web, the project sponsor is usually one of the most, if not the most, crucial to understand and manage. The project sponsor acts as the key link between the PM and project management team, and the organization’s executive management. The

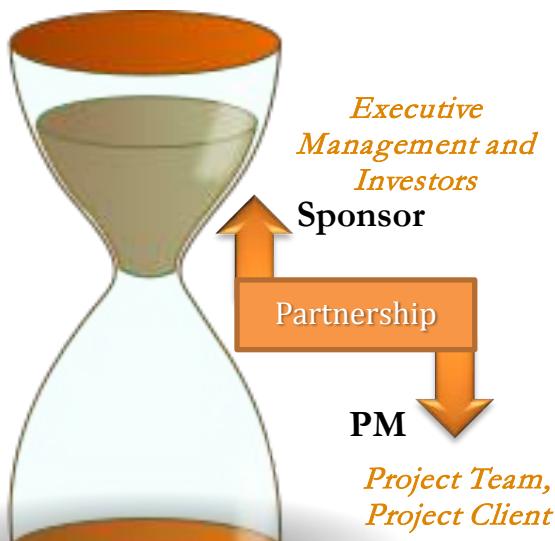


Exhibit 8.3: The Sponsor-PM Hourglass and Partnership

sponsor's close connection with executive management is very important, also, in ensuring and maintaining the project's strategic alignment.

PMI's Pulse of the Profession survey reports that organizations with active project sponsors are more likely to have better project outcomes. Active sponsors are described in the report as executives who champion the strategic value of their projects and communicate the intended benefits to stakeholders. 79 per cent of projects at high-performing organizations, versus 43 per cent at low-performing organizations, were found to have active project sponsors. Stated in financial terms, at organizations where 80% or more of projects had active sponsors, \$93M in project dollars were deemed to be at risk. In comparison, \$197M in project dollars were considered to be at risk for those organizations with less than 50% of projects having active sponsors. These numbers are in relation to a \$1B base of total project dollars. Those organizations where less than 50% of projects had active sponsors were thus risking twice as much in financial resources.¹⁰

An underlying principle of project sponsorship is that of 'single-point accountability'. The sponsor is the person or entity who is the official authority for the project and the associated investment. In this sense, the PM is accountable for the project to the sponsor and the sponsor is accountable to the overall organization and the project client. The sponsor has the power and status to fund the project and influence other stakeholders.

Depending on the organizational structure, a number of the functional managers might even report directly or indirectly to the sponsor.

In large projects or programs, many parts of the organization could be involved in the sponsorship and project oversight role through a 'Steering Committee' or similar entity. Such entities provide direction to the project and monitor project deliverables. The chairperson of the steering committee would be viewed as having ultimate accountability for the project. Typical representatives on such committees would include:

- Several executives or senior managers, representing the departments or business units who have a significant stake in the project or are anticipated to be most affected by it.
- One or more representatives of the 'project client', whether an internal 'business owner' or an external client who are to benefit from the project deliverables. If the project is for a partnership or consortium, there could be quite a few such representatives.
- Union leaders to determine the impact of changes and voice any concerns related to the unionized labour at the organization.
- The Finance department, to monitor the investment and track financial objectives.
- The IT department, which may need to build or revamp some information or networking technology infrastructure.
- The Human Resources department, to address any major effects on the employee population, health and safety, privacy, job design, or organizational change.

- A PMO representative, where a PMO exists.

The sponsor, as an individual, usually comes from the executive or senior management ranks. They should be influential, with a track record of getting things done.

An effective sponsor is an effective business leader, effective change agent and effective decision-maker. They are also effective within the political context. Having a naïve sponsor who does not understand politics could lead to difficulties in overcoming barriers or obtaining sufficient resources – a very frustrating situation for the PM.

| The ideal sponsor is sufficiently sensitive and astute about politics to employ it in the project's best interests.

The sponsor should be able to cut through the political landscape to have critical project decisions made and in a timely manner. PMs may find themselves with a well-meaning but politically naïve sponsor, who is actually unable to be of much help to the project.

Conversely, a sponsor who is viewed to be a ‘political shark’ can taint a project with their aggressive or manipulative behaviour.

KEY ATTRIBUTES OF A GREAT SPONSOR

The key desirable sponsor attributes are illustrated in Exhibit 8.4 and described below:

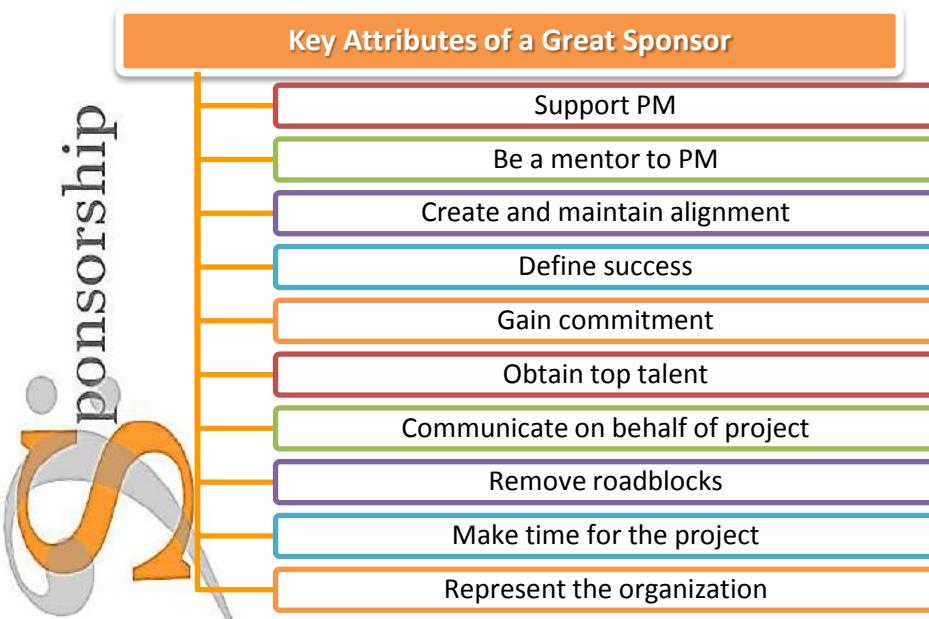


Exhibit 8.4: Key Attributes for Project Sponsors

- **Support the PM** – Sponsors don't just need to support the project; they must also support the PM and the project team. They should assist the PM with strategic, key

stakeholder and broader organizational concerns and decisions. They should not interfere with the PM in the day-to-day operations of the project.

- An over-zealous sponsor may be tempted to assume some of the PM's responsibilities or to micro-manage, while an ineffective sponsor may be invisible, leaving the PM uninformed or unsupported.**
- **Be a mentor to the PM** – Since the sponsor tends to be a seasoned senior manager, they are in a position to aid the PM's development and offer mentoring and leadership advice. They may also suggest training or other career development steps.
 - **Create and maintain alignment** – The sponsor authorizes and funds projects which are well-aligned with the organizational strategy. During planning and execution, they help maintain consistency with those strategic goals. They understand the project's business case and rationale, including both financial and non-financial objectives. They monitor progress toward the promised deliverables and benefits, as well as deviations which might emerge due to changing circumstances.
 - **Define Success** – The sponsor should have a clear picture of success. This is often developed in collaboration with the PM. It is an essential point of discussion, elaboration and negotiation between the sponsor and the PM. There should be a shared understanding of that picture and the specific indicators or measures of success. The definition of success must take into account the scope, expectations and desired benefits to be fulfilled for the project client, as well as other major stakeholders. The definition also serves as the context for assessing the performance of the project team.
 - **Gain commitment** – The sponsor is a key figure in representing and advocating for the project. This applies throughout the project's life-cycle. As a senior individual, the sponsor is well placed to influence and gain the commitment of peers and executive management, various other stakeholders and the broader organization toward the project. Commitment may mean contributing resources, providing input, participating in a pilot, or simply being willing to change – such as restructuring an existing process or adding new fields in a database.
 - **Obtain top talent** – Sponsors who have been with an organization for some time will have a deep knowledge of staff abilities across the organization. They should assist the Project Manager in identifying and recruiting such resources, as well as assist in negotiating their release to work on the project. This helps to build the right team – a key investment in the project.
 - **Communicate on behalf of the project** – Sponsoring means championing a cause. The sponsor, along with the PM, is the project's champion. The sponsor must be both confident in the project's value and enthusiastic about it. They should demonstrate a personal commitment to the project and all that it is meant to deliver, defending the project against naysayers and saboteurs. They should be willing to communicate their commitment, their reasons for backing the project, and the benefits anticipated, with

any and all audiences. They should continue to communicate and show support when challenges arise, as they inevitably do.

- **Remove roadblocks** – Sponsors help remove roadblocks and address issues. They ensure issues arising from the project are resolved in a timely and effective manner, generally in collaboration with the PM.

Effective sponsors have the necessary organizational respect, leadership qualities and credibility to remove roadblocks in a timely fashion.

These roadblocks may span resourcing constraints, conflicts, lack of business unit cooperation, project baseline changes, new risks and many other possible factors which may fall outside the PM's authority and control. Problem-solving, negotiation and conflict management skills are paramount for the sponsor to navigate through escalated issues and successfully clear roadblocks. Politically savvy sponsors are more likely to make their way through various obstacles.

Larger projects are likely to have a 'change control board' or some similar group, or this function may be absorbed within the role of a 'steering committee'. This is an entity which reviews and approves requested changes to the scope, budget, schedule or other parameters of the project. Project sponsors typically play an active role on such a body. This is another way in which they are engaged in dealing with escalations, major project change concerns and potential roadblocks.

- **Make time for the project** – To make a proper contribution to a project and help ensure a high level of performance, the sponsor needs to be interested and engaged in the project. They should care about project success and the value it is meant to generate for the enterprise. Sponsors must be accessible and be willing to invest sufficient time, attention and energy in the project team. Merely appearing at the occasional meeting will not do justice to the project team.
- **Represent the organization** – The sponsor is representing the goals and interests of the organization. They are accountable for understanding why the organization is spending time and resources on a particular project. A primary role held by the sponsor is that of business leadership. Effective sponsors are able to make fast decisions, help with problem-solving or provide the perspective of the larger organizational context. Along with the project client, they are also closely involved in 'Go/No-Go' decisions and acceptance of deliverables. They pay attention to the transfer of knowledge and outputs from the project to operational mode during project closure.

The project sponsor is perhaps the second most influential person on the project, after the project manager, and in some cases may even wield more influence on project results than the PM.¹¹

DEVELOPING A SPONSOR-PM PARTNERSHIP

The sponsor-PM partnership is one of the most important relationships determining project performance. Effective and ongoing dialogue is crucial for this relationship to work well.

There is often a natural enthusiasm to act as a project's sponsor at the start. When a project is initiated and during the 'honeymoon period', the sponsor's interest and commitment are very high. Some sponsors even believe that their project is the most important project ever – a silver bullet that will change the world. But the sponsor's excitement can fade fast. If it is their first time as a sponsor, they soon realize that 'sponsoring' a project is challenging. It takes a lot of time beyond their day-to-day responsibilities and involves tough discussions.

In the middle of the project, many sponsors may even feel that setting up the project was a mistake.

Over the project life-cycle, especially with longer-duration projects, they may become tired or distracted by other priorities. They might not be able to give the necessary energy, effort or focus to keep the project vision alive. They could even abdicate sponsorship or attempt to transfer the role to someone else in the organization. When delegated to someone else, the role is often called a 'Sponsor Lead'.

In the absence of effective sponsorship, projects can die a slow death.

The PM must work to obtain the sponsor's full engagement and to sustain that engagement from the start to project closure.

Gaining and maintaining sponsor interest and buy-in throughout the life of the project is essential. In the absence of a completely engaged sponsor, the project and the PM are unlikely to get the share of 'brain space' and support needed to shepherd a project to completion. As the project leader, the PM must build trust and a strong working

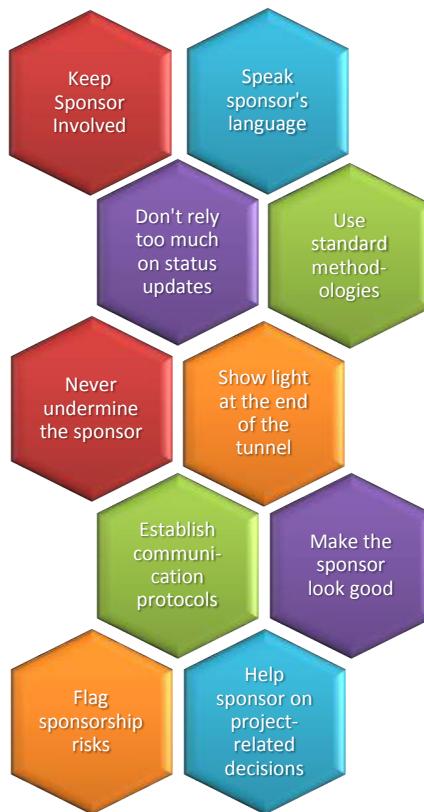


Exhibit 8.5: Developing a Sponsor - PM Partnership

relationship with the sponsor. This further engages and commits the sponsor to the PM and to the project. Exhibit 8.5 suggests ways to develop an effective, trusted partnership with the sponsor. These are detailed below:

- **Keep the sponsor informed and involved** – Invite the sponsor to major milestone meetings. Encourage them to attend other regular meetings or to connect with project team participants whenever possible. Ensure that the sponsor is properly informed of any misfires, possible changes, new risks (threats or opportunities) or critical issues. Be as transparent as possible regarding project activities and progress.
- **Speak the sponsor's language** – Communicate with the sponsor in business terms so that the sponsor can appreciate the project situation, make informed decisions and take appropriate actions. This is partly related to establishing a good communications protocol with the sponsor. Avoid project management jargon or acronyms. Keep sponsor-oriented documents concise. Translate between business and project management language whenever needed. “Sponsors may not be project management specialists, so it behooves the project manager to effectively explain the rationale behind certain recommendations,” recommends Kiron D. Bondale, Director of the PMO at Agricorp in Guelph, Ontario, Canada.¹²
- **Don't rely too much on status updates** – Weekly status reports are usually over-rated for building trust with the sponsor. Sponsors will frequently have too little time to read them or provide input.

While status reports are necessary as an official documentation and reporting mechanism, the PM should be sure to have regular, in-person and informal conversations with the sponsor.

Such conversations make it easier for the sponsor to give their full attention, at least for a short period of time, to the PM and to developments in the project. A series of appointments, scheduled in advance, help the sponsor anticipate and prepare for these meetings. They may be held at the sponsor's office, over a coffee, or wherever and whenever it would be convenient.

- **Use proven, standard methodologies** – If the sponsor does not trust the PM, they may be willing to put their trust in proven project management methodologies. Using a recognized methodology gives the sponsor at least some confidence in the PM and how the project will be conducted.
- **Never undermine the sponsor** – The best way to view the relationship between the sponsor and the PM is as a partnership. Even in partnerships, though, there can be disagreements and differences in viewpoint. Some sponsors might not want to consider another view, while the PM may consider the sponsor's perspective or decision to be flawed. In most organizations, the sponsor has the authority to make the final decision and the PM must accept and respect it. Establishing a protocol early around decision-making boundaries before any major conflict arises minimizes friction. If there is

another party for arbitration, such arrangements should be discussed ahead of time. Any disagreements between the sponsor and the PM should generally be addressed directly and in private. Nobody likes being told they are wrong in front of others!

- **Show light at the end of the tunnel** – The PM needs to help the sponsor understand project progress and the implications of accomplishments to date for the project client or other stakeholders. Progress and completion of interim deliverables build interest and momentum, as much for the project team as for the sponsor. With this understanding, the sponsor is better equipped to communicate positive project results to the executive team, the steering committee or any other concerned parties.
- **Establish communication protocols** – Establish a working protocol for updates as well as for dealing with escalations or emergency circumstances. This requires a good understanding of the sponsor's needs, preferences and expectations for communication and decision-making. The protocol should be developed and implemented very early in the sponsor-PM relationship. It should define the desired level of detail, format and topics for regular communications, as well as how and when to push the alarm button for an emergency situation. Sponsors may not be project management specialists, in which case the PM should explain what would constitute good practices and the rationale for this view.

Lastly, the PM should be watchful for any deterioration in communications with the sponsor and must act quickly to address such a situation. Left alone, it may lead to a communication breakdown, which would prevent timely and effective decision-making and contribute significantly to project problems¹³.



- **Make the sponsor look good** – Ideally, everyone should benefit in one way or another from their participation in a project. The benefit could be developing new skills, working on a stimulating assignment, having a chance to demonstrate their capabilities, doing something important for society, or another such outcome. The sponsor should also gain something. The PM can often offer such possibilities, minimally by running a superior project which naturally makes the sponsor look good among their peers and the executive team. In addition, the PM can suggest opportunities for the sponsor to appear at appropriate events or meetings on behalf of the project, especially in connection with important, highly positive announcements such as completing a major deliverable per expectations.

- **Flag sponsorship risks** – While some sponsors would be experienced and effective in working with PMs, others would be new to the role or not very effective. Ineffectual sponsorship can create risks for a project. The PM has an ethical responsibility to clearly define and communicate risks that require management attention. It may make the PM unpopular, but it is necessary. The first avenue is to discuss any such concerns with the sponsor in person, helping them understand the implications and offering constructive approaches for resolving these.

The PM is likely in the best position to educate and coach the sponsor about what the PM and the project needs in terms of sponsorship involvement and implications from lack of appropriate support.

This in itself can help build trust between the sponsor and the PM. Carrying on without an effective sponsor will raise the probability of project failure and the PM will be held accountable for any problems with performance.

- **Help the sponsor make project-related decisions** – The PM is ultimately accountable for the project, but it is the project sponsor who has more power and influence to make things happen. The sponsor may need to make a range of large and small decisions in support of the project. Some difficult decisions will also have the added factor of urgency. The PM must make it easier for the sponsor to make those decisions by ensuring that the request or escalation is as clear as possible, providing the full context, history and anticipated ramifications from the situation, and assisting them with possible alternative courses of action.
- **Use other key stakeholders to influence the sponsor** – The sponsor may be unfamiliar with the PM, but there may be others who have worked with and trust the PM. If there is a peer the sponsor respects, it may be possible for the PM to bring that influence to bear on the current sponsor. This can support and even accelerate the development of the relationship between the sponsor and the PM.

RESOLVING SPONSOR CHALLENGES

Sometimes, a sponsor can create problems for the PM, the project team and the project with their behaviour. Three such scenarios, with possible approaches for responding to such behaviours, are given below.¹⁴

Scenario 1 - “I hope you don’t mind me intimidating everyone with my overbearing nature at your team meetings... I’m just trying to help you speed things along.” – Sponsor

Scenario 1 - Possible Approaches

- Meet with the sponsor prior to the meeting and specifically discuss what you need from them in the session. Possibly write out talking points for them – many will appreciate it if it is offered in the spirit of helping take one more thing off their plate. Ask them to withhold their opinion until others have weighed in, to avoid tainting others' input.
- If you sense others may be intimidated by the sponsor's opinion, suggest the group do a Round Robin and start at the opposite end of the table to the sponsor (so that their opinion comes near the end).
- Stand up! Whenever you stand while everyone else is seated, you immediately regain control of the group. Thank the sponsor for their input and redirect the conversation as needed.
- Repeat the sponsor's point and write it down. This may sound counterintuitive, but oftentimes a sponsor will get on their soap box (and not get off it!) because they don't feel heard. When you repeat the point back to them and then write it down for all to see on a flip chart or whiteboard, it reassures them that they have indeed been heard and immediately communicates an appreciation for their point.
- Ask for solutions. Sometimes meeting participants and even sponsors get caught in a cycle of whining and venting about problems. After agreeing with the issue simply ask the sponsor to suggest a solution. Insist that the issue being raised is important enough to warrant devoting some energy to focusing on a solution.

Scenario 2 - “I'm not exactly clear on what I'm looking for, but I'll be sure to hold you responsible when I don't get it...” – Sponsor

Scenario 2 - Possible Approaches¹⁵

- Ask the sponsor to prioritize cost, time, and scope (cheap vs. fast vs. complete). Which is most important relative to the others? Hint: The answer is not all three. Think McDonald's – their focus is very intentionally fast and cheap. Be clear which constraints are really driving the project.



- Clarify the effort early and often. Identify in-scope and out-of-scope items, tangible deliverables, timing expectations, budget restrictions, roles and responsibilities, known risks, and key stakeholders.
- As early as possible, identify their soap box issue and applicable benefits for them or WIIFT ('What's in it for them'). If they don't understand exactly what they want, ask them to explain their motivation/driving factor. Often, executives have a soap box issue, predetermined bias, or hypothesis they want validated. Try to find out what this is as soon as possible.
- Explicitly ask how they will define success. Always ask the sponsor to finish this sentence: "I will consider this project a success if..."

Scenario 3 - "Let's just keep on moving in top gear... I need to roll out the new release a month earlier than planned." – Sponsor

Scenario 3 - Possible Approaches¹⁶

- Remember the triple constraint – when they change one element, it impacts the others. If there is a reduction in time, emphasize the impact on cost and scope. For example: 'Jim, I understand that you now need to roll out the new release a month earlier than planned and we can do that, but there will be an impact on cost and scope. I can either reduce the scope and hold off on some of the features until the next release or spend about \$50K more to expedite things. Which would you prefer?'
- Push back if it's not realistic. For example: 'Jim, I would be irresponsible if I didn't tell you that I don't think this can be accomplished with the level of quality we would expect. I know you would prefer that I be very honest now before any time and money have been invested, rather than hear a laundry list of apologies after an unsuccessful project. I'd really like to be positioned for success, and I honestly have real concerns here.'

In conclusion, project sponsorship is a fundamental senior management role and a project sponsor is much more than just a figurehead.

The sponsor is entrusted with a key mandate: to ensure that the project remains a viable proposition and that benefits are realized.

An effective sponsor can be the difference between a successful and a failed project. In fact, in most successful projects, sponsors understand their roles very well. Both the sponsor and the PM need to recognize the necessity of working together to secure a successful outcome. An effective partnership is required between the PM and the sponsor for project success. The PM should build an environment of trust and collaboration with the sponsor or steering committee.

THE CYCLE OF STAKEHOLDER ENGAGEMENT – THE ‘HARD’ SIDE OF STAKEHOLDER MANAGEMENT

Stakeholder Management, like much else in leading projects, relies on both soft and hard skills. The ‘soft’ side deals with the communications, negotiation, conflict management, judgment and decision-making used by the PM in working with the range of stakeholders. The ‘hard’ side of stakeholder management brings in the methodology, processes and tools for identification, analysis, documentation and tracking of stakeholders. Over time, organizations, PMOs and PMs themselves can improve their effectiveness in managing stakeholder relationships, as suggested by the Stakeholder Relationship Management Maturity model¹⁷ (see the ‘Activities’ section at the end of this Chapter).

The stakeholder management cycle, which should be treated as one that continues with iterations throughout the life of a project, is outlined in Exhibit 8.6 below. The objective is to build and sustain well-engaged stakeholders, while working to minimize any negative influences which could hurt the project. The cycle is similar to that described in the PMBOK Guide (with four specific stakeholder management processes¹⁸), but highlights the need for prioritization and to check regularly for changes in the stakeholder web. A five-step cycle is described below.¹⁹

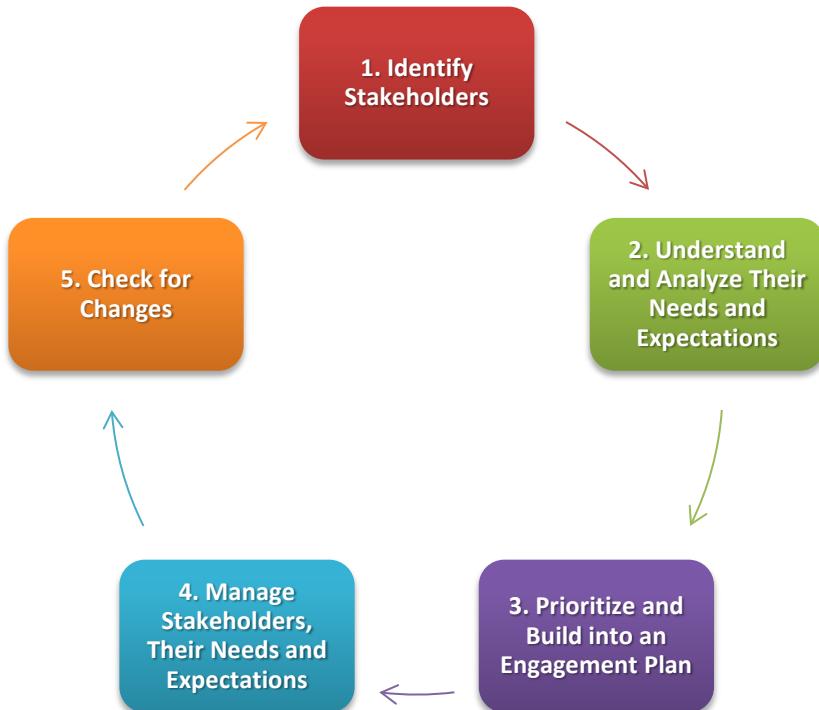


Exhibit 8.6: Cycle of Stakeholder Management

Step 1: Identify Stakeholders – The first step in stakeholder management consists of a scan, review and development of an inventory of stakeholders, commonly termed the ‘Stakeholder Register’. This is a list of the various project stakeholders and their respective characteristics. A sample is provided later in this chapter (see Exhibit 8.10). The PMBOK Guide also includes this step as the first process and the ‘Stakeholder Register’ as the first output in the process.²⁰ In order to supplement their own understanding of who would be considered a stakeholder, the PM would normally confer with the sponsor or others to gain a fuller appreciation of possible stakeholders.

Exhibit 8.7 illustrates the two general categories of stakeholders: those who may affect the project, and those who may be affected by the project. Many stakeholders can both affect and be affected by the project. Their perception of being able to affect or of being affected by the project are also relevant.

As discussed earlier, there can be a vast ‘web’ of stakeholders involved in a given project, both individuals and entities such as departments, the steering committee or a government agency. In the context of the broader organization within which the project exists, it is helpful to further subdivide the stakeholders into internal versus external individuals or entities for the analysis step.

Step 2: Understand and Analyze Their Needs and Expectations – After identifying the stakeholders, the next step is to develop a deeper understanding and to analyze their needs as well as expectations. It is the stakeholders who define,

either implicitly or explicitly, what constitutes success. This step is aided greatly by the application of a stakeholder analysis tool (see the next section). Such tools provide for characterization of the stakeholders, for example in terms of their level of influence, and consequently their relevance to the project.

Understanding the various stakeholders will likely depend on multiple sources. The longer the PM has been at the organization, the more knowledge they will have of at least some stakeholders. Some information will probably also come from the sponsor or from secondary information gathered from peers and others who have some relevant experience with that stakeholder. Direct dialogue with stakeholders, to understand their needs and expectations, is generally the best approach. In some projects this may be more difficult, especially where the stakeholder is particularly negative or ambivalent toward the project or the PM. These conversations have the added benefit of providing introductions for the PM and the project. Demonstration of interest in the stakeholder’s views helps to engender



Exhibit 8.7: Stakeholder Register

goodwill. It is also an opportunity to help them understand the rationale for and benefits of the project, as well as to respond to any particular concerns they may have.

The focus throughout Step 2 is to gain an appreciation of the stakeholders' perspectives, their power, their willingness to support the project and other factors which will allow for categorization and prioritization of each stakeholder in the next step.

Step 3: Prioritize and Build into an Engagement Plan – Armed with the understanding, analysis and characterization of the stakeholders acquired in Step 2, the PM can now focus on prioritizing them. The prioritization allows the PM to prepare the engagement approach for respective stakeholders. In conjunction, the PM is able to account for each stakeholder's communication preferences – e.g. "I would like a monthly, in-person update" – and incorporate this into the project communication plan. The main output of Step 3 is a Stakeholder Management Plan or Engagement Plan. This is consistent with the 'Plan Stakeholder Management' process described in PMBOK.²¹ The template in Exhibit 8.10 includes a column for documenting both the priority and engagement plan for each stakeholder. While Stakeholder Management and Communications Management are two distinct knowledge areas in PMBOK, the two sets of processes are intimately linked.

Step 4: Manage Stakeholders, Their Needs and Expectations – With the Stakeholder Management Plan in place, the PM now needs to execute according to this plan. For each stakeholder, the right communication must be delivered at the right time and in the right way. Some stakeholders will need a great deal of attention; others will require only occasional contact. While much of the engagement may be borne by the PM, the sponsor, project team members or others may also have roles to play with particular stakeholders. This step is consistent with the 'Manage Stakeholder Engagement' process in PMBOK.²²

Step 5: Check for Changes – Changes in stakeholders, or in their needs, expectations, interest, power or attitudes are almost guaranteed. The longer the duration of a project, the more likely it is for such changes to appear and multiply. Individual stakeholders take on new roles, or are promoted, or leave their organizations. The mix of representatives on a steering committee also often shifts over time. Such changes may happen at the most awkward times for the project. The needs, expectations and attitudes of new stakeholders are bound to differ from the previous ones. Even when a stakeholder remains constant in their role or position, they may change their views of the project, the project team or even the PM, as the project progresses or as circumstances surrounding the project change. This is consistent with the last of the four processes, 'Control Stakeholder Management', detailed in PMBOK.²³

On a regular cycle it is important to monitor for changes with stakeholders:

- Are there new stakeholders?
- Have needs, expectations or attitudes changed?
- Have support levels or priorities changed?
- What is behind these changes?
- How engaged are the stakeholders?

The more frequently and effectively the PM is in contact with the stakeholders, the faster key developments can be identified and addressed. This step also requires periodic reviews of and adjustments to the communication plan to ensure that it is supporting stakeholder engagement well. As a spectrum, a stakeholder's engagement level may range from unaware through to strongly engaged and facilitating project success.

In conclusion, identifying, analyzing, prioritizing, managing and monitoring the project stakeholder community should be seen as an ongoing cycle. Having a deep and current understanding of the stakeholders requires constant, conscious effort from the PM. As a project leader, it calls for effective relationship management in support of the project.

CONDUCTING STAKEHOLDER ANALYSIS

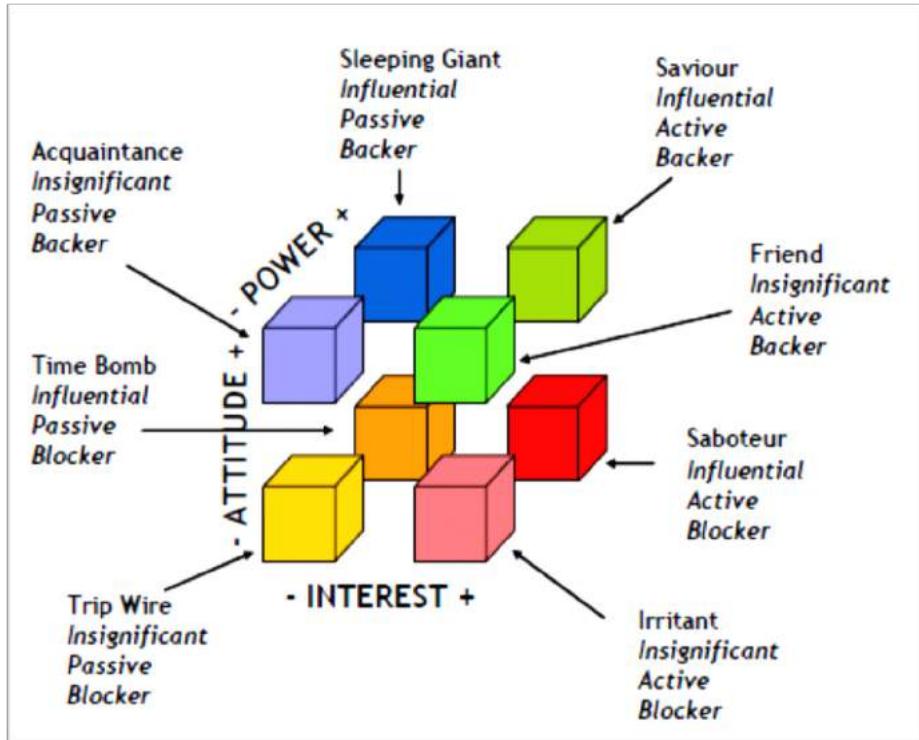
Stakeholder analysis tools facilitate stakeholder understanding, analysis and prioritization (Steps 2 and 3 above) within the overall stakeholder management cycle. They serve as a framework with which to better appreciate where there is support as well as points of resistance. The use of such tools helps to bring stakeholder interests in the project to the surface and to addressing any problems or opportunities. These tools also help identify influence relationships and assess the appropriate kind of participation by different stakeholders at various stages in the project's life-cycle.²⁴

Stakeholder analysis tools are essential for the ‘hard’ side of stakeholder management.

There are many different models, looking at different variables or dimensions, for conducting stakeholder analysis. Analytic dimensions may include stakeholder

- Importance
- Power
- Influence
- Support / Allegiance
- Interest
- Attitude
- Impact
- Urgency
- Legitimacy

All of these dimensions could make the analysis complex. More typically, only two or three of the dimensions are used. Three stakeholder analysis tools are described below, beginning with the Stakeholder Mapping Cube.

Exhibit 8.8: Stakeholder Mapping Cube²⁵

The Stakeholder Mapping Cube was developed by Hillson and Simon. It is based on the three dimensions of attitude, interest and power. It is a powerful stakeholder analysis tool, providing for a more useful level of assessment than the usual two-dimensional frameworks employed for stakeholder analysis, such as the PMBOK Guide's power- and interest-based framework.²⁶ The Cube also provides more nuanced cues toward an appropriate stakeholder management strategy with the eight different stakeholder profiles highlighted in 8.8. The three dimensions utilized are further described below:

- **Power** – Power is about the degree of influence over the project, indicated as either influential (+) or insignificant (-), but is effectively a range along the z-axis. This encompasses the stakeholder's ability to influence the project and its outcomes. It can include the ability to provide or restrict resources to the project, to make major decisions concerning the project, to provide or withhold approval, or significantly influence others regarding resourcing, decisions or approvals. Their power may stem from their formal authority or from their credibility as a leader or expert.
- **Interest** – Interest refers to the extent of the stakeholder's involvement in the project. It is indicated as either active (+) or passive (-), though again, this is a range along the x-axis. Stakeholders who are willing to devote time, energy and/or

attention to the project are considered ‘active’, while those who are satisfied with being bystanders or even ignoring the project are ‘passive’. The stakeholders’ level of interest will normally be driven by what value or benefits the project holds for them, whether as an individual or as a representative of a business unit, client or other entity.

- **Attitude** – A stakeholder’s attitude toward the project is indicated by the extent to which they are a backer and supportive (+) or a blocker and thus resistant (-), again in a range along the y-axis. This attitude likely also relates to their views of the project’s potential personal benefits, either as an individual or as a representative of a business unit, client or other entity, and will be affected by this perception. It may also be coloured by their opinion of the PM, the sponsor or others associated with the project.

The suggested stakeholder management approaches, corresponding to each of the eight profiles, are elaborated in Exhibit 8.9. The first four are relatively positive kinds of stakeholders, while the latter four are a more negative set.

Type	Attitude (A)	Power (P)	Interest (I)	Description	Stakeholder Management Approach
Saviour	+	+	+	Powerful, with a high interest level and a positive attitude	It is important to pay attention to these stakeholders, harness their support and do whatever is necessary to keep it
Friend	+	-	+	Low power but high interest and positive attitude	These stakeholders can be used as confidants or sounding boards. Maintain their support in case they gain additional power within the organization
Sleeping Giant	+	+	-	Powerful stakeholders who support the project but display low levels of interest	They need to be awakened to raise their commitment to the project and maximize their positive input

Acquaint-ance	+	-	-	Low power, low interest, but friendly	They should be kept informed, but need not be a top priority unless their power or interest increase
Saboteur	-	+	+	Powerful with a high interest level in the project, but displaying a negative attitude	They must be actively engaged to prevent them causing significant disruption to the project. The aim is to make their attitude toward the project more supportive and to use their influence to benefit the project.
Irritant	-	-	+	Interested in the project, but do not support it and have little power to influence	Their negative attitude must be contained and countered where possible
Time Bomb	-	+	-	Powerful but with low interest levels and negative attitude	These stakeholders must be understood so they can be defused before the bomb explodes. Efforts should be made to improve their attitude and to engage for active input
Tripwire	-	-	-	Low power, low interest, negative attitude	Stakeholders who are likely to hinder the project; their interaction with the project should be minimized if possible

Exhibit 8.9: Stakeholder Mapping Cube – Stakeholder Management Approaches²⁷

Each identified stakeholder, along with their title or formal role, should be listed in the ‘Stakeholder Register and Engagement Plan’ template (see Exhibit 8.10). Using the Stakeholder Mapping Cube, the attitude, power and interest of each stakeholder should be entered into the template. Since these assessments are to an extent subjective, it is important to document any relevant background or evidence. The Cube then points out the applicable profile, such as Saviour or Irritant, for each stakeholder. This information can be very sensitive and should be kept confidential – e.g. no-one wants to be called a saboteur! It may only be for review by the PM and the sponsor. Where applicable, a more diplomatic and carefully worded version may be made available to a wider audience.

The template is then used to identify stakeholder needs and expectations, e.g. ‘The project must achieve a 15% ROI’ or ‘For Stakeholder A, this project is a key part of 2013 strategy’. The template goes further and treats stakeholder relationships as a two-way street, giving room to document the project’s needs and expectations of the stakeholder. For example, ‘Stakeholder B is a subject matter expert in the area and should commit a minimum of 2 hours a week to provide advice to the project team’.

Stakeholder Register							
Stakeholder	Title / Role	Attitude	Power	Interest	Stakeholder Needs and Expectations of the Project	Project Needs and Expectations of the Stakeholder	Major Stakeholder Issues and Concerns
Stakeholder A							
Stakeholder B							
Stakeholder C							
Engagement Plan							
Stakeholder	Current Role	Desired Role	Priority	Communication Preferences	Key Messages for Stakeholder	Engagement Plan (major actions and communications)	
Stakeholder A							
Stakeholder B							
Stakeholder C							

Exhibit 8.10: Stakeholder Register and Engagement Plan²⁸ (A – Attitude, P – Power, I – Interest)

Next, our understanding of major stakeholder issues and considerations should be entered into the corresponding column. This completes the Stakeholder Register part of the template.

The objective of the Engagement Plan section is to identify the communications and engagement requirements for each stakeholder. The current versus desired role of the stakeholder in relation to the project is entered first. In some cases, the two would be the same and there would not be any need to attempt to shift the role. In others, there may be quite a difference between the two and, if the stakeholder is deemed to be of high priority, a comprehensive engagement plan may be required. The overall priority could be based on the attitude, power and interest ratings assigned, along with other pertinent issues, considerations or background gathered. Every stakeholder also has particular communication preferences in terms of medium of communication, format and frequency.

Based on this information and analysis, respective key messages can be formulated and engagement plans established. The engagement plan with associated actions and communications is valid as of a certain point in time. As circumstances change, and recalling the ‘Check for changes’ step in the stakeholder management cycle, there may be need to revisit and adjust the analysis, as well as the respective engagement plan for each stakeholder.

A simpler approach is a two-dimensional model from Neville that categorizes stakeholders within a ‘Stakeholder Quadrant’ model.²⁹ As highlighted in Exhibit 8.11, this model relies on ‘importance’ and ‘support’ as the main elements of stakeholder analysis. Each project stakeholder can be mapped into one of these quadrants and the PM can prepare an action plan for each, accordingly – for instance, if someone is important but not supportive, they represent a critical risk to the project. In contrast, if someone is not supportive but is unimportant, they are less risky for the project. The ideal stakeholder, appearing in the ‘Good’ quadrant, is both highly important and highly supportive. This is similar to the Cube model’s ‘Saviour’ profile – a stakeholder who has power and is probably willing to use that power to help the project.

The stakeholder who is high in importance but low in supportiveness is considered to be in the ‘Critical’ quadrant. They will need much attention and energy, either to convince them to change their views or to contain them and their potentially negative effects on the project. This is equivalent to the Cube model’s ‘Saboteur’ profile. A highly supportive stakeholder, who is low in importance, is deemed to be in the ‘Desirable’ quadrant, somewhat akin to the Cube’s ‘Friend’ profile. Lastly, a stakeholder who is both low in importance and supportiveness is shown to be in the ‘Risky’ quadrant. They might be



termed a ‘Tripwire’ or ‘Irritant’ in the Cube model, the former implying some risk, since a change in their level of importance can bring about negative consequences for the project.

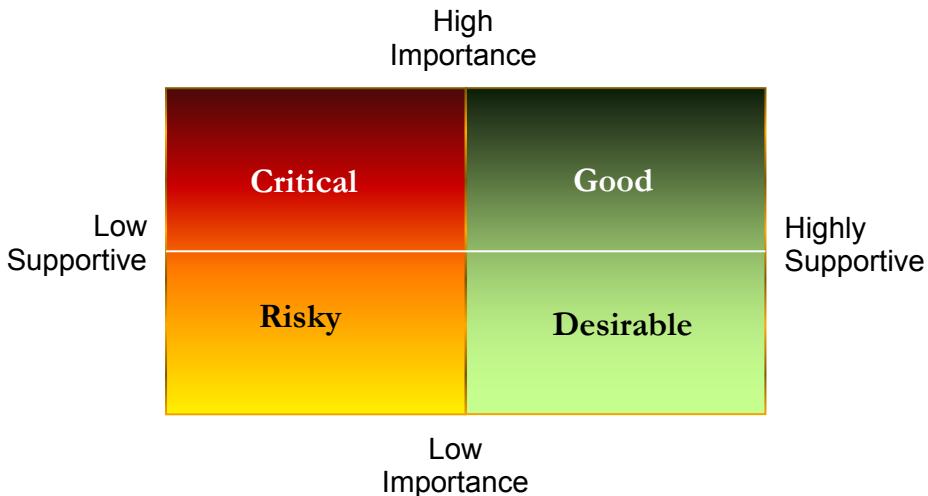


Exhibit 8.11: Stakeholder Quadrant³⁰

Neville also expands the ‘Stakeholder Quadrant’ model and maps it onto circles of importance and supportiveness.³¹ The ‘Stakeholder Support Circles’, outlined in Exhibit 8.12 and 8.13, generate a more tiered, visual evaluation, making it easier to develop stakeholder engagement plans. The circles are a good and quick technique which can be used to clearly display to management where you see problems. The closer stakeholders are to the center, the better for the project. A description of the stakeholders by importance and supportiveness is as follows:³²

- **Crucial** – These stakeholders are critical to the success of the project. The project will fail unless such stakeholders are active in acquiring resources, funding and other forms of support for the project. These stakeholders have a direct interest in the project and the related outcomes. Failure of the project may have a detrimental impact on their own performance assessment or career. The Sponsor typically fits in this group.
- **Significant** – These stakeholders have a significant impact on the project, and are probably full-time, or nearly full-time contributors. They might have specialist knowledge that would be difficult to obtain elsewhere. They could also be end-users of the output of the project. If the project does not produce a successful outcome, their role may be adversely affected.
- **Interested** – Stakeholders who have an interest in the project, but are not major contributors. They may have some input in the design or requirements, and may be users of the final product. Their role in the organization is not one of decision-maker in any major aspect of the project.

- **Involved** – These are stakeholders who are involved on the periphery. They may have an interest in the project as they may believe they will be affected somehow. They might also be involved in aspects of the project such as a human resources or audit function. Their input is likely to be advisory rather than directive.
- **Fanatical** – These stakeholders are almost fanatical about the project. They will do whatever they can do, or whatever they are asked to do. They promote the project at every opportunity, and are available on short notice to assist in any capacity. They see the project as a personal goal and no matter how big or small their role, they will give 110% to achieve success. Such stakeholders are often called ‘champions’. Typically they are highly motivated at their job, and have a record of successfully completing tasks.
- **Allies** – Allies are stakeholders who are not constantly and proactively supporting the project, but will support the project when needed. Typically they are willing to help when asked, but they do need to be asked. They probably have competing demands on their time and will support this initiative when time permits, or when they are pressured to devote more than a fair share of their time to the project.
- **Lukewarm** – Lukewarm stakeholders will provide some support but are not enthusiastic about the project. At best, they see it as a necessary evil which needs to be done, but which is a bit of a nuisance. If they are really pushed, and made to feel comfortable, they will support the project.
- **‘Press Gang’** – As with the old tradition of press ganging people to serve on sailing ships by getting them blind drunk and having them wake up already at sea, these stakeholders are involuntary and reluctant supporters. They have been dragged into the project somehow and are consequently forced to support it. They would likely prefer to be doing something else.

Circle	Importance	Supportive
Inner	Crucial	Fanatical
Second	Significant	Allies
Third	Interested	Lukewarm
Fourth	Involved	Press Gang

Exhibit 8.12: Stakeholder Support Circles – Types of Stakeholder

If you plot all of these stakeholders on the circles, you start to recognize where your potential problems lie. For example, if you have someone on the inner circle for importance and the fourth circle for supportive, you have a problem. They are “Crucial” to the project but only “Press Gang” for support.

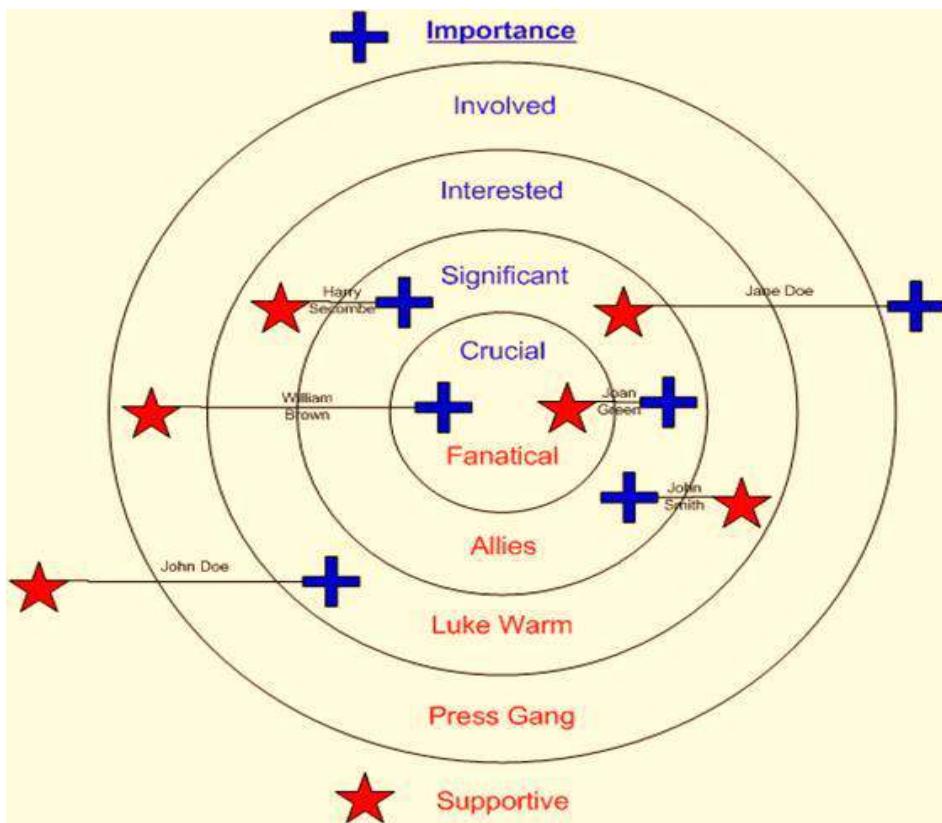


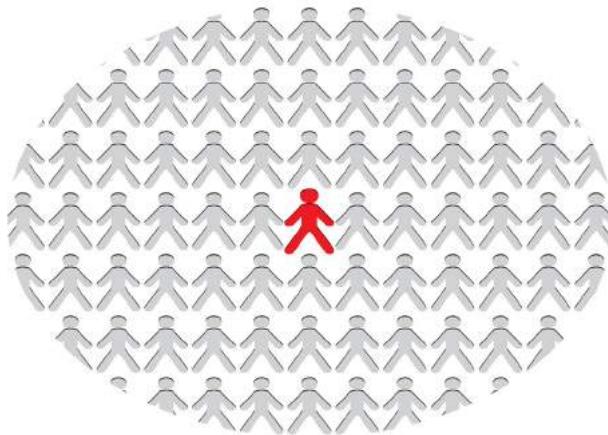
Exhibit 8.13: Stakeholder Support Circles³³

How can a PM draw a crucial stakeholder from the outer rim, where they are less supportive, into the inner circles?

Some approaches to building support:³⁴

- **Pair them** – If you have a fanatical supporter who is further out from the center in importance, ask them to bring the less enthusiastic but crucial stakeholder to the centre.
- **Identify the Cause** – Talk to the stakeholder and find out why they are not as supportive as you would like. Explain the benefits to them and to their organization. Ask them what could be done to gain their support. Explain the risks to the project of not having their support.
- **Add something** – Ask yourself what could be added to the project to make them more enthusiastic. For example, by varying the scope to include a minor, but pet project of this crucial stakeholder, you may find they suddenly support the whole project. Sometimes, the lack of support is due to something that was missed in the project design. Their input may serve to highlight this gap and lead to adjustments to the project plan.

- **Flow with the tide** – Create a cohesive team of supporters from the inner circle and expose them to the other circles. This is similar to pairing, however you select people from the inner circle in terms of supporters and create a cohesive team of supporters.
- **Change Importance to the Project** – To think laterally, if it is not possible to change the supportiveness of the stakeholder, perhaps their importance can be changed. Can they be replaced or shifted to another role? This will likely require the involvement of the Sponsor.
- **Fear** – If all else fails, there is always fear. If someone sees the failure of the project as a career-limiting move, they can get supportive very quickly. A quiet word to their boss can give people a totally different perspective on the importance of the project.



In conclusion, stakeholder management calls for a combination of hard and soft skills. It requires much attention and energy to understand stakeholders and to engage with them effectively for the benefit of the project. Stakeholders and project circumstances are ever-changing, requiring close monitoring and adjustments in stakeholder engagement plans.

CHAPTER SUMMARY

A stakeholder is a person, group or entity that has an interest in a project; they may affect, be affected by or perceive themselves to be affected by a decision, activity, or outcome of the project. Each stakeholder tends to evaluate the project and its performance independently, with their own perceptions of the economic, cultural, political and social environment surrounding the project. Stakeholders include the project team itself, the sponsor, project client, senior management, functional or business unit managers, as well as external entities such as investors or government agencies. When describing and defining successful stakeholder relationships, the concept of ‘directions of influence’ is useful for stakeholder management activities. This spans ‘upwards’, ‘downwards’, ‘sideways’ and ‘outwards’ communications. The PM must understand, as much as possible, the agendas, influence, motivations and priorities of the key stakeholders and then develop approaches to engage them appropriately.

The project sponsor is a major stakeholder for any project. Some of the key attributes of a great sponsor are: supporting the PM; facilitating alignment between strategic, business, cultural and project goals; defining success; gaining commitment for the project; and,

helping to remove roadblocks. Effective sponsors have the necessary organizational respect and leadership qualities to contribute in these ways. The PM's role is to ensure the sponsor's full engagement, gaining and maintaining their interest and buy-in for the length of the project's life. Approaches the PM can use to build trust with the sponsor include, among others: keeping them informed; going beyond status updates to have regular dialogue with the sponsor; helping the sponsor see progress and the benefits being generated by the project; establishing communication and escalation protocols, tuned to the sponsor's preferences; flagging sponsorship-related risks; assisting the sponsor in making decisions; and, working to speak in the sponsor's language.

PMs should use the 5-step cycle of stakeholder management: identifying the stakeholders; analyzing their needs and expectations; prioritizing and building these into engagement as well as communications plans; managing their needs and expectations; and, checking for changes in the characteristics and views of the stakeholders. Depending on the model used, stakeholder analysis may be conducted on the basis of the level of importance, power, support, interest, attitude, legitimacy and urgency observed or perceived regarding the stakeholder. The Stakeholder Register and Engagement Plan template provided may be used as an aid to formulate appropriate approaches.

The Stakeholder Mapping Cube is a powerful tool for stakeholder assessment. It provides for categorization of stakeholders into one of eight profiles according to the three dimensions of attitude, interest and power. The Stakeholder Quadrant model is an alternative, simpler approach using only two dimensions: stakeholder importance and support. Stakeholder Support Circles allow for a visual representation of the various stakeholders, based on the same two dimensions.



Whichever approach is employed, the PM must then prepare and implement an engagement plan based on that assessment, monitoring for stakeholder changes as the project evolves. Stakeholder management should be tied very closely to communications management, and vice versa.

ACTIVITIES

1. Conduct a Stakeholder Relationship Management Maturity (SRMM) assessment using the five stages detailed in Exhibit 8.14 for a project and related set of stakeholders of your choice. The assessment serves as a starting point for the implementation of appropriate relationship management processes and practices. At what stage of maturity is your project or organization working?

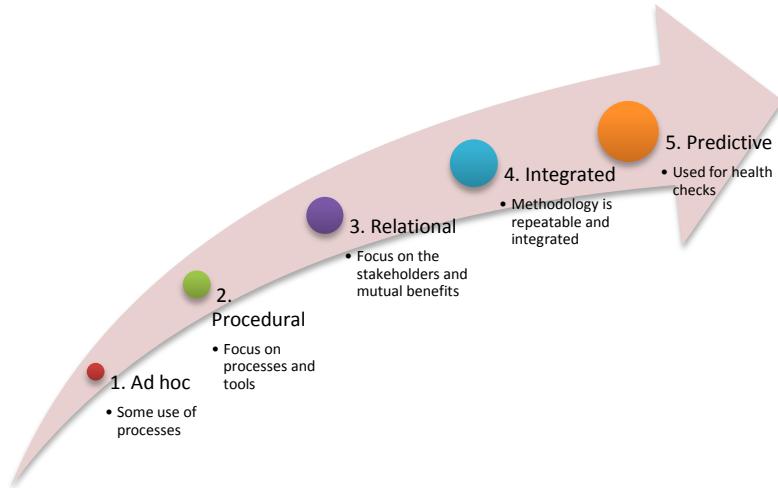


Exhibit 8.14: Stakeholder Relationship Management Maturity³⁵

Additional reference resources and details for SRMM are available at:

<http://tiny.cc/n269zw>

2. With your project team and in connection with a current project, prepare a stakeholder register and engagement plan using the Stakeholder Mapping Cube and the template given in Exhibit 8.10.

Discuss: Who are the highest priority stakeholders and why? What are the most significant challenges to be addressed? Are there any important gaps in understanding and how might this information be obtained?

3. Review the following case study regarding a power generation project in Jamaica:

<http://tiny.cc/0369zw>

Discuss: Who were the various stakeholders? Who was the sponsor? Who was the project client? What were their respective attitudes, interests and levels of power? What approaches did the project team use to engage effectively with the various stakeholders?

4. Review the following case study regarding the development of Terminal 5 at Heathrow Airport and the concept of Stakeholder Circles:

<http://tiny.cc/9469zw>

Discuss: What were the key challenges regarding stakeholder management? Following the techniques described in this paper, prepare an engagement and communications plan for 2 or 3 of your most significant stakeholders

As an alternative, review the two Australian case studies and the concept of Stakeholder Circles in the following:

<http://tiny.cc/1569zw>

Discuss: The comparative attributes and situations for the two case studies. How are the techniques which are described supportive of or different from those suggested in the PMBOK Guide for stakeholder analysis and management?

A free, 30-day trial of a software tool for the Stakeholder Circle is also available at:

<http://tiny.cc/ua79zw>

5. Review the following paper regarding the role of the sponsor:

<http://tiny.cc/pb79zw>

Discuss: What are the key roles suggested for the sponsor? What are the common challenges facing sponsors that detract from their full engagement with the project and the PM? What is the benefit of creating a sponsor-PM ‘contract’ and what might be covered in such an agreement? Prepare a contract, using the guidelines mentioned, which you could use for discussion with a project sponsor you may need to engage on one of your projects.

6. A bad sponsor is a project manager’s worst nightmare. Refer to the three sponsor problem scenarios discussed in this chapter.

Discuss: What additional approaches have you observed or would you recommend for each of these scenarios?

TOOLS

1. A stakeholder analysis approach with an education sector example:
<http://tiny.cc/pw0b0w>
2. Influence maps, including an example. Useful for understanding and showing the interrelationships among stakeholders:
<http://tiny.cc/co0b0w>
3. A range of tools, with explanations, for stakeholder analysis:
<http://tiny.cc/ox0b0w>
4. An extensive guide, with examples, for use by NGOs toward stakeholder engagement in a variety of project contexts:
<http://tiny.cc/ty0b0w>

5. A stakeholder management handbook, with short case studies and check-list tools:

<http://tiny.cc/b9aa0w>

REVIEW QUESTIONS

1. A ‘Sleeping Giant’ can be described as a stakeholder who is:
 - a. High in power, but low in interest with a negative attitude
 - b. High in power, but has a negative attitude and is high in interest
 - c. Low in interest, with a positive attitude and high power
 - d. Low in interest, with a negative attitude and high power
2. According to the Stakeholder Quadrant, a stakeholder who is a senior executive in the organization but less supportive of your project can be categorized as:
 - a. Good
 - b. Critical
 - c. Risky
 - d. Desirable
3. The project is going well but Nancy, a key executive from the IT department, is not on-side with the project. She is a clear resistor to the plan. All of the following will help to bring Nancy on board for the project, except:
 - a. Pairing Nancy with a core team member on your project
 - b. Pairing Nancy with a key supporter in the IT department
 - c. Identifying why Nancy is not supportive of the project
 - d. Adding something to the project that would keep the core team happy
4. Shareholders would usually be categorized as working within what direction of influence?
 - a. Outwards
 - b. Inwards
 - c. Upwards
 - d. The most important direction of influence
5. You require support on your project and reach out to Mike, a fellow PM in your PMO. Mike has been extremely supportive of you as a new PM. What would be Mike’s direction of influence in relation to you?
 - a. Upwards

- b. Downwards
 - c. Internal
 - d. Sidewards
6. Your project has over 25 stakeholders that you actively involve. With such a large group, you decide to use a formal stakeholder management process to handle these stakeholders. Preparing stakeholder profiles is part of which step in the stakeholder management cycle?
- a. Managing Stakeholders
 - b. Identifying Stakeholders
 - c. Analyzing Stakeholders
 - d. Checking for Changes
7. The question, ‘How engaged are the stakeholders now, compared to last month?’, would most likely be asked in which step of the stakeholder management cycle?
- a. Managing Stakeholders
 - b. Checking for Changes
 - c. Prioritizing Stakeholders
 - d. Identifying Stakeholders
8. The following are examples of Stakeholder Analysis tools, except:
- a. Stakeholder Mapping Cube
 - b. Stakeholder Quadrant Model
 - c. Stakeholder Support Circles
 - d. Stakeholder Management Histogram
9. A ‘Press Gang’ stakeholder is more likely to be:
- a. Low supportive and have low importance
 - b. Extremely supportive and highly important
 - c. Less supportive but highly important
 - d. Highly supportive but with low importance
10. Your sponsor is considered a ‘political shark’ in the organization. Which behaviour best reflects your sponsor?
- a. A sponsor who is spending a significant amount of time identifying new sub-projects to help the main project. An additional project also makes him look good!

- b. A sponsor who is helping to remove all the roadblocks in your project. He or she knows all the right people to speak to, including several who would not be obvious influencers.
- c. The sponsor started the project and used the project to get promoted.
- d. All of the above

KEY TERMS

- **Attitude** is an assessment of how positive the stakeholder is toward the project, from supportive to resistant. Stakeholder analysis attempts to determine the attitude of various stakeholders as an important element of understanding, planning and stakeholder engagement
- **Interest** is an assessment of the level of interest or stake the stakeholder has in the project, from active to passive. Stakeholder analysis attempts to determine the level of interest of various stakeholders as an important element of understanding, planning and stakeholder engagement
- **Power** is an assessment of the level of influence held by the stakeholder, from influential to insignificant. Stakeholder analysis attempts to determine the level of power of various stakeholders as an important element of understanding, planning and stakeholder engagement
- **Sponsor Leads** are sponsor delegates acting on behalf of the sponsor
- **Stakeholder** is a person, group or entity that has an interest in a project; they may affect, be affected by or perceive themselves to be affected by a decision, activity, or outcome of the project
- **Stakeholder directions of influence** highlight the involvement and interaction with stakeholders in any of four directions: upwards, downwards, sideways and outwards
- **Stakeholder Mapping Cube** is a stakeholder analysis tool that assesses stakeholders in relation to the three dimensions of attitude, interest and power
- **Stakeholder Quadrant Model** analyzes stakeholders within a two-dimensional framework of importance and support
- **Stakeholder Support Circles** is a visual mapping tool which places various stakeholders on a chart based on their importance and supportiveness to the project. The closer to the centre of the chart, the more favourable for the project
- **Steering Committees** are comprised of multiple stakeholders, including the sponsor. They provide direction to the project and oversee project deliverables

ADDITIONAL RESOURCES

1. A short paper describing the different roles of the project steering committee, executive and working sponsors:
<http://tiny.cc/62aa0w>
2. A guide to various kinds of stakeholder analysis, with international development examples:
<http://tiny.cc/43aa0w>
3. A video about the stakeholder spectrum and how to approach different kinds of stakeholders:
<http://tiny.cc/q4aa0w>
4. A short article describing approaches for stakeholder analysis including the influence triangle and issues interrelationship maps:
<http://tiny.cc/15aa0w>
5. A video covering the basics of stakeholder management:
<http://tiny.cc/o6aa0w>
6. A video on stakeholder management approaches with an Australian case study:
<http://tiny.cc/e7aa0w>
7. A report on engagement with and among external stakeholders, spanning corporations, non-governmental organizations, unions and industry associations, to generate economic, social and/or environmental benefits:
<http://tiny.cc/x7aa0w>
8. A report on stakeholder management in the public sector:
<http://tiny.cc/l8aa0w>
9. A paper discussing the PM-Sponsor partnership:
<http://tiny.cc/49aa0w>
10. A presentation on the PM-Sponsor relationship and expectations:
<http://tiny.cc/27pd0w>

REVIEW ANSWERS

- 1 C 2. B 3. D 4. A 5. D 6. C 7. B 8. D 9. A 10. D

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Communication Management

“The higher you go, the wider spreads the network of communication that will make or break you. It extends not only to more people below, but to new levels above. And it extends all around, to endless other departments and interests interacting with yours.”

Donald Walton¹



LEARNING OBJECTIVES

- Explain the relationship between Communication and Leadership
- Define communication types, models and categories
- Explain the importance of non-verbal communication in the communication process along with different communication channels
- Understand the communication barriers and challenges in international projects
- Outline ways to hone communication skills
- Explain the leadership competencies that relate to effective communication
- Gain techniques related to holding difficult conversations
- Understand the complexity of communications in virtual teams
- Describe ways to keep virtual teams constantly engaged and productive

COMMUNICATION AND LEADERSHIP GO HAND IN HAND

“Project teams were asked what makes project succeed. Over 95% of team members said that good communication was the reason for their success. Over 95% said that poor communication was the reason for their failures. Clearly communication appears to be the key to project success.”

Sue Dyer²

Communication skills are important to running any endeavour, but they are absolutely crucial for leadership and project management. Project leaders must do much more than issue status updates or run team meetings. As highlighted in the previous chapter, they must understand, work with and influence a range of stakeholders. They must apply their communications skills, among other things, to resolving issues, motivating team members and building support for their project. This extends to co-located project teams as much as to virtual ones.

To say you don't have time to communicate is to admit that you don't have time to lead!

So, what is communication?

Communication is the process of converting ideas, data and information into knowledge, understanding and influence. This includes all ways in which two or more people can interact, including oral, written, and nonverbal methods. These span expressing yourself as well as being attentive to what others are expressing, in active or passive forms.

It is important for project success to lay out a communication management plan from the outset, including a stakeholder engagement component. The focus of this chapter, though, is less on communications planning and more on offering approaches supporting key leadership aspects of communications, to serve different project purposes.

Exhibit 9.1 gives examples of active and passive communication methods. Active and passive communication methods are sometimes called ‘synchronous’ and ‘asynchronous’ communication, respectively.

Active	Passive
Face-to-face meetings	Blogs
Video-conference meeting – one-on-one or group	Document sharing
Telephone conference or voice-only web conference	E-mail
Live webinars	Recordings of videoconferences
Telephone	Intranet bulletin boards
In-person, stand-up presentations	Project newsletter

Exhibit 9.1: Example of Active and Passive Communication Methods

Synchronous means that the participants are present and interacting in real time, such as within a meeting or a telephone call. Asynchronous implies that they are not present at the same time and communicate when they are able, such as with e-mail. Active methods are used for communication and interaction in the ‘here and now’; passive ones are those which permit recipients to review the information in their own time, and allow for less direct interaction. Active communication forms an essential part of project communication but can be time-consuming, both in terms of scheduling and for the activities themselves. It is most appropriate at project launch or at key points within the project, such as the kick-off meeting at the beginning of a project. Passive on the other hand, allows people to process information on their own schedules and at their own rate.

Given the multitude of available options, including emerging ones such as social media, the PM can take a considered and thoughtful approach to deciding which methods will bear the most fruit for the project’s communication needs and objectives and best suit the various stakeholders involved. Typically, some mix of active and passive methods will be found to be necessary.

Nonverbal communication makes up about two-thirds of all communication between two people or between a speaker and a group of listeners.³ This major element of communication includes:

- How you look: angry, happy, interested, attentive, bored...
- How you sound: enthusiastic, annoyed, terse, impatient, happy, involved...
- Body language: facing the receiver or looking away, close or distant, erect or slouching...

In face-to-face interactions, body language cues help clarify the message, and often the absence of these cues in e-mails or written communication obscures the intended message. E-mails cannot highlight the emphasis, inflection, tone, or body language that in-person communications provide. The absence of body language, tone, facial expressions and hand gestures makes it very difficult to communicate effectively with virtual teams, especially when cultural, language and generational differences are factored into the equation. In fact, e-mails have a tendency to distort the message and can require far more time and “patching up” to resolve the problems caused by this than it took to craft the original e-mail in the first place. A project manager needs to be aware of these differences as well as of the stakeholders’ various communication preferences, and adapt communications accordingly.

Communication is more of an art than a science. Good communication requires leaders to integrate the efforts of all project participants.

Communication tools like status reports, the communication management plan, issue logs, etc., all help. But succeeding as an effective communicator in project management is a lot more than merely status updates and reports. The best project managers leverage their communication skills to create and reinforce a high performance culture for their teams. Truly effective communication takes consistent effort over time. As with quality, variation is

the enemy here. Just as they need to avoid uncontrolled variations in products and processes, Project Managers need to ensure consistency in the communication process. People hearing different versions of the same information become confused and distrustful. To avoid this, PMs need to be consistent with key messages and to reinforce them at every opportunity. PMs cannot simply manage, they must also lead, using their skills at communicating and influencing to bring about results through the work of those they have led. Understanding the needs of the audience, putting yourself in their shoes and anticipating what its members will need to understand, will result in effective project management communication.

Successful project managers are constantly aware of the need for communication effectiveness and are relentless about balancing their communications with the demands of the situation. They understand the need to tailor messages for diverse stakeholders and realize that knowing more about what makes communication ‘good’ can have a positive effect on project results. The flexibility, for instance, to discuss the current challenges facing the project on the one hand, but also able to chat about the previous evening’s hockey game on the other, is a helpful quality.

Successful project management communication is not just about being a strong speaker or an effective presenter. It is about being there for the team, getting to the heart of the real project challenges, understanding the key issues within the team and engaging in effective dialogue with the various stakeholders. It is also about being reliable in project communication. Successful project managers communicate confidently and check for understanding on the intent of the message. One way to check for understanding is to ask people to rephrase what was said, or seek questions or feedback.

Being present, visible and engaged with the team is important. Communication involves active listening by the PM to understand someone’s complete message. It is also about the clarity of the PM’s responses and how the message is conveyed, not only in terms of words but with respect to tone and body language. A successful project manager maximises the effectiveness of intra-team communication by leading by example. A big part of this leadership is being well prepared to communicate with all project stakeholders. This is confirmed by Kevin Murray in his book, ‘The Language of Leaders: How Top CEOs Communicate to Inspire, Influence and Achieve Results’. The above excerpt from his book highlights the importance he places on communication.⁴

“The communication demands placed on leaders is far greater today, requiring them to address a wider array of audiences and use an even wider array of channels. The first and most important task of a leader when communicating is to show up! All too often, one hears stories about leaders issuing instructions by e-mail and not bothering to have face-to-face discussions with their staff. Leaders need to find ways to ensure that managers and supervisors are engaging with their employees. Communication is more than just the words we use. It also includes being able to demonstrate the values, mission and objectives of the project through acting in ways that show these authentically.”

⁴ Murray, K. (2011). *The Language of Leaders: How Top CEOs Communicate to Inspire, Influence and Achieve Results*. London: Pearson.

Many projects are international in their team composition. What you ‘think’ you communicated might not be what the recipients received as the message. This is true regardless of culture, but it is certainly more pronounced when you are communicating with someone from a different culture.

Project Managers can benefit from taking a moment to consider the effect of culture on the perceptions of those with whom they communicate.

There are two principal categories of communication: formal vs. informal and internal vs. external. These categories are described as follows:

- **Formal** – These relate to designated lines of communication, either existing within the organizational structure or established for the purposes of the project, e.g. for reporting project progress to the sponsor or the project client. These include planned communications with various project stakeholders for particular interactions or to exchange required information. These lines of communication will be affected by what has been defined within the stakeholder management plan, such as the purpose, method and frequency of communication appropriate for each stakeholder. Formal communications tend to be based on documentation, reports, presentations and scheduled reviews.
- **Informal** – These are communications that are less well-defined and mostly unplanned. They can be more difficult to manage but are essential for the project and the project team. These communications encompass, among other possibilities, discussions with trusted individuals for their insights, everyday conversations with stakeholders, or even ‘grapevine’ chatter. They tend to be verbal or via quick, casual e-mails.
- **Internal** – These are communications which take place within the confines of the project organization. The boundaries of the term ‘internal’ may in this case be defined by the requirements of the project rather than by the parent organization. Communications may involve persons external to the parent organization, such as customers, suppliers, etc., yet this is considered as internal communications if they are participants in the project. Internal communications can be linked to ‘upwards’, ‘downwards’ and ‘sideways’ stakeholder relationships and may be formal or informal in nature.
- **External** – These are communications with audiences beyond the project-operating organization, such as the media, government agencies or the public. As with internal communications, this may mean communications external to the project organization itself rather than to the parent organization. External communications can be very sensitive, especially where the public is concerned, and so must be carefully prepared and delivered. External communications correspond with ‘outwards’ stakeholder relationships (see Chapter 8). They may be formal or informal in nature, but are more likely to be formal given the preparation they require.

Exhibit 9.2 details various modes of communication, their characteristics and typical uses.

Mode	Types of Media	Level of Interaction	Speed of Transmission	Use for...
Print	<ul style="list-style-type: none"> ▪ Memos ▪ Newsletters ▪ Booklets ▪ Manuals 	One-way	Varies – depends on receiver	<ul style="list-style-type: none"> ▪ Quick, broad distribution of news or for other information sharing ▪ When documentation is needed ▪ Follow-up reinforcement of message
Face-to-Face	<ul style="list-style-type: none"> ▪ One-on-one ▪ Small group ▪ Large group ▪ Video conference ▪ Web conference 	Two-way	Immediate	<ul style="list-style-type: none"> ▪ Recognition ▪ Performance feedback/ negative and positive ▪ Salary news ▪ Influence behaviour/ attitude ▪ Check for understanding
Voicemail	<ul style="list-style-type: none"> ▪ Group ▪ Individual 	One-way	Immediate	<ul style="list-style-type: none"> ▪ Urgent requests ▪ Data snippets ▪ Action items
E-mail	<ul style="list-style-type: none"> ▪ Group ▪ Individual 	One-way	Varies – depends on the receiver	<ul style="list-style-type: none"> ▪ Similar to print – but generally speedier preparation and transmission ▪ Efficient sharing of information across a group

Mode	Types of Media	Level of Interaction	Speed of Transmission	Use for...
Intranet	<ul style="list-style-type: none"> ▪ Push ▪ Pull ▪ Interactive ▪ Streaming video ▪ Text messages 	One-way	Varies – depends on receiver	<ul style="list-style-type: none"> ▪ Similar to print (unless “chat” capability is available) ▪ Q&A ▪ To check for understanding
Video	<ul style="list-style-type: none"> ▪ Videotape ▪ Slide shows 	One-way	Varies by usage	<ul style="list-style-type: none"> ▪ Reinforcement for face-to-face ▪ Tone setting
Online Chat	<ul style="list-style-type: none"> ▪ Skype ▪ Sametime ▪ BBM ▪ IM 	Two-way	Immediate	<ul style="list-style-type: none"> ▪ Informational: Overview ▪ Follow-up reinforcement of a message
Online Bulletin Board	<ul style="list-style-type: none"> ▪ Blogs ▪ Wikis ▪ Interactive websites 	Two-way	Varies by usage	<ul style="list-style-type: none"> ▪ News ▪ General information updates ▪ Follow-up reinforcement of a message
Webcast	<ul style="list-style-type: none"> ▪ Websites 	Two-way	Varies by usage (live event or taped)	<ul style="list-style-type: none"> ▪ Follow-up reinforcement of message, informational education
Audio	<ul style="list-style-type: none"> ▪ Web recorded ▪ Phone message/ Voicemail 	One-way	Varies	<ul style="list-style-type: none"> ▪ For sales force and travelers – replacement for print, video ▪ Emergency announcements

Exhibit 9.2: Communication Modes

Communication is more than just pitching. After you deliver your message, you must then actively check that it was understood by asking questions and soliciting feedback. It is only after you have taken these steps that you and your audience will come to a shared understanding. Without such a shared understanding, you cannot be said to have truly communicated. Communication, as they say, is a two-way street. If the recipient does not understand what you meant, and you remain unaware of this lack of understanding, you have merely talked – something to be avoided, as it is both unhelpful and a waste of time.

A basic model of communication involves the definition of how information is sent and received between two parties (sender and receiver). As Exhibit 9.3⁵ depicts, these models usually include the following components:

- **Encoding** of the message – translating thoughts or ideas into a form (words) that will be understood by others
- **Decoding** of the message – translation of message back into thoughts by recipient
- **Noise** – interferences with transmission of the message
- **Message** and feedback-message – what needs to be transmitted, and is therefore encoded
- **Channel or Medium** – method used to convey the message
- **Sender** – the originator of the message, responsible for ensuring that the information is clear and complete such that the receiver will understand it on reception
- **Receiver** – the intended audience for the message, responsible for ensuring that the information is received and is well understood

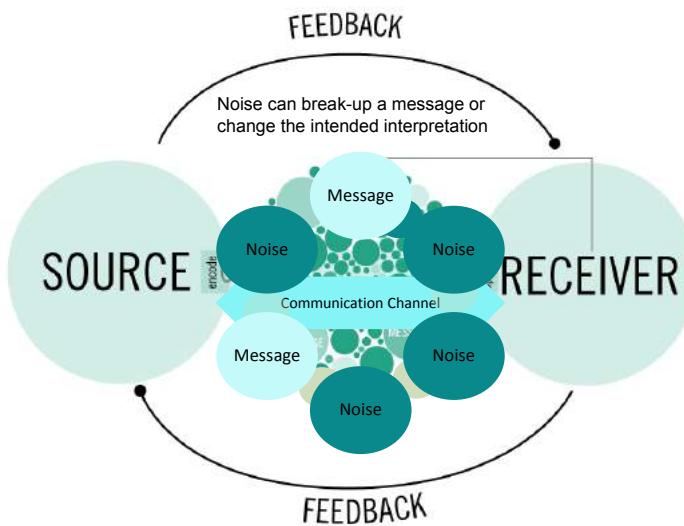
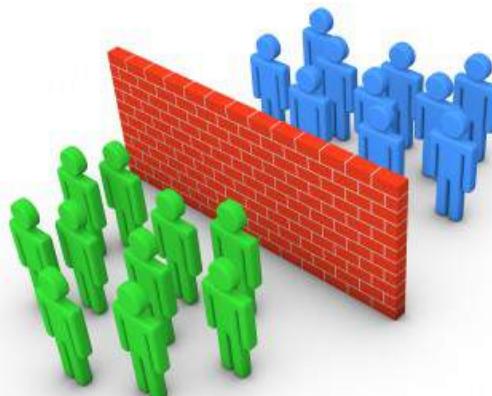


Exhibit 9.3: A Basic Communication Model

Active listening is one of the receiver's key responsibilities. The receiver needs to take interest in the other person and listen to the words as well as "between the words", to understand the unspoken feelings or meanings that are meant to be passed along. Nodding to show understanding, observing vocal tones and body language, paraphrasing to confirm the message and appropriately managing personal space are others of the receiver's

responsibilities. Communication is fruitful if and only if the messages sent are interpreted with precisely the same meaning as intended by the receiver. However, various communication barriers can have a negative impact on both the sender's and the receiver's ability to communicate. The possible barriers may include:

- Physical – time, environment, comfort, needs, physical medium, etc.
- Cultural – ethnic, religious, social differences, etc.
- Perceptual – viewing what is said from only your own mindset, first impression, etc.
- Experiential – lack of similar experience
- Emotional – personal feelings at the moment, disturbances, etc.
- Linguistic – different uses of language or vocabulary that may be difficult to understand, or is confusing
- Non-verbal – unspoken factors or messages
- Competition – noise, distractions, interruptions, etc.
- Gestures – misunderstood gestures are a major barrier
- Variations in speaking – accents, dialects, etc.
- Slang, technical jargon, colloquialisms



No matter how good a project's communication system, barriers can arise and become a key problem. Project Managers must locate such barriers and take steps to address them as quickly as possible. Recognizing the existence and nature of the barrier is a first step. Preparing and implementing approaches to overcome each one is the next.

To help overcome potential barriers, some ideas to consider for skills development include:

- Communication training for the project team (or indeed, for the PM)
- Seeking out mentoring from someone with strong communication skills
- Committing to a personal development plan for communications skills, sharing it with your supervisor and building it into your performance goals
- Sharing your personal development plan with your team and demonstrating your commitment to it

ORGANIZATION SNAPSHOT: ASIAN NATIONAL PETROLEUM COMPANIES IN WESTERN CANADA

Communication and Cultural challenges in integration of Asian national petroleum companies in Western Canada⁶



Most Canadian investments by Asian national petroleum companies have been non-operational but as the growing trend of taking on operator roles continues, various integration challenges are expected to arise. International oil companies and their local Canadian partners will need to embrace a more international corporate culture, decentralize business models, and integrate communication routines quickly in order to create and maintain mutually beneficial relationships.

Though the transition from foreign investor to operator is a relatively new trend in Canada's unconventional oil and gas industry, many new opportunities will abound if companies can proactively address integration issues. Korea National Oil Corporation's (KNOC's) deal to buy Harvest Energy in early 2010 for \$4.1 billion is one example of a foreign investor transitioning to an operator role. After the takeover, KNOC retained local employees to run the company while keeping the local brand and external image of Harvest Energy. Such positive investment prospects carry a variety of structural, regulatory and cultural challenges that can provide new obstacles for potential partnerships between Canadian companies and foreign investors.

International integration brings Cultural and Communication challenges

In terms of structural challenges arising from partnerships between Canadian companies and foreign operators, both parties may have difficulty adapting to a new work environment. More specifically, as foreign owners take over Canadian companies, local companies and experts may be resistant to taking advice on the oil sands from their new operator. Although this problem stems mostly from the fact that mining oil sands in Western Canada is different than most conventional oil and gas exploration and development methods around the world, it is very

relevant when considering the potential cultural friction and regulatory concerns.

Also, local employees may find it difficult to adapt to foreign systems, processes and organization culture after having worked in a traditional Canadian business environment. Business systems and processes vary distinctly between the many potential investing Asian countries, and although some may be more similar to Canada in nature, each can cause some degree of cultural confusion and adjustment. At the same time, foreign investors may have difficulty adapting to Canadian business paradigms, and may need time to familiarize themselves with work practices, local laws, regulations, and environmental and security guidelines. In the context of cultural divides, language and cultural barriers involving different working styles and decision-making approaches can create feelings of estrangement between teams if handled improperly.

Though this problem seems menial in theory, such breakdowns of team communication can pose far more severe problems when left unattended. For example, foreign companies might require detailed project reporting and performance management systems since many of them are national oil companies with obligations to their governments. In this regard, local employees and project leaders might consider some of the processes and procedures to be arduous or unnecessary, due to their lack of cultural experience and understanding.

Another example of communication breakdown relates to the language spoken in meetings. In cases in which groups are communicating in their native language and not speaking directly to the other party, anxiety can arise for those who cannot follow or engage in the conversation.

Two-way communication is key to preventing excessive workload, culture clashes and ambiguous management structure resulting in the loss of key people

Embracing international corporate culture using Project Management principles

Canada's oil and gas companies must adapt quickly to change and welcome cultural diversity, so they can seize the global opportunities that foreign interest brings. Canadian corporations will need to embrace a more international corporate culture, decentralize business models, and integrate applicable processes. To achieve successful partnerships, oil and gas companies should build a well-planned and structured

merger-integration approach into their respective business models. It should include a dedicated PMO, detailed integration planning, organized communications, leadership engagement, governance, proper issue and risk management, and dedicated resources to support the overall integration process. Companies should uncover the key integration issues and risks early in the due diligence and integration-planning process.

In cases in which organization cultures are very different, those companies may want to pursue a detailed cultural assessment to build a deeper understanding on both sides. This will enable them to address potential issues head-on without letting them fester or exacerbate. Another essential stage for successful partnership is ensuring that information about the integration and future strategic intentions of the company is well communicated to everyone involved. Company leaders can help stakeholders understand the reasons such a change will bring success, the challenges and barriers that exist, and, ultimately, how employees can support such change. The company should also provide stakeholders with the tools and opportunities to ask questions, communicate their concerns and offer their opinions, in order to minimize any confusion about the merger process.

Establishing a structured mentorship and support program can also be a great tool for successful integration. Furthermore, keeping the local brand of the acquired company (as KNOC did with the Harvest Energy brand) can help decrease employee anxiety over risk of losing employment, and the perception of large-scale change in general. This will undoubtedly ease the transition process for both parties during a time of great uncertainty and insecurity.

Addressing Cultural Divides by Leadership in Communication

To address inevitable cultural divides during the merger process, both parties should strive to proactively recognize cultural differences and look for common ground for operating and running the overall business. By embracing diversity of thought at every level of management and focusing on an inclusive workplace that ensures everyone's voice is heard, companies can realize an environment of continual innovation, growth and profound change.

However, co-ordinating ways of thinking and leadership practices can only go so far. Both parties must integrate business processes and systems on a global basis.

Canadian companies should be aware that Asia-based national oil companies might look for more process-based thinking and formal structure, while companies entering the Canadian market may have to adapt to a more ad hoc and flexible approach to problem-solving.

Furthermore, Canadian companies should understand that a more structured degree of communication reporting and performance management than was previously used may be necessary.

On the other hand, it is important for company leaders to understand that the acquisition process is about results and value creation, and not simply about integration; by communicating the strategic intent and transaction value drivers behind the deal, the resulting partnership can gain further stability and competitiveness going forward. Also, by encouraging leaders to fully participate in the integration management office, both parties can maintain active senior management involvement, enhancing communication of specific expertise and best practices in the wake of the merger process.

Successful integration requires robust governance structure

A robust governance structure is a key requirement for a successful integration, especially when different cultural norms are at play. Governance challenges arise when there are a lack of primary roles, responsibilities, accountabilities and authorities — all of which occur during an operational acquisition. Objectives of key performance indicators and incentives need to be clear and consistent within the defined governance structure. Ultimately, the company needs to address any areas of responsibility that are not accounted for, and ensure there is sufficient management time to integrate responsibilities. In this light, it's important to align the integration governance structure with the operational management structure.

The right integration plan

Acquisitions are generally risky, and the majority fail to achieve their goals — largely because of poor integration strategies. The type and size of the deal help define the degree of necessary integration challenges that could follow. However, in the context of operational acquisitions, there is a considerable emphasis on the importance of culture, leadership, communication routines and governance structure, as more extensive integration measures are often required. As long as the expectations between foreign national oil companies and Canada's oil and gas players clearly identify how the relationships can maximize benefits to both sides, this cross-border investment and collaboration is likely to continue for years to come.

GREAT LEADERS ARE GREAT COMMUNICATORS: HONING YOUR MOST CRITICAL SKILL

A successful project leader must be a great communicator. Of all of the skills that a PM requires to succeed, the ability to communicate effectively in all directions, internally and externally, is the most important.

Communication is often referred to as the backbone of project management, and there is a great deal of truth to the old maxim that “communication is 90% of a Project Manager’s job”.

To succeed as communicators and as leaders, project managers must engage in a number of best practices with their project team⁷:

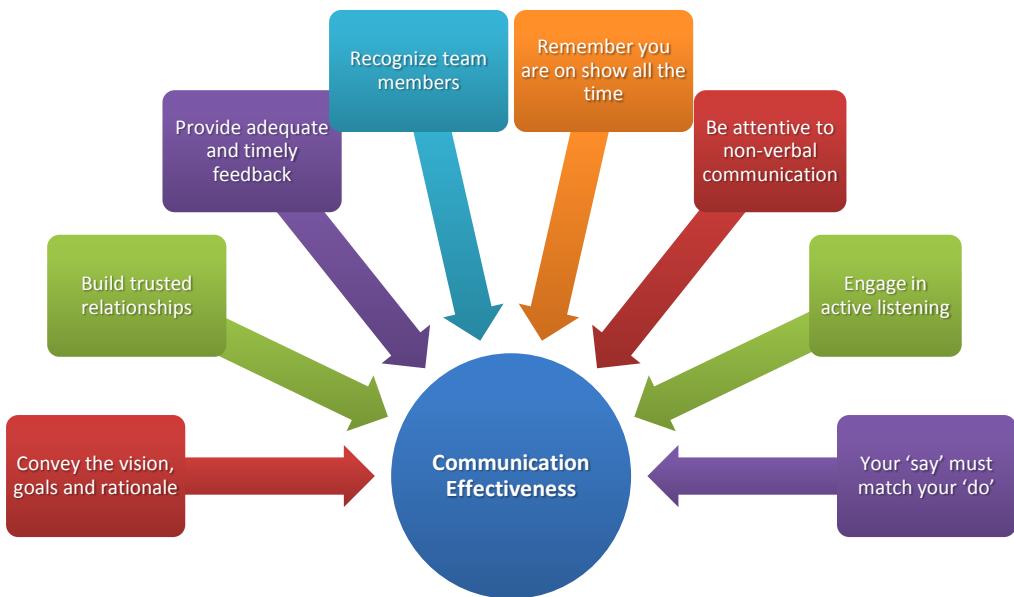


Exhibit 9.4: Honing Your Most Critical Skill – Communication

- **Convey the vision, goals and rationale** – One of the Project Manager’s key roles and most effective motivational tools is to convey the big picture. The project team should be able to visualize the end result and its importance. This helps to focus and energize the team. It guides them to do the right things for the project and encourages them to enhance the project’s business value and intended benefits through their daily work. Communicating the vision, goals and rationale for the project is crucial at the outset, but it may also prove necessary to revisit, clarify or even adjust these overarching

aspects to account for changing circumstances, new team members or other shifts throughout the life of the project.

- **Build trusted relationships** – One of the most important traits for a PM, and one that particularly supports effective communications, is trustworthiness. Teams will not respond or perform well unless they trust the project manager. But not only must the PM be trustworthy, it is also necessary for the PM to foster an atmosphere of trust among all members of the project team. Trust-building encourages team members to propose ideas, find solutions, suggest ways to enhance deliverables and speak openly about concerns. If the environment lacks trust, team members may be afraid to take the risk of proposing an idea, or fear being blamed or punished if things go wrong. Being genuine, open and transparent is the surest way for the PM to earn the trust of the team; encouraging the same of others facilitates the development of trust among all. There is no room for half-truths or evasive answers.
- **Provide adequate and timely feedback** – Constructive feedback is a healthy form of communication between you and your team members that reinforces positive behaviours and addresses areas for improvement. It should be part of an ongoing process that lets team members know how they are doing throughout the project.

Providing appropriate feedback requires honesty, patience as well as sensitivity.

If it involves some corrective action, the feedback should always be balanced by statements about positive behaviours that the PM has witnessed – “catching people doing something right”. The best way to help staff understand which behaviours to continue, which ones to change and where they need development is to provide them with continual feedback on their performance.

When delivering feedback:

- **Focus on behaviours** – Simply stating, “You’re not a team player”, will not be sufficiently clear to help someone do things differently. Instead, be specific about the behaviour and its effects or implications, such as, “Because you have important information, your lack of attendance at team meetings is impeding the group’s ability to move forward”. Similarly, telling someone that, “You did a great job”, is nice to hear, but doesn’t tell them much about which behaviours to continue. People want to replicate or carry on work efforts that have good outcomes. A more specific and useful statement would be “Great job on contacting your customer to warn him of the delay. Doing that kept him happy with us”.
- **Be timely** – Whether it’s an issue that needs immediate attention from a team member or giving recognition for positive behaviour, feedback needs to be timely. It should be provided very quickly after observing whatever needs to be commented on or it will lose its relevance and power. If situations or

behaviours are discussed too long after they happened, it makes it harder for team members to act on them or even clearly remember the situation.

- **Relate the message to a business goal** – Project Managers should help team members understand how their work and contributions connect to the strategy of the business and the goals of the project.



Exhibit 9.5: Providing Adequate and Timely Feedback

- **Recognize team members** – Recognizing or acknowledging the contributions and successes of team members, especially during stressful periods, is extremely valuable. Recognition from the PM boosts morale for both the individual and the other team members. This is the effect of the PM’s use of their ‘reward power’, described in Chapter 5. Recognition may simply be a ‘thank you’ and praise, offered verbally or through a note, but it can also include rewards such as training, the opportunity to participate in an executive meeting, a stimulating next assignment or a bonus. Often, the most powerful form of recognition is the simplest and most authentic. As with other forms of feedback, it should be timely. It should also be public, both to magnify the appreciation and praise, but also to reinforce the value of similar contributions and behaviours so that others may follow the example. One exception to this: if the individual is not comfortable in a public setting, if they are forced into such a situation, it will no longer feel like a reward for them.
- **Remember you are on show all the time** – Communication is more than just the words, gestures or body language the PM uses. As a leader, the project team and others are constantly observing the PM’s behaviour. What is modeled, whether intentionally or inadvertently, sets norms and expectations for the project. Ideally, the PM is acting deliberately and authentically to set a good example through his own actions.⁸ Simon Calver, CEO of LoveFilm, once had a colleague complain that he was concerned his team wasn’t paying him any attention. Calver advised the colleague to wear shirts with cufflinks for a month and to see what happened. His colleague was amazed that after a month, many of the men in the team had also started wearing shirts with cufflinks.⁹ It turned out that they were indeed paying attention to him and his behaviours.

As a Project Manager you are always being observed and monitored, in relation to what you say, what you do and how you act.

- **Be attentive to non-verbal communication** – The PM should be aware of how their gestures and body language can work to support or interfere with their verbal communications. One can easily send signals through eye contact, hand gestures or even pauses, whether deliberately or inadvertently. These may communicate lack of agreement, trust, credibility or confidence. Some body language can also show evidence of boredom, disrespect or lack of interest. Conversely, it is possible to reinforce verbal communications through gestures and body language. For example, maintaining a good level of eye contact or an erect posture can project overall confidence as well as conviction in one's statements. Cultural differences should be taken into account when interpreting non-verbal communications, since there are many variations in how people express themselves around the world – even differences for the same gesture.
- **Engage in active listening** – Listening is the key to understanding in communication. No-one likes a PM who talks too much and listens too little! A true leader is an active and patient listener, giving team members a chance to express themselves. For instance, instead of always being the primary speaker in meetings, the PM should allow others the chance to speak and genuinely listen to them. Asking questions to clarify or to probe deeper is one way to demonstrate interest in the individual's perspective. Listening is a major avenue for developing trust and building relationships. The Chinese calligraphy for 'to listen' highlights that to listen, we must use our ears, watch and maintain eye contact, give undivided attention, and finally, be empathetic.¹⁰

In discussing the most significant habits of successful people, Stephen Covey suggests, 'seek to understand before seeking to be understood'¹¹.

- **Your 'say' must match your 'do' (and vice versa)** – Nothing works better in terms of being a role model and enhancing motivation for the team than words in action. Your "do" (your actions) have more impact than your "say" (your statements) – but



The Chinese symbol for 'To Listen' is wise beyond its art. The left side of the symbol represents an ear and the right side the individual – you, the eyes, undivided attention and the heart.

there must also be consistency between the two. Actions are interpreted as demonstrations of conviction and truthfulness in relation to your statements. The top-right quadrant in Exhibit 9.6 highlights how the conjunction of a high level of “do” with a matching high level of “say” is the ideal or best practice. This is the practice of PMs who are very active as well as communicative. Further, by demonstrating integrity between communication and action, as well as being visible and available, Project Managers build an atmosphere of trust. They are seen as reliable and credible which, in turn, fosters team commitment to the PM and to the project. The bottom-right quadrant, by contrast, shows the situation where the PM says much but does little, as may be the case for a PM who over-commits or simply does not follow through on commitments. This leads to project members questioning the PM’s own dedication to the project, credibility and trustworthiness. This behaviour sends mixed signals as to what should be believed.

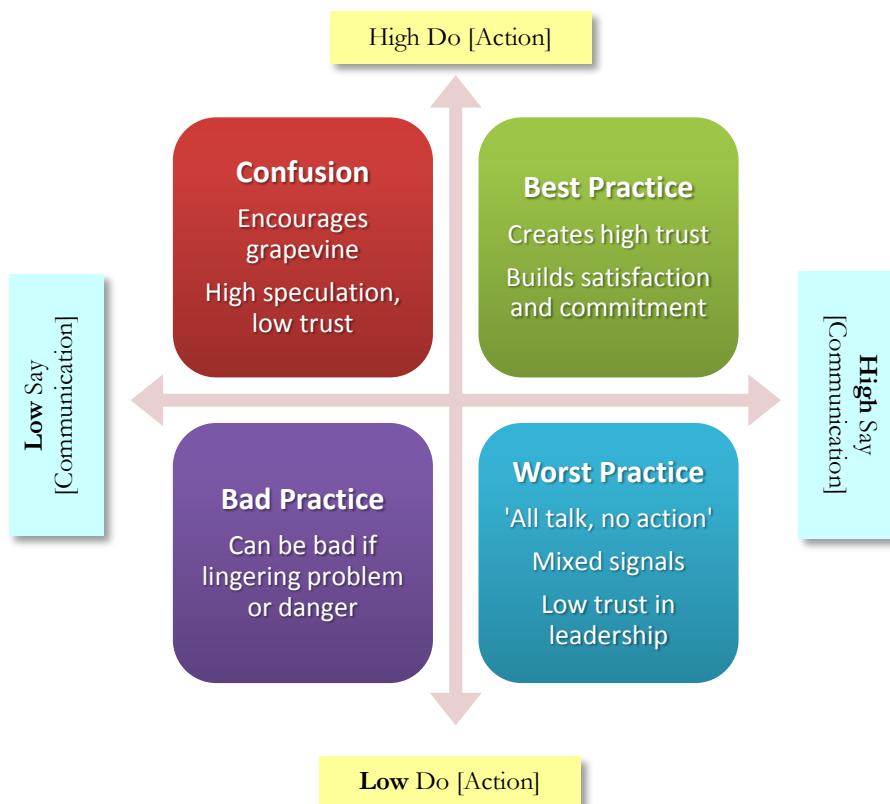


Exhibit 9.6: Your ‘Say’ Must Match Your ‘Do’*

The top-left quadrant corresponds to situations involving much action but little communication. This causes confusion, since it is difficult for project members to grasp the thinking behind these actions. Though they may be entirely valid or warranted, without the benefit of accompanying communications, the gap between actions and reasoning will often be filled in by speculation and rumour. Again, this behaviour is

unlikely to engender a high degree of trust in the PM. Lastly, the bottom-left quadrant represents those situations where there is neither much action nor good communication. This is the poorest practice of all. This may be viewed as a lack of PM engagement or an unwillingness to deal with the issues at hand.

It should be noted that these practices will vary between different cultures around the world. Some cultures, for instance, do not expect or promote much in the way of verbal communication and rely much more on actions as benchmarks.

The following are several additional tips:

- **Don't wait to communicate** – The PM will often not know all that they may want or need to know; they may not have the necessary answers or full resolution of an issue. But in general, it is better to provide explanations or updates as far as possible rather than waiting until you hold all the answers. This allows you to at least shed some light on the situation and indicate that you are working to acquire a better understanding as soon as possible. Providing a timeline to come back with any follow-up information is also very helpful and will ease any anxieties. Be comfortable with not having all the answers; don't wait until your information is perfect. The tardiness could be interpreted as lack of interest in pursuing the issue, secretiveness or insensitivity to the communication needs of the project team. Admitting that you do not know something shows that you trust your team enough to tell them that.

When people feel they are out of the loop, they fill the gaps with rumours.

- **Be clear** – When the PM is communicating with their team, they must be clear about what is being asked and any accompanying explanations or rationale. Effective leaders communicate best by harnessing the power of simplification and directness. Good communication is about quality rather than quantity.
- **Apply change management lessons** – Kotter warns that “In times of significant change, the leader cannot over-communicate”.¹² All projects, it should be recalled, are by definition about change, and the changes some projects involve are quite major. Communication must be frequent and delivered in a variety of ways. It should be focused on the relevance of the project to overall strategy, the benefits expected and what the different stakeholders might gain by participating (see Chapter 10). There should be regular reminders and reinforcement of the link between the project and the change it is meant to bring about, e.g. by inserting such a reminder at the start of project team meetings.

RUNNING EFFECTIVE MEETINGS

Meetings are a frequently used means of communication, whether conducted entirely in-person, with some remote participants, or with virtual teams. Projects usually involve a large number and variety of meetings: project status meetings, brainstorming or problem-solving

meetings, project change control meetings, etc. Though there is much value to be obtained from convening a meeting, both the PM and the project team, as well as other stakeholders, may become burdened by this kind of activity if they are too frequent or unproductive. A one-hour meeting, with eight participants, quickly consumes a person-day of work from project resources. The project leader must use meetings carefully to enhance rather than slow down the project.

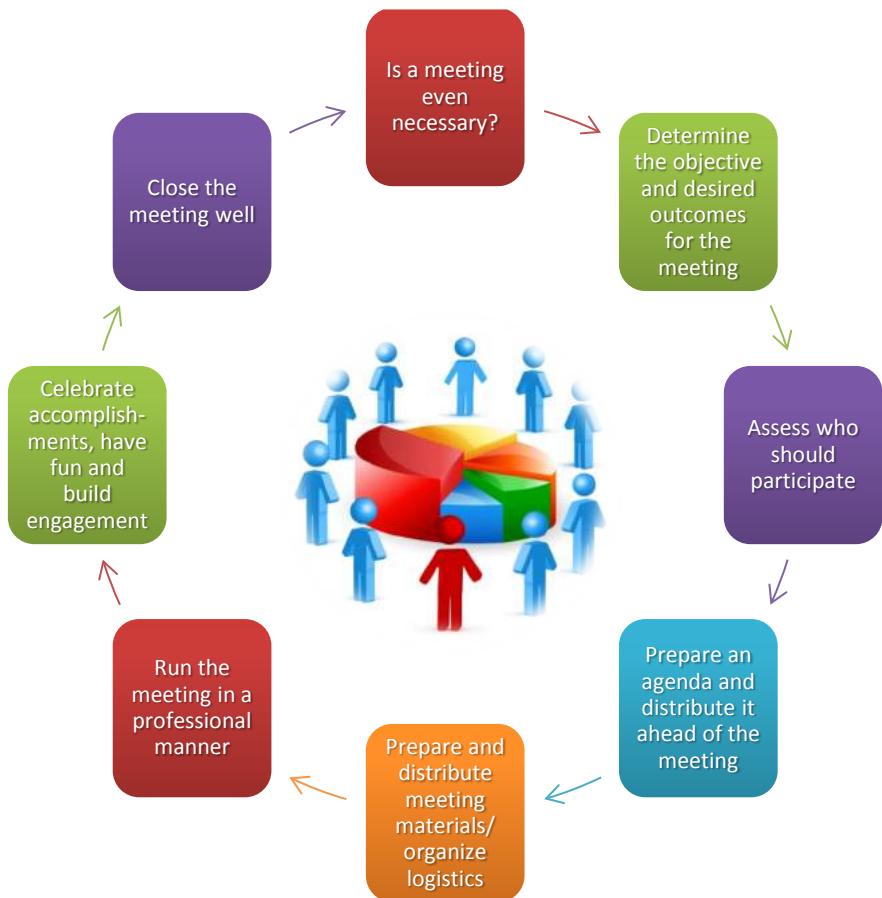


Exhibit 9.7: Running Effective Meetings¹³

In addition to the broad suggestions given above for communications success, the following are some key considerations to ensure productive meetings:

- **Is a meeting even necessary?** – In many instances, what could have been addressed through a meeting may be resolved through a quick conference call, a well-structured e-mail exchange or a few consultations with specific individuals. Consider whether there is an alternative that would serve the project needs just or nearly as well. The alternative may also save the PM from spending time on meeting preparation, permitting them to

attend to more important work. It might result in a faster decision or outcome than the required lead time for scheduling a meeting would allow. The project team will appreciate the minimization of meeting time in favour of more direct project work.

- **Determine the objective and desired outcomes for the meeting** – A meeting should have a strong purpose. No-one wants to attend a meeting wondering why they are there or what the intent was in convening it. Is the meeting being held to address a particular problem, to clarify roles and responsibilities or to share status information? If there are to be particular kinds of regularly scheduled meetings as part of the project, it is best to incorporate these into the project plan. That way, project participants can better anticipate the time commitment involved and enter the meetings into their own calendars.
- **Assess who should participate** – All the right people, but also only the right people, based on the purpose and desired outcomes, should attend a meeting. Additionally, consider whether there is need for pre-meeting discussion or consultation with any attendee to understand or influence their position.

The PM should generally be very selective with invitations in order to have the minimum impact on project resources.

For example, experts on a particular subject matter should only be invited if they are truly needed for the meeting, and if they are not required for the full duration, they should be excused from the meeting as soon as appropriate in the agenda. Keeping to the minimum number of participants for the stated objective also usually enhances meeting effectiveness.

- **Prepare an agenda and distribute it ahead of the meeting** – An agenda automatically gives a meeting structure. At minimum, it should include the meeting purpose; the meeting date, time and location; the specific agenda items; the desired outcome for each item; and, a time allocation for each. Desired outcomes may include ‘decision’, ‘information’, ‘generating possible alternative solutions for a problem’, etc. The agenda should consist of a prioritized list, with high priority items placed at the beginning of the agenda to ensure sufficient time and suitable coverage. The meeting’s length should be kept as short as possible to maximize focus and minimize fatigue; limiting most meetings to 60 - 90 minutes is a good practice. Distributing the agenda ahead of the meeting allows participants to understand the intent and their particular role and to make any preparations that may be necessary. Where appropriate, another good practice is to ask the team for any suggestions on items that might need to be on the agenda prior to calling a meeting or issuing the agenda. This allows for more team input, helps raise issues which may not have been visible to the PM and fosters team engagement.
- **Prepare and distribute meeting materials/organize logistics** – Based on the nature and objective of the meeting, the PM or other team members will prepare supporting hand-outs to distribute ahead of or at the meeting. If someone other than the PM needs to produce such material, the PM should clearly communicate what is required, for

what purpose and permit sufficient preparation time. Examples of material include copies of a presentation for attendees or the sharing of specific project documents, such as an updated issues log. The PM must also take care of or delegate the logistical details of the meeting as well. This includes: arrange the necessary meeting room, video conference or other facilities; be certain any required presentation technology is working; check on availability of a white-board or paper pads; organize food or refreshments; arrange for special attendees, such as the project sponsor; etc. Be sure to visit the meeting room or test the technology if these are unfamiliar – e.g. is the meeting room in a noisy area or too small to be comfortable? It may be possible to change to another, more appropriate meeting room – though in that case make sure to inform all participants and confirm that they are aware of the change!

- **Run the meeting in a professional manner** – With a proper agenda in hand, the PM is in a good position to lead the meeting. Establish ground rules for the meeting – e.g. that mobile phones must be turned off and deposited in a box. Make sure that the rules are reasonable and that you follow them as well. It is a good practice to assign meeting roles such as minute-taker and time-keeper to various attendees, being careful to rotate these assignments over the course of different meetings. This relieves the PM of those responsibilities and allows them to focus on the discussion and participation needed to ensure a productive meeting. The PM, often with the help of the time-keeper, must work to keep the meeting focused on the specifics of the agenda. They must also be attentive to participation levels, using the Round Robin technique to encourage input from everyone. Topics which arise but are not on the agenda may be addressed at the meeting if they are sufficiently urgent or may be noted and parked for later consideration. The minutes should be reviewed for accuracy and completeness by the PM and the finalized minutes should be distributed by the PM.
- **Celebrate accomplishments, have fun and build engagement** – The PM should be mindful of making room on the agenda for acknowledgement and celebration of accomplishments. Perhaps there could be a prize for someone who has done something extraordinary to contribute to the project. Where appropriate, there should be a brief, fun activity. Meetings represent opportunities to build cohesion and morale among the team and other stakeholders; the PM should take advantage of these opportunities to foster strong, positive relationships among all.
- **Close the meeting well** – The PM should summarize the discussion and outcomes at the end of the meeting. Action items, assignments and due dates should be briefly reviewed. The PM should describe the next steps as well as thank everyone for their participation, including the minute-taker and time-keeper for their roles.

The ‘Plus/Delta’ technique may be used at the end of the meeting to briefly gather feedback on what went well and what needs improvement.

If there are some parked topics needing attention, the PM should note how and when these will be addressed. Everyone should leave the meeting feeling that it was a wise use of their time and helpful to the project.

The ‘Tools’ section at the end of this Chapter references some templates for meeting agendas, minutes and communications plans.

EFFECTIVE COMMUNICATION COMPETENCIES AND HAVING DIFFICULT CONVERSATIONS

A paper by Hudson et al identified a list of leadership competencies, distilled from the work of multiple researchers, which relate closely to effective communication.¹⁴ Illustrated in Exhibit 9.8, these competencies are particularly relevant for Project Managers. Many of the competencies, such as being tactful, are even more essential when holding difficult conversations. In other research, which involved more than 950 people, 70 % of respondents indicated that they were dealing with a difficult conversation with a boss, peer or subordinate.¹⁵ The four most challenging types of conversation were reported to be those concerning bad behaviour, obnoxious behaviour, illegal activity and performance reviews. In terms of specific topics, 38% of respondents indicated that the most difficult to discuss are broken promises, violated expectations, or competence concerns.



Exhibit 9.8: Leadership and Communication Competencies¹⁶

The researchers at VitalSmarts offer the following tips and techniques, which should be noted by project leaders, for handling difficult conversations¹⁷:

- **Talk face-to-face and in private** – Difficult or sensitive issues are best handled in person. For conversations with colleagues working remotely, a discussion with video, or at least over the phone, is the preferred option. Firing off an e-mail message is not a helpful approach, as it does not provide for non-verbal cues, is not interactive and can make the person receiving the message feel victimized.
- **Assume the best of others** – Perhaps the individual concerned is unaware of their offending behaviour. Considering the person to be behaving with good intentions is a better stance than thinking that they have some ulterior motive. Research suggests that entering ‘the conversation as a curious friend rather than an angry co-worker’ is a helpful approach.
- **Use tentative language** – Start the discussion by describing the problem as you perceive it, but qualifying your statements with tentative language. For instance, begin by saying, “I’m not sure you’re intending this...”, or “I’m not even sure you’re aware...”
- **Share facts not conclusions** – Conclusions can be wrong and jumping to conclusions can create defensiveness. Try, “In the last two meetings you laughed at my suggestions. I expect people to disagree, but laughing?”
- **Ask for others’ views** – It is helpful to ask if others might be seeing the situation differently. Exploring the experiences or perceptions of others places you in a better position to have a constructive conversation.
- **Use equal treatment** – Everyone, whether boss, peer or subordinate, should be treated as reasonable, rational and deserving of respect. These techniques should be applied fairly to all.

The VitalSmarts researchers mention that ‘people who are less than “fairly confident” in their ability to succeed in a difficult conversation are 59 percent more likely to live with poor productivity, 96 percent more likely to live with poor morale, and 86 percent more likely to live with a poor work environment’.¹⁸ Engaging in difficult conversations when necessary, helps to resolve issues before they undermine project team morale.

Another kind of difficult conversation relates to holding people accountable. According to research by VitalSmarts gleaned from 963 survey respondents, 93% indicated that they ‘work with people whose bad behaviour damages morale, quality, and productivity’.¹⁹ Such people are termed ‘corporate untouchables’ in the report and 94% of respondents stated that ‘the problems caused by an “untouchable” are widely known’. In the vast majority of cases, the problem has persisted for a year or more. The research notes that ‘fewer than 1 in 4 people confront “untouchable” coworkers about behaviour or performance. Instead, they work around them, complain to others, or avoid their co-worker altogether’. The researchers provide some suggestions, which are again relevant for project leaders, in terms of holding people accountable:

- **Communicate respect** – Projecting respect very early in the conversation helps to make others feel safe. In turn, they will be more willing to listen.

- **Lead with facts** – It is better when describing concerns to avoid assumptions, accusations or being judgmental. Instead, start with the facts.
- **Share natural consequences** – It can motivate change in behaviour when people better understand the consequences or implications of their current behaviour, especially if it relates to something that matters to them.
- **Invite dialogue** – There are always two sides to a story. After sharing your own concerns, give the other person the opportunity to voice theirs. Perhaps there are circumstances that have caused them to behave in that particular way, such as some new stresses in their personal life. You can even invite them to point out where you might be wrong. Demonstrating openness will encourage openness in the other person.
- **Hold the boss accountable** – Sometimes, if the conversation fails, and the behaviour continues to affect you, the project or the project team, it is necessary to bring it to the sponsor's or other appropriate individual's attention.

COMMUNICATION BEHAVIOURS AND STYLES

Our ways of communicating are linked to our personal learning and cognitive styles. These differentiate people according to how they perceive, work with and assimilate information. Gregorc defines four different learning styles within his 'Mind Styles Model'. The model has two axes: a 'perceptual space duality' dimension, which contrasts 'concrete' and 'abstract' characteristics; and an 'ordering duality' dimension, which contrasts 'sequential' and 'random' characteristics.²⁰ Using these two axes, he developed the Gregorc Style Delineator, a learning styles psychometric test. Each of the four learning styles, shown in Exhibit 9.9 and elaborated on below, has implications for communicative behaviours. These are relevant for PMs both in terms of their own style and in terms of the communicative approaches of those on the project team or others with whom the PM works. The four styles are:

- **Abstract-Sequential or Organizer** – This refers to those who depend on logical analysis and systematic planning to solve problems. As communicators, they are both people- and task-oriented. This makes such individuals effective team builders and project leaders. At the same time, they prefer to have all the necessary information before making a decision, which can lead to communication issues and delays. They are very good organizers.
- **Abstract-Random or Intuitive Free Thinker** – This refers to those who consider situations from multiple perspectives, seeing the big picture and maintaining a long-term view. 'Intuitive free thinker' communicators are generally strong in brainstorming activities, because they listen actively and enjoy the process of generating new ideas.
- **Concrete-Sequential or Fix-it** – This refers to those who focus on ideas and specific tasks, and think systematically and predictably. Such people want to complete tasks rather than discussing them.

- **Concrete-Random or Explorer/Entrepreneur** – This refers to those who rely on people and technology for their decisions and who find practical uses for theories and models. Explorers make decisions after thorough analysis and evaluation. They excel at facilitating planning sessions, discussions, and changes.

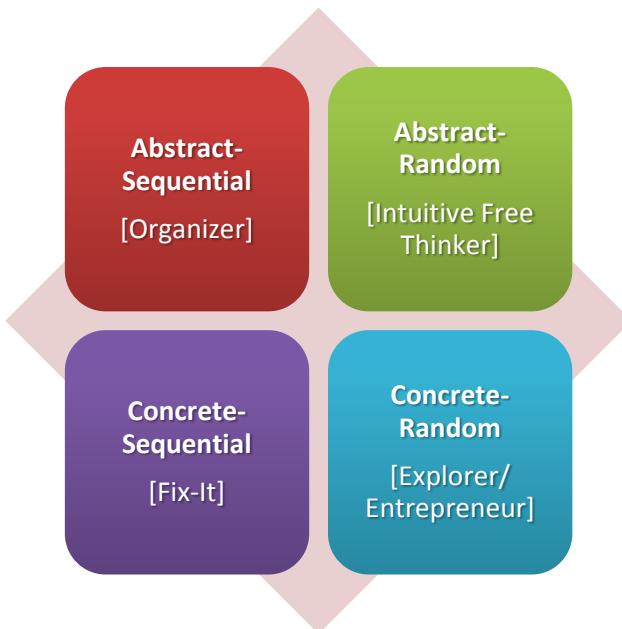


Exhibit 9.9: Gregorc's Four Learning Styles²¹

An alternative model of learning styles is Kolb's Experiential Learning Model.²² His model is also constructed using two continua: 'active experimentation-reflective observation' and 'abstract conceptualization-concrete experience'. This leads to four types of learners:

- **Converger** – active experimentation-abstract conceptualization
- **Accommodator** – active experimentation-concrete experience
- **Assimilator** – reflective observation-abstract conceptualization
- **Diverger** – reflective observation-concrete experience

There are various other approaches, including those related to the Myers-Briggs Type Indicator (discussed in Chapter 7) as well as Gardner's model of 'Multiple Intelligences'.²³

DELIVERING EFFECTIVE PRESENTATIONS²⁴

In the role of communicator, the project leader is routinely called upon to develop and deliver presentations to a range of audiences. Presentations allow a PM to exchange information and project updates, to influence, to support decision-making, as well as

achieve a variety of other purposes. As with meetings, presentations may be held with an entirely in-person audience, with a mix of in-person and remote participants, or with fully virtual teams. The following tips and techniques can help achieve successful presentations:



- **Use the three-step rule** – First, describe what your presentation is about, stating the purpose, agenda and desired outcomes. Second, deliver the presentation. Third, summarize and reinforce the key messages, and reiterate the original purpose and desired outcomes. Snyder suggests 10% of the presentation time be devoted to the introduction, 80% to the body and 10% to the closing.²⁵
- **Build a narrative** – Storytelling is a powerful way to capture and hold the attention of an audience. Instead of simply presenting a series of facts or analyses, the PM should seek to build a narrative thread throughout the presentation. This can be supported and augmented through examples or personal experiences. Presentations with a story are not only more compelling, but also tend to be more memorable.
- **Pay attention to body language and voice** – We have already discussed the significant role of non-verbal communication in various interactions. Weissman emphasizes the importance of body language and of the presenter's voice in delivering an effective presentation.²⁶
- **Rehearse** – Any key presentation deserves proper preparation. The PM should rehearse the presentation in front of a trusted individual. If the presentation room can be accessed ahead of the presentation date, it should be used for rehearsal. Not only does rehearsing in the room contribute to preparation of the presentation, it adds a layer of familiarity and comfort for the presenter with the layout and characteristics of the room, as well as with the presentation technology.

MANAGING COMMUNICATION COMPLEXITY IN VIRTUAL TEAMS

With the rapid development of new, relatively inexpensive communication and information technologies, virtual teams have become a prevalent way to conduct projects across a range of enterprises. Organizations large and small, with project staff and/or clients, suppliers or other major stakeholders dispersed across various locations, are using this mode of work to create teams of the best workers. This also minimizes the costs and logistical problems of moving stakeholders to one location. Virtual teams can operate within serial, concurrent or parallel project arrangements, and can exploit time zone differences for the benefit of the project. For instance, as one work shift ends, the next set of tasks may be handed off to another part of the team to start their shift elsewhere around the world.

There are several definitions of virtual teams:

- A widely accepted one is that virtual teams ‘are groups of geographically, organizationally and/or time dispersed workers brought together by information technologies to accomplish one or more organization tasks’.²⁷
- Lipnack and Stamps²⁸ suggest that any team which operates outside a 50-foot (15.25m) radius will demonstrate at least some of the characteristics of a virtual team. This can be the case even when staff members are working within the same building.

As compared to co-located teams, virtual teams rely heavily on electronic media and information technology for communication and collaboration. These include e-mail, instant messaging, conference calls, video-conferences, web conferences, collaboration tools, etc. Global virtual teams are not only separated by time and space, but are usually comprised of people with different national, cultural and linguistic backgrounds. While this creates communication challenges, it has the advantage of bringing the power of diversity and additional thought leadership to project teams.

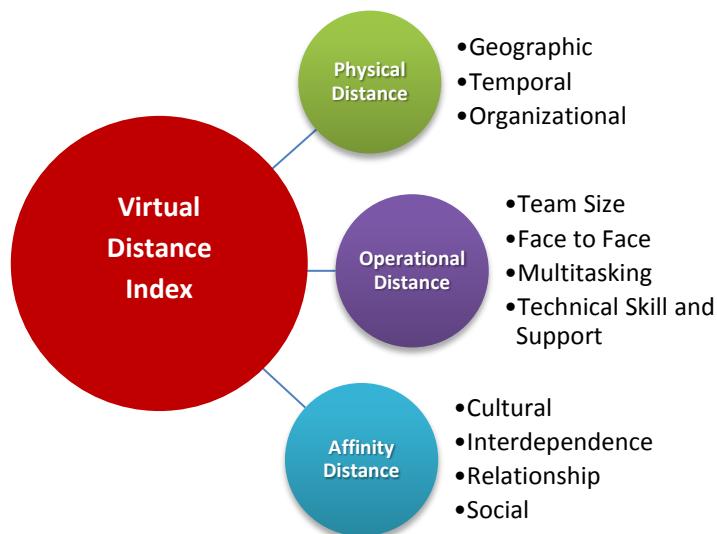


Exhibit 9.10: Virtual Distance Index

Additionally, virtual distribution of work could provide numerous benefits to organizations, including reduced overhead costs, accelerated project time-lines, lowered environmental impacts and improved employee morale.

Physical Distance Factors	Operational Distance Factors	Affinity Distance Factors
<ul style="list-style-type: none"> ▪ Geographic Distance – The degree to which team members are separated by physical distance 	<ul style="list-style-type: none"> ▪ Team Size – The number of members the team includes 	<ul style="list-style-type: none"> ▪ Cultural Distance – The extent to which team members share cultural values, similarities in communication style, and attitudes toward work
<ul style="list-style-type: none"> ▪ Temporal Distance – The degree to which team members are separated by time zone differences or work schedule differences 	<ul style="list-style-type: none"> ▪ Face-to-Face – The extent to which the team meets face-to-face rather than electronically, especially at critical junctures in the project or through the course of the work 	<ul style="list-style-type: none"> ▪ Interdependence Distance – The extent to which team members feel interdependent on one another for their own success
<ul style="list-style-type: none"> ▪ Organizational Distance – The degree to which members of the team work for the same organization or for multiple organizations 	<ul style="list-style-type: none"> ▪ Multitasking – The extent to which team members are facing competing demands from multiple projects and have multiple deliverables due at the same time 	<ul style="list-style-type: none"> ▪ Relationship Distance – The extent to which team members have worked together before or know some of the same people socially
	<ul style="list-style-type: none"> ▪ Technical Skill and Support – The extent to which team members are able to use the tools at their disposal and have access to technical support in using those tools 	<ul style="list-style-type: none"> ▪ Social Distance – The extent to which each team member's status is derived from his or her hierarchical position in the organization and contribution to the team or the work effort

Exhibit 9.11: Virtual Distance Index²⁹

A useful framework for assessing the composition of a virtual team is the ‘virtual distance index’ proposed by Sobel Lojeski.³⁰ It consists of three major components, physical, operational and affinity distance, and a total of eleven sub-components. These are illustrated in Exhibits 9.10 and 9.11, accompanied by definitions for the components.

The greater the virtual distance for a given team, the greater will be the challenge to perform well and successfully complete the project. Conversely, the smaller the virtual distance, the more its functioning will resemble a co-located team’s. The PM can use this index to determine where there might be pronounced issues and, to the extent possible, anticipate and address these utilizing the tips and techniques described in the next section.

Virtual work is increasingly influencing project management practices and the ‘effective virtual team member’ is a valued asset.

A key benefit gained from the use of virtual teams is the ability to cost-effectively tap into a wide pool of talent from around the world. What matters are the skills, knowledge, experience and availability of personnel, rather than where they are located. In a white paper researched and prepared by the Center for Creative Leadership, 85% of 129 leaders reported their belief that virtual leadership is a necessary skill for senior leaders in their organization. 92% of 115 executives also believed virtual leadership requires different skills from face-to-face leadership. The authors report that when asked to choose one skill that is central to effective virtual leadership, survey respondents overwhelmingly chose communication (70% of responses). The most often-cited communication skills were frequency of communication and clarity/effectiveness of the message.³¹

Virtual project team members collaborate and coordinate their efforts in the execution of a specific project while being geographically and/or temporally distributed, possibly anywhere within and beyond the parent organization. Work might be executed from a designated workplace, a satellite office, a home office, a client or other stakeholder site, or even while travelling. In some cases, it is feasible to bring the team to a common location together at regular intervals, say once per month or quarter. In other instances, it may only be possible to do this for a kick-off meeting so that everyone can become acquainted with one another, or it may not be possible at all. The degree of dispersion within a virtual team can vary widely from having one person working remotely to, at the extreme, every team member working in a different locale.

Team interactions may be viewed as falling into four categories any of which may apply at different points in the life of a given project:

- Same time, same place – e.g. face-to-face meetings
- Same time, different place – e.g. an audio, video or web conference
- Different time, same place – e.g. using a chat room or a shared file on a network
- Different time, different place – e.g. exchange of e-mail or voice mail messages

The first two are examples of synchronous communications, since they depend on the simultaneous presence and participation of individuals. The latter two are examples of asynchronous communications, since there is no such dependence.

Advantages	Disadvantages
<ul style="list-style-type: none"> ▪ Reducing relocation time and costs; reduced travel costs 	<ul style="list-style-type: none"> ▪ Lack of regular in-person interaction
<ul style="list-style-type: none"> ▪ Reducing time-to-market; shorter development times 	<ul style="list-style-type: none"> ▪ Challenges of matching the right technology to project requirements
<ul style="list-style-type: none"> ▪ Able to tap various resource pools around the world, using the best talent regardless of location 	<ul style="list-style-type: none"> ▪ Developing trust among project team members can be slower
<ul style="list-style-type: none"> ▪ Greater productivity; opportunities for 24-hour work schedule 	<ul style="list-style-type: none"> ▪ National, cultural and linguistic diversity can lead to more conflict or misunderstanding
<ul style="list-style-type: none"> ▪ Increased flexibility and freedom for team members 	<ul style="list-style-type: none"> ▪ Employees might not be comfortable or effective with needed communications or collaboration technology
<ul style="list-style-type: none"> ▪ Respond quickly to changing business circumstances, by shifting resources or mobilizing new resources 	<ul style="list-style-type: none"> ▪ Difficulties in coordinating schedules and hand-offs across global teams
<ul style="list-style-type: none"> ▪ Provide a vehicle for global collaboration and coordination, including benefiting from diverse perspectives and creativity of staff drawn from around the world 	<ul style="list-style-type: none"> ▪ Issues due to inter-cultural differences, including communication styles, power distance, change management, ethics, stereotypes, etc.

Exhibit 9.12: Advantages and Disadvantages of Virtual Teams

Unlike a traditional, co-located team, there can be a number of communication challenges with virtual teams. Some advantages and disadvantages of using virtual teams are noted in Exhibit 9.12. For example, it is common for virtual team members to be unable to effectively share ideas or issues with each other due to distance or time zone constraints. Achieving a good shared understanding of project goals or specific tasks, or coordinating activities when not communicating face-to-face, can be difficult.

Effective communication in virtual teams requires tasks to be particularly well-structured, with one person fully responsible per task, reducing coordination demands.

In global virtual teams, communications complexity increases due to the participation of individuals from different national, cultural and linguistic backgrounds. These may lead to distortions of information and instances of miscommunication, confusion or even what are perceived to be insults. Communication among global virtual teams can be extremely difficult to manage and less effective than more traditional settings.³² In addition to the core project team, there are the project client representatives and possibly a myriad of international suppliers, investors, partners, government agencies and other stakeholders involved. The different organizations engaged in the project will bring their own work methods, organizational cultures, project management methodologies, technologies, goals and expectations, further compounding the communication and collaboration challenge – e.g. combining the efforts of internal engineering resources for a North American firm with the R&D resources of a Japanese partner, a South African investor and a German supplier.

DEVELOPING EFFECTIVE VIRTUAL TEAMS

How can Project Managers keep participants in highly-virtual and constantly-evolving teams engaged, aligned and productive?

The role of the Project Manager does not change depending on whether the team is virtual or co-located. The key difference for the PM is to understand the specific communication needs of the virtual team members, as well as the approaches and mechanisms available to support those communication needs. PMs also need a high level of self-awareness regarding their own communication style. The constraint of being bound together as a team through virtual connections places a risk on project performance. This needs to be managed by the PM. For example, if there is a prolonged outage of the Internet or of the internal or hosted services supporting collaboration, part or all of the project team may be affected and the project as a whole delayed. Business continuity plans are needed to protect against such situations.

The PM can improve communication in a virtual environment by taking the following steps:³³

- **Start well: Provide in-depth introductions of people and the project** – As with any project kick-off, but even more essential with virtual teams, the PM should invest in and facilitate introductions. Everyone needs to know their colleagues, their backgrounds and their roles in the project; this is just as important for the PM. Taking the time to do this builds rapport and helps to establish a friendly work environment. Introductions should go beyond the basics to include biographies, pictures, a list of achievements, previous project experiences and something personal, such as a description of interests or hobbies. All of this contributes to establishing some sense of each other as individuals, understanding of each other's strengths, as well as building team identity. Everyone should also have a clear understanding of the project infrastructure, including roles and responsibilities, reporting relationships, ground rules, communications and conflict management protocols, etc. As a project leader, it is also important to project a sense of the strategic relevance of the project, as well as start to

promote an appropriate set of team values and corresponding team spirit. If at all possible, the kick-off meeting should be an in-person one. Alternatively, the meeting should use video or web conferencing to bring the team together.

- **Organize frequent communication check-points** – PMs should hold frequent check-in meetings, either for the entire project team, for sub-teams or on a one-on-one basis, as

appropriate.

Often, the main ‘glue’ for the project team is the PM. The virtual team relies greatly on the PM to foster communications, to supply



updates on the project and to provide direction. For instance, project updates should be communicated at least once a week and if this happens to take the form of an e-mail distribution, it should be complemented by team video, web or audio conferences every other week. Announcing and celebrating achievements, such as the completion of the first prototype for client review, is particularly crucial to encouraging and motivating the team from a distance. Regular updates help to keep the project alive and the team engaged³⁴.

- **Use the most effective electronic communication tools for the situation** – There are many choices for communication and collaboration tools. Each is well-suited for some situations and needs, and poor for others. E-mail, for instance, allows for in-depth messages, but an e-mail exchange can often span many hours, days or weeks – especially with time zone differences – before reaching a proper resolution. Surveys indicate that when an e-mail is received, “11% of the recipients read it thoroughly, 57% skim-read it, 10% plan to read it but do not get around to it and 22% actively decide not to read it”.³⁵ A phone call or web conference would likely accelerate the discussion and development of a solution. E-mail is also not conducive to communicating emotional elements or other nuances. More sensitive topics are best handled through phone calls, web conferences and other synchronous media. Instant messaging (IM) is another powerful tool, but is most useful for simpler communications, such as those involving yes/no answers.

PMs also need to ensure that team members are trained in and are comfortable using the designated communication and collaboration technologies.

Exhibit 9.13 shows the use of different types of synchronous tools that a PM could use.

Tool	Cost	Requirements	Additional Features	Good Fit	Poor Fit	Social Presence
Face-to-face meeting	\$\$\$\$	Same location		Everything	Resource use	High
Desktop and real-time data conferencing (multi-point multimedia technology)	\$\$\$\$	Special hardware and groupware software, with audio and video capabilities, high-speed internet	Posts and stores documents, chat room, whiteboards	Recording, brainstorming, reviewing, complex, long-term projects	Dealing with conflicts	High
Web conferencing	\$\$\$	Special software, technical facilitator (this is becoming simpler and more reliable)	Video, chat room, anonymous feedback	Brainstorming, analysis, voting, drafting and reviewing	Complex issues, sketches, negotiating conflicts	Moderate
Electronic display	\$\$\$	Groupware product, no special equipment	Can add audio, video and chat rooms, easy to use	Brainstorming, drafting and reviewing	Voting, obtaining consensus, analysis, negotiating conflicts	Moderate
Video conferencing	\$\$	Good bandwidth, video camera, microphone, speakers, video card	Document sharing	Solving problems	Brainstorming, negotiating conflicts	High
Audio conferencing	\$	Telephone or internet	Can easily add other tools	Solving problems	Brainstorming, negotiating conflicts	Moderate

Exhibit 9.13: Synchronous Communication Tools

Sobel Lojeski proposes a “virtual distance leadership model”, consisting of three core leadership competencies which are especially important in motivating and supporting virtual teams.³⁶

According to this model, the leader should:

- **Bring context** – Teams need context and the big picture, and even more so in virtual settings. This helps give meaning for the project effort and keeps the team members connected both to the work and to each other. Although circumstances may change, there should be a degree of consistency and stability in the picture communicated.
- **Focus on creating community** – By encouraging interdependence, exchanging stories, having consistent messages about a common purpose, promoting collaboration and in other ways (virtual meetings, storytelling, etc.), building a strong feeling of community. Fostering interdependence helps foster community.
- **Share leadership with others** – Working with a dispersed team means that it is difficult for the project leader to be everywhere. Enabling the leadership capabilities of others means their influence to carry out project activities within their locale can be harnessed, while also encouraging leadership development in those individuals.

Practice/Tool	Trust	Innovation	Leadership
Developing a Project or Organizational Culture	Set expectations around norms and call for values that reinforce integrity and create expectations that people will behave in a trustworthy and benevolent manner	Establish group norms and values that stress openness, innovation, and collaborative solutions	Develop a “superculture”—one that leaves the existing culture intact and builds upon it. Stress empowerment and shared leadership

Exhibit 9.14: Example Practice/Tool for Improved Functioning of the Virtual Team³⁷

Lojeski further provides a set of practices and tools for improved functioning of the virtual team in terms of trust, innovation and leadership (see Exhibit 9.14 for an example). These include:

- **Establish rules for response** – When the team is dispersed around the world, there is an even greater dependence on responsiveness. Delayed responses can slow down the entire project. Establishing ground rules for team communication, as for other aspects of project behaviour, keeps the project on track. For example, establish that responses to any high-priority project-related message are expected within 4 business hours; other responses are expected within 8 business hours.
- **Assess the Effectiveness of the Remote Communications³⁸** – People have different work styles and varying degrees of comfort with using electronic communications

technology. The type of technology used is determined by urgency of the need for information, availability of technology, project staff technology experience, duration of project and environment of the project.

The Project Manager must assess each person's level of comfort or willingness to be in a virtual setting and look for behaviour that may signal that a virtual team member is suffering from disconnection.

Due to physical distance and differences in time zones, it is easy in virtual teams for individuals to feel lost or detached from the rest of the team. Be prepared to act as a moderator for any project communication issues and implement appropriate actions to overcome the issue. Look for ways to keep the virtual team workers engaged and motivated throughout the project. For instance, consider ‘virtual team lunches’ to discuss lessons learned and project updates.



- **Ensure communication channels are open** – It is quite possible that the “out of sight” nature of the virtual team members will mean less focus on them and more on local team members. The Project Manager needs to always keep communication channels open and encourage collaboration with everyone and in every direction.
- **Trust virtual team members** – The PM must establish trust within virtual teams to accomplish deliverables and producing quality work. Ensure you have an open communication style with everyone on the team. Give detailed, honest responses on work completed without sugar-coating feedback.
- **Be an active moderator** – The PM should act as a moderator of online communications, monitoring for constructive and positive discussion. They may need to intervene if hostile, rude, negative, off-topic or other unproductive behaviour is observed. This is of course no different than what the PM is expected to do with co-located teams.
- **Understand and be aware of cultural differences in praise and criticism** – Understand that silence, sometimes considered a problematic behaviour, may not reflect a lack of interest but may simply represent time needed to think or just wait for a formal invitation to participate. Other considerations are to avoid humor, irony, and metaphors, as these usually don’t translate well and may be offensive. Avoid using slang

or jargon, use simpler words and short sentences, and be empathetic to help overcome cultural and language differences.

Managing a virtual project team can be richly rewarding, and requires many of the same core competencies as managing a co-located team, with the added element of being highly sensitive to communication styles and tools. Ensure you match your style and choice of tools to the needs of the project and project team.

Virtual leadership is different from leading a co-located team. Using the suggestions above will help the project leader engage the virtual team in project work, through appropriate communications and the development of a supportive, collaborative atmosphere.

For Project Leaders...

Clearly, leading a virtual team is different than leading a co-located team. Effectiveness in communications is even more critical for virtual teams, and especially so if the virtual distance is high.

Frequency and clarity of communications appear to be highly important factors in working successfully with virtual teams. In addition to regular check-ins with the team, one-on-one conversations with individuals are absolutely crucial for strong engagement.

There is an old concept called ‘management by walking around’. This approach is based on regularly visiting staff and having informal discussions. It is a way of checking in with the person, asking how things are going, how they are doing personally, where they are having successes or what issues they are encountering.

Updating this concept, we can call it ‘management by virtually walking around’. This would mean, again, informal discussions with individuals – but now mediated through some communication technology – to understand how things are going on the project and how they are doing personally. This helps you demonstrate as a project leader that you care about and are interested in them as a team member, both professionally and personally. It is important that these check-ins are perceived as genuine interest and not be seen as snooping. It provides an opportunity to clarify direction, tasks or expectations, as well as to offer any needed support for issues. Particularly for those working in isolation, it helps them feel connected. It also serves to keep you as the project leader apprised of what is happening in the project and with the project team.

BEST PRACTICE “NETIQUETTE”³⁹

Virtual communication technologies constitute some of the most essential tools employed by members of virtual teams. Indeed, communication in a virtual team setting can affect every aspect of the team’s operations and can largely determine the success or failure of the team. Managing virtual teams requires the establishment of communication ground rules and expectations. As in any organization, an environment that fosters mutual respect, creativity, and teamwork depends largely upon the efficacy of communication between them.

Oftentimes, a failure to communicate respectfully and responsibly can hamper the efficacy and functionality of the virtual team. Setting forth network etiquette (or ‘netiquette’) guidelines is an important component for effective virtual team management. By establishing and implementing netiquette standards, the efficacy and stability of the virtual team will be more easily managed and maintained. Virtual teams represent unlimited global business, learning and networking opportunities. The adherence to netiquette standards will help to maintain and ensure decorum, professionalism and ethical behaviour.

By implementing and applying netiquette standards to the virtual team environment, team members will be better equipped to avoid informational nuances and insinuations that are so easily misinterpreted. The “communication gap” that is prevalent in virtual communication technologies (i.e. absence of body language, voice and tonal qualities, emotion, and personal interplay) may also be lessened. Common barriers to virtual communication may also be identified and overcome through the use of clearly established netiquette standards.

Referring to the need for increased knowledge, familiarity, and implementation of netiquette, David Krane, Director of Corporate Communications at Google, Inc., once said,

“We live in an era where millions of professionals are putting down the pen and increasingly relying on e-mail as a primary form of communication. [Proper mastery of netiquette will benefit] both internet newbies and new entrants to the [virtual] workplace who may be making a transition from paper to computer or from instant messaging and e-mail between friends to more formal electronic communications.”

Netiquette Standards

Respecting the E-mail Addresses of Others:

Do not give out others’ e-mail addresses without first obtaining permission to do so. E-mail addresses represent a vital component of

one's virtual personal space. As such, giving out e-mail addresses without permission constitutes a breach of trust and an invasion of personal space and privacy.

E-mail “spam” or “bulk” List Collection/Distribution:

Recent legislation has, in many states, created barriers and penalties to those who engage in or utilize bulk- or mass-mail communications. Common courtesy asks that individuals not collect other people's e-mail addresses for such purposes. If the virtual team in which you operate utilizes bulk-mail as a business process, netiquette standards require the inclusion of a genuine return e-mail address in which recipients may respond and request to be removed from future mailing lists.

Proper Personal and Business Identification:

The organizational structure of virtual teams often requires proper identification in instances of cold-contacts, solicitations, research and development, networking, and day-to-day communications. When establishing a contact for the first time, include the following identifiers: your full name and title, company name, address, genuine e-mail address, and occupation or objective. The utilization of mass market e-mail service providers such as hotmail, gmail, or yahoo, is not recommended and can be perceived as “cloaked” or “anonymous” e-mail addresses. The utilization of an e-mail address that originates from your company is preferred.

Information Inquiries:

One of the great benefits that has arisen from the virtual expansion of today's global economy is the increase in available information. The increase in available information has also catalyzed an increase in information transfer velocity. The effective management of virtual teams also relies upon the ability to acquire, process, and use information. Though requesting information from others is beneficial to you and your team, it can also represent a significant imposition and inconvenience to those individuals that you query. In the process of information gathering, include the following elements: an explanation of who you are, an explanation of why you need the information, and an expression of gratitude.

Expressing Appreciation:

Each response you receive from team members, outside consultants, or individuals contacted for information, deserves a reply of gratitude. Your “thank you” response should contain the following components: reference to the request (e.g. “thank you for responding to my query

regarding fossil fuel), your full name and title, company name, address, and URL.

A “Two-way” Street:

Business is a two-way street: if you give, you will receive (and vice versa). When something of value or substance has been provided to you, offer return assistance, or extend an invitation to visit your website.

Proprietary Rights and Information:

Respecting proprietary rights and information is not only courteous, it is the law. The expansive selection of information on the web represents countless hours of contributions made by individuals and groups. The work of these individuals and groups is oftentimes downloadable or print-ready. In any case, you must respect the proprietary rights of those who have contributed and/or created the information that has been made available to you. Respecting the authors by using accurate and appropriate citations is essential to the protection and perpetuation of open-access intellectual property. You should also respect copyright.

Courteous and Professional Virtual Behaviour:

Courteous and professional virtual behaviour is rooted in the most basic rules that govern etiquette. When asking for information, use courteous language such as “please,” “I would appreciate” and “thank you.” Failure to apply these basic rules may give rise to dislike, disrespect, and uncooperative relationships.

Doing Your Part First:

The anonymity and potential loss of personal responsibility or obligation that can be pervasive in virtual forums places the burden of responsibility on the requesting or interested party. If you have not done your part, and contributed to the topic at hand, do not believe that you will be the recipient of free professional work. It is necessary that you demonstrate personal contributions, investment, and effort toward your goal. Seek advice, not cheap labor.

Virtual White Boards, Chat Rooms, and Bulletin Boards:

Avoid using jargon and include complete words in conjunction with abbreviations. Make sure that what you say is understandable to any viewer or audience. Monitor yourself - answer questions that others have posed only if your response will add value to the general body of knowledge. Do not respond with “contact me.” The virtual community represents a fluid body of knowledge and contributions. As such, it is not a place for foul or inappropriate language. Respect breeds respect.

Do not use bulletin boards, chat rooms and white boards for blatant advertising purposes. They are intended for networking and idea exchange. If another person makes a contribution that is noteworthy or of value to you, acknowledge the contribution.

Anonymity on the Web:

Virtual forums allow postings and contributions to be made anonymously. In many cases, individuals have valid and legitimate reasons to maintain their anonymity. However, one should never abuse the ability to contribute anonymously. Those who remain anonymous in order to treat others with disrespect and cynicism are not acting as socially responsible virtual community members. One should also remember that virtual forums are an excellent way to network with others. If one were to respond or act anonymously, the ability for others to contact or network with that individual is impossible.

Admit and Own your Personal Level of Internet Savvy:

Do not be ashamed to admit that you are a newcomer to the virtual arena. In this computer era, there remain a surprising number of people who lack computer skills and knowledge. Many people in the virtual arena are prone to behave and act like mentors. If you are a newcomer, utilize their offerings and remember to apply the rules of netiquette as you glean information and knowledge from them. Own your respective level of expertise - and you will be respected.

Strategy and Opportunity:

Much of the virtual community, especially chat rooms, and bulletin boards, are regulated by organizers who post guidelines and an explanation of purpose. By respecting and following these guidelines, your contributions will be more meaningful. As a meaningful contributor to the virtual community, you will establish worth in the eyes of the organizers. The establishment of business rapport in the virtual arena can result in business opportunities, services, and negotiations. Let your actions and contributions reflect your personal strategy and opportunities may be opened to you.

Maintaining a Professional Attitude:

Do not try to “grab” or pounce upon a business opportunity. If what is required by team members or clients exceeds your level of expertise or is outside the bounds of your working relationship, refer the enquirer to a peer or other source specializing in that area. Treat your peers with the same respect and consideration that you extend to customers. Behave with integrity and honesty. Do not substitute your best interests for

those of the customer. Maintain mutually respectful relations with peers and the entire virtual community. Speak well of others. Do not pretend to be what you are not. Remember that virtual communication and relations are almost instant - never respond or act hastily.

CHAPTER SUMMARY

Communication is vital for project teams and strong competence in communications is essential for the project leader. Project leaders must do much more than merely issue status updates or run team meetings. They must understand, work with and influence a range of stakeholders. They must apply their communications skills to, among others, resolving issues, motivating team members and building support for their project.

There are a range of communications media and information technologies available, each with their own characteristics and applicability to different situations. Communication may be classified into internal, external, formal or informal categories. A set of good practices, including how to give feedback, are detailed for effective communications. Meetings and presentations are among the most important forms of communication in which a PM routinely engages. A number of tips and techniques are offered for these. Two particularly challenging areas of communication are having ‘difficult conversations’ and ‘holding people accountable’. These are also covered with various tips and techniques.

Virtual teams have been defined as ‘groups of geographically, organizationally and/or time dispersed workers brought together by information technologies to accomplish one or more organization tasks’. Virtual leadership and working with virtual project teams is quite different from leading co-located teams. The ‘virtual distance index’ provides a useful framework for understanding and responding to the communications needs of virtual teams. Lojeski’s proposed ‘virtual distance leadership model’ emphasizes the competencies of bringing context, creating community and sharing leadership for the virtual setting. Again, several tips and techniques are offered to assist the PM in communicating with and leading the virtual project team.

ACTIVITIES

1. Review the following brief research report and associated case study about speaking up about issues and holding difficult conversations.

<http://tiny.cc/s3fh0w>

Discuss: What are the five crucial kinds of problems cited which can adversely affect projects without proper communication? What were the central issues in the case study? What approaches were implemented to overcome these? Are there any lessons for projects in your organization?

2. Review the case study of an international software development project using virtual teams.

<http://tiny.cc/r4fh0w>

Discuss: How was the project structured in terms of governance, distribution of staff, responsibilities, etc.? What were the central issues in operating as a virtual project team(s)? What approaches were implemented to overcome issues or to make the virtual team(s) more effective? Are there any lessons for projects in your organization?

3. Leadership discussion on Communication Advice – As a Project Manager you are also required to advise others on communication protocols and appropriate communication needs. What communication advice will you give for these situations?²⁴⁰

Scenario 1: A French Project Manager frequently had to give presentations to senior executives in his company.

Problem: His English was excellent, but because of his heavy French accent, he was often misunderstood. He used gestures that made him look wildly excited and distracted listeners from what he was saying. He spoke too fast and didn't leave pauses between his words, so that his English was very hard to understand. Furthermore, his presentations had many busy tables. His messages were confusing and unclear. His presentation had twelve to eighteen bullet points per slide instead of the six to eight that people can absorb. He relied on his PowerPoint to do the presentation for him instead of speaking freely and persuasively.

Scenario 2: A German Project Manager was unaware that she was making her team angry by giving the impression that she is more capable than the rest of the team. They saw her as self-aggrandizing and aggressive.

Problem: She was up for a promotion, but no one wanted to work with her. Because it was acceptable in her culture, she would simply tell her team, "You are wrong", with no further explanation or sugar-coating. She might also command, "I need this now and that means in 5 minutes... is everybody clear?" This, for her, was simply being direct in her instructions. It took her team too much effort to work with her even on normal days, and it was impossible to work with her when she was angry.

Scenario 3: Henry is managing a construction project, which also involves development of a consolidated reporting tool to support construction tracking.

Problem: His first meeting about the reporting tool with the project Steering Committee, consisting of various senior executives, did not go well. As part of the meeting, he presented business-level requirements and walked the executives through 80 pages of material. Henry could see that they were losing attention and glazing over within 30 minutes. He realized that this was not the right way to present the material.

4. Prepare a ‘Virtual Team Charter’ setting ground rules for virtual team interaction. An example of a brief virtual team charter is given in Exhibit 9.15 below.

<p>Team</p> <p>Canada: Amber Sinha US: Dave Collins England: Raman Boparai Taiwan: Min Shu India: Aman Kochher</p> <p>Communication Tools</p> <p>E-mail Teleconference Sharepoint Site</p> <p>Language of Communication</p> <p>English</p> <p>Team Mission:</p> <p>Accomplish project objectives in a timely manner, respecting team members and always earning the right to be the preferred supplier.</p> <p>Team Ground Rules:</p> <ul style="list-style-type: none">▪ Voice-mail – check daily and respond within 24 hours, except weekends and holidays▪ Respond to all e-mails within 48 hours▪ Post unavailability on the calendar and if unavailable for more than 18 hours, post ‘out of office’▪ Unavailability for meeting – Provide 24 hours notice to the Chair <p>Conflict Management:</p> <ul style="list-style-type: none">▪ Use phone, not e-mail <p>Problem Solving:</p> <ul style="list-style-type: none">▪ Issue Management, escalation

Exhibit 9.15: Sample Virtual Team Charter

TOOLS

1. An extensive set of templates for communications, such as for meeting agendas, minutes and communications plans, as well as other aspects of project management are available at:

<http://tiny.cc/m7fh0w>

2. An assessment tool regarding speaking up about issues and for team communications effectiveness [requires registration]:

<http://tiny.cc/38fh0w>

3. A brief review of collaboration and other tools for virtual teams:

<http://tiny.cc/jmhh0w>

4. A communication quiz, with interpretation:

<http://tiny.cc/79fh0w>

REVIEW QUESTIONS

1. To ensure a team member understands the work to be accomplished, the project manager may be more assured of the effectiveness of his or her communication by:
 - a. Checking for understanding and elaborating or clarifying where necessary
 - b. Restating the request and asking for a commitment
 - c. Restating the request and using active listening
 - d. Emphasizing the importance of the work and restating the request
2. Which of the following are considered active forms of communication?
 - a. Video-conferencing
 - b. Face-to-face meeting
 - c. An executive presentation
 - d. All of the above
3. In the communication process, “noise” is the term used to describe factors and forces inhibiting the exchange of information between two or more parties. Noise includes all of the following, except:
 - a. Others talking in the background
 - b. Unwanted music
 - c. Language

- d. Technical jargon
4. In the project environment, there are four general categories of communication: formal written, informal written, formal verbal and informal verbal. Of the following, the one that is not an example of formal written communication is a _____.
- a. Project charter
 - b. Project budget
 - c. Project management plan
 - d. Project engineer's notes
5. Communicating to a group in a meeting multiplies the potential for misunderstanding unless an appropriate structure is maintained. One major communication consideration in obtaining good understanding and commitment is that _____
- a. Objectives may not be realistic
 - b. Starting the meeting on time, even before all participants arrive, may mean that some people do not have all the information
 - c. Asking for additional comments on a subject only increases the amount of information to be processed
 - d. Silence on a matter does not indicate agreement or acceptance
6. You are appointed to manage a new project that has just received approval to start the planning phase. You are new to the organization and have inherited a project team previously selected by top management. The best method of initiating the communication process with the team and to establish expectations with the project team is to:
- a. Send a formal memorandum to each team member outlining the project objectives, the requirements of the team, and the time-frame for the work
 - b. Personally talk to each team member to determine what he would like to do on the project and how that can be accommodated
 - c. Call a briefing session to set forth management objectives and provide direction as to how those objectives are to be met
 - d. Call a kick-off meeting to present the objectives and open the floor for discussion on how to achieve the objectives
7. Project managers must write to a range of project stakeholders. The most important aspect of the project manager's correspondence is to ensure:
- a. The grammar is correct
 - b. The format is correct for the message
 - c. The message is clearly conveyed

- d. The delivery of the message takes place within 24 hours
8. The Virtual Distance Index is comprised of:
 - a. Operational, cultural and communication distance
 - b. Physical, operational and cultural distance
 - c. Physical, affinity and cultural distance
 - d. Physical, affinity and operational distance
9. Tim is a project manager who has performed very well. You, as his manager, would like to give him a pay raise. What is the best form of communication for this?
 - a. Face-to-face
 - b. A letter
 - c. Voicemail
 - d. E-mail
10. All of these are challenges in managing virtual teams, except:
 - a. Developing trust
 - b. Team members might not be technologically savvy
 - c. Global team members could be in different time zones, making synchronization of work and collaboration difficult
 - d. Having a flexible leadership style

KEY TERMS

- **Active communication methods** are those used to communicate in ‘the here and now’ (also known as synchronous communication)
- **Active listening** is the practice of patient, attentive listening to fully understand the other party’s thoughts and views
- **Communication model** describes the elements of sending and receiving messages, including the message itself, the sender, receiver, message encoding and decoding, the communication channel or medium, and noise
- **Decoding**, in relation to a message, means translation of a message back into thoughts or ideas by the receiver
- **Encoding**, in relation to a message, means translating thoughts or ideas by the sender into a form (e.g. words) that will be understood by a receiver
- **Formal communications** are those which are planned, prepared and delivered to a target audience. They must be accurate, clear and complete. A typical audience which

would warrant formal communication is a customer or an executive of the organization. It encompasses both written and verbal communications.

- **Gregorc's 'Mind Styles Model'** consists of four different learning styles. It is based on two axes: a 'perceptual space duality' dimension, which contrasts 'concrete' and 'abstract' characteristics; and an 'ordering duality' dimension, which contrasts 'sequential' and 'random' characteristics
- **Informal communications** are those which are substantially unplanned and more casual in nature. A typical audience which would warrant informal communication is a project team member or a PM peer. It encompasses both written and verbal communications.
- **Medium** is the method or communication channel used to convey the message
- **Message and feedback-message** are, respectively, what is transmitted and what is returned as a reply. Messages are encoded by the sender and decoded by the receiver.
- **Netiquette** describes the practices and protocols for good electronic communication behaviour, such as not using all capitals in e-mail messages (this is interpreted as yelling or anger)
- **Noise** is interferences with transmission of the message (e.g. other conversations in the background)
- **Non-verbal communication** encompasses gestures, body language, as well as vocal and facial expressions. It is often a stronger or more telling form of communication than verbal communication
- **Passive communication methods** are those which recipients can receive and respond to in their own time (also known as asynchronous communication)
- **Receiver** receives and decodes the message. He or she interprets the message and responds accordingly, assuming full understanding.
- **Sender** encodes and transmits the message. He or she is responsible for ensuring that the information is clear, accurate and complete so that the receiver fully understands the message.
- **Three-step rule** for presentations is: First, describe what your presentation is about, stating the purpose, agenda and desired outcomes. Second, deliver the presentation. Third, summarize and reinforce the key messages, and reiterate the original purpose and desired outcomes.
- **Virtual Distance Index** is a tool to assess the effective distance among the members of a virtual project team. It has three components: the physical, operational and affinity distance measures.
- **Virtual team** is a team whose members are separated by physical distance, organizationally and/or by time (see also Virtual Distance Index). This distance affects the leadership and functioning of the team. Such teams rely heavily on information,

communication and collaboration technologies to achieve project and organizational objectives.

ADDITIONAL RESOURCES

1. An Economist report on the digital company:
<http://tiny.cc/0qhh0w>
2. A report on communication and collaboration trends:
<http://tiny.cc/srh0w>
3. A report on cloud-based collaboration:
<http://tiny.cc/vshh0w>
4. A short article on cross-cultural communication:
<http://tiny.cc/vthh0w>
5. Top communications skills for project managers:
<http://tiny.cc/f1ih0w>
6. An article on communicating with executives:
<http://tiny.cc/r3ih0w>
7. Down, W. and Taylor, B. The Project Management Communications Bible. Wiley, 2008
8. A meeting planning and management primer:
<http://tiny.cc/nxhh0w>
9. A range of studies probing into relevant communications topics:
<http://tiny.cc/qzhh0w>
10. A diverse set of resources on communications, spanning webcasts, podcasts and articles, from the Canadian Management Centre [Requires registration]:
<http://tiny.cc/c0hh0w>
11. On the topics of understanding facial expressions and body language:
Ekman, P. Emotions Revealed. Emotions Revealed: Recognizing Faces and Feelings to Improve Communication and Emotional Life, Second Edition. Holt, 2007.
The author has done extensive research on the subject of reading faces. See also:
<http://tiny.cc/vfih0w>

12. Some good tips for e-mail productivity and to avoid the distractions of e-mail are provided by Xerox:
<http://tiny.cc/zeih0w>
13. Difficult Conversations: How to Discuss What Matters Most, Stone, D., Patton, B. and Heen, S. Penguin, 2010. This book explores what makes conversations difficult and why we try to avoid them. It also discusses various ways in which we can be more effective communicators.
14. A paper on virtual teams based on survey research, with two short case studies, by the Economist Intelligence Unit:
<http://tiny.cc/4dih0w>
15. Stephen Covey: Indian Talking Stick [video]
<http://tiny.cc/fdih0w>
16. Two articles on virtual distance:
<http://tiny.cc/zbih0w>
<http://tiny.cc/pcih0w>

REVIEW ANSWERS

1. A 2. D 3. C 4. D 5. D 6. D 7. C 8. D 9. A 10. D

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Part III -
LEADERSHIP AND
PROJECT
EXECUTION



Change Management

“There is nothing more difficult to take in hand, more perilous to conduct, or more uncertain in its success, than to take the lead in the introduction of a new order of things.”

—Machiavelli

LEARNING OBJECTIVES

- Define organizational change management, its relevance and why all projects are about change
- Discuss the range of responses to change
- Explore the journey of change adoption – the ‘Bad News’ and ‘Good News’ curves
- Understand the benefit of effective change management to organizational success and how it is complementary to project management
- Understand methodologies and essential techniques for change management, as well as the value of integrating project management and change management planning and expertise
- Recognize the importance of ‘change champions’ to support change initiatives
- Appreciate the PM leadership role of change agent
- Acquire knowledge of the key success factors for and obstacles to achieving meaningful change, and using this to better address and execute change
- Understand the applicability of different leadership styles in the context of bringing about different forms of organizational change



THE PSYCHOLOGY OF CHANGE MANAGEMENT – PROJECT SUCCESS DEPENDS ON CHANGE

All projects are about change and all change involves leadership. Every project, through its deliverables and even through its mere existence, introduces change. Managing change has become a major ingredient in successfully managing strategy, process, people and culture in most organizations. While many Project Managers intuitively ‘know’ what change management means, they often lack a full appreciation and more formal knowledge of what is required to lead change initiatives. Change management consists of the process, tools and techniques to manage the people side of change to achieve a required business outcome.¹ While change management can be defined in many different ways, the key elements will always tend to include the following responsibilities:

- Defining and instilling new values, attitudes, norms, and behaviours which support new ways of doing work in an organization, while overcoming resistance to change.
- Building consensus among the project client and other stakeholders on specific changes designed to better meet their needs.
- Planning, testing, and implementing all aspects of the transition from one organizational structure, business process or current state to another.
- Understanding the sentiments of the target population and working with them to promote efficient delivery of the change and support for its results.
- Helping individuals make successful personal transitions resulting in the adoption and realization of the change.
- Winning the hearts and minds of the target population to bring about changed behaviour and culture.

As Exhibit 10.1 highlights, introducing change in one area produces ripple effects in other, possibly quite distant areas. At its core, change management is about anticipating and preparing for the ripple effects that any significant change will have across the organization. Any project deliverables or accompanying changes which are not accepted and adopted by the sponsoring organization tend not to be sustained over time. The lack of attention to change management considerations can lead to lost investment.

While project management focuses on what is to be changed, change management focuses on how the solution is to be implemented in relation to the people and functions touched by it.

By addressing the human aspects of change, the likelihood of successful project implementation increases. Change management is a critical competence for project leaders and for effective project management. It serves as a counter-balance to project managers’ natural task- and deadline-driven focus.

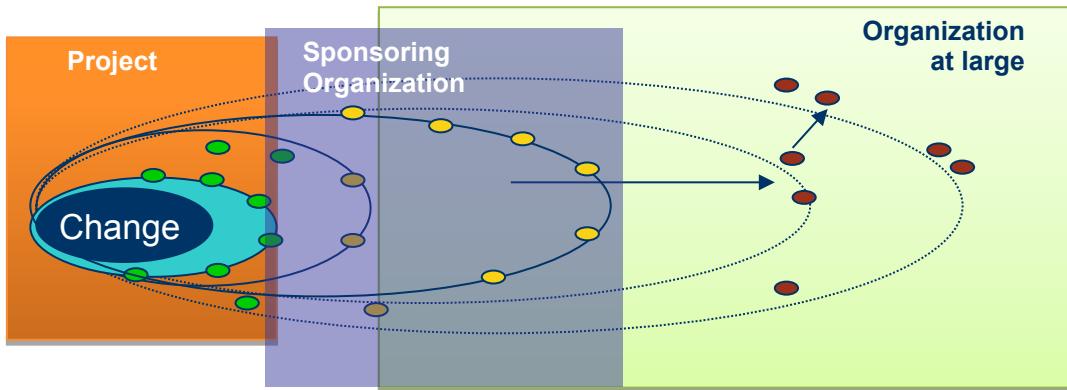


Exhibit 10.1: Change Management in Projects – Ripple Effects

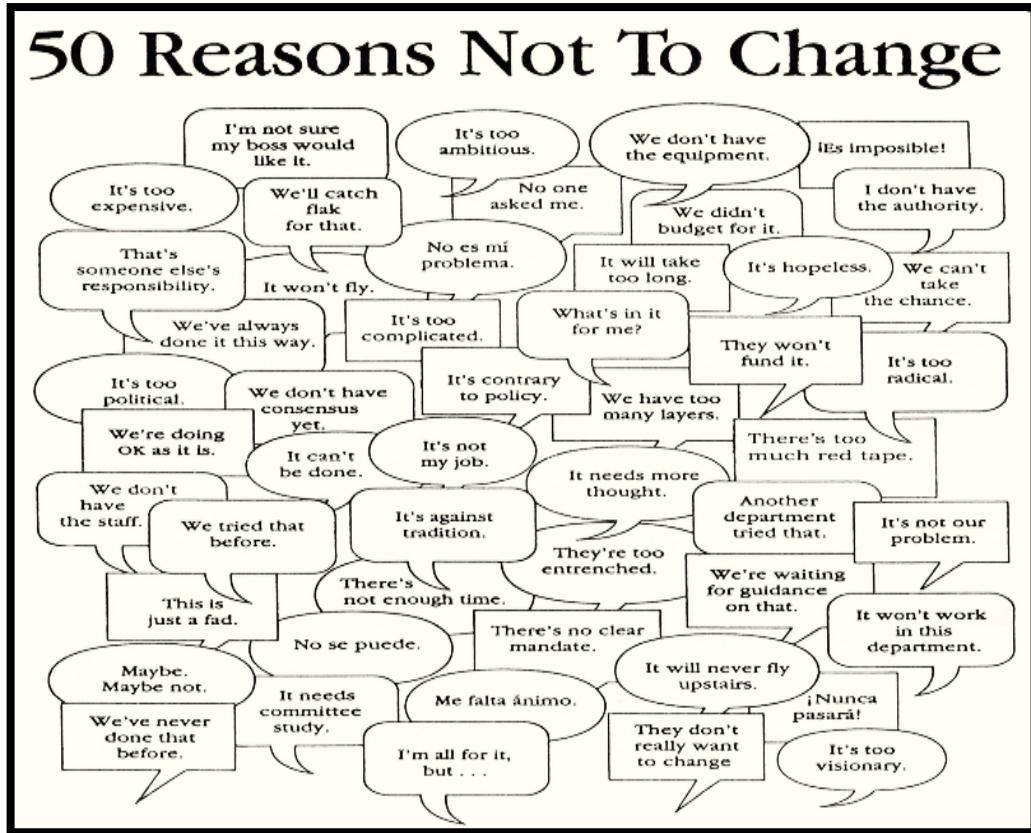
Managing change is an important discipline in today's ever-evolving business environment. The pace of change is ever-increasing with the ubiquity of the Internet and the advent of social media, cloud computing and other technological developments. In the face of these developments, as well as demographic trends, a shifting competitive landscape and globalization, remaining viable means that organizations must change in more substantial ways than ever before.

As organizations continue to change with increasing speed and regularity, professional change management is essential to an organization's survival and growth.

A growing number of projects involve quite significant change – how to make things better, faster, more efficient, more competitive, more on the leading edge and more profitable. Dealing with change is never easy, and managing it in a large corporate environment is even more challenging. Effective change management requires action at all levels in the organization. Change management is recognized more and more by executives as a discipline in its own right and, as such, a critical factor in project success. PMs must incorporate proven change management practices into their project management methodology as a further leadership task.

PEOPLE EMBRACE CHANGE DIFFERENTLY

Most people don't mind change; they just don't like to be changed – especially if they have had no say in the change! The more project leaders understand how change affects enterprises and individuals, under what circumstances people accept change readily as well as when and why they resist, the better they can navigate through the challenges. There are a range of typical reasons to not accept a change, as Exhibit 10.2 illustrates.

Exhibit 10.2: 50 Reasons Not to Change²

Many could be nervous about a coming change and some will openly resist it or even sabotage it. Change is often resisted simply due to poor communication – because people have not been given the chance to understand the reasons for and the benefits anticipated from the change. Many people will hide their negative feelings as it may be inappropriate to be openly critical of management's new ideas, but they may still resist, whether consciously or subconsciously. Some will accept the change once they hear about and absorb the rationale; others may appear to be happy with the new way until they begin to feel the pressure and immediacy of the change, at which point they may react negatively. At the same time, there will be a number of individuals who will respond positively to the change and even cheer for it. The less people are vested in the current way of doing things, the more likely they are to be open to and accept the change.

If not managed well, change can attack the sense of self-worth of the individuals affected, their belief in their competence, their relationships with colleagues and certainly their motivation. For instance, a project's main deliverable could be to implement a new payroll information system that will significantly change or even eliminate the role of a payroll

administrator. The payroll administrator, who has been doing their work competently in the department for the last decade, will likely wonder what their value is to their organization after so many years. A PM must be aware of such possible reactions, and remember that openness to change is affected not only by an organization's culture, but also by the particular situation and the personal characteristics of those affected. As Exhibit 10.3 elaborates, some individuals are eager for change, while at the other end of the spectrum others prefer that things remain as they are. This follows the model proposed for innovation diffusion by Rogers, albeit with some differences in terminology.³

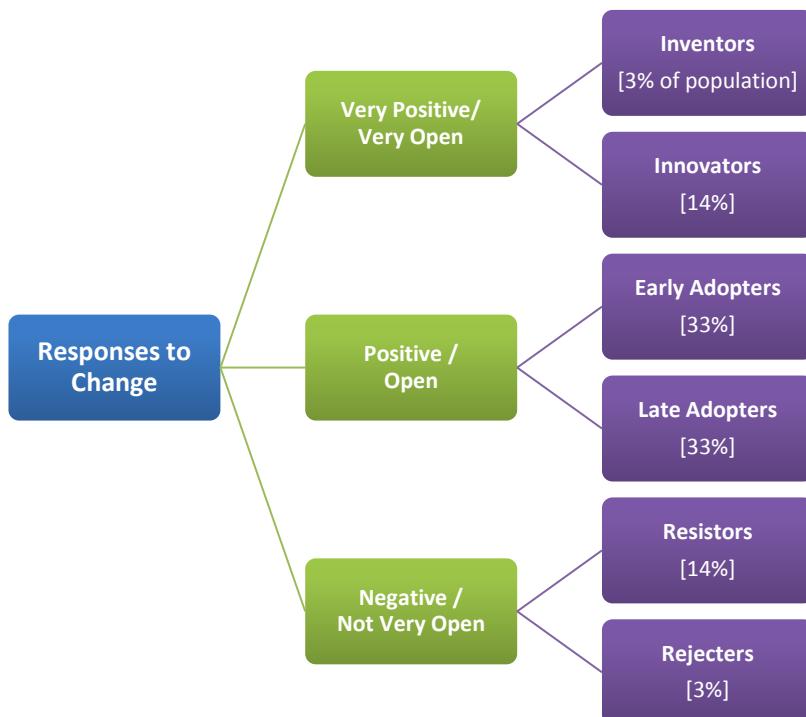


Exhibit 10.3: People Embrace Change Differently⁴

Inventors and Innovators are interested in anything new, which they will quickly adopt, especially if it gives them recognition and respect from other innovators. They are more willing to take risks than those in the other categories and are willing to accept that what they have adopted could be a failure. They are likely to be younger, also. ‘Techies’ would be a typical such group, willing to purchase the latest gadgets due more to the novelty of the item than because of any particular use they might have for it.

Early Adopters, on the other hand, are more concerned with the material advantage that they gain from using a new product or service. Often, ‘social leaders’ are Early Adopters, since part of what they gain from their positive response to change is a demonstration of independence of thought and action – ahead of the larger group. They appreciate that the

right choices will keep them in a position of influence. They pay close attention to the Inventors and Innovators, let them test the waters and then jump in. The Inventors, Innovators and even Early Adopters will comfortably accommodate almost any degree of change. For them, change is largely positive.

100% adoption of change is usually unattainable but successful PMs, using change management approaches, are able to maximize the level of adoption.

Late Adopters might privately envy the Early Adopters, but their social or business positions and their personal characteristics limit them in adopting changes. They tend to be slower to act and are somewhat more skeptical regarding the value of the change. Although they will accept and adopt eventually, they seek a greater degree and longer-lasting demonstration of the benefits of the change before embracing it. They are willing to take much less risk and do not want to be disappointed by their decision. They will probably require more persuasion from management. Pushing for faster adoption is unlikely to generate any movement with them.

Lastly, the Resistors and Rejecters will not be very open to change, and will passively or actively resist it until the bitter end, with the latter group being particularly negative. They may migrate toward accepting the initiative at a subsequent point, once they see their peers working happily in the new environment, appreciating the benefits more or finding that their worries were unfounded. Some will never accept the new way or item, regardless of the experience of others. Converted Resistors can make for powerful role models, as they show that anyone can understand and adopt the change.

Regardless of their personal openness to change, everyone will have a change journey to undertake.

Instead of spending disproportionate effort addressing the objections of strongly negative voices, many organizations tend to leave Resistors and Rejecters to their own devices. Other organizations might ignore them, isolate them, appease them with a distraction or manage them out of the enterprise. Though their numbers are relatively smaller, it is important to be mindful that, depending on their position or respect in the organization, certain Resistors and Rejecters can have significant sway.

For some, the journey will be slower and may never reach the intended destination; for others, it will be quite a quick journey. The journey could also be different based on the specific nature or impact of the change, personal characteristics or the overall situation. The change could represent ‘Bad News’ or ‘Good News’, with different reactions, as shown in Exhibits 10.4 and 10.5.⁵

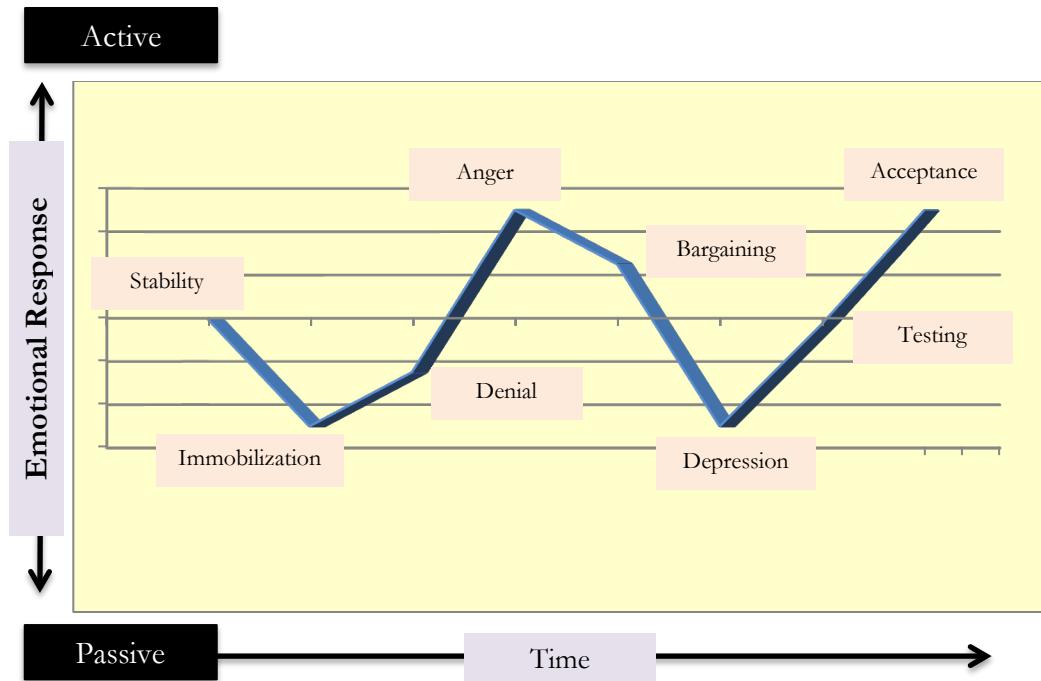


Exhibit 10.4: Impact of Change – Bad News Curve⁶

Clearly, there can be much oscillation between lack of engagement and a high level of engagement, with different emotions being experienced along the way.

The most common response to impending change is a negative response, with the change being viewed as bad or threatening. Psychologists have researched reactions related to 'bad news' and found a common emotional response. Habits are a normal and useful part of everyone's life, but they are often counterproductive when dealing with change. Change may be perceived to be upsetting for these habits and thus as something negative – something that could lead to instability, disruption, immobilization, insecurity and even denial. The person may become paralyzed by the situation. In the denial stage, those affected may ignore the change that is happening or fight the change and attempt to protect the status quo. This can lead to frustration and anger when affected participants realize that they cannot avoid the change. In turn, they could shift into negotiation and bargaining in an attempt to save whatever can possibly be salvaged. Depending on the intensity and longevity of the change, this stage may even lead individuals into depression. This depression may also stem from being unable to incorporate at least some of the old into the new world. Following this stage is testing, where new ways are explored and old barriers are gradually removed. The new solution is finally accepted in the last stage of change. The acceptance stage may also be accompanied by delight for those affected if it is realized that the change will actually create an improved future.

The change may, however, lead to an entirely different emotional curve. In the ‘Good News’ curve, the risk is that those affected will be initially enthusiastic about the change but then become disappointed by the reality or the effort actually required to achieve it.

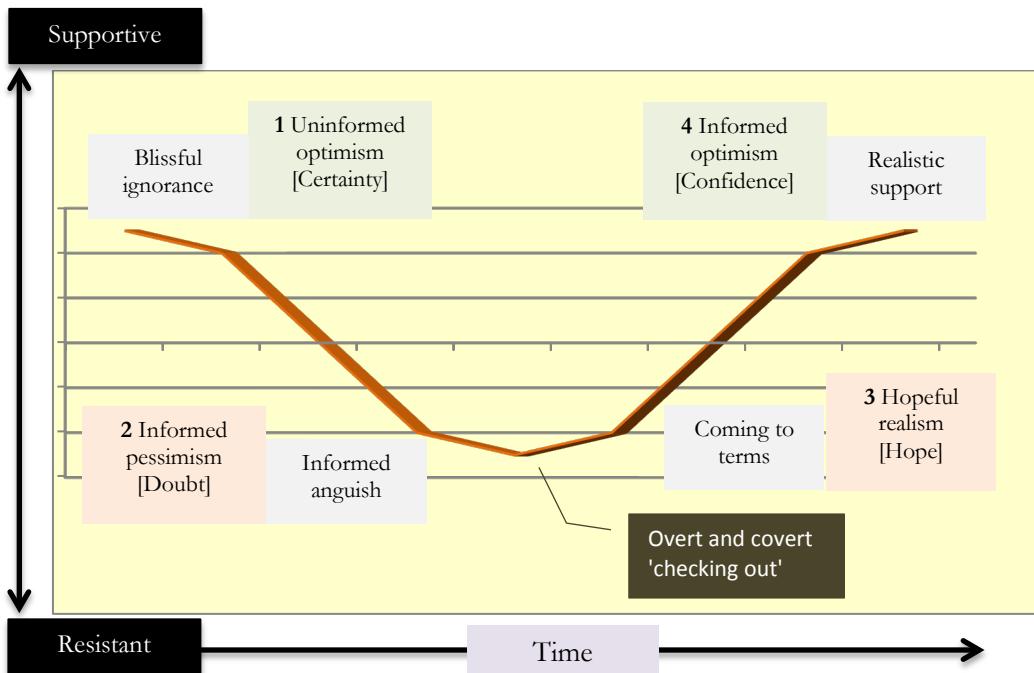


Exhibit 10.5: Impact of Change – Good News Curve⁷

This reality will generate pessimism and could lead to ‘checking out’ or becoming disengaged. The disengagement may be overt (visible or expressed) or covert (hidden or unexpressed). As the project continues, and more communication about the change takes place, a more appropriate assessment of what is involved for stakeholders takes root. Eventually, once project participants come to terms with the situation and its implications, they are able to move to a more optimistic and supportive stage. In some ways, this change curve is an inversion of the ‘Bad News’ curve, starting out well, progressing through a trench of resistance, and over time, climbing out of the trough to an informed and stronger form of support.

Different stakeholders and individuals within stakeholder groups will travel through one or the other change curve, and may travel through the respective curve in a different manner. This will be partly situational. Smaller changes having few or no major implications will likely flatten the curves; the troughs will be quite shallow and short in duration. More significant changes, with major implications, will probably exaggerate the curves. In such cases, the troughs will be deeper, longer in duration, possibly a repetitive occurrence and at risk of being a barrier to progressing toward support. Good change preparation and effective communication will also tend to decrease the size of the troughs.

Unfortunately, many change programs rely too much on logic – explaining goals and objectives – as opposed to addressing the people side of change management.

Part of the art of leadership in change management is to understand what journey you want which participant to take, as it is not likely to be the same for everyone. It is important to assess what their views and possible responses to the change may be, and use that knowledge to guide participants in an appropriate direction. Changing established habits, practices and processes is not easy. Success in many projects depends on persuading hundreds or even thousands of individuals to change the way they work. People will accept this transformation only if they are encouraged to think differently or motivated to adapt.

It is also worth noting that there can be different views of the change experience within the same organization or for the same project. The experience from the executive point of view could be very different from what is seen by the employees actually going through the change, as Exhibit 10.6 suggests. Executives may feel that the structured methodology used in the organization makes them competent at change. Conversely, employees might feel that the organization does not understand the impact the project has on the ground and does not know how to manage significant changes: communication is lacking, there is no training and it is unclear what the benefits are meant to be. Similar variations in perspective may arise between different departments, between investors and employees, or between management and unions. Any of these situations can lead to an ‘us versus them’ mentality, rather than a unified approach and commitment to an important initiative.



Exhibit 10.6: Executives and Employees May View Change or Change Capabilities Differently

The following organization snapshot describes a major enterprise which developed change management competencies and instilled the willingness to change into its corporate culture.

ORGANIZATION SNAPSHOT: CN RAIL



Canadian national railway company enabling a service-led railway with SAP ERP⁸

CN⁹ Quick Facts

- Industry - Transportation and logistics
- Revenue - CAD 7.7 billion (US\$7.3 billion) in 2006
- Employees - 22,250

- Location - Montreal, Canada
- Web Site - www.cn.ca

“My vision is to make CN not just the best-performing railroad in North America but the continent’s best performing transportation company.”

- E. Hunter Harrison, President and CEO, Canadian National Railway Company

Established in 1832, Canadian National Railway Company (CN) is one of the oldest freight railroads in the world and a leader in the North American rail industry with a network that spans Canada, mid-America, and Mexico. CN provides shippers with unmatched transportation options and greater reach in the rapidly expanding market for north-south trade. CN has the lowest operating ratio (operating expenses as a percentage of revenue) in the industry.

Canadian National Railway Company’s five driving principles are:

- Service
- Cost control
- Asset utilization
- Safety
- People

“Something at CN is different – there is a willingness to change that sets us apart from other railroads. That willingness to change is what will take us to the next level.”

- Claude Mongeau, Executive Vice-President and Chief Financial Officer, Canadian National Railway Company

Over the years, Canadian National Railway Company (CN) has worked to create an extensive railway network and a culture that encourages change to make the most of its opportunities. Many new opportunities were created when senior management changed the framework of operations from the railway principle of scheduling trains to a more customer-focused strategy. Now, CN emphasizes improving transit reliability through more effective scheduling of shipments,

rather than just scheduling trains. This cultural shift created opportunities in the following areas:

Solidifying the Focus on Customers and Profitability – To scale for strong and efficient growth, CN reoriented its railroad culture toward one of generating profits through efficient asset management and superior customer service

Creating a Culture of Agility and Innovation – Faster growth required CN to emphasize flexibility, agility, and innovation. The transformation moved the company toward precision railroading, with precise scheduling and execution of service for customer shipments

Merging the Organizations and Systems of Four Railroads – The CN merger with Illinois Central (January 2001), Wisconsin Central (June 2003), Great Lakes Transportation (January 2005), and British Columbia Rail (April 2005) expanded CN's rail services throughout North America. But the mergers also added IT systems whose data was necessary for decision-making and required integration.

Increasing the Flexibility of Enterprise Systems – CN's legacy applications and architecture did not support the flexibility and global access required by North American and overseas business growth

Improving Analytics for Financial Management, Asset Productivity, and Operational Efficiency – To analyze and improve process effectiveness and asset utilization, CN management needed better information – not just data but flexible analytical tools to ensure the right assets are in the right place at the right time.

Increasing the Efficiency of IT Assets – CN's software, hardware, and network license and maintenance fees continued to climb. Succession issues with the mainframe computer environments put pressure on costs.

Managing a Diverse Workforce – CN's 22,250 employees are widely dispersed across North America, many working in the field far from offices and connectivity. Information sharing with all employees is critical to business success.

Adequately Dealing with Regulatory Reporting – As CN's railroad footprint expanded, so did the amount and complexity of compliance with the reporting requirements of numerous regulatory agencies. CN management must access the right data and information to accurately satisfy these requirements.

“The ‘precision railroad’ creates an environment where the only question is, ‘Can I do better?’”

- Claude Mongeau, Executive Vice-President and Chief Financial Officer,
Canadian National Railway Company

Change Management Best Practices

- **Implementing Step by Step** – CN worked with SAP and the system integrators in a step-by-step fashion, focusing on enterprise asset management, starting with core administration and business applications. The teams developed a plan based on four distinct phases beginning in 1999 and ending in 2006.
- **Senior Management Sponsorship** – CN executives actively participated in the steering committee and its weekly or monthly meetings, led by the CFO, during each of the phases. The committee was accessible, decisive, and ensured alignment with the company’s objectives. The executives also drove support for the project throughout the organization.

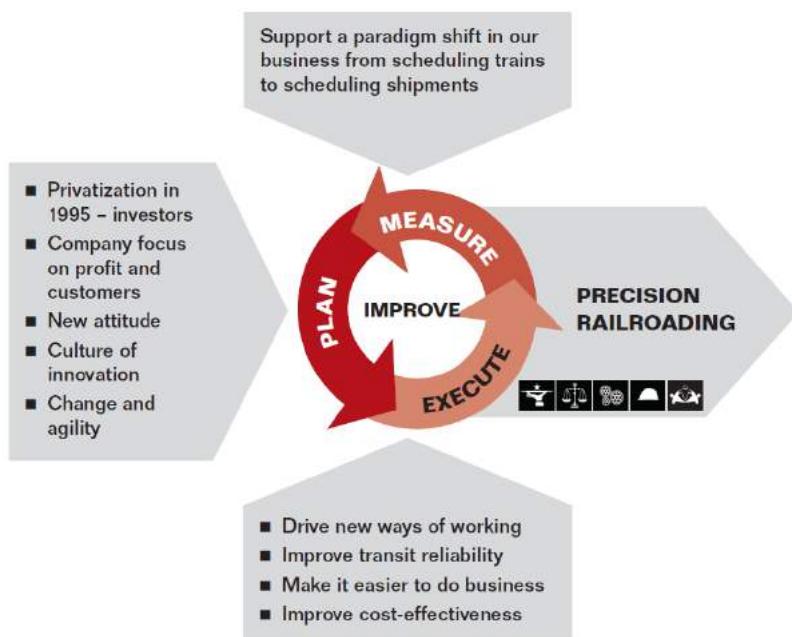


Exhibit 10.7: CN Precision Railroading

- **Business Ownership** – CN dedicated some of its most talented railway people to leading the program. They were charged with maintaining a full-time focus on ensuring the project’s success and developing a solution that met the business requirements.
- **Dedication to Hands-On Project Management** – The various project teams overseeing each of the initiatives were structured to ensure results. Through each of the phases of the SAP implementation, the teams built on the

success of one another and transferred knowledge of implementation best practices.

- **Leveraging a Proven Methodology for Change Management** – CN senior management developed its own approach to change management. Project teams ensured business benefits were achieved by preparing the business – and its employees – to accept, leverage, and own the initiative. The project team enabled this methodology as a key aspect of the implementation for each of its solutions.
- **Careful Partner Selection and Management** – Senior executives carefully managed relationships with the implementation partners: Accenture, BearingPoint, and SAP Consulting. The implementation partners integrated their knowledge and methodologies with CN's culture. They also agreed to abide by creative partnership agreements, which relied on performance-based incentives to hold the line on costs, increase efficiencies, and guarantee business based results.
- **Realize Business Benefits Quickly** – CN prioritized project opportunities based on business value, size, and time to deliver. Project releases were scoped into 12-month cycles and staggered to level the workload and to realize an ongoing stream of benefits.
- **Plan for New Technologies Early** – The lead time on new technologies is often the critical path to solution delivery – both in the technical landscape to support the development team and with the deployment of field technology to end users. Technology acquisition and deployment were begun early on in the project.
- **People First** – CN senior management understood the importance of changing the organizational mind-set to ensure user acceptance of the new platform. The CN approach to change management used a structured, proven methodology to manage the people side of projects.
- **Strong Project Leadership** – The project leaders were business leaders in their respective areas. They were teamed up with IT and partner experts. These leaders were chosen to be the future process owners. CN was acutely aware of just how painful it was to move them off their jobs onto the project.
- **Rigorous Scope Management** – To minimize costly customization, CN senior management required business users to present a business case for any modification. As a result, the few modifications that were allowed added real business value.
- **In-House Skill Building and Knowledge Transfer** – One key aspect of delivering a successful project is the training and support of project teams and end users. CN set specific targets of knowledge transfer of new functionality to decrease dependency on third-party consultants.
- **Business process transformation** – Despite the enormity of the process transformation, CN began to see real business returns as early as 2001. By the end of 2002, the annual tally of business benefits was as much as four

times the software investment. In 2006 alone, CN's profits rose 34% to \$2 billion, market capitalization climbed to \$27 billion, and CN generated \$1.3 billion in free cash flow. Its 61% operating ratio compared favorably to the 83% average of its main competitors. CN has achieved significant benefits through continuous improvement over the course.

The company generates annual benefits in the areas of technology, procurement, asset maintenance, and employee productivity. It has become the largest scheduling railway in the world, and it has maintained that position. Among the most important benefits are the following:

- Over \$400 million in hard benefits on a \$200 million investment
- \$84 million in one-time inventory and financial savings
- Over \$100 million savings per year in asset, procurement, labor, and technology

AREA	October 1999 PHASE 1	January 2001 PHASE 2	April 2002 PHASE 3	2003-2006 PHASE 4
Supply Management	Warehouse inventory Requisitioning Bar coding Purchasing	Intranet requisitioning Field inventory	Procurement cards Travel expenses Rail production shop Inventory optimization	End-user invoice entry Fuel management system
Finance	General ledger Financial reporting Accounts payable	Projects system Asset accounting Recoverable billing	Business warehouse Financials Budget planning	Budget planning Functional location integration Payroll consolidations Real estate
Human Resources	CN management Employee information Compensation and succession Time and gross payroll	U.S. payroll rollout to all unionized employees Time reporting	Employee qualifications Employee self-service Net payroll Canadian and U.S. benefits	Voice and time interface Compensation management Pension and benefit integration Employee performance
Safety and Risk Management	INTEGRATIONS		Employee health and safety Incident and accident log Canadian medical solution	Law pack replacement Police optimization U.S. medical solution
Mechanical	Illinois Central – 2001 Wisconsin Central – 2003 Great Lakes Transportation – 2005 British Columbia Rail – 2005		Mobile assets (locomotives and railcars) Work equipment shops Main shops	Facility maintenance Locomotive optimization Wheel wear management Archiving
Engineering			Network assets Signal equipment management	Bridge condition system Bridge management

Exhibit 10.8: CN Step by Step Implementation

Improved Management of Financial, Material, Human, Mechanical, and Engineering Assets

A key to CN's continuing successful performance has been the improved management of key financial, material, human, mechanical, and engineering

assets. Precision railroading demands smoothly functioning processes that flawlessly manage the basic assets of the corporation.

The integrated network of SAP and legacy applications provides the foundation for CN's transformation to a culture of innovation and adaptability. Rather than losing the data and insights from legacy applications, SAP has enhanced their functionality and integrated the data to the benefit of the entire CN network.

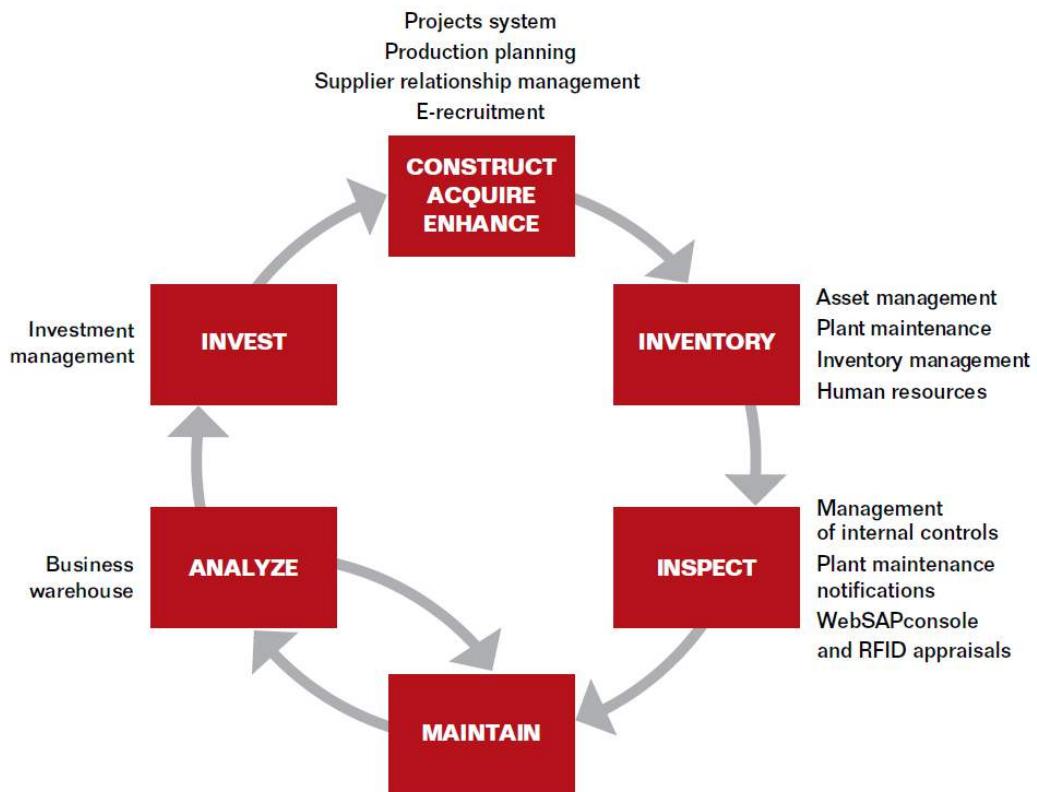


Exhibit 10.9: CN Business Process Transformation

MANAGING CHANGE EXECUTION – THE HARD SIDE OF CHANGE MANAGEMENT

Project leaders must be attentive to both the ‘soft’ and ‘hard’ side of change management. The hard side includes the use of a structured change management approach and tools; this constitutes one of the top success factors for achieving business results on change projects.¹⁰ Without a structured approach, including preparation and planning, there may not be any opportunity to employ the soft side of change management.

Focusing on the soft issues, such as culture, leadership and motivation is not enough. These are important for success but managing these aspects alone is not sufficient to lead change management projects.

A structured change management approach moves organizations away from merely reacting to change or addressing resistance to change in an ad hoc manner, to having a solid framework for engaging and mobilizing affected staff. Research from Prosci shows continued growth in the use of change management methodologies, reaching just over 70% of organizations in their latest study.¹¹ Organizations which used a methodology experienced more ‘good’ or ‘excellent’ results than those which did not; conversely, organizations which did not use a methodology experienced more ‘poor’ or ‘fair’ results than those which did.¹²

There are a large number of change management methodologies available. Typically, they include recommended processes, tools and templates for planning the change management project. Most also include a change readiness checklist, to help assess the readiness of those affected, the project and the broader organization to undertake the change.¹³



Methodologies that are easy to use and easy to explain are very beneficial. Just like the PMBOK emphasis on the planning stage of the project life-cycle to appropriately prepare for the project, change management methodologies focus to a large extent on proper planning. The principles and techniques may be applied to a wide range of change management initiatives, from launching a new performance management system to implementing a new technology.¹⁴ A well-known methodology from Kotter is outlined in Exhibit 10.10 below.

KOTTER'S EIGHT-STEP CHANGE MANAGEMENT MODEL

John Kotter described a model¹⁵ for understanding and managing change. According to him, a general lesson learned from successful cases of organizational change is that the change process must progress through a number of phases, over a period of time. Skipping steps will create the illusion of speed, but may not produce satisfactory results. Making mistakes in any of the phases will slow the momentum and negate gains.



Exhibit 10.10: Kotter's Eight-Step Change Management Model¹⁶

Each step identified by Kotter corresponds to a key principle relating to people's response and approach to change. Kotter's eight-step change model can be summarized as follows:¹⁷

1. **Establish a sense of urgency** – The first step calls for inspiring people to move, making objectives real and relevant. The threat of losing ground in some way, or describing the serious consequences of a 'burning platform' in the absence of a decisive response, sparks people into action. In turn, they will communicate a sense of urgency to colleagues and others. Kotter suggests that the urgency level is high enough when 75% of the leadership is convinced that business as usual is no longer an acceptable plan.
2. **Create the guiding coalition** – The second step is about bringing together the right people, with the right emotional commitment, as well as the right mix of skills to guide the initiative. A change initiative may begin in a very small way, with only one or two people. This guiding team's sense of what is needed, feeling of urgency and reading of the organization's current state is crucial. Key leaders should be involved in this beginning coalition.

3. **Develop the change vision** – The third step is about establishing a simple vision and strategy to give the effort focus. A vision of the future that is clear, easily communicated and holds appeal for staff, clients and other stakeholders will better support a successful transformation. It should be sufficiently understandable, brief and compelling so that anyone will quickly understand it.
4. **Communicate the vision for buy-in** – The fourth step, which is closely related to the previous one, is communicating the newly-developed vision to build acceptance and commitment to the initiative. As many people as possible should be engaged in these communications. Again simple, direct messages which communicate the essentials are best. Kotter suggests that whatever the initial estimate of necessary communication effort, it should be multiplied by ten. A variety of communication media should be exploited and every opportunity available should be used to reinforce key messages.
5. **Empower broad-based action** – The fifth step emphasizes empowering those affected to participate appropriately. This means that the executive team must work at removing obstacles, allowing for constructive feedback and providing extensive support. Progress needs to be recognized and rewarded. There must be a sufficient budget and other resources in place to ensure that the initiative can actually move forward.
6. **Generate short-term wins** – The intent of the sixth step is to build momentum for the change. Breaking down major, longer-duration phases of work into smaller, achievable and shorter-duration milestones helps to demonstrate progress to everyone. Producing quick wins will keep morale up, help to sustain the urgency and maintain a high level of energy.
7. **Never let up** – In the seventh step, improvements are consolidated and the momentum for change is reinforced. It should be recognized that implementing change requires a great deal of persistence, both in the leadership driving the change as well as from staff and other stakeholders. Such determination should be encouraged. Any substantial change initiative is more a marathon than a sprint. Continued diligence, progress reporting and celebration of successes along the way are important to consolidating the various elements of the change. Kotter cautions to be careful about declaring victory prematurely, since it can destroy momentum. Also, it takes time for changes to fully take root, for the old way of doing things to be discarded and for the new way to be fully adopted. In many cases, especially when cultural transformation is involved, this journey can take years.
8. **Incorporate changes into the culture** – The objective of the last step is to make the change sustainable and institutionalize the new approaches. Weaving the new way of doing things into the organization’s culture helps to make the change more permanent and second-nature (sometimes also called ‘sticky’).

Exhibit 10.11: Kotter's Change Management Model – Steps and Key Considerations¹⁸

There are two factors that are key for institutionalizing new changes:

- A deliberate attempt to demonstrate how the new approaches, behaviours and attitudes helped advance the organization; and,
- Ensuring that the next generation of leaders is committed to the changes and will carry out and promote them.

The above 8 steps may be viewed as grouped into three major phases as follows (see Exhibit 10.10):

- **Creating a climate for change** – This phase is primarily concerned with defining the change required, providing a compelling rationale and mobilization. Steps 1, 2 and 3 would paint a picture of the “burning platform”, communicating a sense of urgency and a shared vision for the future. Gaining the commitment of senior management is particularly important here.
- **Engaging and enabling the whole organization** – Steps 4, 5 and 6 deal with moving the whole organization toward the new reality, further communicating the vision and empowering action. The process of generating short-term wins along the way helps the entire organization feel a sense of progress, visualize the end-point and maintain the momentum for change.
- **Implementing and sustaining change** – Steps 7 and 8 focus on pushing the change forward and a determination to achieve sustainability. The change will need to be woven into the culture of the organization.

These three phases are similar to those found in Lewin’s change management model, which is described below. Exhibit 10.11 further details Kotter’s 8 steps (with some variations in the naming of the steps). Each step is accompanied by a set of key considerations or questions to be asked, which should be very useful for the project leader toward engaging in the change management process.

LEWIN’S CHANGE MANAGEMENT MODEL

Another change management model was proposed by Kurt Lewin. He suggested that change requires three stages:

1. Unfreezing the organization
2. Implementing the change
3. Refreezing the organization.

As Exhibit 10.12¹⁹ illustrates, Lewin’s and Kotter’s models are similar in concept and design.

The first stage, ‘unfreezing’, involves convincing those affected by the change that it is indeed necessary. Once the affected stakeholders have accepted the need for change, the next stage of Lewin’s model is to implement it. This is followed by the final stage, ‘refreezing’: acting to reinforce and support the change so that it becomes a permanent, new way of operating.

Steps 1 through 4 of Kotter’s model involve a ‘softening’ of the hardened status quo, matching the ‘unfreezing’ stage of Lewin’s change management model. Steps 5 through 7 are equivalent to Lewin’s ‘implement the change’ stage, involving the introduction of new practices and consolidating the changes. These then need to be integrated into the organizational culture and made sustainable during Step 8, or the ‘refreezing stage’ of Lewin’s model.

Lewin Model	Kotter Model
Unfreeze	Establish a sense of urgency Create the guiding coalition Develop the change vision Communicate the vision for buy-in
Implement the change	Empower broad-based action Generate short-term wins Never let up
Refreeze	Incorporate changes into the culture

Exhibit 10.12: The Kotter and Lewin Change Management Models Compared

CHANGE MANAGEMENT– BEFORE, DURING AND AFTER CHANGE

Taken together and simplified, the Kotter, Lewin, Prosci²⁰ and various other change management methodologies share a three-phase approach. The phases are depicted in Exhibit 10.13 and used to bring to the fore several additional points:

1. **Before Change** – The objective of the first phase of this methodology is to get ready. The project leader, the change manager (if there is one) and others involved in leading the initiative should assess the intent, scope and benefits of the change, the resources required and the organization’s general readiness.



Exhibit 10.13: A Simplified Change Management Methodology

There may be value in reviewing lessons from similar initiatives in the past. Based on the organizational goals, anticipated issues and other considerations, a change management plan should be developed. The plan should be integrated with the overall project plan. The output of this phase should be a detailed change management plan, comprised of the following:

- Communication plan
- Stakeholder analysis, sponsorship map and engagement plan
- Training plan
- Coaching plan
- Resistance management plan

A stakeholder analysis template, tailored for use in change management, is illustrated in Exhibit 10.14. It consists of two dimensions of analysis:

- The level of ‘support for change’ attributed to the given stakeholder, assessed on a spectrum from ‘against’ to ‘supporter’;
- The ‘impact on change’ they might exert, assessed on a spectrum from ‘low’ to ‘high’.

For instance, a strong supporter who can also have a high impact on the change, potentially a ‘change champion’, would be located in the top right square. Such a stakeholder should get a great deal of attention from the project team. This template augments the tools and approaches described in Chapter 8 for stakeholder analysis and preparing a stakeholder engagement plan by explicitly considering the change management-related aspects of stakeholder characteristics.

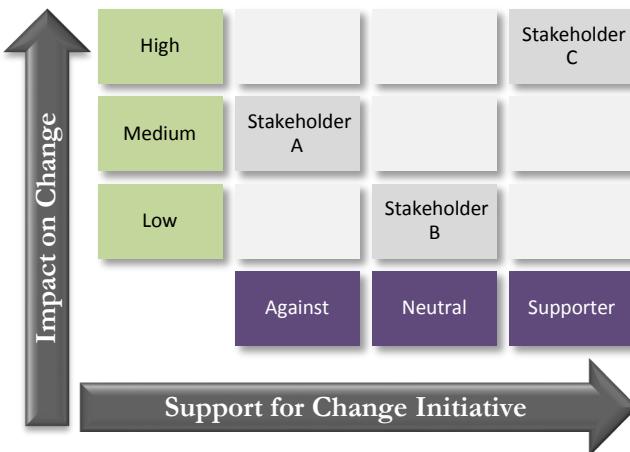


Exhibit 10.14: Stakeholder Analysis Template for Change Management

A particularly important element of this phase of work is the resistance management plan, which would capture information about expected points of resistance, their possible causes, and ways of addressing the resistance.

The resistance management plan helps highlight the issues and barriers, who is on board and who is not, and the reasons behind these positions.

For example, certain stakeholders do not understand the goals or the benefits of the project and so are unwilling to support it. The communications, training and coaching plans are at least partly informed by the resistance analysis.

Stakeholder Assessment Before Change				
Stakeholder	Stake in the project	What do we need from them?	Perceived attitudes/ risks	Risk if they are not engaged
Registrar	<ul style="list-style-type: none"> ▪ Policy and process owner who determines institutional administrative policy and procedures 	<ul style="list-style-type: none"> ▪ Experienced staff to be involved in user group and user acceptance testing ▪ Commitment to implement change 	<ul style="list-style-type: none"> ▪ Lack of clarity about preferred approach ▪ Views project team as too technically oriented 	<ul style="list-style-type: none"> ▪ Could close down the project ▪ Could create significant uncontrolled scope change
Faculty Managers	<ul style="list-style-type: none"> ▪ Manages school admin staff who will operate the new system at local level and academic staff who will directly extract data 	<ul style="list-style-type: none"> ▪ Commitment to implement change 	<ul style="list-style-type: none"> ▪ Lack of interest in project 	<ul style="list-style-type: none"> ▪ Could create significant barriers to business adoption of project outcomes
Admin Staff	<ul style="list-style-type: none"> ▪ Will operate new system 	<ul style="list-style-type: none"> ▪ Contribute to system and process design and testing 	<ul style="list-style-type: none"> ▪ Concern about increased workload 	<ul style="list-style-type: none"> ▪ Could become blockers to effective use of new system

Desired Level of Stakeholder Engagement								
Stakeholder	Impact	Importance	Allegiance	--	-	▲	+	++
Registrar	High	High	Supported				😊	➡
Faculty Managers	Medium	Some	Indifferent				☺	➡
Admin Staff	High	None	Opponent	😊	➡			

Exhibit 10.15: Example of Moving Stakeholders to an Appropriate Level of Engagement²¹

Exhibit 10.15 is an example drawn from a project involving change management at an academic institution. It combines ‘Stakeholder Assessment’ with corresponding plans developed to move each one to the right level of engagement. It documents the stake each group or individual has in the project, what the project needs from them, their perceptions of or attitudes towards the project, and the risk if they are not engaged. The emoticons in the next table, ‘Desired Level of Stakeholder Engagement’, show where the stakeholder is currently assessed to be and the arrows indicate the desired shift. The analysis and plans from this phase will feed the execution work in the next phase.

Thorough planning is essential to minimize risks and to ensure a high likelihood of success in any project – and certainly in ones involving complex or large-scale change.

2. **During Change** – The second phase of this methodology is focused on executing and managing the change, ideally according to an integrated project and change management plan. As execution proceeds and feedback is obtained, modifications to the plan may prove necessary. Various stakeholders should be appropriately engaged and there should be a suitable level of attention being paid to each, guided by the engagement planning work done during preparations. This includes special attention for ‘change champions’ who may have been recruited, supporting the project in various departments or at different levels of the organization. Guided by the communications plan, regular communications and reporting should be in place to ensure everyone understands the change and the benefits to come. As part of project meetings, PMs should be alert to shifting dynamics across the project team, alterations in the organization’s perspective about the change and communications from the top.

It is during this phase that those affected by the change are confronted with reconfigured jobs, new procedures, new skill requirements, new technology, restructuring of reporting or perhaps physical relocation. They must be supported through this journey – especially those who see the change as ‘bad news’. For this phase, much of the change management-related effort relates to communications as well as fostering acceptance and support, including



the following:

- Having regular, tailored communication, including identifying and promoting successes
- Coaching
- Mobilizing and nurturing change champions, ideally cascading throughout the organization
- Holding workshops to have dialogue and gather feedback
- Determining roles and responsibilities amongst the stakeholders to implement change.

3. **After Change** – The last and most overlooked phase of a change management methodology is ‘After Change’. The key objective of this phase is sustaining the change.

The Change Manager and/or the Project Manager must develop measures and mechanisms to evaluate whether the change execution has been successful.

They should also check that the new order is in fact in place and being followed. Key outputs for this phase, much of which is directed at sustaining the change, include:

- Observation of changes
- Post-implementation review
- Lessons learned
- Reinforcement measures
- Corrective action plans
- Individual and group recognition
- Success celebrations

The end of a phase is always a good time to review progress. Successful change leaders update the stakeholder and sponsorship map at the end of every phase or even more frequently to refresh who is involved and what is required of them. As part of the launch activities for the new phase, stakeholders should be informed, briefed and reanimated. By ‘advocating the vision’, providing coaching and training, answering questions and celebrating successes, among other techniques, the level of acceptance and adoption for the change can be substantially improved.

The organization snapshot below discusses how one manufacturing enterprise brought focus, as well as openness, to its change management efforts by creating a ‘change headquarters’.

ORGANIZATION SNAPSHOT: CONVERTING A WAR ROOM²² INTO CHANGE HEADQUARTERS²³

A global manufacturing company with locations throughout the world was in the process of reengineering their financial division. A dedicated multinational project team was established and co-located near their world headquarters in the United States.

A “war room” was created within the project team building. This room housed the program management office. The nature of a “war room” often prevents the open flow of information about the project. It also interfered with sponsor and target participation since it literally isolated itself through the use of a closed room. However, there was a stronger need to create an environment that would powerfully communicate the change and its progress to team members, sponsors, and targets.

LaMarsh Global, a change management consulting company, converted the “war room” into a “Change Headquarters” to make it more available to the team members, sponsors and targets. The door was removed from the room to allow open access. The walls of the room were converted to display graphics of key program and change management deliverables that represented the current state of work. The Current, Desired and Delta State charts were displayed and open for comment and changes. The most current Key Role Maps,

Communications, Learning and Reward system plans were displayed with the overall project plans showing the integration. Because accessibility was still limited for “off-site” targets, a “virtual” change headquarters was created on the project web site. In this way, people could follow the progress of the change process worldwide.

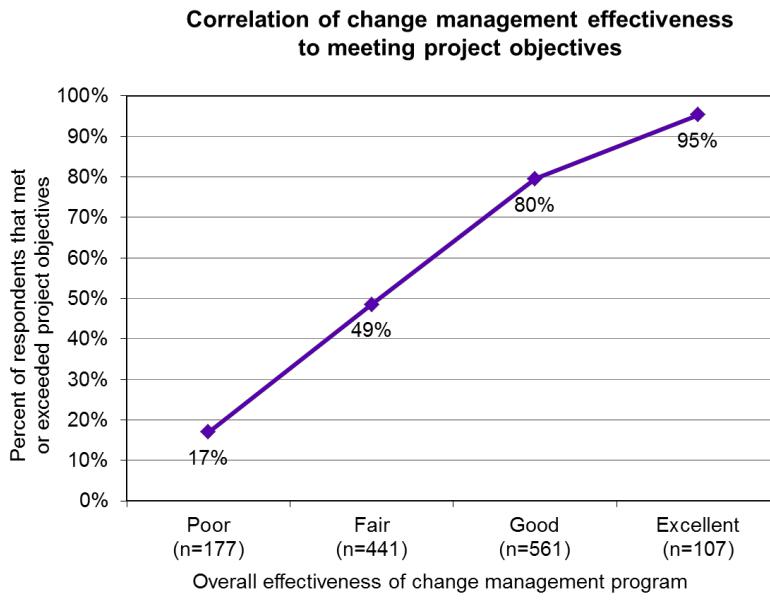
The room became an exciting place where planning and change happened. The wall charts explained the direction and progress of the effort to sponsors, visitors and the team members. People were able to interact with the change by posting or recommending changes to the information on the walls. The project web site made for a place where the change could be easily monitored by the change audience world-wide.



INTEGRATING PROJECT AND CHANGE MANAGEMENT

Change management and project management are complementary and mutually beneficial disciplines. Traditionally, project management has focused on tasks, schedules, budgets and deliverables – the technical side of achieving an enterprise goal. Change management is concerned with the people aspects of a change – who is affected, how are they affected and what can be done to navigate successfully through the situation, in working toward the enterprise goal. Change management is a structured process that rallies support for change at all levels of the organization, while building the knowledge, skills, incentives and framework to sustain the change.

Findings from a Prosci best practices benchmarking study with 650 respondents indicate that of those working with a poor change management program, 48% believed their projects were on or under budget. In comparison, of those with good or excellent change management programs, 71% and 82% respectively believed they were on or under budget. Similarly, the study reveals that of those respondents working with a poor change management program, only 16% believed their projects were on or ahead of schedule. In comparison, of those with good or excellent change management programs, 57% and 75% respectively believed they were on or ahead of schedule.²⁴



*Data from 2007, 2009 and 2011

© Prosci. From Prosci's 2012 Best Practices in Change Management benchmarking report

Exhibit 10.16: Correlation between Effectiveness of Change Management Program with Meeting Project Objectives²⁵

Exhibit 10.16 shows the relationship between overall change program effectiveness and meeting or exceeding project objectives, again with better change management programs

being linked to substantially improved achievement of project objectives. Altogether, this data suggests a clear and positive correlation between the effectiveness of the change management program and project performance.²⁶ This evidence highlights the value of incorporating effective change management programs into project planning and execution. It also points to the importance of at least understanding change-related issues and awareness of change management practices for project leaders. Lastly, it reinforces the benefit of having change management expertise represented on the project team to properly support any significant change initiative.

An integrated approach between project management and change management implies a greater fusion of the technical considerations with the people side of the project. Change management can improve project management success by engaging people to make the desired change a reality.

By combining project management with change management, the sum is greater than the individual components.²⁷

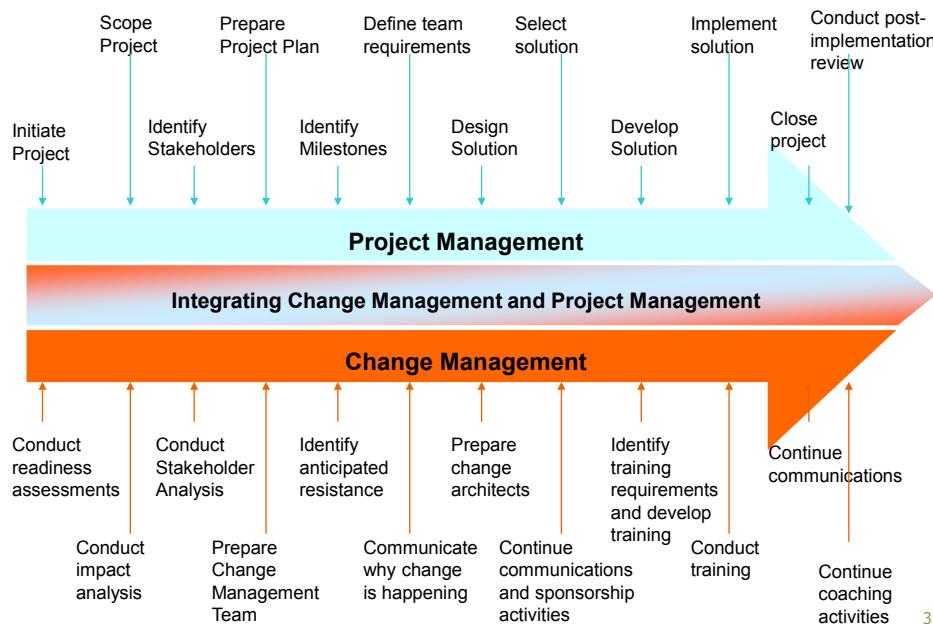


Exhibit 10.17: Integrating Change and Project Management Activities

The linkage between project management and change management activities is represented in Exhibit 10.17. Project leaders can gain more effective integration by beginning change management planning and activities at the initiation stage of the project management life-cycle. This ensures earlier sensitivity to and adoption of change management principles within the project plan. Additionally, it provides for more effective conversations among all stakeholders regarding the impact of anticipated changes and possible mitigating

approaches. It also emphasizes the need for proper resourcing and budgeting to allow for the participation of a change management professional on the project team.

The process-driven PMBOK methodology can easily incorporate additional milestones and deliverables for change management activities. A sample list of change management activities that could be utilized in different project management phases are illustrated in Exhibit 10.18.

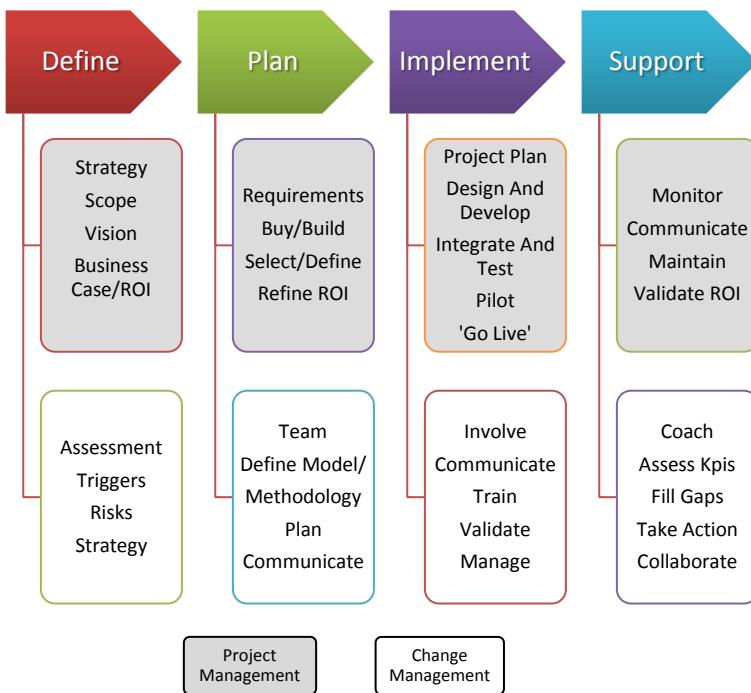


Exhibit 10.18: Project Management and Change Management Tasks, by Phase²⁸

Crawford and Nahmias have proposed the decision matrix depicted in Exhibit 10.19, where the two axes represent the key contextual factors which are considered to most influence the necessary extent of change management.

The matrix helps to determine what mix of project and change management expertise may be needed for a given project.

A high degree of desired behavioural change (the horizontal axis) in conjunction with a weak supportive culture and/or leadership (the vertical axis), will call for a more intensive

change management intervention. This situation would require strong change management competence and may well demand a dedicated change management expert working together with a PM.

In contrast, an initiative involving a low degree of change, combined with a strongly supportive culture or leadership, may be possible to manage effectively through a PM with some change management competence. Two other scenarios are also presented in Exhibit 10.19. The researchers note that a key finding from the case studies discussed in the paper is that ‘except in projects where there is very little behavioural change required, the Project Manager will not have the time or bandwidth to carry out all the change management activities required to ensure a successful outcome’.²⁹

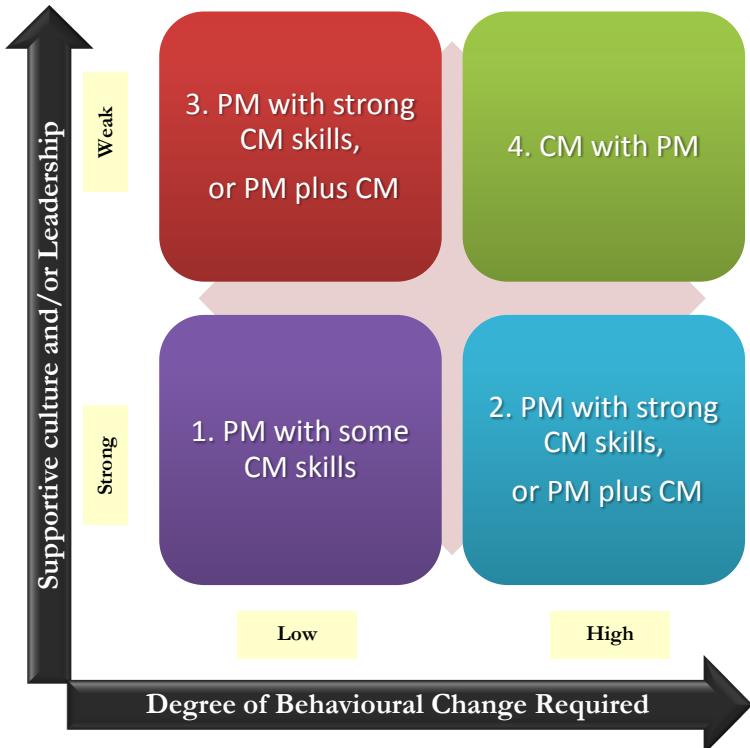


Exhibit 10.19: Decision Matrix for Inclusion of Change Management Expertise³⁰

Change management does not necessarily stop with the completion of the project deliverables and the closing of the project.

Reaching a new, sustained state where the change is fully implemented across the board can take time. This may happen sometime after the conclusion of the project which initiated the change. Alternatively, this stage might be treated as the second phase of the same project where operations now continue in the context of the new reality. An integrated project management and change management plan better positions the project for success.

CHANGE MANAGEMENT SUCCESS

Prosci research indicates that there has been remarkable consistency over the years in terms of the set of five top contributors to change management success and their order of importance.³¹ In their most recent study, a sixth factor has surfaced: one relating to the engagement and support of middle management.³² In connection with change management resourcing on projects, it is worth pointing out that the research found that 76% of respondents had a dedicated resource for change management and that this was seen as generating better results for the project. These contributors are depicted in Exhibit 10.20.

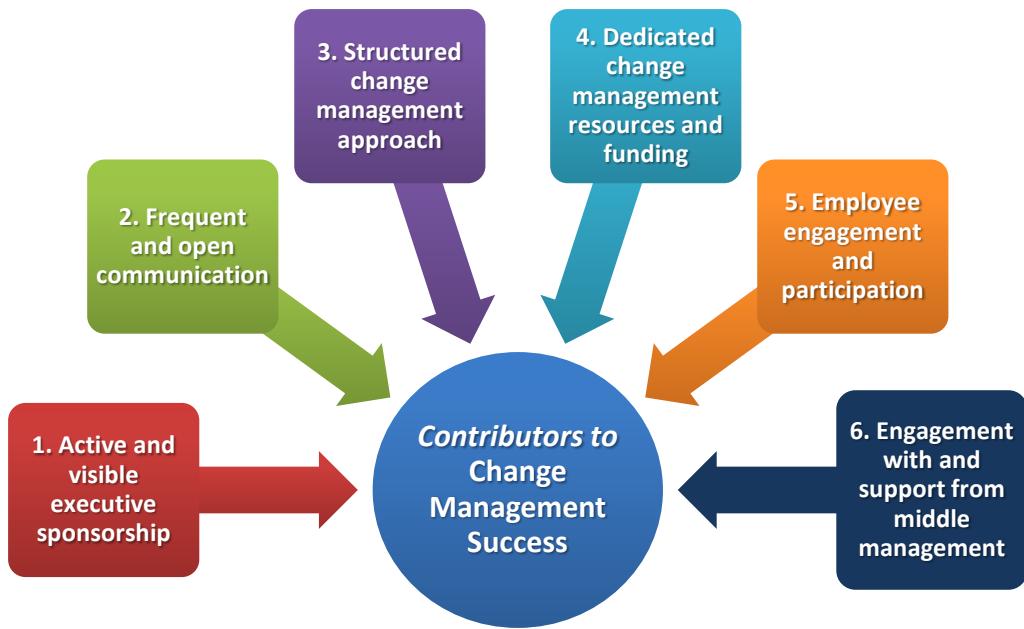


Exhibit 10.20: Most Significant Contributors to Change Management Success³³

This research also uncovered a number of common, major obstacles to change management success. In the most recent research report, ‘ineffective sponsorship’, the opposite of the top contributor to success, was found to be the greatest concern. Many of the other obstacles cited were, similarly, the negative equivalents of the above-noted success factors.

One newer and noteworthy such factor is the ‘disconnect between project management and change management’.³⁴

This and the ‘lack of buy-in for change management’ are two factors that this particular study has brought to the fore.³⁵ Again, there has been considerable consistency over the span of studies as to the five top obstacles and their order of relevance in impeding change management. These factors are shown in Exhibit 10.21.



Exhibit 10.21: Most Significant Obstacles to Change Management Success³⁶

Among the top trends in the field of change management is ‘more engagement and earlier integration with project management’.³⁷

Clearly, there is growing recognition that project management and change management should be highly coordinated for project success.

THE PM AS A CHANGE AGENT – HOW DO YOU EFFECTIVELY LEAD CHANGE MANAGEMENT?

“The best leaders of change are not ones who dictate their plans, but those who bring vision; inspire people with a sense of urgency; and then help them to bring their own creativity to the project.”

Economist Intelligence Unit, 2008

Successfully managing change demands a combination of art and science to ensure alignment of an organization’s strategies, structures, processes and people, while moving from a current state to a desired future state. In Chapter 5, it was mentioned that one of the important ‘hats’ worn by a project leader is that of ‘change agent’.

Leading change is hard and like anything in life, success is driven by attitude and approach.

While some PMs look upon change management issues as a stimulating challenge, others would prefer not to have their projects complicated with these considerations. Appreciation of the importance of change management, combined with knowledge of key techniques, will provide the necessary preparation for successfully managing change. The first step is being sensitive to the concerns and reactions of those who are affected by the project.



Exhibit 10.22: Leading Change Management Effectively

As a change agent, the project manager should keep in mind the methodologies described earlier. Any change management expert who joins the project team to assist will likely be very familiar with these, providing for a common understanding and language between the PM and the change manager, and making their joint efforts that much easier. A number of essential change management techniques are summarized in Exhibit 10.22 and further detailed below:

- **Advocate the Vision³⁸** – One of the fundamental jobs of the project leader is to describe the vision for the project to the team as well as other stakeholders. This extends to communicating what changes the project is expected to bring about and the change effort required. Doing so ensures that everyone understands the implications of the project and is on the same page. The project leader needs to advocate for the vision as well as motivate the project team and others toward the change-related project objectives within the larger, strategic context. Advocating the vision requires that the PM have a strong understanding of the project rationale and the basis for the change.
- **Enable all those involved to see the ‘Case for Change’** – Failures in change initiatives are often due to a lack of understanding of the reason for change. The PM, as a leader and change agent, should describe the intended benefits from the change to all stakeholders – the project client, organization, the project team and other stakeholders who might be affected by the project and the changes. It is important to explain the current situation and its deficiencies, what the change will rectify, why it should be implemented, why it is urgent and what it will involve. The case for change, from the perspective of those affected, may be quite different from the basic business objectives of the project.

Prior to embarking on the project, the PM should work to ensure that there is a compelling ‘Case for Change’.

‘Buy-in’ is crucial and can only be achieved when participants understand the ‘why’, the benefits and particularly ‘what is in it for them’. Linking the case for change to the organizational strategy makes change management much easier. All of this calls for consistent communication from the PM about the proposed change and the business need driving it.

- **Engage participants to the highest degree possible and as early as possible** – The project leader should provide opportunities, particularly in the early stages of the project, to discuss the change involved with the team and other stakeholders. The more engaged participants are, the more committed they are likely to be. Any major change is most successful when all those who are or may be affected by the outcomes are involved from the start. Being able to provide input or voice concerns lets everyone know that they are part of the solution. Active participation will also improve the quality of the project and results, since it will bring forth additional ideas and understanding. Issues and points of resistance are more likely to become evident early in the life of the project, allowing for modifications in the project design before any damage ensues. Early detection of any resistance will also permit better preparation for the journey through the change curve and allow more time to possibly alter attitudes.

Though working with a large set of stakeholders can slow down a project, if there is no dialogue with them they are less likely to support the project and may well resist it.

- **Make a Sponsorship Map** – Identifying, understanding and engaging stakeholders is fundamental for project success. This applies equally to sponsor and stakeholder involvement in the change aspects of the project. As mentioned earlier, active and visible executive sponsorship is the top factor for success and its absence the top obstacle.

The project manager should prepare a stakeholder engagement plan assessing who needs to be engaged and how. It is also important to identify and nurture ‘change champions’ – those who believe strongly in the merits of the project, have influence and are willing to promote the initiative. Lastly, the PM should be attentive to particular organizational functions that are usually critical for

effective change implementations: training and development, human resources, organizational development, the PMO, strategic planning, communications, etc.³⁹

For Project Leaders...

In preparing a sponsorship map, an especially critical kind of change sponsor is the ‘project champion’ or ‘change champion’. This is someone, or an entity, who believes strongly in the value and benefits of the desired change and the relevance of the project for introducing this change. Moreover, it is someone who has the credibility, trust and power in the organization to sway opinion. They are willing to act as a role model and have the courage of their convictions to step forward with their views of how this initiative will help the organization advance.

As a project leader, it is important to uncover and to nurture such champions. The designated project sponsor may or may not be a champion for the change. There can certainly be more than one change champion, as well, potentially allowing for even greater influence. At the same time, be careful that those who purport to be champions have a genuine interest in the project and the drive for change, and are not simply following their own hidden agenda.

A sponsorship map identifies key linkages and roles with respect to important stakeholders, helping to ensure that they are on board and ready to support the project.

- **Make someone accountable for change** – Although the PM is acting as a change agent, he/she might not be held accountable for change. In many cases, the sponsor or some other stakeholder, who is well established in the organization or has substantial power, could be more appropriate to hold the accountability for the change. However,

there must be someone who is accountable for change. The greater the transformation effort, the more significant senior management's role must be. If the message is delivered by the executive team and reinforced by middle management, those lower in the organization affected by change are much more likely to believe in the case for change, in the organization's seriousness about making those changes and to act in support of them. A major project will require a cascading form of sponsorship, to ensure that all affected parts of the organization are hearing clear, convincing and strong support for the initiative from their own leadership.

- **Spend time in honest communication⁴⁰** – The project manager should share the truth as much and as soon as possible. Perhaps the most critical tool for promoting change is communication. This requires the development and delivery of key messages, tailored to the needs of different stakeholders. The inclusion of communications specialists in the project plan will aid the PM in this process. In some cases, the involvement of media or public relations specialists may also be warranted. As the project evolves through execution, communications should be refined based on accomplishments, feedback and changing circumstances. Being a change agent demands strong, honest communications to build trust and goodwill.



- **Manage Conflict** – Conflict, whether of a positive or negative form, will always occur in the context of change. This is to be expected as change is, by its very nature, a conflict between what is and what is to be. Positive conflict or creative tension can be just what the project needs to generate new solutions (as outlined in Chapter 7). Negative conflict is bound to appear and can be quite damaging if not managed well. Project Managers must lead everyone through conflict, monitoring activities and behaviours and providing support or advice on an as-needed basis. This is especially true in instances where stakeholders are not demonstrating the necessary support for the overall change goals. It is also a good idea to facilitate 'course correction meetings' at specific points in the project life cycle. This can help project participants assess if they are still on the right track in terms of execution, and whether they are working together as effectively as possible.

The role of the PM is to act as a 'neutral' authority, facilitating meetings between conflicting team members or stakeholders.

- **Train your team** – Many project teams and other stakeholders do not adequately understand the principles, tools and techniques of change management. Providing opportunities for appropriate education allows everyone to be more effective and to work in the same direction. If there is an organizational development specialist in the enterprise, they likely have expertise in change management and could assist with or even lead the training. Project team members can both contribute to and be enabled with ‘scripts’ or responses to address common questions they might encounter from various affected people while conducting the project.
- **Avoid Surprises** – Change should be planned with as much detail as possible. Progressing through manageable, predictable and well-communicated phases, with appropriate timing, works best. The more everyone knows what is coming and when, the readier they can be when the change arrives. It is also important to limit the volume of change being introduced at any one time. Stakeholders, even when they are accepting of and prepared for the change, can become overloaded with multiple, concurrent initiatives. This may mean that one project must be placed on hold while another proceeds. Avoiding surprises also means proper analysis of risks and risk planning to prepare for eventualities.
- **Ensure the sustainability of the change** – The role of the project leader ends with the completion of the project, and it is senior management that must carry forward and embed the project outcomes in the organization over the longer term. Nevertheless, the project leader should be attentive as to how the change will be sustained. For instance, when the project is handed over to the operations team at project completion, has documentation been developed and training provided to support operations? Unless such preparations are made to facilitate the hand-off, the project’s initial positive momentum will not last. No one adopts meaningful change in a vacuum.
- **Initiate change management early on** – As mentioned, there is evidence that incorporating change management principles, tools and techniques from the very beginning of a project generates the best outcomes. Being proactive in understanding and addressing the people side of change pays dividends. Conversely, when change management is introduced late in the project, it is typically to ‘fight fires’ and help with damage control. This tends to incur greater costs in terms of management attention and expenses, as well as a decreased likelihood of success.

LEADERSHIP STYLES FOR IMPLEMENTING CHANGE

Soft skills are fundamental for achieving effective change management. Implementing change poorly is often worse than not implementing change at all.

Poor implementation poisons people’s attitude toward change and creates problems in the future.

Implementing a new information system or restructuring a business, without examining the human implications of such changes, increases the likelihood that the change will be unsuccessful, unsupported and even damaging. If change efforts are incomplete or poorly

executed, the project can create undue tension, potentially affecting the momentum of other projects or the functioning of operations across the enterprise.⁴¹

For the PM, leading by example is an important element of leading change. To what extent does the PM believe in the merits of the project, the changes it will bring about and the expected benefits? To what extent does the PM demonstrate this view and commitment to the project? Everyone will be monitoring the Project Manager's statements and behaviour. PMs need to be able to communicate, motivate and manage people through times of progress and change. This requires empathy and the use of the right leadership style to undertake the change management journey. Exhibit 10.23 shows different leadership styles, as related to the degree of change involved.⁴² The four styles are detailed as follows:

- **Collaborative** – The collaborative style is inclusive, engaging those affected by the change in dialogue. They are involved in the change process, through facilitated workshops and other means, providing input on the initiative. Their views are actively sought and used. They are kept current with developments. If the input given is not seen to be incorporated into the planning or implementation of the change, affected stakeholders will become disillusioned and may become resistant to the change. The collaborative style is relatively easy to apply in those situations where the change is a relatively mild one. Furthermore, the use of a collaborative style in the context of a mild or ‘fine tuning’ change would be expected to generate the most supportive environment (the upper left corner of Exhibit 10.23).

More significant changes, which force stakeholders to adapt to new, disruptive ways of doing things (a ‘transformational’ change), are also better accomplished through collaboration.

An example of a ‘transformational’ change project would be one that outsources a division, transferring or eliminating existing jobs. If the situation is more urgent, requiring the change to be absorbed quite quickly, it may be necessary to shift to a different approach since collaboration usually takes additional time. If, however, that extra time is available and a collaborative style can be utilized for such significant changes, the act of participation in the change process is likely to build trust and goodwill, which will lead to a more sustainable change. The collaborative style aligns with the ‘democratic’ leadership style discussed in Chapter 5.

- **Consultative** – The consultative style represents a weaker form of participation in the change process for those affected. The affected population is informed of the planned changes and their feedback is sought. They are much less involved in identifying needs or developing solutions. The consultative style of change management may be considered a weaker version of the ‘democratic’ leadership style discussed in Chapter 5.
- **Directive** – The directive style of carrying out change management means that the affected population is informed of the change and its importance, the rationale and benefits are explained, but they are expected to accept the change and to move ahead. There is minimal provision for dialogue and feedback is not of much interest. This approach can be particularly workable for ‘fine tuning’ or ‘incremental’ changes, such as

introducing new procurement policies. If attempting to implement ‘transformational’ change with a directive style, the likely result is a great deal of resistance. Any acceptance of a major change under these conditions will also probably be reversed over time. The directive style of change management may be viewed as a form of the ‘autocratic’ leadership style discussed in Chapter 5.

- **Coercive** – The coercive style implies that those affected have no option but to do what they are told, on pain of sanctions of some kind. While for milder kinds of change, this approach may be appropriate, for ‘transformational’ change it will likely produce the greatest resistance (the lower right corner of Exhibit 10.23). Without any opportunity for input, the coercive style produces high levels of resentment towards the project and the possibility of sabotage. Any acceptance or responsiveness to the change is likely to last only as long as the coercive measures are in place. The coercive style of change management may be considered a strong form of the ‘autocratic’ leadership style discussed in Chapter 5.

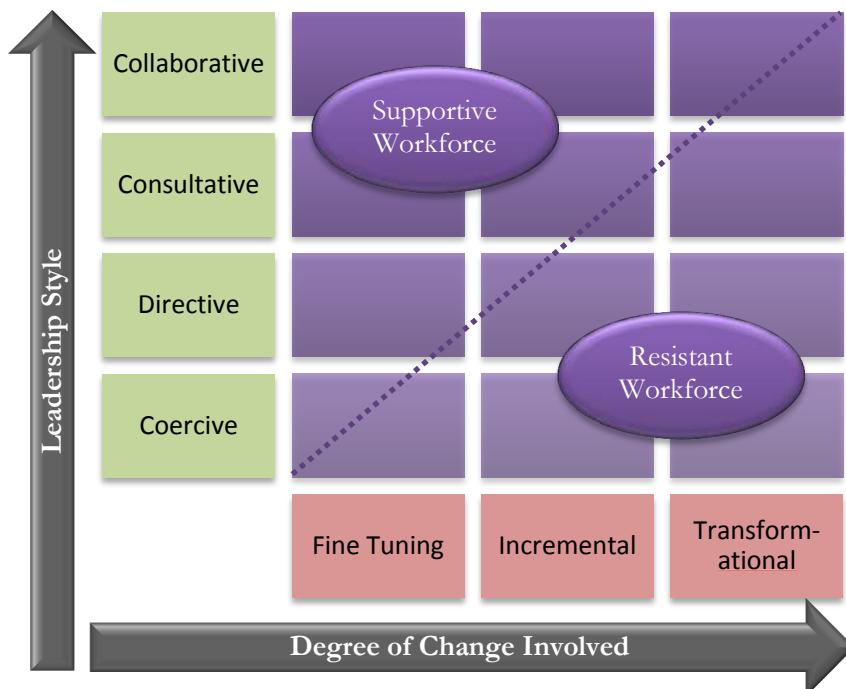


Exhibit 10.23: Leadership Style Used in Relation to the Degree of Change Involved⁴³

For most situations involving ‘incremental’ or ‘transformative’ change, the collaborative style of change management will be the one most welcomed. It is most likely to lead to acceptance and adoption of the change by those affected, as well as to new behaviours which will be sustained over time.

CHAPTER SUMMARY

All projects are about introducing some kind of change, whether aimed at bringing about a new product, a new process, an organizational transformation, the construction of a building or any other major or even minor innovation. Change management is defined as the process, tools and techniques to manage the people side of change to achieve a required business outcome. While project management focuses on what is to be changed, change management focuses on how the solution is to be implemented in relation to the people and functions touched by it.

Change is often resisted simply due to poor communication – because people have not been given the chance to understand the reason for and the benefits anticipated from the change. Openness to change is driven by an organization's culture, the particular situation, and personal characteristics. Some individuals are eager for change, while at the other end of the spectrum others prefer that things remain as they are. Still others can be quite nervous about the change and some will openly resist it or even sabotage it. People will typically make their way through the 'bad news' or the 'good news' change curve before they arrive at a state of acceptance or support. The more project leaders understand how change affects enterprises and individuals, under what circumstances people accept change readily and when they resist, the better they can navigate through the challenges. The greatest contributors to acceptance have been found to be an active and visible executive sponsorship, followed by frequent and open communication and using a structured change management approach. In contrast, the top three obstacles noted, are ineffective sponsorship, insufficient change management resourcing and resistance from employees. There has been a high degree of consistency in these findings over the years.

There are many change management methodologies. A well-recognized approach to implementing change is Kotter's Eight-Step Change Management Model. The first four steps are aimed at mobilizing the change management team as well as stakeholders, and 'softening' the current state. The next three steps are about implementing the change and consolidating accomplishments. The final step is concerned with institutionalizing the change and making it sustainable. This approach was compared to that of Lewin's. These and other change management methodologies share a three-phase approach. The need for a resistance management plan, as well as communications, training and coaching plans where appropriate, is also highlighted.

As a change agent, the project leader should use essential change management techniques including advocating the vision, promoting the 'case for change', making a sponsorship map, providing honest communication and engaging participants. Four styles for change management are described: collaborative, consultative, directive and coercive. For most situations where 'incremental' or 'transformative' change is involved, the collaborative style of change management will be the one most welcomed by employees. It is most likely to lead to acceptance and adoption of the change by those affected, as well as to new behaviours which are sustained over time.

Project management and change management are complementary. There is increasing recognition of the value of having an integrated approach between the two disciplines as well as the importance of including change management expertise from the earliest stages of the project life-cycle. Available evidence suggests a clear and positive correlation between the effectiveness of the change management program and project performance. It also points to the importance of at least understanding change-related issues and awareness of change management practices for project leaders.

ACTIVITIES

1. Review the following case study on applying change management methods to changing a sales force for improved sales effectiveness:

<http://tiny.cc/wdbl0w>

Discuss: What was the central issue and what was the benefit to be gained? What approaches or resolutions were recommended? What was done for sustainability? What change management expertise was added to any project management involvement? What is your experience with similar change challenges? How do these compare to what you have done or observed in similar situations?

2. Review the following case study of how one electric utility established an enterprise change management framework, integrating change management and project management approaches:

<http://tiny.cc/i7al0w>

Discuss: What was the central issue and what was the benefit to be gained? What was the framework and how was it meant to help? How would it contribute to sustainability? How did it complement the project management expertise in the organization? How does this compare to what is in place in your organization to support change initiatives, particularly from the perspective of the project leader?

3. Consider a project you are facing or have recently completed. Reviewing the section on leadership styles suited to different change contexts, which leadership style would you use (or would have used, in retrospect) and why? Discuss with colleagues.
4. Review the following case study on establishing change management competency in a firm:

<http://tiny.cc/y8al0w>

Discuss: What was the central issue and what was the benefit to be gained? What was the framework and how was it meant to help? How would it contribute to sustainability? How did it complement the project management expertise in the organization? How does this compare to what is in place in your organization to support change initiatives, particularly from the perspective of the project leader?

5. Refer to Exhibit 10.19, the decision matrix for inclusion of change management expertise. Consider a project you are facing or have recently completed. Do you have (or did you have) the right level of change management expertise to assist you through the planning and execution of the project? Why or why not? Will or did the PMO, if one exists, play a supporting role? Discuss with colleagues.

TOOLS

1. A comprehensive guide for change management, including a range of tools (has an eHealth focus):
<http://tiny.cc/qnbl0w>
2. A guide entitled, ‘Leading Change, Transition & Transformation’, with several tools including two checklists, one for Kotter’s 8-step change methodology and one for Bridges’ 3-step transition methodology:
<http://tiny.cc/ipbl0w>
3. Another guide for change management, including several tools and techniques for effective communications:
<http://tiny.cc/2pbl0w>
4. A checklist to help gauge resistance toward the project:
<http://tiny.cc/pqbl0w>
5. An organizational competency and readiness assessment tool for change management:
<http://tiny.cc/arbl0w>

REVIEW QUESTIONS

1. Which of the following statements best describes organizational change management?
 - a. It is focused on successful project execution
 - b. It is focused on what is to be changed
 - c. It is focused on how the solution is to be implemented, its effects on people and how best to address resulting issues
 - d. B and C
2. Which sequence best describes the ‘Bad News’ experience associated with change management?
 - a. Anger, Depression, Denial, Acceptance
 - b. Denial, Depression, Anger, Acceptance

- c. Denial, Anger, Depression, Acceptance
 - d. Acceptance, Depression, Anger, Denial
3. Psychologists have researched that ‘doubt’ in a ‘Good News’ curve is often followed by:
- a. Certainty
 - b. Hope
 - c. Confidence
 - d. Uninformed optimism
4. As a part of change management, all of the following can help you execute change better, except:
- a. Case for Change
 - b. Sponsorship Map/Stakeholder Analysis
 - c. Communication Management Plan
 - d. Requirements document
5. You are leading a large scale project that will completely transform the logistics department. Most of the department managers are extremely resistant to the change and have openly opposed the transformation. Which leadership style will be most effective in this scenario?
- a. Consultative
 - b. Directive
 - c. Coercive
 - d. Collaborative
6. You are leading a large scale project that will completely transform call centre operations for your organization. Most of the department managers are extremely supportive of the change and have openly favored the transformation. Which leadership style will be most effective in this scenario?
- a. Consultative
 - b. Directive
 - c. Coercive
 - d. Collaborative
7. During a team meeting regarding the execution of a change initiative, a team member asked the question “What more could we have done in order to implement these changes seamlessly?” You are most likely in which phase of change management?
- a. Before Change

- b. During Change
 - c. After Change
 - d. You could be in A, B or C
8. A major project is heading into massive change execution. You have organized a working session with your project team and are differentiating stakeholders between supporters and resistors. You also start outlining what techniques should be used with the resistors. You are most likely in which phase of change management?
- a. Before Change
 - b. During Change
 - c. After Change
 - d. You could be in A, B or C
9. You are working with two ‘change champions’ and addressing a particular change challenge which was unanticipated. Which phase of change management are you in?
- a. Before Change
 - b. During Change
 - c. After Change
 - d. You could be in A, B or C
10. Which of the following would NOT be considered a top success factor for change management?
- a. Active and visible executive sponsorship
 - b. Having the PM lead the change management process
 - c. A structured change management approach
 - d. Frequent and open communication

KEY TERMS

- **‘Bad News’ and ‘Good News’ Curves** represent two kinds of response cycles which may be experienced by those affected by the change, based on their perception of whether the change is good or bad.
- **‘Case for Change’** highlights the benefit of and the rationale for the change to all stakeholders – the project client, organization, the project team and others affected by the project and the changes it will bring about.
- **Change agent** is one of the important leadership ‘hats’ worn by the PM in being the face and active representative of the change their project is bringing about.

- ‘**Change champion**’ is someone or an entity who has a strong commitment to the project, believes in its value and expected benefits, has power and credibility in the organization, and is willing to voice their support for the project helping to drive it forward.
- **Change Management**, specifically organizational change management, consists of the process, tools and techniques to manage the people side of change to achieve a required business outcome. This is distinct from change management related to project change control, which focuses on the triple constraint and other key parameters of the project (e.g. addressing a request for a new requirement to be added, which could affect the scope of the project).
- **Change management success factors** are those key elements which, if in place, have consistently been found to improve the likelihood of success for change initiatives.
- **Change management obstacles** are those key elements which, if present, have consistently been found to impede the success of change initiatives.
- **Change Vision** is the essential, clear and appealing message about the future which the change initiative is meant to bring about. Anyone should be able to understand it. It is closely tied to the ‘**Case for Change**’.
- **Guiding coalition** is the team assembled, from multiple levels and parts of the organization, to help direct and support the change initiative.
- **Integrated planning** means combining and coordinating project management and change management expertise, planning and execution to be more successful with projects involving a particularly significant level of organizational change.
- **Kotter Change Management Methodology** is an approach to addressing, preparing for and executing a change initiative in organizations. It consists of eight steps. **Lewin’s methodology**, consisting of three phases, is an alternative. Both are based on preparing the ground and ‘softening’ the status quo, then applying the change intervention, and finally, consolidating the gains and working to sustain the change.
- **Leadership style** in the context of change management can be Collaborative, Consultative, Directive or Coercive, depending on the characteristics of the change initiative and the supportiveness of those affected.
- **Responses to change** refers to the relatively positive or negative reaction, or degree of openness evident, from different individuals when faced with change. Responses are driven by personal characteristics, but also influenced by the situation. The categories range from the Inventors (the most positive and open toward change) to the Rejecters (the most negative and least open). See also ‘**Bad News**’ and ‘**Good News**’ Curves.
- **Sponsorship Map** identifies who needs to participate, their view of the project and the impact they could have. This would inform a stakeholder engagement plan.

ADDITIONAL RESOURCES

1. Prosci's ADKAR Change Management Model, research and various other resources:
<http://tiny.cc/rv9k0w>
2. Article by John Kotter on change management and why transformations fail:
<http://tiny.cc/2w9k0w>
3. An organizational change approach/facilitation technique – Chaos Theory and Complex Systems:
<http://tiny.cc/px9k0w>
4. organizational change approach/facilitation technique – Future Search (includes several videos):
<http://tiny.cc/ky9k0w>
5. Another organizational change approach/facilitation technique – Deep Democracy:
<http://tiny.cc/7y9k0w>
6. Article on the five disciplines for organizational learning and to support change management:
<http://tiny.cc/vz9k0w>
7. Free webinars on change management, as well as integrating change management and project management practices (requires registration):
8. A guide to change management:
<http://tiny.cc/819k0w>
9. Article from McKinsey regarding change management challenges and how to address them:
<http://tiny.cc/v29k0w>
10. Presentation on managing resistance:
<http://tiny.cc/039k0w>

REVIEW ANSWERS

1. D 2. C 3. B 4. D 5. A 6. D 7. C 8. A 9. B 10. B

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Success and Closure

“Here is the prime condition of success: concentrate your energy, thought and capital exclusively upon the business in which you are engaged. Having begun on one line, resolve to fight it out on that line, to lead in it, adopt every improvement, have the best machinery, and know the most about it.”

Andrew Carnegie¹



LEARNING OBJECTIVES

- Define success in project management
- Explore models and frameworks that define project success
- Discuss success as it relates to good project management practices
- Explore the soft side of project closure
- Understand what it takes to effectively close a project
- Discuss creation of lessons learned
- Define project recovery
- Review approaches and tips to recover troubled projects
- Explore instances and approaches of terminating a project
- Explain the relationship between project closure, benefits realization and the link to organizational strategy

DOES PROJECT SUCCESS GO BEYOND TIMELY DELIVERY WITHIN PROJECT CONSTRAINTS?

What exactly does project success mean? Meeting the triple constraints of cost, scope and time is certainly important and foundational. Success is a combination of both ‘How’ and ‘What’. The ‘How’ includes the process of conducting the project, including working with stakeholders, meeting their expectations, etc. The ‘What’ includes meeting the project goals, deliverables and constraints, such as the schedule or budget. Are the above sufficient for full success? And what does it take to be able to claim project success?

Surprisingly, the concept of project success has not been well defined in project management literature, and it is still somewhat unclear what makes for a successful project.² The PMBOK has little more to say about project success than that ‘Success is measured by product and project quality, timeliness, budget compliance and degree of customer satisfaction’.³ There is no doubt that delivering a project within its scope, on schedule, on budget, and of high quality, which is accepted by the customer, is foundational for project success. But while many stakeholders will view project success as the achievement of the project goals outlined in the charter, each stakeholder involved in a project has different needs and expectations, suggesting that each can and will interpret project success in their own way.

The definition of project success is therefore much broader than might be thought. When considered more deeply, it turns out to be quite multi-faceted.

Various researchers have defined project success using different models. These include⁴:

- **Atkinson (1999)** – Based on the ‘Iron Triangle’, information system view, organizational benefits and stakeholder benefits (see Exhibit 11.1).
- **White and Fortune (2002)⁵** – Based on the ‘Iron Triangle’, meeting client and organizational requirements, yielding business/other benefits and causing minimal disruption.



- **Baccarini (1999)⁶** – Based on the combination of project management success (time, cost, quality, satisfying stakeholders' needs and quality of the project management process) and product success (meet the project goal, satisfaction of the end user's needs and satisfaction of the stakeholder's needs where they relate to the product).
- **Kerzner (2001)⁷** – Based on project completion with minimum or mutually agreed-upon scope changes, without disturbing the main work flow of the organization and without changing the corporate culture.

All of these models go beyond the traditional elements of project success to offer a more holistic perspective.

Iron Triangle	Information System	Benefits (Organization)	Benefits (Stakeholders)
▪ Cost	▪ Maintainability	▪ Improved efficiency	▪ Satisfied users
▪ Quality	▪ Reliability	▪ Improved effectiveness	▪ Social and environmental impact
▪ Time	▪ Validity	▪ Increased profit	▪ Personal development
	▪ Quality	▪ Strategic goals	▪ Professional learning
	▪ Use	▪ Organization learning	▪ Contractors' profits
		▪ Reduced waste	▪ Capital

Exhibit 11.1: Atkinson Model for Project Success⁸

Various organizations have defined project success for themselves. Some examples:

ABB (Multinational organization based out of Zurich, Switzerland) – “ABB’s definition of success is predictable project management executed as booked, or better, with complete customer satisfaction.”⁹

GE Plastics – “The technical aspects, timing and costs were [in the past] the three critical areas of performance measurement for our project managers. In today’s world, that is not sufficient. We have to also be concerned with environmental and safety regulations, quality, customer satisfaction, and delivering productivity for the manufacturing operations. So a

project now has at least eight measurable and critical parameters that we gauge success around.”¹⁰

Deloitte (in the context of infrastructure and construction projects in public sector) – “What is needed to successfully deliver public sector programs is effective project governance - a culture, strategy, and structure of accountability, authority, processes and controls aimed at delivering quality, controlling costs, meeting schedules, being compliant, and reducing fraud, waste, and abuse”. Deloitte also cites the importance of developing ‘esprit de corps’ within the project team.¹¹

Most of the above, as well as other models, outline success as a function of Critical Success Factors (CSF) and Key Performance Indicators (KPI). These are defined as:

Critical Success Factors (CSF) – Cook-Davies states that “success factors are those inputs to the management system that lead directly or indirectly to the success of the project or business”.¹² The critical ones are the limited set most important to the project and the organization.

These are the factors that the project sponsor and other key stakeholders consider fundamental to achieving excellent project results and declaring success.

Examples of CSFs would include a clear project business case, mission, objectives and deliverables; top management support, including an effective sponsor; sufficient resourcing; strong, ongoing communications, monitoring and feedback; a well-developed project plan; attention to client consultation and collaboration; and, good risk management. Further examples of CSFs are:

- Customer reference
- Follow-on work
- Financial success
- Positive regulatory agency relations
- Minimization of health and safety incidents
- Environmental protection
- Positive corporate reputation
- Employee alignment

Key Performance Indicators (KPI) – These are indicators which show progress toward the project goal. There should be a relatively small set of particularly valuable indicators to make measurement and oversight manageable.

A KPI should be quantitative to help make the process a practical one.

The SMART approach for indicators (specific, measurable, achievable, relevant and time-based) helps to make them more tangible and robust. They may well be tied to the organization's strategy through the use of the Balanced Scorecard technique (as discussed in Chapter 1). At a minimum, there should be agreement between the project client, sponsor and project leader on the set of KPIs to be used, what they will mean and how data will be gathered to calculate the indicators. It should be noted also that some KPIs will be especially relevant to certain stakeholders, while others will be more pertinent to others. Clarity in the KPIs helps to avoid confusion or conflicts during a project. KPIs work in conjunction with CSFs to articulate project success, as depicted in Exhibit 11.2. Examples of KPIs include:

- Performance on project budget (variance from baseline)
- Performance on project schedule (variance from baseline)
- Number/kind of requirements developed/tested/completed
- Achieving high level of retention (less than 10% turn-over in staff during the life of the project)
- Return on investment exceeds 12% in the first year
- Warranty returns are less than 1.5% during the first year (these latter two would be post-project indicators, as the product is launched into the market)

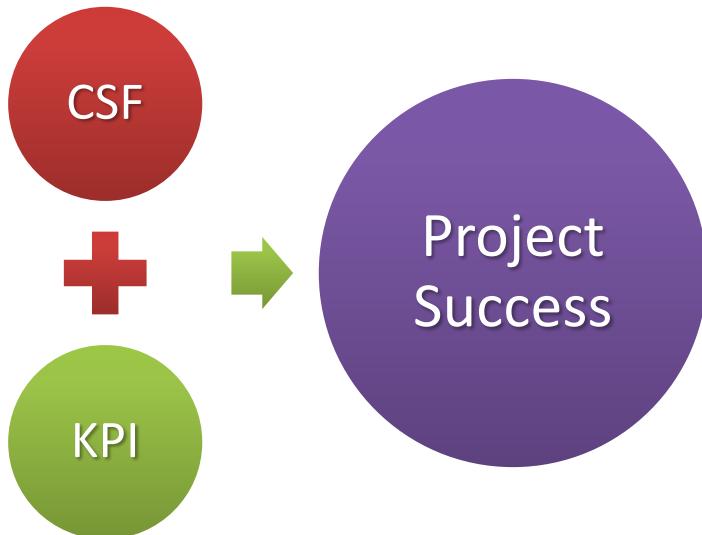


Exhibit 11.2: Success is a Function of CSFs and KPIs

Straightforward CSFs and KPIs make success easier to measure for all project stakeholders and help to build commitment. There should be a relatively small and prioritized set of CSFs and KPIs to maintain focus for all involved. Though some project managers may prefer to determine these more intuitively or informally, if they are not agreed upon by the

major stakeholders in advance, and documented and used in the management reporting process, they are unhelpful.¹³ As the project progresses, informal CSFs and KPIs are also likely to cause communication issues.

There are examples where a project could be a failure or have performed poorly in project management terms, but still be successful as a project in relation to the deliverables.

As one possibility, the PM may have been able to keep the project client happy through effective, ongoing communications and by maintaining a productive relationship, even when they have technically failed to deliver to schedule, scope, quality or budget. This is because a project client will be more understanding and forgiving, at least to some extent, when they have been involved and kept apprised throughout the project. Effectively, the PM has accumulated a store of goodwill with the client.

A classic example of different perspectives regarding a successful project is the building of the Sydney Opera House,¹⁴ which went over budget 16 times and required quadruple the projected time for completion. But the final impact the Opera House created was so stunning that no one remembers the original project constraints. The project was a world-class success for the population of Sydney as a deliverable, while being a major failure from the project management perspective.

In the eyes of the project sponsor and project management team, some projects could be extremely successful, but a failure from the standpoint of the client, end users or other key stakeholders. At project closure, if the client or users aren't satisfied with the deliverables, regardless of what had been documented as benchmarks in the charter at the start, a successful project might still be viewed as a failure. A good example of this kind of project is the Millennium Dome in London – a project delivered on time and on budget, but considered a failure by the British people because it did not deliver the awe and glamour that it was supposed to generate.¹⁵ Both of these examples highlight that full project success requires a combination of deliverable success (a well-received product, service, result or outcome) and project management success – the 'What' and the 'How', respectively.

PMs must be cautious about the influence even one stakeholder can have on whether a project is deemed successful or not. For instance, an interface design project for a new banking foreign exchange management system will likely involve the head of the business unit, as well as a range of end users. The head of the business unit, as the principal project client, may be satisfied. Yet one of their foreign exchange traders (i.e. an end user) may find issues with the interface, such as an illegible font size, incomprehensible error messages or



navigation problems, and complain. If this should happen after the project ‘goes live’, that end user might describe the project as having failed, feeling that they cannot productively use it for their work. To make matters worse, it is possible that this same end user chose not to fully participate in the interface review or acceptance, and might therefore be seen as having no grounds for complaint, but this does not alter their perception of the project and the final result. Their position might then affect the head of business unit’s views on the matter, changing satisfaction to dissatisfaction. Regardless of this stakeholder’s abdication of his or her role to review the interface during development, it is still the project team’s responsibility to manage stakeholder expectations through meetings, pilots, one-on-one discussions and testing. This end user’s dissatisfaction must be considered a failure in this respect.¹⁶ Certainly, it is better to catch such issues during prototyping or trials.

The PM can try to convince the specific stakeholder otherwise, but it is very difficult to argue with a perception.

Attempting to argue in terms of facts with a stakeholder holding a poor perception of the project deliverables is generally a losing battle. Perceptions are often based more on emotion than on facts. It is more likely that another stakeholder who is both more positive about the project and trusted by the individual will have a greater influence in altering these negative perceptions.

A highly important attribute of project success is the health and morale of the project team at project end. This is part of the ‘How’ for the project and is cited in various models of project success. It encompasses opportunities for professional development for team members, maintaining a work-life balance and generally having a supportive project environment. The project leader is central to all of this.



Project success is not about individual accomplishments, such as the PM shining while the rest of the team has become demoralized. Project managers who burn out their team members are not managing their project or resources effectively. A good test of team health at the end of the project is that team members would like to work with the PM again in future or would have positive things to say about the project management. At the completion of a project, everyone should feel that they accomplished something worthwhile and that it was not based on undue personal cost. Projects which may otherwise appear successful but leave demoralized or burned-out staff in their wake can leave the organization with long-term consequences, as people become less engaged or decide to find new employment because of their negative experience.¹⁷

THE SOFT SIDE OF PROJECT CLOSURE

Closure, while it is the final stage of a project, is nevertheless a key part of the project life-cycle. This is the final point for the PM and project team to review all the project deliverables in order to ensure that the project has met its objectives. Additionally, it is the crucial juncture where project activities must shift to operational activities with respect to the deliverable. This phase also encompasses all of the usual tasks for both administrative and contract closure, including:

- Perform scope verification and obtain formal acceptance from the project client and other key stakeholders, addressing any residual concerns;
- Complete a hand-over to operational mode, effecting the transition of the final product, service or other deliverable into production/operations, or to a follow-on project or phase, if applicable;
- Collect and archive plans, records, drawings and other project documents;
- Audit the project performance and gather and document lessons learned;
- Close project finances, administration and contracts;
- Release the project team (some team members may have been released earlier);
- Formally terminate all project activities and declare the project closed.

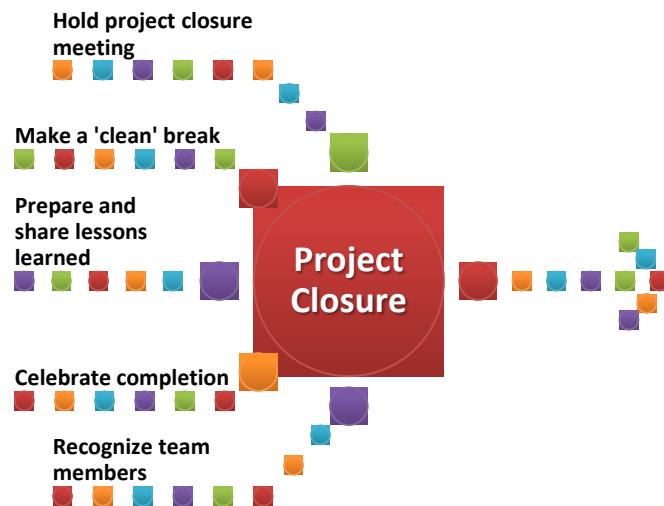


Exhibit 11.3: Soft Side of Project Closure

Even though this stage of work requires completion of a large number of activities, as mentioned above, it is usually rushed or ignored in favor of far more attractive activities (e.g. the next big project!).

Project closure relies on various hard and soft elements.

There are many tools and templates available to support the hard side of project closure, such as checklists. As illustrated in Exhibit 11.3, there are a number of steps for the project

leader to take that address the soft side of project closure and complement the hard side. These are described further as follows:

- **Hold project closure meeting** – Many PMs will organize a closure meeting at the conclusion of a project. This is an important milestone because it helps to declare the project (nearly) closed. Retrospectives are very useful for discussing with the team, and possibly other stakeholders, where and why the project was effective as well as where and why it was not. Such meetings also represent an opportunity for the team members to openly and collaboratively offer their perspectives and contribute ideas for improvement.

It is helpful to follow a few guiding principles when organizing a closure meeting. Schedule the meeting shortly after successful project go-live or a similar endpoint where the deliverable is turned over. The key is to schedule the meeting before there is any interference from critical post-go-live activities, but soon enough to capture key inputs and lessons learned while they are fresh in team members' or other stakeholders' minds.

The discussion should involve a broad set of stakeholders who were either directly involved in completing project deliverables or impacted by the project. Several meetings may be needed to accommodate everyone and to keep the meetings interactive and manageable. The PM should be open to input in whatever form is most comfortable for participants, whether this is at meetings, by e-mail or in other ways. Exhibit 11.4 lists some sample, key questions for use in a project closure meeting.

Project Closure Questions	Yes	No	Explanation
Have all the project objectives been achieved?			
Is the client/customer satisfied with the overall project?			
Have all necessary post-project support agreements been established?			
What are the major, remaining concerns for the project?			
What are the key lessons learned from the project?			
If you had it to do all over again, what would you do differently?			
Do you believe the solution was cost-effective?			

Exhibit 11.4: Project Closure Questions

- **Promote learning with the preparation of lessons learned or post-implementation reviews (PIR)** – It is considered customary and an integral part of project closure to convene a ‘lessons learned’ session or conduct a post-implementation review. These are sometimes dedicated meetings, expressly to discuss and document what has been learned. Lessons learned can be defined as what learning has been gained from the process of completing the project that should be passed on to benefit future projects and PMs. These lessons learned contribute to organizational process assets, adding to the enterprise’s knowledge base.

Facilitating lessons learned helps the team reflect on project accomplishments and possibilities for continuous improvement. It is also good practice to capture lessons learned from stakeholders as they exit the project, even if the project is not yet complete. Project team members and other stakeholders should be asked to brainstorm on their experience, including the good, the bad and the ugly!

A sample lessons learned meeting agenda is given in Exhibit 11.5¹⁸.

The lessons learned session could be conducted

Exhibit 11.5: Lessons Learned Meeting Agenda

independently of the project manager, using another facilitator. As the PM plays a major part in the success or failure of the project, their objectivity may be compromised and the team may feel conflicted or unable to speak openly if the PM is present for this discussion. The need to use a facilitator will be determined by what kind of atmosphere the PM has created for the team throughout the project. An open, trusted and supportive team environment allows team members to feel comfortable having a lessons learned review with the PM present, even chairing the meeting. Conversely, a more tense or adversarial environment may mean that this kind of dialogue would not be very productive. The choice of using a facilitator may also be driven by, say, a sponsor who believes that the PM was a source of issues for the project.

	Initiation	Planning	Execution	Monitoring and Control	Closing
Integration Management					
Scope Management					
Cost Management					
Time Management					
Human Resources Management					
Stakeholder Management					
Communications Management					
Risk Management					
Quality Management					
Procurement Management					

Exhibit 11.6: Template for Lessons Learned Analysis by PMBOK Knowledge Area

Whoever leads this session must establish a forum that can accommodate diverse perspectives, both for the diagnosis of problems encountered and to develop approaches for improvement. Some points may be politically sensitive and will have to be handled carefully and diplomatically, whether in discussion or in the lessons learned report. It should be emphasized to all that it is equally important to capture the positive aspects of the project, the basis for these and what conditions would allow them to be

present again in future endeavours. The meeting must be structured and properly managed to produce useful results to help refine project delivery methodology and the design of other similar projects in the future.¹⁹

The template in Exhibit 11.6 is intended to provide a structured approach to performing the lessons learned exercise. It uses the ten knowledge areas and five project phases as defined by the PMBOK.²⁰ For each knowledge area, the relevant cell can be filled in with responses to the following questions:

Approaches which should be sustained:

- What went well?
- What reasons were there for this?
- How could this be achieved again in future projects?

Approaches which should be improved:

- What did not go well?
- What reasons were there for this?
- How could this be improved for future projects?

These key questions help to gain the necessary understanding and prepare the required documentation to build useful insights for the next project. Not every cell of this table needs to be completed. The structure is merely an aid. Particular aspects of the project that are likely to be of great concern – for example if project change control was being managed poorly, leading to many unapproved requirements being added to the list – can be detailed under the ‘Project Integration Management’ knowledge area and the ‘Monitoring and Control’ phase. Other areas will be of only some interest, while still others will be of no concern at all and can be left blank. It would be essential to record the views and insights of three major stakeholders: the project client, the sponsor and the team. In addition to the commentary, there should be room provided for any recommendations. Many other templates are available for capturing lessons learned.

- **Make a ‘clean’ break** – Project closure requires that the PM, the project team and other stakeholders detach themselves from the project. Adjournment is a natural stage in the team journey.

This can be as much a logical as an emotional distancing, especially if the project has been particularly lengthy, fun, collaborative or filled with accomplishments.

In some instances, the PM or project team members may become distracted or anxious as the project nears the end, shifting their energy to finding their next assignment. This could translate into sub-standard performance. PMs should work to sustain a strong effort until all project steps are finished and then dismantle the project team in a graceful manner. The timely, official release of team members from the project to either

return to their departmental home or be assigned to another project is an important responsibility. Delayed release can affect motivation or career progression for those affected. A smooth closure should also include last conversations with various project stakeholders.

EXAMPLE – LESSONS LEARNED RESPONSES

Scope – Was the original scope well defined? Was it well managed?

Yes, the PM spent focused effort on scope management and the team spent a large amount of time gathering requirements. The time spent by her on scope management was a great asset in the later phases of the project.

Planning – Were all key planning documents used? Any variances?

Even though all documents were used, the PM was not an avid user of Microsoft Project. The PM's preferred tool was sticky notes. This worked somewhat for the first half, but it was cumbersome during execution phases.

Risk – Were risks identified and planned for? Were certain risks missed?

Risk management could have been more focused as many vendor risks were never identified and that resulted in missing one of the most critical milestone dates. If risk management was done throughout, the team could have suggested various mitigation steps.

Team – Does the team feel positive about the project?

The PM is a people person and she ensured that team morale was always high. She respected the team members and never showed anxiety or frustration even during stressful times! Great job!

Were there other parts of the project that went particularly well or not?

The customer was very happy with the deliverable and it was received very well. Even though we finished a few weeks behind, the overall sentiment is that this was a massive success story for the organization.

Exhibit 11.7: Sample Lessons Learned Responses

- **Share lessons learned²¹** – Closely related to the previous point is the sharing of lessons learned. While this may seem obvious, it is not unusual for the lessons learned documentation to be of low quality, limiting its value, or left on someone's computer, making it unavailable for future reference. The lessons learned document (sample illustrated in Exhibit 11.7) should be archived in a project knowledge base of some kind which is easily accessible by others. If there is a PMO, it may manage a lessons learned archiving system or repository. Preparing lessons learned is very important, but leaving that knowledge inaccessible is not helpful. It is important for the PM not to just prepare lessons learned but to share them. When aspects of the diagnosis and areas for improvement are sensitive, though, a degree of discretion will be necessary. The level of openness to critique will very much depend on the organization and its culture.

For Project Leaders...

At the end of a project, there may be impatience from the sponsor or other key stakeholders for the project to be closed. They may not see the value of performing a ‘lessons learned’ exercise or a post-implementation review. It may be because they do not appreciate how this contributes to the knowledge base for the organization or to continuous improvement. It may also be driven by a desire to release resources or by worries over further expenditures against the project budget (especially if the project is already over budget).

You invested in the success of the project at the very beginning by being attentive to team culture, protocols for decision-making and conflict management, or in establishing the right atmosphere with the team and other stakeholders. Now it is time to invest in the success of future projects, by doing the necessary analysis, obtaining feedback and preparing the lessons learned that will assist the organization with the next project as well as support the next PM.

As a project leader, this may mean that some education and negotiation is warranted, if the sponsor or others do not understand the value and implications for the future of doing these closing activities. They may not appreciate how this contributes to the enterprise. A good practice is to simply build in the closing activities, clearly showing these steps and the time they will take, in the project plan. The approved plan, with an appropriate project closure phase, will make it harder to rush or eliminate these important steps. Including the sponsor or other key participants in these sessions will also improve their awareness. If there is a PMO involved, they will be a critical ally in communicating the value of this process.

- **Celebrate completion or air concerns on less successful projects²²** – If the project has been planned and executed reasonably well, there is a definite sense of accomplishment when the project is closed. Closure has always been the biggest milestone on the Gantt chart. It is important for the PM to celebrate this accomplishment, together with the project team, sponsor and other key stakeholders, and to formally recognize the impact of the project in relation to the objectives and benefits realized. A project completion celebration is, in fact, an element of project communications. Taking time for a project celebration helps the team and others feel good about their collective accomplishment before everyone rushes off to the next

project. Many public sector organizations, and even private sector ones, will include a ribbon-cutting ceremony to unveil the project to the public, to the client, to employees or to investors as appropriate. Examples include the opening of a bridge or a community centre. This is likely to involve media relations or public relations specialists. Naturally, some projects do not succeed or succeed only partially, and for projects such as these, with less than favourable results, project leadership will be required to deal with the issues, outcomes and personnel involved in a mature and sensitive manner. Wherever there has been a positive contribution, though, it remains vital to recognize those who made the contribution.



- **Recognize team members** – Team member contributions should not be recognized only at the end of the project; this should be an ongoing activity. Due to the intensity of project work, in many cases the PM may be too busy to find the right opportunity for recognition. However, as the PM and as a leader, it is critical to show the team or individual staff appreciation for what was accomplished. This is the PM's 'reward power' in action. Such recognition may be in relation to either the results of the work performed or the way it was performed. Likewise, team members could be recognized for their efforts in helping the team achieve its goals or particular efforts that promoted teamwork. Some project teams even establish a 'teamwork' award, which may be presented monthly. It is important to balance recognition for teamwork with individual effort, since each sends a particular signal regarding what is valued.

Recognition does not need to be elaborate, but it must be sincere. A little creativity helps generate a fun atmosphere for the team and a welcome break from the demands of the project. A significant amount of positive energy can be created in the team by recognizing the right efforts at the right time.²³ Simply saying 'thank you' and showing appreciation means a great deal to most people, especially if it is done in front of their peers and in a timely way such that the accomplishment is still fresh. A small token, such as a Tim Horton's or Starbucks gift card, is often sufficient as a reward. Major accomplishments should be recognized through commensurate rewards, such as a performance bonus. The PM may not be empowered to award bonuses, but when appropriate should certainly bring the contribution to management's attention.

Many of these suggestions apply equally to key milestones or the end of project phase.

Each of these points should serve as a reminder to the project leader to recognize contributions, gather lessons learned and prepare for the next round of work.

Especially for longer projects, much can be forgotten if left to the very end. So it is best to engage in these practices throughout the project.

ORGANIZATION SNAPSHOT: TIM HORTONS



Tim Hortons turns out stores on the ‘Double’²⁴

- Industry – Coffee and food services
- Headquarters: Oakville, Ontario, Canada
- Business: A restaurant chain specializing in donuts and coffee. As of July 2012 the company had 3,326 stores in Canada and 734 in the U.S.
- Chairman and co-founder: Ron Joyce (co-founded chain with hockey legend Tim Horton)
- Financials in 2010: \$2.53 billion (CAD) in revenue; \$647 million in net income.

Challenge: Manage an increasing number of construction projects as the company looks to expand aggressively across Canada and into new U.S. markets.

Baseline Goal: Continue to grow revenue at about 13% a year while reducing the number of days it takes to build a new Tim Hortons store, from 390 in 2003 to 350 by 2007.

The Canadian restaurant chain now opens new stores in 360 days instead of 390. But first it had to get over some hurdles working with project management software.

Tim Hortons is to Canada what Krispy Kreme is to North Carolina, or Dunkin’ Donuts is to Massachusetts. The chain is named after a popular defenseman who played with the Toronto Maple Leafs during the 1960s, helping them win four Stanley Cups. “You’ve always got time for Tim Hortons,” is the familiar jingle that has enticed customers for years to the venerable Canadian coffee-and-donuts chain.

Time, though, is in short supply for Dan Dominick, Tim Hortons’ vice president of engineering services. The company aggressively plans for another 220 retrofits - older Tim Hortons stores that are being renovated to more closely match the company’s latest model. Then there’s the company’s invasion plans for the United States. That’s the coffee equivalent of a double-double piling up on Dominick’s desk. Until 2003, managing those projects was literally an exercise in shuffling huge volumes of paper. “We had 916 filing cabinets with about 10 million documents,” he says. “In total, they were taking up about 3 million square feet of office space.”

But no more. Like a box of the company's signature Timbits mini-donuts opened at a hockey rink, the filing cabinets are gone. Tim Hortons has completely reengineered the way it manages construction projects. Tim Hortons experience offers companies valuable lessons not only in the project closure but also in managing challenges during the deployment.

Dominick and his team found as they rolled out the software that construction cycles actually began to increase, rather than decrease, because of training issues. Outside contractors and service providers in particular struggled with learning to use the application. Tim Hortons also had a number of ideas on how to customize the software to make it more closely match its operations, but Dominick wasn't prepared for the bill that went along with those specially designed features.

As the bumps were smoothed out, however, the project management software helped Tim Hortons shave about 30 days off its construction cycle. Construction project management at Tim Hortons is a highly involved process, requiring input from a number of internal and external stakeholders. It begins with the site selection review, where potential locations are evaluated for traffic flows, zoning requirements, area demographics and real estate values. Corporate real estate and legal teams are brought in to finalize site requirements and file necessary development permits; this is followed by building design and engineering. Construction plans are then tendered to contractors, and construction must be closely monitored to prevent delays or cost overruns. In the meantime, store fixtures, tables, shelves and cookers are ordered. Finally, the new location is turned over to the operator

In 2003, it took an average of 390 days, more than a year, to go from finding the dirt for the new location to opening the doors on a new Tim Hortons. About 50% of the time, was tied up in going back and forth with city planning councils to gain approval for development permits.

However, the remaining six months included finding a site for the new store, approving architectural plans and drawings, finalizing budgets and tendering construction contracts. It's a complicated process whose backbone is built on communication, and when that communication is largely by phone, mail and fax, the potential for breakdowns is high.

Bringing Tim Hortons into the modern world of project management was no cakewalk for Dominick and his development group. At various times, he approached senior management with the concept of digitizing the development cycle but the idea was quickly dismissed. "As far as they were concerned, it was just going to cost money," he says. "If I was going to get anywhere with it, I had to prove the business case first."

Dominick built the business case by looking at one specific area of the development cycle—architectural plans and drawings. The company was spending about \$250,000 a year alone on drawings for contractors. By making the drawings available online through a secure project site, Dominick estimated savings could be close to \$850,000 a year.

“I had to prove it to these guys in hard-dollar savings,” Dominick says. “Rather than do everything on their wish list, we prioritized their real needs versus what would be nice to have. Any software can have lots of customization. The true partnership is when the client and the customer work together to establish priorities and mission-critical requirements.”

Tim Tracs officially went live in January 2004. It was the equivalent of letting Russians into the National Hockey League - Tim Hortons' development game was completely changed. Here's how the work flows through Tim Tracs:

Site selection. If Tim Hortons is set to build a new store on Main Street, USA, all information related to proposed sites gets loaded into Tim Tracs, including site layouts, real estate costs, traffic patterns, and associated demographic information.

Engineering and design. The engineering department will look at the various Tim Hortons standard building types. The new franchise owner and engineering team will then access the plans via Tim Tracs and finalize design. Drawings can be marked up and altered online, and the system saves the originals and the changes.

Tendering. Once the plans are approved, tenders are sent out via e-mail to a select group of pre-approved contractors. The e-mail invites them to bid on a new project, and provides them with access to Tim Tracs where they can review the specifications. The contractors submit their bids electronically.

Approval. Submitted bids are ranked, based on pre-approved parameters such as cost, time to complete and the contractor's previous history with the company. A winning bid is selected; the contractor is notified electronically and provided with secure access to a site where all future work related to the project, including detailed architectural drawings, is stored. The submitted bid then becomes the budget against which the project is tracked.

Stop Light Report feature. Based on previous experience, projects are monitored according to a set of milestones, such as when building permits should be approved, when concrete foundations should be poured, building framing completed, cookers installed, etc. If all milestones are met as scheduled, the project maintains a green-light

status. However, if a project is in danger of falling behind or going over budget, it gets a yellow. Contractors enter information, such as final bills for materials and work performed, into the system as their work is completed. If a project misses a milestone or exceeds budget by a certain parameter, it gets a red light. This feature is not completely computerized; managers decide whether a project gets a yellow or red light. By drilling down through the report, Dominick can quickly see why a project has fallen behind schedule, such as problems in obtaining a city building permit.

The Stop Light Report has become a particular favorite at board meetings, where senior executives can see how projects are proceeding and how many are behind and why. A major benefit of the system, according to Kylie Campbell, a development manager in Dominick's office, is that it formalizes communication with the various contractors. "It gives us accountability," she says. "They can't say [they] didn't get the e-mail, because it's all recorded."

Tim Hortons bills the cost of the service directly to a project. On a new store, for example, it typically shows up as an \$1,800 item. The results from the initiative were substantial, but they weren't immediate. It took time to train Tim Hortons employees on the system, and many contractors who were used to dealing with faxes and hard-paper drawings weren't comfortable with the change.

With his own pet project getting a red light, Dominick quickly formed a team to travel across the country and train staff and contractors on how to use the system. The problem, says Mark Bradley, who spearheaded the effort, is that while people were shown how to use the system in general, they initially lacked training in how to perform their daily tasks. "What we really needed to do," he says, "was sit down with them and show them how to use it to perform their individual business processes," such as submitting a tender.

As usage increased, however, Dominick began to get the paybacks he had been promising management. Row by row, filing cabinets were emptied and moved out of the offices, printing and courier charges were eliminated, and staffers were able to concentrate on projects that needed their attention, reducing red lights. "There are pretty substantial cost savings to be had when you can knock four weeks off a project," Dominick points out. "But it's not only that . . . it's four weeks earlier that the site's generating revenue for the franchisee and the company."

RECOVERING A TROUBLED PROJECT WHEN FAILURE IS NOT AN OPTION

“When things go wrong in your command, start searching for the reason in increasingly large circles around your own two feet.”

General Bruce Clarke²⁵

As project management becomes more prevalent, it does not imply that more projects are successful. Every organization has ‘troubled projects’ that are behind schedule, over budget, suffering from scope creep or failing to meet stakeholder expectations. A project is in trouble when variances are beyond the acceptable tolerances per agreement with the sponsor and/or project client. According to Standish Group’s ‘Chaos Reports’, approximately 71% of all large-scale information systems projects are either ‘challenged’ or scrapped before they are completed.²⁶ ‘Challenged’ could imply projects are delivered well past the scheduled delivery date, materially over-budget, or lacking critical features and requirements.

Whether it is constantly changing requirements, lack of effective sponsorship or poor communication with stakeholders, the end result is the same – project failure.

Poor communication and poor project management processes are considered to be among the primary root causes of troubled projects.²⁷ In many cases, the project might be too big or too important to have it fail. A failure may seriously affect the organization. In those instances, if no attempt is made to actively recover the project, the results could be disastrous, possibly leading to job losses, financial reversals, loss of reputation or damage to the relationship with a major client. These possibilities make it imperative that organizations undertake a recovery intervention on such projects.

A recovery intervention is an attempt, based on analysis, preparation and strong execution, to turn around a troubled project.

Some organizations will have already established appropriate, standardized approaches for review and recovery of troubled projects and applied interventions successfully. A survey conducted by PM Solutions highlights that recoveries are common, with nearly 72% of the firms surveyed undertaking a project recovery intervention in the past 3 years. This varies by sector: Information Technology firms (90%) were much more likely to have had a project recovery intervention than financial services (75%), manufacturing (71%), or professional services (62%) firms. Those enterprises having a standard project management methodology (78% of the firms surveyed) had less than half the number of project failures as those that did not. Not surprisingly, larger firms are usually better equipped to handle troubled projects than small or mid-sized organizations.²⁸

The top five causes of troubled projects, as described in the same study, are illustrated in Exhibit 11.8.²⁹ They are detailed, in order, as follows:³⁰

- **Requirements** – Lack of clarity, agreement, prioritization or imprecision, ambiguity or being contradictory.
- **Resources** – Shortage of resources, conflicts with resource allocations, turnover in key resources.
- **Schedules** – Overly tight or unrealistic.
- **Planning** - Based on insufficient details or information, poor estimates, missing items in the work break-down structure.
- **Risks** – Unidentified or assumed risks, lack of risk management.



Exhibit 11.8: Top Causes of Troubled Projects

These suggest areas warranting particular attention from the project leader throughout the project.

There are numerous approaches for reviewing, recovering and re-aligning struggling or failing projects. A typical recovery could be achieved by a combination of redefining the project, changing project leadership, resetting expectations with stakeholders, replacing key resources or improving project management practices. Best practices and checklists are useful in assessing troubled projects. These are discussed in the section below.

BEST PRACTICES TO RECOVER A TROUBLED PROJECT

The following practices help the PM, the sponsor and other major stakeholders, as applicable, through the recovery process:

- **Accept that the project is in trouble** – The journey to a successful recovery begins with accepting that the project is in trouble. As simple as this may sound, it may be the most difficult step of all. Once the PM determines that the project is in trouble, reaching out for help becomes easier. Although senior management sometimes makes

the decision to intervene in a troubled project, it is the PM who is closest to the project and has (or should have) the best understanding of the situation.

- **To recover or not to recover** – This is the decision point as to whether or not to save the project. During the assessment stage, it is important to determine if the project can be recovered or if it is beyond recovery. This determination is also driven by how important the project is to the firm as well as what costs may be incurred to recover, as shown in the decision matrix in Exhibit 11.9.



Exhibit 11.9: Decision Matrix for Project Recovery

If the effort and cost of recovering the project is relatively high compared to the business value for the organization, recovery might not be a good option. Exiting or terminating the project could be a more valid proposition.

Starting at the lower left quadrant, when the cost of recovery is low but the business value of the project is also low, a troubled project could simply have its priority lowered and be deferred in favour of more valuable projects. The project may not be worth pursuing at all. At the top left quadrant, when the cost of recovery is high, but the business value of the project is low, it is best to exit and cancel the project. At the top right quadrant, when the cost of recovery is high, but the value of the project is also high warranting continuation, the project may need to be substantially transformed in order to both manage the costs and retain the project's value for the organization when carrying forward. For example, perhaps it would be best to combine it with another project or to split it up into multiple, smaller projects. Alternatively, maybe its scope

should be reconfigured. Lastly, at the bottom right quadrant, when the cost is low, but the value of the project is high, the project should be salvaged. That is, it should be retained with appropriate and likely modest adjustments, based on the recovery analysis. All of this assumes that the reasons leading to the project being inaugurated still hold or have become even more compelling. Thus, the assessment of the value of the project to the organization is really about the project's current value as opposed to its projected value at the start.

- Another view, illustrated in Exhibit 11.10, suggests that there is a 'Recovery Zone' between a normal project and a project doomed to termination. This is the region beyond acceptable variance of the project parameters and before the point at which the project would be considered to be in the 'exit' or 'terminate' zone (i.e. in such difficulty that it would not be worthwhile or feasible to recover). If the project is within the recovery zone, there is still opportunity and benefit in recovering the project. In other words, there is the possibility that early signals about poor project performance, if addressed quickly and well before things deteriorate further, may keep the project from ending in the termination zone.

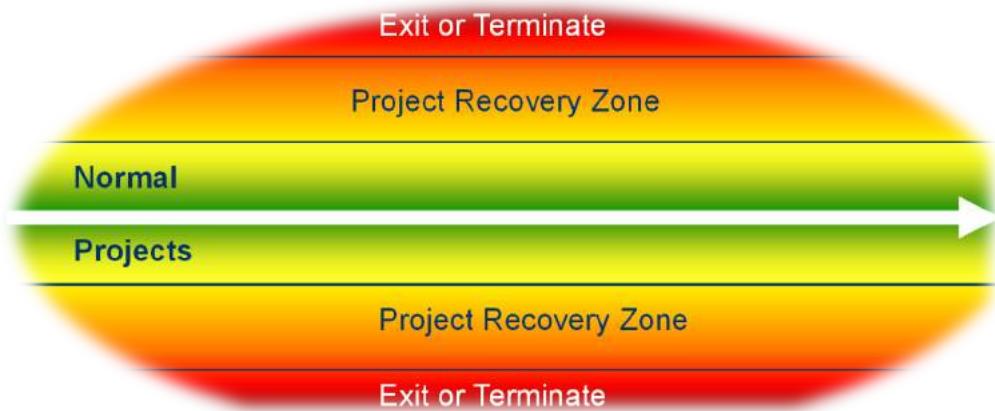


Exhibit 11.10: Project Recovery Zone

For example, a project could be undertaken to increase sales on an existing product in anticipation of the Christmas holiday season. If the project is unable to deliver by the due date, management must decide whether or not the expected business value can still be met by recovering the project. If it becomes apparent that the product cannot be delivered by the due date, then the original business case might be diluted and termination or exit might be more appropriate.

- **Replace the PM or bring in a 'Recovery Manager' to manage the recovery** – A project's troubles could be attributed to the PM, or there may be a damaged relationship between the sponsor or the project client and the PM. The team itself may believe that the dysfunctional situation is the PM's fault. While the PM would have a vested interest in addressing and correcting the troubled project, it is often the case that

the person who brought about the situation is considered not to be the person who can effectively resolve the problems and forge ahead.

Rather than relying on the current PM to navigate through the various difficulties, organizations will frequently bring in a new PM to take over the recovery and to lead the project.

The current PM has an intimate understanding of the project and may be blameless, but the change of leadership will be viewed as a fresh start for all concerned. The PM could be replaced by a new internal PM or an outside consultant. The new individual should be impartial and highly experienced in heading recovery efforts. They will need to have clear authority to proceed with the recovery process and will usually be expected to get the recovery moving very quickly, especially if it is a high-value project.

- **Pause the project to conduct a detailed audit** – The recovery process starts with an assessment of the situation or an audit. All aspects of the project should be reviewed, including objectives, needs and expectations. As part of the audit, key stakeholders, including team members, should be interviewed to evaluate schedules, risks, resource effectiveness, scope issues, project management practices, etc. The audit should involve a root cause analysis to determine and address the underlying reasons for the troubled state of the project. Project team roles and responsibilities should be examined. Tools and tracking mechanisms should also be checked.

The insights gained from the audit will serve as the foundation for the recovery plan. As Exhibit 11.11³¹ highlights, this stage of work also needs to identify the current state ('where are we?'), target state with the recovery ('where should we be?') and what needs to change to get there ('how can we get on track'). This could involve both a qualitative and a quantitative assessment with analysis of project measures. The audit may conclude that project objectives, expectations or deliverables need adjusting.

- **Focus on the team** – In his 2011 book, 'Rescue the Problem Project: A Complete Guide to Identifying, Preventing, and Recovering from Project Failure', Todd Williams highlighted that 'the answers to a problem in or with a project are in the team'.³² Every project consists of people interacting in a social environment and building a community. Social interactions generate conflicts and issues as well as opportunities.

Just as the PM may need to be replaced, the team may need to be rebuilt, since those who brought the project to its current state may not be those who can rescue it.



Exhibit 11.11: Conduct a Project Audit

The project might require removing, adding to or replacing key team members, with possible ramifications for the budget. Any changes in key resources must be negotiated with their respective management before restarting the project. Rebuilding the project team could well take the project back to the forming stage, with all that that entails. An updated governance structure, communication plan and issue resolution process may be needed. Through the rebuilding, the changed team will need to develop confidence, teamwork, a sense of trust and to feel empowered. A team building exercise would be very useful before beginning project recovery.

- **Redefine or reconfigure the project** – The business case and situation that won approval for the project could have significantly altered over the lifespan of the project. It is important to review the business drivers, project ROI, strategic rationale and to redefine the project. The project could be redefined by reducing the scope or changing the key deliverables. It may require a new charter with an achievable schedule and re-justification of the project benefits. Recovery exercises need to reconfirm the business case from the perspective of economic, organizational, and executive needs.
- **Follow a recovery methodology** – There are proven methodologies that exist to recover a troubled project with specific steps. Kerzner proposes a seven-phase approach, which is depicted in Exhibit 11.12.

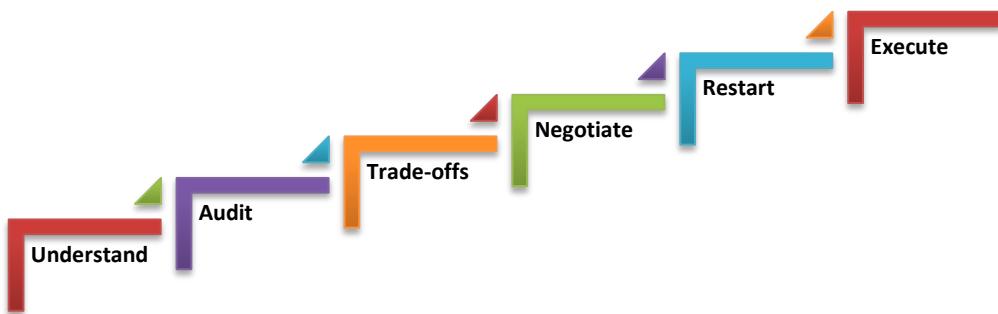


Exhibit 11.12: Kerzner's Six-Phase Recovery Methodology³³

The ‘**understand**’ phase is concerned with quickly acquiring a broad and fairly deep appreciation of the project circumstances and history. Interviews and reviews of key documents (e.g. business case, existing project plan, meeting minutes) are a part of this phase.

The ‘**audit**’ phase involves a critical assessment of the project, the work done to date, issues encountered, etc. It will include a root cause analysis to uncover underlying problems or gaps. The original project objectives, deliverables and value to be generated are considered and validated or adjusted. Does the project still hold the same importance or priority for the enterprise that it did at initiation? Based on any needed

adjustments, personnel are reviewed in terms of required competencies, availability, roles and responsibilities. Having the support of the team for both the project and the recovery PM is essential. There should also be a check that executive commitment is in place as recovery could lead to a change of sponsor.

Once the analysis and preparation of the ‘understand’ and ‘audit’ phases is completed, the ‘**trade-offs**’ phase can begin. Since the project has been compromised, it will be necessary to rebalance the project constraints to meet the needs and expectations of the project client. This may mean eliminating less critical requirements or deferring them to a future phase when additional time or budget is available. There are many potential permutations, which will be influenced by reconsidering which aspects of the projects are most crucial and worth saving.

The next phase is ‘**negotiate**’, where discussions and negotiations take place with stakeholders to explore and finalize acceptable trade-offs. This phase requires communication with the stakeholders regarding a resetting of expectations.

The recovery PM must be realistic and honest about the feasibility of the recovery and the appropriateness of the trade-offs.

These discussions are the basis for an approved recovery plan.

The ‘**restart**’ phase would see the re-launch of the project with the new objectives and parameters. The recovery PM will need to share the approved recovery plan with the team and ensure that there is buy-in on their part. If there were particular major issues revealed through the ‘audit’ phase, these and related solutions should be discussed.

The factors or behaviours which caused the project to become a troubled one must not be allowed to continue. Any changes to roles, responsibilities or reporting must also be reviewed with the team.

Lastly, the ‘**execute**’ phase is a return to full operational mode for the project. The recovery PM must monitor project activities and the team very closely, especially in the early days. Through the ‘restart’ and ‘execute’ phases, there will be the need to rebuild team morale as well as to re-engage stakeholders. Achieving and acknowledging some small, quick wins will be tremendously helpful to boost morale and demonstrate that the project recovery is progressing well.

- **Agile project management** can be an effective way of managing the ‘execute’ phase of the recovery. This approach relies on building smaller deliverables, in relatively short-duration iterations, rather than working toward large deliverables that are only finished at the conclusion of the project. The focus is on a fast feedback loop where learning can be shared after each iteration. This is illustrated in Exhibit 11.13.³⁴ Each iteration is likely to take just one or two weeks, with frequent (even daily) reviews. Each work iteration would be quite specific and clear, making the tasks and necessary effort much more predictable. With agile project management there is no need to try to estimate what might be required months or years down the road in the project plan.

Breaking down the project into smaller deliverables brings the project steadily closer to the end point. Accomplishing milestones in short bursts generates confidence for all. In a recovery exercise this can lead to renewal and sustainment of commitment. The agile approach is also helpful for management reporting, course corrections, reducing the tendency to over design/build and keeping close to the client, with many opportunities for the latter's input.

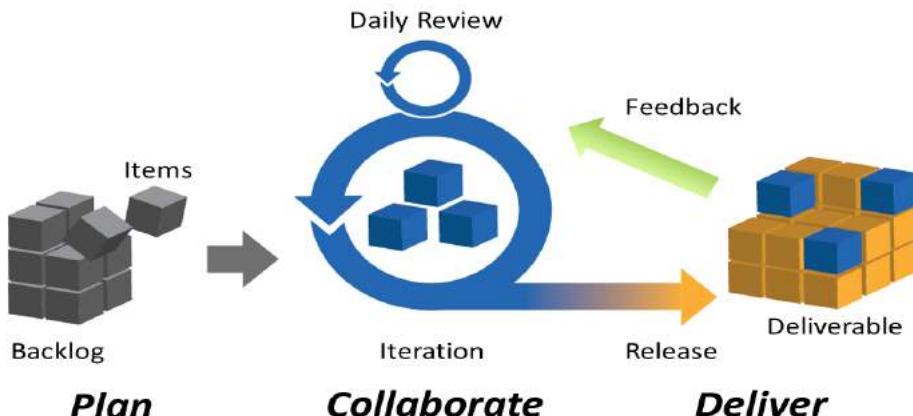


Exhibit 11.13: Agile Project Management Cycle³⁵

- **Define (Redefine) Success** – In a recovery context, the definition of project success will be different. Various stakeholders may have changed their views and expectations as well, given their experience of the project going off-track. There will likely be some need for re-alignment. The applicable KPIs and CSFs should be discussed and affirmed. Altogether, extensive communication with stakeholders is warranted.
- **Rebuild relationships with stakeholders** – A troubled project would have surely lost the trust of at least some stakeholders. The recovery will need to include mending and restoring relationships, improving communication, clarifying expectations and regaining the commitment of key stakeholders. The PM needs strong leadership skills to simplify the benefits of the project to different stakeholders. As General Colin Powell has said, “Great leaders are almost always great simplifiers”.

Recovering a troubled project is a combination of art and science. It is a juggling act of managing project constraints, managing stakeholder expectations and making project trade-offs. If project recovery is attempted in a purely mechanical way, simply by following a checklist or applying some basic methodology, it is unlikely to succeed. It takes leadership to understand the heart and soul of the project, and to put this understanding to work by addressing problems, rallying the team and re-engaging stakeholders.

PROJECT TERMINATION MODELS

In certain cases, recovering a project could be more expensive than terminating it. Project termination means ending the project before completion, as opposed to an orderly closure during the usual project life-cycle. Termination of a project requires the project sponsor, the PM and the core team to conclude that continuation of the project is unnecessary and unhelpful. Typically a project is not terminated until the project is so far out of control that it cannot be managed.

The problem could be too complex for the resources available or the morale of the team so poor that termination may be the only viable option.

In order to terminate the project, various factors must be analyzed, including the degree to which the project has met its goals and the degree to which the project qualifies against a set of factors associated with success or failure. The best approach to terminate a project is to create a short business case with hard facts and figures as to why the project should not continue. One way to handle termination of a project is to cut the losses, treating them as ‘sunk costs’, and not incur any additional expenses.³⁶

There are a number of project termination approaches:

- **Extinction** – The project has successfully completed or has failed. It could be the natural conclusion of the project or termination by ‘murder’. In extinction, all meaningful project activities are permanently stopped³⁷.
- **Starvation** – This is also called the ‘hatchet’ approach, with withdrawal of funds and removal of personnel. All resources are cut off from the project in a starvation situation. Resources could include money, people, equipment or even the justification for the project. The project could be left partially finished with no means of support for completion. Starvation turns an active project to a ‘namesake’ one. Reassignment of personnel to higher priority efforts will likely take place quickly.
- **Addition** – The project is ‘added’ to day-to-day operations and by definition ceases to be a project.
- **Integration** – Project resources are integrated back into their original functional areas, hence ending the project through lack of resources.



CLOSURE AND BENEFITS REALIZATION

“Tracking and monitoring our initiatives from a value perspective highlights where projects are going off track, not just on cost and schedule, but on benefits so we can proactively deal with the situation.”

Robin Dhillon, Senior Manager BMO Financial Group IT³⁸

The acceptance and approval of a project as a worthwhile venture should be tied to strategic alignment as well as meeting the financial and other organizational tests for the approval of the investment requested. The business case and other supporting documentation must show that the project is capable of generating the appropriate benefits or impact for that investment, and that it will generate more benefits or impact relative to other possible projects. In other words, project selection, prioritization and authorization should be driven by investments which realize the greatest benefits, financial and/or otherwise, for the organization.



Exhibit 11.14: Benefits Realization³⁹

Although many organizations have established processes and screening criteria for project intake, all too often once the project is approved there is no tracking or assessment of whether or to what extent the promised benefits were realized. This means that, firstly, there is inadequate discipline around the business case and the projected benefits. The author or the sponsor of the business case could, inadvertently or intentionally, inflate claims with no subsequent scrutiny.

Secondly, it implies that there is no feedback loop to support learning and continuous improvement. If benefits were to be tracked and assessed, this information would help improve the justification, planning and design of future, similar projects. Conversely, if such an assessment is not performed, the organization may never know whether what looked like a worthwhile project did indeed end up being so. Exhibit 11.14 shows how benefits realization is the ‘back end’ that complements the strategic alignment and portfolio management at the ‘front end’ of the project life-cycle. In fact, benefits realization should be considered an integral part of portfolio management.

Various studies have noted that attention to and processes for the tracking and assessment of project benefits is weak in many organizations. The PIPC Global Project Management Survey reports that “58% of projects fail to deliver the benefits as set out in the business case”.⁴⁰ Another study from KPMG, focusing on IT projects (more than 600 organizations in 22 countries participated), states: “Having made decisions to invest funds, there is variability in organizations’ ability to deliver value from these investments. In other words, projects are not delivering on their promises... In the past 12 months, 49 per cent of participants have experienced at least one project failure...In this same period, only two percent of organizations achieved targeted benefits all the time”.⁴¹ Even projects that are delivered at least 90% on time and on budget attain only 53% of their expected business outcomes.⁴²

Anticipated benefits from a project may not materialize immediately. The project deliverables and outcomes may need to be followed for six months, a year or longer. Although such longer-term tracking to assess benefits would fall outside of the scope of the typical project, the project design should provide for appropriate hand-off to another function responsible for the post-project tracking.

Clearly, project benefits tracking and realization mechanisms are critical for organizations to validate their investment decisions and to learn from their project experience. The following organization snapshot describes the approach Bank of Montreal uses in relation to benefits realization for its projects.

ORGANIZATION SNAPSHOT: BANK OF MONTREAL

BMO maps and categorizes high-level business benefits in terms of measurable business outcomes.⁴³

Industry: Banking, Financial Services – Bank of Montreal is one of Canada’s oldest and biggest banks. It has about 1,000 branches that provide deposits, mortgages and loans, life insurance, credit cards, investments, and wealth management services.

2011 Sales: \$13.7 Billion (CAD)

2011 Net Income: \$3.2 Billion (CAD)

2011 Employees: 47,180

There is always benefit in adding a value lens to project milestones. Traditional project management methodologies manage the project delivery but they struggle to apply the same project management rigour to achieving business outcomes. Project approaches are often poor at driving business outcomes, with a lack of clarity in benefits accountability and performance visibility.

BMO has established a benefits management discipline with the following components:

- Define measurable business outcomes.
- Tie business outcomes to business requirements.
- Track a mix of lagging and leading indicators.
- Provide ongoing insight into the health of the business case.
- Ensure sponsor commitment to benefits management protocols.

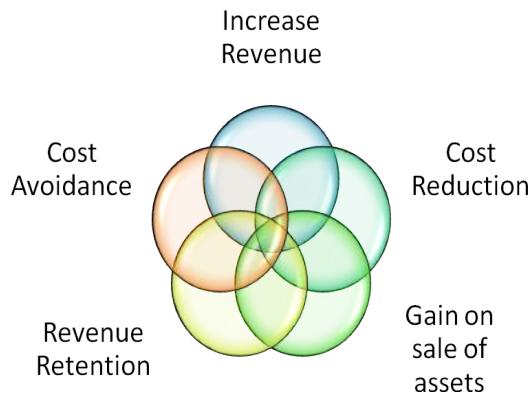


Exhibit 11.15: Defining measurable benefits outcomes

Exhibit 11.15 illustrates how BMO maps high-level business benefit categories to a finite set of measurable business outcomes. Increase in revenue across the bank could be a combination of increased product cross-sales, acquiring new customers from existing/new markets or increased product pricing/spread. Cost avoidance could be measured by avoiding purchases, hiring new employees, reduced risk or hardware/software avoidance. Similarly, cost reduction may consist of migrating customers to online channels, lower purchasing/ service costs, reduced banking transaction time or eliminating some staffing.

Revenue retention is another aspect of a measurable benefits outcome. It can be measured by increasing the customer renewal rate or reducing the customer defection rate. Lastly, gain on sale of assets is the difference between purchase and sale price.

Benefits could also be measured in terms of soft factors such as:

- Legal and regulatory compliance
- Accounting/tax impact
- Regulatory capital implications

- Operations/infrastructure
- Client and enterprise impact
- Human resources impact

CHAPTER SUMMARY

Meeting the triple constraint has been foundational in defining project success. Success, though, is increasingly seen as encompassing more than simply this. It includes both effectiveness in the ‘How’ – the project management processes – as well as the ‘What’ of the project – in particular, the outcomes. While many stakeholders will view project success as the achievement of the project goals outlined in the charter, each stakeholder involved in a project has different needs and expectations, suggesting that each can and will interpret project success in their own way.

Researchers have offered a variety of models to describe project success and many enterprises have defined project success for themselves. A number of these models add ‘benefits to the stakeholders’ and ‘benefits to the organization’ as further attributes of success. The project team, its well-being and the development of team members, is another very important component of success. The use of Critical Success Factors and Key Performance Indicators helps to elaborate the necessary conditions for and to track progress toward success. Projects can fail on the basis of the traditional triple constraint parameters and still be seen as a success by stakeholders; conversely, they can succeed on the basis of the traditional triple constraint parameters and be viewed as a failure.

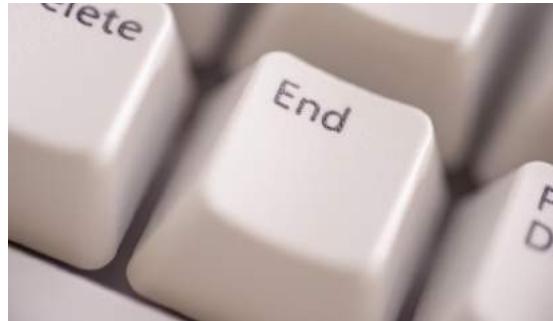
Closing a project is the final phase in the project life-cycle and involves several highly important steps and activities. It is also the crucial juncture where project activities must shift to operational activities with respect to the deliverable. Key activities for the project leader include holding a project closure meeting; making a ‘clean break’; preparing and sharing lessons learned; celebrating completion; and recognizing team members. A template for capturing lessons learned and to gauge the level of satisfaction from the project client, sponsor and team, is discussed.

Projects can become ‘troubled’ if they are not performing well, whether in connection with a slipping schedule, budget overruns or other potential problems. Troubled and even failed projects are a common occurrence. If the project is deemed too big or too important to fail, and a proper attempt is not made to recover, the results could be disastrous, possibly leading to job losses, financial reversals, loss of reputation or damage to the relationship with a major client. The top five causes of troubled projects have been found to be related to requirements, resources, schedules, planning and risks. A number of practices are suggested to recover a troubled project: accept that the project is in trouble; determine if it is worth recovering; replace the PM or bring in a ‘Recovery Manager’ to manage the recovery; pause the project to conduct a detailed audit; focus on the team; redefine or reconfigure the project; follow a recovery methodology (e.g. Kerzner’s); define (redefine) success; and, rebuild relationships with stakeholders.

At the front end of the project, its acceptance and approval as a worthwhile venture should be tied to strategic alignment as well as meeting the financial and other organizational tests

for the investment requested to be approved. The business case and other supporting documentation must show that the project is capable of generating the appropriate benefits or impact for that investment, and relative to other possible projects, will generate more benefits or impact.

At the back end, or closing, of the project, it is vital to revisit the project rationale in a more concrete way and assess what benefits will now be realized. Various studies have noted that attention to and processes for the tracking and assessment of project benefits is weak in many organizations. Project benefits should be tracked from the point that project deliverables are handed over for operations or use. The tracking and assessment will need to span a period of time appropriate to measuring the actual level of investment return against the level projected. Anticipated benefits may not materialize, so longer-term tracking may be needed outside the scope of the project. This critical feedback loop promotes organizational discipline in the documentation of business cases as well as learning and continuous improvement in how projects are selected and executed to maximize benefits.



ACTIVITIES

1. Review the following case study of a project recovery:

<http://tiny.cc/eeoq0w>

<http://tiny.cc/2eoq0w>

Discuss: What was the primary goal for this project? Why did it become a ‘troubled’ project? What was involved in the recovery plan? What challenges were experienced in performing recovery? Are there any lessons for projects in your organization?

2. Review the following two resources regarding project recovery:

<http://tiny.cc/sfoq0w>

<http://tiny.cc/ggoq0w>

Discuss: How does the A10 or AIM methodology for project recovery, described in the second resource, differ from Kerzner’s methodology, described in the first? What are the essential skills for a recovery manager, as covered in the second item?

3. Use the Lessons Learned template (Exhibit 11.6) to review a project you have recently completed. Share and discuss your document with colleagues. What changes would you make to this template to enhance its usefulness to you as well as to gather the necessary insights to serve future projects?

4. Use the Lessons Learned meeting template (Exhibit 11.5) to review a project you have recently completed. It may also be used in conjunction with Activity 3. Share and discuss your findings, positive and negative, with colleagues. What changes would you make to this template to enhance its usefulness to you as well as to gather the necessary insights to serve future projects?
5. Review the following presentation on benefits realization and ‘outcomes management’ at the Government of Canada:

<http://tiny.cc/6goq0w>

Discuss: What was the primary goal for this initiative? What is involved in ‘outcomes management’? How does it relate to benefits realization and to the definition of project success? How might this approach differ for the private sector? Are there any lessons for projects in your organization?

TOOLS

1. A lessons learned report template, together with several other tools for project closure:
<http://tiny.cc/woqq0w>
2. Another useful lessons learned template:
<http://tiny.cc/gpoq0w>
3. An example flowchart and series of questions to determine project benefits in a health care setting:
<http://tiny.cc/2poq0w>
4. A guide for benefits realization in projects, again from the health care sector:
<http://tiny.cc/lqoq0w>

REVIEW QUESTIONS

1. The following are true about successful closure, except:
 - a. Closure is an integral part of the project life-cycle
 - b. This is the stage where you conduct a project post-mortem
 - c. As the last stage of the project, this is a step that receives the least attention and is less important than other phases
 - d. Effective closure requires a clean break
2. Which of the following is not an example of CSF?
 - a. Strategic Alignment

- b. Customer Satisfaction
 - c. Environmental protection
 - d. Percentage of projects delivered on time
3. You are completing a project and are in the final stage of project closure, preparing for a ‘clean break’! Which of the following is an example of this step?
- a. Completing all activities in the project as per scope, cost and time
 - b. Departing from the current project because the new consulting engagement is starting tomorrow
 - c. Ensuring that the project sponsor gains what was requested in the charter
 - d. Conducting lessons learned at the end of the project
4. Your project was just completed and the sponsor rated the project a huge success because it was completed on time, on budget and accomplished all the goals outlined in the charter. Half of your team did not show up at the celebration party. Which of these statements would reflect better the full situation?
- a. Your project is a success because projects exist for a purpose and if the purpose is accomplished the project is successful
 - b. Your project is a success because it met the triple constraints of scope, cost and time
 - c. Your project is a failure because even though the triple constraints were met, the team is unhappy
 - d. Your project might not be a full success in the eyes of some team members
5. You are the Director of the Project Management Centre of Excellence in a weak matrix organization. You observe that projects tend to repeat the same mistakes. The project schedule templates already include a “lessons learned” task. There is a lessons learned repository. It is jokingly said that they are “lessons observed” instead of “lessons learned”. What might be the most effective thing for you to do?
- a. Hold the project managers responsible to carry out the lessons learned meeting and to document the lessons
 - b. Publish the lessons in a company-wide newsletter
 - c. Add an expectation at the project initiation stage that project managers will review appropriate lessons learned from other projects at the launch of their project
 - d. Hold the lessons learned meetings yourself
6. Company procedures require the creation of a lessons learned document. Which of the following is the BEST use of lessons learned?

- a. Historical records for use toward future projects
 - b. Planning record for the current project
 - c. Informing the team about what the project manager has done
 - d. Informing the team about the project management plan
7. All of the following would occur during the closure of the project except:
- a. Creating lessons learned
 - b. Performing cost/benefit analysis
 - c. Formal acceptance
 - d. Reducing resource spending
8. The major causes of troubled projects are:
- a. Requirements
 - b. Risks
 - c. Resources
 - d. All of the above
9. All of the these are approaches to recover a project, except:
- a. Provide more training to the Project Management team (especially the PM)
 - b. Spending time to rebuild possibly strained relationships
 - c. Following a methodology to complete smaller deliverables, while preparing or restructuring to relaunch the project
 - d. Spending time to redefine success
10. Benefits realization is about:
- a. Alignment of the project and its deliverables with strategy
 - b. Being consistent between what was promised in the business case and what is being delivered
 - c. Ensuring there are tracking mechanisms to determine if, and to what extent, the benefits have been generated (and if they are in line with what was expected)
 - d. All of the above

KEY TERMS

- **Addition** is a project termination approach that implies project tasks are added to day-to-day operations rather than being continued as a separate project.

- **Agile project management** can be an effective way of managing the ‘execute’ phase of the recovery. This approach relies on building smaller deliverables, in relatively short-duration iterations, rather than working toward large deliverables that are only finished at the conclusion of the project.
- **Benefits realization** starts with effective project selection, prioritization and authorization to ensure investments realize the greatest benefits, financial and/or otherwise, for the organization. Project benefits should be tracked from the point that project deliverables are handed over for operations or use. The project leader should ensure mechanisms are in place to perform the tracking.
- **Critical Success Factors (CSF)** are those essential inputs that would lead directly or indirectly to the success of the project. The critical ones are the limited set most important to the project and the organization. Two such CSFs would be: a clear project business case, mission, objectives and deliverables; and, top management support, including an effective sponsor.
- **Integration** is a project termination approach where resources are integrated back into their original location, hence ending the project for lack of resources.
- **Key Performance Indicators (KPI)** are indicators which show progress toward the project goal. There should be a relatively small set of particularly valuable indicators, to make measurement and oversight manageable. Two examples of KPIs are performance on project budget (variance from baseline) and achieving a high level of retention (less than 10% turn-over in staff during the life of the project).
- The ‘**Lessons learned**’ exercise is the process of gathering insights regarding what went well with the project, what would need to be improved and what might have been the root causes for either. This understanding can then be included in a repository as project history for others to exploit toward future projects or for training purposes.
- **Project closure** is the final phase of the project life-cycle and includes a number of important steps such as completing ‘lessons learned’ and celebrating completion.
- **Project Extinction** implies all meaningful project activities have ceased, whether as the natural conclusion of the project or termination by ‘murder’.
- **Project recovery** is a deliberate process of intervention based on analysis, preparation and strong execution, to turn around a troubled project. The decision to recover would be based on the business value of the project to the organization and the cost of recovery. Options include reprioritizing, salvaging, exiting or transforming the project.
- **Project Success** is a combination of both ‘How’ and ‘What’. The ‘How’ includes the process of conducting the project (e.g. working with stakeholders, meeting their expectations, etc.). And the ‘What’ includes meeting the project goals, deliverables and constraints, such as the schedule or budget. Various models of project success have been proposed.

- **Recovery Manager** is the individual, often a different person than the PM who was leading the project to that point, who will perform the analysis, preparation and recovery execution.
- **Recovery Methodology** is a defined process to guide the analysis, preparation and recovery execution. There are various approaches available, including Kerzner's Six-Phase Recovery Methodology.
- **Recovery Zone** is the region beyond acceptable variance of the project parameters and before the point at which the project would be considered to be in the 'exit' or 'terminate' zone (i.e. in such difficulty that it would not be worthwhile to recover). If the project is still within the recovery zone, there is still opportunity and benefit in recovering the project.
- **Starvation/hatchet** is a termination mode where resources are withdrawn. It may be quite sudden and unexpected.
- **A troubled project** is a project which is trending behind schedule, over budget, suffering from scope creep or failing to meet stakeholder expectations.

ADDITIONAL RESOURCES

1. McLeod, L., et al. "A Perspective-Based Understanding of Project Success". Project Management Journal, Vol. 43, No. 5, 2012. 68-86
2. A presentation on approaches for project recovery:
<http://tiny.cc/qmtq0w>
3. A survey report on troubled projects and project recovery:
<http://tiny.cc/bssq0w>
4. Kerzner's methodology for recovering troubled projects:
<http://tiny.cc/yssq0w>
5. Paper on the 'Troubled Project Recovery Framework' (from a software development perspective):
<http://tiny.cc/rtsq0w>
6. An extensive manual for recovering failing projects:
<http://tiny.cc/7tsq0w>
7. Presentation on approaches for project recovery, with brief case studies:
<http://tiny.cc/susq0w>
8. Presentation on approaches for project recovery:
<http://tiny.cc/qvsq0w>

9. Recovery process with ‘The Rescue Focus’ – a comprehensive resource for recovering failing projects:
<http://tiny.cc/8vsq0w>
10. A paper discussing the difficulties associated with killing bad projects:
<http://tiny.cc/rwsq0w>
11. A paper on project retrospectives and assessing project success or failure:
<http://tiny.cc/sxsq0w>
12. An overview of agile project management techniques:
<http://tiny.cc/nysq0w>
13. A paper on benefits realization, including some theoretical background:
<http://tiny.cc/dzsq0w>
14. Another paper on benefits realization:
<http://tiny.cc/b0sq0w>

REVIEW ANSWERS

1. C 2. D 3. B 4. D 5. C 6. A 7. B 8. D 9. A 10. D

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 - 6 [www.ccsenet.org/journal/index.php/ijbm/article/download/1244/1208](http://ccsenet.org/journal/index.php/ijbm/article/download/1244/1208) [Accessed November 1, 2012]
 - 7 <http://ezinearticles.com/?Analysis-of-Project-Success-Criteria-and-Success-Factors&id=159101> [Accessed November 11, 2012]
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