The Business-Savvy Project Manager

Building the Skills the Market Demands
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The past decade has seen the convergence of two trends that drive the need for project and program managers to improve their business acumen: as organizations have become less hierarchical, they increasingly rely on projects and programs to gain competitive edge.

The “flat” organization – an idea first floated in the 1940s – has come into its own, as Gartner VP Mike Rollins has noted, because “the nature of work is fundamentally changing” as the marketplace demands companies to become more customer-relationship oriented. Even operational employees can no longer be viewed as mere cogs in a machine; a customer service representative, for example, must be able to respond individually and creatively to a complaint, and so must possess greater decision making power than in days past. Driving decision-making down to frontline employees has meant, in most cases, removing levels of hierarchy. Nearly a decade ago, the National Bureau of Economic Research reported that “layers of intervening management are being eliminated and the CEO is coming into direct contact with more managers in the organization … while managerial responsibility is being extended downwards.”

As companies seek to align strategic initiatives with corporate business objectives, PMOs have risen to the enterprise level. According to the 2012 State of the PMO study, 66% of PMO leaders report to an executive vice-president or to the CEO. PMO leaders themselves more and more frequently have “VP” in their titles, as shown by trends in the PMO of the Year Award applications.

Technology has played a role in this “delayering” of the organization, as well. In particular, the development of enterprise project management and project portfolio management software has led to increased visibility for project and program managers and teams. The barrier that once existed between project managers and the business side has grown very thin; and the career ladder can now lead from projects into the executive level.

This new visibility brings new challenges, new relationships within the organization, and requires a new kind of communication. While once a narrow, technical focus was expected of project managers, this new organizational climate demands a broader, more business-driven focus. The business reason for initiating a project is now paramount; project managers who focus too closely on schedule performance metrics are likely to overlook what matters most to their executives. This was underscored by findings in the State of the PMO study, which showed that, in response to the question “What matters most to your executives?” 75% of PMO leaders in high-performing organizations believe that “alignment with business objectives” mattered most. Only 61% indicated that “delivering projects on time” was a top management priority.
A story from the annals of project management illustrates why business outcomes are superseding traditional cost and schedule metrics:

The Ford Taurus was introduced in 1986 and became one of the best-selling cars in Ford’s history. It had a revolutionary design and exceeded quality expectations, creating a new standard in the industry. Customers loved it. In 2012 it is still rated #1 in the affordable large-car category for performance, design, safety, and reliability. Yet when the original project was completed, the project manager was demoted because the project was completed three months behind schedule.\(^{vi}\)

Today, benefits realization metrics would have told the organization that the schedule slip was an acceptable variance given the successful business outcome of the initiative.

Clearly our education and training of project managers must answer the demands of the marketplace. When project managers are expected to deliver business objectives, and not just complete a project, a broader project management approach is needed. A business-driven project management approach will bridge the gap between company strategies and project plans. For this to happen, an organization must link their projects to their strategic initiatives. Combining a strategic focus with a business process for selecting and prioritizing projects is an important step in creating an environment for successful projects.\(^{vi}\) At the same time, the organization must prepare project managers and teams for roles that include working closely with stakeholders in marketing, finance, and the executive suite.

### Building the Business-Savvy Project Manager

In a recent interview, the director of the project management training program for one of the world’s largest consumer-products manufacturers described the dilemma facing project managers in his company: “They came out of the engineering function, and where once there were six layers between them and management, now there are zero layers. We have to give them the tools to communicate, to speak to the strategic issues.”\(^{viii}\) To address his problem – an increasingly common one – project management training programs must concentrate on three areas where a business-focused leader shifts away from traditional thinking:

1. Communicating to drive results
2. Managing for business impact
3. Demonstrating project value to the C-suite.

Business-savvy project managers will thrive in organizations that are:

- Strategically driven
- Strong at prioritizing projects
- Actively managing and monitoring the project portfolio
- Good at ensuring project sponsors act as project owners
- Change ready
- Holding stakeholders accountable.
Project Communication that Drives Business Results

A project manager is no longer “just a project manager” but a consultant, a trusted advisor, and a change agent. Changing communication style to suit the requirements of the audience is a key skill for today’s project manager.

The business consultant role constantly reinforces the strategic reasons for the project and identifies the business impact of any changes. A consultant must sometimes be “intelligently disobedient” and deliver bad news immediately.

Project managers need to earn the right to be a trusted advisor by demonstrating that they understand how the project impacts the customer and the overall organization. They must give advice effectively and honestly, and genuinely build trust with teams and stakeholders, developing more collaborative relationships.

As the project manager of a project that is driving business innovation and change, the change agent engages leaders to play an active leadership role in the change and help those involved with the project understand the project vision. The change agent facilitates involvement of high-level stakeholders to manage resistance to change and builds plans to ensure that people are motivated and have the skills to meet the demands of the change.

Once assigned to a project, the business-savvy project manager will want to ask a lot of questions to understand the business purpose of the project, especially What is the business value of the project? Some factors to consider in determining the business value include:

» Cost Reduction – How will this project specifically cut or reduce costs out of the operating budget for the overall organization?
» Business Growth – If this is a new product or service, or even an internal project, how will it help the business grow?
» Maintaining Operations – What is the cost of not doing this project? Lost profits? Loss of compliance?
» Speed and Efficiency – Will the project improve productivity, time to market, or overall operational efficiency, possibly impacting the bottom line.

Business value can be identified in a number of ways, but inevitably it all comes down to improved outcomes for the organization.

The role of a project manager is actually not changing significantly; what’s different is how the project manager must think about the project and what constitutes success, as well as how he or she communicates with others about the business benefits. The role of the project manager is to ensure that they keep their project sponsor, their project team, and those interfacing with this project in alignment with the project and business goals.

Traditionally, project managers focused on cost, schedule, scope, and quality. All these are still critical. However, in shifting to a business mindset:

» Cost translates to … Financial Impact
» Schedule translates to … Time to Market
» Scope translates to … Parameters for Success
» Quality translates to … Service Integrity.
A traditional competency of a good project manager is to be detail oriented. But the expanded role of a business-savvy project manager requires a shift from focusing on project details to having a big-picture view of the project. A business-savvy project manager can quickly summarize the business reasons for engaging in the project, including how it is aligned with the business goals of the company. The business-savvy project manager moves away from concentrating on the technical details of the project and focuses on the overall value of the project – and of project management in general.

Managing Project Outcomes for Business Impact

Today’s project managers cannot afford to focus solely on closing out the project. They must also focus on how the outcomes of the project will help move the company forward financially (or, in the case of nonprofits or government agencies, towards identified goals). Some business drivers that today’s project managers focus on include:

- Competitive Advantage
- Time-to-Market
- Increased Profits
- Best Utilization of Resources
- Business Growth.

Four steps are necessary in managing project outcomes for business impact:

Exhibit 1. Four Steps to Managing for Business Impact

1. Link organization goals to project goals
2. Get clarity from your project sponsor
3. Use business-driven project language
4. Build a business case

Five Principles for the Business-Savvy Project Manager

- Seek first to understand the business purpose and value of the project
- Alter communication style to include business terminology
- Engage all stakeholders, especially the difficult ones
- Communicate throughout the project lifecycle
- Communicate not just project status but project results … and how they impact the bottom line.

The first step in managing projects with a focus on business impact is to Link Organization Goals to Project Goals. It is the responsibility of senior management to insure that this is accomplished. Organizations must transform goals into company-wide programs that translate corporate goals into action. These programs are broken into projects and managed by project managers who look at corporate objectives and execute their projects accordingly.
Exhibit 2 illustrates how a project’s objectives should link to the objectives and overall vision of the organization. The organization’s strategic plans cascade down from corporate strategy to business unit strategy to portfolio, program, and project strategy. As strategy cascades down the organization, performance measures are established at each level to link up with the strategic performance expectations of the entire company. To the right is an example that demonstrates how a specific (fictitious) project can and should be linked to the company’s strategic objectives and ultimate vision:

**VISION**
To become the premier innovative company in athletic manufacturing

**MISSION**
Help our customers achieve their optimum athletic performance

**ORGANIZATIONAL STRATEGY**
To introduce three new innovative products per year

**ORGANIZATIONAL OBJECTIVE**
To release the New Running Shoe Project six months before the Olympics

**PROJECT OBJECTIVE**
To deliver the New Running Shoe Project on time
A business-savvy project manager will think through how he or she can impact achieving the strategy. In this case, delivering the Running Shoe Project on time impacts the organizational objective of having it released before the Olympics, which will affect its success in the marketplace … and ultimately bottom-line sales. Knowing this, the project manager will make decisions reflecting the criticality of releasing a quality product on time.

The second step is to **Get Clarity from the Project Sponsor**. It is imperative that the project manager understand why this project is more important than others and what the expectations are regarding project outcomes. If this project is to drive the business forward and provide a competitive advantage, what information will the project sponsor need to share in order to ensure that the project is viewed as a success?

The third step is to **Use Business-Driven Project Language**. This begins with talking about the project in both project and business terms but also incorporates a shift in how success criteria are determined. Closing on time and within budget will likely still be of importance, but the business-savvy project manager also asks: Did the project have the economic impact we were expecting? What was the return on investment? What were the customer impacts?

In addition to using business terminology, common project management tools must be used differently. For instance, a project charter or a project initiation document – routine tools that outline project justification, high-level requirements, budget summary, initial risks, project objectives, success criteria, acceptance criteria, project manager authority level, and sign off – must be used to advantage by the business-savvy project manager, documenting the business issues, risks, and rewards of this project. Why was this project chosen? How does it tie to the strategic objectives?

The fourth and final step, **Build a Business Case**, helps the project manager think strategically about the project and how it aligns with the organization’s strategies. Every project may not need a formal business case, but the business-savvy project manager can use the concept to think about and map out how the project aligns with the organizational goals. This document will also help the project manager build a better business-aligned project charter, project initiation document, and scope statement, as well as determine if the projected project benefits and value were achieved.

One might ask “doesn’t a project charter accomplish the same goals as a business case?” The project charter tends to be one-dimensional and more focused on the triple constraint, whereas the project business case is multi-dimensional and places the project in the business world. As an outline of project value, the business case should include:

- Identified and quantified benefits
- Identified risks to achieving benefits and associated risk management plan
- Estimated cost-to-deliver benefits
- Anticipated timeframe for delivery of benefits.
Demonstrating Project Value to the C-Suite

Executives tend to focus on business goals, results, and outcomes of projects. Project management practitioners have in the past focused on tactics, tools, techniques, and finish lines. Each needs to understand there is a difference between project success and business success: research has shown that 30% of the projected business benefits will actually be achieved from the implementation of the project; 70% of those benefits will come from putting in place a process for making people accountable for the change and having a system in place for realizing the project benefits long after the project has been implemented.

Throughout the reporting process, understanding and communicating the direct business impact the project is having and will have on the organization is critical. Business-savvy project managers baseline key measures of interest to executives such as:

- Time-to-Market
- Cost Reductions
- Customer Retention
- Market Share
- Productivity.

They then seek a way to gauge the impact the project is having on that measure (which may mean developing a measurement program in parallel to initiating the project.) In communicating about their projects, project managers must recognize that executives have limited time to spend on a single issue, and their focus is always going to be on value – not process. Project managers that are the most successful in getting the C-suite’s support are those who frame their project communications around business results.

In summary, Exhibit 3 highlights the major differences in focus between traditional project managers and business-savvy project management:

Exhibit 3. Traditional vs. Business-Savvy Project Managers

<table>
<thead>
<tr>
<th>Focus of Traditional PMs</th>
<th>Focus of Business-Savvy PMs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tactical</td>
<td>Strategically driven</td>
</tr>
<tr>
<td>Management of a single project</td>
<td>Integration, coordination, and control of multiple and prioritized projects</td>
</tr>
<tr>
<td>Project-wide and not necessarily cross functional</td>
<td>Organization-wide and cross functional</td>
</tr>
<tr>
<td>A discipline</td>
<td>An operating environment</td>
</tr>
<tr>
<td>A specialist function</td>
<td>A business philosophy integrated with project management</td>
</tr>
</tbody>
</table>
A Two-Way Street

While project managers need to be business driven, the business drivers need to come from the strategic level of the organization and be identified for each project during the portfolio management process. Project managers however must understand and be able to articulate these drivers and keep them in the forefront of their thinking while implementing core project management practices. Thus, in developing a business focus for managing projects, organizations must follow a process that enables the right projects to be chosen to support the company’s strategy.

Senior management needs to support project management and encourage cross-functional interface with projects. A portfolio management process must be in place and used.

If an organization doesn’t align projects to strategies, projects will surface across the organization uncontrolled and result in confusion, redundancy, and a high project failure rate.

At the same time, the organization must support project managers in acquiring the skills they will need to align project and business objectives. By doing so, they will bridge the competency gap between traditional and business-savvy project managers leading to ever-greater business success. By training today’s project managers and teams in business skills, the organization is building tomorrow’s corporate leaders.

PM College Business-Driven Project Manager Training Program Course Descriptions

Managing Project Outcomes for Business Impact (2-Day)
No longer is it good enough to be a stellar project manager in all aspects of the triple constraint. The industry is demanding more project leadership, more critical thinking, more identification of the project’s impact to the bottom line. This course helps participants identify how the project manager role is evolving into a business asset that enables the organization to build new capabilities and maintain a competitive advantage in the marketplace.

Strategies for Effective Stakeholder Engagement (2-Day)
Aligning project goals with business goals is the focus of every project manager, but getting your stakeholders aligned is often times like steering an ocean liner. Engaging your stakeholders early and often ensures project success. This course provides practical, hands-on recommendations for understanding your stakeholders, influences of power, and interest. Participants will learn how to deliver bad news, recognize stakeholder allies, opponents and neutrals, and how to get them all focused on project outcomes.

Demonstrating Project Value to the C-Suite (1-Day)
The project manager is often called upon to present project progress and project value to the C-Suite. Preparing project status reports, participating in executive meetings, and preparing for project review boards are all becoming more and more common for today’s project managers. Understanding the success factors in demonstrating project value and tying that value to the organizational strategy is a critical skill for all project managers. This course is focused on how to present project information to the C-suite in a way in which provides information that they need to understand project value, project milestones, outliers to the triple constraint, and how the project’s competitive advantage will help move the organization strategically forward.

Note: All of these courses can be customized for your organization.
References


°Portfolio resources – http://www.pmsolutions.com/resources/category/project-portfolio-management/


Are your project managers business-savvy?

Traditional project management used to focus on the process of managing a project to successful completion. No more. When projects need to deliver business objectives, a broader acumen is needed. Visit [www.pmcollege.com](http://www.pmcollege.com) to learn more about our Business-Driven Project Manager Curriculum and how PM College can customize this training program for your organization.