Roles of top management and organizational project management in the effective company strategy implementation

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Abstract

Companies are increasingly using organizational project management in their work to achieve company goals. The purpose of this study is to investigate the effectiveness of the company strategy implementation in different business organizations. This study aims to determine roles of top management and organizational project management in the company strategy implementation. Also other organizational factors which may affect the efficiency of the strategy implementation will be considered. In this study, research method was the case study carried out in business organizations. The results indicate the importance of clear roles and responsibilities in the organizational project management governance. Moreover, both top management and organizational project management emphasized the importance of communication, because nowadays changes in environment and other focus areas require a fast response.

Keywords: Company strategy; governance; top management; organizational project management; leadership

1. Introduction

Nowadays companies are increasingly using organizational project management to achieve company goals in this challenging and changing environment. The effective company strategy implementation has addressed the importance of organizational project management. Roles of organizational project management and top management are an important focus area in the strategy implementation.

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Corporate governance structures identify the distribution of rights and responsibilities among different participants in the corporation and include the rules and procedures for making decisions in corporate affairs. Corporate governance broadly refers to the mechanisms, processes and relations by which corporations are controlled and directed (OECD, 2004; Shailer, 2004). A project, program, or portfolio (P3) governance means the set of policies, regulations, functions, processes, procedures and responsibilities that define the establishment, management and control of projects, programs or portfolios. Governance starts with the host organization whose board ensures that projects, programs and portfolios are properly managed. The governance function could be performed by a senior executive or a steering board (OCB, 2013). Project, program and portfolio standards and certification programs (IPMA, PMI, APM) are used for effective organizational project management.

Roles of top management and organizational project management are an essential part in the effective company strategy implementation. Strategic management involves formulation and implementation of the major goals and initiatives taken by a company’s top management on behalf of owners, based on consideration of resources and an assessment of the internal and external environment in which the organization competes (Nag, Hambrick, & Chen, 2007). Organizational project management is a strategy execution framework that utilizes portfolio, program, and project management as well as organizational – enabling practices to consistently and predictably deliver organizational strategy to produce better performance, better results, and a sustainable competitive advantage (OPM3, 2013). Within organizations, companies have organized project offices which specialize in managing projects more effectively (Bridges & Crawford, 2000). The structure and responsibilities of (Project Management Office) PMO depends upon the needs of the organization. The role, responsibilities, and activities of project management office are addressed in the relevant standards (IPMA, 2013; APM, 2012; PMI, 2013). The project portfolio steering/process perspective had been neglected in previous research (Unger, 2013).

The previous research indicated that there is an evident need to analyze the effectiveness of the strategy implementation. There is not enough knowledge about the interconnection between a company strategy implementation, corporate governance and project, program, portfolio, (P3) governance. This paper aims to partly fulfill this gap by presenting results from a case study made in business organizations. This paper is organized as follows. First, a literature review and the purpose of this paper are presented. Then, the key results of the case study are presented and discussed. The results are also compared with previous results presented in the literature review. Finally, the paper concludes with a brief summary of the main findings and some of their implications.

2. Literature review

The following review of previous research indicates the current state of knowledge and the gaps in knowledge concerning roles of top management and organizational project management in the effective company strategy implementation. This paper includes the following aspects of interest: 1) corporate and project, program, portfolio, (P3) governance, 2) roles of top management and organizational project management in a company strategy implementation.

2.1 Corporate and project, program, portfolio, (P3) governance

Governance structures identify the distribution of rights and responsibilities among different participants in the corporation (such as the board of directors, managers, shareholders, creditors, auditors, regulators, and other stakeholders), and includes the rules and procedures for making decisions in corporate affairs. Corporate governance includes the processes through which corporations’ objectives are set and pursued in the context of the social, regulatory and market environment. Corporate governance broadly refers to the mechanisms, processes and relations by which corporations are controlled and directed (OECD, 2004; Shailer, 2004). Corporate governance practices are affected by attempts to align the interests of stakeholders (OECD, 2004; Tricker, 2009; Rezaee, 2002).

A board of directors is expected to play a key role in corporate governance. The board is responsible for the successful perpetuation of the corporation. That responsibility cannot be relegated to management (HBR, 2000). The board has responsibility for: CEO selection and succession; providing feedback to management on the organization’s strategy; compensating senior executives; monitoring financial health, performance and risk; and ensuring accountability of the organization to its investors and authorities. Boards typically have several committees to perform their work (Charan, 2005). The OECD Principles of Corporate Governance describe the responsibilities of the board. The OECD Principles are intended to assist OECD and non OECD governments in their efforts to
evaluate and improve their corporate governance in their country. The Principles focus on publicly traded companies. They might also be a useful tool to improve corporate governance in non-traded companies. Good governance is increasingly demanded by shareholders, government and regulators. An organization will often have to comply with external regulations and legislation (e.g. the local Corporate Governance Code and Sarbanes-Oxley). The governance of projects, programs and portfolios should support compliance in these areas.

A project, program, or portfolio (P3) governance means the set of policies, regulations, functions, processes, procedures and responsibilities that define the establishment, management and control of projects, programs or portfolios. Governance starts with the host organization whose board must ensure that projects, programs and portfolios are properly managed. The standards set by the board will be applied by a portfolio to its component programs and projects. Governance deals with the procedural and cultural aspects that need to be in place to improve the frequency and level of delivery success. Host organization is the organization that provides the strategic direction of the project, program or portfolio and will be the primary recipient of the benefits (APM, 2012).

In previous research, the project portfolio steering/process perspective had been neglected (Unger, 2013). Unger focused in her study: Towards a theory of project portfolio governance, to senior management involvement, strategic project management offices and process formalization. The government context from the investment in project management in four Australian public-sector organizations was reported (Crawford & Helm, 2009). Project, program and portfolio standards and certification programs of IPMA, APM and PMI are used throughout the world for effective organizational project management.

2.2. Roles of top management and organizational project management in a company strategy implementation

Strategic management involves formulation and implementation of the major goals and initiatives taken by a company’s top management on behalf of owners, based on consideration of resources and an assessment of the internal and external environment in which the organization competes (Nag, Hambrick, & Chen, 2007). Organizational project management is a strategy execution framework that utilizes portfolio, program, and project management as well as organizational – enabling practices to consistently and predictably deliver organizational strategy to produce better performance, better results, and a sustainable competitive advantage (OPM3, 2013).

There is simply no way for senior management to accomplish a strategic transformation without getting deeply engaged in project management. Unfortunately, most executives and strategic thinkers have not yet learned the language of project management (Morgan, Levitt, & Malek, 2007). The Balanced Scorecard could be used as a tool for translating the strategic goals from strategy to the project perspective (OCB, 2013). A balanced scorecard strategy map describes the strategy (Kaplan & Norton, 2001). Kaplan and Norton formulated the balanced scorecard including four perspectives: financial, customer, internal and learning and growth (Kaplan & Norton, 2001). In classic approach to formulating strategy was stated that developing a competitive strategy is developing a broad formula how a business is going to compete, what its goals (mission or objective) should be, and what policies will be needed to carry out these goals (Porter, 1980). Porter in describing “What is strategy?” used activity-system maps (Porter, 2008). Strategic management template the business model canvas based on Osterwalder’s PhD thesis (Osterwalder, 2004) was released (Osterwalder, Pigneur, Smith, et.al, 2010).

Within organizations, companies have organized project offices which specialize in managing projects more effectively (Bridges & Crawford, 2000). The structure and responsibilities of (Project Management Office) PMO depends upon the needs of the organization (OPM3, 2013). Portfolio management is the coordinated management of one or more portfolios to achieve organizational strategies and objectives. Projects, programs and portfolios (P3) do not exist in isolation. Both single project management and project portfolio management formalization are directly connected to portfolio success (Teller, Unger, Kock, & Gemünden, 2012). P3 management is influenced by its environment and works closely with other broad management disciplines. The role, responsibilities, and activities of management office are addressed in the relevant standards (IPMA, 2013; APM, 2012; PMI, 2013). A significant positive effect of project portfolio management office’s coordinating and controlling roles on performance was found in terms of project portfolio management quality, which is a predicator of portfolio success (Unger, Gemünden, & Aubry, 2012). Governing project portfolios engages different actors in organizations including portfolio managers, portfolio officers, top managers, and other who may team up as portfolio steering committees. The roles of portfolio committees in portfolio governance in the previous study were 1) communication and consolidation, 2) negotiation, and 3) decision role (Mosavi, 2014). Koh and Crawford indicated, each portfolio manager has similar role (Koh & Crawford, 2012).
In the general management literature, has shown that an appropriate leadership style can lead to better performance. Top managers with senior executives provide leadership through effective communication and their governance functions (OCB, 2013). The literature on project success factors does not typically mention the project manager and his or her leadership style or competence as a success factor of projects (Turner & Muller, 2005). Project strategy management is an underexplored and insufficiently described subject in the business and project literature (Morris & Jamieson, 2005). The leadership ability and the characteristics of the effective project management have been studied (Hyväri, 2006). Despite the quite obvious linkages between, e.g., project selection and managers’ interaction, or project portfolios and project offices, the behavioral and organizational viewpoints have received far too little attention and may well explain some of the problems in achieving PPM (project portfolio management) success (Martinsuo, 2012). In a project-oriented company Human Resource Management also needs to change from an administration function to become a proactive business partner supporting project-oriented management (Huemann, 2010). Patanakul and Shenhar emphasize the importance of strategic project management (Patanakul & Shenhar, 2012). Project management teams must learn how to deal with the business aspects of their projects, as well as better support their company’s business strategy sustainability, rather than just focus on meeting the traditional time, budget, and performance goals.

In conclusion, the research review reveals that there is a gap in research concerning the roles of top management and organizational project management in a company strategy implementation. There is not enough knowledge about the interconnection between a company strategy implementation, corporate governance and project, program, portfolio, (P3) governance. The purpose of this study is to investigate the effectiveness of the company strategy implementation in different business organizations. This study aims to determine roles of top management and organizational project management in the effective company strategy implementation. Also other organizational factors which may affect the efficiency of the strategy implementation will be considered.

3. Research method and data

3.1. Case study

In this empirical part of this study the roles of top management and organizational project management in the company strategy implementation were described and analyzed. The purpose of this study was to investigate the effectiveness of the company strategy implementation in different business organizations. This study aims to determine corporate and project, program, and portfolio (P3) governance and roles of top management and organizational project management in the company strategy implementation. Also other organizational factors which may affect the efficiency of the strategy implementation will be considered.

The case study (Yin, 2009; Scapens, 1990; Eisenhardt, 1989) was chosen for the reason that, to understand the roles of top management and organizational project management in the effective company strategy implementation one needs depth and intensive research method. The case study method is generally considered to fit the research of complicated phenomena in their practical settings. Complicated, in this context, means that there is only a little explanatory theory and how the phenomenon and its practical settings interact is inadequately known. The goal of the case research is not quantification or even enumeration, but rather description, classification, theory development, and limited theory testing. In a word, the goal is in understanding. Case research is resource and time consuming, and it means limits for research objectives.

This case study can mainly be classified as descriptive, exploratory research. The objective of the research is to provide information concerning the nature and form of existing practices (Scapens, 1990). Descriptive case studies are recognized to be an effective means of communicating contributions of practice (Benbasat & Zmud, 1999). This study is made from the business management and holistic point of view, where the social system is viewed as a whole and it is not suitable to research the quality of the system without participating people. In the holistic system, the researcher is in that whole which is researched. To assess the validity and reliability of the research, evidence was collected from multiple sources (triangulation) (Yin, 2009). Validity means the ability of the measurement to measure what is meant to measure. Reliability in case research is understood as the requirement of replication in analysis. The reliability of measurement means replication of measurement, not random.
3.2. Data collection

The case study focused on a multinational business company. The structure of this company was the Group Company: a parent in Europe and subsidiaries in Europe and outside Europe. The company turnover was between 150 – 200 MEUR and the number of employees between 750 – 1000. In the empirical part of this study, the roles of top management and organizational project management in the company strategy implementation were described and analyzed. The research material for this case study consists of interviews, questionnaires, participant-observation, researcher’s own familiarity with the company, and written documents (triangulation). In addition, the researcher has worked in financial departments and in organizational project management.

4. Case study findings

4.1. Corporate and project, program and portfolio, (P3) governance

The case study corporation was the limited liability, publicly traded, company that was governed by local legislation and regulations. This company complies with local corporate governance code guidelines which in addition to the general meeting, comprises the board of directors and the managing director. The board, elected yearly by annual general meeting, is responsible for the administration and the proper organization of the company operations. The board has confirmed a charter which defines the board’s duties, meeting practices, matters to be dealt with at the board meetings, targets for its operations, self- evaluation principles, and board’s committees. The matters dealt with by the board of directors included for ex.: strategies, company structure, operating plans, budgets and investments, managing director appointment and group management team composition, approval and regular review of the principles and systems of corporate governance. The managing director is in charge of the day- to -day management of the company in accordance with the guidelines issued by the board.

In the case company, the project, program and portfolio (P3) governance was accepted by the company board. The (P3) governance included policies, regulations, functions, processes, procedures and responsibilities for management and control of projects, programs or portfolios. In this case company, the P3 governance included the items as described in the standard (APM, 2012). The benefits of good P3 governance include the optimization of investment, avoidance of common reasons for failure, and motivation of staff through better communication. The aim of the good governance application is to minimize risks arising from change and maximize benefits. It also assures the continued development of the profession and disciplines of project, program, and portfolio management. The governance of portfolios, programs and projects (P3) is a necessary part of organizational governance. It gives the organization the required internal controls, while externally, it reassures stakeholders that money being spent is justified. In the case study company, according to the group management team the benefits of the good P3 governance were met quite well (3.5/5).

4.2. Roles of top management and organizational project management in a company strategy implementation

In this case company, in accordance with the instructions and orders issued by the board, the managing director is responsible for the operational management and supervision of the group and parent company. The group management team drafts and reviews strategies, annual plans and investments proposals, it monitors the financial situation of the group and its business units, and the attainment of operational targets and plans. The group has meetings monthly. In the case company, the project, program and portfolio (P3) governance was accepted by the company board.

In this case company, the parent company managing director with his group management team started their strategy process by developing and updating their mission, vision, and values. The strategy process is yearly process, starting in January and ending in May when the board accepts the strategy. The strategy period is three years. The strategic plan for business areas, functions, and/or company level was developed according to Group’s strategy goals. The company used Balanced Scorecard methodology (Kaplan & Norton, 2001). This strategic plan had four perspectives: financial, customer, internal business processes and learning and growth. These were translated to the strategy maps, using steps, strategy objectives, setting targets (Key Performance Indicators), identifying measurement criteria and developing strategy initiatives and their causal relationships. The strategy map
was a tool to manage and communicate the strategic objectives. The strategy status, project portfolio, reporting used the strategy plan and map as a basic information in coordinating and communicating the strategy implementation.

The portfolio management team, Group level senior management team, consisted of directors of business areas, directors of functions and Group CEO. This team had monthly meetings. The project portfolio management team was responsible for maximizing the return on investment of the project portfolio according to the strategy. They organized decisions of projects to implement and ensured resources. In this study, this group, was one portfolio for companies’ all projects. Project portfolio management team members had business responsibility according to their permanent (matrix) organization. In the previous study (Patanakul & Shenhar, 2012) was emphasized that the project management teams must learn how to deal with the business aspects of their projects. The permanent (matrix) organization managers approved the resources of their responsible area and ensured that resources were available when needed for the project. The case company had the management model for decision making and for roles and responsibilities (RACI-matrix). P3 management was a part of that model.

In this case company, project portfolio management office work was done by the project portfolio manager, who was a member of the project portfolio management team. The project portfolio manager gathered information on projects, summarized the projects (project portfolio) progress, supported project managers, developed project management practices and processes and communicated project results and lessons for future project work. This project portfolio manager had similar roles as in the previous study (Koh & Crawford, 2012). The roles of portfolio committees in the portfolio governance were according to the previous study 1) communication and consolidation, 2) negotiation, and 3) decision role (Mosavi, 2014). These roles were consistent with in this case study. In the project management level, the project owner was a member of the project portfolio management team. He or she was most interested in utilizing the business benefits of the project. The project owner was the chairman of the project steering group. The project’s steering group consisted at least of the project owner and the project manager. The project manager reported to the project owner and the steering group. The project manager was responsible for managing the project according to the approved project plan. The project group (group members) was responsible of the project work to the project manager.

The leadership must be active and organize constant reviews and supporters to ensure clear communication, removal of barriers, and adequate resources. In the case study organization was the software model for project and portfolio reporting for different levels in the organization, from the board of directors’ level to the project team member level. The model included for example key information, project classification, risk evaluation, project portfolio plan and charter, budgeting and control, progress reports, resource reports, evaluation information, project cash flow and investment decision information, and final reporting. The data updating and reporting was made according to the users’ needs. The reporting period varied from week to year(s). For the project portfolio team reporting period was once a month. In this case study, the portfolio management team and project portfolio manager reported that they were motivated, they felt enough inspiration, and communication was sufficient. They felt that their reporting system was a good tool. The people inside the business areas and functions reported need for more ongoing dialogue, communication and coordination during the strategy implementation. They would be more motivated and inspired if they could have more possibilities to participate in the strategy process. The company had organized training in project management and working in teams for portfolio team members, and for project teams.

In the case company, the project, program, and portfolio, (P3) management model has been three years in use. During this study, the current status of P3 management was analyzed. The portfolio management team self-evaluated the P3 management level and the competence class. According to them it is now in the level between 3-4 (standardized –managed, in the IPMA Delta). The team was considering in the future use the IPMA OCB and the IPMA Delta model to analyze and better understand their P3 management, and for the improvement of their strategy implementation.

5. Summary and conclusions

The aim of this study was to determine roles of top management and organizational project management in the company strategy implementation. In this study was investigated the effectiveness of the company strategy implementation in different business organizations. The case study was carried out in the multinational business organization. The company was limited liability, publicly traded, Group company. It complies with local corporate governance code guidelines which in addition to the general meeting, comprises the board of directors and the
managing director. The board of directors is responsible for the administration and the proper organization of the operations of the company. The managing director is in charge of the management of the company in accordance with the guidelines issued by the board. The group management team drafts and reviews strategies, annual plans and investments proposals, it monitors the financial situation of the group and its business units, and the attainment of operational targets and plans. In the case company, the project, program and portfolio (P3) governance was accepted by the company board. It was concluded that in the case study company the good P3 governance benefits were met quite well. The case company had management model for decision making and for roles and responsibilities (RACI-matrix). P3 management was a part of that model.

In the case study company, the project portfolio management team was responsible for maximizing the return on investment of the project portfolio according to the strategy. They organized decisions of projects to implement and ensured resources. In this group, was one portfolio for companies’ all projects. Project portfolio management team members had business responsibility according to their permanent (matrix) organization. Also in the previous study was emphasized that the project management teams must learn how to deal with the business aspects of their projects (Patanakul & Shenhar, 2012). The portfolio management team, Group level senior management team, included directors of business areas, directors of functions and Group CEO. The project portfolio management office work was done by the project portfolio manager, who was a member of the project portfolio management team. This project portfolio manager had similar roles as described in the previous study (Koh & Crawford, 2012). The roles of portfolio committees in portfolio governance were in this study according to the previous study 1) communication and consolidation, 2) negotiation, and 3) decision role (Mosavi, 2014). In the strategy implementation the company used Balanced Scorecard methodology (Kaplan & Norton, 2001). This company had strategic plan with four perspectives: financial, customer, internal business processes and learning and growth. These were translated to the strategy maps, using steps, strategy objectives, setting targets (Key Performance Indicators), identifying measurement criteria and developing strategy initiatives and their causal relationships. The strategy map was a tool to manage and communicate the strategic objectives. The strategy status, project portfolio, reporting used the strategy plan and map as a basic information in coordinating and communicating the strategy implementation.

In the case company, the permanent organization (matrix) organization managers were responsible of resources of their responsible area for the project. This case study organization had the software model, accepted by the board, for project and portfolio reporting for different levels from the board of directors’ level to the project team member level. According to the respondents of this case study the reporting system was a good tool. However, the people inside the business areas and functions reported need for more ongoing dialogue, communication and coordination during the strategy implementation. If they could have more possibilities to participate in the strategy process they would be more motivated and inspired. Moreover, both top management and organizational project management emphasized the importance of communication, because nowadays changes in environment and other focus areas require a fast response. The company had organized training in project management and working in teams for portfolio team members, and project teams. During this case study, the current status of P3 management was analyzed. The portfolio management team self-evaluated the P3 management level and the competence class. According to them it is now in the level between 3-4 (standardized – managed, in the IPMA Delta level). The team was considering in the future to use the IPMA OCB and the IPMA Delta model to analyze and to better understand their P3 management, and for the improvement of their strategy implementation.

The study showed interconnection between the company strategy implementation, corporate governance and project, program, portfolio, (P3) governance. The results indicate the importance of clear roles and responsibilities in the organizational project management governance. Moreover, both top management and organizational project management emphasized the importance of communication, because nowadays changes in environment and other focus areas require a fast response. Considering the purpose of this study, the case study appeared as the theoretically most promising and economic method of enquiry. In this case study was observed in the profound and intensive way the roles of top management and organizational project management in the effective strategy implementation. This study may well contribute to a better understanding and improvement of the strategy implementation context in organizations. This study is basis for the further studies.

References


