

Meet STAN, TED and HAL – Introducing the three main classes of processes used by successful «Project Age» organizations.

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1. Welcome to «The Project Age» !

“What should be measured by our strategic dashboard? Functional recurring activities? Projects? Both?”
 “How can I relate my project portfolio selection and management criteria to the balanced scorecard of the company ? Is-it really necessary that I do so?”
 “What do we measure at each «gate» or revision milestone of this project?”
 “Are all projects to be filtered through the project portfolio system ? What about my planned semi-annual preventive maintenance plant shutdown ? It is a project, isn't-it?”
 “How can I compare, in value, current operations that produce new value everyday with a project which is costing me money and do not produce value yet ?”
 “When do activities become projects?”
 “Why do I feel so insecure with all those projects invading my job ?”

Those are but a few of the questions and preoccupations that customers, colleagues and coworkers have been exposing to us over and over again. Everyday, they have to reconcile their traditional functional vision of the workplace with the imperatives of managing more and more projects. Most of them feel like they are living in a very chaotic world where everything changes so fast, where new business fads (including project management) mingle with traditional business processes that do not seem to be doing the job anymore. Too many competing old and new business processes, too many changes, too many new managerial recipes, too many projects with too many new concepts, processes and tools.

WELCOME TO THE PROJECT AGE !

2. Why «The Project Age»

For most of the last decade, visionaries like Tom Peters have evangelized the coming of what we might call «The Project Age». Our times are characterized by:

- worldwide competitive pressures,
- the need to differentiate oneself in a global market,
- the requirement to meet high quality international norms and processes to be accepted in new markets and be more competitive (ISO 9000, ISO 14 000, SIX SIGMA, etc.),
- shorter and shorter product life cycles
- faster new product development imperatives

Today's organizations are forced to invest more and more of their resources in strategic projects in a race to keep the upper hand over competitors and increase their value, be it for their owners, their shareholders, their customers, their employees or society as a whole.

In the new economy sectors (biotech, telecom, IT, e-business, etc.), “mixed” organizations, executing as much activities or more activities on the project side than on the traditional/operational functional side of their businesses, are now being more and more involved in the development of project offices, program management systems, portfolio management and «gating» processes, strategic project management organizational structures and the like.

Even more traditional manufacturing organizations are forced, by global competition and time-to-market pressures for new products, to invest in strategic projects to keep their edge. While doing so, they have to reconcile a strong functional culture with the peculiar needs of delivering through unique, “one-time only” projects. In this situation, these organizations are also developing their versions of project portfolio management systems, «gating» processes, project support offices, sometimes in an atmosphere of great unease. This is particularly true of those organizations who still have to maintain a strong functional culture while, at the same time, committing more and more time and resources to project initiatives.

The recent advent of Strategic Value Measurement and Management, which is pushing more and more organizations (including governments) to implement «strategic dashboards» (ref. 1,2), is leading companies to find ways to reconcile functional and project processes and activities that compete for limited resources, in an

effort to measure and maximize their respective contribution in producing or creating new value for the organization. The current state of mind in those organizations is one of urgency to resolve functional versus project organizational conflicts, but also one of great confusion in the face of the many new concepts, processes, systems and tools that have to be integrated into a culture that had not to long ago, and still has in some cases, a very strong functional/operational flavor.

3. Processes, processes, processes – The STRATEGIC and the TACTICAL

As for any other organization, the «Project Age» organization:

- ❑ originates from a VISION
- ❑ that dictates a MISSION
- ❑ which can then be materialized through a corporate STRATEGY
- ❑ calling for some STRATEGIC MANAGEMENT processes, systems and tools to manage the organization towards the attainment of global goals,
- ❑ and also requiring TACTICAL MANAGEMENT processes, systems and tools to ensure those goals are reached efficiently through day to day actions.

However, most organizations usually start organizing their increasing project activities by implementing TACTICAL processes (e.g. the contents of most of the PMBOK). They do not make distinctions between tactical and strategic issues. They start doing projects the right way, but they still do not have a clue about doing the right project or not. The next thing to be implemented is usually a phase-gate process, before even contemplating the implementation of the project portfolio management process that dictates what must be measured to prioritize a project and qualify if it is really creating new value. Then, and only then, do they talk about implementing a portfolio management process and realize that they still do not know how to prioritize objectively their projects; the value management prerequisites of a strategic dashboard are not yet in place and every prioritization decision must be made intuitively, by gut feel.

Maybe implementing processes upside down is the only way, for these organizations, resource wise and time wise, to realize what is missing along the way and evolve to more complete strategic management and value production processes. In this case, they need as a minimum a value model that can help them understand the limitations of the diverse processes they put into place and help them in designing flexible processes that will be at least partly reusable in the future, while climbing the ladder towards more complete and better-balanced strategic project processes.

4. Maximizing the value of the «Project Age» organization – The need for HUMAN resources supporting processes

But STRATEGIC and TACTICAL processes, in whichever order we introduce or apply them, do not realize projects. HUMANS do.

Today, more than ever, this «truism» is at last recognized by governments and business communities alike and human contribution to an organization overall value is well understood.

«Human Capital» is now a compulsory valuation parameter of the total worth and growth potential of an organization. In their breakthrough book, « **Intellectual Capital** » (ref.3), Edvinsson and Malone presented a model of market valuation that is now recognized worldwide. Fig. 5 reproduces the value tree that they developed for Skandia, a swedish financial services leader, a tree that has revolutionized the vision of market value.

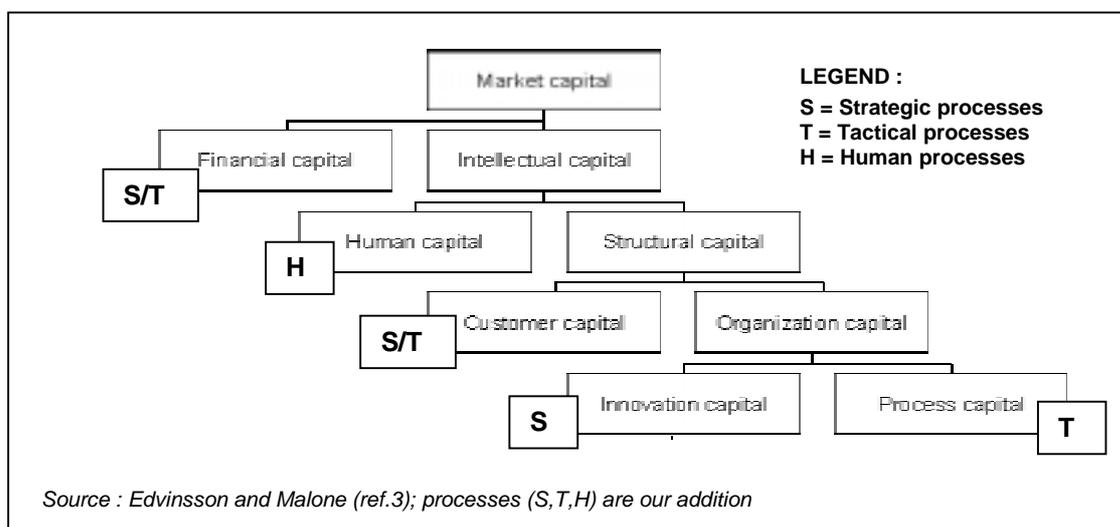


Fig 1. The value tree according to SKANDIA and key

Edvinsson and Malone say that Human Capital comprises “all individual capabilities, the knowledge, skill, and experience of the company’s employees and managers. But it must be more than simply the sum of these measures; rather, it also must capture the dynamics of an intelligent organization in a changing competitive environment”.

The renowned «Organisation for Economic Cooperation and Development» (OCDE), among others, has dedicated its 1999 annual symposium “**Measuring and Reporting Intellectual Capital**” to the issue of measuring intangible assets, notably the Human Capital portion of the value tree (ref.4).

The Project Age organization must generate value through managing properly the human aspect of the organization. HUMAN resources supporting processes are required. Those will increase the overall value of the organization’s worth by the compounded effect of valuable and value-producing human resources supported by well designed and balanced STRATEGIC and TACTICAL processes.

In the Project Age, more than ever before, leaving human resources managing their ever changing environment all by themselves, without any organizational planning, management and caring, is asking for big trouble. The Project Age forces everybody to adapt to the project life, be it as a team member or as a project management specialist; and this cannot be done without proper training, coaching and rewarding.

Knowledge workers are the main resources of the successful Project Age organization :

- ❑ On the «project side» of the organization, in a world where technological wizardry is still valued a lot more than the general management skills of a project manager, many organizations have a hard time finding and keeping project management resources. Both formal project management career development and the promotion of Communities of Practice (CoP) are essential elements to put in place and encourage scarce project management resources to stay in the organization and grow with it.
- ❑ On the «functional side» of the organization, people are expected to deliver cross-functional projects, work horizontally and collaborate across functions, while being made individually accountable for action items that were managed by collective consensus in the past. This still represents a paradigm shift for many high-skilled technical specialists. Proper processes must be put in place to, among other things, promote the project way of doing business, train people in collaborative skills and align rewards with the new desired behaviors.

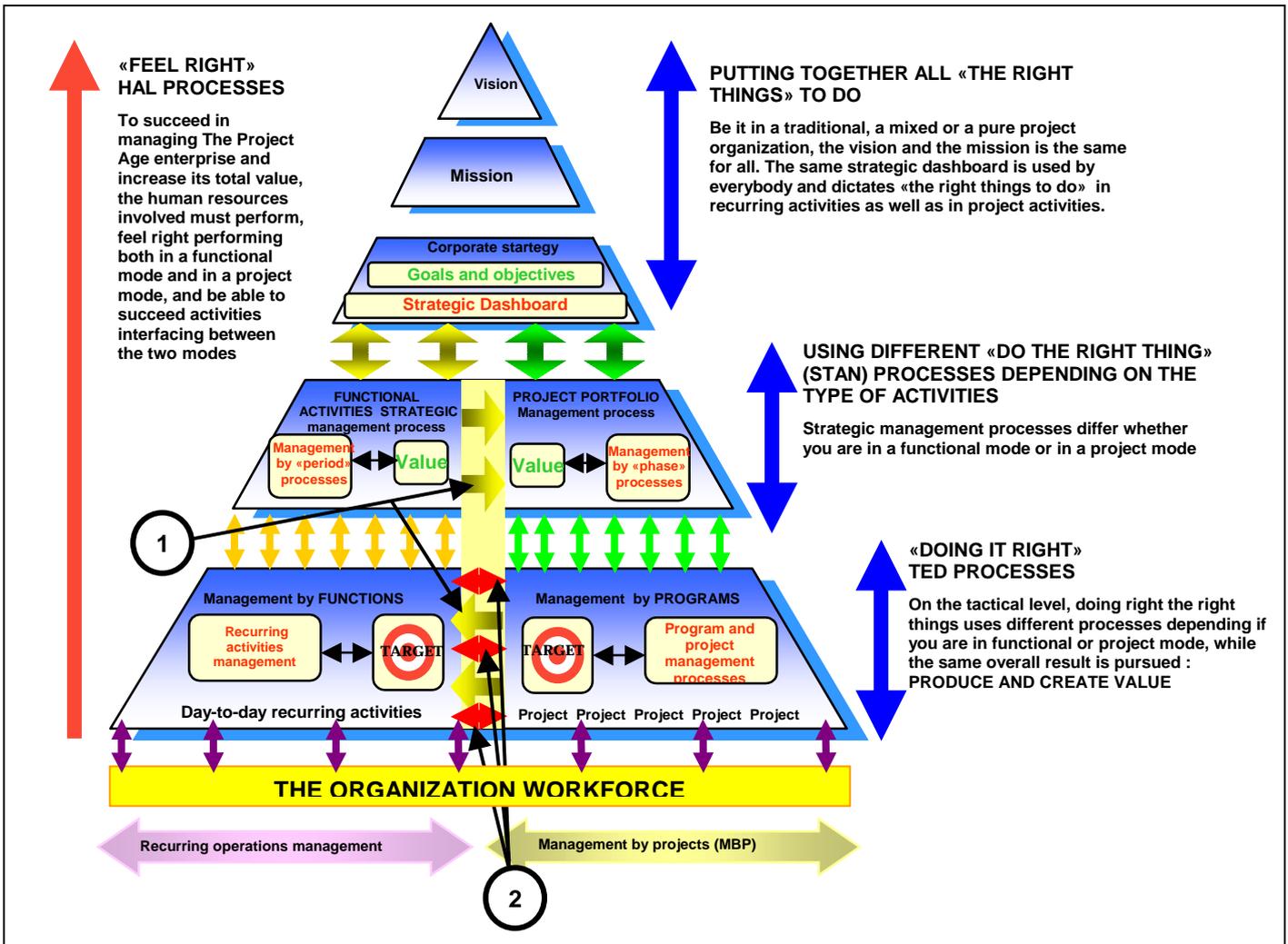


Fig 2. The Project Age Value Model

5. The «Project Age Value Model»

The three main classes of processes are then required to create and maximize value in the Project Age organization :

- ❑ **Strategic Targeting And Navigating** processes (in short the **STAN** processes) that permit an organization to focus on and **«DO THE RIGHT THING»**
- ❑ the **Tactical Efficiency Driving** processes (in short the **TED** processes) that help an organization **«DO IT RIGHT»**
- ❑ **Human Asset Leveraging** processes (in short the **HAL** processes) that ensure everyone in the organization can accept the changes inherent to project life and **«FEEL RIGHT»** about it all.

These processes differ however depending whether you are working on projects, on recurring functional activities or on both type of activities. The «Project Age Value Model», illustrated in traditional triangular form (going from strategic concerns down to tactical actions) in figure 2, should however permit to reconcile these differences and help organizations understand their specific workings and how they inter-relate.

a) Sharing Vision, mission and corporate strategy : defining the RIGHT THING TO DO

The tip of the triangle (first three elements) illustrates the sequence of STAN processes, in place in any organization, that serve to TARGET the «RIGHT THING TO DO». ALL the activities of an organization share a common vision and a common mission. This common vision and mission can be realized by defining overall strategic goals and objectives and by putting together a strategic dashboard management process (strategic scorecard, balanced scorecard or the like) that will ensure that we "do the right things" and are able to report on the performance of the organization as a whole in producing the desired value.

Those three elements/management processes dictate all further organizational actions, recurrent and project activities alike.

b) Functions and Projects –different strokes to «DO THE RIGHT THING»

The middle of the triangle (fourth element), illustrates the sequence of STAN processes, in place in any organization, that serve to NAVIGATE in the organization to follow and report on the «RIGHT THING TO DO». From this point down, strategic processes differ whether you are in a functional mode of value production or in a project mode of new value creation. The functional side of the organization uses a management process that «periodically» statute on the value generated or to be generated by recurrent operations. The project side of the organization uses a PROJECT PORTFOLIO management process that statute on project contribution to value (mostly FUTURE value) at different completion «phases» of a given project.

The important point at the strategic management level is that, be it on the FUNCTIONAL or the PROJECT side, element are managed globally. This is solely through comparing the relative contribution of all functional activities to RECURRENT VALUE PRODUCTION and the relative contribution of all project activities to NEW VALUE CREATION, that one can manage strategically and ensure that the organization will continue to «DO THE RIGHT THING». In that context, a «gating» process that fails to be linked to an organization PORTFOLIO MANAGEMENT process and does not include, at a given gate, re-assessing the project with respect to the complete portfolio and incoming projects, is not strategic in nature and does not have the required mechanisms to ensure that this project continues to be «the right thing to do».

c) Functions and Projects--«DOING IT RIGHT» both ways

The bottom of the triangle (fifth element) illustrates the sequence of TED processes, in place in any organization, that serve to execute efficiently the «RIGHT THING TO DO». and report if we «DO IT RIGHT».From this point down, the intent is TACTICAL in nature. TED processes differ whether you are in a functional mode of value production or in a project mode of new value creation. The functional side of the organization uses recurring activities/operations management processes that «periodically» statute (but for shorter intervals than for strategic management) on the efficiency of the recurrent operations of a given function. The project side of the organization uses tactical program/project management processes that statute on the efficiency of project planning/implementation activities in between the different completion «phases» of a given project.

The important point at the tactical management level is that, be it on the FUNCTIONAL or the PROJECT side, activities are managed individually, within a given FUNCTION or within a given PROJECT. The question to answer is "Is this function or project managed efficiently with maximum result, from minimum use of resources and with minimum effort ?".

In that context, on the project side, most of the contents of the PMBOK 2000 (except the new risk management chapter that has some strategic flavor) is tactical in nature and proposes useful information on the concepts,

approaches and processes that will increase project management efficiency in an organization. However, without the presence of the STAN processes, these TED processes will not be sufficient to create new value for an organization: you might end up «DOING RIGHT» the «WRONG THING».

d) Strategic activities crossing over between the functional to the project side

The items with an arrow linked to the **1** illustrate strategic activities crossing over between the functional to the project side.

Requests for unique continuous improvement projects originate from the FUNCTIONAL STRATEGIC management process as TOP MANAGEMENT realizes that some or all functional activities must be realigned/reengineered to produce the desired value. For example, the decision to implement a SIX SIGMA system in the organization would be such a project. Because such projects can not be realized within day-to-day operations, imply major efforts and require a lot of resources, they definitely compete with other unique strategic projects and have then to be treated and assess within the PROJECT PORTFOLIO management process. Most major functional IT projects (new inventory management system, new production management system, etc.), among others, should also be considered strategic projects and cross over to the PROJECT side to be managed through the PROJECT PORTFOLIO management process.

However, once a project of this type is completed, its deliverables are transferred/integrated to the FUNCTIONAL side of the organization to produce, on a day-to-day basis, added value. For example, once a new payroll management system project is installed, it is commissioned and used to manage the recurring payroll activities, hopefully in a more efficient manner.

e) Activities interfacing continuously between functional and project side at the tactical management level.

The items with an arrow linked to the **2** illustrate activities interfacing continuously between functional and project side at the tactical management level.

At the tactical level, certain recurrent functional activities, for example, "minor" continuous improvement initiatives covered in operational budgets, punctual minor repairs or modifications to equipment, "RECURRING PROJECTS" like planned "production shutdowns" for preventive maintenance and/or planned repairs, etc., although essential to maintain functional VALUE PRODUCTION, do not and should not be included in the strategic management process on the project side (PROJECT PORTFOLIO MANAGEMENT). However, those activities are basically projects and would be realized more efficiently through a project management mode instead of through a functional management mode, thus the back and forth interface between the two modes at the tactical level. The decision to classify these activities as tactical instead of strategic projects, thus not to subject them to the project portfolio management process, depends on the specific context of each organization, and is most often than not an arbitrary choice dictated by the nature and mostly the scope magnitude of the initiative.

The choice of where to draw the line between strategic and tactical projects must be equilibrated in order not to subject tactical activities to much slower strategic management processes, but also to ensure at the same time that any indirect strategic aspect of a tactical project, that might hinder or increase value production, is not neglected and is taken into account at the strategic level.

f) The ever present HAL processes

The organization workforce is often distributed any which way an enterprise can to execute either or both project and functional activities, be it at the strategic and/or at the tactical level.

The adding of the HAL processes to the project-based organization «process toolbox» is necessary to distribute, manage, motivate and reward this workforce. Operational HAL processes complete the «Project Age Value Model» as illustrated in Figure 2.

HAL processes are present in any human activities and condition all the other processes of the organization, from setting the vision to carrying out day-to-day recurring operations and project activities.

6. First things first : making sense of and prioritizing organizational processes, structures and systems

«Process», by defining workflow, dictates «Structure» which in turn conditions «Support Systems». Although these three elements of any organizational change can and must be implemented simultaneously, this logical precedence is inescapable for any enterprise which needs to migrate successfully, efficiently with minimum effort, time and cost, towards a project-based organization.

Aside implementing new processes upside down, as explained previously, many «Project Age» organizations often start implementing sophisticated enterprise-wide project management systems and putting together

organizational structures (e.g. project offices) and project methodologies without understanding the nature of the STAN, TED and HAL processes that have to be put in place to succeed in their industry and in the Project Age as a whole.

The optimal precedence to respect in implementing project management should be as follows:

- ❑ Value creation dictates the STAN processes to be put in place
- ❑ Strategic imperatives will undoubtedly flavor the TED processes and solutions
- ❑ Once these processes are understood, then HAL processes must be defined that will ensure that rewards systems and the like will condition behaviors towards the successful implementation of strategic and/or tactical objectives
- ❑ Once these three classes of processes and what the organization is trying to achieve through them are well understood, only then can we properly re-engineer organizational structures and systems (including the ever present IT support systems).

Many organizations cannot and will not follow this implementation sequence, often by necessity more than by choice. Timing, resource constraints, strategic maturity and internal politics will all influence the implementation sequence of processes, methods, structures, systems and tools. However, understanding the three classes of processes presented in the «Project Age Value Model», within their peculiar business context, should help organizations appreciate all the issues at stake and evolve more harmoniously to produce and create outstanding value for all their stakeholders.

7. Concluding remarks

This article is part one of a three-part series covering the Project Age and the contribution of project management processes in helping organizations to cope with the «management by projects» way of doing business today. The article has proposed a value model to help the Project Age organizations better understand their new environment, the processes at play (STAN, TED and HAL) and how they interrelate. It has been designed to be an introduction to the organizational environment of a typical «Project Age» organization and, as such, gives a very general overview of the processes at play and of the issues they help to tackle.

Part 2 of the series, “STAN and TED at work”, will be a detailed discussion on the main processes, systems and organizational tools used by successful «Project Age» organizations to DO THE RIGHT THING and DO IT RIGHT .

Part 3 of the series, “HAL aboard”, will be a detailed discussion on the main processes, systems and organizational tools used by successful «Project Age» organizations to secure and nurture HUMAN CAPITAL and get everybody to FEEL RIGHT about the Project Age way doing business and succeed.

8. References

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9. About the authors

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