

# Advancing project and portfolio management research: Applying strategic management theories<sup>☆</sup>

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## Abstract

This paper focuses on the application of strategic management theories to Project Management and Project Portfolio Management research, specifically the Resource-Based View, Dynamic Capabilities, and Absorptive Capacity. A literature review and four research experiences illustrate the advances achieved through the use of these three theoretical perspectives, and contribute to the development of this field by providing examples and guidance for theory development and future research. Commonalities between the research examples include a strong strategic focus, recognition of the importance of knowledge and learning, and research questions seeking understanding and explanation. These research experiences outline the successful application of strategic management theories to a wide range of contexts, using diverse methodologies at a variety of levels of analysis. The findings indicate a broad potential for further fruitful research stemming from the relatively recent application of strategic management theories to Project Management and Project Portfolio Management research.

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## 1. Introduction

Project Management (PM) research and Project Portfolio Management (PPM) research advance through the use of theories from the strategic management domain and, in turn, the research contributes to the development and strengthening of these theories by providing empirical examples for testing and validation. This paper focuses on a set of theoretical strategic perspectives — the Resource-Based View (RBV), the Dynamic

Capability (DC) concept, and the Absorptive Capacity (AC) concept — and their application to PM and PPM research. Through an overview of these strategic management perspectives and their application to PM and PPM research, this paper aims to contribute to the development of this research field by highlighting the challenges and lessons learned, and by providing examples and guidance for future research.

One of the goals of strategy research is to determine why some organizations are more successful than others, and to understand the mechanisms that help some organizations achieve and sustain a competitive advantage (Grant, 2010; Rumelt et al., 1994). Competitive advantage is the ability of an organization to create more value than its rivals, and therefore achieve superior return on investment (Barney and Hesterley, 2006). Sustained competitive advantage requires capabilities that provide enduring benefits and are not easily copied by competitors or rendered obsolete (Barney and Clark, 2007; Kwak and Anbari, 2009). In fast-

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changing environments, capabilities that enable organizations to adapt rapidly and repeatedly can lead to strategic advantages (Eisenhardt, 1989; Teece et al., 1997). Established PM and PPM capabilities that have been developed over time and customized to an organization's environment are not easy to copy. These established capabilities are repeatedly associated with better outcomes (see for example Alvarez and Busenitz, 2001; Cooper et al., 2001; Jugdev et al., 2007; Killen et al., 2008), prompting PM and PPM to be viewed as strategic organizational capabilities that have the ability to provide competitive advantage.

The linkages between strategy, PM, and PPM are well established and have been explored in the literature for more than two decades (see for example Arto and Dietrich, 2004; Arto et al., 2008; Cooper et al., 1999; Meskendahl, 2010; Morris, 1994; Morris and Hough, 1987; Prencipe and Tell, 2001; Shenhar et al., 2001; Söderlund, 2004). This literature is represented in publications from a wide range of disciplines, including strategic management, innovation management, and project management. Although this paper does not intend to provide a comprehensive review of the literature linking projects and strategy, a few examples are offered to illustrate some themes. A bi-directional relationship between strategy, projects, and PPM is proposed in the literature on the enactment of strategy through projects and the ability of project and portfolio activities to inform strategy development (for example Arto et al., 2004; Morris and Jamieson, 2005; Poskela et al., 2005). The particular strategic management challenges associated with the evolving role of PM in organizations are generating rich avenues of investigation, such as studies on the emergence of project-based organizations and the types of capabilities required in these 'P-form' organizations (DeFillippi and Arthur, 1998; Keegan and Turner, 2002; Söderlund and Tell, 2009; Whitley, 2006), and related studies into the management of complex product systems (Davies and Brady, 2000; Hobday, 2000). This paper contributes to this rich and active field of literature linking strategy and projects by focusing on an under-explored theme: the application of established strategic management theories to PM and PPM research.

While much has been written about the linkages between strategy and projects, the application of theories from the strategic management domain to PM and PPM research is a relatively new endeavor. Historically, PM has been viewed as an operational rather than a strategic asset (Jugdev and Thomas, 2002) and success has been measured in operational terms such as budget and time metrics. More recently, researchers and practitioners have begun to promote the measurement of the strategic impact of project outcomes (Dinsmore and Cooke-Davies, 2006; Jugdev and Thomas, 2002). As the PM community has strengthened its focus on the strategic aspects of PM, it has also placed a higher level of importance on PPM and its relationship with strategy. A review of PM-related publications in management journals over the past 50 years reveals that PPM and strategy topics represent the highest proportion, and shows a steady upward trend that is expected to continue (Kwak and Anbari, 2009). Pinto (2007, p. 101) summarizes the links between PM, PPM, and strategy by noting that "profitability often runs through the area of strategic PM. One of the most effective methods for

aligning profit objectives and strategic plans is the development of a proactive project portfolio".

PM and PPM are relatively young disciplines, and the research approaches and standards are in transition. Advances in PM and PPM research have resulted in studies with increased methodological rigor, such as those that develop and test conceptual models through sophisticated statistical analysis and others that employ qualitative multiple-case studies involving in-depth interviewing, observation, and analysis (Turner, 2010). However, most PM and PPM research remain largely atheoretical and this highlights an opportunity to further advance PM and PPM research by drawing upon established theories. As PM and PPM maturities have evolved, so has their relevance to the realization of organizational strategy. Therefore, some PM and PPM researchers have turned to theories and frameworks from the strategic management domain, finding the application of these theories both rewarding and challenging. Since the application of strategic management perspectives to PM and PPM is relatively new, the lessons learned from these initial studies are especially illustrative. By consolidating and analyzing some of this research, this paper aims to provide guidance for future research and to contribute to the continued advance of PM and PPM research.

Section 2 overviews the literature on three theories from the domain of strategic management: the RBV, DC, and AC. Four research experiences are then outlined in Section 3 to illustrate the application of these three theoretical perspectives to PM or PPM research. Section 4 discusses and analyses the research experiences and Section 5 offers conclusions and suggestions for future research.

## 2. Literature review

### 2.1. Resource-based view

Stemming from Penrose's classic work on how firms grow (Penrose, 1959), the RBV examines how an organization's resources drive competitive advantage. The RBV assumes that resources and capabilities are not uniform across competing organizations, and uses this heterogeneity to explain differences in organizational success rates.

According to the RBV, resources that are valuable, rare, inimitable, and non-substitutable (VRIN) or valuable, rare, inimitable, and involve organizational focus and support (VRIO), form the best basis for sustainable competitive advantage by being difficult for other organizations to copy or acquire (Barney, 1991, 2001; Priem and Butler, 2001; Wernerfelt, 1984). However, only a handful of a company's assets are strategic assets that contribute to its competitive advantage (Amit and Schoemaker, 1993; Kraaijenbrink et al., 2010). Examples of strategic resources include intellectual property rights, reputation, brand, and culture (Eisenhardt and Santos, 2002; Kaplan et al., 2001; Kogut, 2000; Nonaka, 1994). Such strategic assets involve explicit and tacit knowledge that is embedded in a company's unique skills, knowledge, resources, and ways of working (Rumelt et al., 1994). These intangible resources are more likely to serve as sources for competitive advantage than

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