

A two-way influence between business strategy and project management

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Abstract

This article recognizes the strategic importance of project management (PM) in the corporate world through an exploration of PM/business strategy alignment. Using a case-study methodology, we extensively examined eight case studies covering nine projects in seven organizations. As a result, an empirically based theoretical framework was developed to address the configuration of PM as influenced by the business strategy (and vice versa). We found that business strategy realizes its influence on PM via the competitive attributes of the business strategy (time-to-market, quality, cost). These competitive attributes are used deliberately to determine the configuration and emphasis placed on different PM elements (e.g., strategy, organization, process, tools, metrics, culture). At the same time, PM is expected to impact the adaptation of business strategy if the operating conditions of a project detect significant threats from environmental changes (e.g., a market shift).

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1. Introduction

The alignment of strategic priorities – often referred to as strategic consensus or strategic fit – has become one of the central themes in the strategic management literature over recent years. One major stream of alignment research is that of strategic priorities across the organizational hierarchy at the corporate, business unit, and functional level. The literature suggests that strategic priorities at the functional level be aligned with and support business-unit-level strategies (further business strategies) e.g., [1,2]. Often mentioned are R&D, production, human resources, information technology, etc., as functional strategies; they are used as variables for examining alignment with the business strategy. Interestingly, project management (PM) is rarely seen as a functional strategy, although projects are basic building blocks of organizational strategy in many companies [3]. Only recently have researchers started to explore

the alignment of PM/business strategy more thoroughly e.g., [4–12], and the need for that is growing. Some recent known work related to linking business strategy and PM include PM strategy (e.g., by Anderson and Merna [8]), programme management (e.g., by Lycett, Rassau and Danson [9]), process for aligning PM with business strategy (e.g., by Srivannaboon and Milosevic [7]), project business concept (e.g., by Hellstorm and Wikstrom [10], Artto and Wikstrom [11]), strategic intention through multiple projects (e.g., by Artto and Dietrich [4], Dietrich and Lehtonen [12]), etc.

One reason the PM/business strategy alignment has become the focal attention is that companies must develop and execute innovative business strategies in order to stay competitive. In doing so, projects are often chosen as vehicles to implement those strategies, and PM is commonly considered to be an important business process [6]. In such situations, companies must make sure that projects are executed fully in line with the strategies they support. The PM/business strategy alignment helps organizations to focus on the right projects, given the objectives of the business strategy. Such alignments are challenging because the objectives

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of the business strategy are not always well-communicated or consistent with PM actions. Misalignment may cause an organization to lose market opportunities, and recovery from such misalignment is difficult. Understanding these alignments may be one of the major challenges to effective PM.

Scant is the empirical literature on aligning PM and business strategy. This study, however, addresses lack of information by exploring the configuration of PM elements as influenced by the business strategy (and vice versa), or what we refer to as the “nature of the alignment”. Specifically, we have developed an empirically based theoretical framework that shows the impact of business strategy on PM elements, as well as the effect of PM on business strategy.

2. Theoretical background

To develop a theoretical framework for aligning PM with business strategy, we examined multiple streams of related literature, streams that include business strategy and its typology (i.e., understanding the definitions of business-level strategy and the conceptual basis of different strategic types), project management (i.e., identifying PM elements that should be aligned with business strategy), and alignment literature (i.e., studying previous and recent alignment research to identify what has been done and what is missing in the alignment literature).

2.1. Business strategy

While there are multiple business strategy typologies in the literature that should be considered in a PM/business strategy alignment, e.g., Miles and Snow’s typology [13], Porter’s generic strategies [14], Treacy and Wiersema’s typology [15], in this paper, we present only one, Porter’s generic strategies, using it as the foundation with which the PM elements should be aligned (see the Research Design section for information about our reasoning).

Porter [14] claimed that to achieve a sustainable competitive advantage, the organization’s chosen strategies need to be reinforced. Depending on the scope (broad or narrow), there are three generic strategies that can result: cost leadership, differentiation, and focus. According to Porter, generic strategies, when an organization chooses only one, provide the organization with the ability to achieve competitive advantages and outperform their competitors. However, if an organization pursues more than one generic strategy, it will perform below its capability. Porter referred to the latter type of organization as “stuck-in-the-middle”. Increasing global competition has made focusing on a single combination of generic strategies increasingly popular [16]. Many researchers and practitioners refer to this combination as the “Best-Cost” strategy.

In this paper, we used three of the above mentioned business strategies for our analysis, each of which is briefly described as follows:

- *Cost Leadership*: Organizations pursuing a cost leadership strategy seek to gain competitive advantage and increase market share by being the lowest cost producers in the industry [14].
- *Differentiation*: Organizations pursuing a differentiation strategy seek to locate themselves in a unique position that is desirable from customers’ perspective (e.g., fast time-to-market, superior quality and service, innovative features). This differentiation allows the organization to charge a premium price [14].
- *Best-Cost*: Under certain conditions, many researchers argue that a combination of strategies may be the best way of creating a sustainable competitive advantage e.g., [17–20]. In particular, a combination of differentiation and low-cost may be necessary to create a sustainable competitive advantage by addressing customer values (fast time-to-market, superior product quality, etc.) and providing low-cost products.

2.2. Project management

Project management is a specialized form of management, similar to other functional strategies, that is used to accomplish a series of business goals, strategies, and work tasks within a well-defined schedule and budget. The essence of PM is to support the execution of an organization’s competitive strategy to deliver a desired outcome (e.g., fast time-to-market, high quality, low-cost products) [21]. According to Shenhar’s strategic project leadership (SPL) framework [22], PM elements that should be aligned with the business strategy can be identified as (1) project strategy, (2) organization, (3) process, (4) tools, (5) metrics, and (6) culture. (For this paper, we have adapted the SPL framework by adding metrics and changing project spirit to project culture.)

2.3. Alignment literature

Research found in the literature has examined the idea of alignment in various management areas. For example, numerous studies have discussed the alignment between tasks, policies, and practices e.g., [23,24]; others have emphasized the relationship between alignment and performance in regards to organizational hierarchy: corporate, business, and function e.g., [25,26]. Frequently, R&D, production, human resources, information technology, etc. are mentioned as functional strategies and used as the variables to examine alignment with the business strategy. PM is similar to other these functional strategies and therefore it too should be aligned with the business strategy [27]. However, traditional literature on aligning PM with the business strategy is vague. Without explaining the interaction between PM and business strategy, most studies link business strategy with PM through project selection and see that as part of the alignment process e.g., [28–32]. Only recently have researchers started to explore the alignment

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