The Big Issues Facing Project Management

Introduction

Project management is still considered to be a relatively new management discipline. The genesis of the modern management approach is traced to military projects in The United States in the late 1940s and early 1950s. So professional associations world-wide are still trying to define what it means to be a competent project manager through the development of certification programmes and global standards. In the field of infrastructure projects, conventional contracting practices, in which the client and contractor work at arms' length and attempt to pass risk between each other, have been found not to work. This has led to a greater use of alliancing contracts, where client and contractors share risks between them. In related developments, the public sector is attempting to involve the private sector much more in infrastructure development, through the Public-Private-Partnership, and sponsoring organisations are trying to find ways of delivering projects which lead to higher value added, through the use of Value Enhancing Practices.

Certification

Professional associations worldwide are trying to define what it means to be a competent project manager, and to that end several certification programmes have been developed. It is now well understood that competence is a mixture of explicit knowledge derived from formal education, tacit knowledge and skills derived from formal education, tacit knowledge and skills derived from experience, and innate behaviors which deliver superior performance. At an early stage of an individual's professional career, explicit knowledge is to the fore, but the others become increasingly important as he or she progresses. The Project Management Institute, based in Philadelphia, has developed the most widely used certification programme, the Project Management Professional (PMP), which now has almost global reach. This is a single level certification programme, which measures explicit knowledge directly through a multichoice test, and tacit knowledge and skill indirectly by assessing the candidate's experience. It is therefore aimed at an early to mid-career professional.

Global Standards

A related issue is the development of global standards in project management. To have global equivalence of what we understand by a competent project manager, it is essential that people are measure against a common benchmark, and work to worldwide best practice. This is especially critical in the management of infrastructure projects which cross international borders. These project managers tend to be more globally active than those in other areas of economic activity. The development of global standards is being led from Australia by Lynn Crawford, a DBA student at Henley Management College.

Alienating

In the field of project management, especially in infrastructure development, the client and contractors are in a state of mutual dependency. So contracting practices developed from a free market, in which risk is passed freely between clients and contractors, are not successful. An open market, intended for repetitive purchases, is designed for a situation where there is no bilateral dependency, and risk can be freely passed between client and supplier. Where bilateral dependency potentially exists, the client organisation will usually perform the operation internally. However in projects which are performed only sparingly, the client organisation cannot afford to retain the skills internally, and so it is forced to buy the project delivery from the market. But because the project will take some time to deliver, and because it will be risky, mutual dependency exists between clients and contractors. Thus the delivery of projects requires a hybrid relationship, where the client and contractor build a project organisation for the delivery of he project to which they are both committed. Through this hybrid organisation they will share the risk of the project. They will pool it, work together to reduce it, and share in the benefit. This is the concept behind alliancing relationships on contracts.

Public-Private-Partnership

In the area of public infrastructure development there is Public-Private-Partnership (PPP) as yet a new issue in South Africa. There are several drivers behind the concept of PPP, including making private sector finance and private sector expertise available to public sector infrastructure projects. There is an essential tension here. Private sector finance costs more than public sector finance, because of the much greater risk of default. But it is thought that this is compensated for by the greater expertise of the private sector leading to the cheaper delivery of public sector cannot again access to private sector expertise, and also to the cheaper financing costs. Also in infrastructure projects the sponsoring government will also gain hidden returns through, say, greater economic activity. This happened for instance with the Channel Tunnel. So if the public sector invests in the project, they get greater returns on cheaper finance. Indeed, the sponsoring government gains those hidden returns, even if the project is paid for by 100% private finance as in the case of the tunnel. In that case the private sector bore all the risk at high financial cost, but did not share in all the benefit. New ways need to be found for Public-Private-Alliances, where the project can gain access to finance at public sector rates, and private sector risk expertise, with the risk perhaps underwritten by the sponsoring government in return for the hidden benefits.

In the Dutch high-speed railways, the Dutch government is exploring ways of involving the private sector, where risk is shared, and private sector partners are not rewarded by utilisation of the asset (which is government risk) but by its availability. This recognises that the use of a new infrastructure development can take some time to build up.

Value Enhancing Practices

Finally, a problem with projects can be that design closure occurs too early, locking in the cost of the project before the optimum solution can be found. Alternatively, the project participants may seek the minimum cost solution rather than the maximum value solution. Value enhancing practices are being developed to seek the maximum value from projects and not necessarily the minimum cost. This can require that options are kept open longer than the project's financiers (who are seeking certainty of outcome) may be happy with. Project teams working to tight cost targets, which are significantly lower than the previous similar projects, can also be criticized when they exceed their target costs, even though the out-turn is much lower than the previous time. It has been known for sponsors of infrastructure projects to lose their jobs when a project exceeds its cost target by 20%, even though that was 10% lower than the previous time, because the target was two thirds of he previous out-turn cost. Ways need to be found of allowing the out-turn cost. Ways need to be found of allowing the out – turn targets for cost and benefit to be kept open much longer, setting tight targets for both, but allowing the project team to exceed the cost target for greater commensurate increases in the benefit and greater value.

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