



# MANAGING TECHNOLOGY-BASED PROJECTS

*Tools, Techniques, People  
and Business Processes*

Hans J. Thamhain

WILEY



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# Contents

Preface	xiii
1 Challenges of Managing Projects in a Technology World	1
Apple iPhone 5	1
1.1 Project Management in a Changing World: Challenges and Opportunities	2
1.2 Global Dimensions	2
1.3 Project Deserve Special Attention within the Enterprise	3
1.4 The Unique Nature of Technology Projects	4
1.5 Evolution and Growth of Project Management and Technology	11
1.6 Where Are We Heading?	15
1.7 Key Points, Lessons, and Conclusions	16
1.8 Questions for Discussion and Exercises	17
1.9 <i>PMBOK</i> ® References and Connections	17
Internet Links and Resources	18
References and Additional Readings	18
2 Contemporary Project Management: Concepts and Principles	19
Amazon	19
2.1 The Big Picture: The Art of Managing Projects	20
2.2 Project Management Defined	21
2.3 The Project Life Cycle (PLC)	22
2.4 Programs, Projects, Tasks, and Committees	24
2.5 The Role of the Project Manager	27
2.6 Classification of Projects	28
2.7 Project Management Standards and Guidelines	30
2.8 Key Points, Lessons, and Conclusions	36
2.9 Questions for Discussion and Exercises	36
2.10 <i>PMBOK</i> ® References and Connections	37
Internet Links and Resources	37
References and Additional Readings	37

3	The Effective Project Manager: Skills, Values and Agility	39
	Project Management Skills Emphasized in PMI's Annual Report	39
	3.1 Project-based Organizational Cultures and Values	39
	3.2 Measuring Managerial Performance	40
	3.3 Skill Requirements for Managing Technology Projects	43
	3.4 How Learnable Are These Skills?	48
	3.5 Transitioning from Individual Contributor to Project Management	48
	3.6 Implications for Senior Management	50
	3.7 Summary of Key Points and Conclusions	54
	3.8 Questions for Discussion	55
	3.9 <i>PMBOK</i> ® References and Connections	56
	Internet Links and Resources	56
	References and Additional Readings	56
4	Aligning Projects with the Enterprise	59
	Summer Olympics, 2016 in Rio.	59
	4.1 Making the Case for Enterprise Project Management	60
	4.2 Connecting with the Existing Strategy Framework	62
	4.3 Project Portfolio Management (PPM)	64
	4.4 Strategic Project Leadership	65
	4.5 Where Are We Heading?	67
	4.6 Summary of Key Points and Conclusions	70
	4.7 Questions for Discussion	70
	4.8 <i>PMBOK</i> ® References and Connections	71
	Internet Links and Resources	71
	References and Additional Readings	71
5	Understanding Project Organizations	73
	General Motors, Shanghai	73
	5.1 Today's Business Processes Require Flexibility, Speed, and Efficiency	74
	5.2 Why Do We Need to Organize Differently to Manage Projects?	75
	5.3 Organizational Layers and Subsystems	76
	5.4 Organizational Designs for Project Management	78
	5.5 Managerial Perspective	89
	5.6 Building the Project Organization	91
	5.7 Working Effectively in Resource-Shared Environments	97
	5.8 Summary of Key Points and Conclusions	97
	5.9 Questions for Discussions and Exercises	98
	5.10 <i>PMBOK</i> ® References and Connections	99
	Internet Links and Resources	99
	References and Additional Readings	99



6	The Project Management Office	102
	IBM Wins PMO of the Year Award	102
	6.1 Management Perspective	103
	6.2 PMO Concept and Functionality	104
	6.3 Reason for Establishing a Project Management Office (PMO)	110
	6.4 Establishing a Project Management Office	116
	6.5 A Final Note	122
	6.6 Summary of Key Points and Conclusions	122
	6.7 Questions for Discussion	123
	6.8 <i>PMBOK</i> ® References and Connections	124
	Internet Links and Resources	124
	References and Additional Readings	125
7	Project Evaluation and Selection	127
	Multiple Project Selection at DIRECTV	127
	7.1 Management Perspective	128
	7.2 Quantitative Approaches to Project Evaluation and Selection	131
	7.3 Qualitative Approaches to Project Evaluation and Selection	138
	7.4 Recommendations for Effective Project Evaluation and Selection	139
	7.5 Concluding Remarks	142
	7.6 Summary of Key Points and Conclusions	143
	7.7 Questions for Discussion and Exercises	144
	7.8 <i>PMBOK</i> ® References and Connections	144
	Internet Links and Resources	145
	References	145
	7.9 Appendix: Summary Description of Terms, Variables, and Abbreviations used in This Chapter	147
8	Setting Up an Effective Planning and Control Cycle	148
	Project Management for NASA	148
	8.1 Planning the Cornerstone to Effective Project Management	150
	8.2 An Integrated Approach to Project Planning	156
	8.3 Managing the Planning Process	162
	8.4 Summary of Key Points and Conclusions	162
	8.5 Questions for Discussion and Exercises	164
	8.6 <i>PMBOK</i> ® References and Connections	164
	Internet Links and Resources	165
	References and Additional Readings	165
9	The Tools for Integrated Project Planning and Control	167
	2012 London Summer Olympics	167
	9.1 Management Perspective	168
	9.2 The Basic Tools and Techniques for Project Management	176

9.3 Using Project Management Tools Property	206
9.4 A Model for Project Performance	207
9.5 Summary of Key Points and Conclusions	209
9.6 Questions for Discussion	210
9.7 <i>PMBOK</i> ® References and Connections	210
Internet Links and Resources	211
References and Additional Readings	211
<b>10 Defining the Project</b>	<b>213</b>
Chevrolet <i>Volt</i> Electric Cars Development	213
10.1 The Need for a Clear Plan	214
10.2 Building the Project Plan	215
10.3 A Life Cycle Approach to Project Planning	228
10.4 Summary of Key Points and Conclusions	228
10.5 Questions for Discussion and Exercises	229
10.6 <i>PMBOK</i> ® <i>Guide</i> References and Connections	230
Internet Links and Resources	230
References and Additional Readings	230
<b>11 Resource Estimating and Budgeting</b>	<b>232</b>
At Google, Technology Projects Are Done on a Rapid Schedule.	232
11.1 Why We Need Budgets	233
11.2 Cost Estimating Methods	234
11.3 Where to Begin?	238
11.4 Cost Estimating and Budgeting Philosophy	240
11.5 Summary of Key Points and Conclusions	243
11.6 Questions for Discussion and Exercises	244
11.7 <i>PMBOK</i> ® <i>Guide</i> References and Connections	245
Internet Links and Resources	245
References and Additional Readings	246
<b>12 Monitoring and Controlling Technology-Intensive Projects</b>	<b>248</b>
Prairie Waters Project Wins PMI's Project of the Year Award	248
12.1 The Challenges of Managerial Control	249
12.2 What We Know About Managerial Control of Complex Projects	251
12.3 What Do We Want to Control?	252
12.4 Available Tools and Techniques	254
12.5 Recommendations for Using Project Controls Effectively	261
12.6 Conclusion	264
12.7 Summary of Key Points and Conclusions	265
12.8 Questions for Discussion	266
12.9 <i>PMBOK</i> ® References and Connections	267
Internet Links and Resources	268
References and Additional Readings	268
12.10 Appendix: Management Techniques for Project Control	270

13	Concurrent Engineering and Other Project Management Systems	278
	The Pentagon Reconstruction Project	278
	13.1 The Need for Effective Project Management Processes	279
	13.2 A Spectrum of Contemporary Management Systems	281
	13.3 Criteria for Success	284
	13.4 Defining the Management Process—A Team-Based Effort	286
	13.5 Understanding the Challenges	288
	13.6 Understanding Organizational Linkages and Benefits	289
	13.7 Recommendations for Setting Up and Managing Contemporary Systems	291
	13.8 Conclusion	298
	13.9 Summary of Key Points and Conclusions	300
	13.10 Questions for Discussion	301
	13.11 <i>PMBOK</i> ® References and Connections	302
	Internet Links and Resources	302
	References and Additional Readings	302
14	Managing Risk and Uncertainty	307
	Risk-Taking in New Product Developments is Part of Staying Competitive at Intel	307
	14.1 The Role of Uncertainty in Managing Projects	308
	14.2 What We Know about Risk Management	311
	14.3 Key Variables Affecting Risk Management	313
	14.4 A Simple Risk-Impact Model	317
	14.5 How Do Risks Affect Project Performance?	321
	14.6 Managing Risks in Projects: Lessons from the Field	323
	14.7 Criteria for Effective Risk Management	326
	14.8 A Final Note	331
	14.9 Summary of Key Points and Conclusions	331
	14.10 Questions for Discussion	333
	14.11 <i>PMBOK</i> ® References and Connections	334
	Internet Links and Resources	334
	References and Additional Readings	334
15	Managing by Commitment and Collaboration	338
	Wind Energy Research	338
	15.1 The Critical Role of Commitment and Collaboration	339
	15.2 What Do We Know about Collaboration and Commitment?	342
	15.3 Drivers and Barriers to Collaboration and Commitment	343
	15.4 Managing by Commitment	346
	15.5 Conclusion	349
	15.6 Summary of Key Points and Conclusions	349
	15.7 Questions for Discussion	350
	15.8 <i>PMBOK</i> ® References and Connections	350

Internet Links and Resources	351
References and Additional Readings	351
15.9 Appendix: Field Research Summary on Commitment	353
<b>16 Managing People and Interfaces</b>	<b>362</b>
At GE, Management Philosophy Focuses on People	362
16.1 Changing Roles and Challenges of Managerial Leadership	362
16.2 What Drives Performance in Technology-Based Teams	366
16.3 How To Motivate and Inspire	370
16.4 The Power Profile of Project Managers	378
16.5 Criteria and Recommendations for Working Effectively with People on Projects	381
16.6 Concluding Remark	383
16.7 Summary of Key Points and Conclusions	384
16.8 Questions for Discussion	386
16.9 <i>PMBOK</i> ® References and Connections	386
Internet Links and Resources	387
References and Additional Readings	387
<b>17 Managing Conflict in Project Organizations</b>	<b>391</b>
Sun Tzu—The Ancient Art of Leadership: Making Conflict Unnecessary	391
17.1 Conflict—Good, Bad, and Inevitable	392
17.2 Categorizing Conflict in Organizations	393
17.3 How to Anticipate Issues	395
17.4 Conflict in the Project Life Cycle	398
17.5 How to Deal with Conflict	403
17.6 Criteria for Managing Conflict in Projects Effectively	410
17.7 Summary of Key Points and Conclusions	414
17.8 Questions for Discussion and Exercises	416
17.9 <i>PMBOK</i> ® References and Connections	416
Internet Links and Resources	417
References and Additional Readings	417
<b>18 Leading Technology Teams</b>	<b>421</b>
Boeing 787 Dreamliner	421
18.1 Team Leadership—Critical to Project Success	422
18.2 Measuring Team Performance	426
18.3 Fostering Conditions for Collaboration, Commitment, and Self-Control	428
18.4 Building High-Performance Teams	430
18.5 Team Leadership Lessons	433

18.6 Guidelines for Effective Team Management	434
18.7 How to Make It Work	439
18.8 Summary of Key Points and Conclusions	441
18.9 Questions for Discussion and Exercises	441
18.10 <i>PMBOK</i> ® References and Connections	442
Internet Links and Resources	443
References and Additional Readings	443
19 Professional Development: Training and Education	446
Developing Management Talent at GE	446
19.1 Project Managers Have Special Needs for Professional Development	447
19.2 Linking Knowledge, Skills, and Competency	448
19.3 Building Knowledge, Skills, and Competency	449
19.4 Developing Project Managers	453
19.5 Professional Education	454
19.6 Professional Certification and Accreditation	456
19.7 Career Opportunities in Project Management	459
19.8 Summary of Key Points and Conclusions	460
19.9 Questions for Discussion and Exercises	461
19.10 <i>PMBOK</i> ® References and Connections	462
Internet Links and Resources	462
References and Additional Readings	463
20 The Future of Project Management	465
20.1 Is the Future Predictable?	465
20.2 Changes and Trends in the Project Environment	465
20.3 What Does It Mean for the Future of Project Management?	468
20.4 Summary of Key Points and Conclusions	470
20.5 Questions for Discussion and Exercises	471
Internet Links and Resources	471
References and Additional Readings	472
Appendix 1: Policy and Procedure Examples	473
Appendix 2: Professional Societies, Journals, and Conferences in Project Engineering, and Technology Management	481
Glossary	491
Index	499



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## Preface

Project management has evolved into a powerful system, used by virtually every enterprise to advance its business and to gain competitive advantage. Although project management has been practiced for thousands of years, only during the past few decades have we begun to understand what drives project performance and what can be done to link the project management system with the enterprise and its business strategy. Yet, on the operational side, many organizations have reached a maturity level that facilitates predictable execution of highly complex projects. Success is no longer random. It is driven by carefully designed and continuously improved project management systems and skill sets that pay attention to both the work process and the human side of project management.

This book focuses on technology-intensive business environments. However today, technology is everywhere, and it is difficult to find a business not affected by technology. Yet, some organizations are more intensely immersed in technology, either to produce new products or to use technology to execute their projects effectively, such as financial or medical services. Managers in these technology-intensive project environments perceive their managerial roles more challenging because of higher levels of dynamics, complexities, and uncertainties that exist in their projects, in comparison to environments less exposed to technology. Many of their technology-based projects require innovative solutions, collaboration with partners and contractor organizations, and expectations by senior management to align the project with the business objectives of the enterprise. Of course, all of this must be accomplished within the defined schedule, budget, and quality constraints. Lots of challenges!

Time after time, managers have told me that the biggest challenge they face is not so much in dealing with the technical issues of applying technology or working out technical solutions but in dealing with the dynamics and uncertainties associated with the complexities of the technology-based work environment, plus adding value to the enterprise. This requires specialized skills in planning, organizing, and guiding multidisciplinary activities. It also requires a great deal of people skills in building cross-functional teams and leading them toward desired results. This involves effective motivation, power and resource sharing, communications both vertically and horizontally, and conflict management. To get results, project managers must be social

architects who understand the culture and value system of the enterprise, and who can relate socially as well as technically. The days of managers who get by with only technical expertise or pure administrative skills are gone.

This book is written from the technology manager's perspective, for managers and professionals who must function effectively in complex, technology-oriented business environments. However, as technology crosses virtually all levels and all disciplines of an enterprise, the principles of managing in technology not only are relevant for science, engineering, and R&D but also apply to any organization and business that must effectively deal with the application, integration, and transfer of technology. Financial institutions, hospitals, law enforcement, government services, and media businesses are just a few examples of the vast array of organizations, outside the traditional engineering-scientific community, that see themselves in a high-technology enterprise.

In addition to serving as a professional reference, this book is designed as a text for college courses in project management. In fact, I use it in my own graduate and undergraduate courses at Bentley and Harvard University. It integrates the established body of knowledge in project management (PMBOK) with today's contemporary project management practices and the emerging body of knowledge in management of technology (MOT), all linked with the contemporary concepts of organizational behavior. The lead-in scenarios for each chapter and the questions for discussion and exercises at the end of each chapter should provide food for critical thinking in professional group discussions or academic classroom exercises. Managers and technology-oriented professionals at all levels should find this text useful in gaining an understanding of the organizational process, organizational dynamics, and critical success factors that drive technology-based project performance. Such insight can help in fine-tuning leadership style, resource allocation, and organizational developments—hence continuously improving enterprise ability to compete effectively in today's complex global markets.

The book includes the latest concepts of project management, plus my 40 years of field observations and experiences as researcher, and earlier as manager in RD&E and technology management with ITT, Westinghouse, General Electric, and GTE/Verizon, prior to my current teaching and research career at Bentley University.

I would like to express my appreciation to the many colleagues who encouraged and nurtured the development of this book. Special thanks go to the large number of project professionals, managers, and executives from the United States, South America, Europe, Asia, and Australia who contributed valuable information during various forms of professional engagement and field research, which is now part of the content and professional perspectives presented in this book.



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## Chapter 1

# Challenges of Managing Projects in a Technology World

### APPLE IPHONE 5



*Photo courtesy of Apple Inc.*

When Apple introduced its newest smartphone iPhone 5 at the Yerba Buena Center in San Francisco in late 2012, it was positioned for success. "iPhone 5 is the most beautiful consumer device that we've ever created," said Philip Schiller, Apple's senior vice president of Worldwide Marketing. "We've packed an amazing amount of innovation and advanced technology into a thin and light, jewel-like device with a stunning 4-inch retina display, blazing-fast A6 chip, ultrafast wireless, even longer battery life; and we think customers are going to love it."

The announcement marked the end of an 18-month product development cycle that included intricate collaboration with several software developers, dozens of component manufacturers, partners and the iPhone fabrication at Hon Hai Precision Industry (also known as Foxconn in Zhengzhou, China). Indeed, the new product is state of the art. It is the thinnest and lightest iPhone ever, completely redesigned to feature the new display screen, the world's most advanced mobile operating system, and over 200 new features such as new maps, turn-by-turn navigation, Facebook, Passbook, and more Siri® features.

However, recovering the investment for product development and rollout of the new 16 GB iPhone is not without challenges. For one thing, the cost to produce the phone is high. At over \$200 per unit, Apple had to count on wireless companies to subsidize the purchasing price. Nevertheless, business analysts were optimistic that the iPhone 5 would be profitable in the long run—and as it turned out, their

optimism was not misplaced. Following up on the impressive success of the iPhone 5, in September 2013, Apple introduced the iPhone 5S and the iPhone 5C.

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### 1.1 PROJECT MANAGEMENT IN A CHANGING WORLD: CHALLENGES AND OPPORTUNITIES

The complexities and challenges faced by Apple in developing the iPhone 5 might look modest by comparison to super projects, such as major aerospace missions, the relocation of Tata's steel plant to the Gulf of Bengal, or the organization of the next Summer Olympics. Yet, the iPhone 5 has all of the characteristics that we find in millions of technology-intensive projects. Project management has become an important variable for success in today's complex business environment, where projects span organizational lines, involving a broad spectrum of personnel, support groups, subcontractors, vendors, partners, government agencies, and customer organizations. Hence, successful execution relies on effective linkages, cooperation, and alliances among various organizational functions, critical for proper communication, and decision making. Top-down control no longer works in most of these environments, but authority must be earned and team commitment must be built as critical conditions to successful project management.

Despite its challenges, this changing environment—especially advances in computers, IT, and communication technology—creates enormous opportunities for enterprises across all industries. It is possible to execute larger, more complex projects, with leaner budgets and more predictable schedules, and to connect with a wide spectrum of resources across the world. However, technology creates its own challenges, requiring additional investment in equipment, software, infrastructure, services, and skill sets. Advances in technology have also accelerated the changes in our business environment, leading to tougher competition, lower barriers of market entry, and shorter product life cycles, requiring more agile and flexible approaches to project management. These changes have shifted the project paradigm with strong impact on business performance. This got the attention of management across all industries, many of them recognizing project management as a critical toolset for providing common language and methodology for executing multidisciplinary ventures.

### 1.2 GLOBAL DIMENSIONS

The changes in the global business environment have pushed these challenges to an even higher level. To succeed in our ultracompetitive, interconnected world of business, companies are continuously searching for ways to improve effectiveness. They look for partners that can perform the needed work better, cheaper and faster. Speed especially has become one of the great equalizers of competitive performance. In the case of the iPhone,

a new product may be obsolete in less than a year, unless provisions for continuous upgrading and enhancement have been built into the system and are implemented in response to evolving market needs. This results in complex project organization and execution processes, involving joint ventures, alliances, multinational sourcing and elaborate vendor relations across the globe, ranging from R&D to manufacturing, and from customer relations to field services.

Project complexity has been increasing in virtually every segment of industry and government, including computer, pharmaceutical, automotive, health care, transportation, and financial businesses, just to name a few of the most noticeable ones. New technologies, especially in computers and communications, have radically changed the workplace and transformed our global economy, focusing on effectiveness, value and speed. These technologies offer more sophisticated capabilities for cross-functional integration, resource mobility, effectiveness and market responsiveness, but they also require more sophisticated skill sets both technically and socially, dealing effectively with a broad spectrum of contemporary challenges, including managing conflict, change, risks and uncertainty.

As a result of this paradigm shift we have seen a change in the dynamics of teamwork and a change in managerial focus from efficiency to effectiveness, and from a focus on traditional performance measures, such as the quadruple constraint, to include a broader spectrum of critical success factors that support innovation, work integration, organizational collaboration, human factors, business process agility, and strategic objectives. Traditional linear work processes and top-down controls are no longer sufficient, but are gradually being replaced with alternate organizational designs, new management techniques and business processes, such as agile processes, concurrent engineering, User-Centered Design, and Stage-Gate protocols (Thamhain 2011). These techniques offer more sophisticated capabilities for cross-functional integration, resources mobility, effectiveness, and market responsiveness, but they also require more sophisticated management skills and leadership.

### 1.3 PROJECT DESERVE SPECIAL ATTENTION WITHIN THE ENTERPRISE

Projects are different from ongoing operations. They are one-time undertakings, such as the Apple's iPhone development, with a specific mission, purpose, and objective, usually driven by the needs and wants of a sponsor or customer, who could be an individual or an organization, internal or external to the enterprise, or both. In essence, this description identifies the components and uniqueness of projects:

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Producing specific deliverables within given time, resource and quality constraints that satisfy the project sponsor/customer.

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It also identifies the boundary conditions of time, resources, quality, and customer satisfaction, referred to as *quadruple constraint*, to be discussed in the next chapter in more detail.

By their very nature projects are multidisciplinary, requiring resources and support from many organizational units. This is disruptive to the ongoing operations of the enterprise. It interferes with the mission and objectives of functional departments, and is inconsistent with established central management processes for command, control, and communications.

Thus, to minimize interference with ongoing operations, projects need to be organized and managed separately from the ongoing operations, yet well integrated with the enterprise. With the emergence of contemporary project management, virtually every enterprise with project-related activities established its own project management system with various degrees of formality and sophistication. The aim is to have a common infrastructure with methodologies, supportive processes, tools, and measurement systems that ensures consistent project delivery across the enterprise. Communication is at the heart of any of these management systems for effectively connecting among all team members, including partners, support organizations and other internal and external stakeholder communities.

As it has evolved over the past 60 years, modern project management provides the type of disciplined yet flexible framework for effectively planning, organizing, and executing projects. It has its own body of knowledge, providing a common language and methodology with tools and techniques for managing multidisciplinary ventures, regardless of their size, shape, or industry.

## 1.4 THE UNIQUE NATURE OF TECHNOLOGY PROJECTS

Technology-intensive projects have their unique characteristics and challenges. By definition, these projects have to deal with *technology*, a fast-changing knowledge area associated with risk and uncertainty. The problems to be solved are often complex and solutions untried, requiring experimental, iterative approaches, innovation and creativity, and highly specialized skill sets. Although one could make an argument that these issues also exist in many low-technology projects, they are amplified as dependence on technology intensifies, such as we see in the iPhone example. Therefore, it is not surprising that managers of technology-based projects see their work environment as different, requiring unique organizational structures, policies, interaction among people, and support systems. Yet the classification of projects along technology lines is not easy. Let's first look into the unique characteristics of technology-intensive projects before suggesting a specific classification based on degree of technology and complexity.

**WHAT IS DIFFERENT ABOUT TECHNOLOGY-INTENSIVE PROJECTS?**

In our highly connected world, most project managers must deal with technology. They must function in a business environment that uses technology for competitive advantage, and their projects are heavily steeped in technology. Virtually every segment of industry and government tries to leverage technology to improve effectiveness, value, and speed. Traditional linear work processes and top-down controls are no longer sufficient, but are gradually being replaced by alternate organizational designs and new, more agile management techniques and business processes, such as concurrent engineering, design-build, stage-gate and user-centered design. These techniques offer more sophisticated capabilities for cross-functional integration, resources mobility, effectiveness, and market responsiveness, but they also require more sophisticated skills to effectively deal with a broad spectrum of contemporary challenges, both technically and socially, including higher levels of conflict, change, risks, and uncertainty, and a shifting attention from functional efficiency to process integration effectiveness, emphasizing organizational interfaces, human factors, and the overall business process. Taken together, technology-intensive projects can be characterized as follows:

- Value creation by applying technology
- Strong need for innovation and creativity
- High task complexities, risks, and uncertainties
- Resource constraints and tight end-date-driven schedules despite tough performance requirements
- Highly educated and skilled personnel, broad skill spectrum
- Specific technical job knowledge and its competency
- Need for sophisticated people skills, ability to work across different organizational cultures and values, and to deal with organizational conflict, power, and politics
- Complex project organizations and cross-functional linkages
- Complex business processes and stakeholder communities
- Technology used as a tool for managing projects
- Replacement of labor with technology
- Advanced infrastructure
- High front-end expenditures early in the project life cycle
- Low short-term profitability in spite of large capital investment
- Fast-changing markets, technology, regulations
- Intense global competition, open markets, and low barriers to entry
- Short product life cycles affect time to market
- Need for quick market response
- Complex decision-making processes
- Many alliances, joint ventures, and partnerships

### 1.4.1 Characteristics of Technology-Intensive Projects

Although technology and management practices vary considerably among companies, specific characteristics can be defined to describe technology-intensive projects as part of their dynamic environment and organizational interaction as summarized in 16 categories:

1. **Value creation by applying technology.** Technology-based projects create value primarily by leveraging technology. They exploit or commercialize technology. Examples range from plastics and fiber optics to financial services and e-commerce. The technology-based enterprise competes through technological innovation. Project management provides the process, fueled by technology, for creating new and unique products, services, systems, equipment, or advanced materials. This added value is part of the innovation process, where the final product, such as the Internet service or computer chip, is worth a lot more than its ingredients. Hence, “Innovation is the key driver to competitiveness . . . and long-term economic growth” (US Department of Commerce 2012).
2. **High task complexity, risks, and uncertainty.** Given their technical complexity, market uncertainties, changing technologies, and regulatory ambiguities, technology-based projects can be very risky in terms of economics and technical success. Because of these uncertainties, technology-intensive projects utilize unique organizational structures, work processes, decision-making tools, and leadership styles.
3. **Resource constraints and tight end-date driven schedules despite tough performance requirements.** Because of time-to-market pressures and intense competition typical for technology-based projects, resources and schedules are often very tight despite complex requirements and uncertainties, all adding to the challenges of project managers.
4. **Highly educated and skilled personnel.** Technology-intensive projects require special knowledge, skill sets, and competencies to do the technical work. They also require sophisticated people skills, the ability to deal with organizational conflict, power, and politics, and the ability to work effectively in teams across functional lines toward project integration.
5. **Complex project organizations and cross-functional linkages.** Because of the need to integrate among many disciplines, contractors, and partners, as well as the intricate work processes that often span wide geographic areas, high-tech projects are rarely organized according to conventional structures, such as the matrix or projectized organization. Instead, they are arranged as “studios” where team members organize themselves around tasks, determining their responsibilities, work interfaces, and deliverables, sharing accountability and decision-making among the task owners and their interfaces. The evolving project organizations are usually hybrids of conventional structures

capable of working within established project execution templates, such as stage gate, concurrent, spiral, or agile/scrum, and interfacing with complex business processes and stakeholder communities.

6. **Technology used as a tool for managing projects.** High-tech projects use technology extensively in support of their projects execution. This includes sophisticated communication and reporting systems, computer simulation and modeling, advanced testing, and the latest software for project planning, tracking, and control. Often, these project-specific technologies are integrated with other enterprisewide management systems such as SAP or Oracle to gain operational advantages that lead to more predictable, cost-effective, faster, and market-focused project implementation.
7. **Replacement of labor with technology.** Technology-intensive projects are often part of a technology enterprise, such as computers, automotive, or pharmaceutical, that utilizes a wide spectrum of technology with the objective to gain economic benefits, speed, better quality, and reliability. The added value requires additional resources in the form of more advanced equipment, infrastructure, and software, but reduces labor, explaining the fact that technology-intensive projects and their host companies are mostly *capital* (rather than labor).
8. **Advanced infrastructure.** Technology-intensive projects utilize special state-of-the-art equipment, facilities, infrastructure, software tools, and training in support of the project work to be performed.
9. **High front-end expenditures early in the project life cycle.** The effort and resources needed at the front-end project work, such as planning, feasibility assessment, and R&D, seem to increase with the degree of technology used. For example, expenditures for planning and feasibility assessment of high-tech projects run typically above 10 percent of the total budget, double the average across all projects.
10. **Low short-term profitability in spite of large capital investment.** Technology-intensive projects often need large amounts of cash for capital equipment for reasons just discussed, sometimes more than they can generate. They are the classical “stars” in BCG’s Growth-Share Matrix (Grant 2010). As a result, strong financial leveraging and low profitability are quite common, in addition to joint ventures, partnerships, and extensive outsourcing, even for well-established high-tech giants, such as Amazon, Boeing, Intel, Microsoft, Pfizer, and Seagate.
11. **Changing markets, technology, and regulations.** Technology-based projects are likely to operate in continuously changing business environments with fast-changing markets and technologies, low barriers to entry, and high exposure to liabilities and regulations.
12. **Intense global competition, open markets, low barriers to entry.** Traditional barriers to entry, such as infrastructure, brand loyalty, and established supply chains, are virtually nonexistent for high-tech businesses. In particular “new and emerging technologies” can reset the competitive field to “ground zero,” whipping out any competitive advantage of established products and services (Andrew and Sirkin 2003).

This reality strongly influences the way projects are organized and managed, leading to more empowerment and autonomy at the project team level to promote the agility and speed needed for optimizing the project value under time-to-market pressure and changing conditions.

13. **Short product life cycles.** Driven largely by changing market conditions, emerging technologies and strong competition, life cycles of technology-based product are shorter, putting pressure on time to market as a critical project performance measure.
14. **Need for quick market response.** High-tech companies are fast, agile, and flexible in responding to business opportunities and threats. This also reflects in their project organizations and management style, empowering teams and relying on more autonomous work processes that enable quick reaction to changing conditions.
15. **Complex decision-making processes.** As a result of high risks, great uncertainties, and the dynamics that technology-intensive projects are exposed to, top-down or centralized management is usually ineffective. To a large extent, it is being replaced by *distributed* (or *team-based*) *decision making*, which promotes risk sharing, collaboration, and commitment at the project team level.
16. **Many alliances, joint ventures, and partnerships.** Because of the potentially high costs, risks, and complexities of high-tech project, virtually no company has the resources to handle all the facets of a technology development, its rollout and field support single-handed. Resource pooling, from cooperative agreements to joint ventures, partnerships and acquisitions are quite common among high-tech projects to raise the resources for implementing the new venture in a timely fashion.

To summarize the areas that are unique and different in managing technology-intensive projects, let us focus on six selected business subsystems, as graphically shown in Figure 1.1 and discussed next.



Figure 1.1 Business subsystems unique to technology-intensive project management



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