

Part 1

PROJECT MANAGEMENT METHODOLOGIES

As companies approach some degree of maturity in project management, it becomes readily apparent to all that some sort of standardization approach is necessary for the way that projects are managed. The ideal solution might be to have a singular methodology for all projects, whether they are for new product development, information systems, or client services. Some organizations may find it necessary to maintain more than one methodology, however, such as one methodology for information systems and a second methodology for new product development.

The implementation and acceptance of a project management methodology can be difficult if the organization's culture provides a great deal of resistance toward the change. Strong executive leadership may be necessary such that the barriers to change can be overcome quickly. These barriers can exist at all levels of management as well as at the worker level. The changes may require that workers give up their comfort zones and seek out new social groups.



Lakes Automotive

Lakes Automotive is a Detroit-based tier-one supplier to the auto industry. Between 1995 and 1999, Lakes Automotive installed a project management methodology based on nine life-cycle phases. For the next 10 years, all 60,000 employees worldwide accepted the methodology and used it. Management was pleased with the results. Also, Lakes Automotive's customer base was pleased with the methodology and provided Lakes Automotive with quality award recognition that everyone attributed to how well the project management methodology was executed.

In February 2015, Lakes Automotive decided to offer additional products to its customers. Lakes Automotive bought out another tier-one supplier, Pelex Automotive Products (PAP). PAP also had a good project management reputation and also provided quality products. Many of its products were similar to those provided by Lakes Automotive.

Because the employees from both companies would be working together closely, a single project management methodology would be required that would be acceptable to both companies. PAP had a good methodology based on five life-cycle phases. Both methodologies had advantages and disadvantages, and both were well liked by their customers.

QUESTIONS

1. How do companies combine methodologies?
2. How do you get employees to change work habits that have proven to be successful?
3. What influence should a customer have in redesigning a methodology that has proven to be successful?
4. What if the customers want the existing methodologies left intact?
5. What if the customers are unhappy with the new combined methodology?



Ferris HealthCare, Inc.

In July of 2014, senior management at Ferris recognized that its future growth could very well be determined by how quickly and how well it implemented project management. For the past several years, line managers had been functioning as project managers while still managing their line groups. The projects came out with the short end of the stick, most often late and over budget, because managers focused on line activities rather than project work. Everyone recognized that project management needed to be an established career path position and that some structured process had to be implemented for project management.

A consultant was brought into Ferris to provide initial project management training for 50 out of the 300 employees targeted for eventual project management training. Several of the employees thus trained were then placed on a committee with senior management to design a project management stage-gate model for Ferris.

After two months of meetings, the committee identified the need for three different stage-gate models: one for information systems, one for new products/services provided, and one for bringing on board new corporate clients. There were several similarities among the three models. However, personal interests dictated the need for three methodologies, all based on rigid policies and procedures.

After a year of using three models, the company recognized it had a problem deciding how to assign the right project manager to the right project. Project managers had to be familiar with all three methodologies. The alternative,

considered impractical, was to assign only those project managers familiar with that specific methodology.

After six months of meetings, the company consolidated the three methodologies into a single methodology, focusing more on guidelines than on policies and procedures. The entire organization appeared to support the new single methodology. A consultant was brought in to conduct the first three days of a four-day training program for employees not yet trained in project management. The fourth day was taught by internal personnel with a focus on how to use the new methodology. The success to failure ratio on projects increased dramatically.

QUESTIONS

1. Why was it so difficult to develop a single methodology from the start?
2. Why were all three initial methodologies based on policies and procedures?
3. Why do you believe the organization later was willing to accept a single methodology?
4. Why was the single methodology based on guidelines rather than policies and procedures?
5. Did it make sense to have the fourth day of the training program devoted to the methodology and immediately attached to the end of the three-day program?
6. Why was the consultant not allowed to teach the methodology?



Clark Faucet Company

BACKGROUND

By 2010, Clark Faucet Company had grown into the third largest supplier of faucets for both commercial and home use. Competition was fierce. Consumers would evaluate faucets on artistic design and quality. Each faucet had to be available in at least 25 different colors. Commercial buyers seemed more interested in the cost than the average consumer, who viewed the faucet as an object of art, irrespective of price.

Clark Faucet Company did not spend a great deal of money advertising on the radio, television, or Internet. Some money was allocated for ads in professional journals. Most of Clark's advertising and marketing funds were allocated to the two semiannual home and garden trade shows and the annual builders' trade show. One large builder could purchase more than 5,000 components for the furnishing of one newly constructed hotel or one apartment complex. Missing an opportunity to display the new products at these trade shows could easily result in a six- to 12-month window of lost revenue.

CULTURE

Clark Faucet had a noncooperative culture. Marketing and engineering would never talk to one another. Engineering wanted the freedom to design new products, whereas marketing wanted final approval to make sure that what was designed could be sold.

The conflict between marketing and engineering became so fierce that early attempts to implement project management failed. Nobody wanted to be the project manager. Functional team members refused to attend team meetings and spent most of their time working on their own pet projects rather than on the required work. Their line managers also showed little interest in supporting project management.

Project management became so disliked that the procurement manager refused to assign any of his employees to project teams. Instead, he mandated that all project work come through him. He eventually built a virtual brick wall around his employees. He claimed that this would protect them from the continuous conflicts between engineering and marketing.

THE EXECUTIVE DECISION

The executive council mandated that another attempt to implement good project management practices must occur quickly. Project management would be needed not only for new product development but also for specialty products and enhancements. The vice presidents for marketing and engineering reluctantly agreed to try to patch up their differences but did not appear confident that any changes would take place.

Strange as it may seem, no one could identify the initial cause of the conflicts or how the trouble actually began. Senior management hired an external consultant to identify the problems, provide recommendations and alternatives, and act as a mediator. The consultant's process would have to begin with interviews.

ENGINEERING INTERVIEWS

The following comments were made during engineering interviews:

- “We are loaded down with work. If marketing would stay out of engineering, we could get our job done.”
- “Marketing doesn’t understand that there’s more work for us to do other than just new product development.”
- “Marketing personnel should spend their time at the country club and in bar rooms. This will allow us in engineering to finish our work uninterrupted!”
- “Marketing expects everyone in engineering to stop what they are doing in order to put out marketing fires. I believe that most of the time the problem is that marketing doesn’t know what they want up front. This leads to change after change. Why can’t we get a good definition at the beginning of each project?”

MARKETING INTERVIEWS

These comments were made during marketing interviews:

- “Our livelihood rests on income generated from trade shows. Since new product development is four to six months in duration, we have to beat up on engineering to make sure that our marketing schedules are met. Why can’t engineering understand the importance of these trade shows?”
- “Because of the time required to develop new products [four–six months], we sometimes have to rush into projects without having a good definition of what is required. When a customer at a trade show gives us an idea for a new product, we rush to get the project under way for introduction at the next trade show. We then go back to the customer and ask for more clarification and/or specifications. Sometimes we must work with the customer for months to get the information we need. I know that this is a problem for engineering, but it cannot be helped.”

The consultant wrestled with the comments but was still somewhat perplexed. “Why doesn’t engineering understand marketing’s problems?” pondered the consultant. In a follow-up interview with an engineering manager, the following comment was made: “We are currently working on 375 different projects in engineering, and that includes those that marketing requested. Why can’t marketing understand our problems?”

QUESTIONS

1. What is the critical issue?
2. What can be done about it?
3. Can excellence in project management still be achieved and, if so, how? What steps would you recommend?
4. Given the current noncooperative culture, how long will it take to achieve a good cooperative project management culture and even excellence?
5. What obstacles exist in getting marketing and engineering to agree to a single methodology for project management?
6. What might happen if benchmarking studies indicate that either marketing or engineering are at fault?
7. Should a single methodology for project management have a process for the prioritization of projects, or should some committee external to the methodology accomplish this?



Creating a Methodology

BACKGROUND

John Compton, the president of the company, expressed his feelings quite bluntly at the executive staff meeting. He said:

We are no longer competitive in the marketplace. Almost all of the requests for proposal that we want to bid on have a requirement that we must identify in the proposal the project management methodology we will use on the contract should we be awarded the contract. We have no project management methodology. We have just a few templates we use based upon the *PMBOK® Guide*. All of our competitors have methodologies, but not us.

I have been asking for a methodology to be developed for more than a year now, and all I get are excuses. Some of you are obviously afraid that you might lose power and authority once the methodology is up and running. That may be true, but losing some power and authority is obviously better than losing your job. In six months I want to see a methodology in use on all projects or I will handle the situation myself. I simply cannot believe that my executive staff is afraid to develop a project management methodology.

CRITICAL ISSUES

The executive staff knew this day was inevitable; they had to take the initiative in the implementation of a project management methodology. Last year, a consultant

was brought in to conduct a morning three-hour session on the benefits of project management and the value of an enterprise project management (EPM) methodology. As part of the session, the consultant explained that the time needed to develop and implement an EPM system can be shortened if the company has a project management office (PMO) in place to take the lead role. The consultant also explained that whichever executive gets control of the PMO may become more powerful than other executives because he or she now controls all of the project management intellectual property. The executive staff fully understood the implication of this and therefore were reluctant to visibly support project management until they could see how their organization would be affected. In the meantime, project management suffered.

Reluctantly, a PMO was formed reporting to the chief information officer. The PMO was comprised of a handful of experienced project managers that could, it was hoped, take the lead in the development of a methodology. The PMO concluded that five steps had to be done initially. After the five steps were done, the executive committee would receive a final briefing on what had been accomplished. The final briefing would be in addition to the monthly updates and progress reports. The PMO believed that getting executive support and sign-offs in a timely manner would be difficult.

The first step that needed to be done was the establishment of the number of life-cycle phases. Some people interviewed wanted 10 to 12 life-cycle phases. That meant that there would be 10 to 12 gate-review meetings, and the project managers would spend a great deal of time preparing paperwork for the gate-review meetings rather than managing the project. The decision was then made to have no more than six life-cycle phases.

The second step was to decide whether the methodology should be designed around rigid policies and procedures or go the more informal route of using forms, guidelines, checklists, and templates. The PMO felt that project managers needed some degree of freedom in dealing with clients and therefore the more informal approach would work best. Also, clients were asking to have the methodology designed around client business needs, and the more informal approach would provide the flexibility to do this.

The third step was to see what could be salvaged from the existing templates and checklists. The company had a few templates and checklists but not all project managers used them. The decision was made to develop a standardized set of documents in accordance with the information in the *PMBOK® Guide*. The project managers could then select whatever forms, guidelines, templates, and checklists were appropriate for a particular project and client.

The fourth step would be to develop a means for capturing best practices using the EPM system. Clients were now requiring in their requests for proposal that best practices on a project must be captured and shared with the client prior

to the close out of the project. Most of the people in the PMO believed that this could be done using forms or checklists at the final project debriefing meeting.

The fifth step involved education and training. The project managers and functional organizations that would staff the projects would need to be trained in the use of the new methodology. The PMO believed that a one-day training program would suffice and the functional organizations could easily release their people for a one-day training session.

QUESTIONS

1. What can you determine about the corporate culture from the fact that they waited this long to consider the development of an EPM system?
2. Can a PMO accelerate the implementation process?
3. Is it acceptable for the PMO to report to the chief information officer, or should it report to someone else?
4. Why is it best to have six or fewer life-cycle phases in an EPM system?
5. Is it best to design an EPM system around flexible or inflexible elements? Generally, when first developing an EPM system, do companies prefer to use formal or informal designs?
6. Should an EPM system have the capability of capturing best practices?



Honicker Corporation

BACKGROUND

Honicker Corporation was well recognized as a high-quality manufacturer of dashboards for automobiles and trucks. Although it serviced mainly U.S. automotive and truck manufacturers, the opportunity to expand to a worldwide supplier was quite apparent. The company's reputation was well known worldwide, but it was plagued for years with ultraconservative senior management leadership that prevented growth into the international marketplace.

When the new management team came on board in 2009, the conservatism disappeared. Honicker was cash rich, had large borrowing power and lines of credit with financial institutions, and received an AA-quality rating on its small amount of corporate debt. Rather than expand by building manufacturing facilities in various countries, Honicker decided to go the fast route by acquiring four companies around the world: Alpha, Beta, Gamma, and Delta Companies.

Each of the four acquired companies serviced mainly its own geographic area. The senior management team in each of the four companies knew the culture in their geographic area and had a good reputation with their clients and local stakeholders. The decision was made by Honicker to leave each company's senior management teams intact, provided that the necessary changes, as established by corporate, could be implemented.

Honicker wanted each company to have the manufacturing capability to supply parts to any Honicker client worldwide. But doing this was easier said than

done. Honicker had an EPM methodology that worked well. Honicker understood project management and so did the majority of Honicker's clients and stakeholders in the United States. Honicker recognized that the biggest challenge would be to get all of the divisions at the same level of project management maturity and using the same corporate-wide EPM system or a modified version of it. It was expected that each of the four acquired companies might want some changes to be made.

The four acquired divisions were all at different levels of project management maturity. Alpha did have an EPM system and believed that its approach to project management was superior to the one that Honicker was using. Beta Company was just beginning to learn project management but did not have any formal EPM system, although it did have a few project management templates that were being used for status reporting to its customers. Gamma and Delta Companies were clueless about project management.

To make matters worse, laws in each of the countries where the acquired companies were located created other stakeholders that had to be serviced, and all of these stakeholders were at different levels of project management maturity. In some countries government stakeholders were actively involved because of employment procurement laws; in other countries government stakeholders were passive participants unless health, safety, or environmental laws were broken.

It would certainly be a formidable task to develop an EPM system that would satisfy all of the newly acquired companies, their clients, and their stakeholders.

ESTABLISHING THE TEAM

Honicker knew that there would be significant challenges in getting a project management agreement in a short amount of time. Honicker also knew that there is never an acquisition of equals; there is always a "landlord" and "tenants," and Honicker is the landlord. But acting as a landlord and exerting influence in the process could alienate some of the acquired companies and do more harm than good. Honicker's approach was to treat this as a project and to treat each company, along with its clients and local stakeholders, as project stakeholders. Using stakeholder relations management practices would be essential to getting an agreement on the project management approach.

Honicker requested that each company assign three people to the project management implementation team that would be headed up by Honicker personally. The ideal team member, as suggested by Honicker, would have some knowledge and/or experience in project management and be authorized by their senior levels of management to make decisions for their company. The representatives should also understand the stakeholder needs from their clients and local stakeholders. Honicker wanted an understanding to be reached as early as possible that each company would agree to use the methodology that was finally decided on by the team.

Senior management in each of the four companies sent a letter of understanding to Honicker promising to assign the most qualified personnel and agreeing to use the methodology that was agreed on. Each stated that its company understood the importance of this project.

The first part of the project would be to come to an agreement on the methodology. The second part of the project would be to invite clients and stakeholders to see the methodology and provide feedback. This was essential since the clients and stakeholders eventually would be interfacing with the methodology.

KICKOFF MEETING

Honicker had hoped that the team could come to an agreement on a companywide EPM system within six months. But after the kickoff meeting was over, Honicker realized that it would probably be two years before an agreement would be reached on the EPM system. Several issues became apparent at the first meeting:

- Each company had different time requirements for the project.
- Each company saw the importance of the project differently.
- Each company had its own culture and wanted to be sure that the final design was a good fit with that culture.
- Each company saw the status and power of the project manager differently.
- Despite the letters of understanding, two of the companies, Gamma and Delta, did not understand their role and relationship with Honicker on this project.
- Alpha wanted to micromanage the project, believing that everyone should use its methodology.

Senior management at Honicker asked the Honicker representatives at the kickoff meeting to prepare a confidential memo on their opinion of the first meeting with the team. The Honicker personnel prepared a memo including the following comments:

- Not all of the representatives at the meeting openly expressed their true feelings about the project.
- It was quite apparent that some of the companies would like to see the project fail.
- Some of the companies were afraid that the implementation of the new EPM system would result in a shift in power and authority.
- Some people were afraid that the new EPM system would show that fewer resources were needed in the functional organization, thus causing a downsizing of personnel and a reduction in bonuses that were currently based on headcount in functional groups.

- Some seemed apprehensive that the implementation of the new system would cause a change in the company's culture and working relationships with their clients.
- Some seemed afraid of learning a new system and being pressured into using it.

It was obvious that this would be no easy task. Honicker had to get to know all companies better and understand their needs and expectations. Honicker management had to show them that their opinions were of value and find ways to win their support.

QUESTIONS

1. What are Honicker's options now?
2. What would you recommend that Honicker do first?
3. What if, after all attempts, Gamma and Delta companies refuse to come on board?
4. What if Alpha Company is adamant that its approach is best and refuses to budge?
5. What if Gamma and Delta Companies argue that their clients and stakeholders have not readily accepted the project management approach and they wish to be left alone with regard to dealing with their clients?
6. Under what conditions would Honicker decide to back away and let each company do its own thing?
7. How easy or difficult is it to get several geographically dispersed companies to agree to the same culture and methodology?
8. If all four companies were willing to cooperate with one another, how long do you think it would take for an agreement on and acceptance to use the new EPM system?
9. Which stakeholders may be powerful and which are not?
10. Which stakeholder(s) may have the power to kill this project?
11. What can Honicker do to win their support?
12. If Honicker cannot win their support, then how should Honicker manage the opposition?
13. What if all four companies agree to the project management methodology and then some client stakeholders show a lack of support for use of the methodology?



Acquisition Problem

BACKGROUND

All companies strive for growth. Strategic plans are prepared identifying new products and services to be developed and new markets to be penetrated. Many of these plans require mergers and acquisitions to obtain the strategic goals and objectives rapidly. Yet often even the best-prepared strategic plans fail when based on mergers and acquisitions. Too many executives view strategic planning for a merger or acquisition as planning only and often give little consideration to implementation, which takes place when both companies are actually combined. Implementation success is vital during any merger and acquisition process.

PLANNING FOR GROWTH

Companies can grow in two ways—internally or externally. With internal growth, companies cultivate their resources from within and may spend years attaining their strategic targets and marketplace positioning. Since time may be an unavailable luxury, meticulous care must be given to make sure that all new developments fit the corporate project management methodology and culture.

External growth is significantly more complex. External growth can be obtained through mergers, acquisitions, and joint ventures. Companies can purchase the expertise they need very quickly through mergers and acquisitions. Some companies execute occasional acquisitions while other companies have

sufficient access to capital such that they can perform continuous acquisitions. However, once again, companies often neglect to consider the impact on project management after the acquisition is made. Best practices in project management may not be transferable from one company to another. The impact on project management systems resulting from mergers and acquisitions is often irreversible, whereas joint ventures can be terminated.

Project management often suffers after the actual merger or acquisition. Mergers and acquisitions allow companies to achieve strategic targets at a speed not easily achievable through internal growth, provided the sharing or combining of assets and capabilities can be done quickly and effectively. This synergistic effect can produce opportunities that a firm might be hard-pressed to develop by itself.

Mergers and acquisitions focus on two components: preacquisition decision making and postacquisition integration of processes. Wall Street and financial institutions appear to be interested more in the near-term financial impact of the acquisition rather than the long-term value that can be achieved through combined or better project management and integrated processes. During the mid-1990s, companies rushed into acquisitions in less time than the company required for a capital expenditure approval. Virtually no consideration was given to the impact on project management and on whether project management knowledge and best practices would be transferable. The result appears to have been more failures than successes.

When a firm rushes into an acquisition, often very little time and effort are spent on postacquisition integration. Yet this is where the real impact of the acquisition is felt. Immediately after an acquisition, each firm markets and sells products to each other's customers. This may appease the stockholders, but only in the short term. In the long term, new products and services will need to be developed to satisfy both markets. Without an integrated project management system where both parties can share the same intellectual property and work together, this may be difficult to achieve.

When sufficient time is spent on preacquisition decision making, both firms look at combining processes, sharing resources, transferring intellectual property, and the overall management of combined operations. If these issues are not addressed in the preacquisition phase, then the unrealistic expectations may lead to unwanted results during the postacquisition integration phase.

STRATEGIC TIMING ISSUE

Lenore Industries had been in existence for more than 50 years and served as a strategic supplier of parts to the automobile industry. Lenore's market share was second only to its largest competitor, Belle Manufacturing. Lenore believed that the economic woes of the U.S. automobile industry between 2008 and 2010 would reverse themselves by the middle of the next decade and that strategic opportunities for growth were at hand.

The stock prices of almost all of the automotive suppliers were grossly depressed. Lenore’s stock price was also near a 10-year low. But Lenore had rather large cash reserves and believed that the timing was right to make one or more strategic acquisitions before the market place turned around. With this in mind, Lenore decided to purchase its largest competitor, Belle Manufacturing.

PREACQUISITION DECISION MAKING

Senior management at Lenore fully understood that the reason for most acquisitions is to satisfy strategic and/or financial objectives. Table I shows the six reasons identified by senior management at Lenore for the acquisition of Belle Manufacturing and the most likely impact on Lenore’s strategic and financial objectives. The strategic objectives are somewhat longer term than the financial objectives, which are under pressure from stockholders and creditors for quick returns.

Lenore’s senior management fully understood the long-term benefits of the acquisition, which were:

- Economies of combined operations
- Assured supply or demand for products and services
- Additional intellectual property, which may have been impossible to obtain otherwise
- Direct control over cost, quality, and schedule rather than being at the mercy of a supplier or distributor
- Creation of new products and services
- Putting pressure on competitors by creating synergies
- Cutting costs by eliminating duplicated steps

TABLE I ACQUISITION OBJECTIVES

Reason for Acquisitions	Strategic Objective	Financial Objective
Increase customer base	Bigger market share	Bigger cash flow
Increase capabilities	Become a business solution provider	Larger profit margins
Increase competitiveness	Eliminate costly steps and redundancy	Stable earnings
Decrease time-to-market for new products	Market leadership	Rapid earnings growth
Decrease time to market for enhancements	Broad product lines	Stable earnings
Closer to customers	Better price–quality–service mix	Sole-source or single-source procurement

Lenore submitted an offer to purchase Belle Manufacturing. After several rounds of negotiations, Belle's board of directors and Belle's stockholders agreed to the acquisition. Three months later, the acquisition was completed.

POSTACQUISITION INTEGRATION

The essential purpose of any merger or acquisition is to create lasting value and value that would not exist had the companies remained separate. The achievement of these benefits, as well as attaining the strategic and financial objectives, could rest on how well the project management value-added chains of both firms are integrated, especially the methodologies within their chains. Unless the methodologies and cultures of both firms can be integrated, and reasonably fast, the objectives may not be achieved as planned.

Lenore's decision to purchase Belle Manufacturing never considered the compatibility of their respective project management approaches. Project management integration failures occurred soon after the acquisition happened. Lenore had established an integration team and asked the integration team for a briefing on what critical issues were preventing successful integration.

The integration team identified five serious problems that were preventing successful integration of their project management approaches:

1. Lenore and Belle have different project management methodologies.
2. Lenore and Belle have different cultures and integration is complex.
3. There are wage and salary disparities.
4. Lenore overestimated the project management capability of Belle's personnel.
5. There are significant differences in functional and project management leadership.

It was now apparent to Lenore that these common failures resulted because the acquisition simply cannot occur without organizational and cultural changes that are often disruptive in nature. Lenore had rushed into the acquisition with lightning speed but with little regard for how the project management value-added chains would be combined.

The first common problem area was inability to combine project management methodologies within the project management value-added chains. This occurred for four reasons:

1. A poor understanding of each other's project management practices prior to the acquisition
2. No clear direction during the preacquisition phase on how the integration would take place

3. Unproven project management leadership in one or both firms
4. The existence of a persistent attitude of “we–them”

Some methodologies may be so complex that a great amount of time is needed for integration to occur, especially if each organization has a different set of clients and different types of projects. As an example, a company developed a project management methodology to provide products and services for large publicly held companies. The company then acquired a small firm that sold exclusively to government agencies. The company realized too late that integration of the methodologies would be almost impossible because of requirements imposed by government agencies for doing business with the government. The methodologies were never integrated and the firm servicing government clients was allowed to function as a subsidiary, with its own specialized products and services. The expected synergy never took place.

Some methodologies simply cannot be integrated. It may be more prudent to allow the organizations to function separately than to miss windows of opportunity in the marketplace. In such cases, pockets of project management may exist as separate entities throughout a large corporation.

Lenore knew that Belle Manufacturing services many clients outside of the United States but did not realize that Belle maintained a different methodology for those clients. Lenore was hoping to establish just one methodology to service all clients.

The second major problem area was the existence of differing cultures. Although project management can be viewed as a series of related processes, it is the working culture of the organization that must eventually execute these processes. Resistance by the corporate culture to effectively support project management can cause the best plans to fail. Sources for the problems with differing cultures include a culture that:

- Has limited project management expertise (i.e., missing competencies) in one or both firms
- Is resistant to change
- Is resistant to technology transfer
- Is resistant to transfer of any type of intellectual property
- Will not allow for a reduction in cycle time
- Will not allow for the elimination of costly steps
- Must reinvent the wheel
- Views project criticism as personal criticism

Integrating two cultures can be equally difficult during favorable and unfavorable economic times. People may resist any changes to their work habits or comfort zones, even though they recognize that the company will benefit by the changes.

Multinational mergers and acquisitions are equally difficult to integrate because of cultural differences. Several years ago, an American automotive supplier acquired a European firm. The American company supported project management vigorously and encouraged its employees to become certified in project management. The European firm provided very little support for project management and discouraged its workers from becoming certified, arguing that its European clients do not regard project management as highly as do General Motors, Ford, and Chrysler. The European subsidiary saw no need for project management. Unable to combine the methodologies, the American parent company slowly replaced the European executives with American executives to drive home the need for a single project management approach across all divisions. It took almost five years for the complete transformation to take place. The American parent company believed that the resistance in the European division was more of a fear of change in its comfort zone than a lack of interest by its European customers.

Planning for cultural integration can also produce favorable results. Most banks grow through mergers and acquisitions. The general practice in the banking industry is to grow or be acquired. One Midwest bank recognized this and developed project management systems that allowed it to acquire other banks and integrate the acquired banks into its culture in less time than other banks allowed for mergers and acquisitions. The company viewed project management as an asset that had a very positive effect on the corporate bottom line. Many banks today have manuals for managing merger and acquisition projects.

The third problem area Lenore discovered was the impact on the wage and salary administration program. The common causes of the problems with wage and salary administration included:

- Fear of downsizing
- Disparity in salaries
- Disparity in responsibilities
- Disparity in career path opportunities
- Differing policies and procedures
- Differing evaluation mechanisms

When a company is acquired and integration of methodologies is necessary, the impact on wage and salary administration can be profound. When an acquisition takes place, people want to know how they will be affected individually, even though they know that the acquisition is in the best interests of the company.

The company being acquired often has the greatest apprehension about being lured into a false sense of security. Acquired organizations can become resentful to the point of trying to subvert the acquirer. This will result in value destruction

where self-preservation becomes paramount, often at the expense of project management systems.

Consider the following situation. Company A decides to acquire company B. Company A has a relatively poor project management system, where project management is a part-time activity and not regarded as a profession. Company B, in contrast, promotes project management certification and recognizes the project manager as a full-time, dedicated position. The salary structure for the project managers in Company B was significantly higher than for their counterparts in Company A. The workers in Company B expressed concern that “We don’t want to be like them,” and self-preservation led to value destruction.

Because of the wage and salary problems, Company A tried to treat Company B as a separate subsidiary. But when the differences became apparent, project managers in Company A tried to migrate to Company B for better recognition and higher pay. Eventually, the pay scale for project managers in Company B became the norm for the integrated organization.

When people are concerned with self-preservation, the short-term impact on the combined value-added project management chain can be severe. Project management employees must have at least the same, if not better, opportunities after acquisition integration as they did prior to the acquisition.

The problem area that the integration team discovered was the overestimation of capabilities after acquisition integration. Included in this category were:

- Missing technical competencies
- Inability to innovate
- Speed of innovation
- Lack of synergy
- Existence of excessive capability
- Inability to integrate best practices

Project managers and those individuals actively involved in the project management value-added chain rarely participate in preacquisition decision making. As a result, decisions are made by managers who may be far removed from the project management value-added chain and whose estimates of postacquisition synergy are overly optimistic.

The president of a relatively large company held a news conference announcing that his company was about to acquire another firm. To appease the financial analysts attending the news conference, he meticulously identified the synergies expected from the combined operations and provided a timeline for new products to appear on the marketplace. This announcement did not sit well with the workforce, who knew that the capabilities were overestimated and the dates were unrealistic. When the product launch dates were missed, the stock price plunged

and blame was erroneously placed on the failure of the integrated project management value-added chain.

In this case the problem area identified was leadership failure during postacquisition integration. Included in this category were:

- Leadership failure in managing change
- Leadership failure in combining methodologies
- Leadership failure in project sponsorship
- Overall leadership failure
- Invisible leadership
- Micromanagement leadership
- Believing that mergers and acquisitions must be accompanied by major restructuring

Managed change works significantly better than unmanaged change. Managed change requires strong leadership, especially with personnel experienced in managing change during acquisitions.

Company A acquires Company B. Company B has a reasonably good project management system, but it has significant differences from Company A's system. Company A then decides, "We should manage them like us," and nothing should change. Company A then replaces several Company B managers with experienced Company A managers, a change that took place with little regard for the project management value-added chain in Company B. Employees within the chain in Company B were receiving calls from different people, most of whom were unknown to them and were not told whom to contact when problems arose.

As the leadership problem grew, Company A kept transferring managers back and forth. This resulted in smothering the project management value-added chain with bureaucracy. As expected, performance was diminished rather than enhanced, and the strategic objectives were never attained.

Transferring managers back and forth to enhance vertical interactions is an acceptable practice after an acquisition. However, it should be restricted to the vertical chain of command. In the project management value-added chain, the main communication flow is lateral, not vertical. Adding layers of bureaucracy and replacing experienced chain managers with personnel inexperienced in lateral communications can create severe roadblocks in the performance of the chain.

The integration team then concluded that any of the problem areas, either individually or in combination, could cause the project management value chain to have problem areas, such as:

- Poor deliverables
- Inability to maintain schedules
- Lack of faith in the chain

- Poor morale
- Trial by fire for all new personnel
- High employee turnover
- No transfer of project management intellectual property

Company A now realized that it may have bitten off more than it could chew. The problem was how to correct these issues in the shortest amount of time without sacrificing its objectives for the acquisition.

QUESTIONS

1. Why is it so difficult to get senior management to consider the impact on project management during preacquisition decision making?
2. Are the acquisition objectives in Table I realistic?
3. How much time is really needed to get economies of combined operations?
4. How should Lenore handle differences in the project management approach if Lenore has the better approach?
5. How should Lenore handle differences in the project management approach if Belle has the better approach?
6. How should Lenore handle differences in the project management approach if neither Lenore nor Belle has any project management?
7. How should Lenore handle differences in the culture if Lenore has the better culture?
8. How should Lenore handle differences in the culture if Belle has the better culture?
9. How should Lenore handle differences in the wage and salary administration program?
10. Is it possible to prevent an overoptimistic view of the project management capability of the company being acquired?
11. How should Lenore handle disparities in leadership styles?

