

CASE #1 PROJECT AND OPERATIONS MANAGEMENT

TRAINING DEPARTMENT

[Assigned on 7/16/2021. Execute before 12:00 PM ET NOON on 7/19/2021]

CASE #1 PROJECT AND OPERATIONS MANAGEMENT**LEARNING OBJECTIVES**

- 1 – To identify the effect of organization type on time horizons.*
- 2 – To compare project management and operations management.*
- 3 – To describe the organizational options for managing projects.*

The project is affected by the type of organization in which the project is conducted and how the organization is organized to manage projects.

Organizational Priorities

Organizations fulfill a societal role to meet economic, religious, and governance functions. Local factories, churches, and hospitals are all organizations that provide some social or community need. Factories create wealth and jobs, churches provide spiritual and common social needs for communities, and government organizations provide regulations and services that allow for an orderly society. These organizations have different views of time and each organization develops an operational approach to accomplishing the purpose of the organization over that time horizon. For example, a religious group might begin construction of a cathedral that would take several lifetimes to complete, government performance is reviewed at election time, and a publicly owned company must justify its use of money each year in the annual report.

Organizations operate to effectively and efficiently produce the product or service that achieves the organization's purpose and goals as defined by the key stakeholders (those who have a share or interest). An organization seeks to develop stable and predictable work processes and then improve those work processes over time through increased quality, reduced costs, and shorter delivery times. Total quality management, lean manufacturing, and several other management philosophies and methodologies have focused on providing the tools and processes for increasing the effectiveness and efficiency of the organization. Historically, these methodologies focused on creating incremental and continuous improvement in work processes. More recently, organizations are increasingly focused on step changes that take advantage of

new technologies to create a significant improvement in the effectiveness or efficiency of the organization (Significant rather than incremental improvements in effectiveness or efficiency that take advantage of new technologies).

Often, these initiatives to increase organizational effectiveness or efficiency are identified as projects. Economic organizations will initiate a project to produce a new product, to introduce or revamp work processes to significantly reduce product costs, or to merge with other organizations to reduce competition or lower costs and generate additional profits. A social organization, such as a hospital, may build a new wing, introduce a new service, or design new work processes to reduce costs. A government organization may introduce a new software program that handles public records more efficiently, build a new road to reduce congestion, or combine departments to reduce costs.

Each of the initiatives meets our definition of a project. Each is a temporary endeavor and produces a unique product or service. Managing these projects effectively entails applying project management knowledge, skills, and tools.

Operations Management versus Project Management

One way to improve understanding of project management is to contrast project management with operations management. Whether in an economic, socio-religious, or government organization, managers are charged with effectively and efficiently achieving the purpose of the organization. Typically, a manager of an economic organization focuses on maximizing profits and stockholder value. Leaders with socio-religious organizations focus on effective and efficient delivery of a service to a community or constituency, and governmental managers are focused on meeting goals established by governmental leaders.

Operations managers focus on the work processes of the operation. More effective work processes will produce a better product or service, and a more efficient work process will reduce costs. Operations managers analyze work processes and explore opportunities to make improvements. Total quality management, continuous process improvement, lean manufacturing, and other aspects of the quality movement provide tools and techniques for examining organizational culture and work processes to create a more effective and efficient organization. Operations managers are process focused, oriented toward capturing and standardizing

improvement to work processes and creating an organizational culture focused on the long-term goals of the organization.

Project managers focus on the goals of the project. Project success is connected to achieving the project goals within the project timeline. Project managers are goal directed and time sensitive. Project managers apply project management tools and techniques to clearly define the project goals, develop an execution plan to meet those goals, and meet the milestones and end date of the project.

An operations manager may invest \$10,000 to improve a work process that saves \$3,000 a year. Over a five-year period, the operations manager improved the profitability of the operations by \$15,000 and will continue to save \$3,000 every year. The project manager of a one-year project could not generate the savings to justify this kind of process improvement and would not invest resources to explore this type of savings.

An operations manager creates a culture to focus on the long-term health of the organization. Operations managers build teams over time that focus on standardizing and improving work processes, that search for and nurture team members who will “fit in,” and that contribute to both the effectiveness of the team and the team culture. Project managers create a team that is goal focused and energized around the success of the project. Project team members know that the project assignment is temporary because the project, by definition, is temporary. Project team members are often members of organizational teams that have a larger potential to affect long-term advancement potential. Project managers create clear goals and clear expectations for team members and tie project success to the overall success of the organization. Operations managers are long-term focused and process oriented. Project managers are goal directed and milestone oriented.

Organizing to manage projects

Because project management is different from operations management, projects are handled best by people who are trained in project management. This expertise can be obtained by hiring an outside consulting firm that specializes in project management or by developing an in-house group.

Some organizations are designed to execute projects. Often entities contract with engineering and construction companies to design and build their facilities or hire software companies to develop a software solution. The major work processes within these organizations are designed to support the acquisition and execution of projects. Functional departments such as estimating, scheduling, and procurement create and maintain core competencies designed to support projects. The ability of these types of organizations to successfully manage projects becomes a competitive advantage in the marketplace.

Organizations designed to produce products or services also use projects. Major activities outside the normal work of the organization's department or functional units or major activities that cross functional boundaries become a project (a temporary task undertaken to create a product or service that is unique). As economic pressures increase the speed in which organizations must change and adapt to new environmental conditions, leaders are increasingly chartering projects to enable the organization to more quickly adapt. The application of a project management approach increases the likelihood of success as organizations charter a project to facilitate organizational change, to increase the development and introduction of new products or support the merger or divestiture of organizational units.

Project management offices (PMOs) have emerged to facilitate development of organizational knowledge, skills, and tools to internally charter and manage projects within the organization. The PMO varies in structure and responsibility depending on the project management approach of the parent organization. On one end of the spectrum, the PMO has complete responsibility for projects within an organization from the criteria and selection of appropriate projects to accountability for project performance. In organizations that make a large investment in the PMO, a large number of new product or process improvement projects are submitted, and the project office develops a portfolio of projects to manage over a given period








that maximizes the use of organizational resources and provides the greatest return to the organization. PMOs can provide various functions for an organization. Some possible functions include the following:




- **Project management.** Some organizations maintain the project manager within the PMO, assign project managers from other departments, procure contract project managers, or practice a combination of all three.
- **Center of excellence.** The project office can maintain the organization's project management policies and procedures, maintain a historical database, maintain best practices, and provide training and specialized expertise when needed. Group within an organization that manages the organization's projects.
- **Portfolio management.** The project office actually supervises the project managers and monitors project performance. Portfolio management also includes prioritizing projects on the basis of value to the organization and maintains an inventory of projects. Portfolio management balances the number and type of projects to create the greatest return from the entire portfolio of projects.
- **Functional support.** The project office maintains project management expertise to support the project. Estimating, project scheduling, and project cost analysis are examples of functional support.

KEY TAKEAWAYS

- The purpose of an organization affects its view of the time allowed for projects.
- In an organization, project management can be used to make step changes to take advantage of new technologies or make significant improvements in effectiveness or efficiency.
- Operations managers are long-term focused and process oriented. Project managers are goal directed and milestone oriented.
- Projects can be handled by outside contractors or by an internal group in a PMO.

EXERCISES

1. The type of organization can influence the _____ frame allowed for projects. 
2. Operations managers are focused on _____, while project managers are focused on the goals of the project. 
3. If projects are routinely handled internally, the group that manages the projects might be called the _____. (3 blanks) 
4. The major work processes within these organizations are designed to _____ the acquisition and _____ of projects.  
5. A friend of yours has a forty-five-minute commute to work. She decides to spend some time evaluating the different options she has for routes and possible carpooling to reduce the cost or time it takes to get to work. Is this task an example of something that uses the skills of an operations manager, or does it need the additional skills of a project manager? Explain your answer and refer to the definitions provided. 
6. Business managers focus on improving efficiency and effectiveness, but sometimes they use a project management approach to make significant changes. What often prompts them to use the project management approach? What would be an example? 

7. The manager of a sales department must meet annual sales goals, manage personnel in the department, and develop and deliver product training for clients. How is this type of operations management different from project management?

8. How is the relationship between the operations manager and the sales staff different from the relationship between a project manager and the project team members?

9. Which of the duties of the project manager might be contracted to an outside firm?

10. What is the biggest difference between project management and the sales management job?
