

Conflicts in Project Business



About Oliver



Oliver F. Lehmann, MSc, ACE, PMP

- University studies in Stuttgart, Liverpool
- Degrees:
 - Master of Science in Project Management
 - Authorized ATP Trainer for PMI's PMP program
 - Approved Consultant & Educator in Project Business Management (ACE)
 - Project Management Professional (PMP)
- Practitioner, trainer
- Active at the Project Management Institute (PMI®)
 - Member, volunteer since 1998
 - President of the PMI Southern Germany Chapter e.V. (2013 to 2018)
- Owner of the Project Business Foundation



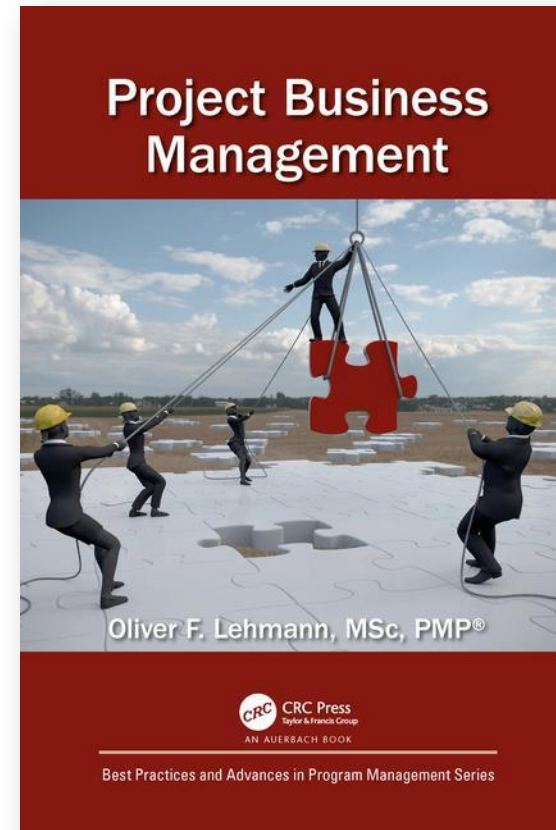
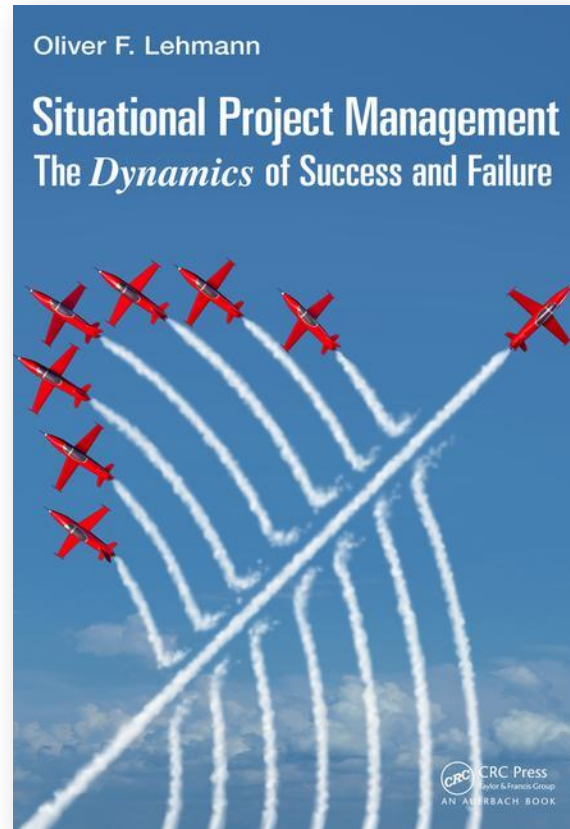
About Oliver

Publications

- Books



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About Oliver

Publications

- >50 Papers



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<https://liverpool.academia.edu/OliverLehmann>

PM World Journal (ISSN: 2330-4480) Audits and Project Business Healing Days
Vol. X, Issue VI – June 2021 by Oliver F. Lehmann
www.pmworldjournal.com Series Article

Project Business Management¹

Audits and Project Business Healing Days

Oliver F. Lehmann

"The less people know, the more they yell."
— Seth Godin

Summary

Cross-corporate project business opens new options by breaking through the protective walls of the organization and turning the assets of other organizations into project resources. This freedom comes with potential threats, particularly on cross-border communications. The article discussed some of these threats and proposes two solutions: Project management audits and Project business healing days.

¹Editor's note: This series of articles is by Oliver Lehmann, author of the book "Project Business Management" (ISBN 9781138197503), published by Auerbach / Taylor & Francis in 2018. See the full author profile at the end of this article.

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PM World Journal (ISSN: 2330-4480) Leadership in Project (Business) Management
Vol. X, Issue IV – April 2021 by Oliver F. Lehmann
www.pmworldjournal.com Series Article

Project Business Management¹

Followers Make Leaders

Oliver F. Lehmann²

"The fact is that followers are gaining power and influence while leaders are losing power and influence."
— Barbara Kellerman³

Summary

Literature generally assumes that leadership is a form of skill, or a skillset, or possibly a mindset. People become leaders because they have these abilities, that others do not have, and by turning these others into followers. However, is it not a far more logical assumption that followers make leaders? And are "leadership skills" not rather the skills that prevent leaders, once chosen by followers, from falling?

¹Editor's note: This series of articles is by Oliver Lehmann, author of the book "Project Business Management" (ISBN 9781138197503), published by Auerbach / Taylor & Francis in 2018. See the full author profile at the end of this article.

²Based on a chapter in Oliver Lehmann's book "Situational Project Management, The Dynamics of Success and Failure (Lehmann, 2016)

³(Kellerman, 2008)

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PM World Journal What Earns You More? Internal or Customer Projects?
Vol. XI, Issue X – October 2022 by Oliver F. Lehmann
www.pmworldjournal.net Project Business Management – Series Article

What Earns You More? Internal or Customer Projects?

Oliver F. Lehmann¹

"I'd like to live as a poor man with lots of money."
— Pablo Picasso

Summary

In 2018, a survey showed that in high-paying countries, project managers in customer projects are, on average, better paid than their colleagues in internal projects. In low-paying countries, project managers in internal projects were better paid.

This new study, 4 years and a global pandemic later, was performed to find out if this observation is still true.

¹Information about the author at the end of the article.

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PM World Journal Agile Methods in Project Business
Vol. XII, Issue I – January 2023 by Oliver F. Lehmann
www.pmworldjournal.net Project Business Management – Series Article

Agile Methods in Project Business

Oliver F. Lehmann¹

"If you can dream it, you can do it."
— Walt Disney

Summary

Agile methods experience a growing gap between theory and practical application. Generally, methods still presume that projects are performed internally, inside organizations, while reality has moved on to cross-corporate working styles with two or more organizations involved as contract partners.

This gap leaves important questions unanswered, such as what adjustments should be made to team setups to enable projects that span over borders between the organizations. In addition, questions remain on applicable contract types.

Theory and Reality

Agile methods and what is sometimes called "Agile mindset" have become popular in the last couple of years for projects and also for operational approaches under the name

¹Information about the author at the end of the article.

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PM World Journal Project Business is not for the Faint of Heart
Vol. XII, Issue I – January 2023 by Oliver F. Lehmann
www.pmworldjournal.net Project Business Management – Series Article

Project Business is not for the Faint of Heart

Oliver F. Lehmann¹

"Don't be afraid, go straight in, for the bolder a man is, the more likely he is to carry his point, even though he is a stranger." — Homer

Summary

Often, Project Business suffers from insufficient clarification of rules that are applicable to the parties involved. It takes courage to address issues early before they grow larger, becoming problems or even crises. In order to create this understanding, instances that are involved with project management should also address matters of Project Business.

¹Information about the author at the end of the article.

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Project Business

Contents

- What is Project Business?
- Conflicts in Project Business—the Challenges
- Solutions
- Questions?

Project Business

Contents

- What is Project Business?
- Conflicts in Project Business—the Challenges
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What is Project Business?

Meet Clara Loft, a project manager.

I manage
projects.



What is Project Business?

Meet Clara Loft, a project manager.

- Until recently, Clara managed internal projects.
- She implemented strategic initiatives.
- She brought change to the organization.
- She developed new products & services.
- She delivered on time.



What is Project Business?

Her speciality: Cross-functional project management

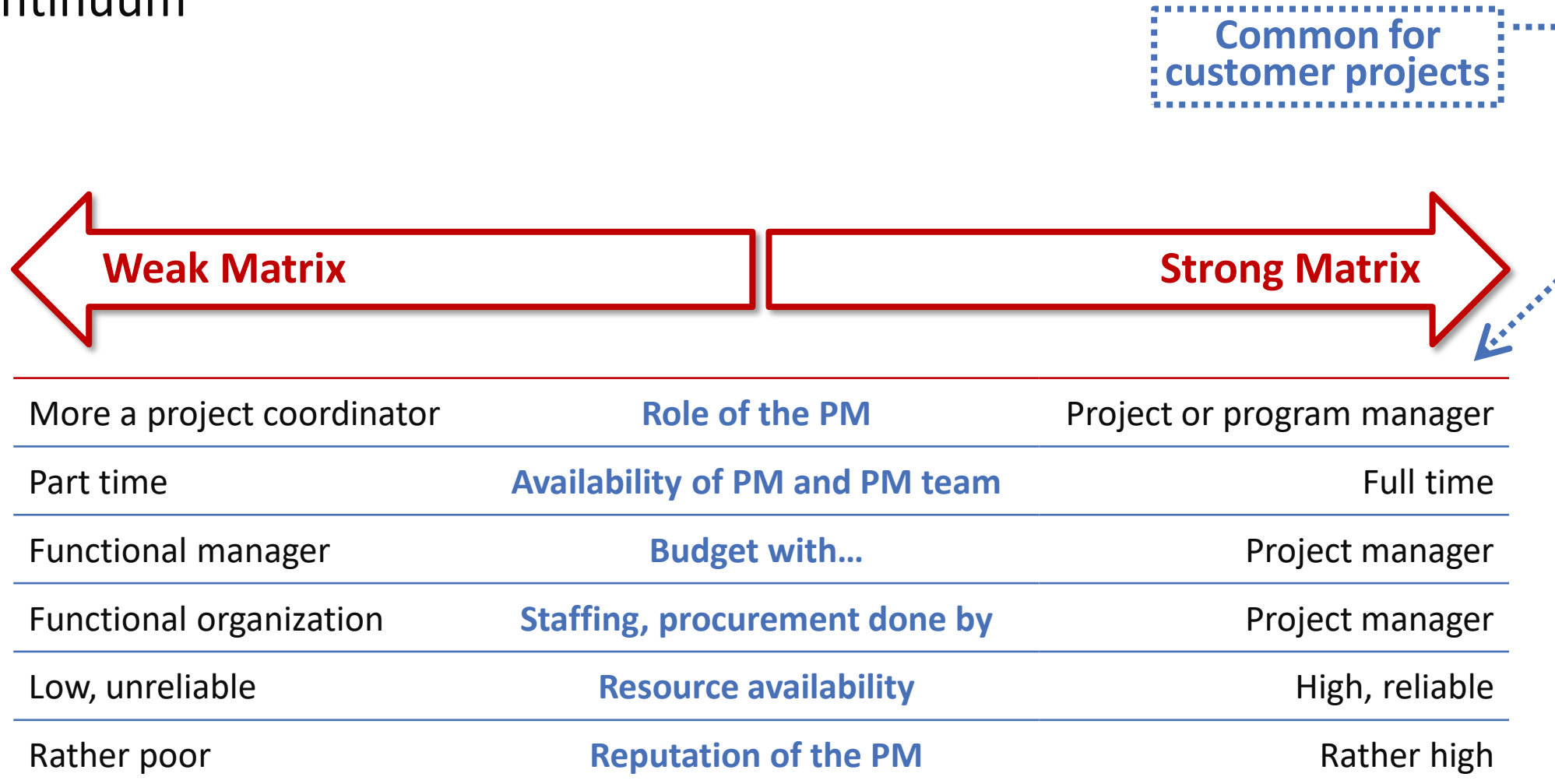
- Getting work done in an internal matrix organization



What is Project Business?

Her speciality: Cross-functional project management

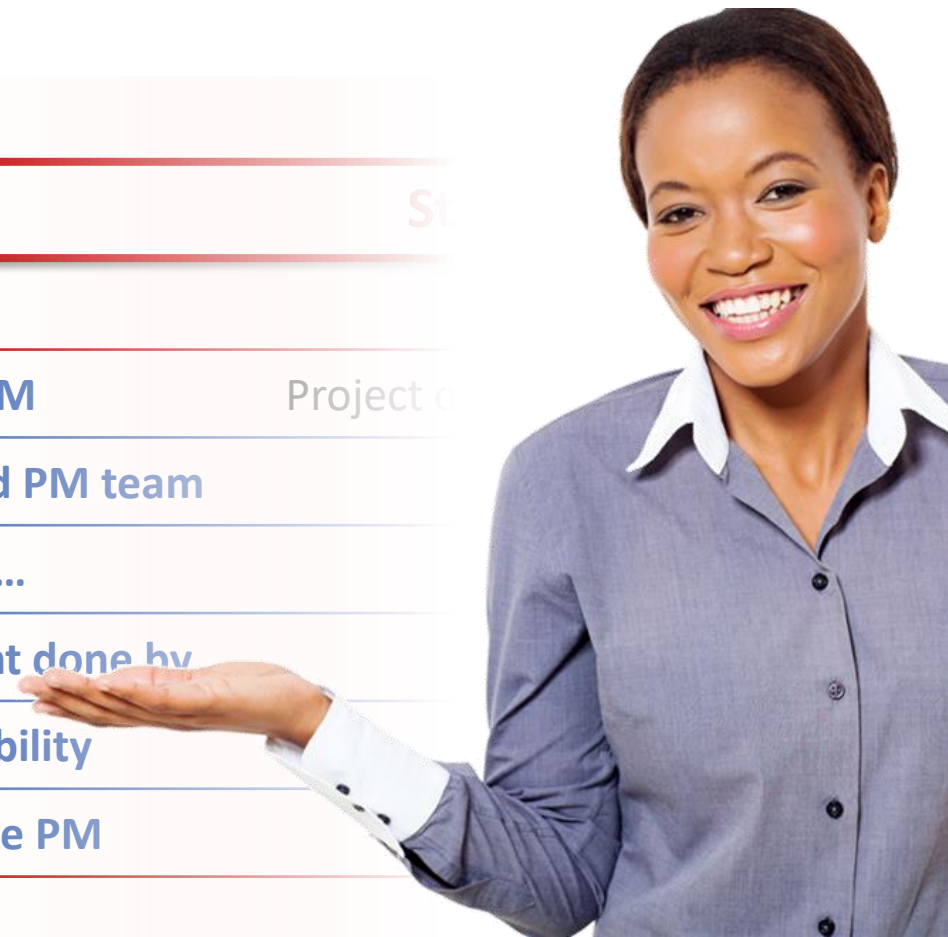
- The matrix continuum



What is Project Business?

Clara had the skills to be successful in a weak matrix environment

- Navigating inside the organization “like a fish in the water”
- Stakeholder orientation
- Persuasiveness
- Servant-leadership
- Social skills
- Empathy
- Self-control



What is Project Business?

Things changed, when her company fired her from one day to the next.

- Her project was outsourced to an external provider.
- Despite all her
 - Skills
 - Knowledge
 - Behavior
 - Interpersonal competency
 - Professionalism

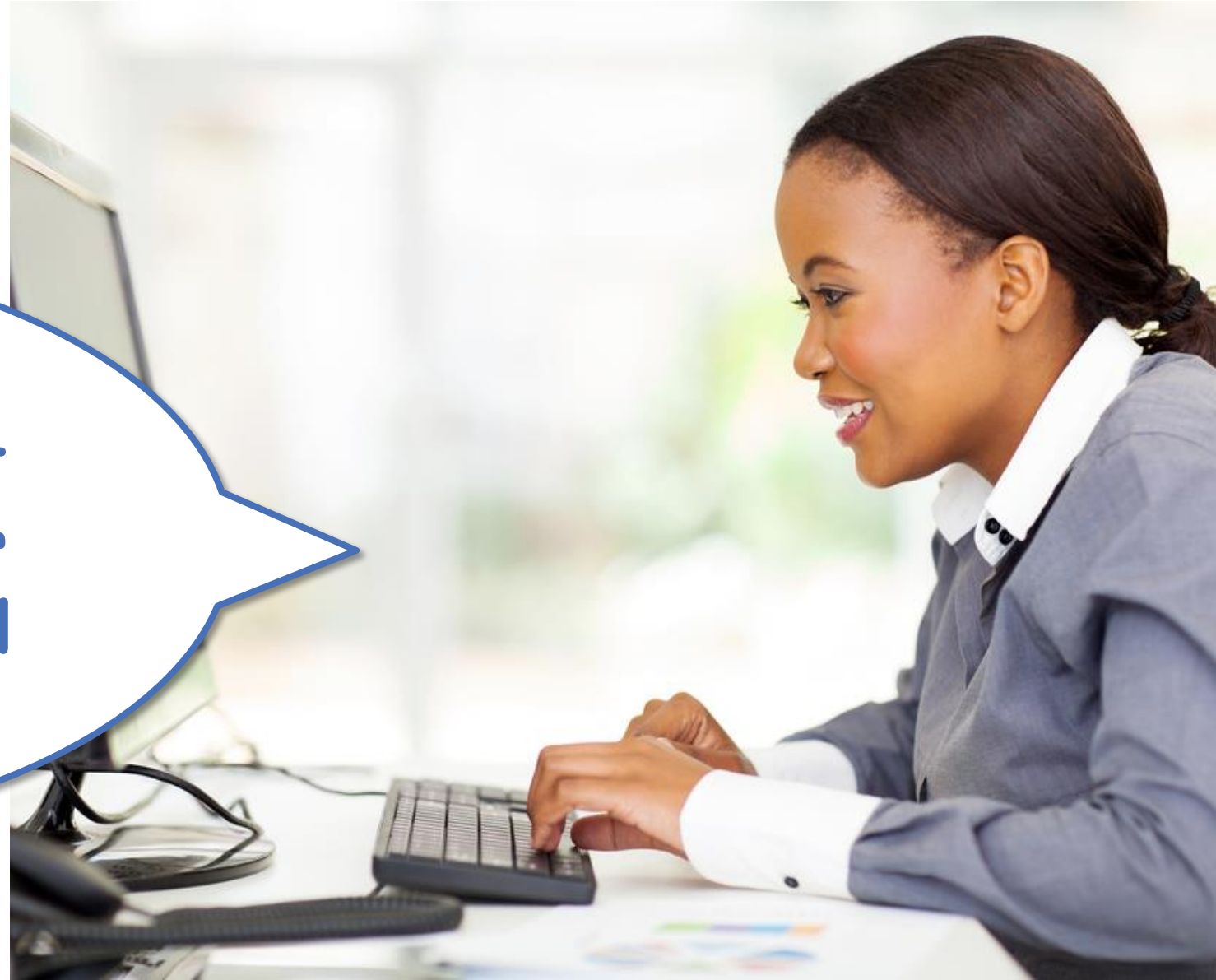
she felt outright redundant.



What is Project Business?

She considered accepting a new challenge.

Today, more job openings seek project managers in customer projects than internal projects.



What is Project Business?

She considered accepting a new challenge.

Bringing money home with projects—can it be that difficult?



What is Project Business?

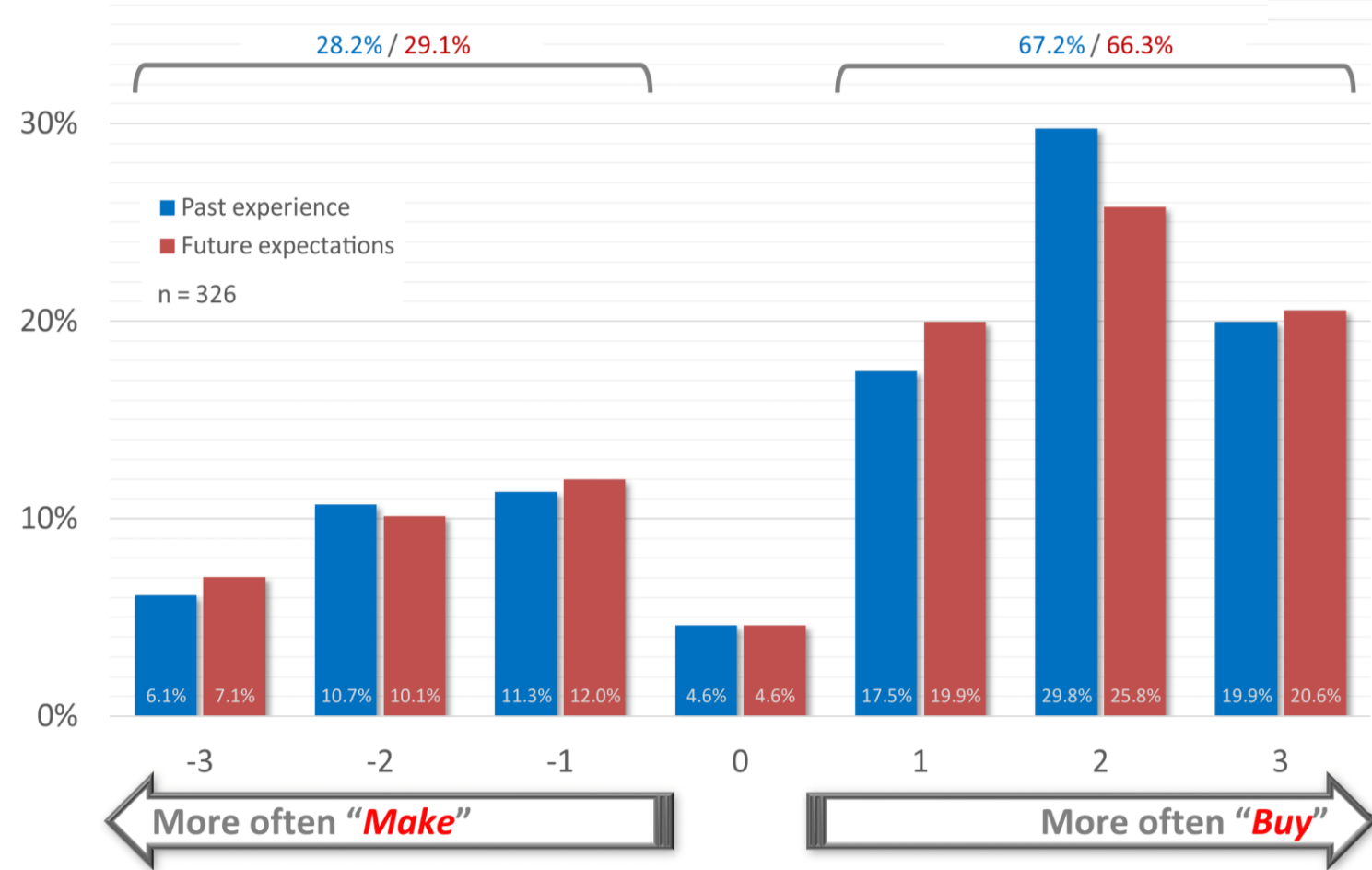
A survey

- Made: 09-2021
- Region: Global
- *More often Buy*: 66.7%
- *More often Make*: 28.7%



<https://www.project-business.org/academy1/survey-market-trends>

Make or Buy in Project Business – What is the Trend?

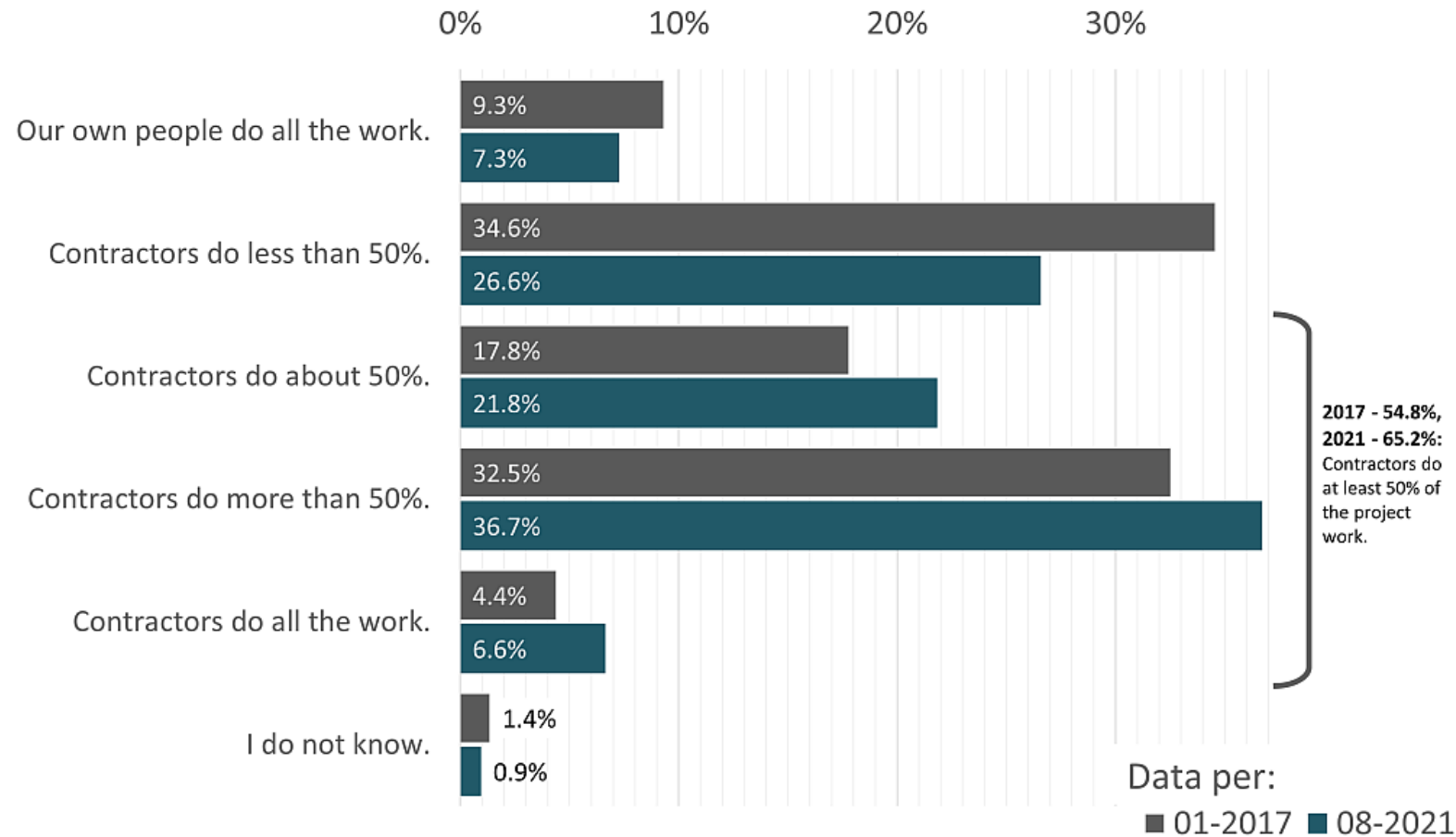


What is Project Business?

Projects performed under contract

- 2 global surveys
- Participants reporting that 50% or more of the project work is done by contractors:
 - 2017: 54.8%
 - 2021, 65.2%
- Source:
 - Ibid

Trend: Contractor share of work (2017 to 2021)



What is Project Business?

Clara came to a decision:

Whenever "Buy" is chosen, a customer project is created.

Performed by a contractor.



What is Project Business?

Clara came to a decision:

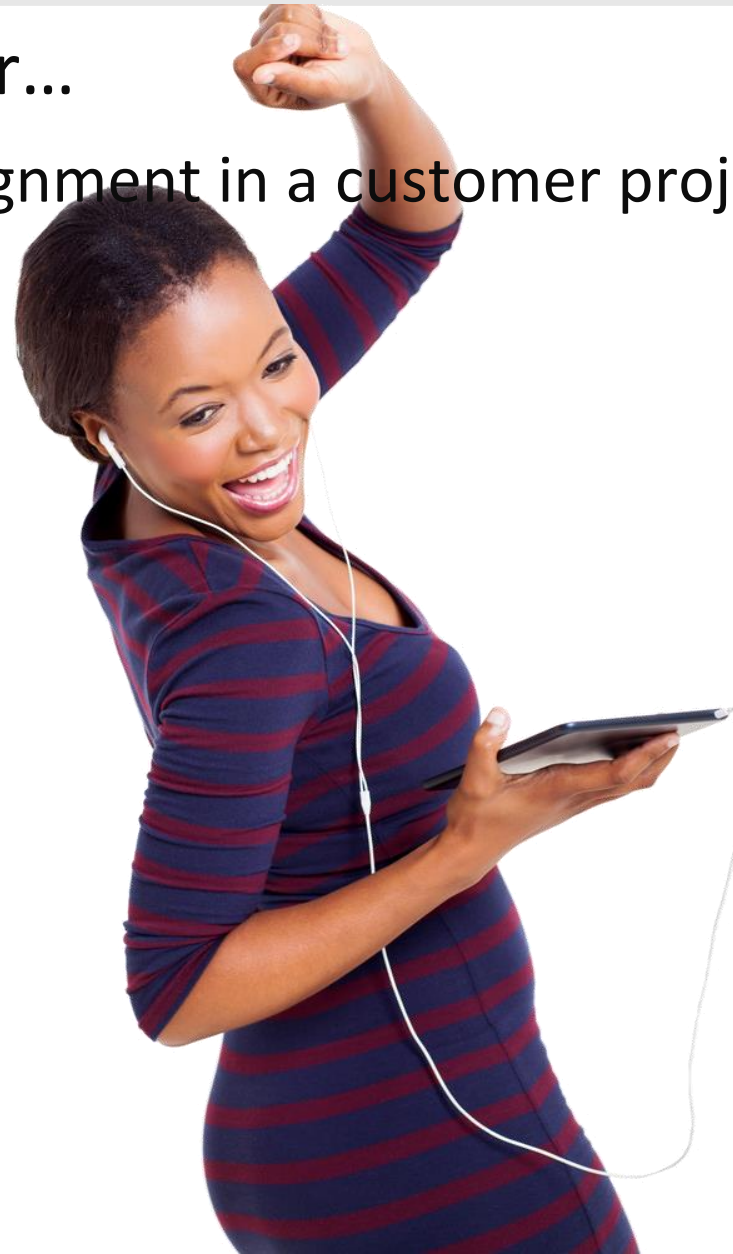
Contractor organizations
also need project
managers to run these
profit centers.
I could do that.



What is Project Business?

Soon, Clara found a new employer...

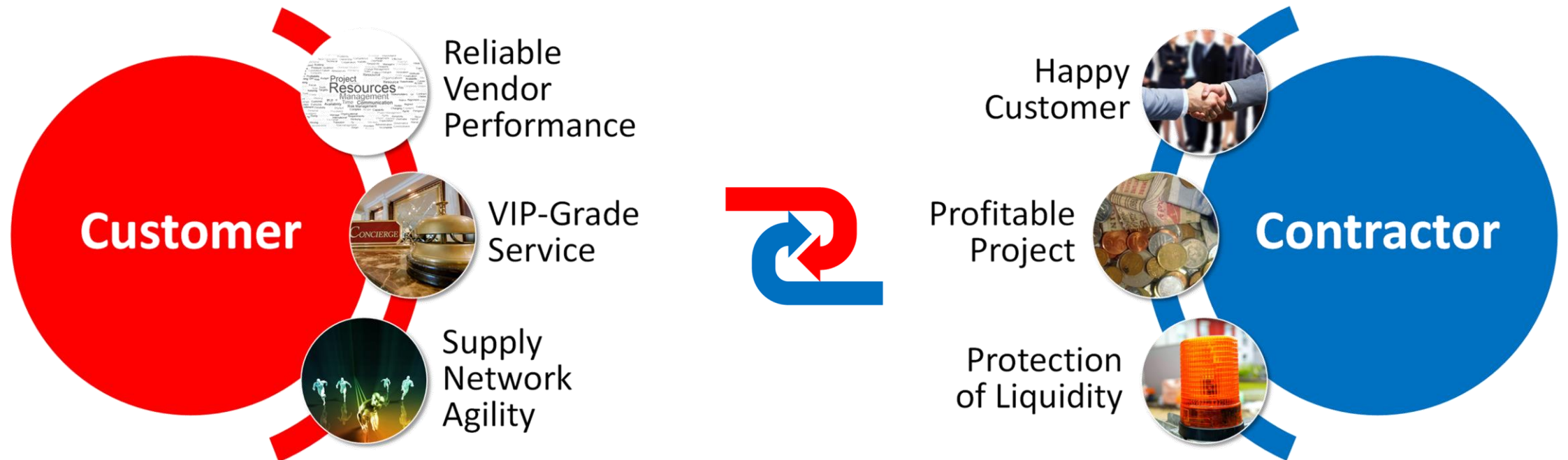
- ...and she also got a new project assignment in a customer project.



What is Project Business?

However...

- working for a contractor, she is now responsible for benefits for two organizations:



What is Project Business?

Now, it was no longer enough to meet the demands of internal requestors.

Clara had to

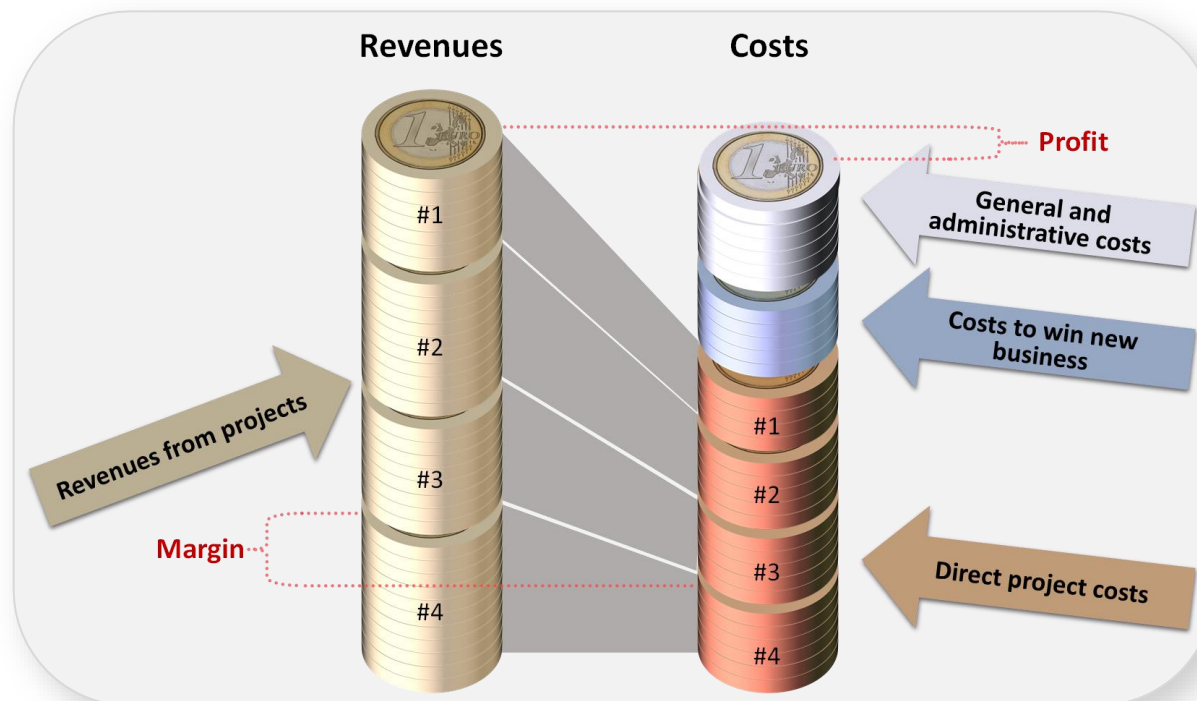
- Make a paying customer happy
- Ensure the profitability of the project
- Protect the company's credit line



What is Project Business?

Clara had never before managed a profit center.

- Profitable customer projects create margins that cover...
 - The project's direct costs.
 - The indirect costs of running the organization.
 - The costs of winning new business.
- ...and help the contractor make a profit.



What is Project Business?

Clara had to bridge disputes between the companies caused by

- Different commercial interests
- National and corporate cultures
- Processes and tools in use
- Communication styles
- Data protection and security
- Big egos
- And many more...



What is Project Business?

Clara was confronted with legal terms, acronyms, and terminology she did not understand, such as:

- Privity of contracts
- Statement of work
- RfP, IfB, ItP, ItT, RfQ...
- Proposal, bid, pitch, quotation...
- Penalties, liquidated damages
- Incentives, award fees
- Benefit engineering
- ...



What is Project Business?

Clara had to deal with contracts.

- Worst case scenario: Costly lawsuits that consume management attention and make failure public.



What is Project Business?

Clara spoke to her new manager.

Boss, you want me
to bring money
home with
projects?



What is Project Business?

Clara spoke to her new manager.

I need help!



Project Business

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- What is Project Business?
- Conflicts in Project Business—the Challenges
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Conflicts in Project Business—the Challenges

Internal projects and customer projects are different.

	Commonly observable differences	
	Internal projects	Customer projects
Are ... for the performing organization	Cost centers	Profit centers
The project requester is ...	Located inside the own organization	A legally separate entity
The project team has to consider...	The interests of the performing organization	The interests of the performing organization and the customer
Project approval mostly follows...	A project request/approval process or no process at all	An offer/acceptance process leading to a contract
Disputes are to be finally resolved...	By management	At courts
The performing organization does the project to attain...	Deliverables and change	Income
Project selection is made as...	A sequence of internal decisions	A bid/no-bid decision (contractor-side), contract award (customer-side)
Project work for the requester is based on...	Internal requests and agreements	Legally binding contracts
Team's familiarity with the target environment at project start is generally...	High	Low
A project budget is developed through...	A more or less informed	Deducting a margin from the

Conflicts in Proje

Internal projects and customer projects are different.

Project work for the requester is based on...	Internal requests and agreements	Legally binding contracts
Team's familiarity with the target environment at project start is generally...	High	Low
A project budget is developed through...	A more or less informed management decision, or not at all	Deducting a margin from the price to the customer
A project budget is usually managed by...	The project sponsor or a supervisory board or may be inexistent	The project manager
Inside matrix organizations, most project managers are...	Rather weak	Rather powerful
Obtaining internal and external resources is generally...	Rather difficult	Rather easy
Availability of booked resources is rather...	Unreliable	Reliable
Management attention for the project is mostly...	Rather low	Rather high
Project managers must consider...	The interests of the own organization	The interests of both the customer and the contractor
Staffing and procurement is mostly managed by...	Functional units	Project manager and project management team
Reputation of project managers inside the performing organization is mostly...	Rather low	Rather high

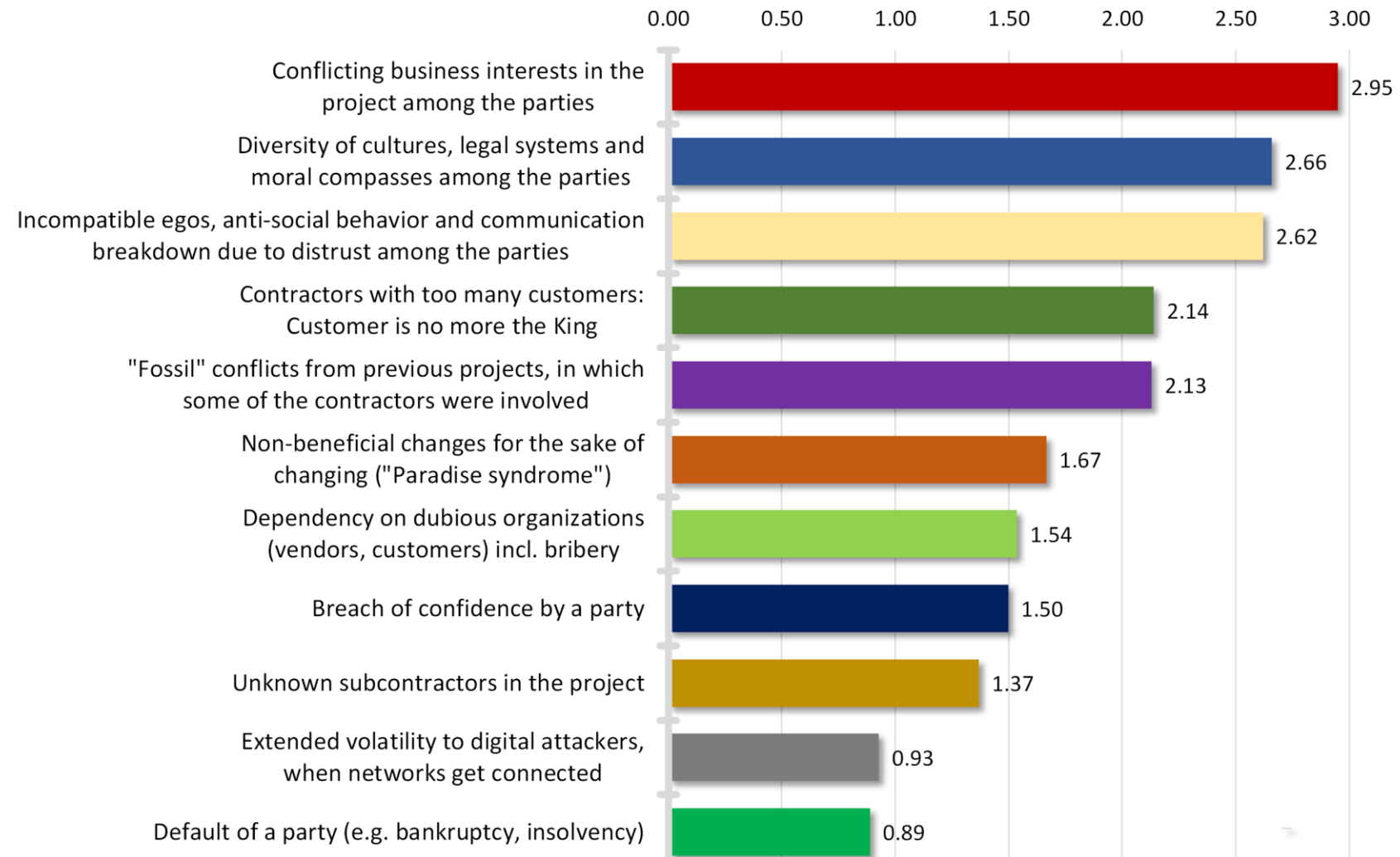
Conflicts in Project Business—the Challenges

Survey: Frequency of causes of conflicts:

1. Conflicting business interests
2. Incompatible organizations
3. Incompatible egos
4. ...

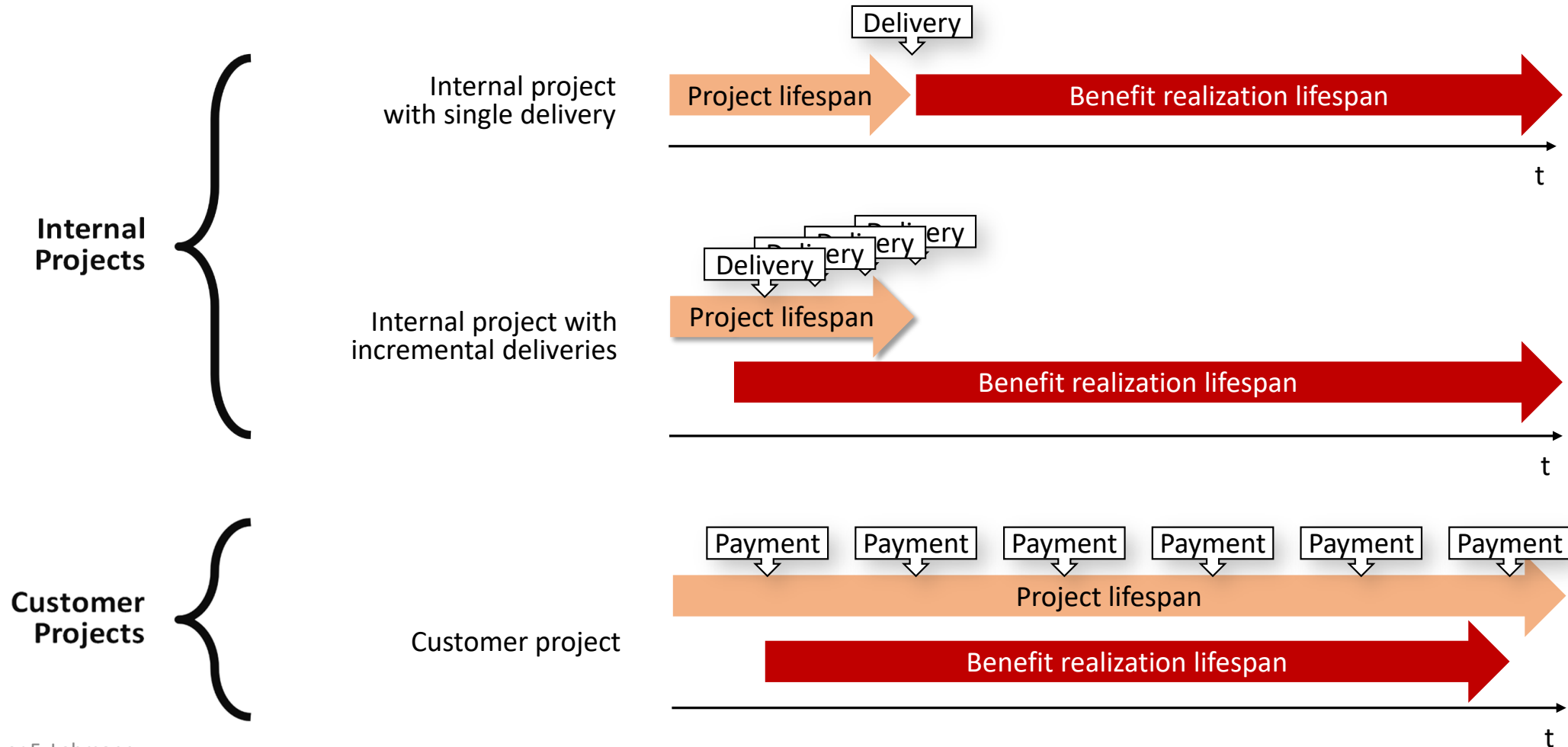
Frequency of Causes of Conflicts between Project Contract Parties

Average values | Scale: 0 (never) - 5 (frequent) | N = 302 | Survey made: June/July-2017



Different business interests

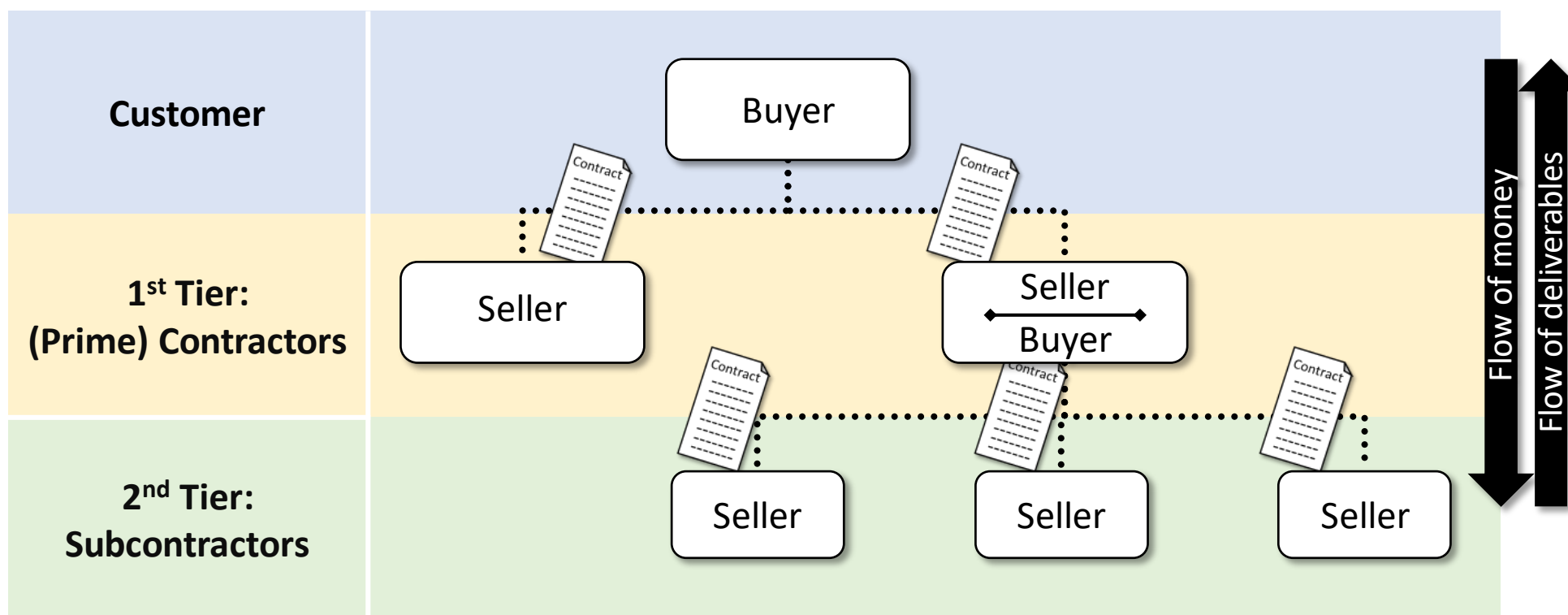
- Example: Typical benefit realization



Conflicts in Project Business—the Challenges

In projects under contract, complex multi-tier Project Supply Networks (PSNs) evolve.

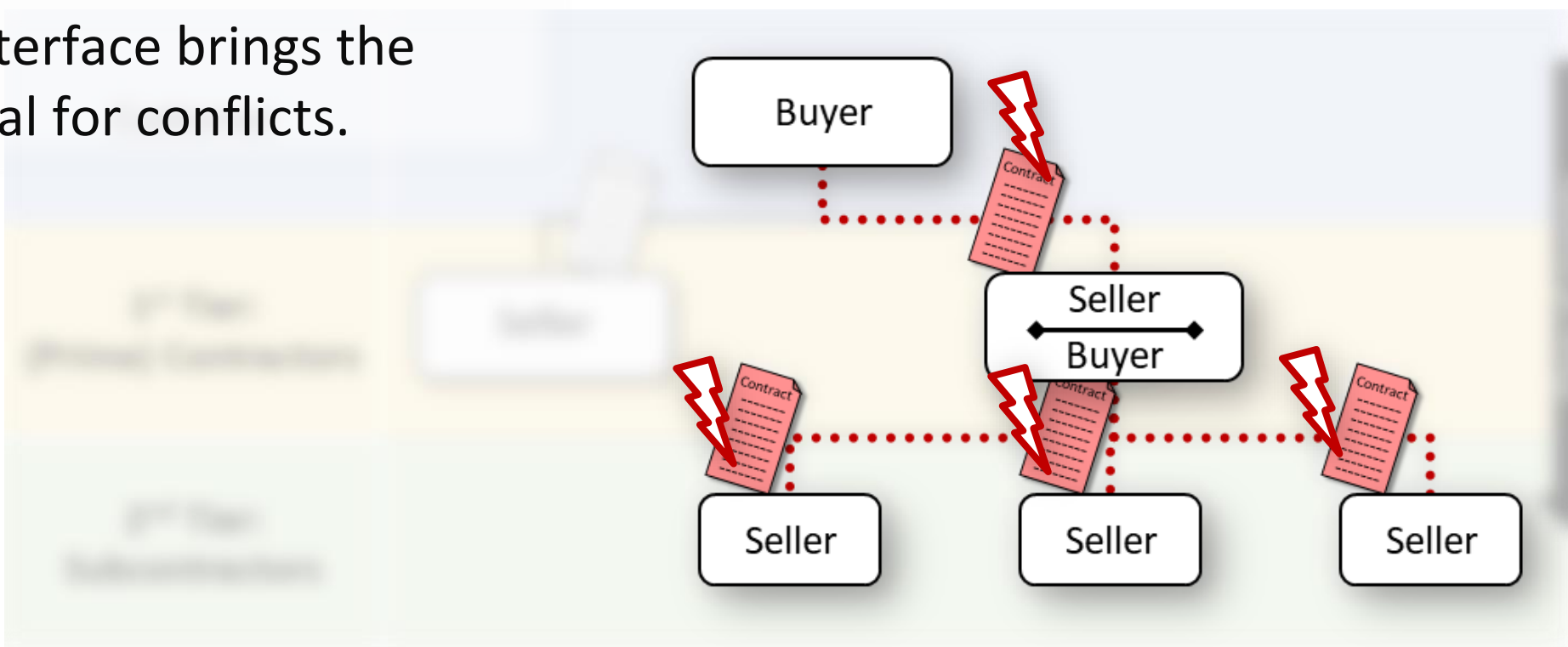
- A simple example:



Conflicts in Project Business—the Challenges

A prime contractor is both

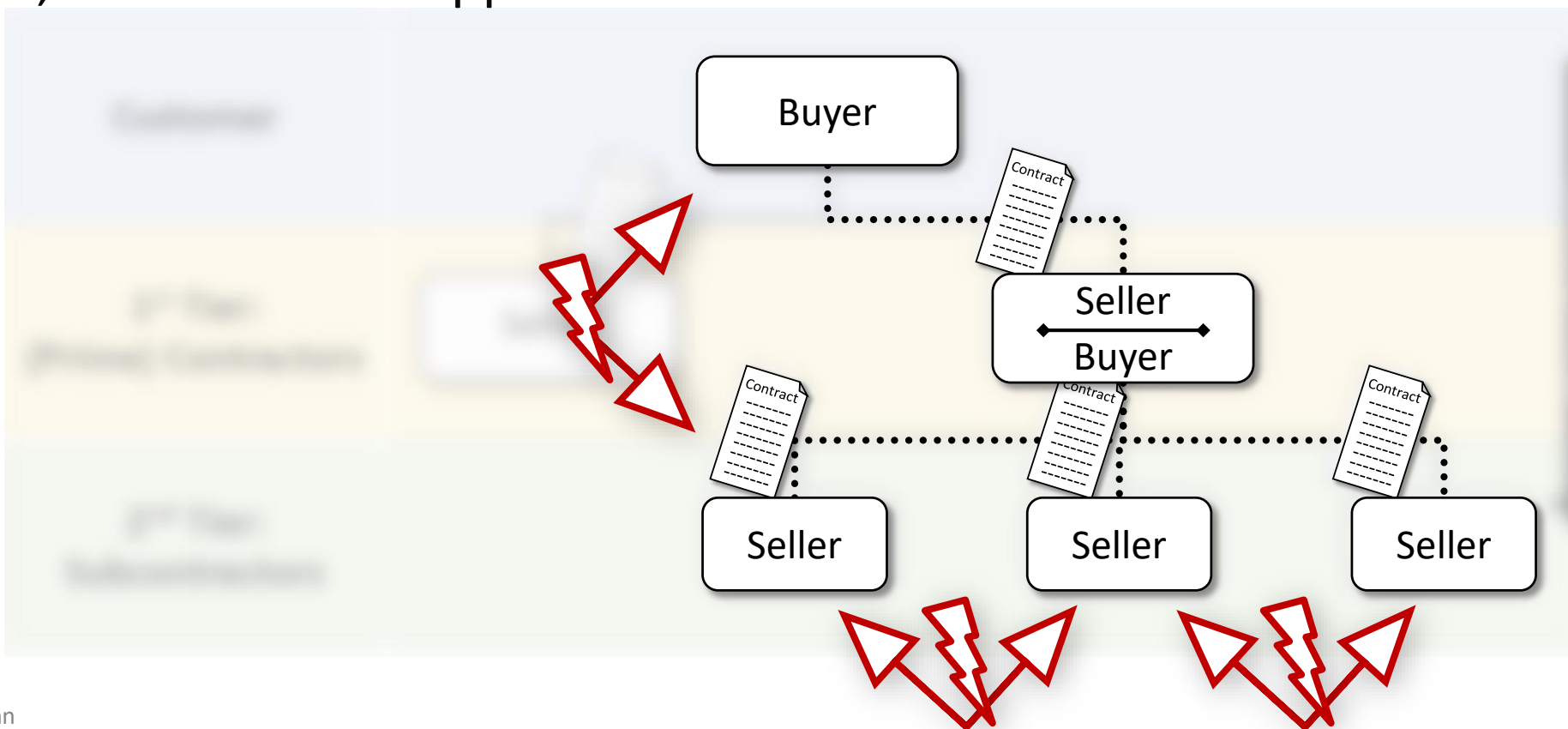
- Contractor (of the customer)
 - Customer (of subcontractors)
- Several contractual interfaces must be managed
 - Each interface brings the potential for conflicts.



Conflicts in Project Business—the Challenges

“Privity of contracts”

- There are no contractual relationships between the customer and the subcontractors.
- However, conflicts also happen at non-contractual interfaces.



Conflicts in Project Business—the Challenges

Example: Crises in mega projects

- “Identifying the antecedents of megaproject crises in China”
 - Analysis by Aimin Wang & Tyrone S. Pitsis (08-2020) on crises in mega projects in China
- Enabler: Missing crisis awareness
- Main causes for crises:
 1. Lack of project management skills
 2. Clash of interest
 3. Lack of responsibility
 4. Red tape and centralization
 5. Lack of ability to forecast



Accessible at:

<https://www.sciencedirect.com/science/article/abs/pii/S0263786317313182>

Project Business

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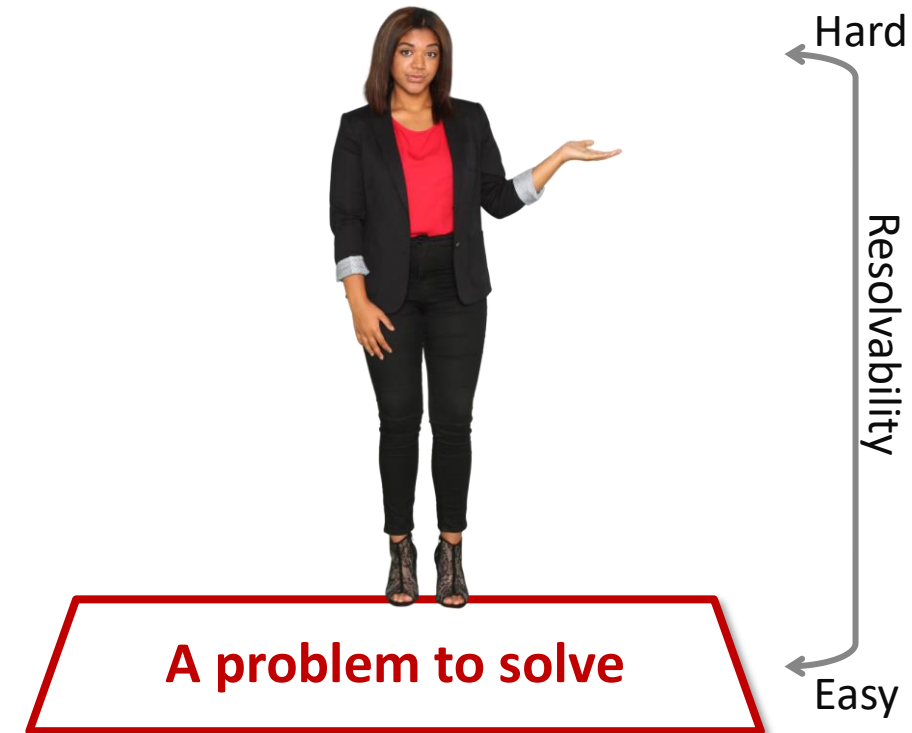
- What is Project Business?
- Conflicts in Project Business—the Challenges
- Solutions
- Questions?

Solutions

The 5 stages of conflict*

1. A problem to solve

- Conflicts about technical solutions, goals, values, interests, and needs.
- Focus on issues, not people.
- Resolvable based on mutual interests and professionalism.

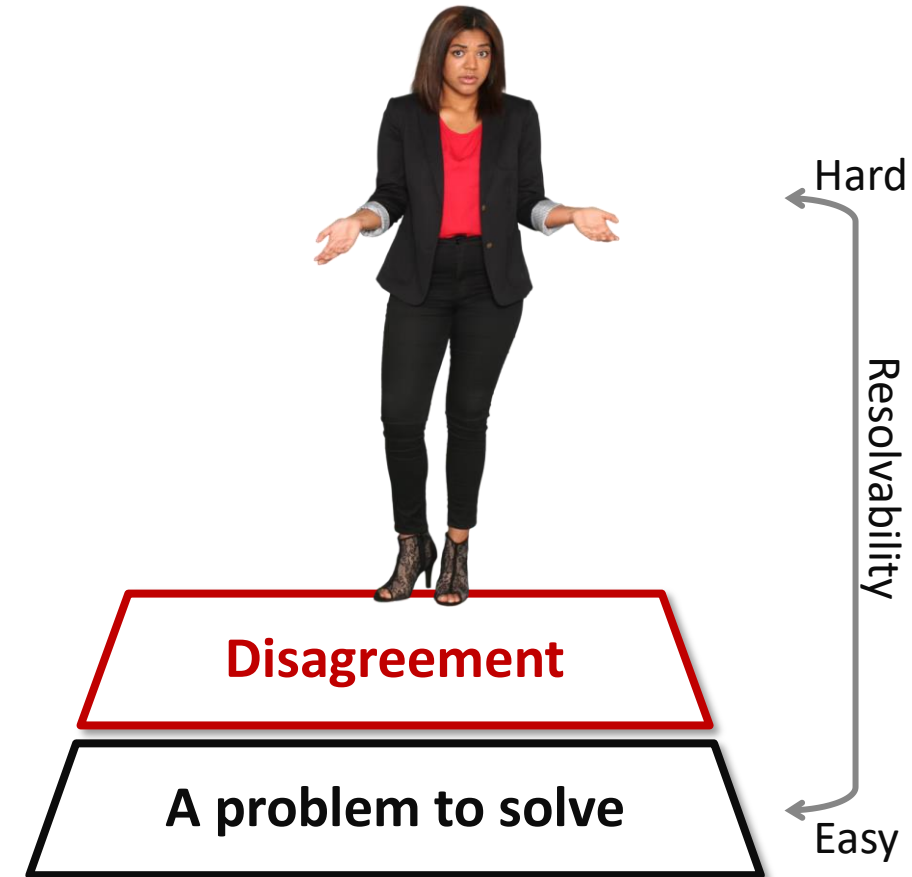


* Source: Speed B. Leas (1998), "Discover Your Conflict Management Style"
<https://www.amazon.com/Discover-Your-Conflict-Management-Style/dp/1566991846>

Solutions

The 5 stages of conflict

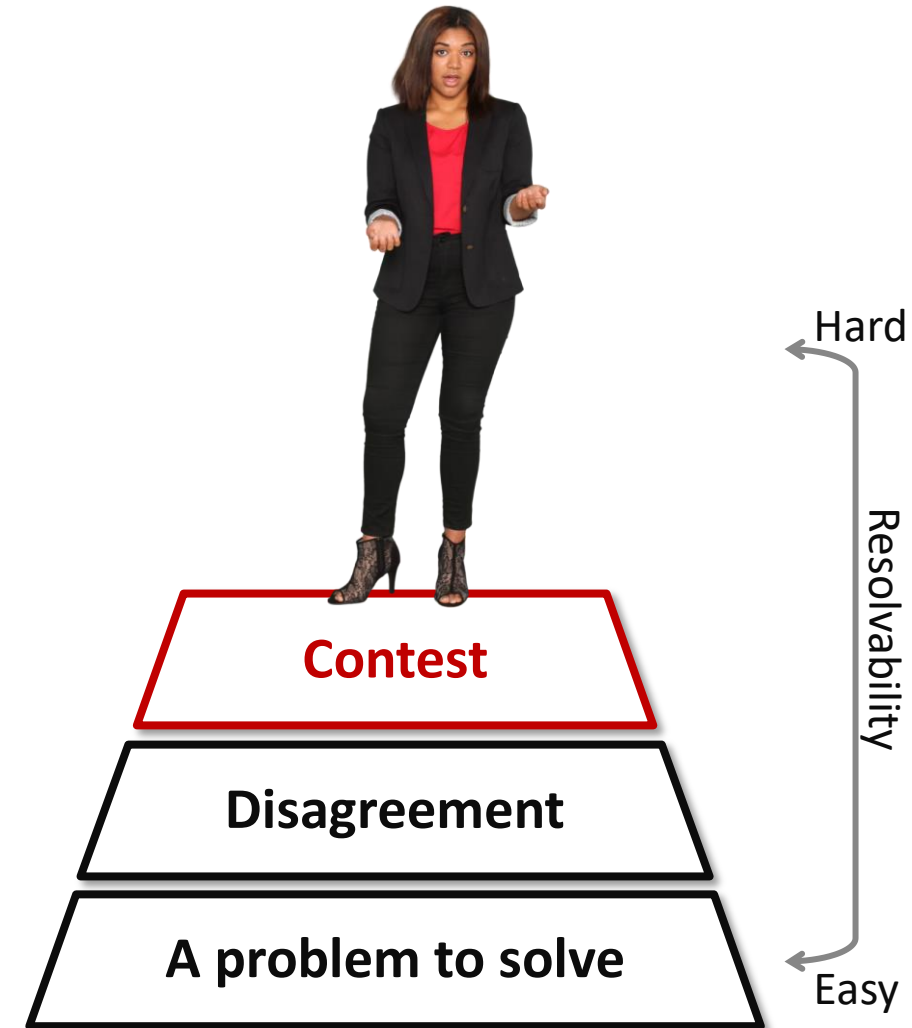
1. A problem to solve
2. Disagreement
 - Focus shifts from issues to people.
 - Problems get blurred.
 - Growing distrust.



Solutions

The 5 stages of conflict

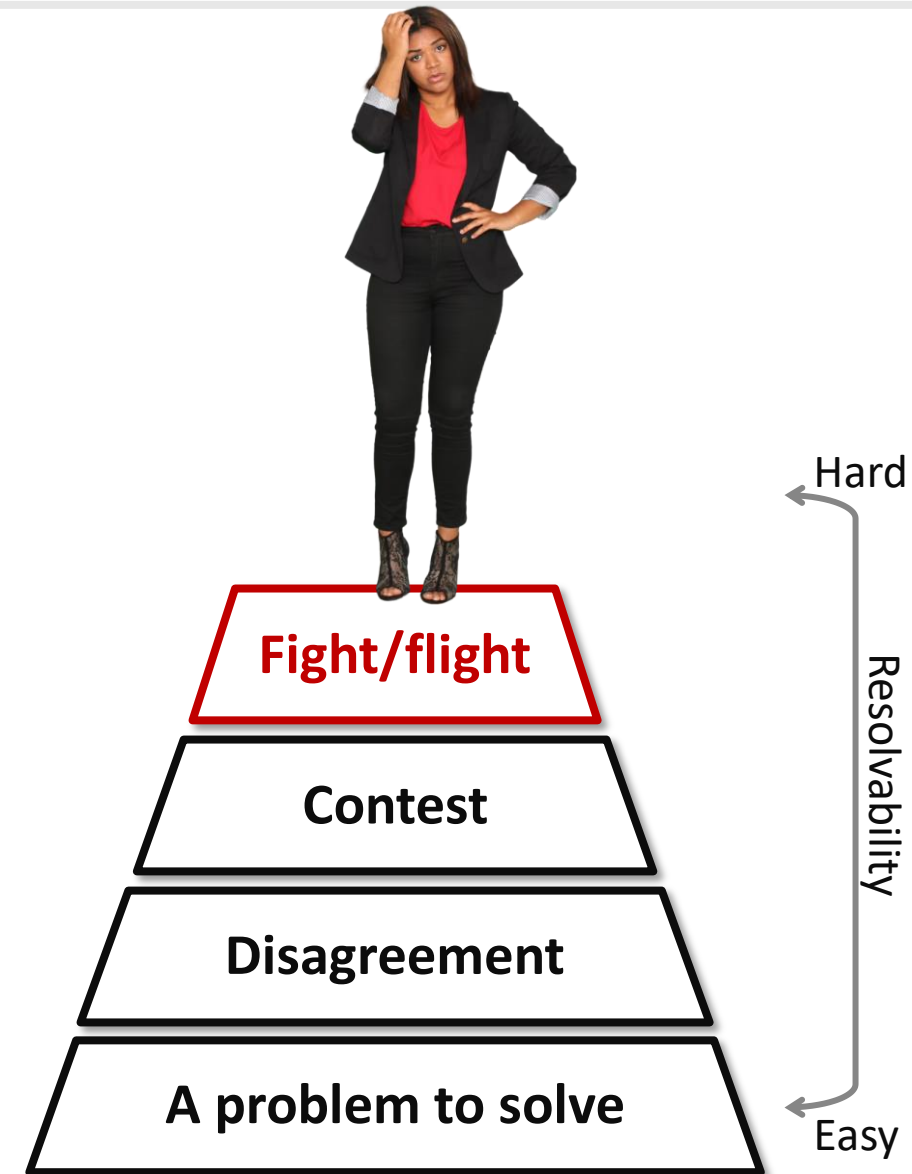
1. A problem to solve
2. Disagreement
3. Contest
 - Competitive behavior.
 - People think in terms of winning and losing.
 - Attacks become personal.
 - Formation of factions, tribes, sides, and camps.
 - Distortion becomes a major problem.
 - So does mutual distrust.



Solutions

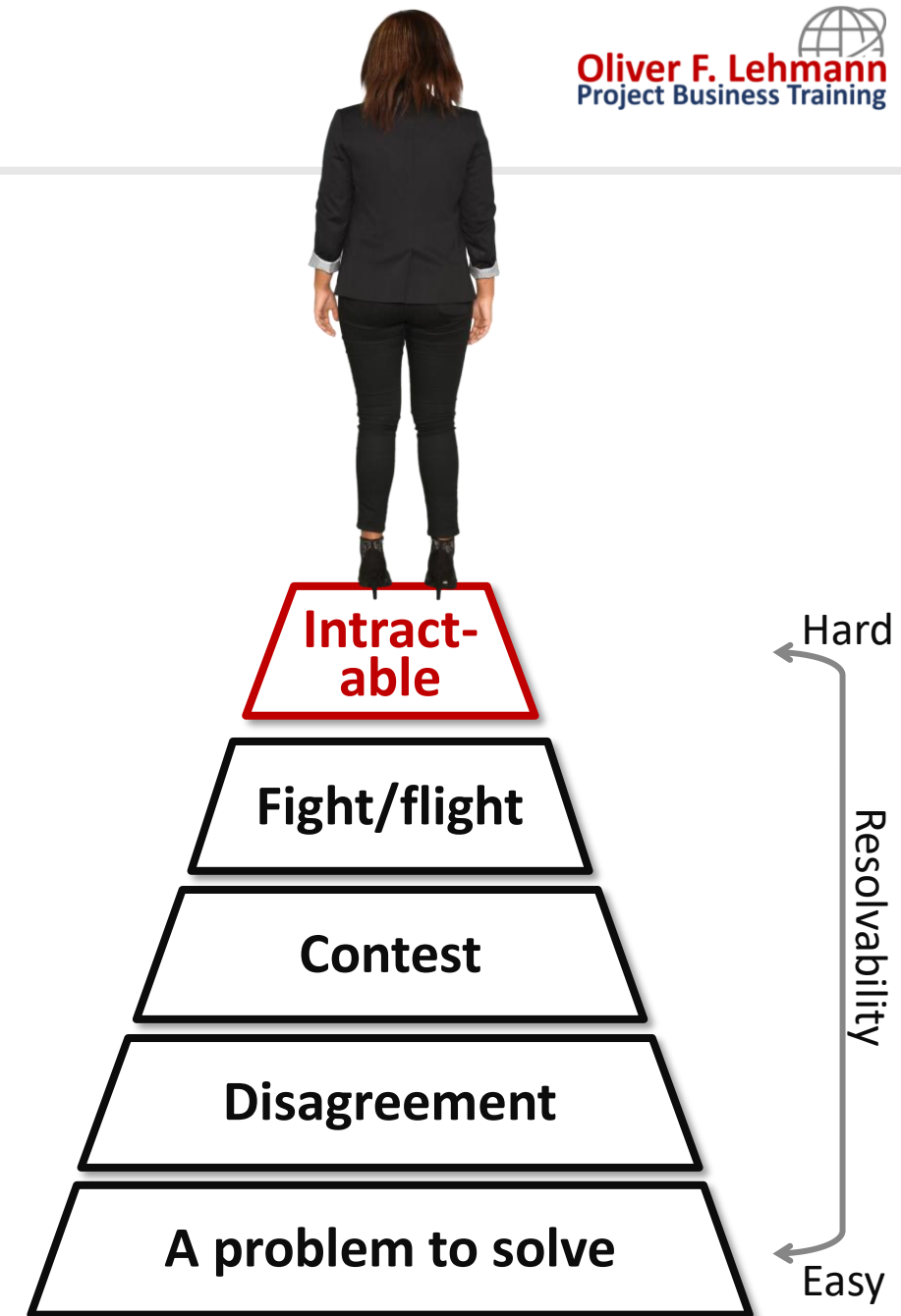
The 5 stages of conflict

1. A problem to solve
2. Disagreement
3. Contest
4. Fight/flight
 - Shifts from winning to excluding people.
 - Attacks are mostly personal.
 - Parties seek allies.
 - Tribes get solidified.
 - Discussion of “principles” instead of “issues.”



The 5 stages of conflict

1. A problem to solve
2. Disagreement
3. Contest
4. Fight/flight
5. Intractable situations
 - The cross-corporate project is in deep crisis.
 - The issues at hand have become secondary.
 - The conflict is no more manageable.
 - Focus is on the elimination and/or destruction of people.



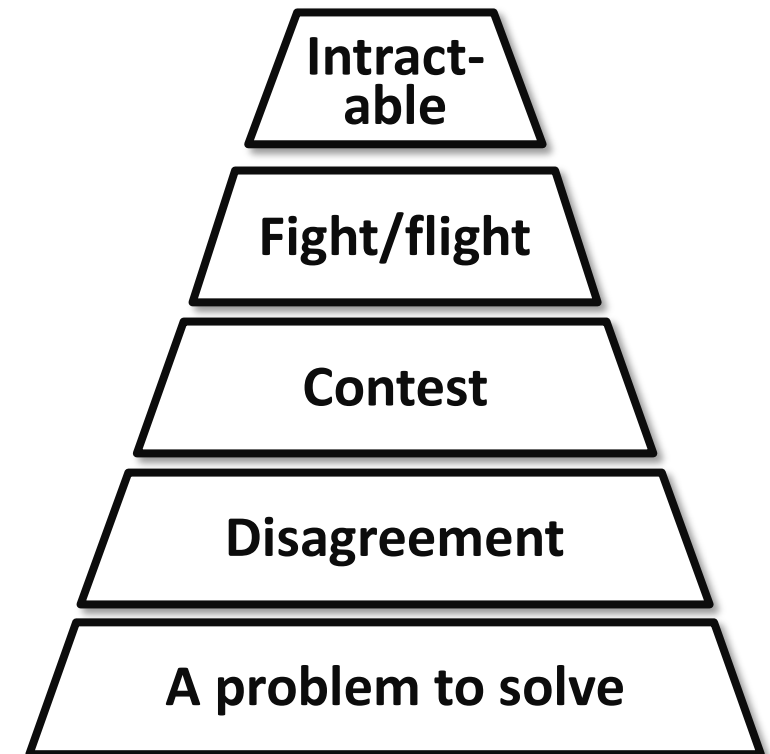
Solutions

The 5 stages of conflict

1. A problem to solve
2. Disagreement
3. Contest
4. Fight/flight
5. Intractable situations

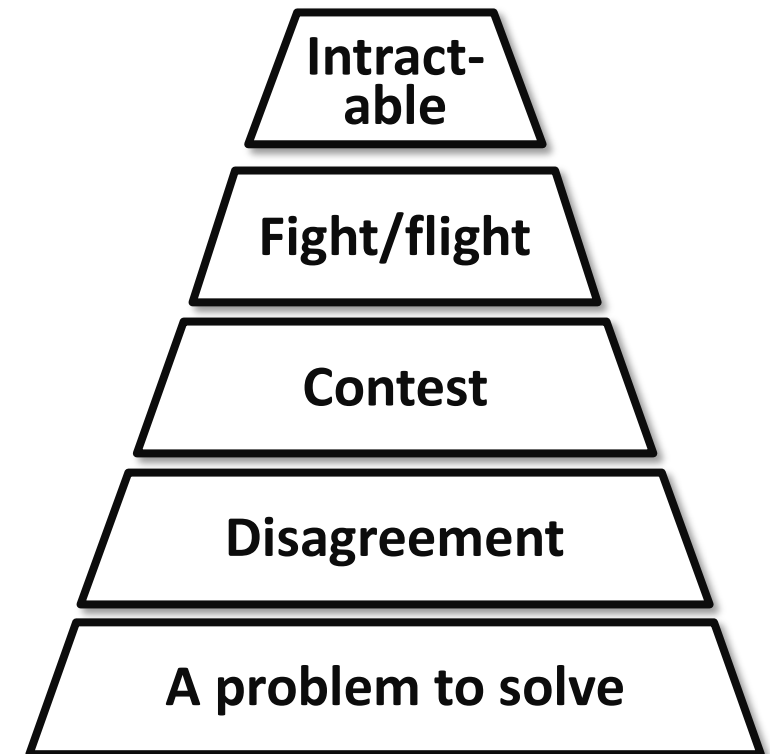
0. Depression

- Conflict and anger are turning inward.
- Burnout.
- Absenteeism.



What to do with: Depression

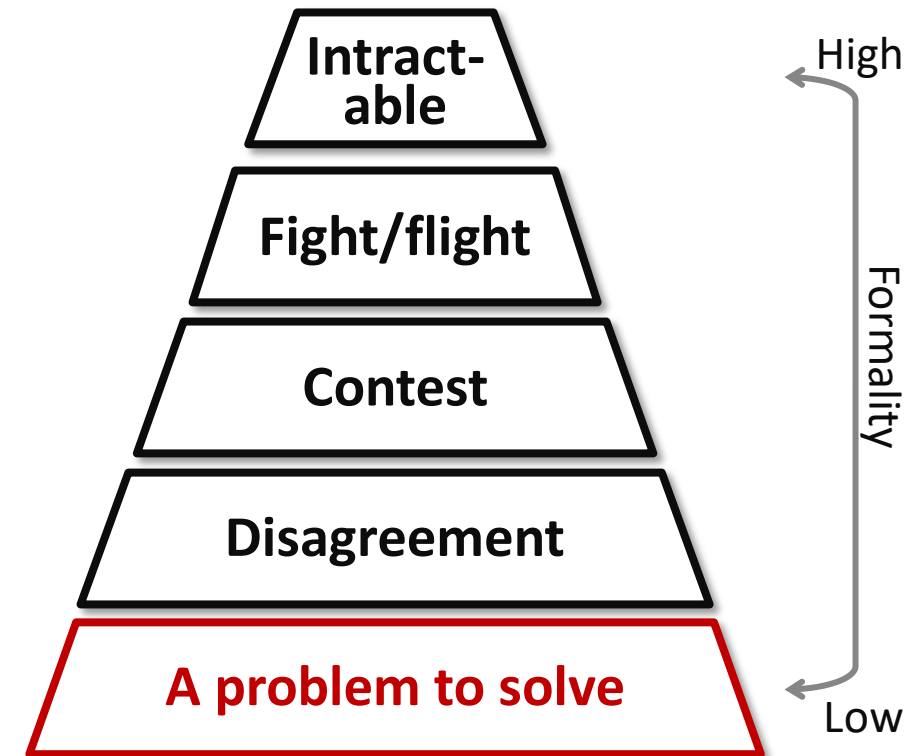
- Find the deep causes and remove them.
- Seek psychological help.



Solutions

What to do with: A problem to solve

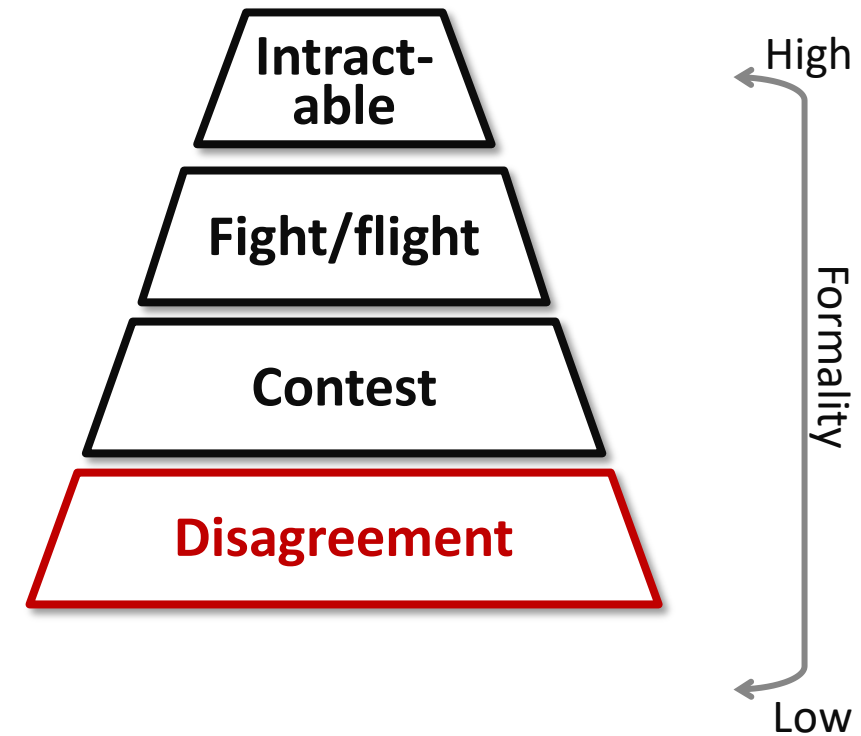
- Give evidence of your trustworthiness and good faith.
- Talk with others.
- Respect their business interests and culture.
- Find agreements.



Solutions

What to do with: Disagreement

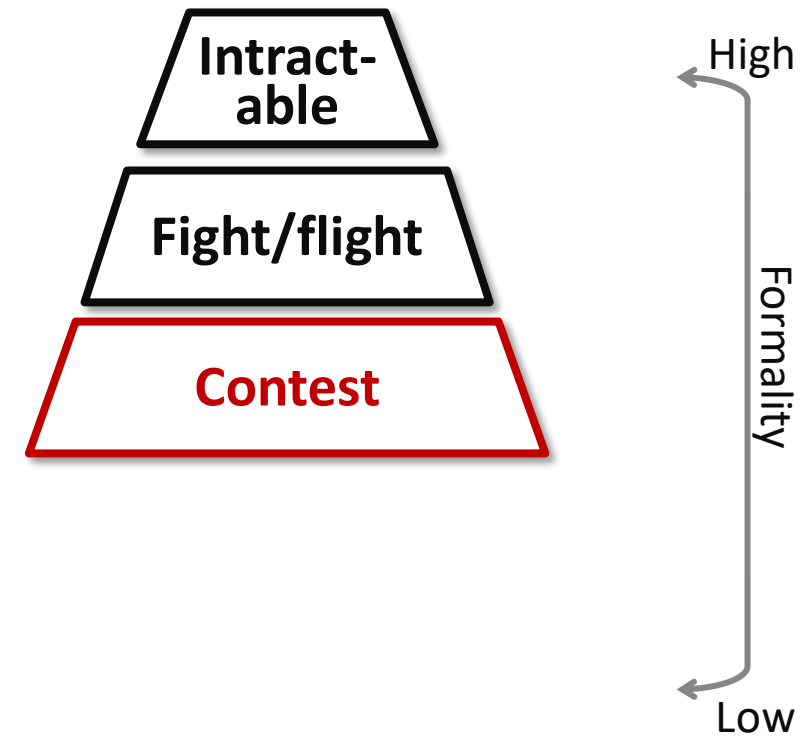
- Develop self-control
- Seek amiable solution
- Cross-corporate team-building
- Healing days
- Mediation



Solutions

What to do with: Contest

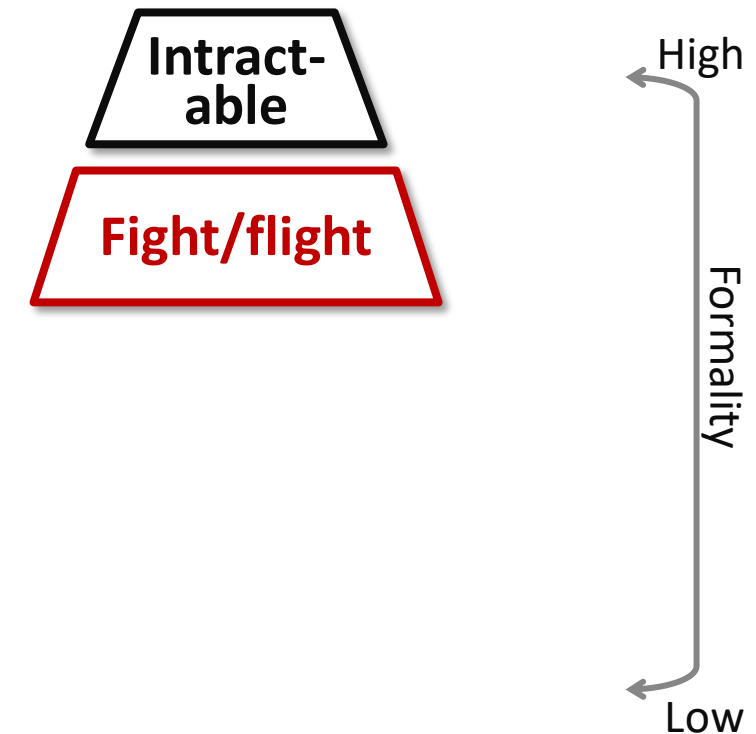
- Cross-corporate team-building
- Healing days
- Mediation
- Arbitration



Solutions

What to do with: Fight/flight

- Healing days
- Mediation
- Arbitration
- Binding arbitration



Solutions

What to do with: Intractable situations

- Terminate contract
- Binding arbitration
- Litigation at a court of law



**Intract-
able**

High
Formality
Low

What Clara had learned:

Put completing
over competing.

Act in good faith as a
project partner, not
just a contract party.



Follow a “Mission Success First” approach for a successful project.

But be prepared—project business sometimes gets ugly.

And remember: Project business is high-risk business for all parties involved.



Solutions

Select the right partners that will not cause trouble.

Pay attention to small issues that can escalate.

Use 3rd parties when you need help to resolve conflicts.

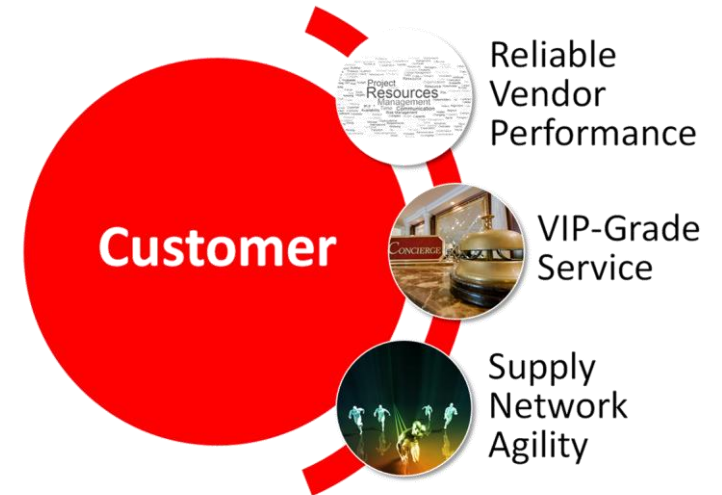
Yeah, I'm happy to help!

Project Business

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Questions?



Hyperlinks

Website of Oliver F. Lehmann

- <https://www.oliverlehmann.com>



Connect on LinkedIn

- <https://www.linkedin.com/in/oliverlehmann>



Project Business Foundation

- <https://www.project-business.org>



Market Research – Report

- <https://www.project-business.org/research/survey-market-trends>

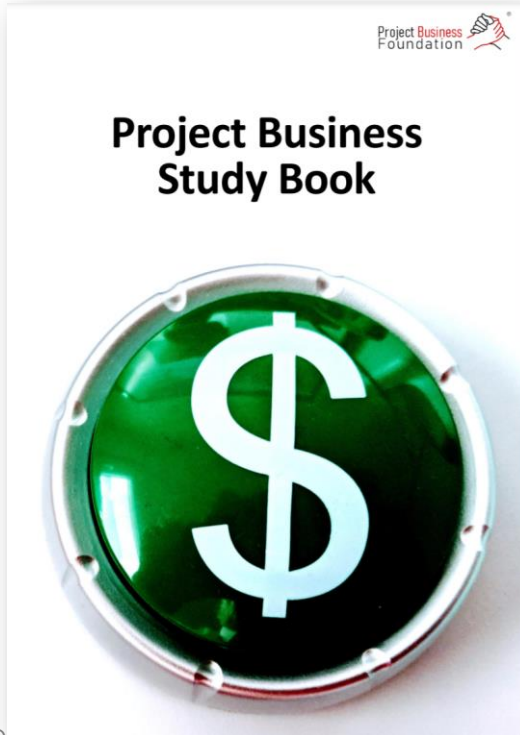


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Project Business Study Book, Free Edition

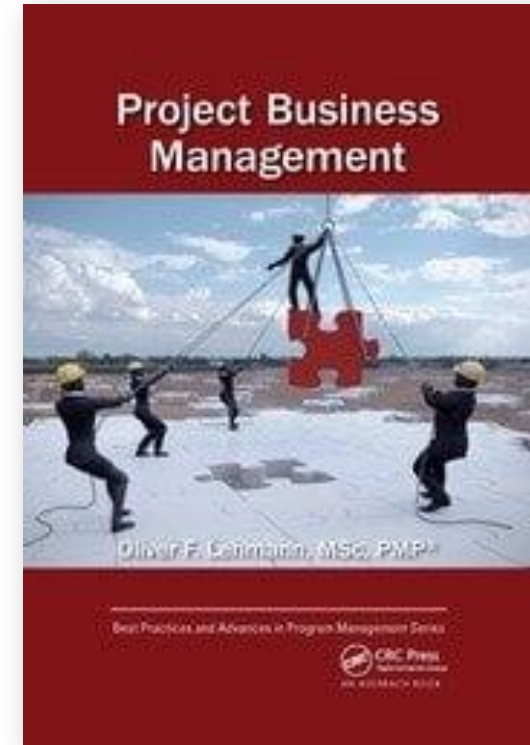
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<https://www.routledge.com/9780367522070>



More on Healing Days



https://www.academia.edu/77534993/Project_Business_Healing_Days_PBM_series_article

PM World Journal
Vol. XI, Issue III – Mar 2022
www.pmworldjournal.net

A *Project Business Healing Day*
by Oliver F. Lehmann
Series Article

*Project Business Management*¹

A Project Business Healing Day

Oliver F. Lehmann

"Imbalanced systems, whether internal or external, will tend to polarize."
— Richard C. Schwartz, Psychologist and family therapist



Summary

A Project Business Healing Day can be a powerful tool to turn quarreling project parties into project partners and bring the project back on track. However, as a facilitator, one should understand the dynamics of the event and how one can contribute to its success.

¹Editor's note: This series of articles is by Oliver Lehmann, author of the book *"Project Business Management"* (ISBN 9781138197503), published by Auerbach / Taylor & Francis in 2018. See full author profile at the end of this article.