

Project Management: A Managerial Approach 4/e

By Jack R. Meredith and Samuel J. Mantel, Jr.

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Project Management

A Managerial Approach



Chapter 6

Conflict and Negotiation

Conflict and Negotiation



- Conflict has been defined as “the process which begins when one party perceives that the other has frustrated, or is about to frustrate, some concern of his”
- Conflict can play a creative role in the planning process
- Debate over the proper technical approach to a problem often generates a collaborative solution that is superior to any solution originally proposed
- Conflict often educates individuals and groups about the goals/objectives of other individuals and groups

The Nature of Negotiation

- The favored technique for resolving conflict is *negotiation*
- Negotiation is “the process through which two or more parties seek an acceptable rate of exchange for items they own or control”
- Firms should view conflicts within the organization as conflicts between allies, not opponents

Facilitating the Integration of Activities

- *Lateral Relations* allow decisions to be made horizontally across lines of authority
- Because each area has its own goals, integrating activities of two or more units is certain to produce conflicts
- These conflicts may be resolved by negotiating a solution, if one exists, that produces gains (or minimizes losses) for all parties

Negotiating a Resolution

- Approaching intraproject conflicts with a desire to win a victory over the other parties is inappropriate.
- The project manager should remember that he will be negotiating with project stakeholders many times in the future
- The proper objective should be to optimize the outcome in terms of overall organizational goals

Partnering, Chartering, and Change

- Three situations commonly arise during projects that require the highest level of negotiating skill the project manager can muster:
 - The use of subcontractors
 - The use of input from two or more functional units to design and develop the project's mission
 - The management of changes ordered in the project's deliverables and/or priorities after the project is underway

Partnering



- In recent years there has been a steady growth in the frequency of outsourcing parts of projects
- There are many reasons for this trend:
 - Avoidance of litigation
 - Diversification of technical risk
 - Avoidance of capital investment
 - Reducing political risk on multinational projects
 - Shortening the duration of the project
 - Pooling of complimentary knowledge

Partnering

- Generally, relations between the organization carrying out a project and a subcontractor working on the project are at best characterized as adversarial
- Conflicting interests tend to lead both parties to work in an atmosphere of mutual suspicion and antagonism
- To reduce this conflict, a process for building partnered projects can be used

Process for Building Partnered Projects

- 1. The parent firm must make a commitment to partnering, select subcontractors who will do the same, and develop a “charter”
- 2. Both parties must implement the partnering process with agreement on:
 - | Joint evaluation of the project’s progress
 - | A method for resolving problems or disagreements
 - | Acceptance of a goal for continuous improvement
 - | Support for the process of partnering from senior management of both parties
- 3. Both parties commit to a joint review of “project execution” when the project is completed

Chartering



- A project charter is a written agreement between the project manager, senior management, and the functional managers who are committing resources to the project. The charter also often includes the client.
- The charter may take many different forms
- Typically it details the project deliverables, often including the project's schedule and budget
- Most projects do not have charters
 - Which is one reason for observing that most projects are not completed on specification, on time, and on budget

Scope Change

- There are three basic causes for change in projects:
 - Planners erred in their initial assessment about how to achieve a given end or erred in their choice of the proper goal for the project
 - The client/user or project team learns more about the nature of the project deliverable or about the setting in which it is to be used
 - A mandate is a change in the environment in which the project is being conducted

Priorities



- Most firms actually have only three levels of priority:

- **High priority projects** - the “set” of projects currently being supported

- **Low priority projects** - the projects “we would like to do when we have the time and money”

- **Urgent projects or Mandates** - occasionally there are those projects that must be done immediately

Conflict and the Project Life Cycle

- Certain patterns of conflict are associated with the different periods in the life of a project
- Conflict appears to fall into three fundamentally different categories:
 - 1. Groups working on the project may have different goals and expectations
 - 2. There is considerable uncertainty about who has the authority to make decisions
 - 3. There are interpersonal conflicts between people who are parties-at-interest in the project

Settling Conflicts About Priorities

- There are methods for settling conflicts about priorities between projects:
 - The project selection model used to approve projects for funding often generates a set of projects ranked by some measure of value
 - It is common for senior management to determine interproject priorities
 - The relative importance of the various tasks in an individual project is set by the project manager

Settling Conflicts About Priorities

- These methods are irrelevant if project and functional managers attempt to optimize their individual interests over the total organization
- The conflict-resolution potential of partnering and project charters should be clear
- Neither technique will stop conflict from arising, but can sharply lower the intensity of the conflicts as well as provide a framework for resolving conflict

Conflict During Project Formation

- In the initial stage of the project life cycle, most of the conflict centers around the inherent confusion of setting up a project in the environment of matrix management
- At this point, almost nothing about the project or its governance has been decided
- Moving from this chaotic environment to the buildup stage can be difficult

Conflict During Project Formation

- To make the transition from project formation to buildup, four fundamental issues must be addressed:
 - The technical objectives of the project must be specified to a degree that will allow the detailed planning of the build up stage to be accomplished
 - Commitment of resources to the project must be forthcoming from senior management and functional managers
 - The priority of the project relative to the priorities of the parent organization's other projects, must be set and communicated
 - The organizational structure of the project must be established to an extent sufficient for the action plan, WBS and linear responsibility chart to be prepared

Conflict During Project Formation

- This is the period during which the project moves from a general concept to a highly detailed set of plans
- As the plans become detailed, conflicts over technical issues build
- Conflicts between the project manager and the functional areas tend to predominate
- Usually, the functional areas can claim more technical expertise than the project manager who is a “generalist”

Conflict During Project Formation

- Schedules are still a major source of conflict in the main program, though the proximate cause of schedule-related conflict is usually different than in earlier stages
- “Catching up” requires extra resources that the functional groups will demand, but which the project manager may not have
- Technical conflicts are frequent and serious during the main program stage

Conflict During Project Formation

- During this phase of the project the many parts must be linked properly
- These linkages are known as *interfaces*
- The number of interfaces increases rapidly as the project gets larger, which is to say that the system gets more complex
- The need to manage these interfaces and correct incompatibilities is the key to the technical conflicts in the main program phase

Conflict During Project Formation

- Schedule is the major source of conflict during project phaseout
- Technical problems are comparatively rare because most have been solved or bypassed
- Personality conflicts are the second ranked source of conflict during phaseout
- These conflicts can be caused by pressure to complete the project and to the anxiety about leaving the project
- The primary tool to accomplish conflict resolution and reduction is negotiation

Conflict During Project Formation

- Few of the conflicts arising in projects have to do with *whether* or not a task will be undertaken
- Instead, they have to do with
 - The precise *design* of the deliverable
 - How the design will be achieved
 - By *whom* and at *what* cost
- The implication is clear: *The work of the project will be done*

Conflict During Project Formation

- One requirement for conflict reduction/resolution by the project manager is that they must allow conflict to be settled without irreparable harm to the project's objectives
- To do this, the project manager must:
 - Allow (and foster) honesty between the negotiators
 - Employ only ethical tactics during the negotiation
 - Understand that any behavior that breeds mistrust will make future negotiations difficult, perhaps impossible
 - Emphasize that the conflicting parties-at-interest are not enemies but rather allies - members of an alliance with strong common interests

Conflict During Project Formation

- A technique called “principled negotiation” tends to maintain these requirements of negotiation and is defined by four points:
 - 1. Separate the people from the problem
 - 2. Focus on interests, not positions
 - 3. Before trying to reach an agreement, invent options for mutual gain
 - 4. Insist on using objective criteria

Summary

- Negotiation within the firm should be directed at obtaining the best outcome for the organization, not winning
- There are three traditional categories of conflict: goal-oriented, authority-based, and interpersonal
- There are three traditional sources of conflict:
 - The project team itself
 - The client
 - Functional and senior management

Summary



- Critical issues to handle in the project formation stages are delimiting technical objectives, getting management commitment, setting the project's relative priority, and selecting the project organizational structure
- The total level of conflict is highest during the project buildup stage
- Scheduling and technical conflicts are most frequent and serious in the project buildup and main program stages, and scheduling conflicts, in particular, during the phaseout stage

Summary



- Project negotiation requirements
 - Conflicts must be settled without permanent damage
 - The methodology must foster honesty
 - The solution must satisfy both individuals' and the organization's needs
- One promising approach to meeting the requirements of project negotiation is called principled negotiation

Conflict and Negotiation



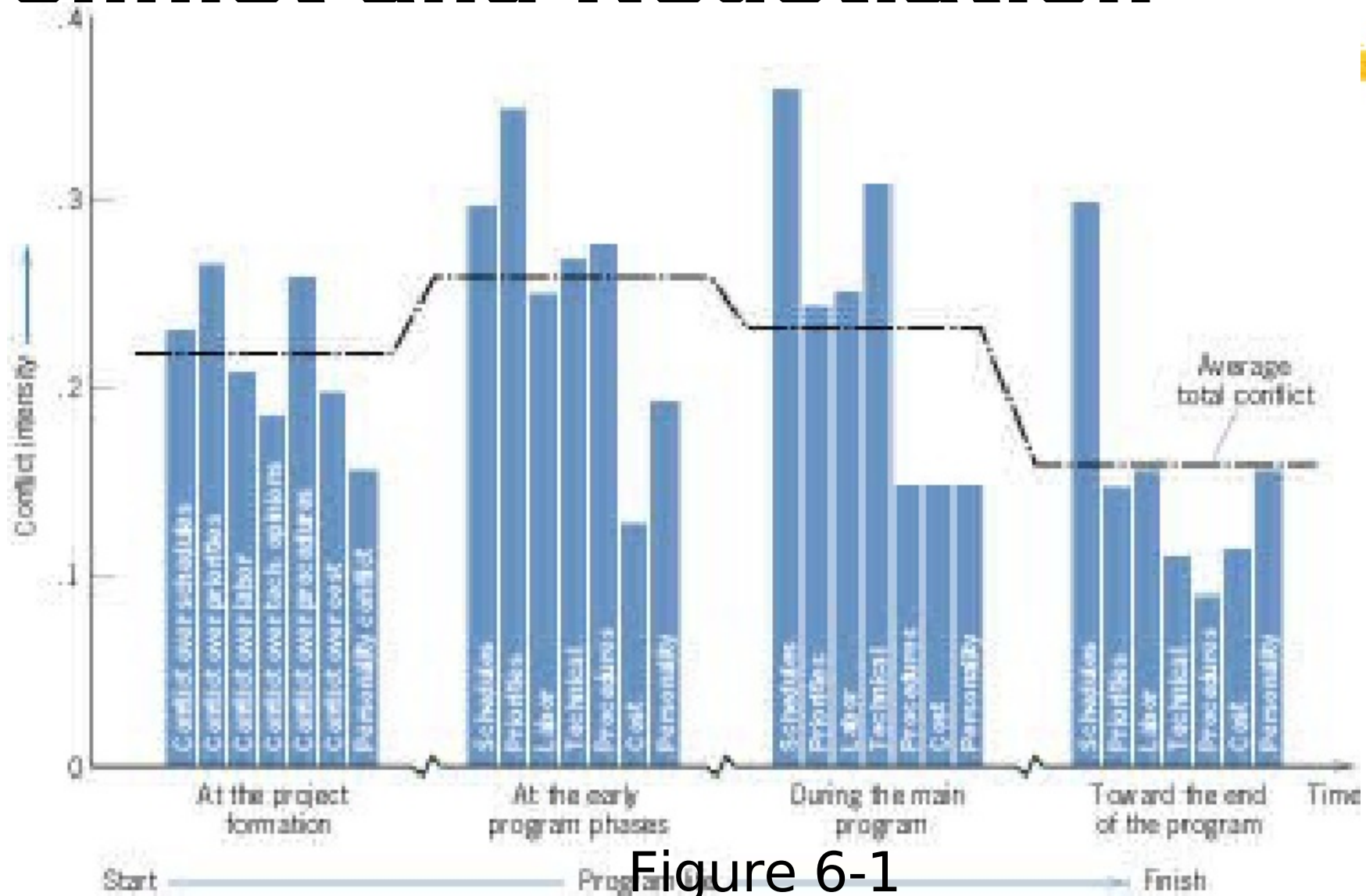
Questions?

Conflict and Negotiation



Picture Files

Conflict and Negotiation



Conflict and Negotiation



Table Files

Conflict and Negotiation

Table 6-1. Project Conflicts by Category and Parties-at-Interest

<i>Parties-at-Interest</i>	<i>Categories of Conflict</i>		
	<i>Goals</i>	<i>Authority</i>	<i>Interpersonal</i>
Project team	Schedules Priorities	Technical	Personality
Client	Schedules Priorities	Technical	
Functional and senior management	Schedules Priorities	Technical Administrative	Personality

Conflict and Negotiation

Table 1 Methods Associated with Effective and Ineffective Conflict Resolution

	<i>Effective Resolution (N = 53)</i>		<i>Ineffective Resolution (N = 53)</i>	
	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>
Withdrawal	0	0.0*	5	9.4*
Smoothing	0	0.0	1	1.9
Compromise	6	11.3	3	5.7
Forcing	13	24.5*	42	79.2*
Confrontation- problem solving	31	58.5*	0	0.0*
Other (still unresolved; unable to determine how resolved; irrelevant to assignment; etc.)	3	5.7	2	3.8

*Percentage difference between groups is significant at the .05 level of confidence.