

## Projectization-based Enterprise Value Realization Approaches

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**Abstract:** In the increasingly competitive market, value maximization has become inevitable for enterprises to keep sustainable development. With the benefits of clear definition of scope and objectives, timing, issue tracking, and all that, the managing by projects plays an important role in promoting value realization. This paper first analyzed the components of value maximization objectives, then discussed the relationship between the enterprise value realization process and projectization, including the support of projectization to value maximization objectives and combination of value realization process and projectization, thus proposed approaches to realize enterprise value on the basis of projectization, which are taking all the stakeholders into consideration when setting value objectives, specifying the enterprise value maximization objective, projectizing the implementation of objectives, controlling the projects in a closed loop mode and creating a team culture in enterprises.

**Key words:** value maximization; projectization; management by projects

### 1 Introduction

With the growth of China's economy, Chinese enterprises have increasingly been involved in global competition. To achieve sustainable development in this context, they have to transfer the traditional enterprise objective from the pursuit of profit maximization to the pursuit of value maximization. Compared with the former objective, value maximization highlights the interests of government, customers, investors, suppliers and other stakeholders for fear of ignoring the time value and risk value of funds and making short-run decisions<sup>[1]</sup>. Projectization, or management by pro-

jects (MBP) has become an effective way of value maximization in many enterprises. How to propose feasible approaches to enterprise value realization on the basis of projectization has become a realistic issue.

Experts and scholars have done much corresponding research. Shendar et al. addressed that enterprises should prepare for the future, which highlighted the creation of new markets, development of new or improved technologies and processes, building of new skills and competencies, and he also demanded that project management has to contribute to the immediate and long-term value realization of the firm<sup>[2,3]</sup>. Platje proposed that successful project management delivers additional benefits to the enterprise beyond time, budget, and quality compliance<sup>[4]</sup>. Cooper et al. examined the achievement of their suggested objectives

Received 13 December 2013

The paper is supported by the National Natural Science Foundation of China under Grant No.71172123, Aviation Science Fund under Grant No.2012ZG53083

of project portfolio management and gave partial support to a positive relation between portfolio-level results and business-level results<sup>[5]</sup>. Killen et al. observed in their study a positive correlation between project portfolio performance measures and new product success, which is one major part of value realization<sup>[6]</sup>. This research strengthened the support of projectization to value maximization objectives and defined what value maximization stands for, but they did not look into how the support works and specific approaches based on projectization to enterprise value realization have not been proposed.

## 2 Components of value maximization objectives

From the perspective of enterprises' financial management, the value maximization objective is composed of the following aspects:

### 2.1 Market competitiveness

The comprehensive competitiveness, consisting of turnovers, market share, high-tech level and customer satisfaction etc., is the key factor for enterprise development<sup>[7]</sup>. If competitiveness acts as the goal of decision-making, even though enterprises may have a temporary deficit, it will benefit the long term development. The potential of development increases along with the strengthening of competitiveness.

### 2.2 Profitability

This capacity is reflected by return on investment (ROI), operating profit ratio, ratio of profits to cost and other indicators. Profit is the foundation for enterprises to survive in the market economy, as well as the basic goal of enterprise financing. Every enterprise has to pursue profits legally to the maximum. During the pursuit, please keep in mind that profit maximization is just one component of value maximization but

not equal to it.

### 2.3 Solvency and credit rating

Enterprises with good solvency generally have more latent capacity. Since solvency is reflected by indicators like debt-to-assets ratio, liquidity ratio and velocity ratio, enterprises have to positively transfer this capacity to the real performance of paying back debt to get support from their debtors, thus credit rating should also be considered.

### 2.4 Capital operation ability

Account receivable turnover and inventory turnover are used to evaluate the use efficiency of financial resources. Generally speaking, more fluent the turnover, the better operation state an enterprise would be in, indicating a better transfer capacity of procurement, production and sales. Otherwise, the transfer lifecycle will be relatively long.

### 2.5 Risk resistance ability

Return and risk coexist in today's complex and changeable economy market. The increase of capital return is at the cost of increasing risks. High return promotes the sustainable development while high risk hinders it. Only the best combination of return and risk can result in the maximized capacity of sustainable development.

### 2.6 Social contribution ability

With the goal of sustainable development, enterprises should operate in accordance with the law, keep honesty and be approved by the society in saving resources, protecting the environment, settling unemployment issues, clean processing and providing public welfare, which raise the enterprise's intangible value and indirectly contributes to value maximization<sup>[8]</sup>.

The components of value maximization objectives are presented in Figure 1.

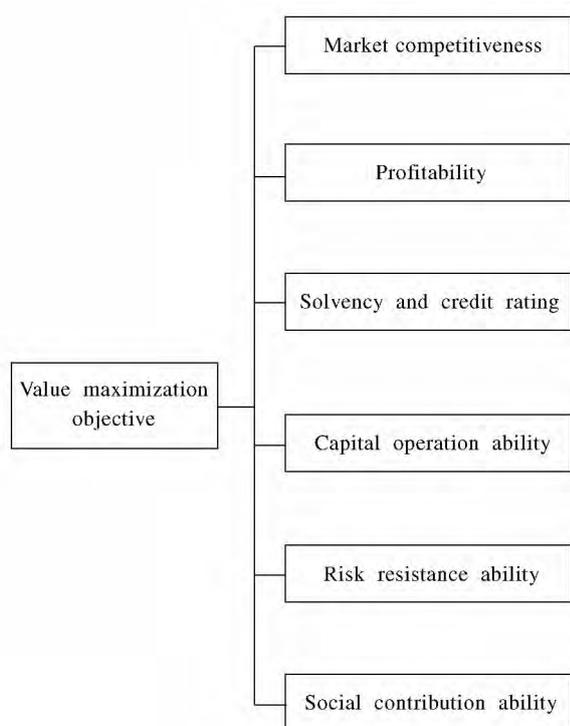


Figure 1 Components of value maximization objectives

### 3 Relationship between value realization and projectization

#### 3.1 The support of projectization to value maximization objectives

Projectization purports to implement the overall strategy of the enterprise by means of a collection of specialized knowledge, skills, tools and methods to realize the integration, prioritization, communication and continuous control of multiple projects<sup>[9]</sup>. It acknowledges that all work needs to be considered in aggregate so that the right projects would be worked on by the right people at the right time. The characteristics of projectization are strategic, dynamic, integrative, objective-oriented, systematic, etc<sup>[10-11]</sup>.

Since the customers' needs are increasingly changeable and personalized, the update of products and services is speeding up and competition becomes much fiercer, enterprises have to handle a large num-

ber of new and one-off tasks, which match the substantive characteristics of projects<sup>[12]</sup>. The implementation and change of value maximization objectives are practically manifest as delivering projects. Projects act like a filling cabinet within which we can collect requirements, develop plans and monitor progress. Some of its benefits to obtaining enterprise value include:

- Understanding of resource demands
- Clear definition of scope/objectives
- Timing
- Managing variations to scope
- Issue tracking
- Collection and management of relevant and related information
- Charging and costing control
- Conveying objectives to staff

#### 3.2 Combination of value realization process and projectization

In the complex and competitive context, for the realization of mission and vision, enterprises should make a long-term value maximization implementation plan and manage it dynamically, which instructs all the business activities and helps reach the balance between internal resources and environment outside. This plan can be viewed as a criteria for projects selection. Only those which meet the value maximization objective should be selected and delivered<sup>[13-14]</sup>.

The implementation and process control are key points of value realization. Projectization has been recognized as an effective management mechanism which accommodates to market competition and can well transform the value objective to specific plans and activities of every project team<sup>[15]</sup>. The interrelations of value realization process and projectization are presented in Figure 2.

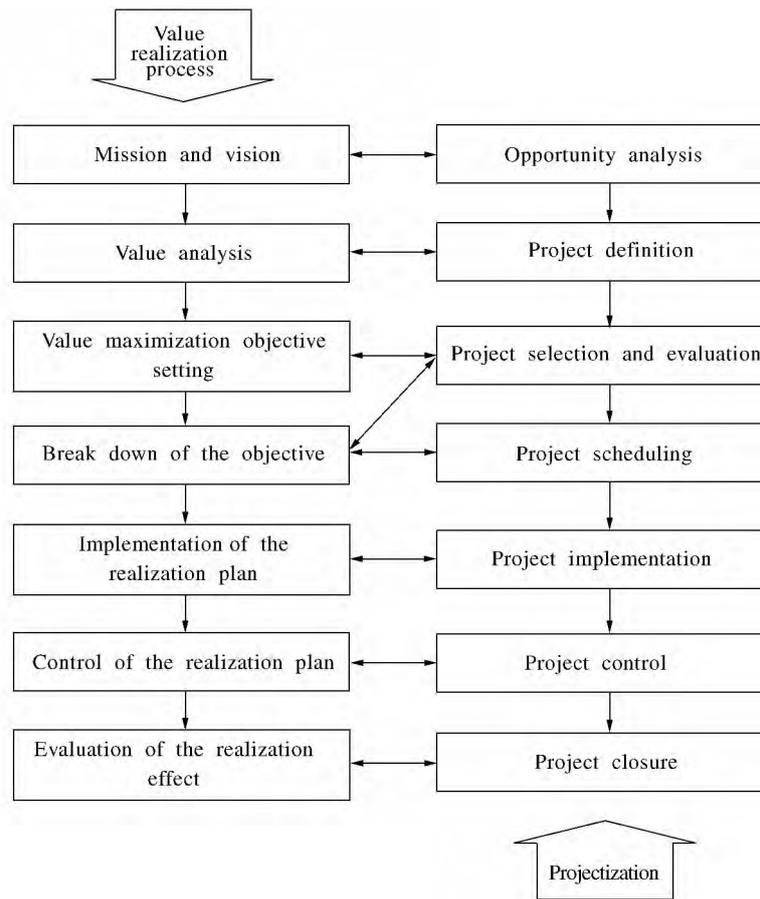


Figure 2 Interrelations of value realization process and projectization

#### 4 Projectization-based enterprise value realization approaches

On the basis of analyzing the relationship between value realization and projectization, this paper proposes several approaches for value realization based on projectization.

##### 4.1 Considering all the stakeholders when setting value objectives

In addition to the owners, other stakeholders like customers, staff and creditors also have an interest relationship with the enterprise<sup>[16]</sup>. The relationships among stakeholders are partnerships, which pursue win-win results. When setting the enterprise value objective, the interests of every stakeholder should be considered, thus the financial allocation policy can keep balance and more support would be obtained for enterprises' stable operations and development.

##### 4.2 Specifying the enterprise value maximization objective

Value maximization objectives should be broken down to specific objectives, tasks and requirements, so that it would give instructions to the activities in operations. Enterprises can break down the overall objective to specific objectives and tasks of different departments or projects, as well as the long-term objective to specific ones of each stage. The break down ought to be top down and from layer to layer, which also considers maneuverability and consistence of related objectives.

##### 4.3 Project implementation of objectives

After enterprise value being decomposed to specific objectives, the key factors of achieving them need to be clarified, including the resources and various constraints required. Meanwhile, indicators used to re-

flect and evaluate the objectives should also be defined. This work is actually to projectize the implementation of objectives. The projectization process begins with taking the implementation of an objective as a project. Then the constraints of every objective, especially those of quality, schedule, cost and other requirements are clarified. At last, the constraints of objective implementation will be transformed to constraints of project management acted in practical operations.

#### 4.4 Project control in a closed loop mode

Closed loop control mode considers the enterprise management process as a closed loop system and takes every professional management as a closed loop subsystem. It integrates the management of the system and the subsystem to a continuous closed loop, which realizes the control and real-time information feedback of enterprise management objectives, process, results and other key factors, thus the enterprise would develop in a “decision-control-feedback and redecision-recontrol-re-feedback” constant improvement cycle. Through adopting the closed loop control mode to defined projects, managers would set clear goals, allocate resources according to these goals, prioritize the operation activities, clarify the influences of these decisions to the value objective and operations and update objectives of all levels when required, which makes the enterprise value realization process more scientific and strict.

#### 4.5 Team culture in enterprises

The implementation of enterprise value objectives requires the active involvement of all the staff, which is supported by an appropriate enterprise culture. In project management, team members share a relationship in close cooperation with appropriate division of labor, which strengthens a harmonious teamwork atmosphere. Project managers should do their efforts to coordinate activities, deal with the conflicts and enhance the team cohesion. Project Management is not

only an efficient management method, but also an enterprise culture. The process of carrying out project management is along with the formulation of team culture and supports the realization of enterprise value.

## 5 Conclusions

Enterprise value maximization is the starting point of all business activities. Managing by projects provides an effective way for the realization of the enterprise value, which helps clarify the value objective, methodize the realization process and scientifically control the value realization plan. The combination of project management to the enterprise value realization process and approaches proposed to realize the value would help enterprises to develop dynamic core competenc which adapts to the changes of competition environment and pursues new competitive advantages, so as to obtain sustainable development.

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