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## The psychological contract and project management as a core competence of the organization

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### Abstract

This research paper analyses three concepts that are correlated with the phenomenon of developing project management as a core competence of organizations. Project management competence is the individual's capability to support the organizational stability objective, aligning the mission and vision and optimizing the resource allocation to maintain a sustainable competitive advantage. This study reviews three concepts in relation to their assumptions and possible outputs: project management, competence management and psychological contracts. This discussion paper presents the thesis that these three concepts converge in an approach in which project management is, indeed, a core competence of the organization. To project-management-oriented enterprises, this concept can provide a fundamental research theme for business studies' evolution. As the results of this reflexive paper, a series of possible research objectives are indicated, such as how the enterprise must establish a psychological contract with subcontracted parties and employees in general, short-term hired professionals. Another concept concerns how companies should design a project management competence governance structure or system, using a framework of the *International Project Management Association* (IPMA), and how they can apply the ICB normative guide to develop project management as a core competence of Brazilian organizations.

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## 1. Introduction

This study's purpose is to identify and explore people's consciousness using qualitative and quantitative measures of their perception about their roles within projects, with the aim of identifying their understanding of the impact of the project's result on the organization's deliberated objectives.

Furthermore, the use of project management (PM) is a competence that the organization must develop, understanding that PM is the capability to attend to the results that are needed to keep the organization's enduring existence, aligning the mission and vision and optimizing the resource application to maintain its competitive advantage.

Attracting compromised value-aggregating people to the organization and retaining them are a central issue in the understanding of organizational behaviour in alignment with competence development. One of the approaches to understanding this issue is the psychological contract, particularly within project-oriented enterprises, due to the unique and temporary nature of projects, which demand a better understanding of the knowledge of human resources and their psychological profiles and how they visualize their role in goal achievement both in projects and in the company.

To map and develop PM professional profiles, the International Project Management Association (IPMA) model will be discussed. This model maps competence in clusters to create an organizational competence map, making it possible to develop PM as a core competence of the organization.

## 2. Project Management

In the past, PM was a technical skill aimed at operationalizing and viably managing projects. Nowadays, PM emphasizes the integration of projects with the organization's strategic plans, being highly connected to the top management, as the behavioural aspects of management are becoming increasingly important.

In an ever-doubtful macro-economic system, the need for effective management to implement capital projects becomes the key to success in the marketplace. The impact of well-defined and structured project governance may create augmented shareholder value, decreasing the risk exposure and increasing the reliability of investors' disclosed financial projections. A recent case demonstrating the absence of reliability in a bad governance system is the stock value decrease in the stocks of both Petrobras and the EBX Group (two major O&G Brazilian companies). The stock value plummeted due to project delivery compliance and the consequent exposed lack of financial control. In this scenario, the PM professional abandons the technical and tool specialist role and adopts a global-context comprehensive role, within the value-system context into which projects are inserted. For PM managers this is especially relevant due to their direct interaction with the organizational strategy.

To operationalize their mission and both strategic goals and strategic objectives, companies define and develop a business plan. With a determined time horizon scope, this planning process is cyclical and consolidates the formal declaration of intentions and objective actions that will be implemented to reach the companies' strategic business goals. This process encompasses a series of viability studies that evaluate opportunities and alternatives and justify the implementation of necessary actions, generating a project portfolio and demanding articulated project portfolio management.

A project goal is to deliver the products defined in the viability study that justified its existence. To attain the strategic goals, as defined in the business plan, organizations implement many different but interconnect projects, grouped into programmes. Both programmes and projects are ephemeral entrepreneurial ventures that end when their specific objectives and goals are achieved (Dinsmore and Cabanis-Brewin, 2009).

Portfolio management is associated with the coordination of many projects and programmes of an enterprise. In this context, as a business plan updating cycle, portfolio management is a permanent function within organizations. The objective of portfolio management is to optimize results, balancing the risks and managing the strategic alignment within the constraints defined in the business plan (such as time, tangible and financial resources, among others) (PMI, 2006).

A company's programmes and projects will be carried out within a determined time frame, while its portfolio exists. Depending on its size, sector of business and organizational structure, a company can create and manage a handful of portfolios. As an example, a company with different strategic business units (SBUs) has a portfolio

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