

# **Improving the performance of project teams**

*OHRA and the Channel Management Project*

Simon den Doop

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*"I don't care how much power, brilliance or energy you have, if you don't harness it and focus it on a specific target, and hold it there you're never going to accomplish as much as your ability warrants"*

*Zig Ziglar*

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## **Preface**

I am proud that I can present you my master thesis in Strategic Management. It took me a lot of hard work, I have learned a lot and I am glad that my thesis is finally finished. I hope you enjoy reading it!

I want to thank several people who contributed to my master thesis. I want to thank Ricardo Gil Muinos and Michel Hazeleger for giving me the opportunity to follow an internship at OHRA Verzekeringen. I had a great time at OHRA and I have learned a lot! Furthermore I want to thank the team members of the Channel Management Project for letting me participate in their project. Your project provided me with an interesting research topic! Good luck with the project! I also want to thank my respondents for participating in my research. I had very interesting conversations with each of you! In addition, I want to thank drs. Stijn van den Hoogen for being the second reader of my master thesis. Thank you for your time! My special thanks goes to my helpful supervisor from Tilburg University, drs. Astrid Kramer. Thank you for your patience, guidance and detailed feedback you gave me. You helped me a lot to improve my thesis!

Simon den Doop

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**Management summary**

In 2011 the Dutch insurance company OHRA Verzekeringen wants to sell 35% of the damage insurances and 65% of the health insurances via the internet. Several projects are started in order to reach this ultimate goal. One of these projects is the Channel Management Project. The goal of the Channel Management Project is to direct the customers of OHRA to the online channel in order to contribute to the ultimate goal. However, at this moment the project is not efficient and is not delivering much output.

From literature, this master thesis identifies five conditions for successful project performance. These conditions are clear goals, authority of the project manager, tasks and responsibilities of the project manager, senior management support and rewards. Since the assessment of project performance is difficult, the most important criteria to assess project performance are also identified by means of a literature study. Assessing the performance of projects is difficult because a project has multiple stakeholders. These stakeholders have different interests and priorities and therefore they use different criteria to assess project performance. That is why multiple criteria should be used in order to assess the performance of a project. The most important criteria are identified by means of a literature study. These criteria are efficiency, customer satisfaction, quality, business success and member attitudes.

By means of interviews with fourteen key stakeholders of the Channel Management Project the extent to which the Channel Management Project meets the conditions for successful project performance is researched. Furthermore, the project's performance is assessed. The interviews indicate that the project is not successful. Besides, the project does not meet the conditions for successful project performance.

In order to improve the performance of the Channel Management Project and to let the project contribute to the ultimate goal, this master thesis concludes that the Channel Management Project should meet four conditions for successful project performance. The project should translate its goals into specific, measurable performance objectives. Besides, the project manager should have more authority. Furthermore senior management should provide budget to the project and should carry out the project's importance to the rest of the organization. Next to this, the project manager should make a clear planning with deadlines and should inform senior management in detail. The project does not have to meet the final condition for project performance related to rewards since there is no indication that meeting this condition will improve the performance of the project.

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## 1 Introduction

This chapter is the introduction of this Master Thesis in Strategic Management. This master thesis focuses on a problem of the Marketing & Sales department of the Dutch insurance company OHRA Verzekeringen. The first section introduces OHRA followed by the problem indication. Section 1.2 gives the problem statement followed by the research questions in section 1.3. The last section provides the structure of this master thesis.

### 1.1 The client company – OHRA Verzekeringen

OHRA Verzekeringen (Onderlinge ziektekostenverzekeringsfonds van Hoogere RijksAmbtenaren, from now: OHRA), founded in 1925, is a Dutch insurance company and is since 1999 part of the Delta Lloyd Group (Appendix I shows the organigram of the Delta Lloyd Group). An organigram of OHRA can be found in appendix II. Through the label OHRA, Delta Lloyd Group sells standardised life- and damage insurances to consumers in the Dutch private market via direct channels like call centers and internet. Next to the OHRA brand, OHRA offers insurance products under the brandnames Nationaal Spaarfonds, Izio and Virtes. Virtes is a so called white-label. With Virtes, OHRA gives other companies the possibility to offer insurances under their own brandname.

### 1.2 Problem indication

Because of the transparency on the internet the level of consumer switching behaviour increases resulting in more intense price competition (Coelho and Easingwood, 2004). Due to this price competition non-internet operating companies are under pressure to compress all their sources of costs and realize that they have to add the internet as an additional distribution channel to stay competitive (Coelho & Easingwood, 2004). The Delta Lloyd Group recognized this trend and responded with a change in the strategic course of OHRA. To lower the costs of doing business while at the same time respond to the increasing use of the internet by customers, the Delta Lloyd Group instructed OHRA to put more emphasis on the internet as a distribution channel (Adviesaanvraag Strategie en Structuur Directe Divisie, 2009). In 2011 OHRA wants to sell 35% of the damage insurances and 65% of the health insurances via the internet (Bremer, 2010)<sup>1</sup>. In 2010 and 2009 no division was made between damage and health insurances. In 2010 OHRA wanted to sell 50% of the insurances via the internet and in 2009 OHRA wanted to sell 35% via the internet. Due to measurement problems, OHRA does not know whether these targets are achieved.

In order to achieve the goal for 2011 OHRA started several project teams including the Channel Management Project. The goal of the Channel Management Project is to direct the customer of OHRA to the online channel (Appendix III shows the goal of the Channel Management Project the way the project's stakeholders see it). The Channel Management Project consists of eight individuals, four of them aligned to one of four different functional departments: *Internet*

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<sup>1</sup> Actual percentages are not made available by OHRA due to unreliability of those percentages

(responsible for all online activities), *Distribution* (responsible for all Business-to-Business activities like collectivity agreements), *Marketing* (responsible for all marketing activities) and *Contact Center* (responsible for all customer contact by phone). The other team members are from facilitating departments like Information Management and Functioneel Beheer. Besides the project team members, a business process consultant, two representatives of the ORHA Intelligence Team and one representative from the Information Management department are involved in the project.

To realize the goal of the Channel Management Project is of high strategic importance for OHRA. However, at this moment the project is not efficient and is not delivering much output (Appendix III shows the performance of the Channel Management Project assessed by the project's stakeholders). Therefore the Channel Management Project wants to improve its performance. Authors, like Larson and Gobeli (1987), Thamhain (1990), Katzenbach and Smith (1993), Parker (1994), Dvir, Lipovetsky, Shenhar and Tishler (1998), McDonough III (2000) and Scott-Young and Samson (2008) argue that there are certain conditions for successful project performance like clear goals (Katzenbach & Smith, 1993; Parker, 1994) and senior management support (Thamhain, 1990; McDonough III, 2000). A project should have clear goals translated into specific, measurable performance objectives (Katzenbach & Smith, 1993; Parker, 1994) and should have the support of senior management (Thamhain, 1990; McDonough III, 2000) in order to be successful.

For a comprehensive assessment of project performance the views of all the stakeholders should be considered (De Wit, 1988; Griffin & Page, 1996; Dvir et al., 1998; Wateridge, 1998; Cooke-Davies, 2002). Different stakeholders, like customers (Pinto & Prescott, 1990) and team members (Wateridge, 1998) assess project performance by different criteria, therefore a multicriteria approach is needed to assess project performance (Müller & Turner, 2007). The use of multiple criteria makes it difficult to consider a whole project as a failure or as a success (De Wit, 1988; Griffin & Page, 1996). The same project can be a success according to a customer, but a failure according to a team member (Wateridge, 1998). It is important that the criteria to assess project performance mentioned in literature are identified in order to get a complete understanding of the Channel Management Project's performance.

In order to let the Channel Management Project contribute to the ultimate goal which is more distribution via the online channel, the goal of this master thesis is to improve the performance of the Channel Management Project by identifying how the Channel Management Project should meet the conditions for project performance.

### 1.3 Problem Statement

How should the Channel Management Project of the Dutch insurance company OHRA meet the conditions for successful project performance in order to contribute to the ultimate goal which is more distribution via the online channel?

#### 1.4 Research Questions

1. What are the criteria to assess project performance?
2. What are the conditions for successful project performance?
3. To what extent does the Channel Management Project currently meet the conditions for successful project performance?

#### 1.5 Structure

The structure of this master thesis is as follows: Chapter two identifies the criteria to assess project performance. In this chapter also project teams are defined. Chapter three identifies the conditions for successful project performance. Chapter four provides the methodology. Following Chapter four the results of the research are provided in Chapter five. Finally, Chapter six provides the conclusion including the practical recommendations for the Channel Management Project. Furthermore, Chapter six provides a discussion on the findings of this research. After the discussion, recommendations for future research are provided, followed by the limitations.

## 2 The criteria to assess project performance

This chapter answers research question one: *What are the criteria to assess project performance?* Before this chapter focuses on the criteria to assess project performance, first project teams are defined in section 2.1. Section 2.2 first explains why it is difficult to assess project performance and why multiple criteria are needed to do this. Thereafter section 2.2 provides the most important criteria for project performance as identified in literature. Finally, section 2.3 provides the conclusion of this chapter.

### 2.1 Project teams defined

Since this master thesis is focused on the Channel Management Project team at OHRA, the concept project team should be defined. According to Hackman (1987) a team is an intact social system with boundaries and differentiated roles among members. These members have one or more tasks to perform resulting in group products and they will do this within an organizational context. This is a general definition. It says nothing about the size or the purpose of the team. It only says that a team is an intact social system with members working on a task within an organization. This makes Hackman's (1987) definition applicable to almost all sorts of teams within organizations. Katzenbach and Smith (1993) provide a more detailed definition of a team. They define a team as "a small number of people with complementary skills who are committed to a common purpose, performance goals, and approach for which they hold themselves accountable" (p. 112). In this definition it becomes clear that teams consists of a small number of people with complementary skills. Katzenbach and Smith (1993) do not provide exact figures on what they mean with "small number of people", although they state that the majority of teams they have met had less than ten members. That the team members have a common purpose or deliver group products is similar to the definition of Hackman (1987). Cohen and Bailey (1997) add more detail. Their definition is not applicable anymore to all sorts of teams. Cohen and Bailey (1997) provide a specific definition of project teams. Project teams are defined by Cohen and Bailey (1997) as teams, consisting of members from different functional units, used for non-repetitive, time-limited tasks such as incremental improvements or radically different new ideas, involving considerable application of knowledge, judgement and expertise. Also Pinto et al. (1993) recognize that project teams consist of individuals from multiple departments and that these teams only exist for the duration of the designated activity. A difference that can be recognized between the more general definitions of teams of Hackman (1987) and Katzenbach and Smith (1993) and the more specific definitions of project teams of Cohen and Bailey (1997) and Pinto et al. (1993) is that the members of project teams must have a different functional background. This difference in background and expertise give a project team the ability to approach its task from different angles. This, according to Parker (1994), increases the creative capacity of the team. Another difference is that project teams have a specific lifetime, whereas the definitions of Hackman (1987) and Katzenbach and Smith (1993) do not say anything about the team's lifetime. The definition of a project team that is used in this master thesis will be that of Cohen and Bailey since this definition of a project team is best applicable to the Channel Management Project.

## 2.2 Multiple project performance criteria

For a comprehensive assessment of project performance it is important that the views of all the stakeholders of a project are considered (De Wit, 1988; Griffin & Page, 1996; Dvir et al., 1998; Wateridge, 1998; Cooke-Davies, 2002). "Stakeholders refer to individuals and groups, internal and external to the organization, that are most involved in a project with a vested interest in its outcome or contribution" (Barclay & Osei-Bryson, 2010, p. 274). Researchers identified the customers or users (Pinto & Prescott, 1990; Shenhar, Levi & Dvir, 1997; Lipovetsky, Tishler, Dvir & Shenhar, 1997; Dvir et al., 1998; Wateridge, 1998; Milosevic & Patanakul, 2005; Blindenbach-Driesen, Van Dalen & Van den Ende, 2010), the project team members (Hackman, 1987; Cohen & Bailey, 1997; Hoegl & Gemuenden, 2001), the project manager (Wateridge, 1998) and the senior management (Shenhar et al., 1997; Lipovetsky et al., 1997; Blindenbach-Driesen, et al., 2010) as the main stakeholders of a project. According to Dvir et al. (1998), Cooke-Davies (2002) and Müller and Turner (2007) different stakeholders have different priorities and different personal objectives. These different priorities and objectives make them to use different criteria to assess project performance. Consequently, a multicriteria approach is needed for assessing the performance of a project.

The use of multiple criteria makes it difficult to consider a whole project as a failure or as a success (De Wit, 1988; Griffin & Page, 1996). Wateridge (1998) illustrates this: "If the project is delayed or costs more than budgeted, the benefits defined in the cost/benefit analysis are unlikely to be realised in the period required by senior management in the organisation" (p. 61). Senior management then might perceive the project as a failure. Wateridge (1998) continues: "Users will not particularly perceive a project as having failed if it is implemented a few weeks late and costs a few thousand pounds more than budgeted" (p. 61). Consequently, Griffin and Page (1996) state that because of the different stakeholders' interests firms must frequently sacrifice some level of success on one criterion to achieve success on another. In the example sketched above the success criterion of meeting budget may have been sacrificed in order to achieve success on the criterion of satisfying the user.

The difference among stakeholders also cause that project performance may not be related and may even conflict with performance at other levels in the organization (Cohen & Bailey, 1997). "A project team may be successful in terms of its goals, but not contribute to the business unit's success, because it wastes resources or hurts other efforts with which it is interdependent. Conversely, business unit's managers may make decisions that contribute to the business unit's effectiveness, but diminish a project team's effectiveness for example, by removing key personnel from one project and placing them on another more important project" (Cohen & Bailey, p. 280).

According to Hoegl and Gemuenden (2001) when using the stakeholders' subjective perceptions to assess project performance the results might be biased. This also makes it difficult to assess project performance. Biased results are also recognized by Blindenbach et al. (2010). According to Blindenbach et al. (2010) whether results suffer from informant bias depend on the criteria that are

used to assess project performance. It seems likely that measuring perceptions of less concrete criteria like customer satisfaction will always be very susceptible to informant bias (Blindenbach et al., 2010).

By reviewing literature on project performance and project success the five most important performance criteria used by other researchers are identified. Section 2.2.1 to 2.2.5 each discusses one of these five criteria used to assess project performance.

### *2.2.1 Efficiency*

Efficiency is the degree to which the project accomplished its schedule and cost goals (Milosevic & Patanakul, 2005). According to Keller (1986) a project is successful with respect to efficiency when the project stayed within budget and when the project met the assigned schedule. Most literature reviewed on project performance and project success used efficiency as a criterion to assess project performance (Keller, 1986; Pinto & Prescott, 1990; Cohen & Bailey, 1997; Lipovetsky et al., 1997; Shenhar et al., 1997; Dvir et al., 1998; Wateridge, 1998; Hoegl & Gemuenden, 2001; Milosevic & Patanakul, 2005; Scott-Young & Samson, 2008; Blindenbach-Driesen et al., 2010). Blindenbach-Driesen et al. (2010) state that efficiency suffers little from informant bias because efficiency can be measured objectively. According to Wateridge (1998) efficiency is mainly used by the project manager and by the senior management to assess project performance. Senior managers are concerned about efficiency because they set the time and budget constraints (Wateridge, 1998). Project managers are concerned about efficiency because the project managers are often judged on their ability to deliver a project on time and to budget (Wateridge, 1998).

### *2.2.2 Customer satisfaction*

Customer satisfaction is also a criterion for project performance used by many authors (Pinto & Prescott; Cohen & Bailey, 1997; Lipovetsky et al., 1997; Shenhar et al., 1997; Dvir et al., 1998; Wateridge, 1998; Milosevic & Patanakul, 2005; Blindenbach-Driesen et al., 2010). In this criterion a project is successful when the customer is satisfied with the project's outputs (Cohen & Bailey, 1997). According to Shenhar et al. (1997) and Wateridge (1998) the customer is satisfied with the outputs when the project fulfilled the needs of the customer. The other authors do not further define customer satisfaction. Lipovetsky et al. (1997) tested that customer satisfaction is the most important criterion to assess project performance in Israeli defense projects. Contrasting Blindenbach-Driesen et al. (2010) state that customer satisfaction should be assigned less weight because this criterion suffers from random and systematic error due to information bias.

### *2.2.3 Quality*

Quality is also a common used criterion for project performance (Keller, 1986; Cohen & Bailey, 1997; Lipovetsky et al., 1997; Dvir et al., 1998; Wateridge, 1998; Hoegl & Gemuenden, 2001; Milosevic & Patanakul, 2005; Blindenback et al., 2010). A project is a success in terms of quality when the output of the project meets its functional and technical specifications (Keller, 1986; Lipovetsky et al., 1997; Dvir et al., 1998) or meets expectations regarding the quality of the outcome (Wateridge, 1998; Hoegl & Gemuenden, 2001; Milosevic & Patanakul, 2005). With the terms functional specifications and technical specifications only Keller (1986), Lipovetsky et al. (1997) and Dvir et al. (1998) provide a conceptualization of quality. The other authors only mention quality and do not further state what quality actually is. However all authors mentioned above assess the performance of a project in terms of quality by comparing the project's output with on forehand stated specifications or expectations. So it can be concluded that the quality of a project depends on whether the output of the project meets the on forehand stated objectives regarding the output.

### *2.2.4 Business success*

Business success is not recognized by all research reviewed as a criterion for project performance however it can be a major indication of project success (Shenhar et al., 1997; Lipovetsky et al., 1997; Blindenbach-Driesen et al., 2010). It stands for the project's impact on the organization's sales, income, profit and market share. Business success is therefore a long-term criterion for project performance since the project's impact on the items mentioned cannot be measured directly after a project is finished (Shenhar et al., 1997). According to Blindenbach et al. (2010) when there are goals with respect to the project's impact on sales, income, profit and market share, business success suffers little from informant bias. A project is then a success when the project meets the on forehand stated goals. Although none of the authors mention the stakeholder for which business success is an important criterion, one can imagine that it is especially important for senior management. Senior management is responsible for the performance of the whole organization. The performance of a whole organization is usually expressed in, for example, annual reports in terms of sales, profit and market share.

### *2.2.5 Member attitudes*

Member attitudes is a criterion to assess project performance used by Hackman (1987), Cohen and Bailey (1997) and Hoegl and Gemuenden (2001). The criterion consists of team members' satisfaction with the project, commitment to the project and learning. Team members get the opportunity to learn social, project management, technical and creative skills when working in projects and thus may perceive the project as a success when they have learned something (Hoegl and Gemuenden, 2001). Besides, a project is assessed as a success by this criterion when the team members are committed to and satisfied with the project (Cohen & Bailey, 1997).

### 2.3 Conclusion

This chapter first defines project teams. Project teams are defined as teams, consisting of members from different functional units, used for non-repetitive, time-limited tasks such as incremental improvements or radically different new ideas, involving considerable application of knowledge, judgement and expertise. Thereafter, this chapter focuses on answering research question one: *What are the criteria to assess project performance?*

A project has different stakeholders. These stakeholders are the project team members, the project manager, the customers and the senior management. Because these stakeholders have different priorities and personal objectives they use different criteria to assess project performance. Therefore multiple criteria are needed to assess project performance. The most important criteria identified in literature are efficiency, customer satisfaction, quality, business success and member attitudes. Using all these criteria to assess project performance makes it difficult to consider a whole project as a failure or as a success. A project can be a failure using one criterion to assess project performance and can be a success using another criterion to assess project performance.

### 3 The conditions for successful project performance

This chapter answers research question two: *What are the conditions for successful project performance?* The sections 3.1 to 3.5 each focus on one condition for successful project performance. The final section provides the conclusion.

#### 3.1 Clear goals

Due to the cross-functional nature of a project team goal conflicts between the project team's members can occur. Pinto et al. (1993) provide an explanation for this: "In theory, different functional areas within an organization should possess complementary goals that are derived from a set of general, organization-wide goals. In practice, however, overall goals are often broken down into specific functional objectives that conflict with each other" (p. 1284). When functional objectives conflict with each other and individuals from different functional departments are brought together in a team, conflicts on goals might arise. According to Hackman (1987), Pinto et al. (1993), Parker (1994), McDonough III (2000), Goold and Campbell (2003) and Mathieu, John, Marks and Zaccaro (2010) clear and common project goals will reduce or even prevent conflict caused by different objectives. With clear and common project goals, team members tend to work collectively towards the common goal.

To prevent the emergence of conflicts on goals and on expectations later on in the project, the goal setting process should start as early as possible (Shenhar et al., 1997). By this means everyone knows from start what the expectations are (Shenhar et al., 1997). The team members might not be willing to cooperate when they do not participate in the goal setting process (Randolph & Posner, 1988). Therefore, all members should participate in the goal setting process and should agree with the project goals (Randolph & Posner, 1988).

Team members should be reminded daily to what they are trying to accomplish and of how their own objective relates to the project goal (Randolph & Posner, 1988). When there are no clear project goals it is difficult to remind the project team members of how their own objective relates to the project goal, simply because there are no goals to refer to (Randolph & Posner, 1988). As a consequence, team members lose sight of the purpose of the project and see their tasks as day-to-day activities and become less motivated to complete the project (Randolph & Posner, 1988).

According to Katzenbach and Smith (1993) the best teams "translate their common purpose into specific performance goals" (p. 113). With this, Katzenbach and Smith (1993) mean that there should be specific, measurable objectives mentioned in the goals. For example, when the purpose of the team is to reduce costs, a certain percentage that has to be reached has to be mentioned in the goal. By establishing specific performance goals, Katzenbach and Smith (1993) state that the goals can become a 'powerful engine of performance': "If a team fails to establish specific performance goals or if those goals do not relate directly to the team's overall purpose, team members become confused, pull apart, and revert to mediocre performance. By contrast, when

purposes and goals build on one another and are combined with team commitment, they become a powerful engine of performance" (p. 113).

Clear goals are also needed for performance evaluation (Shenhar et al., 1997). Certain project performance criteria, like quality and efficiency (see section 2.2.1, p. 12 and section 2.2.3, p. 13 for more information on these criteria) can only be assessed if the actual performance outcomes of the project can be compared with on forehand stated project goals. When the goals are not clear this is not possible. Moreover, goals are also important to assess the project while it is in progress. According to Katzenbach and Smith (1993) a team with clear measurable objectives knows throughout the process where it stands. With clear goals a team can compare its actual performance with the, on forehand stated, expected performance. By doing this the team knows whether it is performing as it should be.

### 3.2 Authority of the project manager

Authority is defined by Cleland (1987) as the legitimately attached power to command others to act or not to act. Authority is appointed to the project manager and/or the functional manager. The functional manager is responsible for a functional department such as marketing, production and accounting (Ford & Randolph, 1992). A project consists of employees from such functional departments and is managed by a project manager. Thereby these employees fall under the supervision of both a functional manager and a project manager (Ford & Randolph, 1992). When authority is ambiguously appointed to the project manager and the functional manager, it will be unclear who is responsible for decision making (Ford & Randolph, 1992) and thus it will be unclear who is in charge to command the team members to act. Discussions that stem from these issues may create hold-ups in the project which causes the project to take longer, negatively impacting project performance (Ford & Randolph, 1992). It might even be possible that decisions are made not in favour of the project, for example that no resources will be allocated to the project. With no or less resources to spend on project activities the project cannot fully complete its tasks, causing the project to perform less successfully (Donnellon, 1993).

To overcome the discussions and problems that stem from authority struggles, several authors like Larson and Gobeli (1987), Ford and Randolph (1992), Donnellon (1993), Parker (1994), McDonough III (2000) and Goold and Campbell (2003) recommend clarifying authority. When it is clear who is in charge and who decides what, there will be no or less discussions. According to Donnellon (1993), in order to enhance project performance, the functional managers should not have the authority to demand "the use of team members' time for the achievement of functional sub goals at the expense of achieving team goals" (p. 389). So the work on project tasks should get a higher priority than the work on functional tasks in order to enhance project performance. However, when the functional managers are held accountable by senior executives for the achievement of functional sub goals, the functional managers cannot be expected to give up their authority (Donnellon, 1993). When functional managers are expected to achieve certain functional

objectives they will allocate the time of their employees to functional tasks, rather than to project tasks (Donnellon, 1993).

According to Larson and Gobeli (1987), authority can be appointed in three different ways: functional, project and balanced. In the functional form, the project manager's role is limited to coordinating the efforts of the functional groups involved. The functional managers are responsible for the design and completion of the project. The project manager has limited authority and acts as a staff assistant monitoring the project. In the project form, the functional manager only provides services and advisory support. The project manager has the direct authority to make decisions about personnel and work flow activities (Larson & Gobeli, 1987). In the balanced form, "the project manager is responsible for defining what needs to be accomplished while the functional manager is responsible for defining how it will be accomplished" (Larson & Gobeli, 1987, p. 128). Both the functional and the project manager share responsibility and authority over work flow operations.

Larson and Gobeli (1987) tested the effectiveness of the three forms. The functional form is tested as not effective. This form causes poor project performance. In this form, the manager with the authority is the functional manager. As already mentioned, when a functional manager who is held responsible for the performance of his department has to make a decision that either improves project performance or his functional department performance, he will choose in favour of his own department (Donnellon, 1993).

The project form is tested as most effective. Power struggles are diminished in this form, because senior management has appointed the authority to the project manager. He can make the final decisions. This will enhance project performance because decisions, on human resources for example, are made fully in the interest of the project. When the team members have to spend more time on the project, thus less on the functional tasks, this would not cause problems between the functional manager and the project manager because the project manager has all the decision power (Larson & Gobeli, 1987).

The balanced form was also rated as effective but not as effective as the project form. In the balanced form, with shared authority between the project and the functional manager, many decisions require discussion. This takes time and as a result the performance in terms of reaction time is lower in the balanced form. Furthermore, power struggles between the project manager and the functional manager may occur, since authority is negotiable under the balanced system (Larson & Gobeli, 1987).

### 3.3 Tasks and responsibilities of the project manager

Project managers usually do not directly participate in the main tasks of a project. They are more enablers and coordinators of the whole project process (McDonough III, 2000). Planning is one of the most significant managerial practises of project managers according to Thamhain (1990),

Crawford (2000) and Hyväri (2006). Planning is important for meeting deadlines and for keeping every team member focused. When every member knows what to do at a certain point, the process will run smoothly. In the planning phase, the project manager should play an important role in the goal setting of the project. Due to the variety of team members' backgrounds in project teams, project managers should facilitate the integration of the different goals of the diverse team members (Thamhain, 1990; Parker, 1994; Mathieu et al., 2001). These goals should be translated into objectives. Team members can then work towards these objectives and will stay on track because they know precisely what they have to do (Katzenbach & Smith, 1993). Furthermore, the project manager is also responsible for the scheduling of team meetings (Hyväri, 2006). Meetings will keep the team focused on their task (Hyväri, 2006).

Networking is also identified as one of the most important practises of project managers (Thamhain & Gemmill, 1974; Barczak & Wilemon, 1989; Thamhain, 1990; Ford & Randolph, 1992; Parker, 1994; McDonough III, 2000; Mathieu et al., 2001; Hyväri, 2006). Networking is often conceptualized as managing the relationship with key external and internal stakeholders. Key external stakeholders could be the functional managers and customers for example. This relationship management is important, especially managing the contacts with senior management, in order to obtain the necessary resources for the team. According to Barczak and Wilemon (1989) the project manager should educate senior management to ensure they have a proper perspective of what the resources required are and why they are needed, otherwise it is possible that management will not provide the resources. Besides managing external relationships, project managers should also, according to Lovelace, Shapiro and Weingart (2001), manage the relationship with and between key internal stakeholders which are the team members. Manage relationships between the team members will lessen the negative effects of conflicts. When the team members have a good relationship with each other, conflicts will be easily solved and will not lead to negative consequences for team performance (Lovelace et al., 2001).

When conflicts still do arise, another important task of the project manager is solving those conflicts. Because the project manager is independent due to the fact that he is not aligned to a functional department, he is the best person to handle conflicts and disagreements between team members (Barczak & Wilemon, 1989; Parker, 1994; Mathieu et al., 2001). According to Barczak and Wilemon (1989) most managers resolve conflicts by bringing the parties together and engaging them in discussing the problems and its solutions. According to Thamhain (1990) it is better when project managers focus on problem avoidance in order to save time and effort. They should "recognize potential problems and conflicts at their onset and deal with them before they mature and their resolutions consume a large amount of time and effort" (Thamhain, 1990, p. 16).

### 3.4 Senior management support

Senior management support is recognized by many authors as a very important condition for successful project performance (Thamhain, 1990; Zirger & Maidique, 1990; Katzenbach & Smith, 1993; Hershock, Cowman & Peters, 1994; Parker, 1994; McDonough III, 2001; Nakata & Im,

2010). When senior management is committed to the project, the likelihood of project success increases (McDonough III, 2000). On the other hand, when there is a lack of support, the chances of failure will increase (McDonough III, 2000).

The most important performance enhancing benefit for project teams when the team is supported by senior management is the provision of resources. This is identified by all authors mentioned above. Hershock et al. (1994) state that "once management start up teams, it cannot put handcuffs on them by restricting their flow of money" (p. 102). According to Zirger and Maidique (1990), the capital resources necessary for a project team to perform well are not likely to be approved when there is no senior management support. When the project team has no capital resources available, it will be more difficult to get things done. Another benefit for project teams when senior management provides support is that the team more easily can overcome obstacles (Hershock et al., 1994). For example, when the team has difficulties in getting things done in a certain organizational department, senior management can force this department to cooperate with the project team.

Senior management should also provide support to the project team by carrying out the importance of the project team's work to the whole organization (Thamhain, 1990; Katzenbach & Smith, 1993; McDonough III, 2001). When everyone in the organization is conscious of the importance of the work of the project team, a climate of active participation at all organizational levels is created (Thamhain, 1990). The project team then will more easily get things done across the different organizational departments because everyone understands that the team's work contributes to the organizational mission. Senior management can do this by creating a "priority image" for the project (Thamhain, 1990, p. 14). According to Thamhain (1990), this image is created when the project objectives and their importance to the organizational needs are clear to all personnel. This will be reached when the top-down goal and mission remains stable and are communicated by senior management across the organization.

### 3.5 Rewards

Rewards are important for project teams (Nakata & Im, 2010). As already mentioned, because of the variety of members in project teams, goal conflicts can occur. Rewarding the collective team goal, instead of the personal goals of members will remove all grounds for conflicts about different priorities, because every member has the same priority. "By replacing individual rewards with a universal one, conflicting priorities are reduced and cooperative behaviours are elevated" (Nakata & Im, 2010, p. 559). Also Denison et al. (1996) and Guthrie and Hollensbe (2004) state that rewards should be focused on team performance. This will lead to greater alignment with group and organizational goals which enhances project performance.

When rewarding individual goals, however, a reward system could also diminish team effectiveness (Hackman, 1987). Members will then only focus on their own functional goals, which may create conflicts and problems because the members are not committed to the project's goals.

Nevertheless, goals that are focused on cooperation and teamwork can be rewarded on individual basis. Team members should be rewarded for actions focused on cooperation and teamwork because cooperation and teamwork may improve the overall performance of the team (Parker, 1994). These rewards do not always have to be in the form of monetary compensation. There are many other ways to reward team performance. "From having a senior executive speak directly to the team about the urgency of its mission to using awards to recognize contributions" (Katzenbach & Smith, 1993, p. 118).

### 3.6 Conclusion

This chapter identifies the conditions for successful project performance and thereby provides the answer to research question two: *What are the conditions for successful project performance?* The first condition for successful project performance is clear goals. Projects should have a clear goal that is translated into specific, measurable performance objectives. The second condition for successful project performance relates to the authority of the project manager. The project manager should have the authority to make decisions about personnel and work flow activities. The third condition for successful project performance relates to tasks and responsibilities of the project manager. The project manager should be responsible for the planning of the project. Furthermore, the project manager should manage the relationship with senior management and other key stakeholders in order to obtain the necessary resources for the project team. Senior management support is the fourth condition for successful project performance. Senior management should support the project team by providing resources and by carrying out the importance of the project to the whole organization. Finally, the project team members should be rewarded collectively instead of individually for realizing the project's goals and they should be rewarded for cooperation.

## **4 Methodology**

This chapter outlines the methodology of this master thesis. It starts with the research design, followed by the data collection method. Furthermore, this chapter pays attention to the sample and the method used for the data analysis.

### 4.1 Research design

The research design in this master thesis is descriptive. Descriptive research is defined by Saunders, Lewis and Thornhill (2009) as "research for which the purpose is to produce an accurate representation of persons, events or situations" (p. 590). Since this master thesis produces an accurate representation of the Channel Management Project the descriptive research design is applicable. According to Saunders et al. (2009) when doing descriptive research "it is necessary to have a clear picture of the phenomena on which you wish to collect data prior to the collection of the data" (p. 140). In this master thesis the theoretical framework provides a clear picture of the phenomena on which the data is collected (the theoretical framework is provided in Chapter 2 & Chapter 3, p. 10-20).

Since this master thesis addresses an important issue for OHRA and is of direct and immediate relevance to the Channel Management Project team the term applied research is also applicable to this master thesis. Applied research is defined by Saunders et al. (2009) as "research of direct and immediate relevance to practitioners that addresses issues they see as important and is presented in ways they can understand and act upon" (p. 587).

### 4.2 Data collection

In order to research to what extent the Channel Management Project currently meets the conditions for successful project performance, non-standardised, semi-structured interviews are used. Semi-structured interviews are defined by Saunders et al. (2009) as a "wide-ranging category of interview in which the interviewer commences with a set of interview themes but is prepared to vary the order in which questions are asked and to ask new questions in the context of the research situation" (p. 601). The interviews are audio-recorded, face-to-face and take approximately one hour each. The set of interview topics are derived from the theoretical framework (the theoretical framework is provided in Chapter 2 & Chapter 3, p. 10-20) and are displayed in Table 2 – Interview topics (p. 22). Because all interviews in this master thesis are transcribed, that is reproduced as a written account using the actual words (Saunders et al., 2009), the data are non-numeric. According to Saunders et al. (2009) when data are non-numeric the data is qualitative.

The use of interviews is the best suitable data collection method for this research for several reasons. First of all, the opinions of the research participants are needed and when this is the case,

non-standardised interviews are needed according to Saunders et al. (2009). Second, semi-structured interviews provide the possibility to 'probe' answers when the interviewer wants the interviewees to explain, or build on, their responses (Saunders et al., 2009). The possibility to probe answers is important for this research because the meanings that participants ascribe to the interview topics can then be understood which will add significance and depth to the data obtained (Saunders et al., 2009). Third, using semi-structured interviews is the best way to collect data because of the relative small sample size that is used (for more information on the sample, see section 4.3, p. 22). Using a questionnaire is not an option because then the results would be insignificant due to the small sample size.

Table 2 – Interview topics

<i>Interview topic</i>	<i>Definition</i>
Clear goals	Refer to the goals and performance objectives of the Channel Management Project in the way the respondent sees it.
Authority of the project manager	Refers to the degree to which the project manager has the power to command the team members and the management to act and the degree to which the project manager is allowed to make decisions about personnel and work flow activities
Tasks and responsibilities of the project manager	Refer to the tasks and the responsibilities the project manager performs or should perform
Senior management support	The senior management consists of the department managers of the departments Marketing, Distribution, Contact Center, Internet and of the directors of OHRA. Senior management support refers to the role of and support provided by senior management in the Channel Management Project.
Rewards	Refers to the degree to which team members are rewarded for participation in and performance of the Channel Management Project.
Project performance	Refers to the performance of the project assessed by efficiency, quality and member attitudes. The performance cannot be fully assessed at this moment because the project is still running. However the project already delivered output so the performance of the project so far can be assessed. Business success is not taken into account since business success is a long-term criterion and the project is not finished yet. Customer satisfaction is also not taken into account since it would take too much time to interview a representative number of customers. Furthermore it is questionable whether customers are willing to cooperate and are able to reflect on the Channel Management Project in particular.

#### 4.3 Sample

This master thesis uses purposive sampling which allows the researcher to select cases that will best enable the researcher to answer the research question (Saunders et al., 2009). In this master thesis all the stakeholders of the Channel Management Project who are able to indicate to what extent the Channel Management Project currently meets the conditions for successful project performance are selected. This is a non-probability sampling technique. According to Saunders et al. (2009) non-probability sampling is needed when undertaking an in-depth study that focuses on

one case selected for a particular purpose. In this master thesis the Channel Management Project is selected, so a non-probability sampling technique is suitable.

The sample consists of six project team members, the project manager, the senior department managers of the departments Marketing, Distribution, Contact Center and Internet, the first project manager (who was responsible for the start up of the project), the CEO of OHRA and the director of the Marketing & Sales departments. In total fourteen individuals are interviewed. Although the customers can also be seen as a stakeholder of the Channel Management Project they are not selected. The customers cannot reflect on the extent to which the Channel Management Project currently meets the conditions for project performance.

#### 4.4 Data analysis

To reduce and analyse the data, a data display is made. According to Huberman and Miles (1983), data reduction is not something separate from analysis. "It is analysis of a form which sharpens, sorts, focuses, throws away, organizes and clarifies data in such a way that final analysis can occur coherently" (Huberman & Miles, 1983, p. 331). In a data display the transcribed data can be reduced quickly and without too much loss of relevant detail (Huberman & Miles, 1983). In the data display used in this master thesis the interview topics are listed horizontally and the respondents and the functions of the respondents are listed vertically, forming a matrix. The response of each respondent per topic can be displayed in the matrix. Relationships, key themes and patterns in the data can then be identified (Saunders et al., 2009). This makes it easy to draw conclusions since the data are now reduced and organized. Furthermore, according to Huberman and Miles (1983), a data display permits an external audit which allows reproducibility of findings.

## 5 Results

This chapter provides the answer to research question three: *To what extent does the Channel Management Project currently meet the conditions for successful project performance?* The chapter provides the responses of all interviewees grouped by the different interview topics as stated in Table 2 – Interview topics (p. 22). For the actual words used by the interviewees, see appendix III – Data Display (p. 40-70).

### 5.1 Goals of the Channel Management Project

Most respondents state that the goal of the Channel Management Project is to direct the customer of OHRA to the online channel. Some respondents mention a second goal which they call the mentality change. Changing the mentality implies that the project should make sure that at a certain moment everyone in the company is permeated with the importance of the internet.

The goal of the Channel Management Project is not translated into specific performance objectives. Therefore no one exactly knows what the project should specifically deliver. The respondents provide some reasons for the absence of specific performance objectives. One project team member states that the lack of specific performance objectives is a general problem at OHRA. According to other respondents the specific contribution of the Channel Management Project towards the overall channel management target cannot be measured because the Channel Management Project is not the only project that contributes to the achievement of the overall channel management target.

It is even questionable whether the use of the channels can be measured in general. The CEO states that OHRA only measures whether an insurance is sold via the internet or via the Contact Center. Whether the customer orients itself via the internet or via the Contact Center is not measurable. In an informal, not recorded conversation on the 28<sup>th</sup> of December 2010 with a department manager it became clear that even the figures on the channels through where the insurances are sold are not used anymore because the department managers have doubts on the reliability of those figures due to measurement problems.

### 5.2 Authority of the project manager

The functional departments Marketing, Internet, Contact Center and Distribution, called line of business by the respondents, are responsible for the implementation of the Channel Management Project. The project team only generates ideas to direct the customer to the online channel and these ideas have to be implemented by the line of business. According to all respondents, the line of business is responsible for the implementation of the project's ideas because the Channel Management Project does not have its own budget. Therefore, the project cannot implement the

ideas by itself and should use the human and monetary resources from the functional departments to implement its ideas. Most respondents think using the personnel from the functional departments to direct the customer to the online channel has a major advantage. In this manner the personnel from the functional departments will automatically be permeated with the importance of the internet.

The department managers decide whether priority is given to the Channel Management Project or not. When no priority is given, no capacity in the form of monetary and human resources is provided to the Channel Management Project, causing the project's ideas not to be implemented. According both the department managers and most project team members the project manager has no authority because the department managers control the resources and make the decisions: "In fact you cannot decide on the resources of someone else" (Project team member). The project manager thinks she has no authority and sees her role as purely coordinating. She is only allowed to decide when she is supported by the department managers.

### 5.3 Senior management support

Providing resources is one of the ways through which senior management, consisting of the department managers and the directors, can support the Channel Management Project according to the respondents. The respondents tell that the Channel Management Project had its own budget when the project started but this budget was taken away by senior management in order to use it in other projects. The Channel Management Project is not stopped because it can use the human and monetary resources of the line of business for implementation instead of an own budget: "We will do everything we can in the line of business" (Department manager).

Budget is not provided and is replaced by human and monetary resources from the line of business, called capacity by the respondents. Therefore, in order to assess the level of senior management support, the respondents are asked to what degree capacity is provided to the Channel Management Project. According to the project team members and the project manager the Channel Management Project receives too little capacity: "For a project there have to be time and resources available and this is not the case" (Project team member). The project manager states that often more capacity is provided to the departmental activities because these activities contribute more to the realization of the department's target. One department manager indeed thinks that senior management could provide more capacity because sometimes the implementation of the project's ideas takes too long due to capacity issues. In contrast another department manager states that she does provide a lot of capacity for the Channel Management Project.

Another way through which senior management can provide support for the Channel Management Project according to the project team members, the project manager and the first project manager is by carrying out the importance of the project towards the rest of the organization. This contributes to the understanding of the importance of the Channel Management Project by the

employees of OHRA. Unfortunately, carrying out the importance of the Channel Management Project by senior management happens not sufficiently according to most of the project team members, the project manager and the first project manager.

The feeling among most of the project team members and the project manager is that senior management is not interested in the Channel Management Project. Some team members and the project manager state that senior management does nothing with the input it gets from the project team. Other team members state that senior management provides no direction to the project and one team member questions herself whether senior management understands what needs to happen in the project. Furthermore, the respondents think that the decision to take away the budget of the Channel Management Project provided the wrong signal to the organization. Without budget the Channel Management Project became a really small project with low expectations.

In contrast with the opinion of most of the project team members, the project manager and the first project leader, the department managers state that they are interested in and committed with the Channel Management Project. They have a channel management target and think that channel management is a responsibility both of the senior management and the rest of the organization. In addition, the department managers think it is a task of the Channel Management Project to carry out its importance to the rest of the organization. The project could do this by more frequently communicating its achievements. By doing this the project will inspire other employees to come up with channel management ideas themselves according to the department managers.

The CEO states that his role in changing the mentality is really important. He thinks he should take the lead in carrying out the importance of the internet although he had no time for it the past year. However, carrying out the importance is placed on the agenda for 2011. The Marketing and Sales director had never heard of the Channel Management Project before the interview. This could have been caused by the fact that she just recently started working for OHRA<sup>2</sup>. Nevertheless she is also convinced that it is important to direct the customer of OHRA to the online channel.

#### 5.4 Tasks and responsibilities of the project manager

The project manager, the department managers and the project team members have a common view on the tasks and responsibilities a project manager should have. A project manager should monitor the progress of the project, identify bottlenecks and inform and update the management. Furthermore a project manager has to make a good planning. The project team members add some more tasks and responsibilities. The project manager should make sure that the project team members live up to the agreements made. In addition, she should facilitate people by making sure that they can spend time on channel management. Next to this, when there are difficulties she should moderate these. Besides these tasks she should provide clarity on the targets of the

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<sup>2</sup> October 2010

Channel Management Project and she should act as the contact person between the department management and the project.

Two department managers think however that the updates of the project manager are too general whereby they could not mention many of the things the project achieved. The reports of the project manager should be more focused on concrete plans, deliverables and ideas of the project according to those managers. Furthermore, the department managers think the project manager should make sure there is commitment from the parties involved. One department manager and the Marketing and Sales director think the senior management should be more involved by the project. The department manager states that The Channel Management Project team should make its ideas more clear. The project manager should ask for the opinion of the department managers on the ideas of the project and should specifically ask for budget. Making ideas specific and ask specifically for budget is important according to the department manager because when the department managers have an indication on the deliverables they will easier provide budget: "When you need money as a project, you have to make clear why you need it" (Marketing & Sales director)

According to two project team members the Channel Management Project does not have a real project manager. The project is not managed by someone who is formally a project manager. The first, formal project manager was cut from the project due to cost savings. Now the marketing representative has the task to act as a project manager. That is why these two project team members state that the Channel Management Project does not have a project manager. Because the current project manager performs the tasks of a real project manager, the other respondents do see her as a real project manager.

### 5.5 Rewards

OHRA does not make use of rewards or incentives for specific project work. According to the project team members it is part of their jobs to participate in projects so they do not need extra rewards in order to be motivated to work on the Channel Management Project: "I do not have the idea that you need to be rewarded externally when you participate in a project, I think it is just part of your job" (Project team member).

According to the department managers project participation is part of employees' daily jobs and from that perspective, project work makes part of the regular assessment and reward system. The project members do get assessed on their participation in projects however only on participation in projects in general. Nevertheless, according to one manager it is important to 'reward' project team members for specific project results by celebrating project successes with a drink for example. Although, according to a team member this seldom happens.

The department managers themselves also do not get specifically rewarded when the Channel Management Project delivers certain results. However, the department managers do have a Key

Performance Indicator on realizing the ultimate goal and therefore they will get rewarded indirectly for project successes. The department managers have to do more business via the online channel. So when the Channel Management Project directs more customers to the online channel, this will contribute to the KPI of the department managers.

#### 5.6 Performance of the Channel Management Project

Assessing the performance of the Channel Management Project is difficult for the respondents. OHRA has measurement problems and therefore the respondents cannot indicate to what degree the Channel Management Project directs customers to the online channel. Thereby the progress of the project is unknown. Furthermore, there are no specific performance objectives for the Channel Management Project, so there are no on forehand expectations regarding quality of the outcome. Besides, the project is still running which also makes it difficult to assess its performance. However the department managers and the CEO conclude that OHRA is on the right track in doing more business via the internet in general. The number of telephone calls in the Contact Center is already reduced and the financial overviews show a pull towards the internet.

Certain initiatives of the Channel Management Project are already implemented so for the respondents it is possible to reflect on those results. Examples of implemented initiatives are provided by the respondents. Forms are made available online, declarations can be done online, delivery confirmations are sent by email, health compensation schemes are available online, telephone numbers are replaced by internet addresses and telephone cue times are displayed online. Some project team members think these results are not really spectacular. The implemented initiatives were easy to realize and did not cause something big. Other project team members and two department managers do think that given the fact that there is no budget it is an achievement that the project delivered all these things. However, according to the two department managers, the results can be better when the project has more resources available.

When the respondents were talking about the performance of the Channel Management Project, some of them reflected on the degree to which the mentality is changing. A change in mentality refers to the second goal of project which was not recognized as a goal by all the respondents. At one hand there are respondents who conclude that not many employees are permeated with the importance of the internet. On the other hand three of the four department managers and the CEO do recognize that more employees are concerned with the internet.

Although the Channel Management Project has no budget and no deadlines the respondents provide their opinion on the efficiency of the project. The general view among the respondents is that the project is not efficient because the project takes too long. According to the team members this is caused by a number of things. First, other projects on where the Channel Management Project relied had problems in their start up phase which automatically delayed the Channel Management Project. Second, the project team discusses the same things over and over again because it is not clear what needs to happen. Third, too many people want to say something about

the initiatives of the Channel Management Project making it difficult to get things done quickly. Fourth, capacity is not always provided.

Using the attitudes of the team members, the performance of a project can also be assessed. Some team members are satisfied that the project contributes to the cooperation between the different participating departments. They learn how to cooperate in a better way. Also the department managers are satisfied with this contribution. Furthermore, the team members are satisfied that the project achieves certain results despite of the efficiency problems. Nevertheless, the efficiency problems also caused some negative attitudes towards the project. Some members think the project lost its energy because of the lack of efficiency. Others state that there is not happening much at this moment.

## 5.7 Conclusion

This chapter answers research question two: *To what extent does the Channel Management Project currently meet the conditions for successful project performance?* Currently no condition is met by the project. The condition related to clear goals is not met because the goal of the Channel Management Project is not translated into specific, measurable performance objectives. The project currently also does not meet the condition related to authority of the project manager because the project manager has little or no authority. Furthermore, the project does not receive budget from senior management and senior management does not carry out the project's importance, indicating that the condition related to senior management support is not met. The condition tasks and responsibilities of the project manager is not met for the reason that the project manager does not have a detailed planning since there are no objectives and does not manage the relationship with senior management. Finally, the condition regarding rewards is not met because the project does not make use of rewards for cooperation and does not reward the team members collectively for realizing the project's goals.

The performance of the Channel Management Project is also assessed by the respondents. The use of quality as a criterion for project performance is difficult. Since there are no beforehand stated objectives, it cannot be concluded whether the output of the project meets the on beforehand stated objectives and expectations regarding the output. Therefore whether the project is a success in terms of quality is unknown. Using the efficiency criterion it can be concluded that the project is not successful since the respondents indicate that the project takes too long. When the project's performance is assessed in terms of member attitudes it cannot be said that the project is a success. Nevertheless, the project can also not be considered as a failure. Team members are satisfied that the project delivers certain output despite of the efficiency problems and the lack of budget. However some team members state the project lost its energy and one member thinks there is not happening much at this moment. These members are not satisfied with the project.

## 6 Conclusion, discussion and recommendations

This chapter starts with the conclusion of this master thesis. The answer on the problem statement includes the practical recommendations for OHRA. In addition, this chapter provides a discussion on the findings of the research. Thereafter, this chapter provides recommendations for future research. Finally, the main limitations of this research are provided.

### 6.1 Conclusion

By means of a literature study and interviews this master thesis focuses on answering the following problem statement: *How should the Channel Management Project of the Dutch insurance company OHRA meet the conditions for successful project performance in order to contribute to the ultimate goal which is more distribution via the online channel?* In order to answer this question three research questions are answered.

The first research question is: *What are the criteria to assess project performance?* Literature indicates that there are five important criteria that can be used to assess project performance. The first criterion is efficiency. A project is successful in terms of efficiency when the project stayed within budget and when the project met the assigned schedule. The second criterion is customer satisfaction. With respect to this criterion a project is successful when the customer is satisfied with the project's outputs. The third criterion to assess project performance is quality. A project is a success in terms of quality when the output of the project meets its functional and technical specifications or meets expectations regarding the quality of the outcome. Business success is the fourth criterion to assess project performance. It stands for the project's impact on the organization's sales, income, profit and market share. When a project meets the on forehand stated goals with respect to sales, income, profit and market share, the project is successful according to the business success criterion. The final criterion to assess project performance is member attitudes. This criterion consists of team members' satisfaction with the project, commitment to the project and learning. When team members are satisfied with, committed to and learned from the project, the project is successful following this criterion.

The second research question is: *What are the conditions for successful project performance?* The literature study indicates that there are five conditions for successful project performance. The first condition is clear goals. Projects should have a clear goal that is translated into specific, measurable performance objectives. The second condition for successful project performance is authority of the project manager. A project performs best when the project manager has the authority to make decisions about personnel and work flow activities. Tasks and responsibilities is the third condition for successful project performance. The project manager should be responsible for the planning process. In addition, the project manager should manage the relationship with senior management and other key stakeholders in order to obtain the necessary resources for the

project team. The fourth condition for successful project performance is senior management support. Senior management should support the project team by providing resources and by carrying out the importance of the project team's work to the whole organization. The final condition for successful project performance is rewards. Project team members should be rewarded collectively instead of individually for realizing the project's goals. Next to this, there should be rewards focused on cooperation.

By means of fourteen interviews with key stakeholders of the Channel Management Project the third research question is answered: *To what extent does the Channel Management Project currently meet the conditions for successful project performance?* At this moment no condition is met by the project. The first condition related to clear goals is not met because the goal of the Channel Management Project is not translated into specific, measurable performance objectives and the degree to which the project directs the customer to the online channel cannot be measured. The second condition related to authority of the project manager is not met because the project manager has little or no authority. Tasks and responsibilities of the project manager is the third condition which is currently not met by the project. The project manager does not perform well in planning because there are no objectives. Besides she does not sufficiently manage the relationship with senior management. Also the fourth condition, senior management support, is not met. The project lacks support from senior management because senior management does not provide budget to the project. In addition, senior management does not carry out the importance of the project. The final condition related to rewards is currently not met by the Channel Management Project because the project does not collectively reward the team members for realizing the project's goals and there are no rewards focused on cooperation.

The answers on the research questions make it possible to answer the problem statement: *How should the Channel Management Project of the Dutch insurance company OHRA meet the conditions for successful project performance in order to contribute to the ultimate goal which is more distribution via the online channel?* Below, each section includes one condition for successful project performance and shows how this condition should be met by the Channel Management Project. By this means the practical recommendations for the Channel Management Project are included in the answer on the problem statement.

In order to become more efficient, the Channel Management Project should translate its goal into specific, measurable performance objectives. Thereby the team members know the objectives, resulting in less discussion on the things the project should accomplish. Furthermore, the progress of the project can be monitored in a better way when the goal is translated into measurable performance objectives. This enables the project manager to monitor whether the project is on the right track. When it turns out the project is going in the wrong direction, measures can be taken immediately. Additionally with specific, measurable performance objectives meeting other conditions for project performance is made easier. The objectives can be communicated to the rest of the organization and to senior management. By this means, senior management becomes enabled to carry out the importance of the project. In addition the project manager will be able to

inform senior management in more detail about the project. Besides, the project manager can plan the project in a better way because she can focus the planning on realizing the objectives.

The project manager should have more authority to meet the second condition for project performance related to authority of the project manager. The balanced form is proposed in where the project manager and the department managers share the authority. Sharing authority requires the project manager and the department managers to discuss decisions about personnel and work flow activities. When decisions about personnel and work flow activities are discussed the project is more likely to receive priority. More personnel will be made available for the project. This will improve the performance of the project because the project's ideas will be faster implemented. The project can do more in less time enabling the project to contribute more to the ultimate goal. Sharing authority also has a disadvantage. Discussion that stems from shared decision making takes time and this will negatively influences efficiency. However, when decisions are discussed it will also result into a more and better informed senior management.

The third condition for successful project performance is met when senior management supports the Channel Management Project more. Senior management should support the project by providing budget. At this moment providing budget is difficult since all budget is spend on other projects. When new budget becomes available, senior management should reserve a part of it for the Channel Management Project. Doing so, the project does not depend on the line of business anymore and can directly implement its ideas. Another way for senior management to support a project is carrying out the importance of it. Senior management should make sure that everyone in the organization knows the goal and objectives of the Channel Management Project. This makes it easier for the project to get things done. At the same time, the Channel Management Project itself should also more carry out its importance by communicating its achievements to the rest of the organization.

The project manager should make a clear planning with deadlines in order to meet the fourth condition for successful project performance related to tasks and responsibilities of the project manager. This will keep the team members focused and will make the project's efficiency measurable. With focused team members the project can contribute to the ultimate goal in a better way. Furthermore the project manager should inform senior management in detail in order to meet the fourth condition for successful project performance. Senior management thinks the updates of the project manager are too general and it cannot mention many of the things the project has achieved. When there are specific, measurable performance objectives senior management can be informed on those objectives in detail. Informing senior management is important because senior management should know why budget is needed. When the senior managers know this it will be more easily for them to allocate budget to the Channel Management Project.

It is questionable whether meeting the final condition for project performance, rewards, will improve the project's performance. At this moment, the project team members are not rewarded for cooperation and for realizing the project's goals. However, the project team members indicate

that they do not need rewards in order to be motivated. Furthermore, they indicate that cooperation is going well.

## 6.2 Discussion

To have a clear goal which is translated into specific, measurable performance objectives turns out to be much more important than recognized in literature. As the findings of this study indicate, the tasks and responsibilities of the project manager depend on specific, measurable performance objectives. The lack of specific, measurable performance objectives causes the project manager not being able to make a detailed planning and set deadlines. Next to this, the project manager is also not able to tell senior management why resources are needed. As indicated by a senior manager, senior management will not provide resources if it does not exactly know why it should provide resources to a project. On this way, specific, measurable performance objectives influences senior management support via the tasks and responsibilities of the project manager.

Senior management support is also influenced directly by performance objectives. Senior management should carry out the importance of a project team by communicating the project's objectives to the rest of the organization (Thamhain, 1990). At OHRA senior management does not carry out the project's importance because it thinks it is a task of the project itself. However, suppose senior management wants to carry out the project's importance, this is not even possible because there are no objectives to communicate to the rest of the organization.

The lack of performance objectives also influences the stakeholders' assessment of project performance. While this research shows that the Channel Management Project actually not performs well, several respondents seem to be satisfied with the achievements of the project so far. When they take into account that the project lacks budget they state that it is quite an achievement that the project delivered something. This may indicate that the expectations are low and that therefore every deliverable is seen as a success. The rather positive assessment by some respondents can also be explained by the lack of on forehand stated performance objectives. The fact that there are no on forehand stated expectations provides the respondents the opportunity to lower their expectations to fit the outputs of the project. The literature used in this research does not identify this influence of the lack of performance objectives on the assessment of the project's performance. A more psychological approach is needed to find more evidence for this relationship.

The respondents provide another reason for not receiving budget from senior management. OHRA focuses primarily on sales. Selling insurances is seen as the most important business. Everyone in the company has a certain sales target. The Channel Management Project does not directly contribute to the total number of sales and therefore may receive little priority according to several respondents. This may indicate that there is another condition for successful project performance. This condition is related to whether the goal of a project is seen as important by the rest of the organization.

The final point of discussion is related to the authority of the project manager. It is concluded that the project manager and the functional managers should share authority in order to improve the performance of the Channel Management Project. According to Larson and Gobeli (1987) however, a project performs best when the project manager has all the authority. Still, appointing all authority to the project manager is not recommended. It is not expected that the functional managers will give up their authority since they also have their own functional objectives (Donnellon, 1993). Also Larson and Gobeli (1987) state that changing from the functional form to the project form is likely to evoke strong resistance. "This is especially true among functional managers, who perceive their authority being usurped by the project manager" (Larson & Gobeli, 1987). Therefore it is recommended the functional managers and the project manager share the authority. When sharing, the functional managers do not lose all their authority.

### 6.3 Recommendations for future research

This research focuses on five conditions for successful project performance. Future research can identify and use other conditions that also may explain project performance. Furthermore, it is interesting to apply the framework of this research on other projects at OHRA and compare the results in order to see whether more projects can be improved.

### 6.4 Limitations

This thesis might not have identified all conditions for successful project performance. In addition, there might also be factors that influence project performance in such a way that even if a project meets the conditions for successful project performance, the performance of the project team stays poor. This research did not control for possible other influences on the performance of the Channel Management Project. Next to this, only three criteria to assess project performance are used. It is possible that it turns out that the project performs better or worse when using other criteria to assess project performance. Furthermore the performance of the Channel Management Project is measured by opinions from key stakeholders. Although this is a widely applied method in literature on project performance, it is still a subjective performance measure. Besides, not all key stakeholders are interviewed and a relative small sample is used. An additional limitation is the fact that this research was purely focused on OHRA so the findings are not generalizable and are only applicable to the Channel Management Project.

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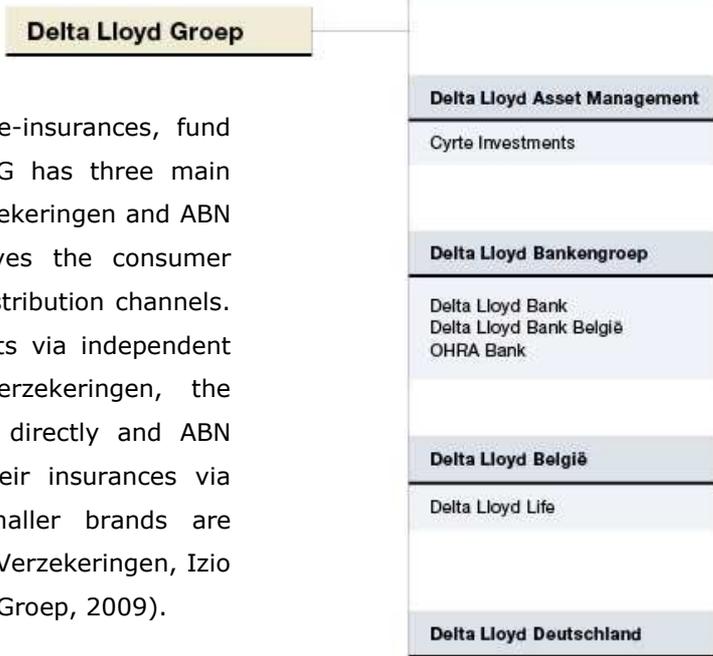
**Appendices**

Appendix I – Organigram Delta Lloyd Group

(Website Delta Lloyd Groep, 2009)

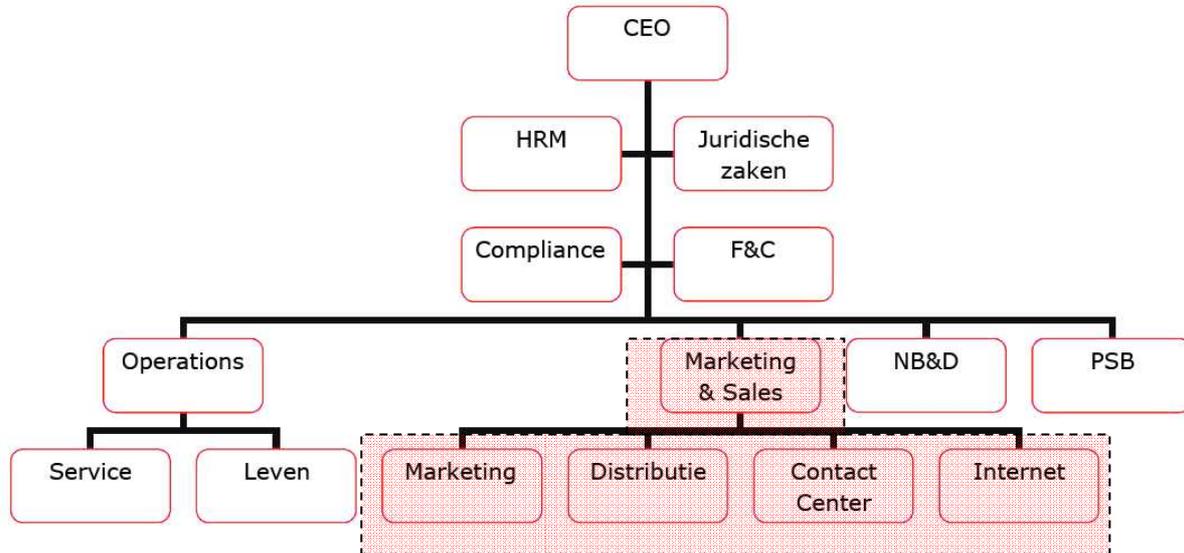
Delta Lloyd Group (DLG), founded in 1807, is, with 6.300 employees, primarily active in The Netherlands and Belgium (the activities in Germany will be divested in the near future due to low profit potential). DLG is a financial service provider that offers products and services in the

area of life-insurances, damage-insurances, fund management and banking. DLG has three main brands: Delta Lloyd, OHRA Verzekeringen and ABN AMRO Verzekeringen. This gives the consumer (business and private) three distribution channels. Delta Lloyd offers their products via independent intermediaries. Via OHRA Verzekeringen, the consumer can buy insurances directly and ABN AMRO Verzekeringen offers their insurances via ABN AMRO Bank. Other, smaller brands are Nationaal Spaarfonds, Erasmus Verzekeringen, Izio and Virtes (Website Delta Lloyd Groep, 2009).



Appendix II – Organigram OHRA Verzekeringen

(Adviesaanvraag Strategie en Structuur Directe Divisie, 2009)



Non-common abbreviations explained:

- F&C: Finance & Control
- NB&D: New Business & Development
- PSB: Particulier SchadeBedrijf

The red-area marks the departments where the Channel Management Project takes place:

- Marketing: The department responsible for all marketing issues, like commercials and offers
- Distributie: The Business-to-Business department of OHRA. Focuses on collectivity agreements for example
- Contact Center: The department responsible for all Customer Contact, except the website of OHRA
- Internet: The department responsible for the website of OHRA and all customer contact via the website

Appendix III – Data display

*The data display is not included in the online version due to confidentiality issues*