

Project Oriented Society: from a theoretic concept to a concrete economic reality

Prof. Constanta BODEA, PhD., Economic Informatics Department
Academy of Economic Studies Bucharest

The paper presents the model of the project-oriented society, developed in a research project by Project Management Group, University of Economic and Business Administration, Vienna. The POS model is described by specific processes performed by project-oriented companies and by specific services provided by PM related institutions. Romania joined the project in 1999 following the invitation of Project Management Group. Processes of assessing and benchmarking the Romania as POS were done and a strategy for the development of Romania as Project-oriented Society was defined. The paper presents briefly the main results of strategy implementation in 2001 – 2002.

Keywords: *project management, program management, project oriented company, project oriented society.*

1 POS concept

The IPMA – International Project Management Association started a research initiative to develop and apply the model of the project-oriented society. The project started in May 1999 with the "POS Conception Project". The model of the project-oriented society was constructed and criteria for the description of project-oriented societies were defined [Gareis R., 2001]. The POS model is described by specific processes performed by project-oriented companies and by specific services provided by PM related institutions. These processes and services are illustrated in a POS spider web.

Following "POS Conception Project", "POS Benchmarking" project started in April 2000. The objectives of this project were to assess and to compare the competences of the different project-oriented societies, to analyze commonalties and differences between these POSs and to define strategies for further developing these competences of the POSs. The project "POS Benchmarking" is performed as a co-operation between national PM associations.

2. Romania participation to the POS research project

Romania joined this project following the invitation of PROJEKTMANAGEMENT GROUP – University of Economics and Business Administration Vienna. We considered this an opportunity, otherwise being unlikely for us to be able to join the project, mainly for financial causes. Romania joined Group 1, besides Denmark, Hungary, Swedish and United Kingdom.

The objective of Romania participation to the project was getting an assessment of PM practices and services currently available and establishing a strategy of improving the development of Romania as a Project - oriented Society, considering the similarities with other countries. Another objective of our involvement in this project was proving our association possibility of joining an international cooperation and getting the experience needed for further similar actions.

2.1. Activities performed for assessing and benchmarking the Romania as POS

Processes of assessing and benchmarking the Romania as POS were:

1. The establishment of the POS Benchmarking team, which registered some minor changes meanwhile.

2. The questionnaire was translated into Romanian and it was sent to different companies, especially the Primavera users, some PM training and consulting companies (e.g. CODECS) and other big companies. There were no major problems with the terminology used by the questionnaire. Unhappily, we received only few filled questionnaires.

3. Our PM-Practice-Team tried to collect some data regarding the economic competitiveness of Romania, using the official sources. We have included this data on our assessment.

4. Our PM-Institutions-Team tried to make an Internet based investigation about PM institutions, especially those offering PM training programs.

5. In October 2000, the Academy of Economic Studies performed a workshop, where representatives of 15 Romanian universities met and discussed about training programs for project management and about the specific practices they use for project management.

6. The PM-Practice-Team consulted a team of 20 assessors in order to identify the PM-practices used by 15 big companies. We met with the assessors team weekly and we made a pretty detailed assessment of the aspects related to:

- project management practices;
- portfolio management competences;
- project personnel management competences;
- competences to design the base organization.

7. In November 2001, in Vienna we presented the first assessment results. At that moment, we didn't have relevant data about:

- PM-research institutions;
- PM-marketing institutions;
- PM-standardization institutions;
- PM-Practices in the NPOs;

- Programme management.

We agreed to continue to collect data.

8. During December 2000 and January 2001 we extended the PM institutions and PM-practices assessment, reviewing some of our first assessments. The team of assessors constituted the base for PM-practices assessment during the whole assessment process.

9. On March 2001, in Zurich the Romanian team presented the final results of the POS assessment.

2.2. Self-assessment results

2.2.1. Importance of projects in the Romanian society

Romania passes through a rough economic restructuring process, implying projects for privatizing large state-owned enterprises, modernizing and updating strategic economic units, creating new business units. For all industries and the non-profit sector projects are perceived as very important.

The external projects were broadly used in industries like building constructing, energy, chemistry and engineering. In IT-industry the projects were internal and external. External companies that executed projects were specialized in a specific domain. Companies which offer consulting services for project management tend to cover a lot of project types from different areas.

As for Programme Management, the programmes developed in areas affected by restructuring processes were viewed as strategic issue. For all industries and non-profit sector programmes are perceived as important. Demand for project and programme management competencies is increasing.

2.2.2. The competence of Romania as POS in 2000

a) PM Support

PM education	<ul style="list-style-type: none"> • Some institutions offer formal PM education • 2 Master degree programmes are established, no other degrees, Ph.D. in PM not offered • PM not included in secondary education • No PM certification according to IPMA is offered ⇒ competence 30
PM research	<ul style="list-style-type: none"> • Little PM research activity ⇒ competence 10
PM marketing	<ul style="list-style-type: none"> • PM Associations newly established ⇒ competence 10
PM standardization	<ul style="list-style-type: none"> • No national PM standards exist ⇒ competence 0

b) PM practices

Romania shows low competences in project and programme management. Only few PM methods are used. For instance PM methods like those for updating the project organization chart are never used. Project portfolio management does not exist yet. Only 2% of all companies are perceived as project oriented and their competences in organizational design are low. The POS spider web for Romania is presented in figure 1.

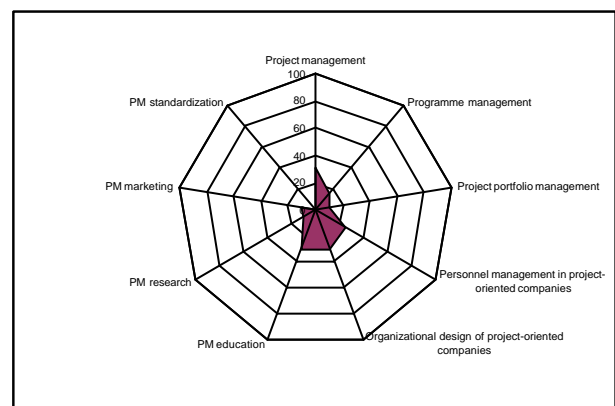


Fig.1. The spider web for Romania as POS

The POS ratios resulted for our country are presented in Table 1.

Table 1. POS ratios calculated for Romania

Competence Axes	Competence per axes	Weight	Weighted competence
PM education	30	10%	30
PM research	10	10%	10
PM marketing	10	10%	10
PM standardization	0	10%	0
PM support ratio			50
Project management	31	20%	63
Programme management	17	10%	17
Project portfolio management	10	10%	10
Personnel management in POCs	26	10%	26
Organizational design of POCs	30	10%	30
PM practice ratio			145
POS ratio			195

Table 2 shows the weighted competences and POS ratios of the POS benchmarking Group 1.

Table 2. POS benchmarking results

Specific processes	A	DK	HU	RO	S	UK
PM education	40	30	30	30	40	80
PM research	40	30	20	10	40	70
PM marketing	50	50	20	10	50	80
PM standardization	40	30	10	0	30	60
PM support ratio	170	140	80	50	160	290
PM	87	92	84	63	127	111
Programme management	30	37	37	17	70	30
Project portfolio management	35	43	37	10	57	30
Personnel management in POCs	50	50	46	26	62	58
Organizational design of POCs	35	55	35	30	65	40
PM practice ratio	237	277	239	145	380	269
POS ratio	407	417	319	195	540	559

2.3. Results analysis

In Romania projects were only used in some specific industries, like building construction, energy, chemistry, engineering and IT. Romania now passes through a rough economic restructuring process, applying projects for privatizing large state-owned enterprises, modernizing and updating strategic economic units, creating new business units. For all industries and the non-profit sector projects are becoming very important. Companies which offer consulting services for PM tend to cover a lot of project types from different areas. Demand for the application of projects and programmes of the markets is increasing. This discrepancy between PM being perceived as very important and the low PM practice ratio could have two major causes in our opinion:

1. There are companies who recognize the importance of PM but do not have the knowledge of applying PM practices. They use unqualified personnel or they use people in an inadequate manner. For instance, one company we studied uses the same

person as project manager for 10-15 most important projects and as portfolio manager.

2. There are companies who recognize the importance of PM but do not intend to pay for project managers, which have higher wages. They consider that managerial costs would raise if they use qualified project managers.

3. Traditional approach in project management, in which projects are special situations and organizations do not consider necessary to develop internal competencies and use previous experience in project management every day.

PM support ratio is diminished by the lack of some important support issue as PM standardization and insufficient development of PM marketing and research, although we obtained satisfactory ratio for PM education.

Our score is most close to that of Hungary, also a transitional economy. It is not surprising that Romania has the lowest POS ratio with nearly 200. In the last two years emphasis was given to the development of

formal PM education programmes, but except that there is not much competence in the other PM related services like research, marketing or standardization. Nevertheless Romanian project-oriented companies show already some PM competence (63 out of 200), while programme management and portfolio management almost do not exist yet.

Although we have the lowest score it seems that there is a positive influence of support over practice and the correlation between the two of them is similar to most countries. As a result we intended to continue with development of support, hoping this will have a good influence over practice.

2.4. Planned competence of Romania as Project-oriented Society

In the next 10 years, Romania has to further develop the PM support services and to sustain PM practices implementation.

Establishing a target level for both ratios is indeed difficult because:

1. PM support ratio for countries in Group 1 is much inconstant (from 50 to 280 points, from 400 possible).

2. Developing most services requires general economic performance. Our country estimated economic performance is not encouraging us. Though, there are aspects, as standardization, that does not require important financial resources and significant steps can be done for developing those aspects.

3. There are no studies in Romania to permit us assessing the impact of different services over business environment. For example, the professional association generally have a strong impact over business. Romanian business environment does not promote professional association as the most important potential of developing professionalism. That is why we locally find such a low interest for professional associations. For the effectiveness of this support services we need research studies for the short term impact of PM services

and a strategy for long term promoting of these services.

4. PM practice improvement for future term cannot be estimate as we do not have enough information about the responsiveness of business environment and its ability to continuously improve its practices by experience.

2.5. Strategy for the development of Romania as Project-oriented Society

The POS model structures our strategy in two main directions:

a) Developing PM support through:

- PM standardization (the definition of Romanian National Competence Baseline, the adoption of other PM standards).
- PM research
- Improvement of PM marketing activities: organization of more PM events, better communication in PM community and more transparency in the activity of the organizations involved in PM development.
- Development of international contacts: affiliation of PM associations to different PM international bodies and participation in different international events.

b) Improving PM practices

PM practices must be improved in most companies, as they are most likely to use an empiric project management. It is also important for project management to be promoted in other new companies. All this marketing activity should base upon a scientific research which would demonstrate the efficiency of this type of management. Companies would be more responsive to a scientific study that proves that managerial costs are better controlled through project management and even though these costs may raise the economic growth will compensate for it.

We will further present the PM research main topics that could have an important impact over the development of Romania as Project-oriented Society.

A. Evolution of managerial costs study and management efficiency through PM methods implementation.

Management, as a production factor, has a long term evolution associated with Managerial Cost Curve which shows managerial costs levels comparing to production volume. Managerial cost analysis is based upon Cost Theory which establishes as main components:

- Material cost (depreciation, materials for managerial teams)
- Human cost (wages, training expenses for leadership)

• Informational cost

Human costs are a good estimator of managerial costs, the other two components being either insignificant either difficult to accurate estimate. A study performed in a company before and after implementing PM methods might offer interesting information regarding the impact of PM over the increasing of managerial costs (Figure 2).

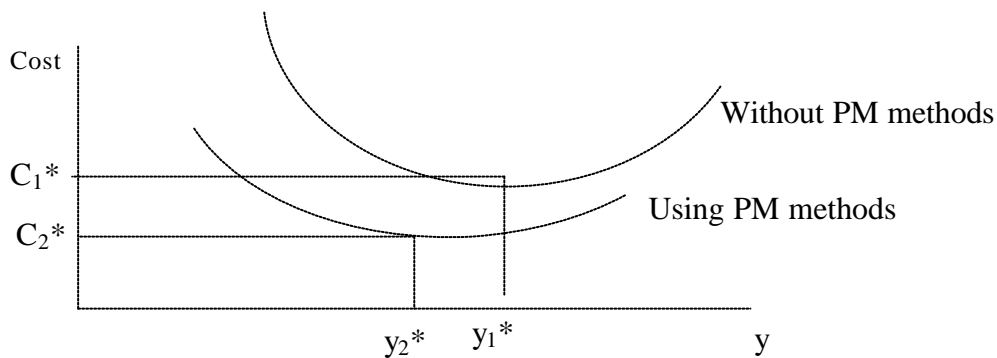


Fig.2. Managerial Cost Curve before and after implementing PM methods

In spite of common perception of the phenomenon, using professional PM could generate the decreasing of managerial cost through decentralization. Yet, when managerial cost are rising the growth is compensate by the production growth, getting more efficient management.

For efficiency dynamics study we can use the model proposed in [Niculescu and Verboncu, 1999]. This model is based on I_{csm} , human cost indice and I_p , profit indice. The indices may be computed as rapport of the value of the indicator (human cost or profit) after and before implementing PM methods. If $I_{csm} > I_p$ a reduction of efficiency can be assumed. If the indices

are similar we have a constant efficiency of the management. If $I_{csm} < I_p$, we can conclude that the management efficiency is growing.

The management efficiency may also be analyzed using the model proposed in [Butler et al, 1993]. This model defines decisional efficiency as a resulting from the following four variable groups:

- Problem definition variables
- Decisional strategy definition variables
- Influence variables
- The chronology of decision making process.

Those groups are presented in Table 3.

Table 3. The four variable groups of Butler model

Variable group	Variables
1. Problem definition	The impact of the project success/failure over the financial status and competitively of company; the concordance with the general strategy of the company.
- Importance	
- Uncertainty	The novelty of the project; the uncertainty regarding project extern environment; financial risks.
- Disagreement	Disagreement between project and personal objectives and priorities; project objectives misunderstanding.

2. Strategy - Calculation - Rationality - Negotiation - Intuition	VAN, productivity, Internal Rate of Return The impact over the personnel spirits, work relationships, company image. Alliance building, conflict managing. Intuition in decisional process.
3. Influences	The impact as directing force of the internal/external influence factors
4. The chronology	The length of the decisional process, delay in decisional process.

In order to use the model, a questionnaire have to be developed, the data to be collected and a factorial analyze performed.

B. Studies regarding continuously improvement of PM practices by experience

There are methods for applying Learning Curve for processes of management (for example resource planning process can be made better with time and experience accumulated, according to [Wideman, 1994]). This way we could do better estimate of PM practices performance evolution in the next 10 years for Romania.

C. Periodically self assessment of competence of Romania as POS.

2.6 Results of strategy implementation in 2001 – 2002

Following this strategy for the development of Romania as POS we made some achievements in 2001 – 2002.

National association of project management, PM ROMANIA, elaborated the National Competence Baseline this year, which was adopted as the Romanian standard SR 13465:2002. Based on National Competence Baseline PM ROMANIA started setting up the PM Certification Program.

The national PM association promoted a common PM terminology by editing the first Romanian PM Glossary.

As a result of this intense activity the national association gained representativity, having more then 100 members in present. Following the example of PM ROMANIA, other associations as Romania PMI Chap-

ter become more active, and a new PM professional association was set up in 2001. Having more people interested more PM events arisen.

PM Research also obtained some results, Romania had the first participant at the 16-th World Congress on PM in Berlin and we received an invitation to take part in the 17-th IPMA World Congress technical program.

References

- Butler R., Davis L., Pike R., Sharp J., 1993, Strategic Investment Decisions, Routledge, London.
- Gareis R., June, 2001, Assessing and Benchmarking Project-oriented Societies: Results of the POS Benchmarking Group1, Vienna.
- Gareis R., Huemann M., November, 2001, Benchmarking the Project-oriented Society, PM Days '01 – Research Conference, Vienna.
- Gareis R., Huemann M., 2001, Assessing and Benchmarking Project-oriented Societies, Project Management, International Project Management Journal, vol. 7, no. 1.
- Nicolescu O., Verboncu I., 1999, Management, Editura Economica, Bucuresti.
- van der Merwe A. P., September, 2000, Economic Development, Social Spending and Project management, Project Management World Today, www.pmforum.org
- Wideman M., 1994, Applying Resource Loading, Production & Learning Curves to Construction: A Pragmatic Approach, Canadian Journal of Civil Engineering, vol. 21.