

# The Application of Project Management Instruments as a Factor of International Competitiveness

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**Summary:** It is well established that the sophistication of management practices is a factor of international competitiveness. At the same time, Project Management (PM), seen as an overall management approach, facilitates the manifestation and development of contemporary management concepts such as teamwork, network management, process orientation and empowerment.

Under the conditions of the knowledge-based economy, human resources, and above all the capabilities of organizations to take full advantage of these resources, are growing in importance as a factor of international competitiveness for the contemporary company. The team is the human resources format in PM. Management authorities share the opinion that not single individuals but effective teams are at the core of development of the contemporary organization. Project work institutionalizes teamwork and in this way emphasizes horizontal organizational structures. The field of PM contributes to the development of the teamwork knowledge base as it proposes team classifications, studies on the behavioural aspects of teamwork, studies on knowledge management in project teams.

The adoption of PM as a management approach presupposes the introduction of structured processes, which are comprehensible and acceptable to all stakeholders. The spread of PM to a considerable extent is due to the fact that PM ideology and instruments take into consideration the interests of stakeholders. The disciplinary effect of PM instruments explains the visibility of project activities, inclusive on behalf of the customer. The customer becomes a partner to the organization, and they jointly create value. The establishment and management of international strategic alliances require adequate management instruments. PM instruments – the comprehensiveness of project communications, the richness of the project planning function, the establishment of dynamic organizational structures, the application of formal tools and procedures for monitoring and control – assist the contemporary organization in forging successful international alliances. PM provides systematic management platform for the purposes of international business cooperation. The adoption of PM as a management approach might enhance the role of international strategic alliances as a factor of international competitiveness.

PM derogates narrow functional thinking, leading to the establishment of “functional empires”, in favour of thinking of the organization as a whole. The specific PM organizational structures and formal PM methodologies stimulate the active interactions between the many integral

parts of the contemporary organization and thus facilitate process orientation.

In management theory and practice, especially within the context of knowledge-based economy, a spirit of granting personnel more freedom in defining their work and in applying the whole set of their knowledge and skills for the purposes of the organization is emerging. As a contemporary management approach, PM takes into consideration these requirements of the international business environment through self-managed project teams, easy access to information, dynamic organizational structures, strong emphasis on planning and control functions, the role of 'project champion'.

Therefore PM contributes to the sophistication of contemporary management and to the improvement of international competitiveness, both at company and national level.

**Key words:** project management, international competitiveness, teamwork, network management, process orientation, empowerment.

**JEL:** F23, L2, M13.

## Introduction

The complexity and uniqueness of a considerable number of the operations of the contemporary organization, on one hand, and the dynamics of the environment, on the other hand, stimulate participants at corporate level, at state level as well as at international institutions level to adopt Project Management (PM) as a reasonable management approach. The increasing importance of knowledge-based industries, the infrastructure development, the professional management of organizational change process, the involvement in the various models of international strategic alliances, of

the effective and efficient state administration, of the competent crisis management, for the competitiveness of the contemporary economy, are some of the driving forces for the spread of PM. Apart from the changes relating to the object of management, another major reason for the increasing importance of this contemporary management approach is that PM is responsive to the requirements of the environment. The project is an open system which may timely react to the signals from the environment.

Through the inclusion of management parameters in its methodology, the World Economic Forum demonstrates its understanding that competitiveness, both at national and at corporate level, is a function of not only purely economic factors but of management factors as well. With the present article the author suggests one more management factor – PM, which has an impact on competitiveness. The author's thesis is that PM, through the application of its instruments contributes to the unraveling and development of contemporary management concepts such as teamwork, process orientation, empowerment, networking with stakeholders. Thus, PM helps contemporary organization transform its operations according to the requirements of the environment, and improve its services to the stakeholders.

From methodological point of view, the article is based on the application of desk research. The author's desk research includes literature reviews of monographs devoted to PM; specialized periodicals – to a considerable extent the theoretical research is based on articles, published in International Journal of Project Management during the last 10 years; proceedings of world congresses and international conferences on PM; PM bodies of knowledge of the international professional organizations in the field of PM; PM guidelines of the international institutions, including EU; official government publications in different countries.

The analysis and assessment of different methodologies for international competitiveness rankings is beyond the scope of this article. For the purposes of the present paper, the researcher accepts the well-known understanding of international competitiveness of the World Economic Forum, synthesized through the Global Competitiveness Index and Business Competitiveness Index. Another limitation of the article is that details on the technical instruments for PM are out of the focus of the research paper. The emphasis is on these elements of the PM instruments which proved to be contributing to international competitiveness.

### Contemporary theoretical views on Project Management

PM can be viewed as a process of identifying a needed favourable change as a project and the subsequent application of knowledge, skills, methods and techniques which to a considerable degree ensure the achievement of the project objectives. The process of PM includes the management activities which should be executed for the purposes of the project<sup>1</sup>. The process of PM is implemented in addition to the content processes such as the engineering process, logistics process, construction process<sup>2</sup>. Prof. Boeva<sup>3</sup> presents PM as a management approach, applicable to a particular project. This contemporary and "reasonable" management approach is a set of goal-oriented functions – planning, organizing, coordination, motivation and control – and a process of decision making. Both views above focus on the management of single projects.

However, contemporary organization manages a number of projects simultaneously. It implements

the majority of its projects under the conditions of mutual dependency among them which in its turn enriches and enlarges the PM field with new features. Trying to meet the requirements of PM practice, PM theory increasingly pays attention to the issues of programme management and also, project portfolio management.

The definition of a programme includes three important aspects:

- Projects are structural components of a programme. A programme consists of two or more projects, some of which take place in parallel while others – sequentially.
- The management of projects, included in a programme takes place in the context of the systematic character of the programme. Thus the needed coordination and subordination of the projects to the programme's objectives, could be achieved and not just the management of single, independent of each other projects. The coordinated management of projects within a programme allows for achieving objectives of higher order compared to the objectives of single project management.
- The programme is a means of executing an organization's strategy and consequently, for achieving organizationwide strategic objectives.

The potential advantages of a programme as an object of management are transformed in value to the organization as a result of the professional implementation of the programme management process. That is, programme management process is carried out in addition to the processes of managing projects, included in the programme.

The set of all projects and programmes which the organization undertakes at a particular moment

<sup>1</sup> Central Computer and Telecommunications Agency, UK, Managing successful projects with PRINCE 2, 1999, p. 10.

<sup>2</sup> Gareis, R., Managing the project start, in: The Gower handbook of project management, JR Turner and SJ Simister (ed), Gower, Aldershot, 2000.

<sup>3</sup> Boeva, B., Management in international business, University press "Stopanstvo", S., 1996, p. 189.

is the organization's portfolio of programmes and projects<sup>4</sup>. Similarly to PM and programme management, the management of the portfolio of programmes and projects can also be viewed as a working process of the contemporary organization, that is the process of managing a portfolio of projects and programmes is implemented in addition to both the process of managing individual projects and the process of managing individual programmes. The main objectives of project and programme portfolio management are:

- To achieve strategic fit of project and programme portfolio with the organization's mission and with the organization's strategy.
- To optimize the results of the portfolio as a whole, and not just within the individual programmes and projects.

At the beginning of the 1990s the concept of PM enlarges its meaning and involves the so called management by projects. Management by projects enriches and develops the concept of PM, as a process and a set of techniques, by including the understanding of PM as a management approach, as a business philosophy. Adopting PM as a management approach, the organization carries out its organizationwide strategy through programme and project portfolio management and through professional, sticking to international standards of best practice, management of single programmes and projects at tactical level. The term "management by projects" illustrates the qualitative changes in the identity of the contemporary organization – in its strategy, structure, culture – as a result of the increasing frequency of application of the process of PM.

## Pillars of competitiveness in Project Management

In presenting PM instruments in the context of the relationship between PM and international competitiveness, the author outlines two main points. Firstly, this is the importance of the human resource factor and also the knowledge to the international competitiveness of the contemporary company and state administration. PM socializes, unites, helps develop process ownership, eliminates or considerably reduces routine, stimulates creativity. That's why the article emphasizes the PM role in institutionalizing teamwork and also knowledge management in project teams. The second major point is that PM instruments contribute to the discipline of following rules, add to precision, structure and methodology – all these also contribute to the international competitiveness at both company and national level. In this respect, the paper pays attention to the specific PM organizational structures, to formal PM methodologies, to empowerment through better defined responsibilities.

### Teamwork

Under the conditions of knowledge-based economy, human resources and most of all the organization's ability to capitalize on these resources are getting considerable importance as a factor of competitiveness for the contemporary organization. The team is the HR format in PM.

The team unites experts from different functional departments, hierarchical levels and organizations. Team members share common views and principles, and they also function on the basis of horizontal relationships (1, 2004, p. 175). Cross-functional and cross-organizational teams are becoming a strategic resource for the

<sup>4</sup> Gareis, R., Programme management and project portfolio management: new competences of project-oriented companies, [www.rgc.at](http://www.rgc.at), retrieved on 18th November, 2005.

contemporary organization and a key element in developing and implementing its strategic management initiatives (3, 1998, p. ix).

PM acts as a stimulus for teamwork promotion. Teamwork is an intrinsic characteristic of contemporary PM and as such teams and teamwork are often subject to research and discussion in specialized PM literature and forums.

### Classification of teams

On the basis of a literature review, the author proposes the following classification of teams (Table 1).

Dispersed teams are to a considerable extent a product of the IT development. These teams extensively use modern communication technologies. Dispersed teams are also known as virtual teams with a view of the fact that some of the project activities are virtually implemented. Virtual teams offer more opportunities to the contemporary organization for taking full advantage of human resources. Considering the requirements of its projects, the contemporary organization may unite the most appropriate experts in a virtual team, regardless of their physical location and their corporate affiliation. *The international competitiveness of the contemporary organization to a considerable extent depends on the ability of the organization to unite world-caliber competences rather than on uniting the knowledge and skills solely of the organization's employees, separated from each other in functional silos (5, 1998).*

### Specific behavioural aspects of teamwork

Teamwork implies intensive social interaction both within the team and among team members and the other project stakeholders. Teamwork has specific behavioural aspects.

To a considerable extent, the team self-manages itself. The achievement of working processes effectiveness in teamwork requires much more independence and abilities for decision making on the part of team members than under the conditions of classical functionally-oriented organizations. People in the team should be simultaneously "I", independent individuals, and "We", interdependent members of the team. Lipnack and Stamps (17, 1997) outline three transformations which contribute to the implementation of the abovementioned requirement:

- From the individual to the independent member of the team. The first transformation takes place due to the intermediation of "the role" – the smallest unit of socialization.
- From the independent team member to the team as a whole. The second transformation takes place due to the shared leadership. The latter reduces stress levels: the team members believe they can cope with any delay and meet the stipulated deadlines. This in turn enhances the sense of ownership to the project (25, 1998, p. 165-173). The shared leadership contributes to the effectiveness of teamwork, both in view of productivity and in view of the individual's self-satisfaction.

Table 1. Classification of teams

Space and time	Organization	
	same	different
Same	Concentrated teams	Concentrated cross-organizational teams
different	Dispersed teams	Dispersed cross-organizational teams

Source: the author

- From the team as a whole to its environment whereupon the team is a part of a larger organizational context.

When teams in an organization are not interconnected and are not a part of a well-considered programme and project portfolio, they may fragment the organization.

PM contributes to the research of team life cycle. A number of PM studies relate to the concept of team life cycle. The contemporary theory and practice emphasize the need of special attention on the part of the managers to the stage of project team formation. The well-considered selection of project team members reduces the time and costs necessary for the achievement of project objectives (26, 2004, p. 147-161). However, the proper selection of team members is difficult to be defined and achieved. In this respect, the theory suggests the application of instruments such as the Belbin model for team roles, the team management wheel model of Margerison and McCann, the approach suggested by Tseng, Huang, Chen and Gung for interdisciplinary project team formation. All these instruments assist the selection of people who together form a balanced project team.

Last but not least, under the conditions of increasing globalization of the economic processes, PM professionals consider the role of culture in managing international projects and international project teams. On the basis of literature review, the author has not found out any significant specifics in treating the culture factor in PM literature. The research on the influence of the culture factor in the context of international project teams is based on the two main theoretical concepts from the general management – the cultural differences theory and the cultural convergence theory. While the former focuses on the importance of the national cultural differences, the latter is mostly related to the establishment of standardized management

terminology, norms and methods. In the PM field, these standard management packages are represented by the PM bodies of knowledge, promoted by the international professional PM organizations such as the Project management Institute and the International Project management Association.

### Knowledge management and teamwork

The importance of knowledge is one of the key characteristics of the post-industrial society, in which knowledge is a major factor of production. Knowledge is one of the most important resources of the contemporary organization (21, 1995) and probably “the only meaningful resource” (8, 1993). D’Aveni (6, 1994) concludes that in the context of the dynamic international environment, surrounding contemporary organizations, the organization capable of creating a continuous flow of new knowledge are in the best position for achieving international competitiveness. In order to be competitive, the contemporary organization should be competent at acquiring, storing and integrating knowledge as well as it has to facilitate the process of knowledge creation (20, 1997, p. 45-51). The intangible nature of knowledge and the fact that it is mainly in “people’s heads” make this task especially difficult. That’s why the contemporary management should purposefully look for adequate management decisions which to facilitate the process of new knowledge creation in the organization.

*The author’s view is that the project and the interdisciplinary project team are a means of creating and sharing knowledge in the organization. The interdisciplinary project team fulfills an important role as a creator of new knowledge for the organization, as an integrator of the ever more dispersed and elusive knowledge.*

At first place, interdisciplinary project teams allow the organization for integration of a wide

spectrum of specialized competences, coming from different departments of the organization as well as from different organizations, for the purpose of achieving complex tasks which are not attainable by none of the organizational units or by none of the organizations alone. As a result, working in interdisciplinary project teams allows access to valuable knowledge which is often concealed behind the functional and organizational borders. The creation of new knowledge often requires the availability of interdisciplinary relations whereupon specialists from a variety of professional fields, offering various points of view, are united in a team. *Senge (24, 1990) points out that knowledge creation in teamwork is a fundamental prerequisite for the long-term effectiveness, innovation and productivity of the contemporary organization.* The cooperative potential of the interdisciplinary team serves as a catalyst for knowledge creation in the organization. The realization of this potential is a function of the processes of crossing borders, sharing knowledge, generating knowledge, integrating knowledge and collective learning through PM<sup>5</sup>.

Secondly, the work in an interdisciplinary project team requires support from various stakeholders, represented in the project team. The wide stakeholder representation and respectively the sense of ownership to the project reduce the interdepartmental and interorganizational conflicts and presuppose the establishment of political correctness. It should be taken into consideration that political obstacles are much harder to be surmounted compared to technical difficulties.

Thirdly, interdisciplinary project teams can substantially improve the quality of the decision making process, as a result of considering a variety of perspectives, some of which will be unutilized if the decisions are taken within one functional department, one organization or upon insufficient representation by stakeholders.

At the basis of each of the above mentioned arguments lies the concept of the *team as an integrator, as a link among specialized knowledge and differentiated points of view.* The team mission, the economic value of the application of interdisciplinary project team could be attained only through the successful integration of these differentiated knowledge and points of view. *However, the research on the very process of knowledge integration in the context of interdisciplinary project team is still scarce<sup>6</sup>.*

*Under the conditions of knowledge-based economy, knowledge is a major factor of production. The contemporary organization should be capable of creating new knowledge. The adoption of PM and the constitution of interdisciplinary project teams are a prerequisite for the generation of new knowledge. However, the realization of the potential of PM and project teams is not an automatic process – it requires purposeful efforts for managing the process of knowledge integration. The management of interdisciplinary project team is a source of economic benefits for the organization and a factor of international competitiveness.*

<sup>5</sup> A detailed discussion on this issue is presented in Christova, A., The management of interdisciplinary project team – a factor of international competitiveness under the conditions of knowledge-based economy, Proceedings from the annual conference of the International Economic Relations Department, UNWE, 2006.

<sup>6</sup> In this respect, on the basis of the research by Grant and by Huang and Newell, the author has suggested a theoretical model of knowledge integration under the conditions of interdisciplinary project team, The management of interdisciplinary project team – a factor of international competitiveness under the conditions of knowledge-based economy, Proceedings from the annual conference of the International Economic Relations Department, UNWE, 2006.

### Networking with stakeholders

The intensification of competition and the spread of the concept of social responsibility in the activities of the contemporary organization underline the need for adequate consideration for the requirements and expectations of stakeholders. The contemporary organization, striving for international competitiveness, builds partner networks of relationships with external stakeholders – persons and organizations who take part or are directly or indirectly affected by the activities of the organization. As a management term, partnership generally implies improving relationships with stakeholders and building strategic alliances. *Adopting PM as a management approach presupposes the introduction of structured processes, comprehensible and acceptable to all stakeholders.* The spread of PM as a management approach is to a considerable extent due to the fact that PM ideology and instruments take into consideration the interests of stakeholders.

### Project Management – a customer-oriented management approach

One of the contributions of PM, as a contemporary management approach, is the optimization of buyer-seller relationships and satisfaction of the customers' real needs and preferences while generating economic value to the seller. The detachment of the project from the organization's routine operations enables the organization to integrate the customer with the project processes, which in its turn contributes to the satisfaction of the customers' needs and expectations. The disciplinary effect of PM instruments determines the visibility of project activities, including from customers' point of view. The application of PM as a management approach facilitates the implementation of

the concept of "prosumer"<sup>7</sup> and enhances the competitiveness of the contemporary organization.

### Project for the purposes of the international strategic alliances

PM is increasingly adopted as a management approach for the purposes of the various forms of international interfirm relations which are also known as the umbrella term – international strategic alliances. The international interfirm cooperation contributes to cost reduction and productivity increase. At the same time, the management of international strategic alliances is characterized by growing complexity, partly due to the specifics of the culture factor under the conditions of accelerating globalization of the economic processes.

The systematic nature of the international strategic alliances requires a holistic and integrated approach to their management (22, 2002, 617-627). *In the author's opinion PM provides a systematic management platform for the purposes of the international interfirm cooperation.* PM instruments could be applied in order to stimulate and coordinate the international interfirm cooperation (16, 2001, 171-181). Interfirm cooperation could be viewed as a PM process aiming at the achievement of "win-win" situation for organizations, participating in strategic alliances. *The adoption of PM as a management approach could enhance the importance of the international interfirm cooperation as a factor of international competitiveness.*

Because of the importance of participation in international strategic alliances for the achievement of international competitiveness, the literature extensively reveals the success

<sup>7</sup> In 1980 in his book "The third wave", the futurist Alvin Toffler suggested the term "prosumer" (producer + consumer) in order to emphasize the intensification of the role of the consumer in the production process.



factors in their management. Some of the success factors include: the agreement among the partners on the objectives of the partnership; effective planning of the international alliance; the institutionalization of an organizational structure for the purposes of the partnership; effective resource management; the establishment of an appropriate control and monitoring system; the nomination of a strategic alliance champion. *The adoption of PM as a management approach contributes to the manifestation of these success factors in managing international strategic alliances.*

- The process of project team management and the comprehensiveness of project communications assist in building trust and consistency between the partners' objectives.
- According to PM bodies of knowledge, the planning processes group encompasses the biggest number of processes, compared to other process groups (14, 2004, p. 70). PM planning function is definitely rich and could contribute to the achievement of order and system into international strategic alliances planning process. Planning, as a PM process, supports the international strategic alliances' management at some of the critical areas such as the definition of the scope of international strategic alliances, the development of a strategy for differentiation and integration between the partners, the project team constitution, risk management (27, 2003, 39-51).
- Strategic alliances need a clear organizational structure. Boddy and Macbeth (2, 2000, 297-307) argue that top management moral support alone is not enough – this support should be institutionalized through a concrete structure, through redefinition of roles and hierarchical links. Dynamic organizational structures – project structures and matrix structures – assist the contemporary organization in achieving effective and efficient international interfirm cooperation. Just in relation to international strategic alliances, Li, Cheng, Love and Irani

(16, 2001, 171-181) describe these structures as *partner structures*. On one hand, partner structures allow for effective exploitation of the partners' specialized resources, and on the other hand, these structures control the leak of confidential information towards the other partner organizations.

- The complex nature of international interfirm cooperation as well as the systematic character of the firm require realistic and comprehensive resource management. In its turn, the systematic nature of PM, including of the resource management, is an adequate response to the requirements of the process of managing international strategic alliances. Recognizing and adhering to the components of project resource management – resource planning, cost estimation of the resources needed for the project, cost budgeting and cost control – assist the organization in its efforts for effective resource planning for the purposes of managing international strategic alliances.
- The effective management of international strategic alliances requires appropriate monitoring and control systems. The application of PM control instruments assist the organization in managing partnerships. For example, Saad, Cicmil and Greenwood (22, 2002, 617-627) describe the process of managing strategic alliances as a sequence of stages, analogous to the theoretical model of project lifecycle, that is, initiating, designing, implementation and closing. Another PM instrument, assisting the processes of monitoring and control in managing international strategic alliances, is the so called gate reviews. Gate reviews allow for early diagnostics of strategic alliances development and timely corrective actions. Sticking to formal procedures and techniques for monitoring and control provide for achieving and maintaining transparency in cooperation and respectively, for building trust among partners in international strategic alliances.
- The nomination of a "strategic alliance champion" is a practice, borrowed from PM

and originating in one of the typical PM role of “project champion”<sup>8</sup>. In this respect, traditions in developing project-oriented organizational culture assist the organization’s participation in the various forms of international strategic alliances.

The adoption of PM as a management approach formalizes and provides structure for managing international strategic alliances. The project-oriented approach constitutes the strategic alliances’ partners in a team which shares common objectives and follows formal procedures for their achievement.

### Process orientation<sup>9</sup>

Borders between various hierarchical levels and functional departments have always been existed. Moreover, the internationalization of the economic activities increases the number of the physical and communication barriers among the participants in the international economic relations. At the same time, the increasing complexity of the tasks, in front of the contemporary organization, requires close interaction both among the internal divisions and departments of the organization and between the organization and its environment of external stakeholders. Hierarchical, functional and organizational borders impede business communications and reduce the economic efficiency of the organization. It is not unusual that people working at traditional functionally

oriented organizations break written rules and procedures in order to produce the expected results.

PM institutionalizes the spontaneously emerged “informal organization”. The project is a mechanism through which the organization assembles resources and focuses them on a particular problem. The project blurs the borders within the organization and involves various organizations, countries and cultures.

*PM discredits narrow functional thinking, leading to the establishment of “functional empires”, in favour of considering the organization as a whole. PM fulfills coordination functions in relation to the operations of the various functional departments, which in turn reduces or eliminates overlapping of activities and reworking. PM is a management approach which stimulates the intensive interaction among the many integral parts of the contemporary organization.*

### Process orientation through specific Project Management organizational structures

PM promotes organizational solutions which differ from organizational solutions pertaining to the traditional functionally-oriented management (1, 2004, 173). PM implies the application of dynamic organizational structures: project structures and different types of matrix structures<sup>10</sup>.

<sup>8</sup> The champion is a member of top management or is a trusted person to a member of the organization’s top management. The champion acts as a project advocate and a defender of the project feasibility. The project champion is one who coaxes, provides support in difficult situations, promotes changes.

<sup>9</sup> Gann and Salter (2000) figuratively describe the process as “the glue” which sticks together the various parts of the organization.

<sup>10</sup> Galbraith (1971) differentiates among three types of organizational structures for the purposes of PM: functional, matrix and project. Larson and Gobeli (1987) describe three modifications of the matrix structure: functional matrix, balanced matrix and project matrix structure. To date, the classifications, suggested by Galbraith, on one hand, and by Larson and Gobeli, on the other hand, are definitely applicable and widely accepted. For example, one of the most popular PM standard methodology – Project Management Body of Knowledge of the Project management Institute – presents the organizational structures for the purpose of PM on the basis of the structures, suggested by the above mentioned researchers. There are slight modifications only in relation to the names of the terms, namely: functional, weak matrix, balanced matrix, strong matrix and project structure (14, 2004, p. 28).

Gareis (10,2003) argues that these PM structures are applied mainly by functionally oriented organizations that carry out predominantly repeatable projects. To project-oriented organizations which manage a portfolio of programmes and projects, Gareis (11, 2005) recommends the adoption of network structures within which functional departments are transformed into the so called expert groups (pools of resources). The role of the functional department head, normally exerting control over the quality of the work, performed by the personnel belonging to the respective functional department, is replaced by the expert group manager. The expert group manager is responsible for the allocation of experts, belonging to her/his group, for ensuring and upgrading the professional qualifications and competences within her/his group, for following professional standards and ethics. The quality of the work is controlled within the respective project team. The activities of the organization are increasingly taking place within goal-oriented teams rather than within traditional functional departments (8, 1988).

Kerzner (13, 2006, 205) questions the need for organizational restructuring for the purposes of PM. He suggests that PM could be a source of international competitiveness in the context of any organizational structure if there is a cooperative organizational culture. Kerzner studies organizations, adopted traditional functionally-oriented structures, which demonstrate smooth processes flow and "excellent" working relationships among the functional departments. Thus, Kerzner confirms the feasibility of the functionally oriented organizational structures for the purpose of PM.

In specialized PM literature, there is an unspoken agreement that there is not "one

best organizational structure". According to the project specifics and its environment, the organization should choose one of the above mentioned alternatives<sup>11</sup>.

*The specific PM organizational solutions are an instrument through which the process of PM manifests itself as an integrating set of activities. By concentrating the place of problem emergence and the place of its resolution (1, 2004, p.173), dynamic organizational solutions facilitate the process orientation in the organization and enable it to make timely and flexible decisions.*

### **Process orientation through formal PM methodologies**

Another instrument contributing to the development of process orientation is the formal PM methodology – standard one (Project Management Body of Knowledge, International Competence Baseline, Prince 2, etc) or proprietary one. The single PM methodology contributes to the manifestation of the holistic perspective through the planning process formalization; through the explicit descriptions of the roles and responsibilities of both the functional managers and project managers; through the requirements for maintaining databases of projects cost structures; through the introduction of intelligible and acceptable by all relevant stakeholders monitoring and control systems; through the definition of guidelines, rules and procedures for change management, for communication management, for teamwork management; through the requirements for holding regular meetings at different levels – team, project managers.

*PM not always presupposes total elimination of hierarchical, functional and professional borders but contributes to their penetration and crossing*

<sup>11</sup> Chuah, Tummala and Nkasu (1995) summarize the main advantages and disadvantages of the various PM organizational structures.

and to the unimpeded flow of entire value added streams. All these lead to higher effectiveness and efficiency of the organization.

### Empowerment

The increasing dynamics and uncertainty of the international environment emphasize the importance of flexibility and speed of reactions as key prerequisites for the development of a competitive organization. It is not by chance that issues related to personnel empowerment, enlargement and enrichment of job descriptions and the application of the principle of employee participation proved to have been attracting increasing attention by the general management theory in recent years. In contemporary management theory and practice, especially under the conditions of the knowledge-based economy, there is a growing emphasis on empowering the personnel with more rights to define their activities and with more freedom to apply the full set of their knowledge and skills for the purposes of the organization.

#### Characteristics of empowerment as a contemporary management concept

There are a myriad of definitions of empowerment. On the basis of their analysis, the author outlines the main aspects of the empowerment process as follows:

- Empowerment implies *the achievement of personnel's involvement into the success of the organization*. This requires nurturing sense of ownership to the organization (23, 1976, p. 75-86); providing opportunities for realization of the personnel's full potential (15, 1989, p. 26-31); developing and stimulating personnel's confidence in their abilities, including judgment abilities (4, 1988, p. 471-482); considering employees' egos; demonstrating trust (18, 1979).
- Empowerment implies *elimination of obstacles* which impede people from

undertaking constructive activities in favour of the organization.

- *Access to information* is a main prerequisite for initiating and developing the empowerment process. The clarity of the organization's objectives (19, 1968, p.68-106), the understanding of the requirements and expectations towards the job (18, 1979), the stimulation of the communications process and as a whole the easy access to information are all intrinsic characteristics of the empowerment process.
- The organization should rethink its *organizational structure* in such a way that the latter should not impede the empowerment process. This does not imply total elimination of hierarchy. On the contrary, the empowerment process needs hierarchy. However, the hierarchy should not impose fixed frameworks and should not impede the organizational development.
- Empowerment increases the need for strict accountability. In this respect, the empowerment process emphasizes the importance of management functions such as *planning and control*.
- The effectiveness of empowerment depends on *the personal characteristics and attitudes*, on the specifics of *the national cultures* of the participants.
- Regardless of the variety of definitions and names for empowerment, PM experts agree on the positive impact of the effective empowerment over the productivity of the organization (18, 1979; 12, 1997, p. 289-297).

#### Empowerment through Project Management

PM philosophy as a management approach institutionalizes empowerment as a contemporary management concept and PM instruments assist its implementation.

PM literature often defines project teams as *self-managed project teams*. A self-managed project team is a group of specialists, entitled

to manage themselves and their work *at operational level*. Project team members are responsible for and manage not only their purely functional responsibilities but they also plan and schedule their activities; make decisions, related to production; undertake actions for resolving ad hoc problems and share leadership within the team. Self-managed project teams and shared leadership within them stimulate *personnel's involvement* into the success of the organization.

Project-oriented organizational culture assists in *eliminating obstacles*, which impede people to undertake constructive actions in favour of the organization. The nomination of "project champion" who strives to ensure top management's support and the adoption of formal procedures for organization's goals prioritization within the programme and project portfolio maintain the required degree of intellectual clarity and enthusiasm among the organization's personnel.

When it comes to the third aspect of empowerment – *access to information*, PM principles and instruments are definitely applicable. Instrumental in this respect are the visibility of the value-added stream to the project team members, project configuration management instruments<sup>12</sup>, the equality and cooperation among the team members, the easiness of the communication process, the transparency of activities.

PM promotes the application of *specific organizational solutions*, such as the dynamic organizational structures – project structures and matrix structures. Without totally rejecting hierarchy, dynamic organizational structures contribute to the organizational flexibility and

facilitate the empowerment process in the organization.

As we have already mentioned above, the empowerment process requires increased attention to *planning and control*. PM instruments are especially abundant for the purposes of these two management functions. International PM standards – Project Management Body of Knowledge, International Competence Baseline, Prince 2 – are extensive in relation to the instruments for *planning* and the products of planning. Some of the products of the well-equipped arsenal of instruments and techniques for PM planning are: the project scope management plan, time management plan, cost management plan, quality management plan, configuration management plan, personnel management plan, communications management plan, risk management plan, procurement management plan.

A cornerstone of the PM *control function* is the identification of phases within the project life cycle. To a considerable extent, the application of the control mechanisms is conceived on the basis of dividing the project life cycle into phases. The rationale is that the earlier control activities are undertaken, the better, because the cost of the corrective actions or, if it is feasible, the costs of the premature closure of the project, are lower. Elaborating on the control function, it is reasonable to mention the earned-value analysis – a key element of PM instruments, which assists the PM control function. In a number of world practice examples, the application of the earned value-analysis is a compulsory requirement for managing external projects; experience and good practice in earned-value analysis is a criterion for selection of contractors.

<sup>12</sup> As a component of PM (28, 1999), the goal of the configuration management is to identify, track and store the products of the project, including documentary products. A key role in configuration management is fulfilled by the so called configuration librarian.

International PM standards as an important component of the PM theoretical basis, to a considerable extent confirm the principles of global management. In the context of the intensive development of the processes of internationalization and globalization, on one hand, and the fact that international business is increasingly carried out in project format, on the other hand, international PM standards facilitate the understanding and cooperation among the participants in the international economic relations. At the same time, PM takes into consideration the specifics of *the cultural factor* of the international environment. For example, the procedure of the International Project Management Association for adoption of the International Competence Baseline standard includes the preparation of National Competence Baseline which fine-tune the content of the International Competence Baseline according to the specifics of the factors of the national environment. International PM standards consider the differences in *personal characteristics* of stakeholders by paying attention to the behavioural competences for the purposes of managing projects. The so called "soft skills" are attracting ever more attention by both PM theory and PM practice. PM professionals confess that "soft competences" have been ignored for a long time in favour of the "hard" PM instruments. A number of researchers point out that project failures are mainly due to deficiencies in the behavioural competences of the project team members and much more rarely to technical difficulties. This conceptual awakening for the importance of the behavioural competences as a success factor in PM, undoubtedly assist the implementation of the empowerment process as a contemporary management concept.

*The uncertainty of the international environment makes the intensive interaction with the environment and understanding of the organizational context some of the key*

*prerequisites for making adequate decisions. This in its turn, to a certain degree discredits top management interference into the operational aspects of management. The guidelines for operational activities derive mainly from familiarity with the particular situation, and most of all from understanding customer needs, rather than from higher hierarchical levels of the organization. As a contemporary management approach PM considers the requirements of the international environment, facilitates the effective implementation of empowerment, viewed as a contemporary management concept, and thus emerges as a factor of international competitiveness.*

## Conclusion

The sophistication of management operations and strategies is a factor of international competitiveness both at company level and at national level. This maxim has been confirmed by the international rating agencies, by the World Economic Forum, by the World Competitiveness Centre of the IMD Business School, by a number of researchers (1, 2004, p. 211; 7, 2006). *That's why good management practice is a priority not only at company level but also at national level.* According to the requirements of the environment, the contemporary management theory and practice underline the importance of teamwork, process orientation, empowerment and networking with stakeholders. The professional application of PM instruments, which is in compliance with the international standards of good practice, assists the manifestation and development of these contemporary management concepts. The intelligent application of PM instruments is becoming one of the factors of an increasing importance for the international competitiveness of the contemporary organization.

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