



BASES FOR ORGANIZATIONAL COMPETITIVENESS: PROJECT MANAGEMENT IN THE LIFE OF THE CORPORATIONS

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Abstract

“Bases for organizational competitiveness” is a research project that evaluates the competitiveness and the management practices of the Hungarian enterprises. In the course of the program several hundred Hungarian small, medium-sized and large companies filled the questionnaire and answered its questions about their own competitiveness and actual economic situation. The study endeavours to briefly assess what condition the Hungarian enterprises are in after the economic crisis, and to what extent these enterprises have managed to adapt to the changes that have accompanied the operation of the business organizations in the past few years. The study focuses on the relationship between project management and competitiveness, and it builds on the assumption that the more efficient management of the projects might bring potential competitive advantages for the organizations. The study is willing to examine what efforts the enterprises have made during the recent years to turn into a lot more competitive and more successful organization. For that reason I have evaluated the companies’ project routine, willingness to cooperate, and the relationship of the latter two with competitiveness management.

Key words: *project management, leadership, questionnaire research*

JEL code: L2, M2

Introduction

Living is about constantly solving problems. The more fulfilled our life is, the more sophisticated and complex the problems become that need to be solved. The same rule applies to the organizations too. In order to lead an organization, one must continue to solve problems all the time. The only time an organization does not have problems is when there are no ongoing changes in it, but that can only occur if the organization is already dead (Károlyi, 2012). The thoughts of Ichak Adizes perfectly demonstrate the true nature of the entrepreneurial existence.

The changes in the business environment have not made the operation of the enterprises simpler. While almost every aspect of our life has turned more complex and more varied, the enterprises also have to deal with newer and newer challenges for maintaining the successes on a long term. In this continuous dilemma and struggle project management evolves into a huge asset by creating the opportunity for the companies to tackle the relatively new tasks with specific management solutions.

The usage of project management is not compulsory for the enterprises, since a business organization can be successful with or without it. On the other hand, we can see that an adequate project management multiplies effectiveness and efficiency, and it increases corporate competitiveness as well.

Up till now there is still no generally accepted definition to describe what a project and project management is. Although there are conceptual differences between the certain definitions, most of them still agree about the basic characteristics of a project. It can be considered a non-repeatable activity that has an identified goal and an expected result, it can be



outlined by a defined budget and deadlines, and it requires a well-determined demand for material and human resources for the sake of carrying the project goal out. The project assists to the long-term successfulness of the organization in a way that whatever the original goal of the project was, it essentially fits within the goals of the organization.

According to certain approaches, project management helps to adapt to the environmental changes. The more changes require more innovation, which can most effectively be executed under projects (Verzuh, 2006). Gareis used similar words when he said that project management provides the possibility of being able to initiate the flexibility of the organization, and all this paves the way for the improvement of quality (Gareis, 2007). Project management also facilitates the development of the organization's knowledge management with high efficiency, as during the project work we can learn from the mistakes, and the methods that can later be introduced for the management of new projects become improvable.

Likewise, the Project Management Guide (PMBOK Guide) draws attention to the practical applicability of project management too. By the application of project management, the organizations come to be able to use knowledge, skills, processes, means and methods, increasing the chances of success in a wide range of projects. Project management focuses on the implementation and provision of goods and services (PMI, 2013, p. 34). Considering that the vast majority of the enterprises sell their goods or services on the market, which is the source of their profit, the question of what could make the enterprises more effective in the course of this activity cannot be ignored at all, since more projects could lead to more profits.

Another reason why project management is able to be more and more significant for the enterprises is because the life cycle of the products became a lot shorter. The issue of bringing new products and services to the market as fast as possible in order to maintain their competitive positions will be crucial to an increasing number of organizations. The strengthening of the global competition put quality to the centre as well, and therefore meeting the expectations cannot be justified by any means anymore. With the application of project management, we can achieve major successes in improving quality, which will inevitably result in the increased satisfaction of the buyers/customers. The development of our knowledge and information boosts the complexity of the projects, given that the latest developments – that actually need plenty of knowledge capital – are realized under these projects. The enlargement of knowledge capital brought with it the complexity, which can only be manageable if we endeavour to make the complex processes more transparent and easier to use through targeted solutions and approaches (Jebrin, 2013).

In this regard, we can even say that today project management is deemed the management of the most significant developments.

However, project management helps us to be more effective in fields like for example planning, management or resources, financing, time management, information management, risk and conflict managements, etc.

Research results and discussion

The goal of this study was to examine the project orientation of the Hungarian enterprises. Project orientation (management by projects or project-based management of the organizations) represents how well a certain enterprise is committed towards project management and how typical it is of the organizations to carry out the task (problems) and

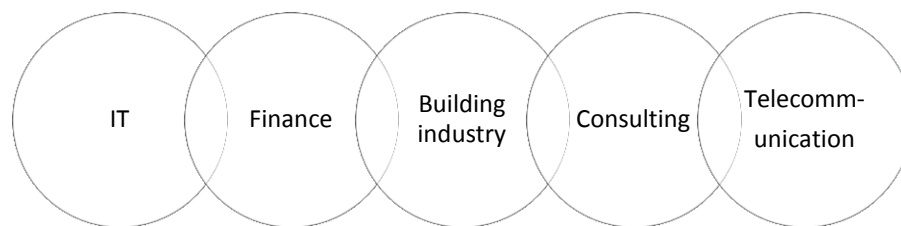


challenges mostly in the form of projects. Project orientation also indicates the level of project intensity.

Project orientation = susceptibility and commitment towards project management
Project intensity = number of executed projects

The higher the project intensity of an organization is, the more projects it might carry out. Project orientation is reflected in the management recognising the potential of project management and trying to apply it to most of the organization's tasks. At the same time project orientation also means the organizational culture supporting the project, which will definitely be important for the successful implementation of the projects. Project orientation is such a conviction of the management that makes them believe in reaching much better results with the projects in cutting costs or in fulfilling the customer's expectations. Project orientation can just as well be such a commitment of the organization and the management towards the projects that they are even prepared to adjust the organizational structure to certain individual projects. This makes it clear how essential the projects are for the organizations, since the project will prove to be the primary work-sharing principle.

The change of project orientation almost goes hand in hand with the change of project intensity. The more important role project management will play in the life of an organization, the more likely it is that it will carry out more projects. Project intensity can be examined on the level of industries or corporations as well. The industrial analysis can give us the answer to the question which sectors execute the most projects. The high number of projects leads us to the conclusion that within these sectors we'll be able to find the enterprises where the project management approach – and thus the higher level of project orientation – is the most detectable.



Source: author's construction

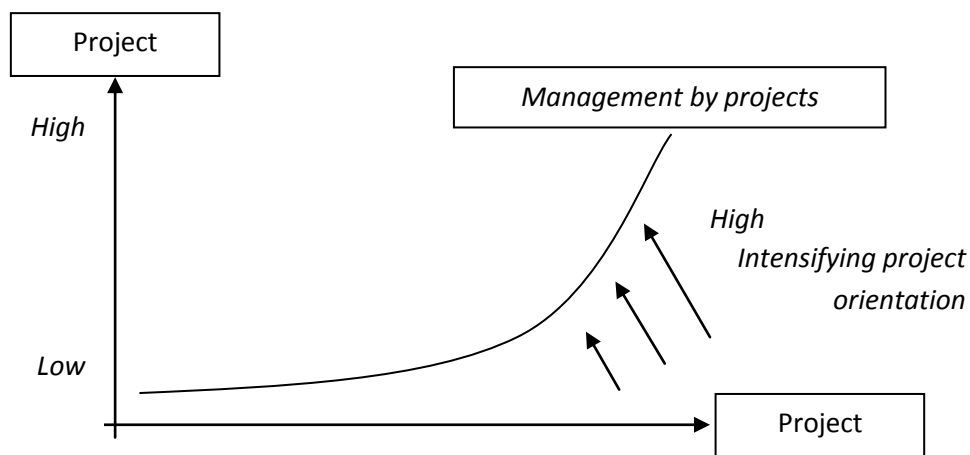
Fig. 1. Project intensive sectors in Hungary

On the other hand, project intensity is also about how the number of projects changed at the organization during the examined period of time. If the project intensity is higher, it means that more projects were initiated to solve a certain problem or task.

The project-based management of the organization (management by projects) is necessarily accompanied by the change of project intensity too. There is a linear relationship between the project orientation and project intensity of the organization. If the commitment



towards project management grows from the side of the organization or its leadership, they will find themselves interested in the execution of more and more projects. The organizations are much keener to implement projects or establish project teams for the certain resolvable tasks after they realise the benefits and usefulness of the management by project strategy. After experiencing the advantages and opportunities of project management, they will think in project terms in the future more often, which enhances the growth of the number of projects as well.



Source: author's construction

Fig. 2. The effect of project orientation on project intensity

Nevertheless, it does not mean that everything should be carried out under projects. The projects shall only be started if their implementation is justified²³. We don't have to involve always and everything in projects, but most of the times the organizations do not even solve the tasks under projects for which a project-based solution would actually be reasonable.

The research called "The bases for organizational competitiveness" was launched to investigate the factors that have an influence on the competitiveness of the business organizations. The research also tried to collect information regarding project management.

According to the PCT model of the ProSci Institute, 3-3 factors can be named among both the features and conditions of the project success. The project success is realised when the purpose of the project is finally aligned with the expected quality, so in other words when the goal of the project meets the expectations of the customer in an appropriate quality. On top of that, the success of a project also means that the project was able to be carried out within the deadline and the budget. And last but not least, the project success can be expressed by the expected development of the ROI (return on investment) index as well.

The success of a project can be interpreted through these three cumulative factors coming true, and basically that is the main goal of project management too. However, to be able to talk about successful projects, at every success-oriented organization special attention has to be paid to three sectors. These are graphically illustrated on the following diagram.

²³ Do not start a project if, for instance, the task is too easy or the necessary conditions and abilities are not available.

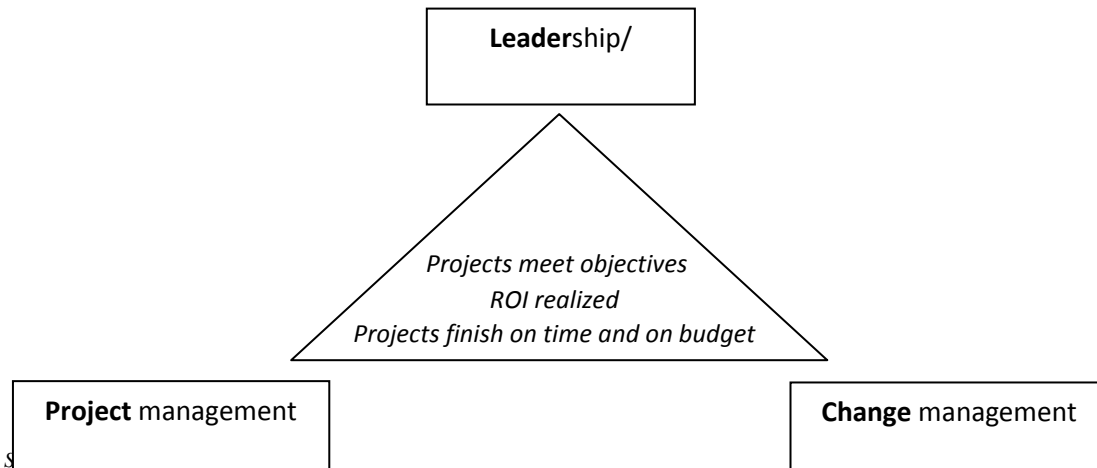


Fig. 3. ProSci PCT Model

The research called “The bases for organizational competitiveness” analysed these three sectors. During the research I wished to examine to what extent the conditions necessary to strengthen competitiveness are present at the Hungarian enterprises. Based on the PCT model, the questionnaires were principally aimed at the quality of leadership²⁴, change management and the existence of innovation and project managements.

The main pillar of the research was the questionnaire survey. I approached the enterprises on paper (in the form of a printed questionnaire) and asked for their participation in the research. I expressed the expectation that at least 1,000 enterprises should constitute the sample, which can serve as the basis of the statistical evaluations and the production of results. The questionnaire can be divided into two major parts. In the first part we can find the questions related to the characteristics of the enterprises. These questions help us determine the specific sizes and types of the enterprises participating in the research. In the second part the focus shifted to the operation of the organizations and to the examination of their management. At the time of writing the study the number of the filled and evaluable questionnaires was N=949. The characteristics of the sample are itemized below.

The questionnaire contained 20 questions, including closed questions, rating scales and open questions too. The latter were only asked occasionally in the survey. The respondents were able to describe chiefly on rating scales to what extent the certain preformulated statements were typical of them. I assessed the results cumulatively and reflected the occurrence of the most popular answers with basic statistical examinations. Prior to the start of my research I had set up several hypotheses, of which at this point the ones connected to project management will be introduced:

H₁: I make the assumption that project orientation is less typical of the Hungarian enterprises. Although the Hungarian companies also have to face numerous challenges and new (unique) tasks, innovation and the project approach helping its implementation only have limited presence. In most of the Hungarian enterprises the innovation performance and project

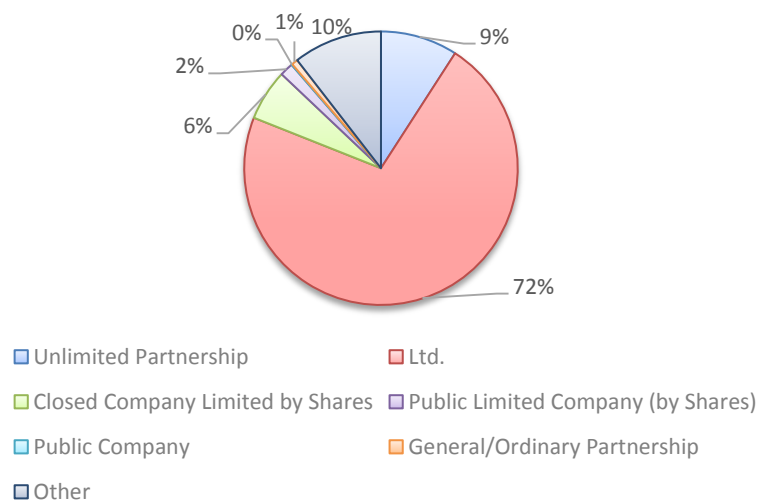
²⁴ Boss-onomics, quality of leadership



orientation cannot be characterized at a high level either. The majority of the Hungarian companies like the new challenges and tasks less.

H₂: Moreover, it can be assumed that most of the Hungarian enterprises are considered to be less competitive due to not only the lack of project or innovation approach, but also because of such factors as for example the lack of adequate strategic work. In this regard the companies do not know the requirements of the buyer/customer well enough, do not analyse their mistakes methodically and regularly, from which they could actually learn and develop, and to the larger part of the enterprises even risk management is a serious problem, since they do not possess enough and sufficiently grounded information to make decisions.

For the sake of demonstrating and analysing these hypotheses, I highlighted the questions that could provide assistance for proving the assumptions right or wrong. The questions that reveal more information about the features of the sample will be presented first. In connection with the characteristics of the enterprises participating in the survey, I started assessing the respondents on the basis of their legal form. Figure 4 makes it clear that nearly three-fourth of the companies participating in the survey operated as an Ltd, while at the same time it also introduces this legal form of business that can be deemed the most popular under the Hungarian circumstances²⁵. Limited partnerships and limited liability companies were engaged in the research at a much lower percentage.



Source: www.prosci.com

Fig. 4. Distribution of the examined enterprises by their legal form

The second analysis point was the number of employees. More than half of the companies participating in the survey have less than 10 employees. On the other hand, we can find quite a lot of enterprises in the sample that employ more than 50 people. This can be said about 182 enterprises. The research did not focus solely on the micro-enterprises, which will be demonstrated through not just the employment figures but through the sales revenues as well.

²⁵ In Hungary the majority of all the registered and operating companies operate as an Ltd.



Table 1

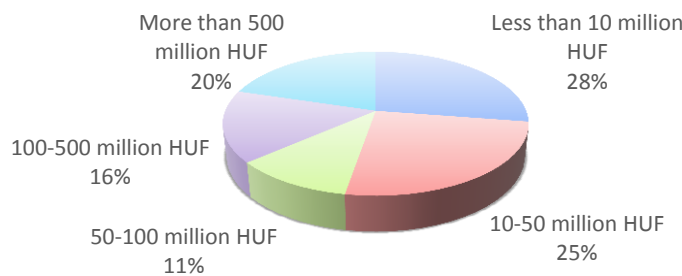
Distribution of the examined companies in the sample by the number of employees

Number of employees	Answers
1-9	501
10-49	217
50-249	101
more than 250	81
no employees	44

Source: author's construction based on own research

The majority of the enterprises taking part in the survey have no foreign markets (65.9%). The ones that do (34.1%)²⁶ are mainly concerned on the European markets. Only 80 enterprises have Asian, 62 have North American, 48 have South American, 39 have African and 17 have Australian market interests.

In addition to employment, the sales revenue can also tell us a lot about the size of the enterprises entered into the research. It can be seen on Figure 5 that 20% of the sample has annual sales revenues higher than 500 million forints. Considering that according to the EU regulations the annual sales revenue of a micro-enterprise is maximum 2 million euros (about 600 million forints), more than three-fourth of the sample would be categorized as a micro-enterprise, if we determined the size of the organizations participating in the research only by their sales revenues. However, the size of a company is not solely defined by that.



Source: author's construction based on own research

Fig. 5. Distribution of the companies participating in the research by their sales revenue

Based on the number of employees and the sales revenues it can be stated that the SMEs are in the majority within the sample, but there is no sharp movement towards the micro-enterprises. This is mainly confirmed by the number of employees. In my opinion the turnover of 2 million euros (600 million forints) is a considerably high limit for the micro-enterprises, since that would be a significant sales revenue even for a small or a medium-sized enterprise, let alone for a family firm. Although the micro companies seem to dominate the sample on the basis of their sales revenue, with knowledge of the Hungarian circumstances and opportunities,

²⁶ 321 respondents



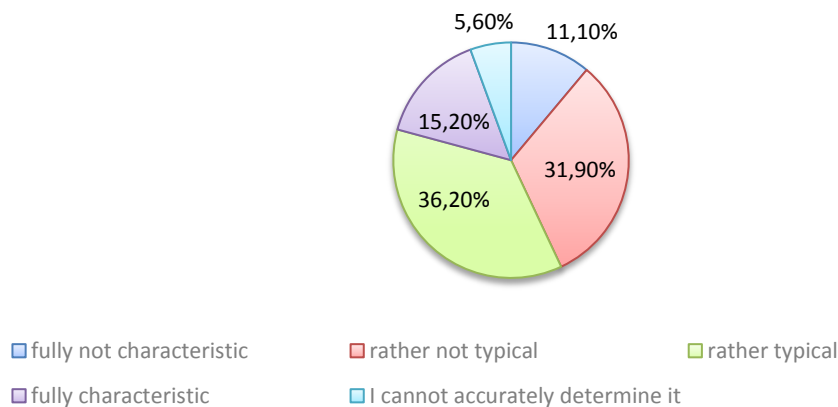
and due to the high limit and the number of employees, it can be established that this majority is not as straightforward after all. Several small and medium-sized enterprises don't reach the 2 million euros' limit in Hungary, and for the micro-enterprises this type of annual sales revenue is basically unachievable.

A much clearer distribution can be found when examining the enterprises by the scope of their activities. Half of the responding companies (346 companies) operate in the trade sector. They are followed by the companies doing construction and transportation/storage activities with the second highest distribution level. Information technology, industry and business consultancy are on the third place (with about 100-100 responses). Enterprises from the other sectors participated in the sample in a smaller proportion. The lowest response rate came from enterprises that are engaged in social work activities.

The companies participating in the research can be grouped by their place of business too. Most of the enterprises carry out business activities in Budapest (634 respondents). Central Hungary is second behind them (400 responses), while the enterprises from the rest of the country's regions are represented in the sample roughly evenly with regard to their place of operations (about 150-200 answers from the rest of the regions). The research wished to collect information from every single region of the country, and we have managed to reach this objective.

Results - project orientation and project intensity at the Hungarian enterprises

The most obvious way of examining project intensity is to ask the enterprises to what extent the companies' innovation potential and the number of their projects grow.



Source: author's construction based on own research

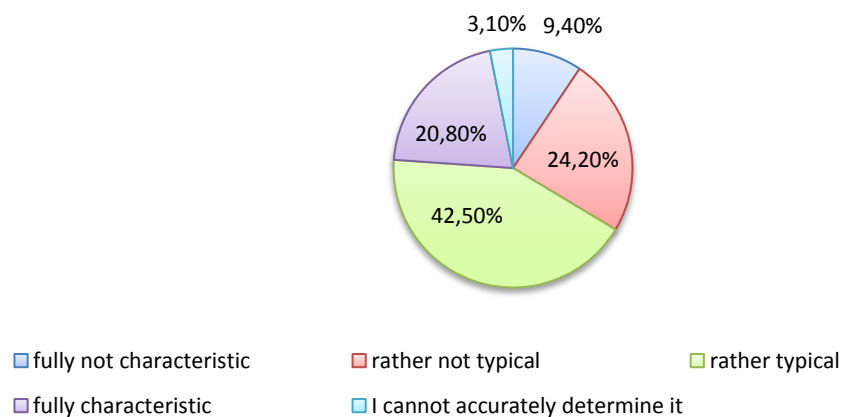
Fig. 6. Is it typical that the innovation performance of the companies grows?

Eric Verzuh wrote in his book 'Project management' that the enterprises have to continuously renew their products and services for the sake of survival or achieving business success. This can be carried out through a constant innovation activity, which can be managed much more successfully and effectively under projects (Verzuh, 2006). The companies must react to the environmental changes with innovation, which would foresee the implementation of even more projects. Given that there are larger and smaller changes in every company's life, we



could presume that at the companies the number of projects increases proportionately too. In reality this is hardly the case.

One of the questions of the questionnaire asked the respondents to assess on a scale from 1 to 4 how typical the growth of innovation performance was at their company. One meant that the improvement of innovation performance was *not typical at all*, while four represented the rating *fully characteristic*. In every case the rating scale was supplemented by a fifth choice, which was the option of choosing the answer *I cannot accurately determine it*. Figure 6 (above) illustrates it perfectly how the 949 enterprises think about the changes of their own innovation performance. The responses reveal that only 15% of the companies considered their innovation performance to be significantly higher, whereas half of the respondents thought it was rather not typical of them (or not at all). This gives us a clear picture of the innovation efforts of the enterprises participating in the survey, since only few of them marked the answer according to which the enhancement of the innovation efforts is unambiguous. It is also well-demonstrated within the project intensity of the approached companies. More innovation would require more projects, but even this is only completely characteristic of 20.8% of the enterprises.



Source: author's construction based on own research

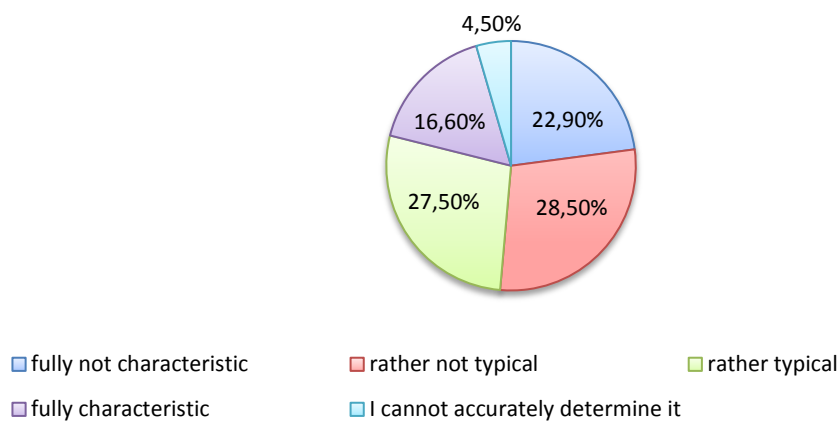
Fig. 7. Is it typical that the project intensity of the companies grows?

Although the approached enterprises did not present an overly positive opinion regarding their innovation performance or the growth of their project intensity, I have experienced a much greater consensus in the context of customer or client orientation. The majority of the companies claimed that the increase of buyer/customer orientation was completely typical of them (57.7%). This could be exploited incredibly well for the innovations or the projects, because both are addressed to someone, both have their own “targets”, hence the buyer or customer will require priority treatment always and in any circumstances. Based on the research, in this direction the companies do make the efforts needed, meaning that they endeavour to get closer to the buyers/customers and to get to know their needs and expectations better. According to 33.7% of the approached companies this is more characteristic of their operation, while we could barely find a respondent who said it was rather not typical or not at all. The results are probably not surprising, as everybody originates its income from the buyers,



so an organization that does not give priority to buyer or customer orientation will basically work against its own profit.

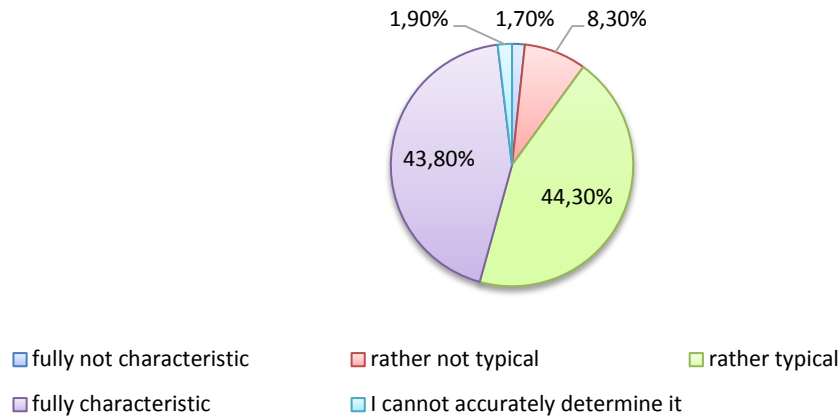
Figure 7 has already illustrated it well that only a small proportion of the approached companies can be characterized completely by the growth of project intensity. Naturally, a critical note could say why a company should increase the number of initiated projects by all means when it carries out many projects anyway. This is why it was important to ask the enterprises how typical it was to create a project team to solve the emerging individual problems. Only less than one-fifth of the respondents chose the answer *fully characteristic*. However, more than half of the sample responded in a way that suggests that they rather do not (or definitely don't) set up a project team for the individual problems. In my opinion this can be associated with the fact too that 501 enterprises out of 949 have less than 10 employees, and therefore in these companies it would not really be feasible to set up separate project teams.



Source: author's construction based on own research

Fig. 8. How typical is it of the enterprise to set up a project team in order to solve the certain problems?

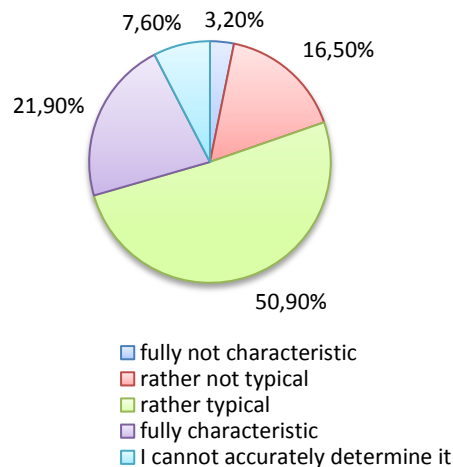
It would be imperative for the implementation of projects or innovations that the enterprises had all the conditions that can be necessary to achieve the goals. From that perspective the approached companies performed well, since nearly 80% of the companies participating in the sample considered that they could completely or typically provide the necessary work conditions. This could also serve as a great basis for the companies to carry out more innovation or more projects (Figure 9).



Source: author's construction based on own research

Fig. 9. How typical is it of the enterprise that every necessary work condition is in place to complete the tasks?

Only one-fifth of the approached companies became definitely more efficient regarding the management of risks. 50% of the respondents answered that it was rather typical. At the majority of the enterprises taking part in the survey the risk management had improved somewhat, but only one-fifth of the companies could confirm a clear progress.



Source: author's construction based on own research

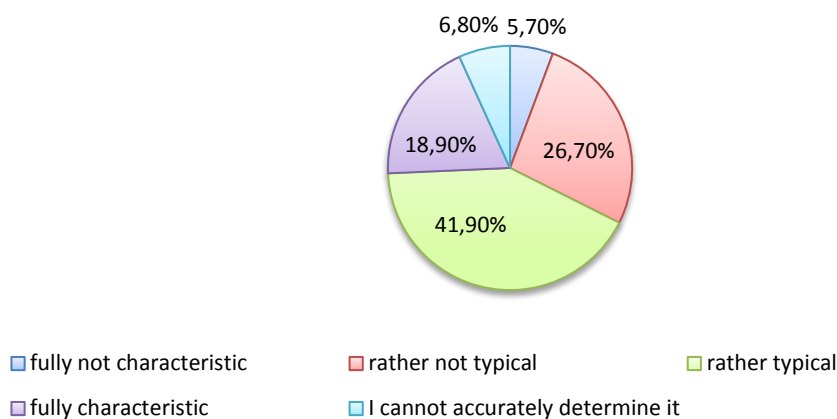
Fig. 10. How typical is it of the company to recognise and manage risks more and more efficiently?

Although Figure 10 proves that the risk management practices of the companies show a mostly improving trend, only one-fifth of the enterprises could definitely acknowledge this. The risk is the entrepreneurial activity, one of the constraints of the projects, which we have to pay



more attention to in any event in order to reach our goals. The risks can cause problems in the case of regular entrepreneurial activities as well, and not just in relation to project management. A more effective project management would be needed not just for the sake of project success, but the business organizations should demonstrate a continuous and spectacular improvement on this field in general. Only slightly more than 20% of the companies in the sample were able to show this kind of progress.

Projects are normally initiated when the enterprises face new tasks, challenges and problems that cannot be managed successfully enough with the formerly used solutions anymore. The fact how much an enterprise likes the new tasks and challenges tells a lot about the extent of its project orientation. The following diagram makes it clear that it is fully characteristic of less than one-fifth of the enterprises participating in the survey that they increasingly prefer the new tasks. If a company does not like new things that much, then it is not a surprise that the high level of project initiatives cannot be expected from this company either. Project orientation basically assumes the existence of a business culture, in which the enterprises are not reluctant to embrace new challenges.



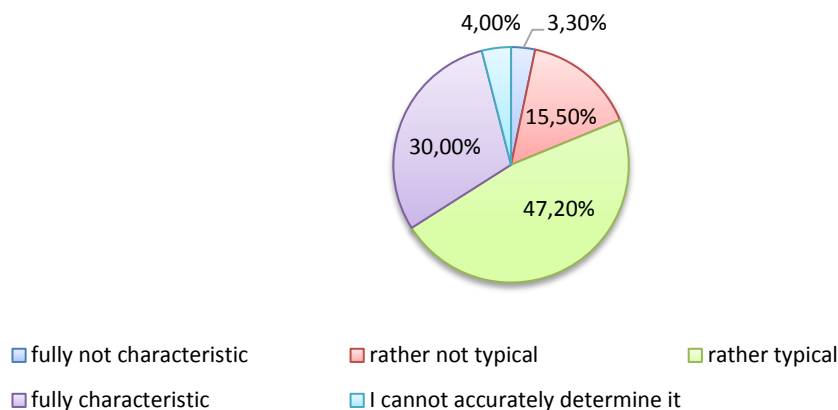
Source: author's construction based on own research

Fig. 11. How typical is it of the company to like the new tasks and challenges better and better?

During the management of projects one of the biggest benefits derives from the fact that the enterprise can improve its project management practices on its own as a result of the constant feedbacks and control. However, in order to do so, it will have to go through a special learning and self-evolving process. We are only able to develop our methods, if during the implementation of a project we systematically explore and document our mistakes, and from these mistakes we make an assessment and draft improvement proposals at the end of the project. The first step for this is to realize where we went wrong and to find the faults' actual place of occurrence. We can learn from our own mistakes the most, because it enables us to figure out what the best practice is that will bring us closer to achieve the project goal. It is absolutely typical of 30% of the companies taking part in the survey to analyse their mistakes



on a regular basis. From this aspect the enterprises would need a significantly bigger improvement, since the analysis of mistakes could be important not only in the case of executing projects or initiating new projects, but also by the so-called regular entrepreneurial activities too (for example production or logistics).



Source: author's construction based on own research

Fig. 12. How typical is it of the company to continuously analyse its mistakes?

Conclusions

Table 2 undertakes the summarization of the above results. The questionnaire included such questions, from which the development of project orientation of the companies participating in the survey may be inferred. Based on the received answers we can say that it was rather the enterprises' strategic point of view that made a progress, and not their commitment towards project management. The H₁ hypothesis – that assumed the project orientation of the Hungarian companies to be not at a high level – has proven to be true. Table 2 emphasizes the percentage of the enterprises engaged in the survey selecting the option 'fully characteristic' with regard to the statements linked to the individual projects. Only 20% of the companies reported that their project orientation clearly grows, meaning that they fulfill more and more tasks through projects. A lot fewer companies confirmed the improvement of their innovation performance. Less than one-fifth of them are truly fond of new opportunities and new challenges. Slightly more than 15% of the approached companies set up project teams to solve specific tasks or problems. This indicates that the project management approach is only typical of a limited number of the enterprises, and the PBA (project based organization) approach is rather not characteristic of the majority of them. Considering the sizes of the enterprises this is probably not a surprising result, but on the other hand project management could have a positive impact on the smaller companies as well, provided it is used appropriately.



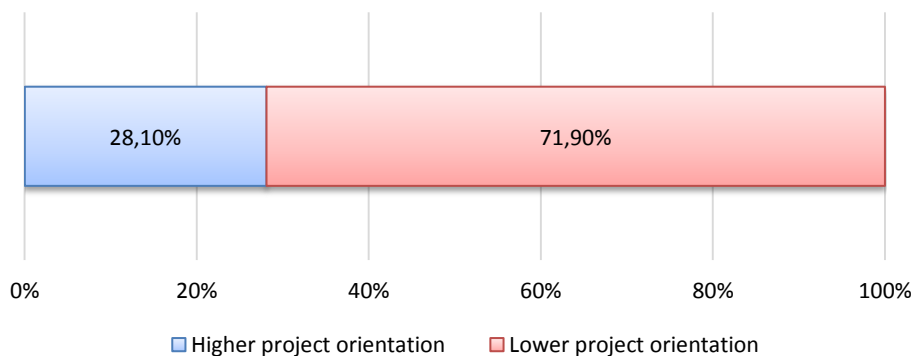
Table 2

Summary of the project orientation of the examined enterprises

The innovation performance grows	Fully characteristic	15,2%
The project intensity grows	Fully characteristic	20,8%
The buyer/customer orientation grows	Fully characteristic	57,7%
Project teams are set up for an increasing number of problems	Fully characteristic	16,6%
Every work condition is in place	Fully characteristic	43,8%
Risk management is more and more effective	Fully characteristic	21,9%
The company prefers the new tasks and challenges	Fully characteristic	18,9%
The company continuously analysis its mistakes	Fully characteristic	30,0%
AVERAGE RATING	Fully characteristic	28,1%

Source: author's construction based on own research

According to the H2 hypothesis the companies do not have an adequate strategic point of view, and therefore they interpret the customer requirements incorrectly (low customer orientation), they do not analyse the faults regularly and their risk management cannot be deemed competent enough either. This hypothesis has not been confirmed. Most of the companies are getting better and better at improving their customer orientation and their regular fault analysis, and even their risk management has become somewhat more effective. To these questions the companies reported progress most of the times. However, the result would have been really spectacular if the majority of the participating companies had marked the rating 'fully characteristic', but that was not the case.



Source: author's construction based on own research

Fig. 13. Level of project orientation at the examined enterprises

In general it can be concluded that the project orientation of most of the companies has not developed, although the strategic point of view shows some progress. Table 2 highlighted the questions that can be related to the project management approach of the companies. Had there been truly more project oriented organizations in Hungary then a lot more enterprises would have given 'fully characteristic' answers to the above statements. Taking a simple statistic average it can be asserted that on the basis of the preset question only about one-fourth



of the companies achieved a notable level of development on this field (Figure 13), which can definitely be considered to be an unfavourable result. It is true even if smaller organizations constitute the majority of the sample, because project management would be an applicable and feasible option for them too. The more widespread use of the project approach should be enhanced for the SMEs, since it can improve the efficiency, productivity and competitiveness of the companies, regardless of their size.

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