

# Analysis of project management regulation implementation in the transitional economies

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**Abstract**—Transitional economies are characterized by the increased need for planning and implementing measures that have a positive and fast contribution to their development. When it comes to results, PM owns recognized tools to support achievements, on the individual level of projects, as well as at the local and global level for economies. But still, it seems that PM is much more visible for governments in very developed countries, while for the transitional economies, private sector leads. Challenge also lies in the fact that in the new project management systems anyone can call themselves a project manager since it is not a state-regulated profession in most countries. Establishing the systems with PM respectfulness could help economies to grow. Is it common or just an exception to engage project manager for public projects? We'll try to connect the established systems of PM at the governance level to the overall economic success of the countries.

**Keywords**—Transitional economies, project management regulation, public projects.

## I. INTRODUCTION

Within the European Union, the national entities need to strengthen mutual confidence, provide more robust processes and make the infrastructure market truly competitive [1].

According to the Project Management Institute, \$12 trillion USD, 1/5 of the world's gross domestic product (GDP), was spent on projects in 2010. This has resulted in a dramatic increase in the need for skilled project managers. Global need for skilled project management is raised by such organizations as the International Monetary Fund, the World Bank and the European Parliament [2]. The three measures of success in projects, although being old more than 20 years ago, are not only parameter to analyze the project's success [3]. An often mentioned determinant for project success is the stakeholder satisfaction.

Civilizations in decline are consistently characterized by a tendency towards standardization and uniformity [4]. The creation and promotion of universal models of management, 'disembodied from their country-specific and time-specific contexts . . . distanced and disconnected from time and space and rendered generalizable' [5, p. 107] has been identified as a distinct characteristic of twentieth century modernity [6, 7, 8, 9] and arguably, as reflecting the

enduring impact of Fordist process of rationalization upon contemporary management [10, 11].

Management system standards are important because they guide alignment and ensure conformity of policy deployment. They are being increasingly recognized as best practice guides and even as potential frameworks for regulators. However, the voluntary nature of management system standards makes them particularly compelling [12]. Project Management duty is to balance the project in order to achieve its objectives [1]. The project management literature has clearly presented the difference between a classical project management paradigm and a model-based theory paradigm [13]. The latter challenges three characteristics of the former: (1) a heavy emphasis on planning; (2) the influence of cybernetic control model plus (3) a low sensitivity to environmental influences.

Thus the management sub-system plays the role of a regulator that must model what it regulates, modelling being a necessary part of regulation [14]. The criteria of project success differ from what we call success factors [15]. Factors are circumstances who can influence the success (in) directly [16]. Shenhar went beyond actual success reality [17]. The criteria set are bound to change with time. The professional field of project management today is diverse, multifaceted and contradictory in several respects. On the one hand is the explosive development of professional organizations, such as the Project Management Institute (PMI) and the International Project Management Association (IPMA). These associations are not only known as organizers of a number of conferences, but also as promoters of the standardization of project management and certification programs for project managers [18]. Moreover, industry and government are faced with a number of project management standards. Some of these are:

- International Organization for Standards (ISO)
- Association for Project Management – Project Management Body of Knowledge (APM Book)
- Project Management Institute (PMI) – Guide to the Project Management Body of Knowledge (GPMBOK)
- IPMA – PM competence baseline

- Software Engineering Institute – Capability Maturity Model (SEI CMM)
- US Department of Defense – Earned Value Management System (EVMS)
- Canadian Government – Cost/Schedule Performance Management Standard (C/SPMS)
- CCTA Projects in a Controlled Environment (PRINCE)

Each standard is applied to particular national and international project management undertakings. Rationalization of these management standards is needed if they are to be used in a coherent and coordinated fashion [2]. Each standard and each category valorizes some point of view and silences another. This is not inherently a bad thing – indeed it is inescapable. But it is an ethical choice, and as such it is dangerous – not bad, but dangerous [19].

## II. THE DEVELOPMENT OF REGULATIONS IN PROJECT MANAGEMENT

### A. EU regulation in Project Management

Within the European Union, the national governments are the largest initiators and clients of large infrastructure projects. In such an international context it is thus essential for the private companies, be it consultancies or contractors, to understand their public client better, in order to come up with internationally competitive bids, successfully collaborate and deliver complex projects. However, there is limited literature available on what makes a project successful in the eye of the public manager, leading to mismatch of expectations and all the issues that derive thereof.

This is particularly true in a European context, where large projects are put up for tender on international market. Differences in business culture among countries may amplify these knowledge gaps. Understanding better these possible foreign clients will increase the chances of private companies to come up with competitive bids and increase their portfolio of international assignments [1].

EU's regulations increase the importance of applied project management skills and methods as criteria for selecting beneficiaries of EU Cohesion and Structural funds. These two funds are the financial instruments of EU regional policy. The regulations see project, programme and portfolio management skills as part of the solution to the challenge of authorities involved in the management of control of programme and beneficiaries lacking the proper skills to get projects completed successfully. The new rules, which govern the next round of EU Cohesion policy investment for 2014–2020 support, mark the end of two and a half years of negotiations among the EU institutions [20]. They will make available up to €366.8 billion to invest in Europe's regions, cities and the real economy — the part that produces goods and services.

The purpose of Cohesion policy is to reduce disparities among the levels of development of the

EU's various regions by promoting economic growth, job creation and competitiveness. The cohesion package includes six regulations defining the conditions of eligibility and the criteria for the allocation of the EU Cohesion policy. The regulation includes the text “building the capacity of local actors to develop and implement operations including fostering their project management capabilities” [21].

TABLE I. A SELECTION OF GOVERNMENTAL GUIDANCE'S IN PROJECT MANAGEMENT IN SELECTED COUNTRIES TABLE TYPE STYLES

Country	A selection of PM regulations on the government level		
	Document level	Title	Government level
Texas (USA)	Local government	Local Government Project Management Guide	Department for transport
Croatia	Law	Law	Ministry of Construction and Physical Planning
UK	Standard	Project Delivery Functional Standard	Infrastructure and Projects Authority and Cabinet Office
Canada	Directive	/	Major Projects Management Office
Tasmania	Guideline	Tasmanian Government Project Management Guidelines	Government
USA	Guidance	Project Management Plan Guidance	Federal Highway Administration

It is interesting to see that UK guidance for programs applies to all government portfolios, programs and projects: in all departments and arm's length bodies; ranging from those listed in the Government Major Project Portfolio (GMPP) through to those at local business level; whether for digital, infrastructure, transformation, service delivery, military capability, property, regulatory compliance or other purposes and regardless of delivery methodology or technique used [22].

The Government of Canada is committed to addressing the challenges facing the federal regulatory system for major resource projects in order to help improve Canada's competitiveness and enable more effective examination and mitigation of environmental, human health and social impacts. Providing a more efficient and effective regulatory system is key to creating the conditions for an innovative and prosperous economy, protecting the health and safety of Canadians and conserving the environment. The Directive sets out an administrative process, in the form of Project Agreements [23]. Interesting moves were done in America (NYC), regarding development of Project Management regulations [24]. In USA, any recipient of Federal financial assistance for a project under this title with an estimated total cost of \$500,000,000 or more, and recipients for such other projects as may be identified by the Secretary, shall submit to the Secretary for each project a project management plan and an annual financial plan, including a phasing plan when applicable [25].

### B. Transitional economies case

As former communist countries have proceeded with market reforms, they have become more

enmeshed in the international economy and their involvement in economic globalization continues to grow. While economic theory suggests that this should bring several economic advantages to transitional economies (such as greater diversity of choice of commodities, lower costs as a result of greater economic specialization, enhanced economic growth as a result of liberalization of capital and technology transfers), the social and environmental consequences of globalization have in many cases not been favorable so far [26]. The transition from socialist to market economies, which began in the late 1970s in Asia and in the late 1980s in Europe, is arguably the most significant event in the 20th century [26]. Unemployment is emerging as a major problem in some transitional economies, social safety nets (especially for women, children and the elderly) have been breached, and basic needs are no longer being met across the board as in communist days. In most cases, inequality of income has increased and a bimodal distribution may be emerging in many other economies. Those on the low welfare- (income-) side of the bimodal distribution are casual workers, those in the informal sector, the unemployed and the handicapped, including the elderly. Those on the right-hand bulge of the income distribution curve seem to be the permanently employed (a declining proportion of population) and rich entrepreneurs and capitalists. The paper suggests that structural adjustment policies may be altering the shape of the Kuznets curve of income distribution from an inverted-U to a bimodal form in both capitalist and former communist-countries. Transitional processes have failed to overcome many of the environmental problems experienced by former communist countries. This is particularly so in transitional economies which have experienced negative economic growth, such as Russia. It is partly a consequence of lack of investment in capital stock. Lack of economic growth makes it difficult to implement environmental reforms and maintain social services. It is also noted that economic globalization in terms of trade and capital inflows (including aid) makes transitional economies more dependent on the rest of the world. They can therefore be more easily subjected to external strategic economic bargaining or threats [27]. Many of the transitional economies have moved rapidly on several of these fronts, including trade liberalization. The speed with which the fastest reformers have overcome the transitional recession and the extent of their structural reforms means that their prospects for sustained growth at rates well above the OECD average are good-particularly for countries that will the European Union-provided they can stay on their present policy course. While not all transition economies are equally well placed, and while effective political support for macroeconomic stability and reform is far from assured in several countries, the prospect of more rapid growth remains open to the slower reformers [28].

As a transitional country, Croatian territorial fragmentation of the public administration weighs on efficiency of public service provision. Croatia is

generally regarded as a relatively centralized country. However, the constitutional and legislative amendments of 1992 and 2001 led to a very high increase in the number of towns and municipalities. Despite being granted competencies and responsibilities in providing public services, many small local units lack the adequate financial, administrative and personnel resources to carry out decentralized functions [20]. The current territorial organization also creates numerous overlaps between central and local government. This is particularly evident in numerous branch offices of ministries and other central government bodies present at the county and local level. The high fragmentation of the public administration hinders the implementation of public policies, increases costs and inefficiency in the use of resources. Key indicators for the public administration show a performance below the EU average [20].

### C. Research results

Our research methodology gathered interviews from Croatia, Russia, Latvia, Ukraine, Poland, Romania, Czech Republic and Slovenia. We gathered 16 interviews in total. Sample for our interviews were Presidents of local Member Associations of International Project Management Association and their Certification Director, as experts in the area of Project Management profession.

TABLE II. REGULATIONS IN TRANSITIONAL ECONOMIES: DRIVERS AND OBSTACLES

Country	Transitional economies		
	<i>Is there any regulation of Project Management on the governmental level in your country, regarding recommendations or obligations for dealing with public projects?</i>	<i>Driver for such an obligation</i>	<i>Obstacles for setting such a regulation</i>
Croatia	Yes	<i>To raise level of successful and professional management of projects</i>	<i>Low level of understanding the profession</i>
Russia	<i>It was before</i>	/	<i>Change of politics</i>
Latvia	No	<i>To achieve maturity</i>	
Ukraine	No	<i>To come closer to country maturity</i>	Government does not want to change
Poland	No	/	Change of the political party
Romania	No, but for specific bidding. It is against the law to ask for certain certification	<i>There is no driver</i>	There is a lack of maturity
Czech Republic	No	<i>Progress in the ideal case</i>	Lot of effort wasted for nothing
Slovenia	No	<i>To gain more professional attitude</i>	No progress on the political level

Critical results of the interviews you can see at the Table 2. It is interesting to observe that most countries see regulations set up as a way to achieve maturity on the country level.

Also, respondents were asked about the areas where they see further development of project management regulation of governmental or local authorities dealing with projects. A respondent from

Romania answered that she does not see any space for improvement, rather that all is managed as a political game. Also, similar answers were given by respondents from Czech Republic and Russia.

### III. DRIVERS FOR ESTABLISHING REGULATION OF PROJECT MANAGEMENT ON THE GOVERNMENTAL LEVEL

While drivers for establishing regulations on Project Management lies in the fact how mature is the environment of the market and it's economy, as shown in our research, we would like to add one more point to it. Looking the mentioned countries from macro perspective, it's image lies down to 2 main indicators: level of corruption and political stability. So, we took a closer look to those indicators in order to understand relation between implemented PM regulation and existing situation in the country.

TABLE III. COMPARISON BETWEEN TRANSITIONAL AND DEVELOPED ECONOMIES\*\*

Country	Transitional economies		
	Existence of any regulation of Project Management on the governmental level in the country	Control of Corruption 2017	Political Stability and Absence of Violence/Terrorism 2017
Canada	Yes	1,11	1,92
UK	Yes	0,26	1,84
USA	Yes	0,30	1,38
Czech Republic	No	0,57	1,02
Slovenia	No	0,81	0,89
Croatia	Yes	0,19	0,75
Poland	No	0,52	0,73
Latvia	No	0,46	0,54
Romania	No	0,06	-0,03
Tanzania	No	-0,58	-0,48
Ukraine	No	-1,89	-0,78
Russian Federation	No	-0,67	-0,89

\* World Bank, The Worldwide Governance Indicators (WGI), 2017, Available at: <https://info.worldbank.org/governance/wgi/#home>, Accessed on 20th April 201

\*Transparency international, Available at: <https://www.transparency.org/cpi2018>, 2019, Accessed on 1st May 2019.

As seen on the Table 3, there is a relevant difference between developed and transitional countries while looking 2 macro indicators: Control of Corruption and Political Stability and Absence of Violence/Terrorism. Both indicators data were taken from the World Bank 2017 data set. It can be commented that countries with implemented regulation on the Project Management tend to have higher level of political stability and absence of violence.

An interesting viewpoint of top management level perspectives were indicated in recent research about

project leadership, showing the perspective of public project managers in Netherlands [29].

### IV. CONCLUSION

Transitional economies are facing high level of mistrust in the political system that leads the way of PM professionalization in the country. For the level of governmental projects, it is critical for a government to set a list of standards, or guidelines in order to maintain the same standard to projects on government level. USA, Canada and UK are pioneers in setting up such a system, and it turned out to be more than fine. Moreover, State Office of Canada even set up a Project Management Office on the state level, in order to monitor closely all phases of the projects, from planning to delivery. Our research showed that countries facing with high corruption index and low level of political stability do not have set of regulations, guidelines or procedures for public projects. In contrary, countries which have such a regulations on the state level face mentioned indicators on a much healthier level. Now, we conclude, it is not matter whether a country has a regulation or guideline implemented, it needs to have something to maintain the same standards of iron triangle golden law. For transitional economies, for now, strategic planning of projects and developing country within is in the far future. First we need to fight against low level of corruption index, and the only way to do it is to set up a guidelines and procedures and have a non-governmental department monitor it, like in the case of Germany. Otherwise, strategic projects development of a country will be again torn apart by short term leading political party interest.

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