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# **Making Regional Strategy Happen: Project Approach of the State Enterprises in Ukraine**

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## **Abstract**

Gradually public institutions are finally making use of project management to implement regional strategies and programmes. Through the training at various European public institutions, at local, regional and national levels, it becomes evident that Ukrainian public managers to a substantial degree fail to pervade project approach as part of the respected functional operations, processes and structure of the institutions. Moreover, there is an apparent lack of understanding on how to use project approach on an on-going basis for the operationalization of regional strategies and programmes. This article suggests a procedure to address this issue. The main recommendation is that senior public management should establish a project approach whereby all or at least the majority of functional activities for regional programmes' implementation is seen as projects. The authors offer the guidelines to implement this approach in Ukrainian public institutions.

**Keywords:** state enterprises, project management, public administration, regional strategy, regional programmes.

**JEL codes:** M 190, M 490, L 320

## **Introduction**

### *Background*

For over 25 years of independence Ukrainian government focused primarily on the development of policy frameworks, structures and systems to give effect to the values and principles of democratic governance. Considerable legislative progress has been made in this regard as can be witnessed by a myriad of policy papers in nearly every governmental sector. However, when it comes to practical implementation of the noted papers, attention increasingly shifts to the most critical issue, namely implementation

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procedure. In line with global trends, the local government gradually becomes aware that it cannot simply rely on one strategic project, but rather several parallel initiatives that must combine to meet regional objectives. Thus, there is no need to further use traditional approaches. Projects have to coordinate the efforts of multiple cross-functional teams possibly operating in different functional areas and sometimes even geographic locations. Therefore, we can state that public administration in the 21<sup>st</sup> century is undergoing dramatic change, especially in advanced economies of the world. This paper argues that public sector reform efforts in Ukraine need to embrace these changes selectively, in particular with regard to project approach.

### *Objectives*

Based on the above described background, the purpose of the research is to study the project approach and the possibility of its use in public administration.

## **Literature Review**

From 2000 there was a discernible trend towards an emerging model variously termed the “new public service”, the “new public governance” or the “post-new public management” (Dunleavy and Hood, 1994; Denhardt and Denhardt, 2000; Osborne, 2006). Projects in public management are also of increasing interest to researchers. Entire books describe how to manage the projects (e.g., Kassel 2010; Wirick 2009). The differences between project management in the public and private sectors are examined (e.g., Olateju *et al.* 2011; Nagadevara 2012; Arnaboldi *et al.* 2004). In literature on project management, a project is understood as “a time bounded task to create a specific outcome”, and task as “a broad series of work activities” (Paletz, 2012). Project management in public administration is consequently defined as “carefully planning and monitoring of scope, cost, risk, and quality, with particular attention to internal and

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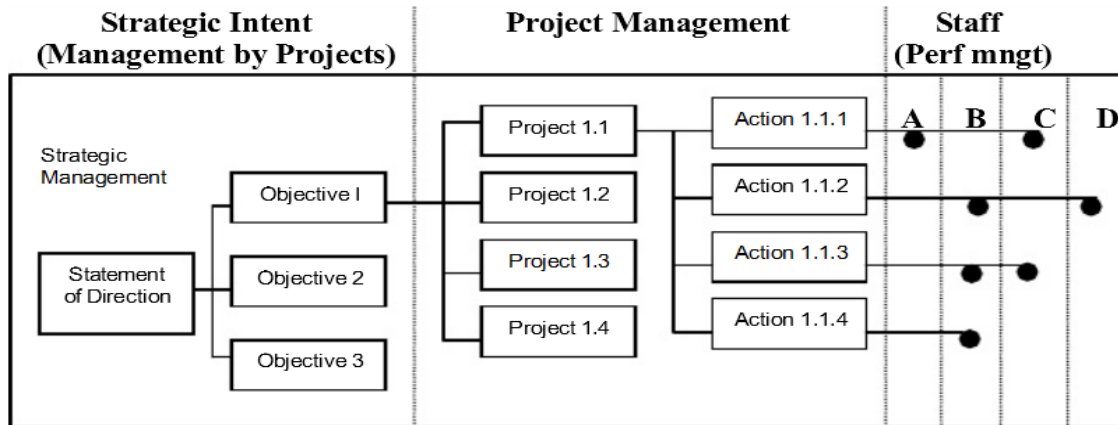
external stakeholders” (Paletz, 2012). It is commonly acknowledged that the project management approach has a broad impact on the success of state and regional projects (for a summary, see Fernandez and Fernandez, 2008). Kraft and Steenkamp (2012). In this paper we confine our focus to the broader shift in approach argued by Gerrit van der Waldt (2001) who advocates establishing a management by projects approach in public service delivery.

## Results

In order to implement regional strategies rapidly and professionally, project management in strategy implementation becomes increasingly a topical area of professional application (Hauc and Kovac, 2000). Project approach encompasses the entire institution, and, thus, the methodology should span across multiple levels and departments. Institutions that have used this approach find that there are still barriers to succeeding with their managerial processes (Maylor, 1996; Meredith, 1985). Particularly for Ukraine, these barriers may be both structural and cultural. In project approach, organizations begin to view all changes to their processes and activities as "project-oriented". In this case the given institutions start categorising all their activities as "projects" with the further division into "change projects" or "operational projects" (Stacey, 1993). The project approach concept affects all features of an organization, starting with the corporate strategy development and finishing through the strategic and operational planning cycles (Common, *et al.*, 1992). Any institution by means of this approach views all its functional activities as projects, evaluating them against the corporate strategy. The managers prepare project-oriented operational plans for all functional groups and review them afterwards. In the long run, the output of the whole

process is a set of projects (programmes) and resource plans aligned with the corporate strategy. Figure 1 below illustrates this approach.

**Figure 1 Converting Strategic Objectives into Projects**



Source: adapted from Waldt (2001).

This figure illustrates the significance of the fact that the staff who will implement the projects should be aware of their personal contribution towards the project implementation in particular and strategy application in general. In other words, they have to understand:

- (1) what the project is about;
- (2) where the project will be executed (geographical locations);
- (3) who will be involved (units, departments, executives, etc.);
- (4) when to start with the individual tasks of the project and when to complete them (time); and
- (5) how they must perform a specific activity and how they will be evaluated (quality) (Waldt, 2001).

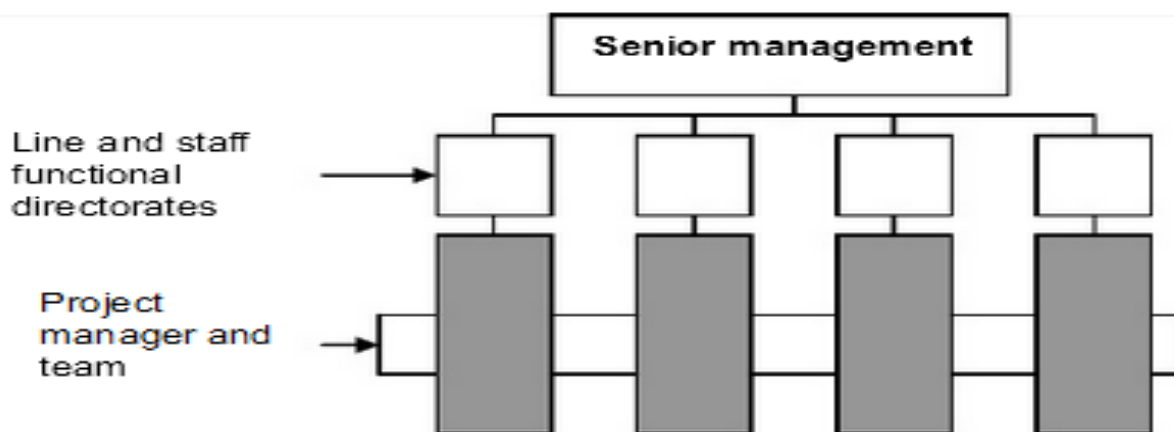
According to Burke (1993) and Kerzner (1984), project approach in public administration, has the following advantages:

- assigning and managing rare resources across the multiple projects ensuring that the high priority projects are receiving precise attention;
- recapping early successes achieved by top management's focus and attention on early implementations;

- effective communication between the project and the structural departments/officials; and
- disseminating, reiterating and sustaining successes across all projects.

Creating a project-oriented approach does not require dedicated, professional project managers as it used to be in traditional public management structures. The reality of today's public sector environment requires individuals to be both managers and individual contributors on a variety of projects. This genuineness means that public management requires a more casual and frequent use of project management tools and methods. Launching a successful project-based public structure requires an individual approach designed for each specific institution. Nevertheless, the key challenge for Ukrainian public institutions remains: to infuse a project with the existing bureaucratic hierarchical structure. Figure 2 provides a basis for addressing this challenge.

**Figure 2 Project-Oriented Organizational Structure Integrated into a Hierarchical Structure**



Source: adapted from Waldt (2001).

By integrating a project-oriented organizational structure into the existing hierarchical structure of the public institutions, functionaries in the various directorates or units act as project team members for the duration of the project. Once the certain project is completed, all of them continue to perform their usual responsibilities. Their working time may also be divided into projects and functional activities. This, surely,

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must be elucidated with the supervisor of the staff member together with the project manager. (Waldt, 2001) Some regional government departments such as the Department of International Cooperation and European Integration of the Rivne Regional State Administration are already applying this project/matrix structure to the possible degree with a considerable level of success.

Dynamic development of modern public administration requires us to examine conditions of project management in public administration based on the maturity model.

It's well-known that the skills and capabilities of public agencies concerned with public projects management are at different levels. Some institutions base their approach to project management solely on the ability of project managers. Others, at the opposite level of capabilities, have deliberate, efficient organizational systems. Organizational project management maturity models are applied for assessing and improving their capabilities.

In Australia, for instance, the British P3M3 ® (OGC, 2010) model is applied to assess project maturity. Maturity assessment is carried out in each of the three main areas: project management, programme management and project portfolio management.

In our research the assessment framework is based on Kerzner's (2005) five-level project management maturity model. Several years in development, the Kerzner Maturity Model is the result of real-life application within a number of world-class organizations. Kerzner has observed that in the past five decades the project management excellence came from four critical components: effective communications, effective cooperation, effective teamwork and trust. The famous theorist and consultant in project management Kerzner (2004) further emphasizes that all organizations go through a maturity process and to our point of view the government is not the exception. The maturity in project management is the development of systems and processes that are able to contribute to

success. It's worth mentioning that these systems and process do not guarantee success, they just increase the probability of success (Kerzner, 2005).

Figure 3 gives us an overall view on this composite and enhanced model which addresses the three related aspects of the project management within the framework of public authorities' work. Further we would like to consider this model in public administration. We'd like to underline in this context that according to the model the level of the project management development in public administration can substantially differ from the business of the analysed country. As a rule the level of the project management development in business is higher than in public administration. In addition to that, different countries can be related to one level, but there necessarily exists a difference between countries.

**Figure 3 Project Management Maturity Model in Public Administration**



Source: adapted from Kerzner (2005).

The first level towards achieving project management excellence is *common language*. At this stage the public institution actively recognizes the importance of project management and promotes the sharing of the project management basics and associated terminology.

The common characteristics of public institutions at Level 1 of Project Management Maturity Model (PM<sup>3</sup>) are:

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- (1) inconsistent use of project management;
  - (2) few people interested in project management; and
  - (3) no serious commitment by the organization to recognize the importance of project management.

The second level in the model is *common processes*. Here the public institution makes a sincere effort to use project management methodology and establish standard processes to be replicated in future projects to ensure the repetition of success.

The common characteristics of public organizations at Level 2 of PM<sup>3</sup> are:

- (1) an understanding of the benefits of project management;
- (2) support to project management across various levels; and
- (3) a defined process and methodology for managing projects.

Singular methodology is the third level of the Project Management Maturity Model. The Level 3 public institution understands the value of combining corporate methodologies into one singular methodology for project management. The common characteristics of public organizations at Level 3 of PM<sup>3</sup> are:

- (1) integrated processes, whole-hearted support by the organization to the singular project management methodology; and
- (2) less paperwork for rigid policies and procedures.

*Benchmarking* is the fourth level of the PM<sup>3</sup>. Level 4 public institutions understand the essence of continuous process improvement for maintaining competitiveness in the market. These organizations continuously compare their project management with those of the leaders in the market to set benchmarks. The common characteristics of organizations at Level 4 of PM<sup>3</sup> are:

- (1) existence of a project management office (PMO) dedicated to improving processes; and
- (2) performance of both quantitative and qualitative benchmarking.



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Finally, *continuous improvement* is the fifth level of the PM<sup>3</sup>. Level 5 public institutions continuously analyze the information obtained from benchmarking and implement it to improve their project management process. Such organizations constantly strive towards project management excellence. The common characteristics of organizations at Level 5 of PM<sup>3</sup> are:

- (1) creation of lessons learned after each project; and
- (2) application of lessons learned from previous projects into subsequent projects.

We believe that all CIS countries, including Ukraine, are at the Level 1 of PM<sup>3</sup>. In general business in these countries has already recognized the importance of project management and begun to develop and implement relevant project methodologies. Governments tend to be behind the business in this field. Moreover, there is a tendency of the distinct development of project management in business, i.e. project management is used mostly in project-driven companies. Even though many experts view such countries as Ukraine, Kazakhstan and Russia as leaders in this field, there doesn't seem to be any tendency of shifting toward the next level of the maturity.

Thus, we suppose Ukrainian public authorities as Level 1 organizations should take the following steps to graduate to a higher level of project management maturity:

- provide training in project management and hire certified project managers;
- support the use of project management terminology in projects; and
- encourage the use of various project management tools, templates, checklists, and forms.

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## Conclusion

The use of project management in government results in a new implementation “toolkit” for public service managers. From this article it should, however, be clear that structural, systemic, cultural and procedural adjustments need to be made to inculcate a new reality and to incorporate processes and procedures to support project applications. The resulting project approach in public administration will add significant benefits to both public servants and citizens. However, shifting from traditional public service to project-oriented public management does not only involve the restructuring of existing management procedures and systems, but also requires a conscientious mindset change.

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