

Essentiality of Project Management in Developing Economics

By

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SYNOPSIS

In the development context, this paper deals with issues of project management, largely related to the implementation phase of the project cycle. It examines generally the role of the project, its environment, the managerial issue, and the nature of common problems of project management in Pakistan. The idea is to stimulate thinking, and illicit focus on these issues, so that project management receives the consideration that this essential activity of development deserves.

ESSENTIALITY OF PROJECT MANAGEMENT IN DEVELOPMENT ECONOMIES

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The Development Context

Economic development is today the foremost concern around the world and more particularly so in the developing countries. The Communication explosion has shrunk the world, events in one part can be experienced and felt, without much delay across the remainder part of the world. Increasing literacy and education, coupled with global concern to bring the most backward nations, given the geopolitical situation, to a satisfactory level of social and economic development, is causing increasing unrest and disenchantment in the developing countries. Expectations are ever rising, but resources, including the institutional ability to be able to utilize such resources effectively, are lacking. The result is, that the dissatisfaction continues to promote political instability, which in turn again causes further setback in the capacity of these countries, to generate resources and build institutions of development. It is, therefore, becoming a vicious circle.

The Post World War II period also experienced some new attitudes among those who came out relatively unscathed. The Marshall plan, the setting up of the World Bank, were institutional arrangements by which those in need for reconstruction could be provided assistance. Principally Japan and Western Europe benefitted most from these facilities.

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However, following this, there began a growing concern that for any measure of continued security and peace, the newly independent and backward countries of Asia, Africa and Latin America, required to be provided assistance for development. Institutional help, therefore, became available to these countries for the first time.

Whether it were grants or loans, the organizations that dispensed such assistance, initially depended largely on managerial capability from the developed countries. This had certain advantages and certain disadvantages. In the short run it proved helpful because immediately these countries began to absorb such assistance. But in the long haul, it had disastrous affect. In the absence of know-how and effective institutions, large part of the help that came, went back paying for services, and then when the experts left, the structural component they left behind, in most cases, could not be managed. The result was that there was no effective development, except in very few cases. The countries that realized this first, or early enough, and took corrective action, came out better.

The point is, that while sophisticated hardware, and sometimes software, which was not available locally, continued to be obtained, strangely enough, indigenous management, unlike in the case of Japan, failed to develop. Yet in capital-shy economies of developing countries the urgent requirement was institution development, both as a measure for creating capital, as well as developing effective and efficient absorptive capacity.

The Management Issue

To more closely focus on the management issue, let us look at a simple economic production-consumption model. For economic development in the developing countries, it was necessary to produce more than you consumed, so that savings could be invested for increased production. Simply put, increased production could be achieved by two basic means:

1. Capital investment for:
 - Machinery
 - Technology
 - Know-how

2. Institution Development for building:
 - Organizations
 - Management
 - Training

Basically capital investment came from two sources again. One, through savings, when value of production of goods and services exceeded consumption, and the other from external financing. Here, nothing is considered about deficit financing, to which countries sometimes resort in situations of scarcity of capital for development needs.

Institution development, on the other hand, was the infrastructural requirement for being able to utilize capital for increasing production. Creation of effective organizations, properly oriented for development tasks, was *absolutely essential*. These organizations had to be performance oriented. The bureaucratic red tape, and the procedural obsession that plague these organizations, more than anything else, are today affecting performance in the development sector.

While the idea is not to generalize, but is it not a fact, that even though, the concept of corporate oriented public enterprises was introduced to bring about greater development performance in the public sector, yet in many cases, it lost the scarlet thread, and gave way to formation of bureaucratic giants, that

focused more on the means than the end. The result was, that they seemed to administer men and procedure more than achieving objectives, not realizing, that the basic reason for their existence was to operate in a progressive managerial perspective, so that they could bring efficiency and effectiveness in operations for optimum resource utilizations. In the context of developing economies, it must be appreciated that resources is the scarcest commodity, its optimal use was mandatory. For this, institution development had to have precedence, so that developing economies possessed the necessary organizations and management for being able to produce more, affect saving, and together with external assistance, accelerate the process of development.

However, let us see what went wrong. First of all, it comes out clear, that while the charter of public enterprises was noble, the spirit that was required to provide life was the same that had its beliefs, assumptions and outlook, deeply founded in the bureaucracy it was serving. In other words, developing countries, to begin with, did not possess the management cadre that was necessary to run public enterprises, but had to depend on people from within the Government, which in all developing countries, being the largest employer, sometimes the only organized employer, could provide for the emerging new activity of development. These people brought with them their own backgrounds, perceptions, beliefs, and assumptions to the newer environment of the public enterprise. But instead of getting shaped in the required organizational culture, they fashioned the new organizations, their working and their culture. That is why so much of Government can be seen in large public sector development enterprises.

Attitudinally also, most bureaucracies are ill-oriented towards training. Therefore, not much emphasis was placed on training, nor was there any management perspective that could guide into reconciliation, the objective needs of these organizations and the existing realities of its managers, with the result that the institutions of development did not grow in the way they should have.

Why I have dealt so much upon the public enterprises is, that in developing countries, most projects of development are initiated and implemented by these bodies. Their cultural make up is, by and large, also reflected in the organization, method and spirit, that prevails in their project situations. This, in some ways, also explains why bureaucratized project implementation abounds.

Project Role in Development

It would be worthwhile to see, what conceptually is the role of a project in the framework of development.

Projects have variously been defined. These have commonly been referred to as the cutting edges of development. Some consider them to be the basic building blocks of development. Others say, that they are the principal instruments through which organization reach their long term objectives. But surely, as critical leverage points in the development process, projects translate plans into action. Similarly, as vehicles for social and economic change, they provide the means of mobilizing resources and allocating them to the production of new economic goods and services. In order words, they are really the primary instruments for grants, credits, loans and technical aid to developing countries. With this pivotal role of the project in the development process, it is of utmost importance that these building blocks are well planned and well executed.

But evaluation studies by various international agencies are in agreement with our own experience in Pakistan, that developing countries continue to face serious problems in project execution. One significant reason, is that project activity being quite distinguished from normal operations of enterprises, requires that unless a conscious effort is made to constantly keep in view the special purpose projects serve, policies and practices that come into affect in project implementation usually run contrary to their desired operating requirements.

Characteristics of a Project

While the total project management runs across the entire spectrum of the project cycle, the focus here in this paper is mostly confined to the issues of implementation stage. For a clearer understanding of these issues, it is again worthwhile to first look at the unique characteristics of projects, and then examine the nature of work in a typical project situation.

Projects have certain characteristics which we have to keep in mind at all times, e.g. these typically cut across many organizational and functional lines. Secondly, even though these may change from time to time, they have specific start and end points. The endeavour is unique and not repetitive of previous effort, and then it usually works against budgets and schedules. However, more importantly, resource application rates are excessively high in projects. Also, the rapidly changing shape of things in a project situation constantly bring newer problems for the management, problems that have no ready solutions, but depend upon the project management team's proactive ability to take care of them. Just to illustrate, how project work differs from normal operations of the enterprise, see annexure I.

Project Environment

Looking at the project environment, we also see the complexity of the inputs and the goals of the respective parties which the project management team is required to coordinate, in order to reach the best possible end results. Annexures II & III respectively, illustrate the nature of inputs and the goals of the parties that contribute to the project.

It is worthwhile to look at the apparent mutual exclusiveness of the goals with regard to what the parties want between themselves, and what the project management ideally desires. In this, the project manager has to recognise the legitimate needs of others. But often the situation is one in which conflicts of interest arise between the parties, and sometimes within the project itself, which considerably obstructs the reaching of objectives. A good project manager should be able to recognize these conflicts, identify their causes, and reconcile differences to the best interest of project objectives. This sometimes means using less than optimal approach, and the project manager has to weigh the tradeoffs involved against the benefits of getting the job done. Excessive rigidity, it must be remembered, can cause considerable harm. In short, the project manager must guide the project to reach its objectives in the best possible way, while allowing for any reasonable private goals of the parties contributing to the project. It must be admitted that it is not an easy task, for it requires a clear view of the objectives, an understanding of the needs of others, and requires compromising only to the extent that it is to the overall benefit of the project. At the same time it also requires knowledge and proficiency in the skills of decision making, coordinating team action and understanding the human angle for being able to managerially illicit the maximum out of the team.

Project Management

Obviously the next question that arises is, what in measurable terms, constitutes good and effective project management. This is a difficult question, and really has only a hind-side answer, but it explains the nature of the managerial issue.

To assess how well a project has been managed, we have to examine the course of project development, to find out if we could have detected early, any situation that had made us deviate from our original plan, and if we could have come up with solutions that would have led us to a better end position. Together with this, project management has to be alert to environmental changes that require change in objectives, and therefore it is necessary to see if it reacted promptly and wisely. In summary, good project management really requires alertness in dealing with unexpected situations, ability to find good solutions to problems that have occurred, and the foresight to effectively plan under the changed circumstances.

For meeting the requirements of effective project management, it would be appreciated, that traditional approaches of public administration are of little value in preparing managers in developing countries for the complex tasks of planning and executing development projects. Conventional public administration training- based on legalistic, centralized, regulatory procedure- is just not adequate to deal with the dynamics of change- which is inherent in project work. Yet, somehow, little attention has been paid to developing managers in the skills of project management. The training that is available has narrow focus, emphasising economic appraisal rather than developing broader management skills and capabilities required for performance of managerial functions throughout the project cycle, and particularly in implementation. A lot of information is available on methods of economic and financial analysis, network planning and work scheduling, but much less has been written and little training exists that could expand the knowledge and skills of managers in project organizing, resource mobilization, complex decision making, problem solving, coordination and institution building.

Great care has to be taken in developing management approaches that would operate in local environment of developing countries. For example, project management approaches developed for space and defence programmes in Europe and America, without adjustment for social, cultural, political and economic conditions of developing countries, won't have a chance to succeed. This has been the proven experience of all those who tried to supplant unadjusted managerial technology. Techniques in management and training if they are to be effective, have to be based on a realistic understanding of the complex problems of developing countries.

Common Problems of Project Management in Pakistan

The list of project management problems that are being faced by developing countries is large but some typical problems in Pakistan's context are discussed here.

Poor implementation has frequently marked projects that we have implemented in the various sectors of our economy. Their causes are situation specific, but there are some common issues that have equally affected performance in project implementation. These are:

Poor Planning.

Planning is seldom considered a dynamic activity which requires constant updating of information, and consequently the Plan itself. A well structured and flexible Plan allows for incorporating new information without affecting its soundness. Most project managements overlook to review and incorporate updated information. The result is that unrealistic estimate of cost, time, quality and scope remain operative, providing only the strength of ignorance to the Plan.

Diffused accountability:

Most structural positions are not evenly balanced with regards to responsibility, authority and accountability. There is also a tendency not to take specific actions in cases of default but generalize the issue. The result is that you cripple the organization by centralizing authority and delegating vague responsibility.

Penalty for initiative:

Most managements forcefully impress the importance of initiative, but in actuality, the organizational culture which reflects the management style, in most cases, is such that it discourages rather than encourages initiative; because with initiative, there is associated the allowance to make mistakes. In our operating environment, mistakes, by and large, are construed to reflect lack of integrity, particularly if these are in the area of financial expenditure, or anything that is ultimately reflected by it. Good management, in order to encourage initiative makes allowances for mistakes, what it does not do, however, is to allow mistakes to be made repeatedly, because in that case, attribution of motive can well be made, and it also violates another important management logic, which states that: mistakes provide an opportunity for learning. If you do not learn from your

mistakes, its accommodation, in the management sense immediately ceases. Organizations, therefore, have to have an open mind in this regard, so that accountability incorporates appropriate managerial attitude which does not deter initiative.

Trust:

All management assumes a very great measure of integrity. Structural relationships, particularly in team action more so than in other cases, depend on trust. But in our environment, this is not necessarily the case, with the result the obsession with audit and the time it takes to conform with and affect procedure, totally distorts the time schedules on projects. The associated escalation throws cost estimates haywire. The focus of audit is also not on performance but on accounting and procedure, with the result that objectives become or remain vague and coordinative effort to achieve these objectives cannot be properly channelised.

Unplanned control:

The control function is very important in a project situation, without it, in conditions of high resource application rates, and scarce mistakes. But since in our environment, predominately because of mistrust, there is a tendency to over control. This has two negative effects, one, it does not allow effective decentralization, and secondly, it generates too much of unnecessary paper work, which clouds even the important issues. A third related issue is that too much of control information travels to too many people, with the result that it does not attract the astute attention project control and monitoring deserves. It also confuses the requirement that control information should only travel to where the authority is competent to take corrective action.

Failure to formalize experience:

Developing countries cannot build effective institutions unless they, on continuing basis, incorporate experience, gained in local environments, in the planning and implementation of new project. The linkage between the control function and planning has somehow very seldom matured in our organizations, in order for it to provide for formalizing experience. Similarly, failure to do so, never really brought into focus the tremendous need for training. It's only through lessons learnt that need for training is actually felt and thus incorporated as an important management function.

Lack of importance to the Training Function:

To simply tell someone to perform better is incomplete communication, unless you also tell what you want and how it is to be done. Most people are led, only few lead. Therefore unless you train people to perform better, organizations do not perform. Moreover in this innovative age, constant improvements in technology and know-how are being made. Unless such new methods and techniques are incorporated, productive efficiency cannot be achieved, and you allow your competitors to gain ground before the project is even completed.

Absence of management training for technical managers:

In Pakistan's context, most projects are implemented by Engineer managers. Yet they are the one's who have never been given formal managerial training, even though they are expected to mobilize resources, coordinate team action, manage finances, and bring in profits. This is in total contradiction to the needs and reality of the situation. Today in Europe and America, even under graduate engineering education incorporates an element of management curriculum, but we have failed to appreciate this need, and continue to suffer through lack of development of our engineer managers and through lost opportunity to better implement project.

For self growth of its officers and for organizational development, Wapda is about the first organization ever to start management training for Engineers and other technical personnel on its managerial cadre, on a continuing basis. We are giving some of our courses - particularly - management courses, jointly with the Economic Development Institute of the World Bank with continued help from the Bank, hopefully by next year we should become a regional institute for project management training for South Asia.

In fact there is plethora of problems that beset project implementation, but only more common ones have been discussed here.

Obviously, if project management has to be effective and efficient, radical changes in the thinking, attitude and procedure, will have to be brought about. The awareness of the need for, and development of project management has to be brought about through comprehensive training of project managers. Experience tells us that financial and economic appraisal alone, is not sufficient to ensure effective implementation of projects. Very finely planned and appraised projects have languished because problems of implementation were not sufficiently considered and attitudes and skills required for it were not appreciated.

The most serious problem in development facing developing countries, in the words of a former World Bank official, Mr. Albert Waterston, are reflected by the following. "In one country after another, it has been discovered, that a major limitation in implementing projects and programmes, and in operating them after completion, is not financial resources but administrative and management capacity". Developing countries, if they have to bring effectiveness in resource utilization, will have to sharpen their capacity to implement projects. This is today a critically limiting factor, and it has to be squarely faced if development objectives are to be reached.

The current world economic crisis, and particularly the continued recessionary trends in the developed world is having, and will continue to have, far reaching affect upon the resources, both internal as well as external, of the developing countries. The only means left to them then, to raise production for economic development, would be through increased and better management. In view of what has been stated here so far, such reflected focus, particularly in the area of project management, offers the best opportunity for optimizing the scarcer resources with which the developing countries will have to contend for a long time.

**DIFERENCE IN THE NATURE OF THE ACTIVITIES
FOR ENTERPRISE OPERATION & PROJECT DEVELOPMENT**

**ENTERPRISE
OPERATION**

REPETITIVE

**COMPARATIVELY
LOW RESOURCE
USE RATE**

**PROCESS BECOMES
FAMILIAR**

**STATISTICAL DATA
AVAILABLE & USEFUL
FOR DECISION MAKING**

**ERRORS NOT TOO COSTLY
TO REDEEM**

**WORK TEAMS WELL
ESTABLISHED**

**PROJECT
DEVELOPMENT**

ONE-TIME

**HIGH RESOURCE
USE RATE**

**EACH PROJECT HAS
DIFFERENT PROBLEMS**

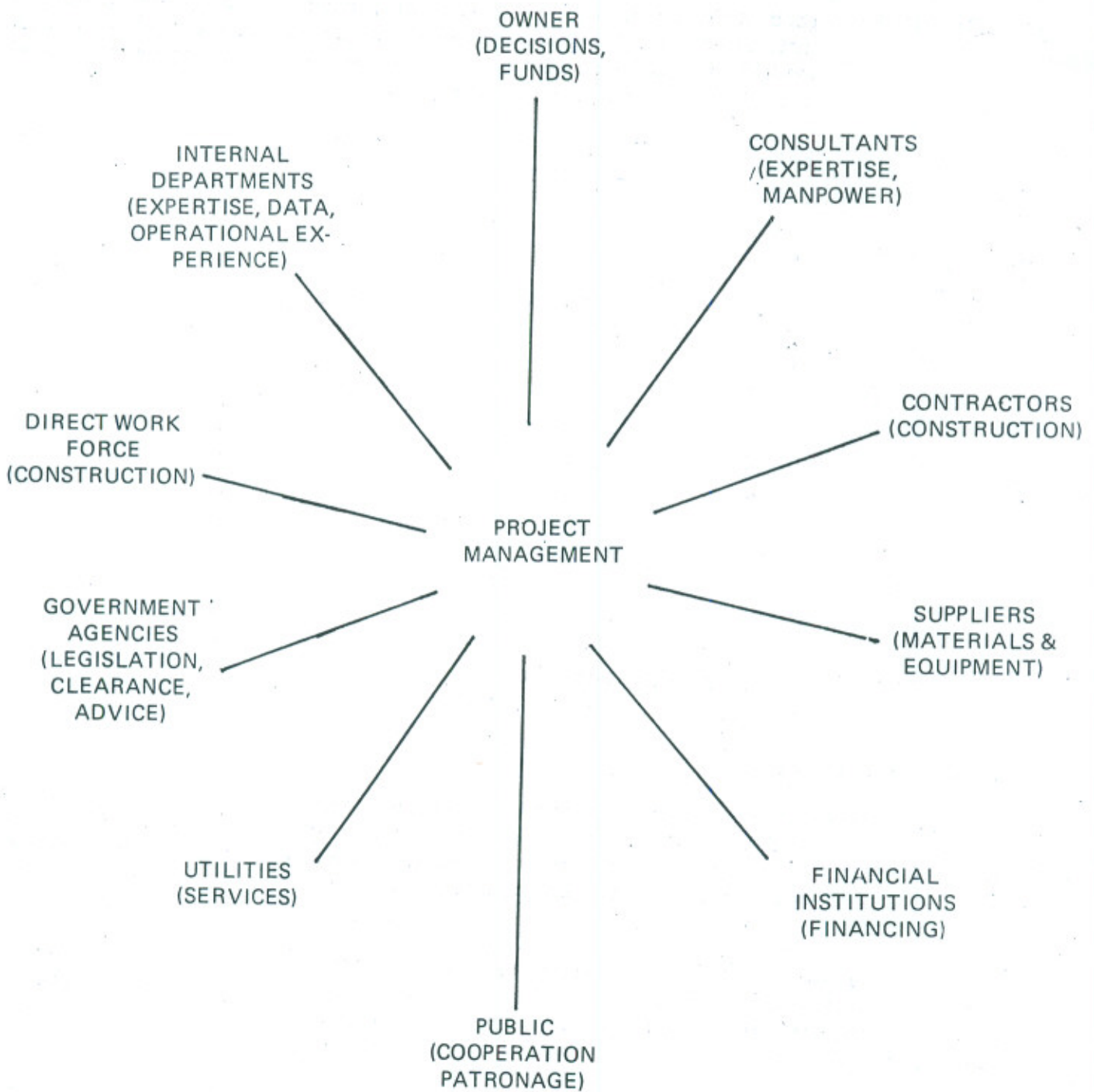
**STATISTICAL DATA OF
LIMITED USE IN
PROJECTS**

**HIGH PENALTY FOR
WRONG DECISIONS**

**NEW PEOPLE FOR
EACH PROJECT**

PARTIES COORDINATED BY PROJECT MANAGEMENT

& THEIR INPUTS TO THE PROJECT



THE GOALS OF THE VARIOUS PARTIES WITH RESPECT TO THE PROJECT

- OWNER - low in cost, high in benefit, short in time problem free
- CONSULTANTS - reasonable recompense, loose work schedule, information readily available, quick decision, timely payment for work
- CONTRACTORS - good profit, no delays in working drawing, minimum changes, timely arrival of material and equipment, no complaints from public, free choice of construction method, no interruption by other contractors, timely payment for work, quick issue of permits, timely provision of services
- SUPPLIERS - clear specifications, plenty of lead time for delivery, good profit margin, minimum use of non-standard items, reasonable tolerance in quality requirements
- FINANCE INSTITUTIONS - safety of loan, disbursement on schedule, project brings sufficient return to cover debt service
- PUBLIC - no nuisance or hazards during construction, no adverse environmental effects during operation, project socially beneficial, good product at reasonable price
- GOVERNMENT AGENCIES - conformity with the objectives, policies and legislation of the country as a whole
- DIRECT WORK FORCE - timely arrival of working drawings, minimum changes, timely arrival of material and equipment, no complaints from public, clear instructions on construction method, no interruption by other working parties, quick issue of permits, timely provision of service, recognition of work
- INTERNAL DEPARTMENTS - loose work schedule, time allowed to gather information, early information about project, project brings minimum changes to operating procedures.

SPECIFIC RECOMMENDATIONS FOR BRINGING ABOUT EFFECTIVENESS IN PROJECT MANAGEMENT

Review of the role of Audit:

Talking about the measures that can be taken for bringing effectiveness to Project Management, one area that comes to mind for immediate action is the need to review the role of the audit. As long as the primary concern of audit remains to only effect conformance to procedure alone, the quality of managerial decision-making cannot improve, nor can we bring about performance orientation in the manager, nor to the organization.

We have seen for long that organizations that have performed but have conformed to procedure, have had far greater chance to escape criticism for default than those who attained objectives but may have procedurally defaulted. This attitude has encouraged public sector organizations to find effective escape for lack of performance.

There have been two sectors responsible for this, one is historical, and the other the failure of management to appreciate the dynamics of change in the development context. Historically, audit, in the imperial or colonial times was required to regulate and enforce required at each step to obtain approvals

and conform to procedure, because in so doing power and imperial authority found effective manifestation, which was the over-riding consideration at that time.

With the independence of the country, the changed context required new focus. Manifestation of authority was no longer as important as achieving of development objectives. That, procedure was now required to serve a different purpose more managerial in nature, and essentially as tool to facilitate attainment of objectives through performance of the institutions of development.

Also, failure of managements to appreciate the new dynamics did not allow the development of expertise required for performance audit, and, therefore, its role remained to be regulatory only. Public sector performance, because of such in-built escape-mechanics in the system, has been far less than optimal. The urgent need today is to examine the new role of audit and train people in the skills required to perform this function effectively so that it would allow such important managements control system to perform its accountability function and provide to the management, on a continuing basis, information that it needs for corrective action. Unless we do this and change the role of audit from one of policing to that which is managerial in nature, we would be failing to provide the correct environment for effective project management systems to operate in the public sector.

Development of local expertise in designing of organizations & Management system.

The second area that requires immediate attention is developing local expertise in the structural design of organizations and project management system, because these are purpose-specific, and are also influenced by socio-economic and cultural factors. From our own experience we have observed that whenever organizations in the public sector start a project, its structural mechanics, including the management system, if at all there is any, is always determined by what the parent organization is familiar with or what it is influenced by, which in most cases either cause adoption of just that system, without adjustment for the nature, purpose, scope and environment of the project, or a foreign system suggested by consultants, or even by the organizations' own people whose familiarity is confined to that system only. The result of this is that the special requirements of every project, which arise simply out of the nature of such activity, go unnoticed and, therefore, unattended, which causes lower than optimal performance. Needless to say that in a project situation, where resource applications rates are inherently high, and decision information scarce, system which is at odds with reality seriously falters performance. This problem is further accentuated by the fact that planned review of management systems is seldom undertaken, and even if it is done sometimes, it's only partial and usually half hearted-presumably because of the absence of expertise for a proper review purpose. We, therefore, have to develop local expertise in this field if proper management is to be exercised and benefits reaped through effective utilization of resources.

Increased focus on implementation planning

The third area relates to the necessity of preparing detailed implementation plans. Projects in the public sectors must in all cases be required to prepare detailed implementation plans which are comprehensive in scope, taking account of their operating environment, and are structured, flexible and stable to incorporate new information and maintain objectivity throughout its life cycle. These must then be examined by people who possess the knowledge, experience and skills required for project management, before they are approved and resources committed. We have seen from our experience that, by and large, the major area of poor performance in a development programme is implementation. A lot of the problems that have been discussed relating to the implementation phase of the project arise from, or can be attributed in some measures to the total absence of, or insufficient planning done to produce an implementation plan required for implementing projects. While this may not be true in all cases, there is sufficient evidence to indicate that in developing countries, primarily because of insufficiency of trained project managers, and the absence of appropriate project management training, this aspect of the project cycle languishes projects more than scarcity of resources. We must, therefore, focus increased attention on the preparation of detailed implementation plans for projects before resources are committed to them. For this a simultaneous training effort for acquiring the skills of project management must accompany alongside, because without this, implementation performance by public sector enterprises will continue to suffer.