

Characteristics of Non-corporate Funded Projects

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SUMMARY

Implementation of effective projects is a key strategic challenge but harmonisation of the project efforts and organisational interest may be difficult due to the various objectives of the stakeholders. Furthermore, the funding structure has a fundamental impact on project management processes, and therefore the general guidelines should be reconsidered. The paper gives a review of the characteristics of projects that are funded by the EU or other grant systems.

Keywords: project management, quality management, project funding.

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INTRODUCTION

Project management theory and methodology is widely applied; however, there are more and more new challenges. Effective project management requires many personal (managerial) and organisational experiences that are often missing. These problems become noticeable after starting the project (after the successful application process in case of European Union or other programmes). A call for proposals gives relevant possibilities for organisations to expand or develop the functions and to support the implementation of new strategic efforts. It is also available to substitute loans as funding sources. In the EU grant sources have become one of the most important capital inflows, especially for small and medium-sized organisations.

The characteristics of grant-funded project justify the rethinking of both organisational management and the general project management toolset. There are special requirements for the project management team, staff, documentation and reporting system, etc. that may be inconsistent with the organisational structure and culture. Theoretically the projects should support the corporate strategy, although in practice we often see the opposite. Applying a project quality management approach and tools can reverse this situation.

There are various initiatives, programmes and funding forms. I call these grant-funded projects as a summarising expression of each project that has a full or partial financial background from the EU or a national or regional programme/fund, and the proportion of corporate financial sources is absent or strictly limited. In contrast, the goals, conditions and financial sources of corporate-funded projects are internal.

The paper aims to reinterpret and refine the approach of project management process. However, the findings are generalised due to legal and ethical requirements, those are

based on practical experiences of the author in planning and implementing grant-funded project.

THE FUNDAMENTAL CHALLENGES OF INTEGRATING QUALITY APPROACH

The findings of Cleland (1994) express the role of projects appropriately: running projects by an organisation clearly signals that the organisation is changing in order to meet future expectations. A project is a temporary endeavour undertaken to create a unique product, service or result (PMI 2013):

- temporality means a definite start and end time of the set of tasks,
- uniqueness means a new level of performance,
- endeavour means work efforts and costs related to the tasks.

From an organisational viewpoint a project is a structural coordination tool (Dobák 2004) that allows the temporary reallocation of resources, functional levels and organisational units. This is necessary because novelty means changes in normal operation. Coordination and proper regulation is important to avoid or reduce conflicts within the organisation. The reason for this is that executing the project tasks eventually uses the common resources (i.e. project tasks withdraw resources of operation that may temporarily lower the efficiency). Personal conflicts can be highlighted: the same person is the member of the daily operation (with expectations of efficiency) and the project team/staff (with a different set of expectations) in parallel. The conflicts resulting from blended decision-making practice may also hinder the realisation of project results. The risk of conflicts mentioned above is manageable by a consistent approach that clarifies the tasks and

responsibilities of project stakeholders and keeps the balance between project and organisational interests. Based on Verzuh (2011) the most important aspects are:

- Staff: the resource needs of projects differ from each other both in quantity and quality. Critical problems are granting expert staff (shared with normal operation or external application) and decisions about the staff after closing the project. The problems appear exponentially in the case of parallel projects within an organisation.
- Estimation: time and budget must be defined in the project planning stage; since this is before the execution, estimation is inevitable. Changes may appear over time that induce the need for modifications of the planned tasks or the budget. Too strict limits (prohibition of modifications) make the progress of the project impossible or force over-estimation of resource needs during the planning.
- Division of competencies: a project requires the overset of the usual structure. Unclear responsibilities and competency systems are drawbacks to performance.
- Control of information: the normal operation is usually time-oriented with annual reporting, which especially in the case of small and medium-sized enterprises is usually late or not detailed enough for the project management. In addition a project requires a task-oriented approach instead of time orientation.

In the case of a grant-funded project the aspects to consider are as follows:

- the project sponsor can define specific roles and competencies for both project management team and staff,
- the applicant has to keep the limits of the proposal related to tasks, time and budget,
- the contract freezes the estimated indicators and requires exact compliance,
- additional data collection and processing, specified control of information and regular external reporting are obligations, not possibilities.

FACTORS OF ANALYSING THE CHARACTERISTICS OF GRANT-FUNDED PROJECTS

The project management literature defines phases of projects (see Verzuh 2011; Hobbs 2011; Görög 2003; Papp 2002). The PMBOK standard calls them management process groups: initiation, planning, action, monitoring and controlling, closing (PMI 2013). These process groups are general for any project, also a grant-funded project can use them. Of course individual adaptation is required but there are some basic differences between the grant-funded projects and the “classic” corporate-funded project. Using the logic of process groups there are five critical issues:

- conditions and planning,
- role and responsibility of stakeholders,
- organisational support,
- control and follow-up,
- handling modifications.

Conditions and planning

The main characteristic of a grant-funded project is that the winning applicant (project owner) is liable both professionally and financially to a third-party organisation. Of course, no one is obligated to submit a proposal but contracting means the ratification of the rules. Each project is a building stone of a wider programme. The programme aims to achieve economic, social, environmental or some other type of development, and the call for proposals is derived from these goals. The applicant has some freedom in defining the planned tasks, results and some indicators but these must be in harmony with the given goals. The success of the harmonisation is reviewed by the programme management (sponsor) during the execution and closing stages of the project; while the relationship of the project with the business goals is not involved in this control. In contrast, a corporate-driven and funded project has goals and conditions derived primarily from business goals and strategies (Ligetvári 2013). This difference can be observed between projects with different financing within the same organisation.

The limitations of a grant-funded project should not be necessarily judged negatively:

- the programmes aim to solve national or regional socio-economic problems, development actions within the programme may lead to multiplicative effects,
- establishment of the framework programme is based on an accurate situation analysis that cannot feasibly be carried out by the individual organisations.
- the guidelines of call for proposals specify the application of various methods and tools, e.g. organising teamwork, scheduling by Gantt diagram, defining milestones and indicators, preparing documentation.

The limitations of a grant-funded project include the start time of the project, the action period, the cost level and structure and the project staff. These limitations have no regard for the corporate characteristics. If the organisation wants to get to the source of funding, these rules must be accepted. From another viewpoint a critical problem is that organisations see these sources as “free money” and commit to do anything during the planning phases without considering the strategic impacts. For instance, many EU projects promote the certified ISO 9001/ISO 14001 management systems, so there are notable extra points available in the evaluation system for certification, but the supported tasks do not cover the implementation and certification processes. Of course, the closing evaluation of the project will ask for the certification. Its absence can be sanctioned by payback of the source.

Another critical element is the planning of indicators. There are many types of indicators:

- input indicators describe the usable resources,
- output indicators describe the performance of processes, quantity of products and services reached,
- outcome indicators measure the broader results achieved through the provision of goods and services,
- effect indicators are features of grant-funded projects, these are related to the programme’s objectives that cover the project.

In general, over-estimation may occur in order to develop a better picture for the funding decision. Over-

commitment is dangerous because after contracting, the responsibility for the indicators is full. It is quite easy to define input and output indicators; the outcomes and effects are beyond the scope of the project owner (applicant). Careful planning may pay off later.

The project owner is responsible for monitoring the indicators. Experience shows that data collection is impossible if the indicators are not in harmony with the corporate information system. If calculating the indicators needs more resources than the project tasks, this is a sig for

the fact those were not defined in harmony with the business goals and information system.

Role and responsibility of the stakeholders

A project should serve the interests of many stakeholders: users of the products and services, the sponsor, project manager, project management team, operations management etc. The literature gives various typologies and names to the stakeholders. The PMBOK standard gives a general approach, including the concept of programmes and portfolios that cover the project (Figure 1).

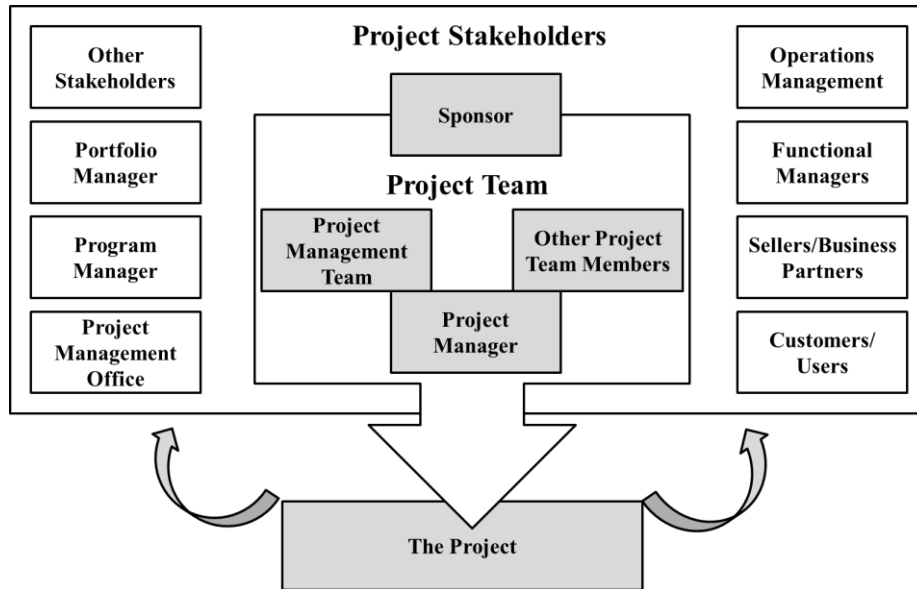


Figure 1. The relationship between stakeholders and the project (PMI 2013, p.31).

A corporate-funded project clearly defines the customers/users and derives the products and services from their needs. In case of a grant-funded project the users are assigned the acceptable goals and tasks, while analysing needs is superficial and secondary. Ultimately the objectives of the sponsor are determinative, and can overshadow the corporate ones.

The responsibility for the planning is also different for corporate and grant-funded projects. In the first case there is relatively high freedom in selecting and planning the tasks and the responsibility for each type of indicator is full. In the second case planning the tasks is more specified and the responsibility is limited to the output indicators.

The role of business partners is special. A subcontractor does not have an interest in performing the indicators. The responsibility of the external partner is limited to the contractual deadlines and outputs. It is difficult to enforce the concept and spirit of the project goals in these contracts. In addition, the subcontractor has no responsibility to the project sponsor; the project owner bears all of the responsibility.

Organisational support

Organisational support covers:

- assuring the necessary human resources,
- sustaining a dual structure of management.

Similarly to the case of corporate governance (see Szintay 2003) the roles and structural frames of project governance must be separated from project operative implementation. Personal overlap is allowed, but demarcation of roles is important. A call for proposals defines various requirements related to the project manager and the project management team (including financial officer, project administrator and experts):

- representation of a role or a status,
- qualifications of the position holder,
- competencies and experience of the position holder.

Employing a full-time project manager usually can be financed from the project but the newcomer position may lead to personal conflicts and the limited authority of the project manager results in redundancy in information flow. Assuring qualifications and experience may be problematic in a small-sized organisation.

The PMBOK standard expounds seven roles included in the project team:

- Project management staff: the members of the team who perform project management activities such as scheduling, budgeting, reporting and control, communications, risk management and administrative support. This role may be performed or supported by a project management office.

- Project staff: the members of the team who carry out the work of creating project deliverables.
- Supporting experts: supporting experts perform activities required to develop or execute the project management plan. These can include such roles as contracting, financial management, logistics, legal advice, safety, engineering, testing, or quality control. Depending on the size of the project and level of support required, supporting experts may be assigned to work full-time or may just participate on the team when their particular skills are required.
- User or Customer Representatives: members of the organisation who accept the deliverables or products of the project may be assigned to act as representatives or liaisons to ensure proper coordination, advise on requirements, or validate the acceptability of the project's result.
- Sellers: sellers, also called vendors, suppliers or contractors, are external companies that enter into a contractual agreement to provide components or services necessary for the project. The project team is often assigned the responsibility to oversee the performance and acceptance of sellers' deliverables or services. If the seller bears a large share of the risk for delivering the project's results, the representatives of the sellers may play a significant role on the project team.
- Business partner members: members of business partners' organisations may be assigned as members of the project team to ensure proper coordination.
- Business partners: business partners are also external companies but they have a special relationship with the enterprise, sometimes attained through a certification process. Business partners provide specialised expertise or fill a specified role, such as installation, customisation, training, or support. (PMI 2013)

The second issue of organisational support is establishing a dual management system. The project organisation gives the frames for coordinating the project-related tasks, authorities and responsibilities. Jarjabka (2009) highlights that project organisation has both advantages and risks. The achievable advantages are:

- a multidisciplinary approach can be enforced during the planning and the implementation,
- coordination is supported by the concept of being "in the same boat",
- focusses on the project problems and challenges,
- helps the clear division of authorities and responsibilities,
- authority for responding to the new challenges.

The main risks are as follows:

- collecting and focussing on "democratic" management techniques may slow down the decision-making process,
- the responsibility of the project organisation may lead to "collective escape from liability" of individuals,
- conflicts between the project work and normal operation,
- conflicts between the project and the operational authorities,
- external interests may influence and modify the available resources.

Establishing a separate project organisation means a high level of risks for an organisation that generally does not work in a project-oriented manner, because it has no experience and lacks the conforming cultural background. Collective escape from liability is enhanced in grant-funded projects. The team members and the staff will decrease their performance if they perceive that individual responsibility is not applicable in case of failure. External responsibility can be interpreted on organisational level. Internal accountability is not possible if a preliminary assignment of the indicators to the individual participants is missing.

There are several forms for handling the project coordination:

- functional form: project coordination is focused on the level of functional managers,
- matrix form: project coordination is not on the management level, project manager authority is various from coordinator/expediter (weak matrix) to considerable authority (strong matrix),
- projectised form: the primary division of labour is project based.

Table 1
Influence of organisational structures on project (PMI 2013, p. 22)

Project Characteristics		Project Manager's Authority	Resource Availability	Who manages the project budget	Project Manager's Role	Project Management Administrative Staff
Organisation Structure						
Functional		Little or None	Little or None	Functional Manager	Part-time	Part-time
Matrix	Weak Matrix	Low	Low	Functional Manager	Part-time	Part-time
	Balanced Matrix	Low to Moderate	Low to Moderate	Mixed	Full-time	Part-time
	Strong Matrix	Moderate to High	Moderate to High	Project Manager	Full-time	Full-time
Projectised		High to Almost Total	High to Almost Total	Project Manager	Full-time	Full-time

In the case of a grant-funded project in practice there is a preference for the functional or weak matrix form in most organisations. These forms least disturb normal operation and also support the better acceptance of the project decisions because by are intertwined. An important advantage is that there are fewer conflicts; and the most important risk is the weakening of the project interests.

Follow-up and control

The role of control and follow-up of progress is versatile:

- overview the progress and the indicators,
- establish necessary modifications in order to achieve the planned results,
- complying with the schedule,
- verifying the effectiveness of resourceusage.

The frequency and the content of the follow-up activities generally depends on the information needs of the management or an external party. In a grant-funded project the “free money” characteristic represses the need for comprehensive internal control. The external monitoring and review is determinative instead of internal assessment. Of course, the regular and systematic reporting system grants the representation of follow-up activities but cannot guarantee the adequate depth. The external monitoring is a constructive cooperation of the parties because the successful project realisation is a common interest; however, it should be noted that it focusses on the documented project results (deliverables, products, services), the financial and the legal state and the programme’s interest. There are no endeavours to review the relationship between the project’s progress and organisational interest.

An important part of the follow-up process is monitoring the achievement of the indicators. Based on my experiences in preparing project reports there are some practical source of problems:

- Many organisations outsource bookkeeping and accounting, so detailed and current controlling information is strictly available. The project reporting system is separated, and the activities focus only on “fulfilling the reporting template”. This shows that the organisation is not ready to handle the challenges of management system duality.
- The progress review statement is often reduced to two stages: “something wrong” and “doesn’t matter”. In the first case finding a person to blame will unnecessarily consume resources and the trust in project organisation/management becomes uncertain. The second case may give false feed back that everything is progressing in the best way. The result in both cases is ineffective resource usage.
- Obtaining the relevant information to demonstrate the progress (indicators) usually needs the work effort of stakeholders outside the project. The information is available with the active contribution of the top management, which may lead to personal and organisational conflicts. In addition, the process slows down and there is a risk of misunderstanding.
- Follow-up of indicators uses a quantitative approach. Thus, related to expert reports the number of pieces and pages can be planned but the

usability is difficult to judge. Both lack of competencies and collective escape from liability lead to ineffectiveness.

Handling modifications

Beyond the results (indicators) the contract of a grant-funded project sets out wider-ranging organisational issues as well: deadlines, resources, budget, tasks, management, reporting, etc. Environmental changes may occur that require the rethinking of the project content. In the case of a corporate-funded project the changes can be derived from the need for effectiveness and the decision is on a corporate level. Modification is the decision of the top management (or an authorised department). However, possibilities for modifications of the plan and budget of a grant-funded project are limited and inelastic because of the differences in the interest of the sponsor and the project owner. Modifications are available after a slow approval process and contract modification. The main limitations:

- additional funding cannot be requested,
- the aim and goals of the programme covering the project must be kept in mind,
- basic indicators cannot be reduced or left out.

The difficulties of the modification process usually force organisations to comply with the original contractual terms and conditions even if they are meaningless for the project owner.

THE NEED FOR THE QUALITY APPROACH

The problems mentioned above are not intended by the stakeholders, those are rather the impact of the structure of different interests. The tools required by a call for proposals are partly quality management tools that help planning and the execution. The successful application of these tools needs a comprehensive quality management approach (Berényi 2013).

ISO 9000 defines quality as the degree to which a set of inherent characteristics fulfils requirements. Balogh (2010) extends the concept to projects as fulfilling requirements of the project stakeholders. This means that evaluation of the project quality requires the identification of stakeholders and their needs. Project quality management does not mean a parallel management system and organisation; it can be interpreted as the quality-oriented, conscious management of projects (Balogh 2010). This requires the integration of quality policy, necessary procedures, methods, tools and systems. Other essential criteria are a problem-solving approach and continuous improvement.

The literature consistently assigns three areas to project quality management. Table 2 summarises the concept of the PMBOK standard:

- planning quality,
- quality assurance,
- quality control.

Table 2
Project quality management overview (PMI 2013, p. 230)

	Plan Quality Management	Perform Quality Assurance	Control Quality
Inputs	• Project management plan • Stakeholder register • Risk register • Requirements documentation • Enterprise's environmental factors • Organisational process assets	• Quality management plan • Process improvement plan • Quality metrics • Quality control measurements • Project documents	• Project management plan • Quality metrics • Quality checklists • Work performance data • Approved change requests • Deliverables • Project documents • Organisational process assets
Tools & Techniques	• Cost-benefit analysis • Cost of quality • Seven basic quality tools • Benchmarking • Design of experiments • Statistical sampling • Additional quality planning tools • Meetings	• Quality management and control tools • Quality audits • Process analysis	• Seven basic quality tools • Statistical sampling • Inspection • Approved change requests review
Outputs	• Quality management plan • Process improvement plan • Quality metrics • Quality checklists • Project documents updates	• Change requests • Project management plan updates • Project documents updates • Organisational process assets updates	• Quality control measurements • Validated changes • Validated deliverables • Work performance information • Change requests • Project management plan updates • Project documents updates • Organisational process assets updates

Project management and quality management are hard to separate because both focus on the stakeholders, results, processes and resources. This is the reason that effective project quality management is primarily an approach and a set of related tools instead of a complex (e.g. ISO 9001:2008) system. The approach should be applied at three levels for a grant-funded project:

- project realisation (internal level),
- harmonising the project goals and the strategic goals (organisational level),
- contribution to the programme goals (external level).

A call for proposals and the guide defines the tools of internal and external level but there are few specifications related to organisational level. Without the commitment to quality and quality management on an organisational level (independently from the given project) this level will get poor attention.

Of course, implementing quality management tasks needs efforts and resources so it is necessary to plan them (later resource assignment is problematic). There are some special challenges to consider in the case of grant-funded projects:

- Determination of project relevance: analysis of hidden tasks and costs in order to be able to evaluate the contribution of the project to the corporate strategy. The "free money" is attractive but sometimes it is more effective to give it up.

This needs a comprehensive approach and the co-ordination of top management because reaping the benefits and bearing the expenses are related to different stakeholders.

- Interpretation of indicators on corporate level: the structure and form of expectations are given, the project planning shall "translate" it for the organisation. Also the methods and sources of data collection must be considered.
- Scheduling and budgeting: risk analysis and demarcation of reserves make the project execution more elastic. The source of reserves may be hidden in the supported tasks but it should not prejudice the sponsor's interest. A well planned reserve allows project owners to extend the quantity or quality of results in planned progress.

CONCLUSION

Non-corporate funded projects provide an important resource for synchronising social and economic development. There are various project calls available. These allow organisations to establish projects to support the development of competitiveness adjusted to higher goals. In practice, there are some features that lead to need for special

project management approach: differences in internal and external interest and lack of project management competencies should be highlighted. It is difficult to harmonise the programme's expectations and those of the management system: the second one is usually overshadowed. There are project management standards that give a comprehensive system of management processes but their application may exceed the possibilities of most

organisations. The proper adaptation of a quality management approach establishes effective co-ordination between the diverse set of interests. A grant-funded project prescribes the use of many management tools but these focus on the relationship of the project and the programme. Further consideration can increase effectiveness on the organisational level and on the programme level as well.

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