



Project management in small to medium-sized enterprises: Tailoring the practices to the size of company

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JANUARY 2013

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Synopsis

Small to medium enterprises (SMEs) play an important role in the economy in terms of their employment and their contribution to national wealth. Project management can play a significant role in facilitating this contribution, but SMEs require less bureaucratic forms of project management than those used by larger, traditional organisations. Earlier research identified the nature of project management required by SMEs across different industries and based on this we formulated propositions about the use of project management in SMEs, tested through a web based questionnaire. The results of this latest research are presented here, and support the view that project management theoreticians need to recognise that different versions of project management are required in different circumstances.

Introduction and Background

SMEs play a significant part in economic activity through employment, innovation and growth. In the EU SMEs account for 99.8 percent of companies, generate 60 per cent of GDP and employ 70 per cent of private sector workers. In Ireland 25 percent of their turnover is accounted for by new and improved products and to achieve this SMEs spend 3 percent of turnover on innovation. SMEs undertake projects both in operations, to deliver tailored or bespoke products to customers, and in innovation and growth. Projects account for one third of turnover of SMEs in Ireland, so projects in SMEs account for almost one fifth of economic activity. It follows that a 10 per cent improvement in project performance through reduced costs, shorter duration or improved functionality would lead to a saving of over 2 percent to the economy.

We should not doubt the importance of projects in SMEs, yet the management community in general and the project management community in particular do little to provide SMEs with guidance on managing projects. Other research on the value of project management, discovered that in order for organisations to obtain value, there needs to be a fit between project management practices adopted and both the nature of the parent organisation (alignment) and the nature of projects undertaken (different kinds of uncertainty, complexity and pace). Yet much of the guidance available focusses on traditional forms of project management developed for larger projects, and is arguably not applicable to SMEs.

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A full copy of the paper can be obtained from the authors at: Turner, R., Ledwith, A. and Kelly, J. (2012) "Emerald Article: Project management in small to medium-sized enterprises: Tailoring the practices to the size of company", *Management Decision*, Vol. 50 Iss: 5, pp.942 – 957. A full copy of the paper is available at: <http://dx.doi.org/10.1108/00251741211227627>



Issues and Questions Considered

The European Commission defines medium, small and micro enterprises as follows:

Medium: have fewer than 250 employees and turnover of less than €50 million

Small: have fewer than 50 employees and turnover of less than €10 million

Micro: have fewer than ten employees, and turnover of less than €2 million

However, we found that the transition points from micro to small was closer to 15-20 employees than to ten. The cause of this transition was a move from one to several business units, and so the founding entrepreneur was supported by one or more other directors. The small to medium transition was more clear cut and indeed this was something of a crisis of growth – with some companies electing to limit growth and pulled back when they approached the 50 employee mark. At this transition people begin to specialise, and companies adopt middle managers and more formal processes to manage the larger number of specialist staff and coordinate the interface between them.

It seems that SMEs require simpler, more people focussed business processes and that this should also apply for project management processes. In larger organisations, the project management tools preferred are more procedural and systems oriented, with people focussed tools, such as team building, hardly ever used. The formality of the project management processes adopted will reflect the formality of the parent organisation, and so if SMEs use less formal, more people focussed approaches, we expect that to be reflected in the project management processes adopted. Accordingly SMEs need for people focussed practices should reflect the behavioural competencies in the

International Project Management Association Baseline of Competence

We have undertaken this research to identify the project management requirements of SMEs in managing both their operational work and their innovation and growth. Our aim is to answer the following research questions

1. To what extent do SMEs use projects in their operations and in innovation and growth?

2. To what extent do SMEs adopt project management practices to manage those processes?

3. Do SMEs require less bureaucratic more people focused forms of project management than larger companies?

Methodology

The work described here is the third stage of an ongoing research project. In the first stage we gathered preliminary data on the use of project management in SMEs in Ireland. In the second stage we interviewed 18 companies in Ireland, Sweden, Austria and Romania. The results of that study enabled us to formulate propositions and develop the web based questionnaire. In this the third stage we used a web based questionnaire to obtain quantitative data from a larger range of respondents from a larger range of countries. We used a snowball approach to issue the questionnaire using project management professional associations in Ireland, the UK, Europe and Australia and received 123 responses with all regions well represented, 39 responses were from large companies.

Outcomes and Findings

SMEs make a substantial use of projects in their businesses, both to manage internal innovation and development projects and external work for clients. It

seems to be the age rather than the size of company that primarily determines the extent to which projects are used. It is evident that younger companies do not use dedicated project managers meaning micro sized companies are doing many projects managed by amateurs.

Micro-sized and small companies need less bureaucratic more people focussed forms of project management, to facilitate the work of teams of generalists. Medium and large companies need more formal project management approaches to coordinate the work of teams of specialists. In practice SMEs use a reduced range of tools when compared to larger companies, with requirements management, milestone planning and the use of a milestone schedule being important. SMEs also use procedures such as status reporting, cost and time, risk and issue management, and scope management using work breakdown structures. Small and micro sized companies use team building approaches where tasks are shared, medium and large companies use responsibility matrices where tasks are assigned to specialists.

Our findings suggest that a people focussed “micro-lite” version of project management is needed for micro sized and small companies, whereas a “lite” version is needed for medium sized companies. The “micro-lite” version needs to be tailored for the use of non-specialists, and the “lite” version needs to coordinate the work of technical specialists and is more likely to be applied by specialist project managers. Project management theory has developed in the context of large projects, often in large organisations. Theory also needs to be developed for small projects in smaller organisations.

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