

Project management in small to medium-sized enterprises: Matching processes to the nature of the firm

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Abstract

Small to medium enterprises (SMEs) make a key contribution to the economy in terms of employment, innovation and growth. 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 organizations. We are undertaking this research to identify the nature of project management required by SMEs, and the results of the qualitative stage of our research are reported in this paper. We interviewed people from companies of the three sizes of SME, micro, small and medium, from a range of industries and from four countries. SMEs use project management both to manage operations, to deliver tailored or bespoke products to customers, and manage innovation and growth. We found similar project management approaches used for both purposes. The main differences occurred by size of company and country. Both Ireland and Sweden looked for more laissez-faire management styles, while people in Austria and Romania were willing to accept more autocratic styles. People in Sweden wanted more structure than people in Ireland. Also laissez-faire styles of management were more appropriate in micro and small companies, whereas more democratic or autocratic styles were needed in medium-sized companies. All three sizes of company wanted less bureaucratic versions of project management than traditional forms, but medium-sized companies, where people fulfil more specialist roles, need more structure than small and micro companies. © 2010 Elsevier Ltd. and IPMA. All rights reserved.

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1. Introduction

Small to medium enterprises (SMEs), have a significant role as engines of economic and social development (Hallberg, 1999; Floyd and McManus, 2005). According to the European Competitiveness Report (European Commission, 2005, 2008), SMEs account for 99.8% of all companies in the European Union, generating 56% of GDP and employing 70% of private sector

workers. Turner et al (2009) have shown that projects account on average for one third of the turnover of SMEs, and thus projects in SMEs account for almost one fifth of the economy. This is more than is spent on large infrastructure projects in the Western economies (Turner et al, 2010; World Bank, 2006), and yet large infrastructure projects receive far more attention (Hartog et al, 2008). Projects in SMEs occur both in operations, providing tailored or bespoke products to customers, and to manage innovation and growth. Ledwith (2004) has shown that in Ireland 25% of the turnover of SMEs is accounted for by new and improved products. Thus innovation in SMEs accounts for 14% of the economy. To achieve this development SMEs spend 3% of their turnover on innovation. It is important to future economic growth that this money is spent in an efficient and effective way, so that SMEs can achieve their development objectives to act as engines of growth.

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We contend that the nature of project management required by SMEs will be very different than the traditional forms of project management suggested for larger projects. Project management had its genesis in the management of large engineering and construction projects, and subsequently procedures such as PRINCE2 (Office of Government Commerce, 2009) have been developed for medium-sized projects, but very little is written about the management of the smallest of projects.

We have undertaken this research in order to identify the project management requirements of SMEs in managing their innovation and growth. We aim to answer the following questions:

1. To what extent do SMEs use project management both in their mainline business and to manage innovation and growth?
2. Do SMEs require less bureaucratic forms of project management than larger companies?
3. Are there any differences between the nature of project management used by SMEs in different sizes of company, different industries, and different countries?
4. What elements of the project management are important for SMEs?

In the next section we describe what has been previously written about the nature of project management in SMEs. We then describe our research methodology. Our results are presented in three sections. In the first, we describe how SMEs use project management to manage both operations and innovation and growth and to what extent they use less bureaucratic versions than traditional project management. We then describe the differences observed by size of company, industry and country. In the last section we describe the components of project management used by SMEs.

2. Project management in SMEs

To date little has been written about the project management in SMEs; there has been a strong focus in the project management community on large projects. Several master students at Limerick University have written their dissertations on the topic, and have found very little literature on it (Turner et al, 2009). Through this research we hope to build up a literature. However, we can review what has been written about the nature of SMEs and speculate why traditional project management does not meet their needs.

2.1. The nature of SMEs

There is no consistent definition of SMEs (McAdam and Reid, 2005). The European Commission (2005, 2008) defines medium, small and micro enterprises as follows:

- Medium: with fewer than 250 employees and, and turnover of less than €50 million
- Small: with fewer than 50 employees, and turnover of less than €10 million

- Micro: with fewer than 10 employees, and turnover of less than 2 million.

Of course these ranges do not exactly correspond, and in our sample the average turnover per employee is around €100,000 rather than the €200,000 implied by these figures. The European Commission uses the number of employees as the primary measure of size and we follow that policy, although, as we explain later, our results suggest that the transition from micro to small occurs around 15 employees, not 10. However, our results confirm that the transition from small to medium does occur at around 50 employees, and many companies suffer a crisis of growth at that point. Enterprise Ireland (2008), Ireland's industrial development agency, in their strategy for 2008–2013 categorizes three levels of SME of interest:

- those with global sales of more than €20 million
- those with global sales of more than €5 million
- high potential start-ups, HPSUs.

Ghobadian and Gallea (1997) described differences between SMEs and larger organizations. In particular they identified the following:

- *Processes*: SMEs require simple planning and control systems, and informal reporting
- *Procedures*: SMEs have a low degree of standardization, with idealistic decision making
- *Structure*: SMEs have a low degree of specialization, with multi-tasking, but a high degree of innovativeness
- *People*: Because of the high consequence of failure, people prefer tested techniques.

The first two of these suggest that SMEs require less bureaucratic methods of management, with greater flexibility. The second two imply a strong focus on people. We will see in our results that micro and small companies have a strong sense of family, with low specialization and people able to undertake a range of duties. Several of our companies used agile methods of project management (Schwaber, 2007) and they suit this environment. The crisis of growth that occurs at 50 people is driven by the need to specialize and the changes to the first three of these parameters that occur as a result.

2.2. Project management

The methodologies and components of project management are well documented (Office of Government Commerce, 2009; International Project Management Association, 2006; Turner, 2007; Project Management Institute, 2008; Turner, 2009; Turner et al, 2010), and so we do not plan to repeat them here. Project management had its genesis in the management of large engineering and construction projects (Turner et al, 2010), and so the early writings were very much from that perspective. Many of the current writings are still oriented towards large projects, but now including high technology projects (International Project Management Association, 2006;

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