

Using Project Management to Create an Entrepreneurial Environment in Czechoslovakia

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SYNOPSIS

This case describes the authors' consulting experience with Czech and Slovak managers on their managerial transformation process toward a free market economy. The case illustrates the problems faced by the organizations and their executives, and the potential of the project management discipline on entrepreneurial ventures, environmental projects, joint ventures, and privatization programs. The authors stress the importance of effective leadership, adequate and proper planning, cultural differences, project design, and team development.

LEARNING OBJECTIVES

The development of this case will expose the students to valuable insight into the project management discipline, such as:

- the differences between a manager and a leader
- the role of planning and its importance
- the wide applicability of project management
- cultural differences.

DISCUSSION QUESTIONS AND POSSIBLE ANSWERS

1. The authors state that they found Czech and Slovak managers familiar with traditional scheduling technology, but without project manager expertise. Therefore, they aimed their training programs toward the planning function and its relationship with project implementation and evaluation. Discuss the importance of project planning.
 - a. According to H. Kerzner, *Project Management: A Systems Approach to Planning, Scheduling, and Controlling*, Chapter 11, Planning, the four basic reasons for project planning are:
 - "To eliminate or reduce uncertainty
 - To improve efficiency of the operation
 - To obtain a better understanding of the objectives
 - To provide a basis for monitoring and controlling work."

2. The case describes several weaknesses found on project designs such as: lacked clear statement of purpose or impact, lacked clear performance measures, etc. The authors state: "These weaknesses needed to be addressed during the project design phase where the cost of planning is significantly less than during implementation." Do you agree with this statement? Why?
 - a. Yes. The *PMBOK Guide*, Section 2.1.2, Characteristics of the Project Life Cycle: "The ability of the stakeholders to influence the final characteristics of the project product and the final cost of the project is highest at the start and gets progressively lower as the project continues. A major contributor to this phenomenon is that the cost of changes and error correction generally increases as the project continues.
3. The Czech and Slovak managers were anxious to learn about being a leader, what it is the difference between a manager and a leader?
 - a. Managers do things right. Managers plan, organize, motivate, direct, and control particular activities. Leaders do the right thing. Leaders carry out a vision. Although managers are required to lead, leaders may not always be managers.
 - b. The *PMBOK Guide*, Section 2.4.1, Leading, states that managers are concerned with producing results expected by stakeholders. Leaders are the ones who give direction to the organization (vision), align people (build consensus around the ones needed to achieve the vision), and motivate and inspire people in order to energize them into overcoming the obstacles and barriers to change.
4. Discuss the importance of recognizing cultural differences when implementing project management and list examples of cultural features relevant to this case.
 - a. Culture is a set of refined behaviors that people have and strive toward in their society. A society's culture will naturally have significant effects on an organization's culture. An organization's culture consists of shared explicit and implicit agreements among organizational members as to what is important in behavior, as well as attitudes expressed in values, beliefs, standards, and social and management practices (Cleland, *Project Management: Strategic Design and Implementation*, 2nd ed.). Thus, the organizational culture will have effects on project management.
 - b. In this case several cultural features were noted including: lack of individual initiative (brought about by forty years of centralized government planning), little experience working in teams, and little interest in customer satisfaction.

ADDITIONAL DISCUSSION POINTS:

The instructor might ask each student to consider a country other than the United States with which she is familiar and discuss the cultural features of that country that might inhibit or promote the use of project management techniques.

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INTRODUCTION

Democratization of Eastern Europe will succeed only when countries like Czechoslovakia can compete in the global marketplace. To be competitive, Czech and Slovak managers must not only learn modern management techniques, but they must also develop a leadership and management style that is tailored to their cultures and their economic and legal infrastructures. Experience to date demonstrates that project management can provide the framework for building a Czech and Slovak management prototype.

OBJECTIVES

Six months after the change in government in Czechoslovakia the authors were in Prague conducting a seminar on project management. More than 800 executives and managers of state-owned companies were eager to learn how to function in a free-market economy.

This paper presents the results of more than two years of work in Czechoslovakia. The focus of this paper is on how to use project management to change a management environment spawned by more than forty years of state-centralized planning.

The paper discusses how Czech and Slovak executives and managers are using project management to transition their organizations into the global marketplace.

This paper will:

- give an overview of the major problems confronting Czech and Slovak managers as they try to transition their organizations into a free market economy
- describe the techniques and tools that are being used to help Czech and Slovak managers plan the future of their companies
- delineate how project management is being used to control and direct environmental projects, joint ventures, and privatization programs.

The aim of this paper is to demonstrate how project management can be used to plan entrepreneurial ventures and change entrenched attitudes and values.

BACKGROUND

In 1939 Czechoslovakia ranked tenth in the world in per-capita income, ahead of Austria and Belgium. Since that time the destiny of the two nations of the Czech and Slovak Federative Republic has been shaped by turbulent events: nationalism, war, and political change. The "velvet revolution" abruptly swept aside the more than forty-year experiment with socialism.

Today, Czechoslovakia stands on the threshold of major change. The country is being split into two separate nations, one Czech and one Slovak. It is a time of great uncertainty for the ten million Czechs and five million Slovaks. Both countries must deal with enormous social, environmental, and economic problems. The process of transitioning from a centrally planned economy to a free-market economy is painful and difficult.

To make the transition to a free-market economy, some 13,000 small businesses and some 4,500 large industrial enterprises are being privatized. In some circles the economic transformation process is described as "shock therapy." By the end of 1991 Czechoslovakia had a 22 percent decline in industrial output, an increase in the unemployment rate from 2.5 to 8.5 percent, an inflation rate of 58 percent, a 33 percent decline in domestic demand, and a 14 percent decline in gross domestic product. To compound this problem the country has perhaps the most adversely affected environment in Europe. In addition the western industrialized region of the Czech Republic is one of Europe's largest exporters of pollution.

Despite the present grim state of affairs, the Czechs and Slovaks are in the best position of any of the former East Block nations to succeed. Both republics can boast of a well-educated and highly skilled workforce, highly developed industries, sound infrastructure, and a relatively small foreign debt.

However, many experts fear that the biggest stumbling block to progress is not the enormity of the problems but the lack of individual initiative brought about by forty years of centralized government planning. As one western expert put it, "Former Eastern Block bureaucracies will never meet the challenge. They just don't have the vision, the motivation, or the flexibility to re-orient overstuffed and overcentralized government agencies."

Our experience was just the opposite. After more than two years' work in Czechoslovakia we find a vitality and a drive and an intense desire to change. Moreover we find the willingness and the spirit to try approaches which depart significantly from the past. In this environment, project management is being used to develop processes, procedures, systems, and the management culture that will help the Czechs and Slovaks build their future.

DEVELOPING A PROJECT MANAGEMENT PHILOSOPHY FOR CZECHOSLOVAKIA

In Prague, Czechoslovakia, we discovered government ministries staffed by middle-aged managers caught in an unexpected midlife crisis that would unnerve the best of us. Past policies, programs, and standard operating procedures dissolved before their eyes, and their positions in the ministries were no longer secure.

The "velvet revolution" of 1989 confronted managers with a new set of challenges. Centrally planned programs administered by hierarchical, bureaucratic organizations oriented towards job generation and resource uti-

tized, and the focus was on restructuring, downsizing, decentralized planning, and increased use of autonomous working groups.

For more than two years we have worked with more than 1,200 Czech and Slovak managers and their project teams in seminars and workshops. During this period we discovered a strong demand for creative use of project management technologies. At first the interventions were in the form of large presentations to 300–600 mid-level managers when we spoke to them on project management philosophy, methods, and techniques to address the turbulent economic and management issues of the immediate future.

In March 1990 we conducted a major seminar for 600 senior Czech and Slovak managers on the theme of "Project Management for Turbulent Times." Again in October of the same year at the CECIOS International Management Conference in Prague, we made presentations on team-based project management methods for more than 400 mid-level managers from the metallurgy industry.

These general seminars were followed by intensive applications-driven workshops for organizations and industries with particular needs and problems. Most of this training and consulting centered on project design and implementation management. Since then, we have conducted project-launch workshops for more than forty project teams.

Our experiences in Czechoslovakia in 1990 enabled us to identify a number of specific problems and needs that were characteristic of the Czech-Slovak environment. By carefully analyzing management needs, we were able to formulate development and intervention programs that utilized the full potential of project management.

Need for Widespread Project Planning and Design Skills

After decades of dependency on central ministries for planning, managers found themselves faced with the responsibility for project design as well as implementation. While there is broad familiarity with traditional project scheduling technology, at least in theory if not in practice, there is a widespread dearth of project planning expertise. For this reason, our subsequent programs and interventions placed strong emphasis on the planning function and its relationship to project implementation and evaluation.

For example, at the very outset we reviewed the quality of project designs from several sectors and organizations and found that they:

- lacked a clear statement of purpose or impact
- lacked clear performance measures
- lacked cause-and-effect logic between outcomes and impact
- lacked linkage between project and program goals
- were overambitious in scheduling (unrealistic time frames)
- had unrealistic budget/resource estimates
- failed to identify risks
- had no plans for sustainable benefit continuation
- lacked monitoring or evaluation plans for improvement
- failed to define the team planning/implementation process.

It was clear that these weaknesses needed to be addressed during the project design phase when the cost of planning is significantly less than during implementation. However, these were precisely the areas where most of the Czech and Slovak managers felt they were weakest in their management skills. As a result, we focused subsequent programs and workshops on the

up-front project design process. As it turned out, this strategy produced a strong positive response, and our early project management interventions set the stage for a long-term involvement in Czechoslovakia.

Demands for Leadership in Project Management

Many of the Czech and Slovak managers expressed their anxiety about having to fulfill a leadership role. In the former structure, direction came from the top so there was no need to exercise leadership. One Czech manager said, "I read this book, *In Search of Excellence*, and I thought I was reading about another planet. How would we create these kinds of organizations, and how was I supposed to become this kind of leader?"

As it turned out, leadership became the essential element in applying project management. We found that tools and methods were irrelevant unless we could address the fundamental behavioral changes required for effective leadership and teaming around project objectives.

Need for Team-Based Project Organization

A related need was the managers' concern about teamwork. As one said, "We never work in teams. I don't even know if I trust teams. You tell me teamwork will produce better outcomes, and I find this very hard to believe." And another, "... based on this workshop experience, I am convinced that teams are a necessary part of my future as a leader, but I am troubled by how I am going to do this. Where will we learn these skills, and will there be any support for them from my supervisors?"

Need to Constantly Define the Customer

It will not come as a surprise that most Czech and Slovak project managers had very little interest in customer satisfaction. At a large meeting of the senior managers for one government ministry, we asked the question, "Can someone please tell us who the Ministry's customers are?" The question was met with a long silence and then several off-line discussions. It was clear that we would have to help project teams to define their customers and focus project outcomes on satisfying customer needs.

APPLYING PROJECT MANAGEMENT TECHNIQUES

Our initial experience in Czechoslovakia revealed that the needs of Czech and Slovak managers were considerably different than that of their European and American counterparts. It was clear that more emphasis had to be given to project design and team development than to the mechanics of project planning and scheduling techniques.

Project Design

We decided to use the logical framework approach for project design and planning. The logical framework is a proven method for addressing the key design issues needed for quality project planning. It treats the project as an experiment in cause and effect and structures the design with the same rigor one would approach testing a hypothesis under uncertain conditions.

The logical framework methodology was initially developed in the 1970s -

also related to the 1981 development of the Zeil Orientierte Projekts Planungs in collaboration with the German Technical Cooperation Agency. Since then a number of other development agencies, among them the United Nations Development Program and the Canadian, British, Irish, Belgian, and Norwegian aid agencies, have adopted it as a design and planning tool.

The logical framework methodology guides a team through identification of the causal linkages between the project deliverables, the impact they have on the customer, and the relationship between project-level and program-level impacts. In addition, the logical framework lays out the performance measures and the means of verification at each level of project accomplishment. The methodology also helps the team to identify the external conditions and risks on which each level of project achievement depends.

In addition to the up-front project planning methodology we also used more traditional planning and scheduling methods for organizing at the activity and task level. These tools included:

- the work breakdown structure (WBS)
- network diagramming (CPM)
- stakeholder analysis
- performance matrix (for deliverables)
- Gantt chart schedules (team and individual)
- performance budget matrix.

A series of workshops and training programs were implemented to show Czech and Slovak managers how to use the state-of-the-art PC-based project management packages. Most of these managers were acquainted with network theory, scheduling, and resource optimization. As the PC computer became more accessible, many of these managers became quite proficient in using the latest project management software package. However, learning to use project management tools is easy; learning to develop and manage a project team is a more complex problem.

Team Development

Through a collaborative effort between the World Bank's Economic Development Institute (EDI) and Team Technologies, Inc., tools were developed to facilitate the creation of high-performance project management teams. One tool known as "TeamUp" is used by EDI and other agencies for accelerating the formation of project teams in the field. The TeamUp methodology is intended to bring diverse professional, ethnical, national, and organizational team members together for the purposes of project appraisal, implementation, and evaluation. Most often these teams are expected to accomplish untested project designs under risky and uncertain conditions. TeamUp was a most appropriate tool for the Czech-Slovak environment. It is interesting to note that the joint development efforts by the World Bank's EDI and Team Technologies have resulted in three software packages (PC/Log FRAME, PC/TeamUp, and PC/PIP) that are now commercially available to all project practitioners.

These tools were used extensively in specific project interventions directed at privatization and environmental cleanup projects. Our experiences in these areas are described in the next section.

- New leadership roles of mid-level managers**
 - Taking responsibility for the planning function
 - Learning how to provide vision and define mission
 - Taking responsibility for the team and yourself
- Primacy of project design before project scheduling**
 - Getting the causal logic of the objectives clear before WBS
- Collaborative planning**
 - Getting the stakeholders involved
 - Role of commitment in setting objectives
 - Using public involvement methods to build support
- Managing uncertainty, risk, and external variables**
 - Responsibility for influencing the outside
 - Managing conflicts and dealing with differences
- Creating the team-based organization**
 - Fundamental value and use of teams
 - Leader's responsibility for designing the organization
 - Teams and hierarchies
- Discovering the customer (as not yourself)**
 - Defining impact on the customer as the purpose of your work
 - Defining sustainable benefit continuation in the project design
 - Establishing an output rather than an input orientation
 - Making performance measurement a part of planning
- Future versus past orientation**
 - Work possibilities before problems

FIGURE 1 CZECH-SLOVAK PROJECT MANAGEMENT TRAINING PROGRAMS

DESIGN OF PROJECT MANAGEMENT INTERVENTIONS

To address the needs of the Czech and Slovak teams and their leaders, we crafted a series of seminars and workshops to address the problems and needs described earlier. A summary of these programs is given in Figure 1.

Standard Project Planning Methodology

By 1991, Prague was awash with seminars, workshops, and training programs. The government staff was inundated with a flood of demonstration videos, brochures, product descriptions, and overhead transparencies. However, the Czech and Slovak managers were interested in proven, pragmatic methods and techniques that they could use to move their organizations into the global competitive environment. As an example, after exploring a wide variety of alternatives, three Ministry officers who had attended one of our seminars, decided that logical framework method was what they needed for planning the government's privatization projects. Within twenty-four hours of completion of one of our seminars, they called us at our hotel requesting that we come to the Ministry for a discussion. We walked into a room filled with senior officers from the key ministries involved, where one of them said, "We know a lot about project scheduling theory. We know how to

ied it and know the case studies. We have listened to a lot of seminars. We have decided that we need to learn how to design a project first, before we plan and schedule it. Your methodology can help us do this. Therefore, we have decided that the logical framework method is the best for us, so we have decided to make it a Ministry standard."

Within a three-month period we went on to train 120 officers and eighty customers, put twenty-five projects on the new system, translated the software into Czech language, established a training site in the Ministry headquarters, and formally standardized the method. This is a good example of how a formerly rigid bureaucracy can transform itself into a highly flexible and dynamic project-oriented organization.

Privatization Projects. Several thousand state corporations will privatize before the nationwide process is complete. While the accomplishment of this objective is daunting enough, the real issue for many of these corporations is "what do we do after privatization?" Project management methods worked extremely well in assisting the privatizing company to plan the reorganization and restructuring of its company after the privatization process was complete.

One area which remains extremely fertile for project management interventions is the management of those elements of a company not of interest to domestic or foreign investors. For example, one company in the process of privatization will discard an entire maintenance and support services division of approximately 4,000 employees. Converting this resource into a set of small businesses and avoiding the social stress this degree of unemployment can cause in a community is not only economically but politically relevant. Our team used project management methods to work with one large corporation to do just this, and the result was a proliferation of small, but successful businesses which leased corporation equipment and sold services and products back to the region at large. The most proactive entrepreneurs were the employees of these organizations, rather than corporate management.

Portfolio Management Projects. One federal ministry found our project management planning methodology essential for getting order into its portfolio of projects. Using our methodology it could establish program level goals and integrate approximately twenty-five projects per annum. The logical framework and TeamUP method provided the structure for negotiating agreements with their clients and a means of communicating among themselves the internal logic of their project efforts. The Czech & Moravian Development Bank found this kind of project approach useful for managing the loan appraisal process. By making the distinction between deliverables and impact, the logical framework makes the identification of project benefits transparent and thereby facilitates benefit/cost and internal rate of return analysis. It also clarifies the risk at each level of the project, a concern for every banker. When this kind of design document is expanded with a set of project implementation tools, it provides a more rational basis for assessing and communicating the quality of a bank loan. At the Czech & Moravian Development Bank we are in the process of training all staff to use the logical framework project planning and appraisal method as the standard loan application document.

Also, at the Ministry of Economy we are training more than one-hundred staff people and have established our logical framework approach to project design as a standard for submitting

Industrial Projects. At the Kaucuk Petroleum Refinery, the general manager decided to introduce our team planning method called TeamUP for installing a team-based project management and organization development strategy. One engineering team used TeamUP to organize itself around air quality objectives established in the Joint Environment Report (World Bank). Within a two-month period team members planned out their project to desulphurize diesel fuel, implemented it, and put the new "clean" fuel on the market at competitive prices. All this was accomplished at the cost of one workshop and the team's time.

Environmental Projects. The project management method is being applied to the public involvement process for organizing large-scale environmental cleanup projects. Contrary to how things were done in the recent past, these projects now require broad participation from special interest groups, municipalities, religious leaders, corporations, government agencies, and international donors. A great deal of up-front project planning is required to reflect the needs and concerns of these diverse participants.

Our local team is currently initiating the regional environmental cleanup project design to mitigate damage in a four-city area. What is unique about this effort is that it is not driven by compliance to a federal or state regulatory framework. Instead a project management approach was used to organize the stakeholders and develop a corporate and community-driven program based on the ability to establish common values and share objectives. Tools like trees analysis (cause and effect diagramming) and logical framework, supported with environmental assessment data, accelerated the process of developing consensus. Our project management unit will use this up-front project planning as input to the more traditional planning and scheduling tools to develop the detailed project implementation plans.

THE FUTURE OF PROJECT MANAGEMENT IN CZECHOSLOVAKIA

The break up of Czechoslovakia into two independent nations will only intensify the need to organize, plan, and implement a host of government, business, and industry projects. The equitable distribution of the nation's industrial capability, infrastructure assets, and power generation and distributions systems are just a few of the issues to be dealt with. If the transition to separate Czech and Slovak nations can be managed effectively and efficiently, there is a strong possibility that both can be successfully integrated into the global economy. If the process is not managed successfully, then both nations face the possibility of slipping into Third World status.

Having worked closely with Czech and Slovak managers since 1989, we are betting that the future will be difficult but prosperous. The Czechs and Slovaks are industrious people with a heritage for prevailing through the most difficult of situations. Based on our experience and our understanding of the people we have been involved with, we have made a long-term commitment to the Czech and Slovak future. Team Technologies has opened an office in Prague and has staffed it with highly qualified Czech and Slovak professionals.

To ensure that the Prague office (and future Bratislava office) represents state-of-the-art management capability, we have instituted an aggressive technology transfer program. Our staff of Czech and Slovak professionals have work assignments in various capacities and

These assignments broaden their bases of experience and education and enable them to focus on specific management issues in their own countries.

We are committed to this venture because we firmly believe that the quality of life everywhere can be improved by effectively and creatively managing human and natural resources. To this end, we believe project management will play a significant role the future of the Czech and Slovak nations.

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Study Questions

USING PROJECT MANAGEMENT TO CREATE AN ENTREPRENEURIAL ENVIRONMENT IN CZECHOSLOVAKIA

1. The authors state that they found Czech and Slovak managers familiar with traditional scheduling technology, but without project management expertise. Therefore, they aimed their training programs towards the planning function and its relationship with project implementation and evaluation. Discuss the importance of project planning.
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