

# **PROJECT MANAGEMENT FOR FAMILY-OWNED SMALL-TO-MEDIUM SIZE ENTERPRISES IN LEBANON**

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## **ABSTRACT:**

This research aims at evaluating resistance by Small-to-Medium size Enterprise (SME) organizations to formal adoption of Project Management (PM) methodology. It explores the impact of owner's national cultural influence on family-owned SME management.

This research will be conducted pursuant to SEAM theoretical framework, and Qualimetrics intervention methodology. Individual interviews conducted with SME managers to ascertain to the status of the organization. Dysfunctions reflected back to the interviewees through the Mirror Effect sessions. Recommendations derived in collaboration with SME actors.

The outcome of the research serves to improve the organizational management and business administration of family-owned SME. It contributes to academic literature and professional management community through direct exchanges and the publication of related learned experiences.

This intervention serves as a pilot case study aimed at wider implementation across SMEs in the region and abroad.

**Keywords:** SEAM, Qualimetrics, PM Methodology, Family-owned, Globalization

## **INTRODUCTION**

A large proportion of SMEs fail to deliver their projects on budget and schedule even though they are nimble, focused and agile. This is largely due to resistance to adopting formal project management methods and tools, owner's imposed cultural norms, informal approach to organizational management and business administration, inefficient use of information technology, frequent turnover of skilled resources, loss of cumulative knowledge, lack of rigor and standards in budgeting and controls process, and short-term myopic strategies in a globalized economy.

“The majority of companies today began as SMEs. SMEs globally have a very significant contribution to the supply of goods and services to the society.

Without SMEs, big companies may not be able to meet the demand for goods and services in an expanding customer base, because it can be time consuming and at times not worth their time and attention. Nowadays, there is no consensus regarding a worldwide definition of SMEs (Omar, Arokiasamy, & Ismail, 2009). Governments and banks define SMEs the way they see it fit. According to (Garikai, 2011) SMEs are defined by a number of personnel, capital engaged, and sales turnover. Hence, SMEs are defined by the number of employees and/or by the value of their assets (Hamdar, Najjar, & Karamah, 2017).”

According to the (World Bank, n.d.) “Small and Medium Enterprises (SMEs) play a major role in most economies, particularly in developing countries. Formal SMEs contribute up to 60% of total employment and up to 40% of national income (GDP) in emerging economies. These numbers are significantly higher when informal SMEs are included. According to our estimates, 600 million jobs will be needed in the next 15 years to absorb the growing global workforce, mainly in Asia and Sub-Saharan Africa. In emerging markets, most formal jobs are generated by SMEs, which also create 4 out of 5 new positions.”

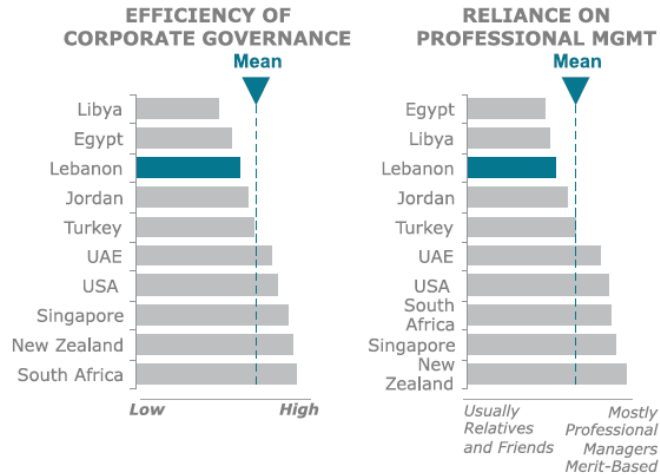
“Historically, Lebanon’s lack of a formal unified definition for small and medium enterprises has often been used as a scapegoat for inaction. Moreover, statistical information is scarce with the most quoted reference dating back to 2004 from the Central Administration of Statistics. More recent information on SMEs in Lebanon has been gathered to better understand their distribution. More importantly, a simple definition is proposed in line with the approach suggested by global benchmarks adjusted to the specificities of the Lebanese market. Namely, the proposed definition combines annual turnover and number of employees as follows:

- Micro Enterprise: Less than LBP 500 million AND less than 10 employees
- Small Enterprise: Less than LBP 5 billion AND less than 50 employees
- Medium Enterprise: Less than LBP 25 billion AND less than 100 employees

Exceeding either dimension would position the SME in the subsequent category. Adopting this definition, SMEs in Lebanon constitute between 93 and 95% of enterprises in the country (Inventis, 2014).”

Figure 1 demonstrates Lebanon’s position compared to other countries in terms of its Corporate Governance Efficiency and its Professional Management Resilience.

**Figure 1: World Economic Forum Indicators (2013-14) (Inventis, 2014)**



**PROBLEM STATEMENT**

With increased standardization and the expansion of SME market penetration, it has become common strategy for large projects to assign segments of the overall project’s scope of work to specialist SMEs as stand-alone smaller projects.

These SME projects comprise well-defined work packages such as architectural design, design validation, facilities construction, systems installation, quality inspection, software programming, software testing, training, maintenance and operation of specialty equipment among other such scopes of work.

This strategy pursued by large projects enables concurrent expedited progress of select work packages to optimize schedule and enhance quality of work by assigning specific packages to specialized SME subcontractors.

Furthermore, this strategy directly contributes to SMEs expanding market participation, growth and socio-economic development.

Once SMEs complete their projects, their deliverables are incorporated into the main project workflow in accordance with established schedule, priority and interface sequence.

While this strategy provides major projects a strategic advantage in lowering *Total Installed Cost* and achieving schedule milestones at specified quality levels, this dependence on SMEs also exposes contracting projects to higher risks when SMEs fail to achieve their deliverables per contract terms and conditions.

Project Management skills implemented by SMEs are not adequately rigorous. Implementing Project Management methodology from outside the organization would be difficult due to several obstacles.

Among other business and environmental factors, SME project execution risk is principally due to SMEs resistance to formally adopting project management methodology, ineffective capitalization of human-resource potential, country cultural influence, inefficient execution of the work and ineffective management of the organization.

The success of major projects and larger organizations subcontracting project and functional work to SMEs is increasingly contingent on SMEs successful execution of their assigned work packages.

This dynamic between larger organizations and SMEs has a ripple socio-economic effect across both emerging local and international markets due to globalization, information technology and standardization.

It is common for SME organizations to be nimble maintaining low overhead budget, focusing on near-term operational goals rather than longer term strategic objectives, dependence on a relatively small management team made up of socially related friends, family members, and a small group of cross-functional specialists familiar with SME's core business competencies.

This SME management approach reinforces resistance to the adoption of disciplined PM methodology.

According to my experience, the following are key issues encountered with SMEs:

- 1) Lack of continuity due to high turnover of skilled resources when workload is unstable.
  - a) Institutional knowledge and experience gained on projects are lost as human resources move on to other job opportunities in the absence of formal Knowledge Management and Lessons Learned database due to informal processes and resistance to industry best practices.
- 2) Repeated project planning and execution deficiencies, variation in quality and redundant activities increase the SMEs' hidden costs and erodes their profits.
- 3) Absence of disciplined recording of lessons learned and progressive leveraging of human knowledge; especially when onboarding new resources, increases overall SME project cost and schedule as well as increases variation in deliverables' quality.
- 4) Lack of an efficient Information Management System, informal budget allocation and controls and undisciplined evaluation of key performance metrics at the project management level lead to conflicting direction and excessive direct and indirect costs.

- 5) Key project decisions are determined by the SME's owner; informal project manager, and frequently making key decisions without fully vetting their consequences thru a skilled Project Management Team (PMT) that considers more perspectives on key project decisions frequently leads to tunnel-vision and unmitigated costs and risks.
  - a) This is an embedded cultural practice in SMEs whose management do not formally recognize the value of diverse-skills of project management team objective analysis of project data and disciplined application of project management processes and procedures.
- 6) Budget misallocation and controls leads SME to focus on 'operational expenditures' disproportionality than appropriate funding on strategic goals of formal disciplined adoption, training and application of project management procedures and tools.
  - a) Due to its focus on tactical rather than strategic expenditures, SMEs tend to rely heavily on cross-functional human resources who may be specialized in one field, such as Accounting, but are asked to perform other functional activities where they are less or not specialized in such as office administration, accounting and information system management

## **BIBLIOGRAPHY AND POSITIONING**

Studies have documented the need to address resistance by SMEs to adopt effective use of Project Management practices. Review of select literature on the topic highlighted several drivers behind this resistance vary among SMEs that are mostly impacted by lack of adequate funding, institutionalization, skills and culture.

I concur with (Sdrolias, Sirakoulis, Poullos, & Trivellas, 2005) findings that SMEs adoption of PM practices is largely driven by the owner's culture, values, management skills and practices. Their study identifies the contradiction between perceived flexibility of small organization and SME competitive advantage.

I agree with (Turner, Ledwith, & Kelly, 2012), approach to addressing SMEs' resistance to proper use of PM practices, however I differ with their recommendation to segment SMEs along Micro and Small sized-organizations. The extended breakdown of lower tier SME groups increases variation in effective use of the PM practices and increases overall inefficiency ultimately leading to diminished value of recommended solution.

In his research methodology, (Aquil, 2013) inquired how do several SMEs use specific Project Management practices in the course of their operations. The assessed practices included: Schedule, Cost, Risk and Quality Management, Customer Requirements and Scope Management, HR and Integration Management, and Communication Management. Findings of his SMEs' assessment confirm the need to address the research challenges.

However (Aquil, 2013) did not address Cultural effects on SMEs resistance to formal and effective use of Project Management Practices. This is a gap my research aims to address.

While I generally concur with reviewed articles' assessments and findings, my research will explore examined factors with incorporation of the cultural impact on family-owned SME.

This is an important factor to examine especially considering that SME PM is substantially influenced by the personality and beliefs of its owner who controls its culture, strategy, value creation, human and capital resources, organizational management and operations.

## **AIMS**

This project aims to leverage SEAM theoretical framework, and Qualimetrics intervention methodology, process and tools through a longitudinal research to improve project development and execution in small Engineering and Construction services organizations.

These improvements intended for expanded implementation on projects executed by large multi-national offshore organizations, using effective project and organization management methodology.

Key challenges the research aims to address are:

- To what extent do SMEs use formal PM methodology
- What are chief factors contributing to SME resistance for adopting disciplined PM methodology
- To what extent do SMEs consider PM methodology a burden
- To what extent do socio-economic and cultural factors contribute to SME's resistance towards formal adoption of PM principles.

This research will seek to identify the impediments to adopting proper level of project management methodology and propose solutions to implement them.

## **HYPOTHESIS**

Effective Project Management is fundamental to SMEs survival and growth. There is a deficit in the rigorous management and administration of SME projects resulting in excess costs, loss of earnings and diminished performance.

The solution can be realized through implementation of rigorous project management methodology and socio-economic intervention to leverage the human potential in the organization to achieve value creation.

The core hypothesis will be further defined as the intervention unfolds. Core hypothesis is broken down into three parts:

**Descriptive Hypothesis**

Several dysfunctions are observed at various phases of SME project management, including strategic planning, contracting, structuring, organizing, staffing, execution, delegation, controlling, leveraging human potential and lessons learned, project closeout and turnover to client.

**Explicative Hypothesis**

SMEs' family-oriented culture and resistance to using formal methodologies and tools contribute to inefficient execution of their projects, increased costs negatively impacting their business operations and constraining their growth and development. These impacts extend to their clients, community and local economy.

**Prescriptive Hypothesis**

Adopting formal PM methodologies is needed to optimize the management and execution of SME projects, leverage human potential and expand their business opportunities in a global and technology driven economy.

## **RESEARCH FIELD**

This research is conducted in Lebanon; and online with Turkey based personnel. An intervention process was negotiated with a Lebanese based SME in the field of residential Engineering and Construction development and services operating in both Lebanon and Turkey.

This is a family owned SME started by an entrepreneurial engineer in Beirut around the late 90's focusing on residential property remedial work leveraging their family and social network to penetrate the market and establish a foundation. Being nimble, agile and adaptive to their environment and customer demand, they were able to expand rapidly during the construction boom years of late 90's thru mid-2000's calendar years.

This organization is comprised of seventeen (17) employees consisting of the CEO, four (4) functional managers, four (4) field lead supervisors and four (4) field staff members.

The research starts with the CEO and top management team and shall include all workers and other support personnel located in Lebanon and Turkey.

## **RESEARCH METHOD**

This research will be conducted pursuant to Intervention Research, SEAM methodology, and Qualimetrics intervention approach. SEAM was introduced by Professor Henry Savall and ISEOR in 1973 (Savall & Zardet, Mastering Hidden Costs, 2007, 7th ed. 2020). SEAM's objective is to expedite organizational transformation in the age of globalization leveraging human potential and recovered hidden costs to create value.

This method uses Qualimetrics intervention approach for assessing the dysfunctions.

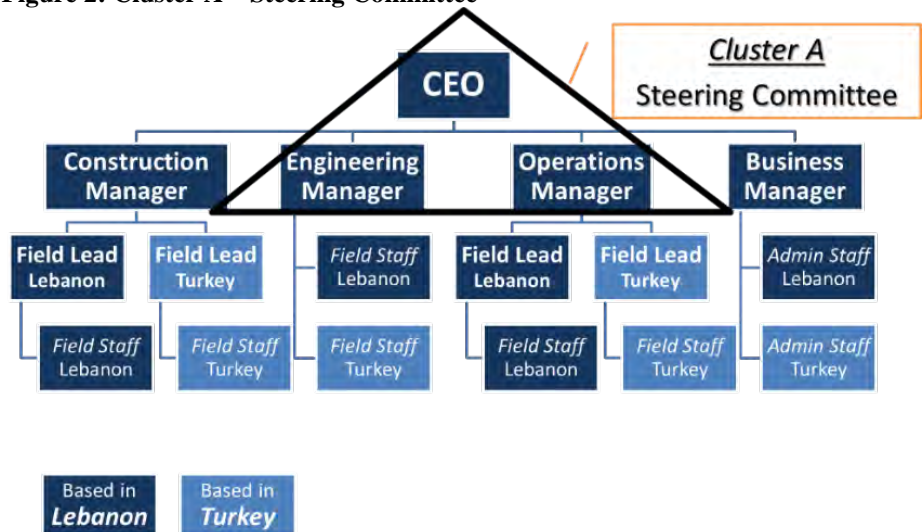
**Architecture**

The methodology is executed through field work and direct engagement with SME actors at the Horizontal functional management and Vertical project team levels as follows:

- 1) Cluster A: Steering Committee includes CEO and Senior Management Team
- 2) Cluster B: Horizontal Diagnosis includes top functional managers
- 3) Cluster C: Vertical Diagnosis and Project includes functional manager and field staff in Lebanon
- 4) Cluster D: Vertical Diagnosis and Project includes functional manager and field staff in Turkey

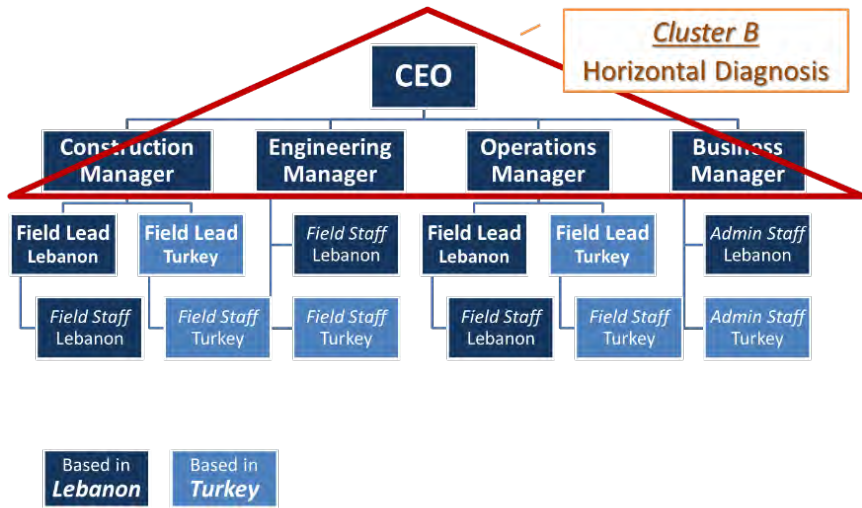
In addition, an Internal Socio-Economic OD Interveners includes two (2) Interveners in Turkey and two (2) Interveners in Lebanon.

**Figure 2: Cluster A – Steering Committee**

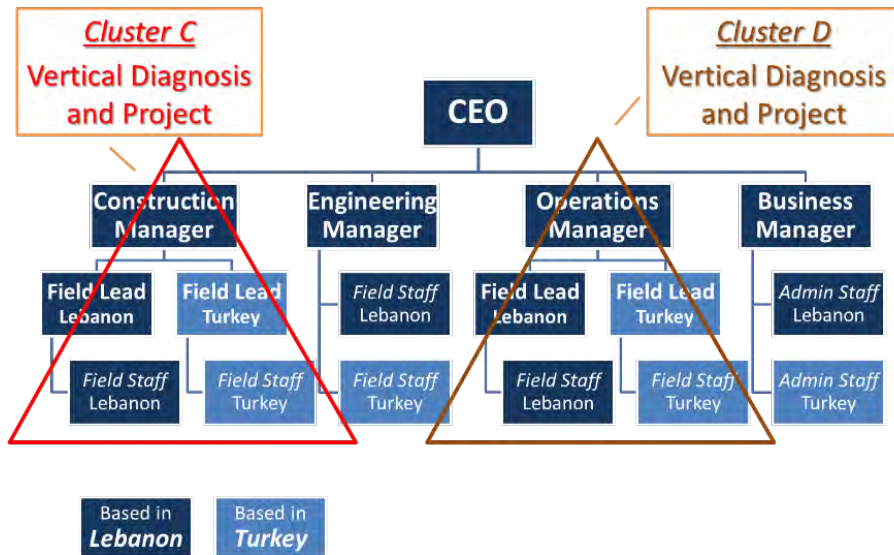




**Figure 3: Cluster B – Horizontal Diagnosis**



**Figure 4: Clusters C and D – Vertical Diagnosis and Project**



**Method**

Methods comprise the implementation of management tools identified on the second axis (Axis B) of *SEAM's Trihedron* shown in Figure 5 below.

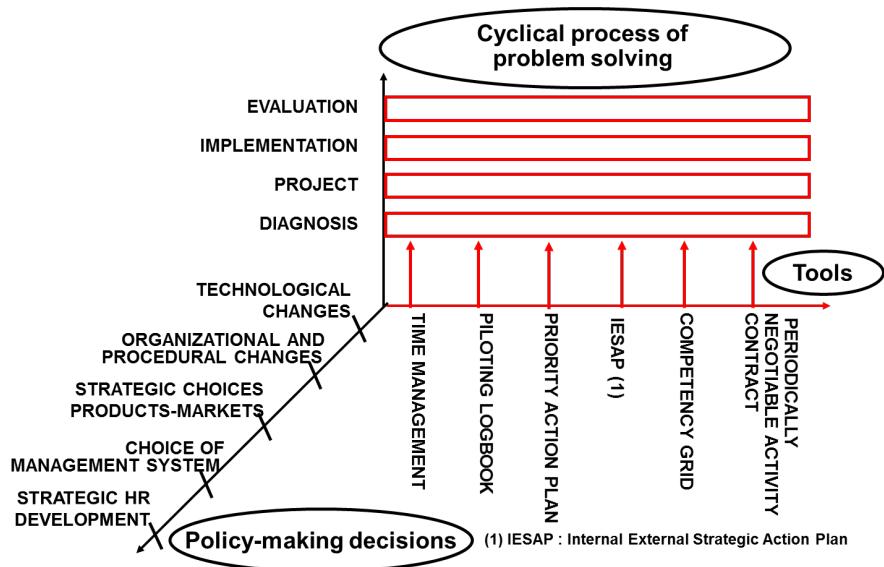
The *Trihedron* represents the three synchronized forces of the socio-economic Organizational Development intervention.

These tools consist of a set of methods aimed at enhancing the role of managers in the implementation of OD in order to sustain organizational learning and agility processes that include:

- a) Competency Grid
- b) Time Management
- c) Priority Action Plan (PAP)
- d) Piloting Logbook
- e) Periodically Negotiated Activity Contract (PNAC)
- f) Internal External Strategic Action Plan (IESAP)

Those methods and tools help top, middle and front-line managers in effectively administer time and competency management by maintaining strategic and operational steering log-books specifically established for every activity, and by developing Internal and External Strategic Action Plans (*IESAP*) implemented through Priority Actions Plans (*PAP*), and Periodically Negotiable Activity Contracts (*PNAC*).

**Figure 5: The Trihedron**



**Figure 6: Table of Objectives, Methods and Services**

<b>OBJECTIVES</b>	<b>METHODS</b>	<b>SERVICES</b>
Enhance Workers' Involvement Quality of Work Avoiding Excess Labor Improve / Streamline the Supply Chain	Competency Grid Time Management Priority Action Plan (PAP) Piloting Logbook Periodically Negotiated Activity Contract (PNAC) Internal External Strategic Action Plan (IESAP)	Collaborative Integrated Training Change Management Plan Employee Reward Plan Strategic Value Add Plan PM training as required Training in SEAM Methods and Tools including: )Competency Grid )PNAP )PAP )Piloting Logbook

**Research Methodology**

Research methodology, process, data analysis, observations, findings and recommendations will generally proceed along the following phases:

- 1) Initial Assessment of the SME's business environment
- 2) Engage with key decision-makers to ascertain the SME's principal issues
- 3) Engage with the actors within the organization and its key stakeholders to understand their current state and informal PM practices
- 4) Conduct interviews and survey questionnaires to gather pertinent data
- 5) Consolidate data collected pursuant to SEAM tools and processes
- 6) Validate data collected with stakeholders per the "mirror effect" method
- 7) Analyze and interpret the data pursuant to AR and SEAM methodology
- 8) Present findings and recommendations to SME's Owner(s)/Manager(s) to secure their buy-in and commitment to proceed
- 9) Hold a larger team meeting comprising the actors in the SME and select key stakeholders to present the recommendations and secure their commitment to 'own' the solution
- 10) Develop Action Plan to implement in collaboration with SME's personnel to ensure they have 'skin in the game' throughout the implementation phase and into institutionalization to ensure sustainability of the change
- 11) Develop and deliver a comprehensive Training Plan encompassing all levels of the organization
- 12) Develop and implement a Change Management Plan in collaboration with stakeholders to facilitate adoption of the changes
- 13) Participate actively in the implementation process to address stakeholders concerns to maintain implementation progress
- 14) Monitor the implemented changes to confirm attainment of desired goals
- 15) Incorporate further improvements as required
- 16) Assist PMT in the selection and implementation of appropriate automation systems to manage project Knowledge, Documents and Information



## RESULTS

The expected outcome of the research serves to improve the organizational management and business administration of family-owned SME.

The research contributes to academic literature and professional management community through direct exchanges and the publication of related learned experiences.

This intervention serves as a pilot case study aimed at wider implementation across SMEs in the region and abroad.

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