

Formulation of Framework Model of Project Management Process Factors Affecting SMEs Performance

Abdulnaser Alshehhi¹, Rozilah Kasim²

¹ Researcher, Faculty of Technology Management and Business, University Tun Hussein Onn Malaysia, Batu Pahat, MALAYSIA

² Lecturer, Faculty of Technology Management and Business, University Tun Hussein Onn Malaysia, Batu Pahat, MALAYSIA

ABSTRACT

Small and Medium Enterprises (SMEs) are significant for global economy and contribute to the growth, employment and output of gross domestic products (GDP). SMEs denote one of the critical sources of global economic growth either for both developed and developing countries. SMEs in the United Arab Emirates (UAE) are largely contributed from the manufacturing economic sector, generating employment opportunities in service sectors and increasing the export base. Studies found that not many of SMEs are adopting project management in their operational activity. Hence this paper presents a proposed conceptual framework on the relationship between project management processes factors affecting SMEs performance. Based on the literature review there are four domains of factors affecting the performance that are scope, cost, risk and communication. This framework can be further used to validate the relationship with the questionnaire data from the SME community.

Keywords

Project Management (PM), Small and Medium Enterprises (SMEs)

Article Received: 10 August 2020, Revised: 25 October 2020, Accepted: 18 November 2020

Introduction

Small and Medium Enterprises (SMEs) act as catalysts in competitive and innovative economies and are recognized as a major contributor to economy growth in both the developed and developing nations. However, there is no unique or universally applicable definition for SMEs. The definition vary for each industry sector which either based on the number of employees, turnover, and value of assets. At individual level, SMEs businesses are operated with small number of employee which either employed as formal or informal. This type of SME outnumbered the larger business counterparts with a greater margin in relation to the contribution that SMEs makes collectively towards the employment creation of the nation [1]. SMEs will not be able to compete with large business which is designed based on cost minimisation strategies including staff lay-off but SMEs can add value to the nations by adopting innovative and sustainable strategies which create new employment opportunities [2].

In the global economic landscape, the contribution is not only from large-scale businesses but also from the small and medium enterprises [3]. World business evolution has transformed from agricultural-centric to industrialization have paved the way for the economies of scale. Large business is important to economy due to the large scale of projects with large amount of capital

invested and the quantum of resources available. Even though for relatively smaller business SME with smaller capacity size as compared to the larger counterparts but the number of SMEs are bigger and contributing significantly to economic value addition to the Gross Domestic Products (GDP). Studies had found that the number of SMEs in the world is largely outnumbered large business entity. This large number of SMEs represents a considerable proportion in the job and value creation to the GDP [4-5].

Nowadays project management is gaining more acceptances across board industries. Most of the organisations are describing their business activities as projects, hence project management (PM) has emerged as a field of practice that is being used increasingly by organisations to achieve their business objectives. Project management is usually applied on large scale industries and businesses where it promotes efficiency in cost and time delivery. It also help greatly in quality assurance, which in turn influence firm performance. Since SMEs drive for success is equally connected to all the costs, time and quality in their business undertakings, this means that project management is equally important to the success of SMEs [6].

Main issues of SMEs is lack of talented and experienced workforce and difficulty in funding. Other challenge is the prevailing negative

economic outlook affecting the SMEs. The challenges faced by SMEs in UAE are related to business reputation, financial performance, ethics and social responsibility. These are the emerging crucial factors for attracting investors and long-term funding from SMEs [7]. UAE is a friendly business government has placed a lot of policies and programs to support business and avoid closure especially for SMEs. Programs such as entrepreneurship trainings, provision of soft loans and waivers were directed towards SMEs in order to remedy the situations.

Many studies have been conducted over the years in order to gain insights as to what determines the success of the small and medium enterprises. It was found that when the role of project management practices is properly planned in the SMEs it a significant contribution to the success of the SMEs. It also indicates that the SME's project management practices seriously affecting its overall financial performance. Lack of good project management practices of SME firm can resulted to unable to secure the business or not sufficient of capital despite that the availability of profitable opportunity. The accessibility to financing and insufficiency of capital are the major barriers to micro enterprises and SMEs in growing economy in the UAE. However, the majority of SMEs have to rely on internal project management which is dominated by productivity and lack of management skills. Moreover, many SMEs in the UAE, especially in service sector do not own any land, property or equipment to provide any form of guarantee or collateral to the financial institution. Therefore, many SMEs are hard to get loan approval from credit officers because of restrictions. This is another practical gap in project management process in terms of SMEs in UAE.

However, there are quite a limited research was conducted on the relationship between PM and SMEs performance especially for UAE situations. Thus, this research focuses on attaining of SME's success factors in UAE via project management process. It is aimed at investigating how project management process factors could influence the performance of SMEs. The study also intends to determine whether the mediating effects of technology on the relationship between the main postulated variables.

UAE Organisational culture and Employment

The work values and culture of UAE differ from the west as it is more influenced by local culture. Family and tribal affiliation have major impact on the hierarchy of an organization. Culture in public sector organizations is occupied with red tape and bureaucracy. Hence it is expected that organizational styles implemented in public sector differ with the private sector. Where private sector organizations are more aligned with western norms [15,16]. Even though Islamic–Arabic culture encourage leaders to consult the associates but the Arab managers prefer to make their own decisions individually, and not many are willing to use open-door policy. Joint decision making practices are unpopular amongst these managers. Generally speaking, decisions made by managers cannot be opposed by subordinates. Although these managers dislike conflict but solve any disagreements through authoritative management style [17].

UAE has formulated policy which dictate the employment practices in both the public and private sectors by encouraging to employ the local citizens. This nationalization strategy differ from state to state within the UAE as it involves the mainstream strategic of human resources (HR) activities such as recruitment, education and training, career management, and reward systems. The Emiratisation policy can be described as to increase employability of UAE citizens and thus reducing the country's dependence on an expatriate work force [18, 19]. UAE hopes to develop its own human resources by increasing the number of local workers in both governmental and private sectors. It has set up the National Human Resource Development and Employment Authority to address Emiratisation issues [20].

The best practice of Emiratisation is to have strong leadership and implementation in organizational policy [19]. It include creating job opportunities through training, market based measures, and administrative measures such as establishing quotas, bans, and the nationalisation of the public sector [21]. Emiratisation has been accepted by the public and also by major organizations in UAE. The policy has developed managerial approaches in the private and public sectors, and has contributed to speedy skill acquisition among nationals [22, 23, 24].

Project Management and SMEs Performance

Most of SMEs were managed by individual with small number of employees. Not many of these companies adopt project management practices due to lack of technical knowledge on the project management [30]. A study on the best practices in project management in SME organizations found that there are lacking of effective technical competencies such as centring on project planning, scope management, project control especially over costs/budgets, and having a project management system and documentation. It also found that there is also lack of effective people competencies such as centring on communications and client/ stakeholder participation [30]. From the scope of risk management, SMEs are usually reluctant to take up the effort to develop a software tool that fit its needs. It was suggested to include software tools in the project management that can assist to position the SME [31].

Literature indicates that there is a mismatch between project management approaches with the corresponding outcomes. This makes SME companies treat project management as a risk. In one survey, it was reported that the PM software is having limitations but it was discovered that majority of project managers did not apply the proposed PM tools in the real projects. A survey on SME on the application of PM technique found that lack of knowledge on the techniques, majority preferred to use simple Gantt chart rather than project management scheduling. This can cause significant amount of time and money wasted in project planning however no effort reporting and controlling of the project [31].

The challenges faced by SMEs in UAE are related to business reputation, financial performance, ethics and social responsibility [1]. However, the majority of SMEs have to rely on internal project management which is lack of management skills. Many empirical studies found that SMEs lack of project management skills had led to frequently suffers from price overruns. Cost overruns appear to be a global phenomenon experienced by SMEs. [2]. besides that time overruns in SMEs projects have become one of the most common problems. This has cause huge negative effects to the stakeholders [3]. Small business projects often face delays, cost overruns and non-conformance to quality. However for project management processes, lack costing skill, defining scope of the project, poor communication skill and managing

risk are contributing factors to poor SME performance and dissatisfaction to the interested parties [3, 4]. Hence the project management process factors affecting SMEs performance are as listed in table 1

Table 1 list of project management process factors

No	Factors Affecting SME Performance	Reference
1	Cost	[1], [2], [3], [4], [30], [31]
2	Scope	
3	Communication	
4	Risk	

Conceptual Framework

A conceptual framework for this study is the relationship among the postulated study variables. The conceptual framework is a deduction made from the research theoretical framework and reviewed literature on the subject matter under investigation. It is a clear explanation on the linkages and relationship that shows the hypothesis postulated for readers understanding without being bordered to read through the whole document. A conceptual framework is a summary of how the variables of the study are connected to each other. The proposed conceptual framework of this study is as figure 1.

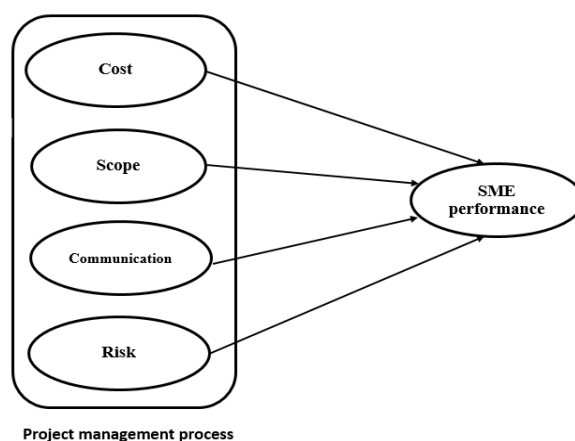


Figure 1- project management process and SME performance for UAE

As shown on the above Figure 1, the independent variables are factors from project management process that affecting the SME performance. There are four main construct factors which are the cost, scope, communication and risk as in table 1. Each of these construct comprises several factors. While the dependent variable on the other

hand is the receiving subject that is expected to be affected or change as the result of any activity from the independent variables, in the diagram SMEs performance is the dependent variable of this study. In the diagram also, the lines linking the variables shows the number of hypothesis of the study, in this study there are four hypotheses to be tested.

Conclusion

This paper discussed the literature on the Small and Medium Enterprises (SMEs) in UAE, its background, role in national economy and features. SMEs are significant for global economy and contribute to the growth, employment and output of gross domestic products (GDP). SMEs denote one of the critical sources of global economic growth either for both developed and developing countries. SMEs in the United Arab Emirates (UAE) are largely contributed from the manufacturing economic sector, generating employment opportunities in service sectors and increasing the export base. Studies found that not many of SMEs are adopting project management in their operational activity. Hence this paper presents a proposed conceptual framework on the relationship between project management processes factors affecting SMEs performance. Based on the literature review there are four domains of factors affecting the performance that are scope, cost, risk and communication. This framework can be further used to validate the relationship with the questionnaire data from the SME community.

Acknowledgement

The authors would like to thank the Universiti Tun Hussein Onn Malaysia for supporting this research work.

References

- [1] Erick, A., & Gonzales, R. (2014). The Impact of Business Environment on Small and Medium Enterprises Sector's Size and Employment: A Cross Country Comparison
- [2] Gafar, M., Yusoff, W.F.W., Kasim, R., & Martin, D., (2015). Attitude to business reality, perceived value creation and subjective norms: How they impact on students of higher learning institutions' self-employment intentions in Malaysia, *Mediterranean Journal of Social Sciences*, 6 (5S1), 186-196
- [3] Agostini, L., Caviggioli, F., Filippini, R., & Nosella, A. (2015). "Does patenting influence SME sales performance? A quantity and quality sales analysis of patents in Northern Italy", *European Journal of Innovation Management*, Vol.18 Iss 2pp
- [4] Jamali, D., Lund-Thomsen, P., & Jeppesen, S. (2017). SMEs and CSR in developing countries. *Business & Society*, 56(1), 11-22.
- [5] Mazurkiewicz, A. (2011), "Research-based spin-off creation models in polish economic conditions", in Robert Gordon University, Ed. , 2011, Proceedings of 6th European Conference on Innovation and Entrepreneurship, Aberdeen, 15-16 September, UK Academic Publishing Limited, Reading, pp. 629-636.
- [6] Sdrolias, Sirakoulis, Trivellas & Poullos (2005). Applicability of Project Management Techniques in SMEs: Evidence from Greece. *EconPapers*, School of Business, Orebro University.
- [7] Abubakr, M., (2006). *Managing Human Resource in the Middle East: Human Resource Management in the United Arab Emirates*. London: Taylor & Francis.
- [8] Kedourie, E. (2013). *Democracy and Arab political culture*. Routledge.
- [9] Hammoud, J. (2011). Consultative authority decision making: On the development and characterization of Arab corporate culture. *International journal of business and social Science*, 2(9).
- [10] Khakhar, P., & Rammal, H. G. (2013). Culture and business networks: International business negotiations with Arab managers. *International Business Review*, 22(3), 578-590.
- [11] Ashencaen, C. (2008). Dilemmas in international social work education in the United Arab Emirates: Islam, localization and social need. *The International Journal of Social Work Education*, 27(5), 536-548.

- [12] Omar, A., & Davidson, M. (2001). Women in management: A comparative crosscultural overview. *Cross Cultural Management*, 8(3/4), 35-67.
- [13] Metcalfe, B. (2006). Exploring cultural dimensions of gender and management in the Middle East. *Thunderbird International Business Review*, 48(1), 93-107.
- [14] Khattab, H. (1996). *The muslim women's handbook* (3rd ed.). London: TA-HA Publishers.
- [15] Steers, R., Sánchez-Runde, C., & Nardon, L. (2010). *Management across cultures: Challenges and strategies*. Cambridge: Cambridge University Press.
- [16] McSweeney, B. (2002). Hofstede's model of national cultural differences and their consequences: A triumph of faith-a failure of analysis. *Human Relations*, 55(1), 89-118.
- [17] Baumann, A. (2007). Influences of culture on the style of business behavior between Western and Arab managers. Universität Wien, Wien.
- [18] Al-Waqfi, M. A., & Forstenlechner, I. (2014). Barriers to Emiratization: the role of policy design and institutional environment in determining the effectiveness of Emiratization. *The International Journal of Human Resource Management*, 25(2), 167-189.
- [19] Rees, C., Mamman, A., & Bin Braik, A. (2007). Emiratization as a strategic HRM change initiative: Case study evidence from a UAE petroleum company. *International Journal of Human Resource Management*, 18(1), 33-53.
- [20] Tanmia. (2005). *Employment and resource report*. Abu Dhabi: National Human Resource Development and Employment Authority (Tanmia). Tanmia. (2006). *Human resource report 2005*. Dubai: Tanmia.
- [21] Shah, N. (2006, 15-17 May). Restrictive labour immigration policies in the oil-rich Gulf: Effectiveness and implications for sending Asian countries. United nations expert group meeting on international migration and development in the Arab Region Retrieved 2010, Jan 12, from http://www.un.org/esa/population/migration/turin/Symposium_Turin_files/PO3_Shah.pdf
- [22] Al-Ali, J. (2008). Emiratisation: Drawing UAE nationals into their surging economy. *The International Journal of Sociology and Social Policy*, 28(9/10), 365-379.
- [23] Mansour, A. (2008). The impact of privatization on the United Arab Emirates (UAE) federal public sector. *International Public Management Review*, 9(2), 66-89.
- [24] Randeree, K. (2009). Strategy, policy and practice in the nationalisation of human capital: Project Emiratization. *Research & Practice in Human Resource Management* 17(1), 71-79.
- [25] Zahlan, R. S. (2016). *The Making of the Modern Gulf States: Kuwait, Bahrain, Qatar, the United Arab Emirates and Oman* (Vol. 10). Routledge.
- [26] AlMaktoum, (2007). *The Report: Dubai 2007*, Oxford Business Group.
- [27] Agarib, A., Nammour, M., Mussallam, N. S., & Arafah, A. (2007). Award a tribute to Mohammed's vision, *Khaleej Times*. Retrieved from http://www.khaleejtimes.com/DisplayArticleNew.asp?section=theuae&xfile=data/theuae/2007/june/theuae_june331.xml
- [28] Greg, P. (2007). Firms race to modernise HR as expat salaries soar. *Personnel Today* Retrieved 2010, May 12, from <http://0-proquest.umi.com.library.ecu.edu.au/pqdw eb?did=1363939771&Fmt=7&clie ntId=7582&RQT=309&VName=PQD>
- [29] Manibo, M. (2007). Mercer's report on UAE employment trends shows rising cost of expatriate workers Retrieved 2008, July 30, from <http://www.ameinfo.com/130918.html>
- [30] Loo, R., 2002. Working towards best practices in project management: a Canadian study. *International Journal of Project Management* 20. 93-98.

- [31] Abbasi, G., Al-Mharmah, H., (2000).
Project management practice by the public
sector in a developing country.
International Journal of Project
Management 18. 105-109.