◨ Managing E-procurement project in public sector from a social perspective

Helena Kovačič
University of Ljubljana, Faculty of Social Sciences, Kardeljeva pl. 5, 1000 Ljubljana
helena.kovacic@fdv.uni-lj.si

Alfred Bretschneider
Norrköping, Sweden
alfred.bretschneider@telia.com

Abstract

Managing large and complex reengineering projects is becoming a reality also for many public sector organizations, responding to the pressures of reducing costs and increasing quality of services provided. Different approaches to project management have developed beginning from 1960s, mainly for private sector organizations, relying on different concepts of project success. Today, traditional variables of time, costs and scope have become complemented by the importance of cultural, structural and interpersonal aspects. This paper further explores the notion of social perspective to project management. Two elements, project members and their relations, in the core of social perspective, are closely examined. Results of their impact on project success are discussed.

Povzetek

SOCIALNI VIDIKI VODENJA PROJEKTA ELEKTRONSKEGA NAROČANJA V JAVNEM SEKTORJU

Vodenje velikih in kompleksnih projektov prenove postaja vedno bolj prisotna praksa v večini organizacij javnega sektorja kot odziv na pritiske k zmanjševanju stroškov in povečanju kakovosti zagotovljenih storitev. Od 60. let prejšnjega stoletja naprej so se oblikovali številni pristopi k projektnemu vodenju, v največji meri v organizacijah zasebnega sektorja, ki temeljijo na različnih konceptih uspešnosti projektov. Danes se tradicionalne spremenljivke časa, stroškov in obsega dopolnjujejo s kulturnimi, strukturnimi in medosebnimi vidiki. Namen prispevka je preučiti različne socialne vidike znotraj projektnega vodenja. Podrobneje sta analizirana dva elementa, to so člani projektnih skupin in odnosi med njimi. Ugotovitve njihovega vpliva na uspešnost projektov so predmet končne diskusije.

1 INTRODUCTION

Managing projects effectively and efficiently has been major preoccupation of project management literature for the last 40 years. Parallel to its focus on the success factors, its importance as a way of work has grown extensively. Projects are an increasingly common way of work. Often they are defined as a temporary endeavour to deliver pre-defined product or service. In public sector organizations, several initiatives, mostly labelled as new public management (NPM), have expanded the use of modernising projects. Along the reforms for the modernisation, several problems have occurred on the way of implementing projects in the public sector organizations. Development of project management techniques and emphasis on different success factors has lead to the holistic perspective, taken into consideration total project lifecycle beyond the project phases.

The approach presented in this paper builds on the holistic perspective by trying to incorporate various elements contributing to the success of a project. The paper first explores project work and its view from a sociological perspective. This category of approaches tries to identify major elements which are complementary to the view of the project as a learning process. Based on this, empirical analysis of presented variables is conducted using case study of e-procurement project in Slovenia.

2 MANAGING PROJECTS

The major challenge of project management is to ensure that a project is delivered within the defined constraints. Retrospective look at project success provides us with the notion that these constraints have been changing during the evolution of managing projects, which means views on project success have changed also. Jugdev and Müller (2005) suggest holistic view of project success delimitating it from the implementation phase to the overall project life cycle. Their survey on understanding project success in the literature over the past 40 years provides with the diversified understanding of success. Authors reveal 4 major periods representing different understandings of project success. During those periods, measuring success across the projects have been evolving from simple

metrics such as time, costs and specifications, through the development of CSFs (critical success factors), integrated frameworks of project success in the 1990s to the overall strategic conditions for success. Based on this study support for broader organizational perspective on project management has developed, instead of narrow focus on technical specifications. In favour to these insights lies the notion of the existence of a large gap between project management results and the need for successful project management (Ives, 2005). Despite continuous development of the techniques provided as guides for effective and efficient project management, numerous projects have faced with low level of success. Of course it would not be realistic to expect certain management framework to be suitable for different projects within specific sectors or even overall. Certain extent of tailoring is needed when approaching specific projects. Still, successful project implementation does not depend solely on the application of specific project management methodologies (Shergold, 2006).

Traditionally, success of a project has been linked to the variables of time, cost and scope. Literature on project management still emphasizes efficiency indicators, such as reducing costs, cycle time and risks of failure (Kerzner, 1994) to improve company's position using project management but also shows higher inclusion, emphasizing the importance of cultural, structural and interpersonal aspects (Cleland and Ireland, 2002).

3 PROJECT AS A LEARNING PROCESS

Looking at project management from the sociological perspective we can identify three main reasons for taking holistic view and including social aspects when describing project management. First, project work primarily involves people doing planned and assigned project tasks. One of the basic principles of holistic view is looking at the project as a complex work system integrating technical, procedural, organizational and human elements. Large projects involve a wide variety of actors. Recognising social relations between project members as important element of a project, highlights new set of issues to be taken into consideration when managing projects. There are several questions managers are facing when planning and organizing projects: which competences are needed and what kind of project team is needed for certain project to meet project goals; when or-

ganizing project tasks, how to ensure close cooperation between project team members; one important issue is also how to ensure proper support for the implementation of the project.

Second, communication between the project team members is critical. Working in project teams decentralizes knowledge and work which intensifies the need for its integration. Communication is an important tool which helps building team integration and as such contributes to the project performance. Communication involves several dimensions, such as written and oral, formal and informal, horizontal and vertical and within the project team and outside the project team. Every connection between project members is a potential source of communication. Several research in the mid of the 20th century studying groups when making decisions, their leadership styles and organizational development (Bavelas, 1948; Leavitt, 1951; Shaw, 1964) have shown effects of communication on team processes and performance. Bavelas and Leavitt conducted an experiment on group of five people and presented connection between the structure of communication flows and several different dimensions of the results: time, number of messages, number of errors, group satisfaction, leadership and possibilities for improvement. Exploring 4 different communication flow structures, the results reveal major difference between decentralised and centralised communication structures. Centralised structures need less time and face fewer errors on the way of accomplishing tasks. On the other hand decentralised structure brings more satisfaction to the group members due to the equal positions among members and has higher potentials for developing innovative decisions. The structure of connections between project members is therefore important aspect for organizing team members in a way to provide room for individual assignments taking place within the collective action.

Third, project work is a continuous learning process throughout the project lifecycle. This is true for private as well as public sector projects. For the purpose of gaining competitive advantage, productivity and innovations, and adapt to requirements from organizational environment, organizations adopt continuous learning practice (Dodgson, 1993). Specific fragments constituting this learning process are specific projects organization undertakes to adapt to the changes in its environment. According to Disterer

(2002) projects are learning intensive organizational forms. The purpose of each project is to bring changes to the organization by incorporating it into the learning process.

4 LEARNING ELEMENTS IN PROJECT ENVIRONMENT

This section builds on understanding of project work as a social phenomenon and presents key social issues which need to be identified when managing projects. Success of the project is never guaranteed. Difficulties organizations face, include already mentioned dimensions of time, costs and the uncertainty of final results. When identifying critical learning elements, previous research indicates that actors involved in the learning process may not always acknowledge when they have acquired new knowledge or accurately identify the source of knowledge (Argote and Ingram, 2000). This is one of the preconditions for learning process to occur. This section explores learning elements from two points of view. Taking into consideration that project work primarily involves people doing planned and assigned project tasks first part reveals major situational characteristics and its impact on learning process. The second part tries to understand the importance of the communication between the project team members involved in the learning process.

4.1 Situational characteristics of the learning process

According to some researchers, characteristics of the actors involved in the learning process and the subject matter, have implications on the ease of knowledge transfer (O'Dell in Grayson, 1998; Argote, 1999; Szulanski, 2003). Alongside those factors, disposition and the ability of project members, reflect the impediments to learning that result from cognitive and emotional characteristics of human beings.

Learning theory suggests that organizations' capability to learn varies by their investment of resources to knowledge absorption (Cohen and Levinthal, 1990). Along that, motivation to learn is governed by the economic performance, where failure to reach goals increases the search for new behaviour (Cyert and March, 1963) and low performance is a precursor of changes (Greve, 2005). Looking at the organizational learning from this point of view, the pressure on organizations to learn from their environment comes from the inside, characterized by their current level of economic performance. The capacity to learn is affec-

ted by the ability of organization to invest its resources in receiving new knowledge.

Besides the organizational context in which learning occurs, learning new ideas largely depends on the person's ability to exploit outside sources of knowledge. *Absorptive capacity* is one of the characteristics of the recipients indicating their ability to recognize the value of knew knowledge. This capacity is largely a function of prior level of related knowledge (Cohen and Levinthal, 1990). This means, it is easier for learning process to occur in an area where those involved share the same expertise and prior knowledge.

One of preconditions for the absorptive capacity to occur is overcoming the ignorance over the existence and the need for acquiring new knowledge. This barrier performs as a lack of *motivation* to participate in the process and is an important situational characteristic of the actors involved in the project work. It can be manifested in two ways. Firstly, "not invented here" syndrome can lead the recipients of project results to reject an idea or product because it originates from another source. This is especially true in cases when end user is not involved in a production of new ideas. Secondly, the lack of motivation can also occur on the side of knowledge source, which may refrain from sharing knowledge out of the fear of loosing ownership over the knowledge that could be potentially transferred. This can be characterised as "invented here" syndrome. Both factors influence the rate of learning and in large part determine an organization's susceptibility (Greve, 2005) for accruing knew knowledge.

While learning theory puts emphasis on internal factors, a large body of organizational theory suggests that organizational behaviour is strongly affected by organizational environments. Institutional theory literature suggests that organizational changes derive from beliefs of rational and efficient organizational design that are prevalent in organizational environment (Meyer and Rowan, 1977). By changing organizations, following one of the three isomorphic processes (DiMaggio and Powell, 1983), legitimacy is gained that enhances organization's prospects of survival. Through the process of institutionalization (Tolbert and Zucker, 1983) components of formal structure become widely accepted and serve to legitimate organizations. Organizational change, based on conforming behaviour, does not provide any space for cognitive action. Lacking precise theory of action, institutional theory does not provide us with an elabo-

ration of the adoption of environmental structures, taking into account factors influencing the learning process.

Theory of innovation combines both approaches to organizational change and learning. The decision of early adopters of innovation to large extent depends on the degree to which a change might improve their internal processes. For the learning to occur, the new knowledge must have potential impact on organizational performance. In contrast, at the time when organizational elements become institutionalised, organizations conform to what is socially defined as appropriate and efficient and do not consider their economic implications. Internal and external perspectives, different on the conditions under which organizational learning occurs, both recognize that organizational learning is a social change. However learning theory provides us with the detailed explanation of the individual factors influencing learning process as compared with the institutional theory. Based on the propositions of learning theory we can assume that the characteristics of the actors involved in a learning process have the effect on this process and its results. Additionally to these propositions, studies of diffusion of innovations (Rogers, 1995) show that not all social systems perform at the same pace and in the same direction as it is proposed under the imitation model. It is the structure of social systems, in which learning takes place, which can promote or impede the learning process. Structural dimension is becoming ever more important aspect of learning process and can sometimes even exceed the influence of the characteristics of the actors involved in the process (Rogers, 1995).

4.2 Relational characteristics of the learning process

Today's organizations are often multi-project environments, where project constitute a major part of the business. Large projects bring together people from different organizations and hence establish diversity of connections between project members. These build-up relations can serve as channels for transfer of knowledge and information (Podolny and Page, 1998) or act as conduits for knowledge transfer (Almeida, 1996). Lacking these relationships as an absence of personal ties between the actors involved in learning process is one of the three major barriers to knowledge transfer (Szulanski, 2003). In the study of organizations, the structural approach suggests that by understanding the structure of relations among organizations we can learn a great deal about the behaviour of those organizations and their internal workings (Mizruchi in Schwartz, 1987). Informal communication networks hold important implications for the diffusion of innovations (Coleman et al, 1966; Burt, 1982; Rogers, 1995). In learning process interpersonal ties connect knowledge actors and through those ties new ideas spread more rapidly than through most other kinds of communication channels. Differences in the rate of adoption can also be explained by the nature of communication networks. Interpersonal connections in networks form a structure, which is a complex set of ties between actors in a network. The defining feature of this social structure is *network density*, which is operationalised as the number of observed ties over all possible ties and cohesiveness of the network. Its positive implications on the performance of the network have been presented by several authors, specifically in connection with the building of trust in networks (Granovetter, 1985; Coleman, 1990). Those strongly knit ties are important instruments for avoiding the potential strategic advantage to any actor in the network and are, therefore, in positive relation with the collective action. Still, when groups become too tightly knit and information passes only among a select few, networks can become competency traps (Smith-Doerr and Powell, 2003).

Strength of ties and number of existing ties in a network are important network characteristics on an aggregate level. Network structure is also characterised by the position of units in a network. Importance of a *position in a network* comes from the notion that absent relations are as important as the existing relations of an actor in a network. Models describing the relations that define a network position have been used as measures of social integration (Burt, 1982). Centrality model has been used extensively to describe actor's involvement in a network. Consequences of being central reflect importance of actors in a network (Lin, 1976) and their degree of alternative means of meeting the needs (Rogers, 1995).

Nature of the *pre-existing relationship* is an important indicator of the level of knowledge absorption (O'Dell and Grayson, 1998). Prior relational experience can affect person's impression of others in a form of likeness and respect, which may affect the communication with those individuals in the future. People who have strong emotional attachment are more like-

ly to share knowledge (Reagans and McEvily, 2003). The higher their emotional connection, the stronger the willingness to put more time and effort in their relationship. Structure of relations, represented by communication flows, reveals also the possibilities of actors to communicate with certain number of actors in a network and with actors holding specific positions in a network.

Based on the learning elements presented from the point of view of the actors involved in the project work and the relations established between them, we will present a case study of e-procurement project, which was carried out in years 2004 to 2005 within the Ministry of Finance in Slovenia, as an example of a learning process within a complex project. The case study explores both situational and relational data of the learning process and tries to indicate the influence of those elements on project success.

5 CASE STUDY: E-PROCUREMENT PROJECT

Project management strategy in public sector has become practice also in Slovenia, responding to the pressures to reduce budgets and increase the equality of services provided. The application of business techniques is one of the more significant elements which have led many public institutions to undertake major projects.

The major project priority of e-procurement project has been assistance in developing e-procurement, as reflected in use of electronic means in the information and communication elements of the procurement process. This priority is in line with the EU directives covering public procurement area, emphasizing the use of telematic procedures for the procurement of goods and services.

Study builds on poor results of the project. Official evaluation of the European Commission Directorate (2004) of the project confirms that project was evaluated as highly unsatisfactory. The major reason for its lack of success was seen in the insufficient cooperation among members of the project team. These assessments were combined to the dependent variable in the research model.

5.1 Analysis of situational and network characteristics of e-procurement project

Learning process was an integral part of the project. Project has been carried out with cooperation of Swedish public procurement institutions whose ex-

perts provided their knowledge and expertise in the development of the use of electronic means in public procurement in Slovenia.

Survey included all participants on the project, Slovene partner as the beneficiary and Swedish partners as the experts. Project participants were asked a series of questions measuring situational characteristics of the actors involved in the project. Those questions were designed to provide information on participants' prior experiences with EU project, prior knowledge of the experts of the Slovene situation, expert's evaluation of the willingness of project beneficiaries to participate and beneficiaries' evaluation of the usefulness of the cooperation with foreign experts.

For obtaining data on social relations, there exist several different methods: direct observation, archive data or survey method where respondents report on their relations with others or others' relations. In this research, we used a full network method to collect information about each actor's ties with all other actors. Before making the final list of all participants in the project, project leaders were asked to complete the list, making it appropriate for the final network. The final number of project participants was 46. Project participants were asked of their ties with others on contact relations. For measuring the frequency of contact, respondents were asked to answer the question *"How frequently were you in contact with the following persons during the project?"* on the Likert scale from 0 meaning "never" to 5 meaning "very frequently". The question was followed by the list of key actors that took part in the project. Network analysis was performed on observed network data. Cohesiveness of a network was explored as the main network structure characteristic. We used density of relations as a measure of network cohesiveness. By examining the frequency of relations we tried to reveal the opportunity actors had to communicate. Learning process assumes dense connections between the actors which facilitate the free flow of information. It is not just the existence of network relations that influence communication in the network. Structure of those relations, represented by patterned communication flows, reveals the possibilities of actors to communicate with certain number of actors in a network and with actors holding specific positions in a network. Centrality was used to detect different positions actors held in the network and their implications on the transfer process.

5.1.1 Situational analysis

Situational analysis is intended to reveal major short-comings which can be influencing results of the project. Results of the analysis are presented in Table 1.

Analysis reveals that foreign experts involved in the project have been quite skilled in terms of project work and EU relations. 90% of all foreign experts have been working in the same field as the project and 60% of the experts were informed about Slovene situation in specific field prior to the beginning of the project. More than 40% of all experts had prior experience with other EU projects.

From the start, involvement of the beneficiaries was a problem. At first, only minor involvement has been present due to the syndrome "not invented here". The tendency of project team to raise their rate of involvement resulted in a gradual increase in the overall involvement during the project. This reflects an evaluation by the experts of the willingness of project beneficiaries to participate, where more than 88% saw project beneficiaries highly motivated to participate. On the other hand more than 80% of all project beneficiaries saw cooperation with foreign experts as very useful.

Based on the theoretical assumptions, we included in our research also the variable consisting of eight different barriers to knowledge transfer. We identified them under three groups: institutional environment (lack of political will, dispute of interests), organizational factors (lack of willingness of beneficiaries to participate, lack of national experts, and lack of local

capacity) and technical framework (too short time frame, budgetary constraints, language barrier). Foreign experts evaluated the extent to which those obstacles were present in the project (see Table 2).

Evaluation of the experts over the project situation reveals three major barriers to be present. Lack of local capacity, in terms of the staff on the side of project beneficiary, has been present ever since the start of the project. Statutory changes reduced the number of persons involved in the project. By making room for additional organizations, previously not foreseen as project beneficiaries, larger number of public entities took part in different project activities. Those organizations expressed high interest in the project, which resulted in additional activities despite the reduced budget. The environment of project was also characterized by the lack of political will, which forced project participants to put more effort to achieve project results. The results at the end were only minor, despite the high motivation of project members to participate in project activities and their favourable opinion about the usefulness of cooperation with foreign experts.

Situational analysis shows the following assumptions about the shortcomings on the side of the characteristics of actors involved in the project. First, lack of experts' knowledge, which could contribute to the loss for the learning process, was not present on the side of foreign experts. Foreign experts were informed in advance about EU projects and conditions in the partner country at several meetings. This contributes

Table 1: **Characteristics of project experts (E) and project beneficiaries (B)**[1]

		%
E	Prior EU project experiences	40,0
E	Extent of prior knowledge on Slovene situation	60,0
E	Extent to which project work has been related to everyday work	90,0
E	Willingness of project beneficiaries to participate	88,9
B	Prior EU project experiences	31,3
B	Extent to which project work has required additional effort	40,0
B	Extent to which project work has been related to everyday work	80,0
B	Usefulness of cooperation with foreign experts	81,3

Table 2: **Barriers present on the project (by experts)**[2]

	%
Lack of political will	77,7
Lack of willingness of beneficiaries to paticipate	66,7
Too short time frame	66,6
Budgetary constraints	77,7
Lack of national experts	44,4
Lack of local capacity	77,7
Language barrier	22,2
Conflict of interests	55,5

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[1] % of respondents at variable "Prior EU project experiences" indicates the experts who named at least one project. At all other variables, % of respondents indicates % of respondends answering between 3 and 5 on a Likert scale from 0 to 5.

[2] % of respondents indicates % of respondends answering between 3 and 5 on a Likert scale from 0 to 5.

to the fulfilment of the criterion of knowledge source expertise, represented by different EU organizations. Second, projects were organized and planned under the uniform formal and technical framework. It provided for working environment where knowledge was highly recognised by both sides of the transfer. This is reflected by their motivation and the usefulness they saw in their cooperation. Third, on both projects conditions for the establishment of relations between knowledge source and knowledge recipient have been fulfilled. Nevertheless, project resulted in low level of success. Fourth, project was confronted with certain obstacles on its way. The major barrier it had to confront was lack of political will, maintaining its influence throughout the project path. In summary, the results show only minor presence of low level of individual characteristics of actors, which could influence the level of project success. We thus turn to the relational data in order to see how relations between project members were formed and what the structure of those relations was like. Primarily we are interested in relations within project management team to see where we can find indicators for the lack of support.

5.1.2 Network analysis

Relations were measured and analysed on the observed data. We were primarily interested in overall presence of relations between project members. Overall value of density (0.5627), shows that had high degree of dyadic connections was present on the project. This means, people were overall densely connected which brought them a lot of opportunities to communicate and learn from each other. Even though participants were exposed to high number of connections, which could contribute to the learning process, still the project resulted in low satisfactory level.

We were also interested in how the connections, more or less dense, were located in the network. By locating those dense connections we could get a clearer picture of a direction of ties in the learning process. We divided project team into groups of actors or clusters by their institutional affiliation: 1-project team; 2-ministry; 3-other beneficiaries; 4-foreign experts. Close look at the connections within and between the groups (Table 3) gives us the explanation of the high level of cohesiveness. Dense connections on the project are result of the dense connections within the specific groups, especially within the group of bene-

Table 3: **Density of relations within and between groups in procurement project**

Group density – Contact network				
Density / average values within and between the groups				
Procurement project	Project team	Ministry	Other beneficiaries	Foreign experts
Project team	**1.0000**	0.6786	0.6111	0.5714
Ministry	0.7500	**0.7619**	0.6349	0.3673
Other beneficiaries	0.5833	0.6190	**0.8056**	0.3968
Foreign experts	0.4643	0.4694	0.3492	0.3333

ficiaries. This means people involved in the project, in principle communicated within the groups which were formed upon the roles each member has been playing.

Despite the fulfilment of a high connection density condition on the project, this was not the mechanism of learning process. From the perspective of learning process we can say that due to the dense local connections, high numbers of opportunities have been missed. High intra-group cohesiveness instead of contributing to the success of the project inhibited its cohesiveness toward the other groups including the experts.

5.2 Discussion

Results of the analysis of social elements which constitute large spectrum of project management issues show the need for considering both, situational and relational characteristics of the projects. By incorporating situational characteristics into the findings of relational analysis we can draw the following explanations. Having in mind high degree of motivation and capacity on the side of project members, we can interpret the formation of communication structure as a result of the pressures, operating outside the network. Despite the preparedness of the actors to participate in the learning process, project achieved poor results. External pressures that were highly present on the project were influencing level of communication of actors in the project. Evident lack of political will for the project to meet the goals was the major barrier on the project. The reaction of project beneficiaries on those pressures resulted in high internal cohesiveness. At the same time their internal cohesiveness had negative implications for their openness towards foreign experts. The main explanation for this situation could be found in the liability theory (Rus, 1999). Even

though the learning process behind the procurement project has been structured in order to achieve direct learning results via dense connections between project members, which imply little level of uncertainty, project has been exposed to additional external pressures in the form of the lack of political will. The group of beneficiaries reacted to this pressure by building up strong intra-group ties in order to provide support for the group actors. Because the major threat came from the outside, the group enforced the ties between the group members. This enforced cohesiveness had significant effect on the role of the group of beneficiaries in the learning process. On one hand group has been exposed to the foreign influence, represented by the foreign experts. Group of beneficiaries was aware of the opportunities for gaining additional knowledge and experience. On the other hand domestic political pressures restrained the group from exposing itself to the new knowledge. Negative manifestation of social capital negates the possibilities of group advancement in pursuing outside opportunities (Portes and Sensenbrenner, 1993). The group was connected with strong ties not allowing any actor to stand out from the group in order to preserve its "domestic" legitimacy, unfortunately, at the expense of the "outside" legitimacy. This resulted in slow and retained group progress in the learning process, with only limited knowledge transfer results.

There are some limitations of the research which should be taken into consideration. Ideally, the study wanted to incorporate major social elements into the analysis of managing projects. Current case study is built on one project which represents limitations for generalization of its findings. Second, small number of respondents has potential effect on the data error. Still, use of different data collection methods, direct observation and questionnaires, and incorporation of all experts involved in the project into the study, helped contribute to the reduction of results bias. Broader research could explore issues further and contribute to the generalization of the results.

6   CONCLUSION

Implementing a project in public organizations has become an important issue in recent years. Complex projects have been carried out, confronting different problems of project management. In this paper social elements incorporated into project management have been discusses and analysed using a case study of public E-procurement project. A major finding of this study relates to the insights into the limitations of narrowing focus on efficiency and effectiveness principles when managing projects. Understanding critical success factors solely from the experience of managing projects in private sector could contribute to the negligence of specific characteristics of organizations and projects implemented in the public sector. Though some authors suggest that public sector projects can be managed following business approaches, literature and experience from public projects proved that certain aspects, specific for public sector organizations, need to be taken into consideration. Most notably, support from the whole project team and larger support from the political network, project is taking part in, is an element that remains necessary precondition for maintaining a sharp focus and aids to the project success.

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Helena Kovačič is a PhD candidate at the Faculty of Social Sciences, University of Ljubljana. She is a full time researcher working in the field of organizational dynamics. Her research interests are organization and management of public sector organizations. She is currently also actively involved in multilateral project on modernization of higher education.

Alfred Bretschneider received his Ph.D. in Economics at the Stockholm School of Economics. He has worked at the Swedish government National Audit Office with developing management techniques for the government administration and also as an international consultant on management systems for various UN-organisations, EU-projects and the Swedish Development Cooperation Authority (SIDA), particularly with introducing new planning, budgeting and auditing methods.