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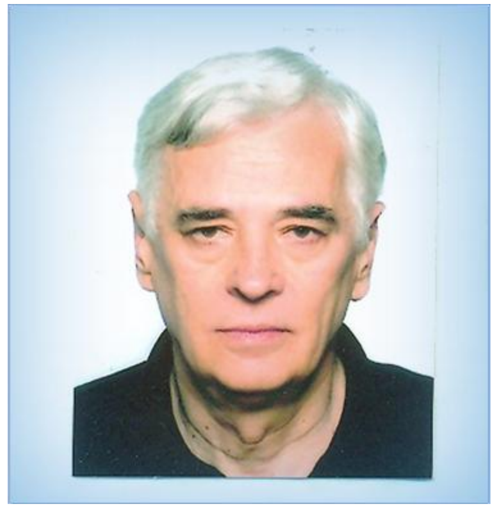
WORD OF THE EDITOR



On the occasion of celebrating an important anniversary of the Serbian Project Management Association (YUPMA), its 25 years, we are proud to launch a Serbian Project Management Journal, a specialized journal that is to present the most recent knowledge in the fields of project management and other specialzed management disciplines.

The development of project managemnt in Serbia, since its beginnings in 1970s, to the establishment of the Project Management Association in the 1980s, until today, went through many a difficulty. Regardless of severe problems that this country and the Project Management Association encountered, project management gradually developed and was implemented in this country, and today it is evident that the implementation of project management is a sine qua non in almost all the areas of human life and work.

It is our genuine wish in launching this journal to contribute to the further project management development and implementation in Serbia.

Petar Jovanović

President of Serbian Project Management Association YUPMA

BUSINESS COMPETITIVENESS AS A KEY FACTOR OF MODERN BUSINESS: CONSTRUCTION MARKET OF MONTENEGRO AS AN EXAMPLE

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Abstract: Competitiveness is a sustainable productivity growth followed by the quality of strategies and business of the company, which are affected by macroeconomic and microeconomic environments. The aim of this paper is to present the guidelines for the improvement of competitiveness factors in Montenegrin construction companies. Basic characteristics of business competitiveness are presented in the first part of the paper, followed by the explanation of construction product specificities. After that, an analysis of the state of construction industry in Montenegro is carried out, and recommendations are given on further strategies for the increase in construction competitiveness.

Key words: Business competitiveness, Construction companies, Construction market, Industry.

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1. INTRODUCTION

Construction industry is an important factor of economic and infrastructural development, especially in transition economies. Being a small and open economy, Montenegro is to develop and improve comparative advantages along with the engagement of available human and material resources. Regardless of the specificities of construction, business philosophy that gives priority to the marketing process with optimum combination of elements of marketing mix is necessary. The product plays a special role here, with its specificities consisting of: diversity in use, duration of production and a larger number of participants in the production process. Therefore the product in construction can be crucial for competitiveness and success on market in view of permanent research and development function in order to create a new, more quality and hence more competitive offer.

In the previous decade, the field of construction has experienced significant expansion. The biggest contribution came from the inflow of foreign direct investments, along with the opening of the Montenegrin market. At the same time, orientation in the direction of tourism development in order to position the state as a significant tourist destination led to a remarkable growth in demand for residential and business objects from non-residents. Insufficiently developed infrastructure opened more work possibilities for numerous construction companies.

Montenegrin construction companies were neither ready nor complete for such an investment boom, especially in the field of civil engineering and erection, with a low level of organization and skills, as well as weak management and ownership structure, which was mainly oriented towards short-term financial goals. For that reason, it is uncontested that knowledge transfer, permanent personnel education and the contribution of construction companies are necessary for the strengthening of competitiveness.

Besides the necessary improvement in each segment of construction companies' offer, the influence of environment on the business within the sector should also be emphasized. The most important barriers preventing a faster growth of entrepreneurialship are: complicated and long administrative procedures; poor work and coordination of inspections; purchasing and the lack of construction land; slow process of real estate transfer; low level of insurance sector development; labour market inflexibility and the lack of financial assets. Therefore, key measures to eliminate barriers for the development of entrepreneurship include: simpler company registration, improved licensing system and obtaining necessary licenses and documents, faster real estate transfer, improved access to finances and introduction of a competitive fiscal policy.

Although, according to Global competitiveness index, Montenegro was marked as a fast developing country, improving its rankings, competitiveness is still lagging behind the average of EU countries. Investment scope, as well as the use of developmental potentials of the country, employment and the dynamics of GDP growth, mainly depend on how fast the competitiveness index is being improved.

The aim of this paper is to present the basic guidelines for the improvement of competitiveness factors in Montenegrin construction companies. Basic characteristics of business competitiveness are presented in the first part of the paper, followed by the explanation of construction product specificities. After that, analysis of the state of construction industry in Montenegro is carried out, conclusions about it are drawn and eventually recommendations are given on how to improve strategies for the increase in construction competitiveness.

2. BASIC CHARACTERISTICS OF BUSINESS COMPETITIVENESS

Competitiveness is a sustainable productivity growth followed by the quality of strategies and business of the company, which are jointly affected by macroeconomic and microeconomic environments. Productivity is the measure of capacity to produce goods and services using one's own existing human, financial, natural and other resources. Productivity is affected by the value of products and services (for example, their uniqueness, quality) and productive efficiency. Competitiveness can be grasped as an essence of success or failure of a company. [9]

A company can be estimated as a competitive one if it maintains profit on the level overcoming the average in the industry to which it belongs. Among key factors affecting the competitiveness of companies, innovation is on top. Joseph Schumpeter emphasized it and named it "creative distruction", making a connection between innovation and competitiveness of companies.

Innovation is a successful usage of an idea, i.e. directing the idea into profitable products and services, processes and business practices. Innovation includes successful production, adoption and exploitment of the innovation in economic and social spheres. Sustainable competitiveness of a company primarily depends on resources and capacity of the company. Traditional resources of companies are capital, physical resources, labour, management and time. [1] The capacity of the company lies in intellectual potential of the personnel, especially the knowledge defining certain competitive advantages.

Competitive capacity of a company depends on its innovative capacity, i.e. the pace at which new and superior products and services are introduced. Innovation management, the knowledge of managing innovations, is becoming an important factor of sustainable competitiveness of companies. It can be concluded that innovative practice is becoming the most important factor of economic power of a company, an industrial branch and a national economy.

The capacity of companies to reach the competitive advantage depends not only on their strategy, innovations and external factors, but also on institutions. A joint action of governmental and business institutions is also necessary, in order to create an environment able to strengthen competitiveness. Michael Porter [7] emphasizes that the root of competitiveness is in the nature of the environment where companies operate. Concretely, it is more probable that competitive companies will emerge if there are following conditions:

- local environment encouraging efficiency and investments; open and strong competition among local companies (strategy and rivalry);
- local environment providing companies both with high quality and specialized information, including human resources, physical infrastructure, information infrastructure and with natural resources (factor conditions);

- there is a nucleus of consumers with sophisticated needs enabling companies to develop innovative, high quality products and goods (demand conditions);
- if instead of isolated industries, there are clusters including capable local providers and companies in connected fields (connected industries and industrial supports).

The fact is that the main factors of changes in companies are human resources. Modern companies are becoming more oriented to the development of leaders – people able to create vision and strategy and transfer them on others. Without a sufficient number of productive leaders, vision creation and enabling people to accept the necessity of changes, there is no transformation of the company either. Leadership development is a long process, bearing a certain risk as well. The risk should be taken in order to create favourable results.

A competitively oriented company can offer a quality product on the market, under conditions more favourable than those that are offered by the competition. This orientation sets higher goals to the company and simultaneously arouses new challenges. Acceptance of the risk undoubtedly leads to more success and better performances.

Basic competitiveness factors of global organizations are the following: focus on the consumer, permanent improvement, creative human resources, the climate of equality, technological support, openness, self-efficiency and cultural understanding [5].

Global organizations tend to be as close to consumers as possible, in order to meet their needs and create connection with them, regarding the fact that during work process, new demands for more modern products and services are constantly being opened.

3. CONSTRUCTION PRODUCT SPECIFICITIES

There are many economic activities under the term construction, all united and eventually manifested through the construction of an object. This process, besides construction, includes the production of construction material and equipment. An important characteristic of construction is the fact that it connects many parts of an economy – electroindustry, production of machine elements, basic chemistry and material for use. Construction also affects the financial sector. Mortgage market as a segment of capital market is directly connected with real estate market.

Final construction product is special in many ways. Above all, it is an immobile construction object, large and indivisible. It is further characterized by the length of its production process, the use of a large quantity of construction material, seasonal and project character of construction production. Construction production is also characterized by high initial expenses, long-term usage of the product, high social significance of construction, uncontrollable construction process, existence of informal management system and organization, low level of standardization, high level of manual and handicraft production, share of the auhority between buyer, civil project engineer, contractor, subcontractor and stakeholder from the project environment, separation of project engineering stakes and production design from production, mobility of work places among work groups, etc.

Resources of construction companies can be divided into three groups: financial, physical and human. Financial resources are financial assets, money assets, credit capital, stock capital and other forms of securities. Physical resources are: buildings, infrastructure, equipment, machines, installations, raw materials, reproduction materials, semi products, etc. Human resources are the most important and include: knowledge, abilities and skills of people, processes, jobs, tasks, functions and organizational structure, management, education, experience, executors, training, motivation, teams etc.

Construction product can be an object, but also many other offer elements of a value integrated in its price and functionality. Kotler defined the product as something that can be offered on market in order to draw attention, encourage supply, use or spending and can fulfill a wish or need [3]. From a broader point of view, different products of construction industry can be specified, such as: different studies as research results, economic and technological elaboration, notional, main and feasible projects, building construction or civil engineering and infrastructure projects, as well as interphases like erection, final and other works, maintenance of objects and equipment.

Due to all of the above-mentioned, the construction product is the most important element of marketing mix, significantly affecting other elements. The product also demands constant modifications and research, providing the competitiveness on the market. Product modifications are carried out by changing of one or more features, as well as by quality changes, functional change and the change of style [8].

In order to increase competitiveness, production growth and profit, constant change is necessary. If a product is not satisfactory to a sufficient number of consumers, exhausts the resources and affects the decrease in profitability, its elimination should be considered. A systematic approach is necessary for the decision-making process in case of product elimination, especially in construction, and it should be based on facts about low sales results, weak harmonization with company's business strategy, unfavourable future market trends and the drop in profitability [4].

Research has the aim to develop new products or services and other innovations. It can be a new type of object, or any other innovation, as part of construction process or investments. Investment risk assessment into a certain research and developmental project occupies a special place.

4. ANALYSIS OF THE STATE OF MONTENEGRIN CONSTRUCTION SECTOR

Montenegrin construction sector market is a very small market compared to other European countries. However, due to its share in GDP and being the biggest stimulus to GDP through investments into fixed capital, the significance of this market cannot be neglected.

The value of completed construction works in the third quarter of the current year 2012 increased by 12% in comparison with the same quarter last year, while it increased by 22.4% in comparison with the second quarter of the current year. Effective working hours on construction works in the third quarter of 2012 are lower by 9.8% compared to the same quarter previous year. The value of new contracts on buildings in the third quarter of the year 2012 is by 73% lower than in the same quarter the previous year, and the value on other structures is lower by 64%.

The value of construction works in the year 2011 was by 10.2% higher than in the previous year, while the physical scope of works, measured by effective hours, increased by 18.6% compared to the year 2010. The value of new contracts on buildings in the year 2011 was by 26.3% lower, and on other structures by 31.8% lower than in 2010, which means there was a drop in investment demand.

Table 1. Macroeconomic indicators of Montenegro and their ratios

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
GDP market price in mil. €	1360	1510	1669	1815	2148	2680	3085	2981	3104	3273	3405
Real GDP growth (%)	1.9	2.5	4.4	4.2	8.6	10.7	6.9	-5.7	2.5	2.5	0,5
Gross added value in construction in mil. €	49.46	43.52	49.76	54.2	76.04		190.7	161.5	157.0		
Share of construction in GDP (%)		2.9	3.0	3.0	3.5	5.8	6.2	5.4	5.1		
Construction growth rate in GDP	-5.2	-15.4	3.7	18.4	28.0	23.6	20.7	-19.2	-7.4		

Population (in 000)	615.9	620.3	622.1	623.3	624.2	626.2	628.8	631.5	620.0	620.0	
Number of employed in construction	6166	6522	6879	7563	6853	6647	8831	9997	7903		
Employment in construction (%)	4.4	4.6	4.8	5.2	4.5	4.2	5.3	5.7	4.9		

Source: MONSTAT

Note: GDP data for 2011 and 2012 are estimated by the Ministry of Finance

In the conditions of the financial crisis, the construction sector faces the problem of non liquidity due to the absence of bank support for the realization of commenced projects, especially in the part of residential construction, as well as the problem of blocked assets in not completed objects.

The state in construction is directly connected with the state in the whole economy. In table 1, basic macroeconomic indicators and their ratios at the level of economy are given.

The share of construction in GDP has increased since year 2007, when it exceeded 5%, but it is still far behind the average of EU countries, where the rates are above 12%. Also, the share of the employed in construction in total employment is about 5% in Montenegro, while the same indicator for the biggest European employer in the industry is about 7% of total employment.

Table 2. Production trends in construction

	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Value of construction works in mil.	53.44	46.23	54.50	73.25	204.24	197.63	287.93	225.95	255.62	283.07
Effective hours (in 000)	5141	4351	4514	5345	8424	8280	9994	8071	8008	9560

Source: MONSTAT

It can be seen that the trends in construction production (Table 2) showed a significant growth by 40% since the year 2006, and in the following years it was either moderated, or it stagnated. The same counts for effective hours in construction.

The number of completed apartments in the year 2011 amounts to 4343, which is an increase by 6.1% compared to the year 2010. The trends in the number of completed apartments are shown on graph 1, where the fall was recorded only in the year 2010. Therefore, the plan of apartment construction was disturbed only in that year, while in other years, it can be said, the trend of construction was rahter fulfilled, and there is a decrease in not completed apartments, which can be seen in table 3.

If we consider the situation in construction from a broader point of view, we can conclude that it is very favourable and good. The comprative analysis of construction activity index in 2011, for Montenegro and EU countries, can be seen on Graph 2. The comparison was carried out regarding the activity in 2005. As it has already been emphasized, after that year, the construction sector in Montenegro has experienced a great leap in production, which is confirmed here as well. It is evident that Montenegro is on a considerably high level with the index of 165.11%, and better results are recorded only in Macedonia (207.57%) and Poland (186.49%) in Europe. The activity in the construction sector in Montenegro overcomes even the European average, as the same index for 27 countries of EU (EU 27) amounts to

92.82%. Naturally, it is explained by the production expansion in construction in developing countries, such as Montenegro, which characterised the previous few years, and significantly improved the situation, which was on a low level of development.

Table 3. Number of incompleted apartments

	2009	2010	2011
TOTAL	**15135**	**14169**	**8075**
Apartments in residential buildings	2447	1873	1682
Apartments in private houses	12688	12296	6393

Source: MONSTAT

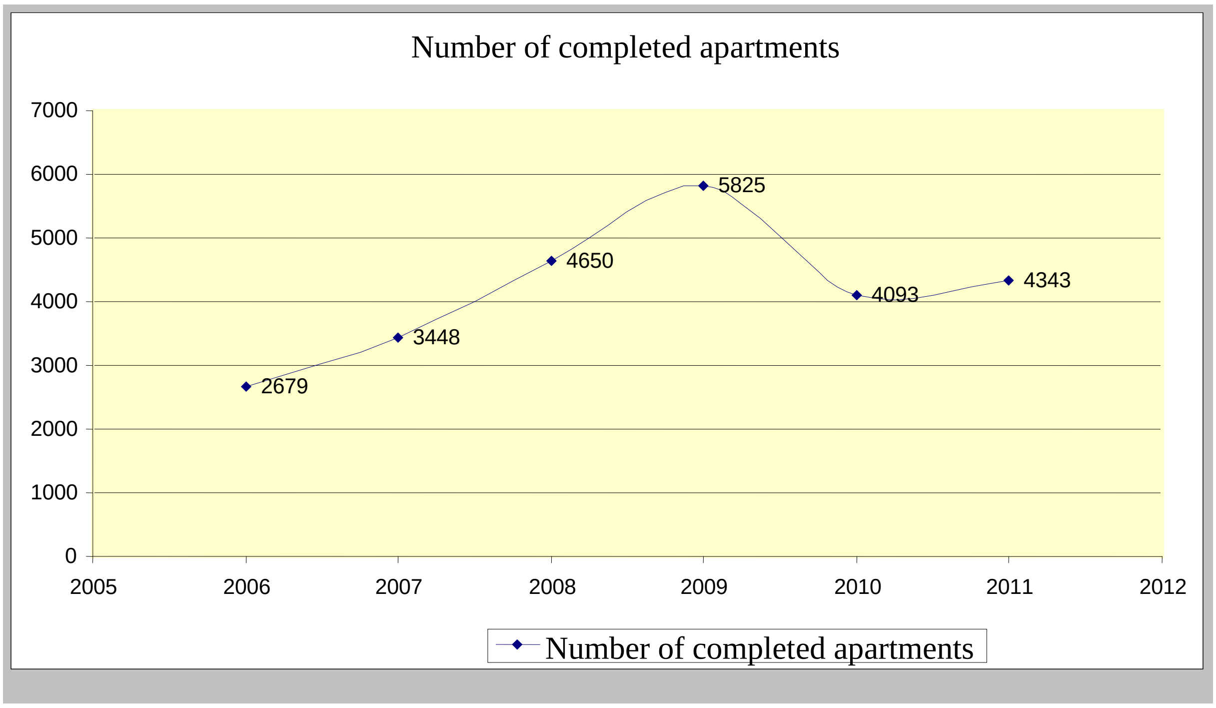

Figure 1. Number of completed apartments in the period 2006-2011
Source: MONSTAT

The problems that domestic construction sector faces dominantly originate from the fact that most of Monenegrin construction companies are oriented towards operations on the domestic market. There are no big companies which are drivers of development either. A small number of companies have certified the systems for quality management. The basic problems that can be emphasized are: substantial short-term obligations which are practically at the level of fixed assets; large stocks; the lack of resources in companies, as well as the lack of free financial assets; insufficient machinery equipment in most companies – obsolete equipment and mechanisation; bad and inefficient organization and productivity; complicated acquisition of banking guarantees; illiquidity of contractors and work purchasers; insufficient development of domestic production of construction materials, leading to import-dependent operation. It should also be emphasized that practically all companies have the same type of offer, which is conditioned by the lack of quality personnel – qualified and highly skilled personnel. As losses accumulate, the conditions for education of technical personnel through work are limited.

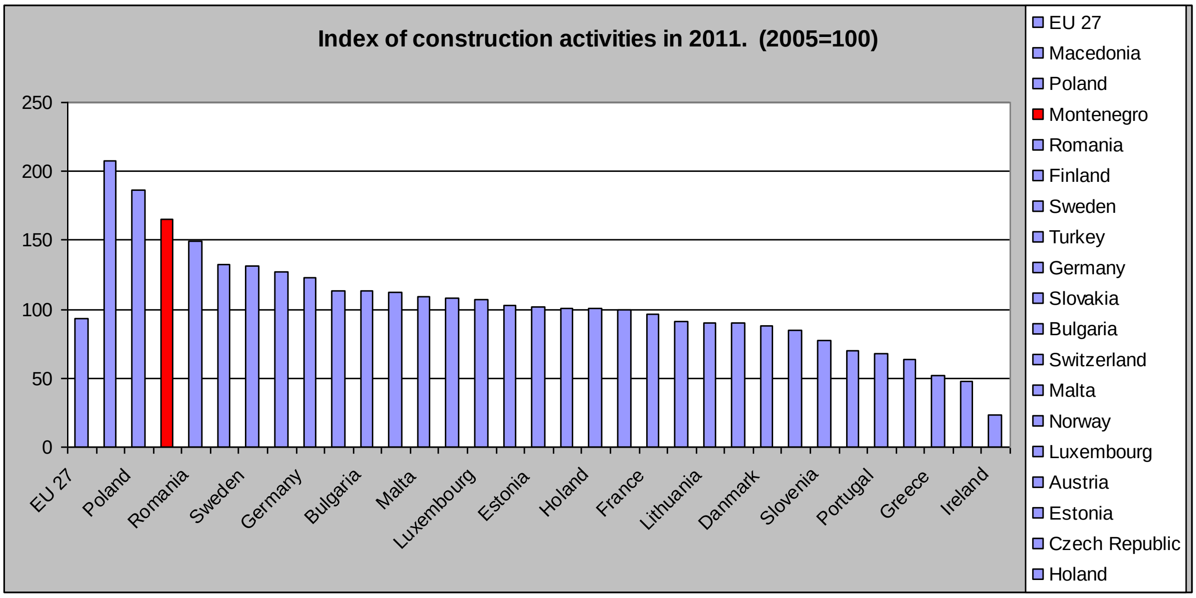

Figure 2. Index of construction activities in EU countries (2005=100)
Source: EUROSTAT
Note: The data were taken from the official EUROSTAT's site and were not deseasoned, so there can be no comparison with the data from the EU

Some companies have a low level of organizational and technological operations, so they are not attractive even for investors prone to take big purchasing risks. Therefore, domestic companies rarely fulfill tender conditions with foreign capital, so new possibilities open for foreign construction companies which are already successfully positioned in the whole region. At the same time, in some domestic companies, there is a problem with the amortization of basic resources and mechanization, as well as the lack of current assets and reduced credit rating.

Based on the state of the art in the current year, economic environment will be still affected by the conditions of global economic and financial crisis. The consequence of the crisis in construction is a jeopardized liquidity of banks, leading to stagnation or delay in one part of potential investments, the decrease in construction activities and credit potential, complicated access to loans in construction sector and interest increase.

A long-term development of construction must be rooted in construction companies, which should be territorially evenly dispersed, on a high organizational, as well as technical and technological levels, with relevant, educated personnel, functionally integrated and mutually connected, in order that they should obtain a better qualification structure and internal organization and follow the development of market needs. Under stable conditions, only such companies can have both modern technology and quality, but cheaper constructing.

As regards capital infrastructure, the capacities of civil engineering companies should be strengthened. The priority should be given to the development of capacities for handicraft, installment and specialized works, as they are highly accumulative and easier to keep the interest of workers for a longer period. In the structure of investment projects, there is a significant increase in object reconstructions every year, so this activity is also to be taken into account.

5. CONCLUSION

Construction industry includes many economic activities joined in an object. Therefore, an important characteristic of construction is the ability to connect with a lot of other industries, which means it should be a highly accumulative and export-oriented industry. It is uncontested that proper financial monitoring of objects significant for the state and construction companies is needed.

In the conditions of the crisis, when objective threats and risks are followed by jeopardized liquidity of banks, it is possible to expect a slow down and delay in a part of potential investments, decrease in construction activity and reduction of credit potential. For these reasons, construction companies in this period should work harder on their position and carry out proper strategies for the strengthening of competitiveness and efficient realization of planned activities.

A special segment of construction, that should be prioritized, is construction material industry and its development. Taking into account that Montenegro is abundant with mineral materials which are the basic raw material for the production of construction material, it is very hard to explain why we do not have production of cement, decorative stone etc. Similar can be concluded regarding the use of wood, aluminium and iron for the production of some construction products and elements. Therefore, the production of construction material based on natural resources should be reinforced. At the moment these resources are imported.

Human resources are the most important element to be strengthened in order to improve competitiveness of construction companies. It is necessary to work on the improvement of the quality of labour in the aspect of qualifications, but also make young people intersted in construction. This would form an adequate structure and competitiveness of construction operation.

Due to a fast-pace technological development, the environment protection should be taken into account, but there are also current issues of sustainability of solution and low energy consumption. This creates a need for the discovery of new solutions in construction technology and introduction of new standards and regulations in order to protect the quality of construction. From the point of view of the EU accession, this process should be approached in an organized way regarding the expanding the competitiveness of construction beyond the borders of Montenegro.

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PROJECT MANAGER AS CHANGE MANAGER – LEADERSHIP APPROACH

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Abstract: The paper discusses some aspects of project change management as well as the role of the project manager as the manager of change in this complex management process. Specially emphasized is that the project manager must possess leadership traits and leadership approach in order that he should create and accomplish the necessary change during the project execution. The project leader is a project manager with leadership traits, capable of conducting the project team towards a more efficient achievement of project goals.

Key words: Manager, Project, Change, Leader.

1. INTRODUCTION

A rapid development of science and technology, globalization and fierce competition, complex international political and economic relations, etc. are sources of constant changes that require that the organization should promptly adjust to the changed conditions and new challenges, that it should change its business and development strategies, its organizational structure, staff, skills and knowledge in order to survive in a constantly changing environment and create conditions for accomplishing its development goals.

Nowadays organizations can no longer expect to do business in steady conditions; they can only expect to do business in the conditions of permanent change, that is, do business in a turbulent environment. Rare are companies that have managed to retain their original production program and area of business from the time they were set up. A continuous development and constant change have forced almost all organizations to change their original mission and search for opportunities in new areas of business. [5]

The process of organizational adjustment to a changing environment means introducing change into the organization, change that will affect various areas of business and enable the organization to survive in a constantly changing and turbulent environment, to do business efficiently and to develop.

Modern world lives and works in the times of ample and quick change. Change is an important quality of the time we live in as well as of fast advances in almost all the fields of life and work. The world of business also functions in the constantly changing environment. Rapid and extensive changes in the environment are primarily the result of a modern scientific and technological development. [2]

The latest achievements in the scientific and technological progress in informatics and electronics, power engineering, new technologies, communication and other areas bring extensive change that directly affect each and every organization. One can no longer talk today about doing business in steady conditions; they can only talk of doing business in the conditions of permanent change, that is, of working in a turbulent environment. Change is a precondition of survival and development of any social and business system. Hence change management is a very important managerial discipline necessary in the present and future management of various economic and non-economic organizations. [4, 5]

Change management is a new specialised discipline of modern management engaged in the study and introduction of change into the organization aware of the fact that an organization cannot do business efficiently nor develop unless it goes hand in hand with change, introduce change and implement it. Prompt response to change demands a change manager with leadership traits, capable of motivating people and guiding them towards a desired goal.

2. CHANGE MANAGEMENT PROCESS

A successful management of various organizations in modern conditions requires a prompt response to change, adapting to change and introducing the necessary change. Namely, an efficient management of the organization requires a constant change management that will, through a continual process of defining and introducing change into the program, the technology, the organization, the human resources and in management, accomplish adjustments and improvements necessary to continue an efficient business and development.

Change management in the organization is a generalized management process that explains how to successfully plan and introduce change in order that the organization should continue to function and develop efficiently. The manner in which this management process should run and the subprocesses and phases it includes are major topics in defining the change management process. [5]

The change management process in the organization can be defined in different ways. Starting from a general management model that comprises the basic subprocesses of the global management process and the specifics that result from possible organization- or environment-related change, the change management process can be defined through three basic subprocesses. They are the following:

- Planning change,
- Introducing change,
- Monitoring and control of introducing and implementing change. [2]

The above presented list of management processes is a general principle that is applied regardless of the type of change and the state of the organizations into which change is introduced. In principle, this general approach is more suitable in cases where the causes for change are of internal nature, that is, where they are inside the organization; it can, however, be applied in other situations too.

Broadly speaking, and especially if we have in mind permanent changes in the environment that emerge regerdless of the organization itself, the change management process in the organization can be set somewhat more broadly and in more detail so it includes the following phases or subprocesses:

1. anticipating change in the environment,
2. identifying change in the environment and in the organization,
3. tracking the new changes in the environment and in the organization,
4. planning change in the organization,
5. introducing change into the organization,
6. control of organizational change introduction and implementation. [2]

The application of this principle to the change management process starts by anticipating a possible environmental change. The aim of this phase is to let the organization timely learn about the changes that may emerge in the environment and affect the organizational business, all in order that adequate measures to respond to environmental change should be undertaken, that is, in order that change should be introduced that will enable the organization to adjust to the changing environment faster.

The second phase of the change management process, one that can run simultaneously with the previously mentioned one, includes identification of the already present environmental change as well as changes that have already been introduced into the organization, ones whose introduction and implementation is already under way. This phase allows for the identification and a detailed analysis of the current state in the organization and serves as basis for a realistic planning of change to be introduced into the organization.

The following phase deals with tracking the newly-emerged change in the environment and the assessment of the impact of this change upon the organizational business, that is, estimation of the effects brought by the change. This phase is also very important for obtaining information necessary in planning the necessary change.

The next change management phase entails planning the change to be introduced into the organization. This phase is very important and is conducted on the basis of the information and results obtained from all the previous phases. It is in this phase that the change to be introduced into the organization is defined in order that the organization should survive in the changing environment and continue its business efficiently.

The change planning phase is followed by change introduction phase, the most difficult and the most complex phase of the change management process. Here all preconditions should be satisfied and then the planned change is actually introduced into the company. Specially important in this phase is that resistance to change be overcome and that employees should be persuaded to introduce change. Also important is whether the project approach is implemented in the change introducing process and whether the manager who introduces change has the necessary qualities and competencies.

Tha last phase in the change management process entails monitoring and control of change introduction and implementation as well as measuring the achieved outputs. This phase can be efficiently accomplished on condition the project approach is implemented both here and in the previous phase. [3, 5]

A) PLANNING CHANGE

Planning change is a very important initial phase in the change management process in the organization, indispensable in an efficient change management since it entails a number of key preparatory activities. The first activity here is to anticipate changes that can occur in the environment and are likely to significantly affect the organizational business. Then the already present environmental changes should be identified and the need for change on the basis of these should be analysed. These are followed by the identification of the already present changes in the organization that significantly affect organizational operation and development. Finally, the changes to be introduced are defined, based on the environmental impact or on the needs of the organization itself.

The primary aim of this phase is to determine and analyse the state of the art in the environment as well as that in the organization as regards change and the need for change. In addition to identifying the change that already occurred, the environmental change should be tracked and the impact of these changes upon organizational operations should be analysed. This allows for an analysis and estimation as to whether environmental change requre certain change in the organization and anticipate which change in the organization will be necessary. It is also necessary that changes under way should be monitored in order to analyse and assess whether these changes should be continued, repeated or abandoned. [5, 6]

On the basis of all these it is necessary that in the process of change planning we should first decide which organizational changes are necessary to introduce and, perhaps, the order in which changes are introduced. Here attention should be paid to whether it is only a minor change or a set of connected changes that require an adequate preparation to be introduced. Or it is a large and integral system of change in all the areas of organizational operation that will enable the organization to reach a certain future condition.

B) INTRODUCING CHANGE

Introducing change is the next most difficult and most important part of the change management process. This rather complex process depends on a large number of factors, primarily on the reality of planned changes, the validity of the change introducing plan, the employees attitude to change and the capacity of the manager and of the others who are in charge of introducing change. [4, 5]

People are believed to naturally resist change. Regardless of personal approach, a certain resistance to change is believed to always exist among people. They fear it may endanger their workplace, their salary, benefits, opportunity for promotion and they resist to change if they believe change can endanger or deteriorate them. Whether it is fear, personal interest, high stakes or high risk, habits or anything else, a certain resistance to change is almost always present, regardless of the type of organization.

A successful change introduction requires that a certain change introduction procedure be formulated and that skilled managerial or consultant personnel be engaged that will directly work on introducing change. The definition of the change introduction procedure depends on whether change is introduced by the personnel within the organization or by the external consultants. Regardless of the manner in which change is introduced, the change introduction procedure has to include a number of basic phases, the most important among which are the following:

- Appointing the manager and the team for change,
- Clearly defining the change to be introduced,
- Marking the place the change is introduced,
- Planning the results expected from the change,
- Explaining the change and its consequences to the employees,
- Provision of necessary resources,
- Term plan for introducing change.

Recruiting either internal managers or external consultants in introducing change has both plus and minus sides. The employees will accept the explanations of external consultants on the necessity and importance of introducing change more easily, and, in case of failure, the responsibility lies with these external consultants. The managers from inside of the organization may, on certain occasions, approach the employees more easily and persuade them about the necessity for change and about favourable consequences for both the organization and themselves that will result from introducing certain changes. The best way to introduce change effectively is to implement project management, an operational discipline that allows for the change that is being introduced to be treated as a project.

C) MONITORING AND CONTROL OF INTRODUCING AND IMPLEMENTING CHANGE

A general change management process also entails a phase of change introduction and implementation monitoring and control. As regards the importance of the change introduction phase, it is vital that the process of introducing change should be permanently monitored and controlled and that obstacles and resistance that may be encountered in this complex and important process should be eliminated in an adequate manner. [4, 5]

It is also in this phase that monitoring and control of change implementation and the analysis of the results obtained by change implementation are performed. As the changes necessary to introduce into the organization so that it should efficiently operate and achieve the planned goal are defined in the change planning process, the control phase serves to determine whether the introduced change eliminated the problems in business or whether it successfully replaced certain elements of organizational operation that required to be replaced.

Monitoring and control of change introduction and implementation processes also serves to define possible problems and difficulties in introducing and implementing change and to launch corrective managerial actions to eliminate problems and bring the change management process back to the planned and desired framework. In case the project approach, as it is stressed in the previous phase, is applied, both monitoring and control of change introduction and implementation are performed in accordance with this approach.

3. PROJECT MANAGER AS CHANGE MANAGER

Change management is a modern, specialized management discipline whose effective implementation depends primarily on the respective manager and his/her approach and response to change. In case the manager is capable of learning fast and responding to change promptly, and in case he succeeds in encouraging and implementing change in his organization as an adequate response to change in the environment, he will successfully manage the organization as a whole and achieve favourable business results. [5]

A precondition for change management is a vision, the future position of the organization planned to be achieved through change introduction. Vission creation is most often related to the leader, a man capable of creating and realizing the vision. Hence there is no change management without a leader or a manager with leadership qualities. He creates a vision, defines and introduces changes to achieve the vision. Similar tasks and approach are set before the project manager who leads the team and the project to the planned goal.

The position of manager or project manager as a leader who leads people into change is highly important. The manager's task is to prepare people for change, to help them overcome the fear of change, to dissolve the atmosphere most often present among people – that change threatens the position of an individual. He has to create the proper atmosphere to introduce change, explain to people that change is an opportunity for both individual and organizational progress and that the progress of the organization and of their own careers depend on a successful introduction of change. Change has to become part of an individual's work routine and the manager's style of managing. The manager has to encourage introducing chnage and create in his employees a willingness to introduce change, that is, eliminate possible resistance to introducing change. [2]

A leader for change is actually a man with leadership disposition who will introduce change. The first problem that arises here is the selection of a leader for change. This is a difficult and complex task, one that is most often the precondition for the success of introducing and, consequently, implementing change. It is clear that a right person should be selected in this procedure, the leader that guarantees that he will introduce the necessary change effectively. [4]

Generally viewed, a leader for change can be either a person inside the organization or outside the organization. It can also be a man from the managerial structure or outside it. It should be noted that the leader for change is most often selected among the managers from the managerial pool of the company, rarely a man who is not a manager. As regards the other dilemma in the selection of the leader for change, i.e., whether it is a person from within the organization or outside it, this is a more complex problem, more difficult to resolve.

The core tasks of the leader for change are the following. He is in charge of creating the vision of the organization as a future condition which the organization is to achieve in the future, of defining the changes necessary to realize the vision and also of finding the ways to realize the defined changes. In order to realize, i.e., implement change, he has to assemble a team for change, a team of collaborators that will work on change implementation. He also has to create conditions favourable for change implementation explaining the necessity for change and persuading the employees to adopt the proposed change. [4]

The basic task of the leader for change is to motivate the employees to proactively and positively participate in the change management process, to motivate members of the team for change to work efficiently on introducing change, to coordinate the work of the team for change and to monitor/track the course of the entire change introduction process until the final goal is achieved.

A special type of the leader for change is a *leader manager*. This type of leader, that is, manager with leadership qualities, is capable of creating a vision as well as of introducing change necessary to accomplish the vision. This is the best type of the leader for change and he should be appointed the leader for change in case such a person exists in the organization.

When talking about leadership and change, it is important to note that certain leadership styles are more appropriate in introducing change. Charismatic and transformational leaderships are considered to produce the best results in introducing change. [1]

A charismatic leader is a person with charisma, a capability or passion that drives the energy and commitment of his subordinates and produces the best possible results in the process. [1] Charisma is a specific and attractive quality of a certain person that distinguishes him/her from other people. It is a special gift of certain individuals that qualitatively puts them above other people, hence people decide to follow such a person. Charismatic leaders are often said to have supernatural qualities, that is, that their giftedness is far beyond usual. They are dominant personalities that others agree to follow in achieving their goals and intentions, that is, agree to follow the leader in implementing change the leader plans.

Charismatic leaders are considered to be most capable and most adequate for introducing change since they are capable of inspiring and motivating people to do more and better that they would without the leader's guidance. They do not care about personal goals and problems but subject everything to a common goal of the team or the entire organization, since they identify their personal goals and interests with the interests and goals of the team, of the endeavour and of the entire organization.

A serious analysis of a change management process in an organization starts from the analysis of the participants in the change process and the question on who the key persons in the organizations who lead to change are. Are they the present managers, formal or informal leaders or external experts that are hired to introduce change as consultants? It is very important in this analysis to correctly identify all the participants in the process and analyse their roles and tasks.

The analysis of the participants in the change management process starts from one key participant in the process of initiating and introducing change who is most often called the change agent and from his/her roles, the skills he has and the necessary methods, techniques and management styles in the change process. [8]

A change agent plays different roles in the change management process and these mostly stem from the core tasks set before the change agent. It should first be decided who the key change agents are, which changes are necessary for the organization and who is in charge of individual tasks or certain phases in the change process. Internal change agents can be certain middle level managers, formal or informal leaders, and sometimes even project or programme managers, certain employees that are in any way involved in change initiating and implementation. To this group also belong external consultants who are in a certain manner involved in the change introducing process as well as their approach to change management. [5]

According to Randall [8], the roles of change agent, or rather, change manager, are the following:

- Visionary, catalyser, initiator
- Analyst, reasoner/argumentator, risk assessor,
- Team builder, coalition creator, searcher for allies,
- Implementation planner, driver of activity, deliverer,
- Facilitator, change mediator,
- Evaluator, critic, controller.

Viewing change through the prism of change process, the control of the change process and the change management process, that is, analysing what has to be done, who has control over the change process and how the change will be accomplished, it is possible to define the team for change and the size of this specific group. Especially important is to define whether and how many people will be from the organization and how many experts will be hired externally.

The combination of people from top management and a group of external experts is often suggested as the best solution in introducing change. However, this cannot serve as a general principle valid for all the cases of change. The practice of realization of larger organizational changes shows that the combination of people from the organizational management and the external consultants is the best in such a type of change. This, again, need not be true when introducing minor changes. In a majority of the latter situations the team from within the organization is sufficient. [4, 5]

When involving external consultants into the change process, that is, into the team for change is discussed, the opinions on advantages and disadvantages of this solution differ. The expert participation of the consultants in the change process is beyond dispute, however, attitudes on whether they should be given priority in explaining change and persuading the employees to adopt it differ.

There is no doubt that implementing change requires high expertise of external experts, however, there are skills and competences that are already the quality of internal personnel who distinguished themselves before the employees and the employees respect them and believe them. External consultants may be better in explaining that change is necessary, however, internal experts can more easily convince the employees that the proposed changes are necessary and to reduce their resistance to introducing change.

External consultants and internal experts observe certain factors that affect change launching and implementation. The most important internal factors are the following: organizational history, structure, culture and strategy, whereas the most important external factors are market, technology and the political and economic frameworks.

As regards the change management process as a specific endevour, or program, or project to be implemented using project management or some other approach and the division of the endevour into certain phases and activities, there is a rather long list of change manager's roles that implies the need for a larger number of specialists of different profiles to be included into the change implementation process.

Introducing change in the project requires that first the change introduction procedure be defined and that quality managerial and consulting personnel be selected to work directly on introducing change. This especially goes for the project manager who must have leadership traits in order that he should successfully work on introducing change, together with the project team.

Change management within the execution of a certain project is a specific task that requires a competent project manager and a good project team.

Some authors maintain that the project manager and the project team are change agents in the project. [7] Project managers can hardly be said to be change agents in the project. They are change managers in a certain project; namely, for any situation of creating and introducing change that is performed using the project approach the project manager is at the same time the change manager. That means that, in case change management is implemented using project management, the change manager is in fact the project manager, and the team for change is a project team.

Change managers are persons that create and implement change. Literature states that change agents are individuals or groups that enable change to be realized. [7] In this approach, the project manager and the project team are viewed as change agents.

It is clear that an individual that creates and implements change has a number of roles. The simplest approach, clearly understandable to both academics and practitioners, is that there is a change manager as a person that is, together with the others, engaged in creating and introducing change. On condition change management is understood as a project approach, the change manager is actually a project manager that is, together with the project team, engaged in introducing change. [5, 6]

This is the approach where change is treated as a project and a project management concept is implemented. Within any project, however, be it a change introducing project or any other project (development of a new military system, construction of a road or a hydroelectric power plant, a new software development, etc.), numerous changes may occur and do occur and they should be implemented. This is where the project manager and the project team come in and their task, among other things, is to create necessary changes and implement them.

Change management requires creating a vision of the organization as a future condition to be achieved. Vision creation is connected to a leader, hence change management can be said to require a manager – leader. He is expected to create a vision that is to be achieved through change and to persuade the employees that a certain change should be implemented and this certain vision should be realised.

In addition to the project manager, the project management process includes a number of other managerial and leadership positions. The project leader refers primarily to the project manager, but then, in certain situations it can also refer to the project team leader who occupies a lower managerial position and has certain capabilities.

The basic task of the project leader is to lead the project team, namely, a group of experts that work together to accomplish a common task. The roles and tasks of a leader, however, are not simple to a degree that they can be unambiguously defined, especially if varied types of leaders, various leadership styles and different tasks and endevours they are engaged in are taken into account. [5, 6]

The project leader's position, roles and tasks are rather complex, and expectations from him are high. Primarily, the top management in the company expect the leader to efficiently lead the team of people whose responsibility, as well as his, is to accomplish a given task or endevour and bring it to an effective closure. The members of the project team expect the leader to lead them, slowly and smoothly, without delays or problems, throughout the process of a common project execution, to be always well informed about the goal and the method in which the task will be accomplished and to convey that information to them, that is, to be permanently in contact with them in order to enable them to act efficiently.

The project leader can be only a person that sees beyond what team members see, that is capable of creating a vision of future events and direct the project team and the project itself towards it. In order to create that vision he has to have or achieve certain information on the environment and the changes in environmental parametres in the future. Guiding the team members towards the created vision means that the future goals are defined on the basis of that vision as well as paths to achieve them. [4, 5, 6]

One of the important qualities of the project leader should be creativity and innovativeness that is reflected in creating new ideas and turning them into concrete solutions. It is only new ideas that enable advances and development, namely, reaching the strategic goals projected in the created vision. The project leader is expected to create new and original ideas that will bring forth changes and allow for achieving the future goals. One of the basic qualities of the project leader should be, besides creating a vision, the creation and introducing changes through which the future goals are achieved.

The project leader should be creative and this quality should be reflected in his capability of constantly searching for new ideas and solutions that will enable a more efficient execution of a project. His imagination incites the creation of new infinite opportunities and thus encourages the team members themselves to constantly search for and come up with new ideas and solutions and improve the efficiency of project execution.

As already mentioned above, some authors [7] maintain that project managers are change agents, highlighting certain similarities and differences among them. The key common roles that stress certain similarities are the following:

- Focusing upon the vision and the end outcome,
- Using systematic approach,
- Proactivity in achieving a desired outcome,
- Developing agreement and linking participants [7]

The idea that project managers are change agents can be accepted on condition the change agent concept means a broader approach that includes different personnel positions and individuals that are engaged in creating and introducing change in the project. A change agent can hardly be equalled to the change manager, consequently it is hard to equal the project manager to the change agent. The fact to bear in mind is that the role of the agent is to represent someone, therefore, strictly speaking, an agent is by no means a manager, hence, the change agent is not a change manager. What can be stated with certainty is that the project manager is engaged in creating and introducing change in the project, accordingly, he is also a change manager in the project.

The project manager as the change manager in the project can also be expected to possess certain leadership qualities and a leadership approach in order that he should be capable of understanding and creating the necessary changes in the project and implement them effectively so that the project execution should also be effective.

4. CONCLUSION

Change management is a modern specialised management discipline engaged by initiating, planning and introducing change in economic and non-economic organizations for the purpose of enabling them to efficiently continue to work and develop.

The change management process in the organization can be defined and presented through three basic managerial subprocesses – planning change, introducing change, monitoring and control of introducing and implementing change.

A complex process of change management requires a leader or a manager with leadreship traits, capable of creating and imtroducing change. The core tasks of change manager or change leader are to create a vision of a future condition, to define the changes necessary in accompliching the vision, to create conditions for introducing the changes and to implement the changes together with the team for change.

Charismatic leaders are considered to be most appropriate for introducing change due to their ability to inspire and motivate people to adopt and introduce change.

In case project management is implemented in the change management process, the project manager plays the role of the change manager. Every change can be treated as a separate endevour, that is, a separate project or program, therefore the change introduction process can make use of project or program management. In the course of execution of such a project that introduces a certain change or of any other project, different changes may and do occur for which the project manager and the project team are responsible. In order to accomplish his task efficiently, the project manager must have leadership traits, namely, he has to be a project leader.

The project manager with leadership traits therefore is a project leader, a person that is capable of introducing change in the project, working together with his project team. The project leader is capable of creating a vision of the future events as well as of motivating and guiding the project team and the project itself. The project leader is expected to create new and genuine ideas that will, through certain changes, bring the project to the desired goal.

Literature lists different managerial and leadership positions related to change management, nevertheless, when change introducing in the project is concerned, the project manager assumes the role of the change manager in the project. He should have certain leadership traits too, hence the project manager acts as a project leader capable of guiding the project team and introduce project change together with the project team.

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TECHNOLOGICAL CHANGES, DIGITAL ECONOMY AND EMERGENCE OF NEW TYPE OF ORGANIZATIONS

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Abstract: This article offers an uptake on the creation of the new economic reality, based on the information exchange and digitalization processes, whose prerequisites are restructuring of an organization and creation of new, innovative, ad-hoc management models. Although the global circumstances are rather unpredictable and result in superfast, bulletspeed changes that require significant flexibility and fast adaptation, an explicit inclination towards distinguishable characteristics of innovative organizations and management models nevertheless emerged. They are predominately characterized by high flexibility and global distribution of highly qualified workforce, typically organized in virtual teams and using specific communication and collaboration software tools that facilitate information exchange and lead to successful implementation of projects.

Key words: digitalization, globalization, technological changes, virtual organizations

1. DIGITAL ECONOMY EXPANSION

In the physical world, the main power source contributing to conformity to the rule of law could be defined as one of the two following elements: brute force or sovereignty of a state. On the other hand, the Internet replaced the matter and atoms with signals and bytes, electrons and wiring. Cyberspace has become a new type of self-sustained universe, where laws of physics no longer prevail and the main rules are created by up-and-coming hardware and software tools and ultraspeed transfer protocols. Furthermore, this type of new economic reality called digital economy demonstrates that nowadays "power is manifested by technically controlling or disrupting the communication of other users but in this approach the use of power is directed and perhaps constrained by the group opinion of the user community." [1] Digital economy thus created numerous social groups and user communities, known as "cyber communities" that developed their own lingo, rules and social norms.

Digital economy or Webonomy is almost entirely based on the Internet processes, which represent "the fastest growing sales and marketing channel in the history, as well as the most efficient communication mode" [3]Namely, this new type of economic paradigm is "dynamic, global and based on network processes, characterized by flexible production channels, focus on services, digitalization, intense information and data exchange via Internet and Intranet, significance of knowledge capital; the most important elements of competitiveness are innovation, quality, speed and low cost, as well as ever interlinked business association and cooperation, establishment of strategic business alliances and full reliance on communication and information technologies"[3]

2. IMPACT OF TECHNOLOGICAL CHANGES AND INNOVATIONS ON THE CONTEMPORARY ORGANIZATION

Technological upheaval solved several problems that represented a barrier in the formation of flexible and global teams as it led to a decrease in cost and increase in efficiency and effectiveness of work processes. Targeted resource allocation and availability of best specialists regardless of their geographical location and cultural and sociological background facilitated management processes since the human resource management and organization of workload are now elevated to a more technologically advanced and sophisticated level. Furthermore, the level and intensity of technological changes, especially in the domain of telecommunications and information technologies (ICT) acted in favor of managers and organizational leaders, given that they provided efficient and innovative solutions geared at the improvements in productivity levels and flexibility of the workforce.

However, companies quickly realized, both from the negative experiences and monitoring the actions of competitors, that efficiency of conducting business activity and gaining competitive advantage by utilization of virtual modes of organization and advanced technological solutions can only be achieved by improving the human capital of the organization (increasing their skills and knowledge) so as to use offered tools and solutions.

Adequate and well-timed response to the stimuli originating in the turbulent environment and to the unpredictable changes can lead to a concrete comparative advantage of a company and this response best reverberates via innovative processes and utilization of sophisticated technological solutions [9]Speed, coupled with the ability to create and upgrade business strategy in accordance with the global exogenous market requirements represents the best response to the competitors, as it can be used for both business defense as well as offense. Innovations in the organizational design and development, as well as creation and promotion of strong and densely cohesive corporate culture, aimed at encouraging innovative solutions and ready integration of changes in the business processes represent the best source of sustainable competitiveness in today's markets.

Given this new economy, certain "new rules" were established to facilitate business operations and processes for organizations of today [3]:

- Optimization of business networks
- Concentration of decentralized control nodes of the network
- Focus on human and knowledge capital as a scarce resource
- Physical proximity replaced by multilayered interactions anywhere anytime
- Promotion of abundance principle
- The greater number, degree, connectedness and/or betweeness of nodes in the network, the higher the value of the given network

Economic, comparative and psychological advantage nowadays can be summed across the following concepts: technological development, digitalization and creativity. Put differently, technology contributes to a greater degree of digitalization and promotes innovative and creative processes focused on the creation of new products and/or added value; all three components represent both means and the end necessary for the development and growth of contemporary societies.

3. TECHNOLOGICAL DEVELOPMENTS AND CHALLENGES FOR THE ORGANIZATION TODAY

Technological change and development place highlight a historical philosophical question "chicken or egg". Namely, after the I phase when societies, institutions and individuals focused on understanding and discerning the changes brought by globalization and digitalization processes, experts throughout the world now turned to a new issue that is at the center of much debate and research - whether these processes were perpetuated by the technological innovative solutions that dictate restructuring of our reality, especially in terms of new organizational and operational requirements, or organizations, given their concept of living organisms include features such as growth and development, played a role of a driver of changes, geared at improvements of business operations and market standing of a company with an increased efficiency, processes which required ever improving and advancing technological solutions.The set dilemma requires an in-depth analysis of the factors at stake in the processes shaping the today's economy and its intrinsical processes. At one level, the private sector, which is the branch of economy and/ or business category in which a given company operates, impacts the organizational design and culture in the following manner: available and necessary technological solutions, rates and levels of growth and expansion, professional and educational structure of the workforce and the like. Lately it has been observed that many companies and organizations from various branches of economy entered some form of business collaboration and strategic networking as a response to the forces shaping the markets and processes today. Furthermore, these alliances and networking between different businesses represent one of the most efficient and effective responses to the exogenous interferences and disruptions [10] These alliances are particularly relevant in the fields of product and/or content development and marketing. Recent research suggested that an average multinational or big national company is today included in more than 30 individual strategic business alliances [3]

Aside from the influence of the branch of economy or business sector and given that no company today can be identified to belong to a specific industry, a number of global developments and challenges became pivotal for organizations of today, mostly due to their high dependency on innovative technological solutions, leading to a conclusion that increase in the intensity and degree of the virtualization in an organization is not simply a prerequisite in today' circumstances, but also an activity that is interdependent on the technologies available and offered and consequently an inevitable process. These challenges and developments are both distinct yet interlinked, with a common unifying feature of developing and increasing the prominence of developing virtual workforce and organizations.

Among some of the most important drivers of the virtualization processes in the business and management environment one can identify the following tendencies that lead to the creation of virtual, multilayered, multipurpose organizations across multiple locations, time zones and cultures [6]:

- Establishing strong multinational and multipurpose strategic business alliances
- Intense utilization of communication and information technologies, with high emphasis on the Web technologies/application/tools
- Requirement to quickly respond to fluctuations in the highly competitive environment
- Shortening of the project, product and process lifecycles
- Prominence of global crisis and strategic management
- Climate Change drivers (environment, security of supply…)

However, there are some main challenges of today's globalized marketplace, despite of advocating for the increase in the virtualization and digitalization in all processes that have to be addressed in order to ensure sustainable managerial and business practices. Some of these challenges have been already addressed: issues of body language, non-verbal cues, cultural differences, informal conversation and social ties have been dealt with via emerging social network platforms and interactive tools. Furthermore, continuous updates of the collaboration software and applications reduced the risk of mishandling available technology. Also, issues with different time zones, work processes, geographical location and deadlines were handled by emergence of both hardware and ICT tools, such as smartphones, tablets and optical networks.

Finally, virtualization requires some standardization of processes, regardless of its innovation and creativity drivers. Standardized terminology, work processes, manuals of procedures, segregation of tasks and duties and constant upgrade of skills and knowledge are characteristics that have proven to be also embedded in the digital economy paradigm.

4. IMPACT OF THE COMMUNICATION AND INFORMATION TECHNOLOGIES ON THE ORGANIZATION

The main trait of the world we know today is the process of globalization, assisted by the revolutionary development of ICT and their application, which lead to continuous processes of transformation and adaptation in and of organizations. ICT breaks all temporal, spatial and organizational barriers and places in its focus knowledge and data as a crucial, fundamental resource necessary for generating sustainable comparative advantage. Without an integration of ICT in the business processes in organizations of today, their flexibility and ability to position themselves adequately on today's markets and against perpetual changes will be brought into question. Under the influence of technological changes, the organization is "forced" to modify its structure and form, and adapt to the external requirements. Even the companies at the forefront of these changes, such as software development companies, telecommunication equipment manufacturers and mobile application hubs have to respond to these changes in a timely manner, otherwise loss ofmarket share, competitive edge, reputation and profits will be foregone.

Organizations heavily influenced by and/or applying ICT must relentlessly and continuously learn and grow, allowing for adaptation and integration of changes, automatization of regular business operations, improvements in the managerial and leadership processes and opting for rationalization in human resources. ICT enables instantaneous and timely reaction to changes, faster and more secure access to necessary data and information and results in a better service or a product, given that these technologies allow for constant monitoring and control for the improvement in the production processes.

Given commercial availability and accessibility of the Internet and limitless improvements in ICT and software applications, "business networks evolve into virtual organizations, based on strategic alliances and consisting of networked workforce and organizational units, connected via numerous information and communication technologies, all with the aim of combining partner resources to achieve common objectives" [2]

Under the influence of these technologies, organizational parameters, such as division and segregation of tasks and duties, decision-making processes, control distribution, decentralization, departmentalization and coordination, simultaneously undergo both revolutionary and evolutionary changes, and eventually lead to gradual neutralization of the organizational pyramid and hierarchical linkage of the organizational structure. Consequently, it has been observed that in today's globalized circumstances, organizations are applying new control and monitoring mechanisms of work processes. Much of contemporary research indicated that internal control and monitoring of work progress and performance (both individual and organizational) as well as coordination of efforts is much more efficient in the world dependent on the use and application of ICT technologies. The most efficient monitoring and evaluation of performance, as well as control of work processes in a project team or organization is internal, so-called "peer-reviewed", conducted by the very members of the given team or group [1]

The new economic paradigm has "only" two defining but highly complex success identification indicators: knowledge and ICT application. ICT allows a level of transparency not observed before, improves performance of individual markets, reduces vertical dimensions of management, influences all life and work processes [5]Michael Dell, founder of one of the highly successful companies in the field of computer manufacturing (Dell) once pointed out that telepathy can only supersede the Internet in the domain of communication and information transfer.

5. ADOPTION OF THE NEW ORGANIZATIONAL PARADIGM – FORMATION OF A VIRTUAL ORGANIZATION

As a reaction to a globalized and digitalized environment, many organizations adopted a new organizational paradigm, based on a flexible, project-oriented and team-promoting organizational structure, mostly allowing for time and location differences, and highly dependent on skilled management that allows for unification and cohesion due to the application of ICT.

Many experts agree that a new type of organizational design and structure is the only adequate answer to the changes that cannot be easily anticipated. Virtualization of the organization represents linking of islands of knowledge across the globe. Many organizations are forced to adopt new forms of organizational structure, as a result of increasing and accelerating globalization and communication processes [4]. One of the new forms or organizations stemming up from these processes as their inevitable effect is a virtual organization, comprising experts and specialist chosen to be part of the structure solely based on their knowledge and skills. As a result of this strategic outlook, organizations are constantly improving the existing and generating new knowledge and information that can be further disseminated within the company and across the business links and alliances. The knowledge generated is not only in the form of technically specific expertise arising from the achievement of objectives of individual tasks and projects, but is the knowledge accumulated from continuous exchange of knowledge, experiences and information of the entire virtual workforce. Given this mechanism, the virtual organization is more than just a sum of its parts.

Virtual organization concept and application are still in their initial phases of growth and development, and further "learning-by-doing" by reapplication of virtualization concept in the organizational restructuring will bring about new lessons learnt and best practices about innovative and effective methods of implementation of unconstrained cooperation [7]. Naturally, virtual organizations are a highly "custom-made" endeavour, each of them being different from the other, meaning that a successful story of one virtual organization may not apply to the other one, regardless of the abundant similarities between the two. Each virtual organization differs by the human and intellectual capital it possesses and appropriate allocation of tasks and resources is decisive in successfully achieving given objectives. For example, if a certain project requires a number of sequential tasks to be performed that are highly interdependent, but each of the tasks can be completed independently, then the profile of expert should fit the "coordinated independents" description, who require asynchronous tools (project monitoring virtual meetings, file sharing and the like) [7]. On the other hand, if tasks have tight deadlines and require intense, multiple interactions in real-time, then members of the working team should be more of "social actors", working with synchronous tools such as teleconferencing, Skype and the like (ibid).

Virtual organizations can be predominantly found in the service sectors and fields related to ICT. Most appropriate types of virtual organizations are: network organization, boundless organization, learning organizations, inverted organization and similar flexible organizational structures

5.1. NETWORK ORGANIZATION

Essentially, network organization is not physically grounded and established organization *per se*, but a connected structure of a number of small and/or big companies, aimed at exchanging knowledge and experience, working on a one-time or prolonged project, reducing or dispersing costs or working on better penetration of a given market. The reason why organizations become linked into a loose network structure is to connect those organizations that are most competent or specialized in the field in question. Since it is a loose structure, most of the processes are supported by ICT technologies and the structure operates like a regular network, using nodes, edges, laws of connectedness, betweeness and other features in order to achieve set objectives and goals.

Network organization can be internal, stable/static or dynamic networks. Internal network structure is formed when restructuring of operations and delegation of tasks and business activities happen within a given company or organization so as to form time-bound, impact-driven and result-oriented organizational units.

Stable/static network organization is characterized by "outsourcing" of a given step in a production chain to another party that has a required advantage. In this process, the "outsourcing" company is the main "node" of the network (a core or a giant component) and retains control over overall processes, data, technologies, while the outsourcing portion of business activities is characterized by high degree of delegation and decentralization. „Outsourcing“ is needed when specific operative functions and business processes are delegated to partners and associates that can complete the tasks with significantly reduced costs. Bill Gates was known to promote the concept of companies having identified and strengthened their "core of competences" and then having outsourced the rest of activities.

Dynamic network organization is the most loose structure of the three and given its mostly unstandardized form it is usually recognized as a "boundless" organization.

5.2. BOUNDLESS ORGANIZATION

Boundless organization represents one of the sub-types of the network structure. This type of structure is characterized by lack of all barriers, be it hierarchical, temporal, spatial and external. The underlying structure of this type of organization resembles a network structure, but it is highly flexible and sparse. Core of competencies usually represents one activity or step in the production process and it has very few employees. All other processes, projects, activities, tasks and procedures are undertaken and implemented based on temporary agreements and contracts.

Boundless organizations manage to modify or eliminate all bounds and borders constraining them. Namely, this applies to vertical bounds (formal hierarchy and scope of control), horizontal bounds (functional and business units, production lines), external (suppliers and buyers) and geographical boundaries. The competence is the most important aspect and the greatest added-value in these organizations, and cooperation and good business relations with all connected, outsourced elements are more important than competition and rivalry. Global operations require employment of the best workforce available and least expenses incurred, while all organizational elements are included in the decision-making and decision-implementing processes. By promoting a network type of organization, even on a temporary basis, many companies can lower some of the transaction costs and address the market changes and requirements in a more efficient and effective way.

5.3. LEARNING ORGANIZATION

Learning organization, as a boundless organization, represents a loose organizational structure that changes in accordance with forces in the market, allowing for immediate response to the demand inquiries. In the learning organization human capital is the biggest comparative advantage and, on a strategic level, requires knowledge management as one of its core competences.

As one of the contemporary examples of the learning organization that keeps some of the regular organizational structure but requires a high degree of learning organization elements is Cap Gemini Ernst & Young, one of the biggest audit companies that requires its employees to move constantly across and within the company, forming many types of ad-hoc, hybrid and virtual working teams and organizational structures in accordance with current needs, projects and objectives. Most of the time the business operations are conducted using virtual "hot-spots" or communication hubs with particular forums separated by market category and business activity. When a project, issue or task has to be undertaken, all experts in a given field are notified and are organized in a team by a manager to complete a given activity.

This type of organization is much more contingent upon its core competences since it depends on the knowledge management and intellectual capital which, in turn, requires constant improvement and consolidation. Although come standardization is required, it is important to remember that knowledge is 80% non-tangible, immaterial resource, tip of an iceberg that is generally dispersed within the learning organization [8]. Most of the time a learning organization will use its knowledge management processes to grow based on the synergies of information and experiences already contained within it.

Researchers and experts cannot agree on the organizational structure of learning organizations, since these organizations are more a philosophy, a codification of organizational culture, where the focus of everyone is on analysis and resolution of issues, constant improvements and upgrades of intellectual capital and capitalization of these processes in order to constantly grow and achieve its objectives.

5.4. OTHER INNOVATIVE AND FLEXIBILE ORGANIZATIONAL DESIGN MODELS (T-FORM, "FISHNET", INVERTED ORGANIZATION)

Innovative organizational structures are highly flexible and their elements can easily "shift" into network structure, boundless structure, inverted organization or a desired form depending on the requirements of the project, task or objective. The most important feature of these organizations is the ability to adapt their core elements to the requirements of the market. Some of the main characteristics of these organizations are speed and malleability of adaptation to the exogenous forces, especially in the following aspects:

- Leadership: constant transformation and adaptation with inclusion of all employees in the creation of a common vision
- Horizontal structure: teamwork is much more prominent and vertical structures are viewed as unproductive
- Proactive involvement of all employees: delegation of responsibility in areas of management, decision-making, control and monitoring processes
- Communication: intense and fast, with relevant depth on data and information
- Strategy: based on the brainstorming and involvement of all employees, including integration of external changes, innovation and risk acceptance
- Corporate culture: sum is always more important than individual parts, with the focus on constant learning and development, common goals and understanding

„Funky Business“ gave a thorough answer to the question "What is a XXI organization": *Focused, flat and narrow to allow for core of competencies and specific goals and outsource all other elements of production process in which can't be "the best"; focused on personal and individual preferences and demands of its clients and customers; operates on local, regional and global level;constantly innovates within its industry but interacts with processes in connected industries; capable of turning knowledge and skills into measurable results; fast when it comes to adaptation to changes and capitalizse on them; possesses high levels of creativity and combines successfully both homogeneity and heterogeneity aspects of goods and services; and most of all, it is small, open, horizontal ,assessable, shallow and temporary* [5].

6. CONCLUSION

Globalization led to a number of structural changes that are almost revolutionary in nature, including overcoming national economic structure and promoting intense and dynamic information transfer. Moreover, globalization constructed information as the most important medium and resource influencing global cash flows, economic activity and competition.

Virtual organizations are a logical and indispensable organizational and management concept in the emerging dynamic circumstances and market processes. At the epicentre of the virtual organization is knowledge and skills, since success is reliant on speed and agility, ability to adapt and seize the opportunity for a given product in the shortest time possible and before competitors. With knowledge and skills dispersed across the globe is now available regardless of time and space, this is ever more enabled in today's world.

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KEY ASPECTS OF INTERNATIONAL PROJECT PORTFOLIO MANAGER COMPETENCIES

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Abstract: The definition of a successful company now exceeds national boundaries. The number of international projects continues to grow, and we can predict that this trend will continue in the future. Companies will need more project managers and project portfolio managers with capabilities for conducting international projects. Knowledge of project portfolio managers in the future must be increasingly complemented with elements of international matters. Hence the purpose of this paper is to consider the key aspects of international project portfolio manager competences.

The selection of the right project portfolio manager is a matter of concern in many a company these days. International project portfolio managers should be competent and flexible enough to find solutions in various situations. Companies entrust their initiative to project portfolio managers: their competence to accomplish all the projects timely, within the budget and the quality standards, largely defines the future of the company. Commanding certain knowledge, however, does not mean that the project portfolio manager is competent in his job. Apart from having certain knowledge, a successful international project portfolio manager is recognised by a large number of other features that have to be developed. In this paper the basic elements by which the international project portfolio manager's competence is defined and ascertained are discussed.

Keywords: International project portfolio, project portfolio manager, competence, knowledge, experience, personal attitude.

1. INTRODUCTION

Being able to do business with people from around the globe is no longer a convenient skill to have. Today it is a necessity. Markets are being transformed and the race is on to succeed in this new business environment. A key to success in the international market will be the development of managers who can cross geographic, functional and cultural boundaries.

Today world economy is more integrated – fewer barriers to free trade, rapid growth of world trade, more foreign direct investments, growth in imports, home market under attack of international companies, and the Internet as a strong international tool. Modern business management is a management of an international or global enterprise. A dramatic growth in globalization has led to a growing number o individuals with international assignments, international joint ventures and people moving to other countries to find work and prosperity [3]. Project portfolio managers are among them.

2. INTERNATIONAL BUSINESS AND PROJECTS

As professor Ian Mitroff observes, "For all practical purposes, all business today is global. Those individual businesses, firms, industries, and whole societies that clearly understand the new rules of doing business in a world economy will prosper; those who do not will perish" [8]. In accordance with what professor Mitroff observes, the basic characteristics of international or global companies are:

- National and regional boundaries are no longer barriers
- Represents a shift from hierarchical multinational model to flexible, networked model
- Combines a centralized global strategic intent and/or broad-based resources
- Collects and uses information on global trends, conditions, and resources
- Integrates holistic competitive strategies
- Creates free-flowing resource allocation scheme
- Creates global strategic partnerships – inter- and intra-organizational linkages

- Creates destabilized conditions in order to be proactive in the marketplace and gain advantages.

Companies can no longer afford to take into consideration candidates for executive positions unless they have had global experience. However, the main challenge would actually be facing the truth, that is to say, things that will function in domestic conditions may not be effective in another country. Project managers often insist on using their way of working in other countries without even first checking if it will be functional. Even though there are similarities among different projects here and in other countries we need to bear in mind that there is a difference in the ways of managing in different countries and cultures. Sometimes, these differences can lead an international project to a failure. If a future project portfolio manager is careful concerning the differences, the difficulties and dangers for the global project can be decreased or avoided. There are several basic factors that affect the way of project realization [9]:

- Legal and Political environment – The project portfolio managers need to perform their activities in compliance with the rules and laws of the country. Political stability and local laws strongly affect the project flow. These laws concern the rights of the employees, delivery obligations, ecological conditions etc…
- Geographical and climate conditions – Geographical and climate conditions are also of great importance for project realization. The project portfolio manager has to have in mind all the conditions which mean analyzing and gathering information of the country where the project is to be executed.
- Economy – The rules of business and trading are also very important for the project's successful flow. Information about the custom conditions, tariffs, quotes, barriers, market magnitude, changing of the currency is also useful for preparing the project.
- Infrastructure – That is to say, the capability of the country or the local community to provide services that are necessary for the project realization such as communication, transport, energy etc.
- Culture – The project portfolio managers have to accept and observe the local values, traditions, philosophy, and all the standards of the foreign country. They are aware that if the previously mentioned is not duly observed, the project can easily fail. Most of the project problems are due to cultural differences. This is at the same time the greatest challenge for the project managers – realization of the project in countries where business is done differently.

3. ROLE OF PROJECT PORTFOLIO MANAGER

The role of the project portfolio manager is to ensure a consistent approach to the classification, selection, prioritization and planning of the right projects and programmes in the company [11]. The main responsibilities of project portfolio management are as follows:

- optimization of project portfolio results (not an individual project or programme);
- harmonization of projects and programmes with the company’s strategy;
- selection of projects and programmes to be realized;
- defining projects’ and programmes’ priorities;
- discontinuing or stopping projects or programmes;
- coordination of internal and external resources for projects and programmes; and
- organizational learning between projects and programmes.

An efficient realisation of projects is said to be a key factor of the company’s business success. This is, however, only partly true. The achieved competitive advantage is not the result of efficient work on a project only. The fact that companies conduct real projects is important. Project portfolio manager is meant to ensure a successful execution of the company’s strategy through the most effective and most efficient execution of respective projects possible [15]. This is closely related to the role of the top management in the company and with the key decision makers in creating the environment in which the set goals can be achieved.

The project portfolio manager has to have knowledge and skills upon a set of projects in order that the needs and expectations of the company’s investment should be attained and even exceeded. This calls for a balance to be made between strategic and tactical requirements. The project portfolio manager usually requires that a definition should be made of what is possible and what is necessary. Balancing between the possibilities and the needs generally results in finding the best possible solution within limited resources.

The project portfolio manager focuses upon a clear definition of the values the projects bring to the company [7]. The project portfolio management is applied to all projects, to making decisions as regards the selection and prioritization, which is in accord with the strategic goals and the development of the company [10].

4. INTERNATIONAL ENVIRONMENT AND PROJECT PORTFOLIO MANAGER’S COMPETENCIES

The importance of world business has created a demand for project portfolio managers sophisticated in global management and skilled at working with people from other countries [12]. Today, a project portfolio manager works in an environment thet offers more opportunity but is also more complex and more competitive. Project portfolio managers need to be able to work domestically on global projects as well as abroad on expatriate assignments.

Nowadays, there is no universal way of acting for international project portfolio managers who very often deal with different problems such as: absence from home – sometimes without family, personal risks, missed career opportunities, foreign languages etc… But there are also benefits like: higher salary, greater responsibilities, travelling, meeting people… The project portfolio success depends on how well project portfolio managers deal with the problems they encounter.

If the chosen individuals that will work on international projects are not good enough for the job, the consequences can be fatal both for themselves and for the company's reputation. The organization should carefully select every individual before it decides if the person is capable of leading an international project portfolio.

The company needs to check and confirm if the candidates have experience with international projects, in cultures different than home, their previous results in foreign countries, physical and emotional state, knowledge, language... Even the rest of the family should be evaluated by a psychologist who would confirm their capability of adapting to other countries and cultures.

Very often the most important reason for choosing an individual is his/hers technical education which is always set at the top position, before the capability to adapt to different countries and cultures. As an effect, the training presents a critical factor and a way to prepare the chosen individuals for working and living in a foreign country.

The matter of competence is becoming increasingly important everywhere. If a project portfolio manager is a certain type of profession, logically there must be a certain way the candidates can prove they have the respective qualifications, and the companies must have some elements for selection and decision making based on the factors which do not include only a CV, an interview and a right feeling.

A project portfolio manager must necessarily possess certain knowledge, experience and certain personal attitude. On the basis of the level of the three components we can decide whether or not someone is competent to be a project portfolio manager in an enterprise or a function. Figure 1 illustrates the relation between competence and experience versus skills and knowledge. Knowledge is acquired by an appropriate education, while the skills are acquired through practice. Knowledge and skills together make the component parts of work experience in a given field, acquired in a given period of time, manifested by a respective competence level in a job.

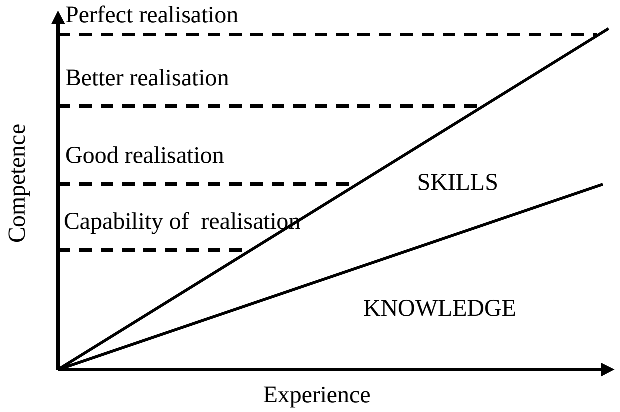

Figure 1. The graph of the relationship among competence, experience, skills and knowledge [16]

Differentiating between the categories of competence for a given job and the knowledge acquired through practice, we are supposed to make a clear difference between those who possess certain knowledge and those who can use this knowledge in an appropriate way. Apart from the diploma on the qualification acquired, there has recently been mentioned the need for the documents to prove whether or not a person is really competent for a given managerial position.

The fact that individuals do show an interest in their skills and capabilities being tested in order to prove their competence and thus improve the possibility of their future employment, and, on the other hand, the requests of the companies that need criteria for measuring the competence of managers, make it clear that certain standards have to be established. The standards are supposed to be the central instrument of ensuring the uniformity of the quality level in the certification programme for professional managers.

In such a system of testing the project portfolio managers' competence it would be necessary to define various levels of competence. At the same time it would be necessary that the validity of certified titles issued should be limited in time, and also that their validity should be defined and certified after a period of time. This is quite logical since the appraisal and acquisition of certain certifications would be based on the possession and ability to implement the knowledge which is today changing and becoming obsolete fast, but also on the basis of the results obtained and the experience gained in the previous period. To acquire certificates would require the knowledge of all the segments necessary to successfully perform the project portfolio managerial duties, as well as having the necessary experience in the jobs that are in accord with a given level of certification.

The very system for testing competence would provide much benefit for the project portfolio managers acquiring professional certification. The essential benefit would be related to encouraging them to broaden their knowledge in the right direction, and hence towards the improved management productivity as a natural outcome from this increase in knowledge. The certification also helps the firms and other organisations in view of employment and engagement of competent project portfolio managers for a given job in that it simplifies the evaluation and selection of the manager, at the same time minimising the risk level in case of a future project failure.

Testing and verifying the competence for the project portfolio managerial position would encourage the professional managers to:

- broaden and enrich their knowledge, experience and personal attitude,
- undergo permanent training,
- improve the quality of managing various enterprises and activities and

- improve both their results and the results of their companies.

5. COMPETENCE TESTING OF INTERNATIONAL PROJECT PORTFOLIO MANAGER

In order that the competence of the professional project portfolio manager should have an appropriate sense, it must be measurable by some acceptable standards and without subjective conclusions, assumptions and interpretations. Also, the standards must be approved of by some entities of reference. When the competence is measured in terms of these standards, the candidates either pass or fail, i.e., they are either competent or they fail.

The competence certificate could be the document that proves that the bearer of the document has proved before a committee of experts that he/she has theoretical knowledge in a given field of expertise and that, demonstrating his/her practical work, he/she has also proved that he/she is capable of using this knowledge in practice. The definition of competence testing and the acquisition of certain competence certificates for a given level of work in management would, on one hand, provide for a clear difference among project portfolio managers, and, on the other, devise accurate criteria for evaluation and selection of managers for a certain job. In such a way both the customers and the deliverers of certain services in the market would have an easier job.

The project portfolio managers' competence test model may include the following:

- Input competencies – include knowledge tested by relevant institutions via exams or other similar tests, then other qualifications and experience documented in the Curriculum Vitae.
- Process competencies – include basic competence, attitudes and behaviours found by the personal profile test.
- Output competencies – present the result of previous activities performed by the individual and formally documented and approved by a respective professional entity.

From the aspect of the necessary input and output competencies it is be possible to check the necessary knowledge as well as the implementation of this knowledge in the following categories and their elements:

- Basics (planning, organising, leading and control of project portfolio)
- Specific fields (quality, information system, marketing, production, finances and accounting, legal aspects of projects in a portfolio)
- Organisational Competence (company organisation, business processes, personnel development, organisational learning, …)
- Human Resources Management (teamwork, motivation, communication, conflicts, …)

For each of the elements mentioned the criteria for knowledge and experience required would be defined (e.g., knowledge and implementation of certain techniques, methods, tools…). Evaluation could be performed by a three-rate scale (low, medium and high). These three values could be interpreted for knowledge in the following way:

- Low: The candidate has knowledge of a given element (e.g., planning) and is able to present and explain the known techniques and methods for this element.
- Medium: The candidate has a solid knowledge and is able to recognise and implement relevant methods and techniques as well as to test the results obtained.
- High: The candidate knows the specific features of the relevant method and technique for a given element and is able to evaluate, create them, as well as to integrate and interpret and evaluate the results following the implementation.

For experience, the three values could be interpreted as follows:

- Low: The candidate possesses a certain experience gained in the function of project portfolio manager of some activities or leading an organisational unit.
- Medium: The candidate possesses an average experience and an average evidence acquired in a number of significant jobs and in a number of project portfolio managerial functions, in at least one sector significant for the organisation.

- High: The candidate possesses a broad experience and sound evidence of the results achieved in responsibility bearing project portfolio managerial functions in a larger number of complex jobs accomplished in the previous work.

Low, medium and high may be elaborated on a 1 – 10 scale in order to determine each of them more precisely. For example: low could be evaluated 1 – 3, medium 4 – 7, whereas high could be marked 7 – 10.

Process competencies attributed to personal attitude can be tested via the following elements [6]:

- Ability to communicate,
- Initiative, engagement, ability to motivate,
- Ability to get in contact, openness,
- Sensibility, self control, ability to value appreciation, readiness for responsibility, personal integrity,
- Conflict solving, argumentation culture, fairness,
- Ability to find solutions, holistic thinking,
- Loyalty, solidarity, readiness to help and
- Leadership abilities.

The criteria and aspects of the evaluation may vary as regards the elements for which the evaluation is conveyed. The elements related to knowledge and experience can be more easily evaluated in a quantitative way than the elements related to the personal attitude.

We should by no means forget, however, that, in addition to project portfolio managers' education and competence development, a successful business of a project portfolio must be viewed through the following factors:

- The power of the global and local economies,
- The position of the company in the market,
- The extent of the company's maturity as regards the competition,
- Tendencies in the market affecting the company's business,
- Financial stability of the company and its clients
- The competence of the company in the general management categories: strategic planning, product mix, marketing, production, quality and sale.

The success of the project portfolio is not only the matter of realisation of the project portfolio manager's competence on different projects. Achieving appropriate results of the project portfolio is a much more complex issue, which largely depends, however, on the managers that conduct the company's work on various levels.

6. SPECIFIC INTERNATIONAL PROJECT PORTFOLIO MANAGER'S COMPETENCIES

Worldwide, the number of international assignees is expected to continue growing, according to the most recent global relocation survey. However, when using a broad definition of failure (i.e. the expatriate assignment did not accomplish the goals of the company or the expatriate broke off the assignment), global failure rates have been estimated at 16–40 per cent [13], 20–40 per cent [14], 30–50 per cent [2] and 50 per cent [1] [3].

Inadequate competencies or lack of competencies have been recognized as a crucial factor for international project portfolio managers. Each country is unique for reasons rooted in history, culture, language, geography, social conditions, race and religion. The training that is done by the organizations to prepare the individuals for working in a foreign country is often very different. However, here are some things that the chosen individuals necessarily need to know [4]:

- religion
- dress codes
- educational system
- holidays – national and religious
- daily eating patterns
- family life
- business protocols
- social etiquette
- equal opportunity.

A possible short training would consist of several short lecturing series that would enclose subjects from how to present oneself in the right way, social acting, exchanging gifts etc. It can involve lectures, studies, language practice, cultural terminology, etc. At the end of the program, the individuals have fundamental knowledge of communicating with foreigners.

Gray and Larson recognized three different learning approaches [4]:

1. The “information-giving” approach – the learning of information or skills from a lecture-type orientation.
2. The “affective approach” – the learning of information/skills that raise the affective responses on the part of the trainee and result in cultural insights.
3. The “behavioural/experiential” approach – a variant of the affective approach technique that provides the trainee with realistic simulations or scenarios.

The duration and level of training depend on the extent of the cultural knowledge required to be successful in the project. If a person should be required to work abroad for a longer period, the training must be of a higher level. The length of staying should not be the single determinant, a higher level of cultural knowledge and, with that, a higher level of training can also be needed for projects that last shorter but are very intensive.

Some of key competencies for international project portfolio managers are communication, culture knowledge, emotional intelligence, and negotiating.

Communication
Communication is one of the crucial skills international project portfolio managers should master. Effective international project portfolio managers should assume difference until similarity is proven rather than assume similarity until difference is proven. Also, they need to emphasize description by observing what is actually said and done, rather than interpreting or evaluating and try to see it through the eyes of their colleagues worldwide.

Culture knowledge
Do project portfolio managers see culture? There are lots of examples of cultural blindness – limits to our ability to benefit from diversity. Project portfolio managers many times neither see nor want to see differences. Instead of that, project portfolio managers must recognize cultural diversity without judging it – see differences where differences exist.

Culture is generally invisible and, when visible, project portfolio managers usually see it as causing problems. Project portfolio managers rarely believe cultural diversity benefits organizations. Diversity most frequently causes problems in convergent processes, at a time when the organizations need employees to think or to act in similar ways. Culture is more often a source of conflict than of synergy. Cultural differences are a nuisance at best and often a disaster [5].

If, however, diversity is well managed, projects can benefit from both synergetic and cultural-specific advantages, including:

- Enhanced creativity
- Flexibility
- Problem-solving skills (especially on complex problems)
- Improved effectiveness in working with cultural distinct clients
- Improved understanding of the dynamics and communication patterns

Emotional intelligence
Emotional intelligence is very important for international project portfolio managers. Emotional intelligence gives competencies to international project portfolio managers to lead project in accordance with contingency. The main topics in the education of international project portfolio managers in emotional intelligence are:

- Self-awareness
- Self-regulation
- Motivation
- Empathy
- Social skills

Negotiating
A crucial aspect of all international relationship is negotiating. Negotiating is the process in which at least two partners with different needs and viewpoints try to reach agreement on matters of mutual interest. On international projects there is a cross-cultural negotiating. International project portfolio manager spend more than 50% of their time in formal and informal negotiating. The style of negotiation varies across cultures.

7. CONCLUSION

The number of projects that fall into the category of international projects is ever increasing. We can say with certainty that in the period to come the number of this kind of projects will be higher and higher. A growing number of people will work on international projects and a higher number of project managers and project portfolio managers that are able to manage international projects will be required. The ability of project managers that are expected to manage the projects abroad must be advanced by certain training.

Preparing and understanding cultural differences of a country in which the project would take place can provide the first impression about a nation and managing the projects. International projects have special characteristics. Not all people are alike. Differences within and among countries and cultures are numerous and complex. The project portfolio manager should accept these differences and treat them as actual and live with consequences. What is acceptable at home, may not be applicable abroad. Although the greatest attention on international projects is directed to technical characteristics or expenses, projects must be implemented within the environment of social rules of conduct, work, state controls as well as religious beliefs. In most cultures, sincerity and flexibility will pay off.

The training specific to the host country is necessary for international project portfolio managers. The type of training depends on future projects. It is not true that only long-term international projects need extensive training. Short-term, but very intensive international project can also require comprehensive training. The type of training also depends on a country. A project portfolio manager from Serbia will require less preparation for a project in Slovenia than for a project in Poland, for example.

The following decades will be important for many companies and their countries as well. Companies must develop international strategies, if they want to succeed. International projects will play a crucial role in the future success of companies and project portfolio managers should be prepared for future activities.

A certain level of knowledge, skill and ability to manage is necessary for acquiring the title of international project portfolio manager as well as for achieving a certain competence level. The more competent people, professionals in this job a company has, the greater the possibility that the company will conduct its work on a very high level. Determining the international project portfolio manager's competence is to help us in the further development of managers.

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STRATEGIC TURNAROUND OF FINANCIAL MANAGEMENT IN THE SERBIAN GOVERNMENT

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Abstract: Approaches that are expected to give improved results in planning, implementation and control in the public sector are strategic management and program and project oriented management. These approaches enable direct assessment of financial management improvement through three major criteria: effectiveness, efficiency and impartiality. The main goal of strategic management in the Government of Serbia is to maximize the quality of policy coordination and planning and controlling the budget through deploying available resources to the best effect. Despite current achievements in the Serbian government, the implementation of strategic management still faces numerous methodological and organizational challenges, so there are lots of areas for improvement.

Key words: public sector strategy, government, goals, objectives, programs, projects

1. INTRODUCTION

The most important aspects of strategic management and project/program management in the public sector are discussed in this paper. Public, or state management represents the highest level of management in a state and the basis of this type of concept of management in this segment will serve as the foundation for its expanding into all other segments of the public sector.

All the stages that precede an efficient program management will be presented, from the development of the National vision, through defining macro and sector strategies, to defining the long- and short-range goals. Based on adequate implementation of these stages, project and program management, which embodies the well-established management concept in all spheres of the society, can be initiated. In the context of public management and management in public sector overall, this approach has a multiple use, and its significance is, above all, related to planning and monitoring programs and projects.

Furthermore, the importance and adequacy of implementing this concept in the public sector and Government of Serbia will be further discussed. Special attention is paid to empirical validation of implementation possibilities i.e. survey executed in autumn 2012. The results of the survey represent the baseline for key recommendations and building a sustainable strategic-oriented public sector in Serbia.

2. THEORETICAL BACKGROUND

Globalization, technological development and geopolitical changes in this century call for the change in the organization's strategic orientation as well. Growth in profits, as one of the basic goals, is being exchanged for the growth in value for the shareholders, for the respect for the business ethics and for the establishment of the socially responsible business [14] The turbulent and unpredictable development of technology has also had an impact upon a fierce competition in certain markets, such as e-trade, where the winner captures the entire or a major share of the market (e.g. eBay in the Internet auctions).

In response to these challenges it is necessary that such a management system in the organization be defined that will pool the needs for change in the form of a different number and size of projects and programmes to be realized as well as the strategy these projects are comprised in. By applying the concept of the project-oriented organization as a frame for such a management system, if it is supported by an appropriate organization, team work and project culture, it is possible to achieve a substantial improvement in the business results.

The project-oriented company can be defined as a business entity that conducts its activities on the principle of the project organization of work, implementing contemporary achievements of project management, i.e., using programme management or project management. [13] The organization and processes executed by the project-oriented company (POC) are characterised by a complex structure, by the dynamics reflected in constant changes in the number and size of the programmes and projects, by flexibility, as well as by a large number of permanently or temporarily employed participants.

The basic features of the project-oriented organization may be listed as follows [3]:

- takes project management as its strategy;
- uses temporary organization to perform complex processes and activities;
- has a separate permanent organization that functions as integrator;
- manages a project portfolio consisting of different types of projects;
- implements a new management paradigm;
- is characterised by a specific project culture;
- considers itself as project-oriented.

Basically, the project-oriented company uses the concept of project management. According to [10], project management is a new management approach since the projects:

- are focused upon results,
- require efficient leadership,
- are a meeting point of different stakeholders in the company,
- serve as a synergy factor uniting multidisciplinary teams towards a defined goal, with definite time and resource limitations,
- are the basis for individual development within the team,
- serve as a team membership enhancing factor.

On the other hand, in their detailed research on PM processes, technologies and skills in which they explored over 3,500 articles, journals and reports, [9] defined the following trends related to the project management evolution:

- standardization of processes and tools,
- broader use of Web-based technologies for corporate communication and collaboration,
- implementation of generally accepted PM practices and methodologies,
- clear „outsourcing“ in the execution of the projects of the largest companies,
- larger share in the non-profit sector projects,
- evolution of project manager’s role into a leader’s role,
- adjusting the project scope to the demands of business and measurable benefits,
- increasing importance of project selection and prioritization,
- stress on formal PM trainings and accreditation,
- increasing focus upon risk management, communications management and stakeholder management, especially in the planning phase.

[15] states that in the conditions of temporary organizational structures and an ever present scarcity of resources, today’s organizations recognize project management as a method to achieve an adequate system flexibility and the desired business results. This attitude is supported by [5] who views project management as a flexible, efficient and strategic management system to achieve planned results in the traditional management structures. Similarly, he maintains that the present role of project managers is primarily strategic (50%), then managerial (40%) and in the least technical (10%). These views are shared by [1] who claims that project managers should reposition the role of project management from the medium and operative management discipline into a business philosophy whose task is to support strategic organizational change in the company.

Project management is therefore no longer viewed as an approach to planning and monitoring a project, but rather as a way to achieve the company’s strategic goals in a new business environment. This means implementation of modern PM disciplines that stress the strategic aspect of project management. The company in which project management is pronounced to be strategically important is defined as a project-oriented company.

The boundaries and contents of a project-oriented company are changing in character [3]. This is reflected, on one hand, in constant changes in the number and size of projects, in the engagement of temporary or permanent resources and in the use of virtual teams for the tasks of coordination and management. On the other hand, relations are established with various strategic partners, so that the projects and programmes are realized in the conditions of different social environments to which the company has to adapt. In order to adequately respond to challenge that takes on the character of project-oriented enterprise, it is necessary that a unique identity of the company be defined, however, it should be flexible enough not to endanger the company's dynamic character.

When analysing the project-oriented organization strategy, we must by all means take into consideration the [4] research, in which they challenge the conventional approach to adjusting the company's capacity to the demands of the environment. According to the research, less successful companies try to realize their strategic intentions within the resources available. They support the attitude that the strategic balance and sustainable competitive advantage are achieved by implementing one of the available generic strategies. Such an approach results in repetition and imitation. On the other hand, the most successful companies focus upon using key competences in a new and innovative way, in order to achieve the goals that at first sight seem unattainable. The resources are used in a creative way, different demands are put to the environment, while the company continually improves its key competences and undertakes organizational change. It is these features that make the strategic basis of the project-oriented company. Its key project management competences are functional in the realisation of strategic intentions.

Creating the project portfolio, which is the first step towards taking action is considered to be a most important element of the project-oriented organization strategy. The aim of linking the strategy to the project portfolio is to bring into accord the project and the priorities with the defined strategy and strategic priorities [8]. This is primarily important in adjusting the portfolio size to the company's capacity and presenting the projects in the portfolio as key events in the process of achieving a desired future state.

In the context of the project-oriented company, the project portfolio is viewed as a set of projects a company executes in a given period of time [7]. To this group belong research projects, development projects, work process improvement projects, IT projects, cost reduction projects, product and service improvement projects, projects for ordering parties, etc.

The portfolio management is critical for the success of the project-oriented company. It covers areas such as project selection, project prioritization, resources allocation and the company's business strategy implementation. Thus it has to answer the following questions [2]:

- Which projects should be realized?
- How should projects be most efficiently organized as regards achieving desired goals?
- Which is the right relationship between projects?
- Which project mix can give best results?
- Which projects are of highest priority?
- How should resources be distributed among different projects?

The project portfolio forming process is necessary in order that the right projects should have a chance to be realized [11]. The company must first identify the opportunities, estimate its organizational adjustment, analyse costs, benefits and risk, and finally, develop and select the portfolio. Every company must undergo this process if it seeks to create an appropriate project mix. The methods and techniques used may differ according to the maturity of the company, project types and the experience in forming the project mix. The project portfolio management is an important factor of a long-term strategic success of project-oriented companies.

3. PROGRAM MANAGEMENT

Program management is no longer a new idea in the world. Scholars have been focusing on this type of management for over 10 years. It should be noted that all the management and business schools in developed countries increasingly turn from the concept of managing projects to sa omewhat broader concept of project and program management. However, it would be appropriate to say that in this country program management represents a brand new notion and is virtually not implemented.

Program is a large and complex endeavour which encompasses several projects or subprojects, where every subproject addresses one of the aspects of the effort that is considered a program. A program represents a complex effort which includes more projects that are focused on accomplishing the unified goal of the program. Every project has a result or a goal, but all the projects are related and aim towards the common goal of the program [7].

Implementing program management in the state administration should enable a completely new approach to planning and monitoring, and should serve as a factor of initiation for other segments of the public sector.

4. STRATEGIC FRAMEWORK

When we consider management in the public sector, where by sector we imply both the management and the companies, we should start from the highest level. The highest level of management in the state is undoubtedly the Government of the Republic of Serbia, which, through its departments, has a key role in executive management.

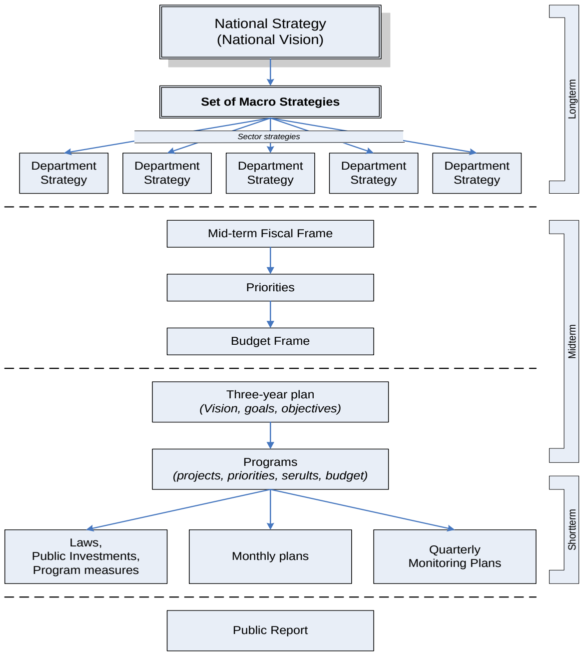

Figure 1 – Strategic model of project and program management in the public sector [12]

4.1. NATIONAL VISION

Every strategic management system begins with a vision. It is clear that the system of state management shouldn't be based on a different concept. Every modern state should have to adopt a broadly defined, widely accepted, non-political national vision. That vision is often incorporated and expressed in a document which is (perhaps incorrectly termed) called the national policy. It represents a statement, based on a broad political and social consensus, and provides a framework, guidelines and priorities for all other strategies and policies of the departments. Unfortunately, The Republic of Serbia doesn't have this kind of strategy, i.e. national vision which would provide guidelines for its further development and address the issue of where Serbia wishes to be in a 10 years' time. Of course, the majority of population sees Serbia as a modern European state, with high national product, low numbers of the unemployed and the poor, in the European Union… Views are practically unanimous regarding the majority of these issues, so it inevitably raises the question of why Serbia does not have a unified national vision?

4.2. MACRO STRATEGIES

On the basis of the adopted national vision / strategy there is a whole system of sub strategies to develop, that is, a set of macro strategies that elaborate the previously defined national strategic framework. These documents should relate to specific sections and areas of social and state operation. They should provide guidelines for the direction of the state and the nation, and suggest the course of actions and, where possible, indicate the existence of alternatives. Macro strategies, like the national strategy, should be based on a broad political and social consensus and be adopted in the national parliament by a large majority. Any other situation would not produce adequate results in the long term. Managing the state cannot be time-framed to a four-year period, i.e. one election cycle. The primary direction of the development in certain areas has to be separated from the political moment.

Fortunately, Republic of Serbia has a whole range of these strategies that provide guidelines for efforts in specific socio-economical aspects. In spite of the lack of adopted national framework / vision, it should be noted that these strategies start from widely accepted common goals, to which no political or social actor could oppose.

4.3. SECTOR STRATEGIES

Sector or department strategies relate to specific courses of action, and are often referred to as policies which provide the framework for the management of a certain sector, i.e. department. These strategies provide guidelines for accomplishing results in specific areas of public action, and their purpose is to lead the departments to become, and truly operate as a public service for the citizens. It is worth mentioning that some of the strategies of the departments often include only specific parts of one or more departments, so the term sector / department should be taken with reservations. It is crucial to underline that sector strategies must be a logical progression and development of macro strategies. Each strategy or policy for actions of a department or its sectors has to be grounded in one or more macro strategies, which are further embedded in a national vision.

A number of adopted sector strategies exist in the Republic of Serbia. For example, "National employment strategy"; "Development of policy and strategy for speciality education in Serbia ", "National strategy for fighting against HIV/AIDS", "Strategy for the energy develompent of the Republic of Serbia", "Safety of food strategy", "Strategy for reforming the state administration", "National strategy for fight against corruption", "Strategy for agriculture of Serbia", etc.

5. MIDDLE-TERM FRAMEWORK

5.1. MIDDLE-TERM FISCAL FRAMEWORK

Authorized specialized agencies continually monitor macroeconomic developments in the state, and on that basis perform a number of complex macroeconomical analyses. By tracking a number of macro indicators, budget incomes for future periods are calculated, that is, by certain methods of prediction fiscal frameworks on the middle-term level are determined. That middle-term framework is generally related to a period of three to five years. In the Republic of Serbia, the middle-term fiscal framework is applied for a period of three years, and published by the Department of Finances.

5.2. PRIORITIES

Priorities for funding within a state are one of the essential elements, and often cause conflicts within the Government. Allocation of funds to the departments is done on the basis of the predicted budget developments in the following middle-term period. That allocation has to be based on relevant strategic documents of the Government and the departments, and must not be subject to political or inter-party bargain. When assigning priorities, guidelines provided in the macro strategies must be followed, and on their basis, clear and public criteria for assigning priorities be developed. It should be stated that, even though national macro strategies are widely accepted documents, considering their long-range framework, when assigning priorities, some adjustments that may have occured in the environment which could significantly impact the schedule of assigning priorities, must be taken into account.

5.3. BUDGET FRAMEWORK

Based on the defined priorities and middle-term fiscal framework, predictions for budget framework are performed for specific departments. These budget frameworks which, above all, represent the means for accomplishing sector strategies, and are a function for carrying out middle- and long-term goals of the departments, are adopted for a period of 3-5 years, relative to time horizon of the middle-term fiscal framework.

On one hand, budget frameworks provide the Government, i.e. the Department of finances with certain guidelines regarding the budget expenditures for the following middle-term period. On the other hand, for the departments, they are the basis for project-program planning. Based on the projected budget frameworks the departments are able to determine the minimum of projects and programs that will be funded together with a limited set of current activities, for the purpose of accomplishing the adopted strategies.

5.4. THE THREE-YEAR PLAN

As mentioned in the paragraph above, on the basis of adopted budget frameworks, the departments should develop middle-range plans which would provide the guidelines for actions in achieving the goals. These plans are also developed for the same period which is determined by fiscal, or budget framework, i.e. 3-5 years. In Serbia this period is three years.

Middle-range, i.e. three-year plans stem from the vision of the departments, which results from the adopted national vision. In these plans, general and specific (individual) goals should be developed. Considering that these categories are based on the general criteria, it is essential to tie them to specific time references. Thus, based on the criteria of terms, that is, the planning horizon criteria, we can identify these goals with midlle-term and short-term goals respectively. If we adopt this relationship, which is in the scientific-methodological and in practical sense completely justified, we could say that the three-year plan which starts from middle-term goals, provides detailed illustration of individual-short-term goals, whose accomplishing contributes to achieving the previously mentioned general-middle-term goals. Special consideration here needs to be paid to the word *contributes* because it signifies the essential relationship and consistency of these two types of goals, which is very important in the following stage of program or project planning. It should be taken into account while defining the goals, that they should be reasonable and feasible, measurable and time-framed.

5.5. PROGRAMS

If we roughly divide the management into planning, execution and control, then everything we have mentioned so far relates to the process of planning. Starting from the national vision, through sector strategies, fiscal and budget frameworks, to general and individual goals of the departments, all the activities relate to the planning activities, regardless of the management level or the time frame.

The process of execution within the specific department actually begins with implementing certain programs, or projects. Programs should be designed in the way that their achievement leads to accomplishing the specific middle-term (program) goal and consist of a range of current or programming activities which result from the legislative jurisdiction of the department. Projects can be part of one or more programs and are linked to specific individual goals.

During the process of determining (planning) the program and projects all the elements of functional approach to program management should be considered. Namely, for each program, through its constituent projects, a clear goal(s), range, results, quality, budget, risks, staff, parts and activities should be provided. Bearing in mind the specific implementation, special attention should definitely be paid to defining the results and determining the precise budget. Not until we perform the detailed planning of all the parameters of the project and, through that, the program, can we approach to the process of assigning the priorities. It is needles to further discuss the significance of priorities, considering their importance in multiproject management in any sector or industry. Yet, we should emphasize once more that criteria must be determined clearly and publicly, in advance, and set in the way that proper assignment of the priorities efficiently leads to accomplishing all the goals of the department, and by that, of the Government.

Assigning priorities of programs and projects should serve as the foundation for their funding from the budget, which will be determined (consistent with the previously projected budget framework). It is clear that only a limited number of efforts with higher priorities will be funded out of the budget. However, it should be considered that developed project proposals which have not been accepted for budget funding, are an excellent basis for the external funding. It is much easier to acquire funds for projects that are planned in the abovementioned way, where consistency of goals and results can be tracked from an individual activity to the National vision.

6. SHORT-TERM FRAMEWORK

Distinguishing program and projects as middle-term and short-term is not always simple. Programs are, by definition, complex efforts which consist of a large number of projects, which implies that they are generally of a middle-term character. Projects, on the other hand, are less complex and can be short-termed, but also, can last as long as the program that they are part of. It is our opinion that clear time differentiating should not be a big issue at this point, and that proper essential formulating of projects and programs should be considered. Perhaps the most difficult part of implementing this concept is the transition to the project way of thinking, by which the largest part of activities done within a jurisdiction of the department is clustered in specific projects or programs.

Special attention should be paid to the system of operative planning and monitoring. Its significance regarding the efficient management is clear, but here it represents the basis for the quarterly plan of monitoring, i.e. the commitment which results from the legislative framework. That is, all the departments are obliged to submit reports on accomplishment to the Government.

At the end of every fiscal year, the Government is due to submit a Public report which provides the required data on the results achieved. Based on the sector reports which are submitted by the departments, the Government completes the report which includes primarily the data on budget administration, but it should reveal everything that is or is not accomplished. Of course, comparing the planned and the achieved results is the basis for analyzing the work of the Government. This analysis, which is available to the public, should point to the degree to which the plan is accomplished, and also provide certain indicators that could serve for possible redefining of the planning documents from strategic to operative levels.

Program-project approach actually provides the best foundation for monitoring the degree of accomplishment, deviation from the plan with regard to time and costs, and is most suitable for managing the development endeavours.

7. EMPIRICAL VERIFICATION OF THE PRESENTED MODEL

In order to evaluate the results achieved in the process of strategic management implementation, the following instruments were used: interviews and questionnaires that were delivered to state authorities. The survey was performed in September, October and November 2012 and the total number of complated questionnaires is 145.

The questionnaire is prepared in the line of determination what steps of strategic management organizations are currently implemented well, not so well or are not implemented at all. The questionnaire consists of three parts: general information about civil servants who participated in the survey, evaluation of processes, methodologies, and methods and techniques of strategic/medium-term planning and evaluation of the achieved results.

General information about respondents included information on sex, length of employment, the name of the sector, the number of employees, position, level of involvement in the strategic planning process, ad-hoc strategic planning working group membership and position within the group. The second part of the questionnaire dealt with the assessment process, methodology, methods and techniques of strategic/medium-term planning in public administration. Also, the level of institutionalization of the planning function, defining the basic parameters of the strategic plan, management and implementation of strategic plans to support the development of capacity are analyzed. The last segment of the questionnaire related to the evaluation of the achieved results, where respondents evaluated the goals, the most important result of the strategic/medium-term planning implementation, as well as the major challenges/problems that decrease the effects of strategic management. A few important results of the survey are presented below.

Most respondents (37.5%) are on advisors positions, 15.63% are senior advisors, 12.5% are independent advisors, 9.38% are on top managers' positions, and 3.13% of respondents are interns. Also, 21.88% of respondents had positions not listed in the questionnaire (project associate and so on).

Most respondents, even 96.88% so far participated in the process of strategic/medium-term planning. 34.38% of the total number of respondents were contact persons responsible for entering data into a General Secretariat software application. 56.25% of respondents believe that strategic management is an activity of high priority and that is regularly performed. On the other hand, when it comes to responsibility for the implementation of programs/projects even 34.38% of respondents said that responsibility is unclear or even does not assigned to anyone. Only in 18.75% cases the responsibility is really fully assigned to one person. Also, 56.25% of respondents claimed that resources are not allocated in an appropriate manner. Only 28.13% of respondents said that resources are efficiently allocated.

Respondents underline requirements that come from external environment as a primary objective of strategic/mid-term planning, rather than the need to make their operations more effective and efficient. So, one of the key drivers in the following stages of strategic management implementation should be creating awareness among civil servants for better fulfillment of the reform agenda in terms of effectiveness, efficiency and impartiality, rather than meeting demands from the environment.

Next, as the most important result of strategic management implementation, respondents rated the acceptance of GS software containing planning data prior to attitude towards strategic planning as the basis for the successful functioning of the institution. Also, respondents had a positive attitude towards the following results of strategic management implementation: ad-hoc working groups for strategic planning, new organizational departments for planning/coordination (PMO and similar organizational forms), institutionalization of strategic planning through adoption of necessary legislation and implementation of outcome-oriented budget (program/ performance budget).

As regards the biggest challenges/problems, that diminish the effects of strategic management, respondents gave the top position to the GS software functionality. Also, the following areas for improvement were identified: absence of central government coordination unit, unclear roles of people involved in the planning process, unclear instructions and priorities from central government level and Ministry of Finance and lack of formal authority among key involved parties.

So, from all previously presented results one may conclude that strategic management is partially institutionalized in the public administration of the Republic of Serbia, and it serves as a basis for preparation of annual and three-year financial plans. On the other hand, questions of fundamental implementation of strategic management, which are confirmed by the attitudes of key personnel involved in the realization of programs and projects still remain open. A crucial step in the process of full implementation of strategic management will be unequivocal support of top managers and their active participation.

8. CONCLUSION

Strategic management and project/program management are concepts that have yielded good results in the economic sector worldwide. On a governmental level, these approaches are implemented in only a few countries. In that sense, strategic management and project/program management approach which are currently being introduced in Serbia present a whole new concept.

It is almost certain that this approach will give very good results if it is adequately implemented. The question arises, however, og what has to be done towards the complete implementation of strategic management? Apart from the well designed project with the goal of introducing this approach, special attention needs to be paid to the capacities of public organizations, and above all in the area of project awareness and project way of thinking. A big transformation has to be done, from traditional functional organizing (not management) to the project approach. Almost everything that once was everyday, separate activities now must be included in the targeted and well designed programs and projects.

In terms of case study presented in the paper, one may conclude that significant improvements are necessary in the following areas of Serbian government in order to fully implement strategic-oriented financial management:

- Building of clear responsibility system for public servants
- Resource allocation in the line with strategic priorities
- Building of motivation system based on individual performance evaluation
- Implementation of monitoring and evaluation systems
- Strategic decision making based on strategic documents
- Identification of indicators for every aspects of the program/project; special focus should be on impact indicators
- Transparency of planning process and defining clear means of verification for progress monitoring.

This reform initiative should be welcomed and given full support, because the transformation of this scale, in the sector specific for its delicacy and complexity, definitely represents a giant step on a fragile surface, but towards sustainable and high quality public service oriented to citizens' needs and national priorities.

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PROJECT MANAGEMENT PROCESS IN DONOR-FUNDED PROJECTS IN DEVELOPING COUNTRIES

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Abstract: This study refers to the analysis of project management concepts applied to the planning, monitoring and evaluation of donor-funded projects in developing countries. The aim of this study is to show the usefulness and efficiency of PM concept application in donor-funded projects carried out in developing countries as well as to analyze the importance of application of this concept in donor-funded projects, especially during the procedure of the application for aid contracts as well as during implementation. The introductory part of the study summarizes the specific characteristics of developing countries as well as world's leading aid agencies and organizations that carry out donor-funded projects in developing countries. The main section of the study analyzes the key elements of project management in donor-funded projects carried out in developing countries.

Keywords: project, project management, donor-funded project, aid organizations, developing countries

1. INTRODUCTION

According to the data of the World Bank, the United Nations and other development oriented institutions and organizations, it can be concluded that nowadays there is still a big difference between developed and developing countries, i.e., rich and poor countries. The countries with low per capita gross national income (GNI) accompanied with low values of other development indicators are classified into the group of the least developed countries in the world and it is estimated that there are approximately 50 countries categorized under this group today. This group of countries as well as the group of countries with middle GNI, both of which are referred to as developing countries, need development aid in order to develop. Development aid is provided by developed countries and in order it should be used as efficiently as possible it is necessary that donor-funded projects carried out in developing countries be managed in the most efficient way, which is the process both recipients and donors are included in. Project management concept is a management approach confirmed in common practice which, if properly and efficiently applied, can significantly support the achievement of this goal.

With the aim of giving contribution to increasing awareness of end-users of development aid about the importance of applying project management concept in the implementation of donor-funded projects and training on procedures and methods applied in project managements in donor-funded projects as the prerequisites for the approval and effective use of development aid, this study describes and summarizes the best practices of project management in donor-funded projects in developing countries presented through the analysis of the key elements in two project management methodologies applied in the work of USAID and UNDP, adjusted to meet the needs of the world's two leading aid agencies which have achieved the highest level of project management maturity in their respective fields. Recipients of development aid are expected and encouraged to apply the above methodologies in planning, monitoring and evaluation of the projects they apply for or participate in, which ensures a higher efficiency of the development funds invested in these projects.

2. DEVELOPING COUNTRIES

Developing country is a term generally used to describe a nation with low values of economic development indicators, which is usually accompanied with low values of other indicators of human development. Developing countries have a low gross national income (GNI) per capita, the key indicator reflecting development of countries.

In these countries poverty is widely spread and they also have a low yield on capital. These countries have a relatively low living standard, undeveloped industry and middle or low Human Development Index. These countries are also characterized by the lack of modern infrastructure and the inability to exploit their natural resources and move towards sustainable economic development and high living standard.

The term developing countries is used for a great number of countries which not only fail in improving their economies but which are also facing long periods of economic decline. Therefore, developing countries are also classified into sub-groups according to the differences in the values of the above mentioned indicators and other specific aspects.

There is a great number of indicators used in monitoring of the development of countries worldwide and plenty of classifications based on them referring to all countries or only to developing ones. International development organizations which provide assistance to less developed areas in the world rely on the above mentioned classifications, especially in prioritizing the urgency of providing assistance to particular areas. The two most significant classification systems are the classification systems of the World Bank and of the United Nations.

The World Bank provides financial and technical assistance to developing countries all around the world. Its mission is the struggle with poverty in a persistant and professional manner with the aim of achieving long-lasting results in its efforts to help people provide funds, share knowledge, build capacities and partnerships in public and private sectors in developing countries. The World Bank is not a bank in the common sense; it consists of five development institutions: the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA), the International Finance Corporation (IFC), Multilateral Investment Guarantee Agency (MIGA) and the International Centre for the Settlement of Investment Disputes (ICSID). Each institution plays a different but complementary role with one common goal. The World Bank was established at Bretton Woods in New Hampshire, USA in 1944 and it initially helped the post-war reconstruction and development of European countries after the World War II. Today, it is headquartered in Washington, D.C. and has 187 member countries. It has more than 10,000 employees in more than 100 offices worldwide [7]

To enable an efficient insight into the data on the development of countries worldwide and a transparent presentation of these data, a free, interactive online tool was created which maps and creates graphics for more than 175 indicators from the World Bank's database on development - *e-Atlas of Global Development*, which comprises the key theme areas such as poverty, food production, population growth, climate changes, international trade and direct foreign investments. The Atlas is based on the global database which contains the data of the World Bank, other international agencies and National Statistics Bureaus of the World Bank's member countries.

Gross national income (GNI) per capita is the World Bank’s main criterion for classifying countries and their economies. According to its GNI per capita, every country is classified as low income, middle income (which is divided into lower middle and upper middle), or high income. The World Bank’s classification includes its member countries (187), and all other countries with populations of more than 30,000 (215 total). Classifications and data reported for geographic regions refer only to low-income and middle-income countries, sometimes referred to as developing countries. Although, according to the World Bank's methodology, this does not necessarily mean that all countries classified into the same group are experiencing similar development or that developed countries have reached an optimal stage of development, this indicator is taken as a starting point for further analysis of development of a particular country and in most cases, it is accompanied by similar values of other indicators of human development.

The United Nations system is more general than that of the World Bank regarding its classification of countries according to development indicators and their categorizing under the developed and developing groups.

In common practice, Japan in Asia, Canada and the United States in northern America, Australia and New Zealand in Oceania, and Europe are considered as developed regions or areas. According to international trade statistical data, the Southern African Customs Union is also treated as a developed region and Israel as a developed country; countries emerging from the former Yugoslavia are treated as developing countries; and countries of Eastern Europe and of the Commonwealth of Independent States in Europe are not included under either developed or developing region.

The UN classification of nations based on development indicators defines only those indicators referring to Least Developed Countries (LDCs). As separate groups the UN classification marks Landlocked Developing Countries (LLDCs) and Small Island Developing States – (SIDS) some of which are classified into the least developed countries in the world. The Commonwealth of Independent States, countries of southeastern Europe – Albania and countries emerging from the former Yugoslavia, apart from Slovenia, are classified into the group of the countries in transition.

The United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and the Small Island Developing States (UN-OHRLLS) [2] was established by the United Nations General Assembly in 2001 with the aim of increasing the efficiency in providing development aid to these parts of the world.

The UN uses the following three criteria for the identification of the Least Developed Countries [1]:

- A low-income criterion, based on a three-year average estimate of the gross national income (GNI) per capita (under $905 for inclusion, above $ 1,086for graduation);
- A human capital status criterion, involving a composite Human Assets Index (HAI) based on indicators of: (a) nutrition: percentage of population undernourished; (b) health: mortality rate for children aged five years or under; (c) education: the gross secondary school enrolment ratio; and (d) adult literacy rate; and
- An economic vulnerability criterion, involving a composite Economic Vulnerability Index (EVI) based on the indicators of: (a) population size; (b) remoteness; (c) merchandise export concentration; (d) share of agriculture, forestry and fisheries in gross domestic product; (e) homelessness owing to natural disasters; (f) instability of agricultural production; and (g) instability of exports of goods and services.

A country must satisfy all three criteria in order to be added to the list. In addition, since the fundamental meaning of the LDC category, i.e. the recognition of structural handicaps, excludes large economies, the population must not exceed 75 million. To become eligible for graduation, a country must reach threshold levels for graduation for at least two of the above mentioned three criteria, or its GNI per capita must exceed at least twice the threshold level, and the likelihood that the level of GNI per capita is sustainable must be deemed high [1]. Today, there are 49 countries classified into this group.

3. AID ORGANIZATIONS AND THEIR PROGRAMMES

3.1. DONOR AGENCIES – DEFINITION AND CLASSIFICATION

A donor agency is an organization that provides funds for development projects. Donor agencies can distribute their funds through official (government) channels and private channels. In common practice, government donor agencies distribute their funds through government agencies whereas private funding agencies generally channel funds through various nongovernmental organizations (NGOs).

Donor agencies can be classified into three types:

1) National governments – bilateral donor agencies through which a donor country provides development aid to a developing country directly or indirectly directing their development funds through multilateral agencies. Western governments, Japan, and the OPEC nations are the main national government donor agencies. Funds are usually given through the following government aid organizations: USAID (USA), CIDA

(Canada), ODA (UK), NORAD (Norway), SIDA (Sweden), AUSAID (Australia) etc.
2) Multilateral agencies – which are provided development funds by national government donor agencies to distribute it further to development countries. Some of the leading multilateral donor agencies are UNDP, UNICEF and the World Bank.
3) Charitable organizations – There are thousands of charitable organizations in developed countries. Some of the most reputable are OXFAM, TEAR Fund, the Ford Foundation and the Kellogg Foundation.

According to the OECD's data, if the shares of development aid provided by bilateral and multilateral agencies are compared, the current proportion is about 70% bilateral to 30% multilateral. According to the same source, about 80-85% of developmental aid comes from government sources as official development assistance (ODA) whereas the remaining 15-20% comes from private organizations such as non-governmental organizations (NGOs), foundations and other development charities (e.g. Oxfam).

3.2. GOALS AND PROGRAMMES OF INTERNATIONAL AID ORGANIZATIONS

The struggle with poverty in the world and the alleviation of its consequences are the main task and goal of international aid organizations. International aid programmes aim to provide development aid to economic, environmental, social and political development of developing countries, i.e., to those people in the world who have the highest need for it.

The main development goals of international development aid programmes in developing countries are the so-called Millennium Development Goals, defined and adopted by the UN's Millennium Declaration signed in September, 2000 that obliges the signatory countries to work on the achievement of the following eight development goals aiming to provide assistance to less developed areas in the world [8]:

1) eradicate extreme poverty and hunger
2) achieve universal primary education
3) promote gender equality and empower women
4) reduce child mortality
5) improve maternal health
6) combat hiv/aids, malaria and other diseases
7) ensure environmental sustainability
8) develop a global partnership for development.

These goals are defined and agreed on in cooperation with the World Bank, the International Monetary Fund (IMF) and the Organization for Economic Cooperation and Development (OECD) and they represent the mission of the United Nations Development Programme (UNDP). The UNDP's programme concept is divided into several sub-areas [9]: 1) Poverty Reduction, 2) Democratic Governance, 3) Crisis Prevention & Recovery, 4) Environment & Energy, 5) HIV/AIDS, 6) Women's Empowerment, and 7) Capacity Development. The first seven goals focus the responsibility of developing countries to persist in their efforts to undertake policy reforms and improve good governance, whereas goal eight stresses the responsibility of developed nations to relieve debt, provide more development funds and give developing countries a better access to their technologies and markets.

The US Agency for International Development (USAID), the second leading aid organization, is governed by the same principles in its efforts to provide development aid to developing countries. USAID's scope of work is aimed at supporting three areas of interest [10]: 1) economic growth, agriculture and trade, 2) global health, and 3) democracy, conflict prevention and humanitarian assistance.

For the purpose of the analysis of project management concept applied in donor-funded projects in developing countries, this study is focused on the methodologies of the above mentioned two organizations for several reasons.

First, USAID and UNDP are two complex, well-coordinated and efficient organizational systems that have successfully undertaken a great number of donor-funded projects in all parts of the world and that have been operating in developing countries for many years; systems whose work shows in the most distinctive way the necessity and efficiency of the project management concept application in the respective field as well as in any other area any big or small project oriented organizational system is involved in.

Secondly, these two organizations can be observed as the representatives of two project management methodologies applied in the respective field and as a sort of a comparative value and role model that can serve to other development oriented organizations to better assess their work and improve their efficiency, given that the above mentioned organizations have achieved the highest level of project management maturity.

The third and perhaps the most important reason relates to the very recipients of development aid provided by USAID, UNDP and other aid organizations. Recipients of development aid may be national institutions, state or private companies, various NGOs or individuals – ordinary citizens of developing countries. A substantial number of development programmes require that recipients applying for development aid possess knowledge of the project management methodology and in common practice it occurs very often that a large amount of available development funds remains unused either due to recipients' lack of knowledge in the field of project management or due to their lack of information about the possibilities and conditions for development aid approval.

4. PROJECT MANAGEMENT IN DONOR-FUNDED PROJECTS IN DEVELOPING COUNTRIES

Project management in donor-funded projects can be analyzed from the aspect of a donor and from the aspect of a recipient (user) of development aid. The general model of project management concept with its elementary functions (the definition of a goal, planning, organizing and control) and a project life cycle taken as the starting point for further analysis of project management in donor-funded projects, it can be concluded that the process of management of donor-funded projects goes through certain stages if observed from the aspect both of a donor and a recipient (project definition, planning, execution and the final stage) while both the donor and the recipient have a certain goal they make efforts to achieve by planning, execution and control performed during a particular project. The activities to be undertaken during each of the stages must be analyzed separately for the donor and the recipient as they do not overlap. Donors' management of a particular project begins at an earlier stage, given that a project is part of a programme within which it must be previously defined and approved. Namely, the initial stage in the recipient's project management process is the preparation of a proposal (application) for development aid approval, which is the stage that comes later in the donors' project life-cycle after a project is precisely defined, adjusted to a programme and transparently presented to the recipient.

Donor-funded projects undertaken by international development organizations in developing countries are a constituent part of *programmes* of these organizations and they can be observed according to their geographic distribution (e.g. the development programme for African developing countries) or according to their functions (e.g. the economic growth development programme), whereas from the aspect of the recipient, a donor-funded project can be *individual* (e.g. the programme for the support to setting up recipients' start-up businesses) or also *a part of a programme* carried out by the recipient and supported by international development organization (e.g. the programme supporting the project-oriented offices for strengthening municipal governments in a developing country).

International development organizations worldwide operate in different ways and use different methodologies in the implementation of donor-funded projects depending on their project maturity conditioned by their size, their geographic spread and financial power, their internal policies, the kinds of projects they carry out and other characteristics.

4.1. UNDP PROJECT CYCLE WITHIN UNDP AND UN PROGRAMMING CYCLE

UNDP operate as a constituent part of the United Nations, which means that the management of individual projects can be analyzed only within the whole UN's organizational system.

UNDP Multi-Year Funding Framework (MYFF), the business plan of the agency, is UNDP's main corporate planning tool which defines UNDP's scope of work within the UN system over a period of four years. It describes in detail the organizational strategies, the usage of the available funds, and how it participates within the UN system in common efforts to reduce poverty and achieve the Millennium Development Goals. The framework is the major tool for management, monitoring and accountability for UNDP, both internally and for partners UNDP cooperate with.

The UNDP Country Programme is the plan for the achievement of development results through a set of projects. The UNDP Country Programme Action Plan defines projects aiming to achieve outputs, a limited number of outcome targets to be achieved over the next years.

The project cycle of each UNDP project consists of five steps [11]:

1) Justifying a project: Each project idea must be presented in the way it clearly provides a valid justification of its purpose and proves its consistency with the *United Nations Development Framework* and *UNDP Country Programme*. A project idea must contribute to the results envisaged by UNDP's current programme. It must also appropriately respond to the country's needs, be in accordance with UNDP's business plan at the global level and be suitable for UNDP support. A *project proposal* is an important document drawn and entered into the Atlas, the UNDP's Enterprise Resource Planning System, at this stage.
2) Defining a project: At this stage, the scope of the project is analyzed to determine if it is realistic for UNDP to implement the project successfully. It must also be defined how clear and attainable results can be achieved in a most cost-effective way. The *Project Brief* and the *Project Document* are the most important documents delivered at this stage. The Project Brief contains information about the project scope, the objectives, the management arrangements and the approach envisaged by the project. After a Local Programme Appraisal Committee (LPAC), an independent check point especially set up to assess and approve the Project Brief, recommends to continue to develop the project, the *Project Document* (sometimes called "prodoc") may be signed by the parties involved.
3) Initiating a project: Step three further defines the structures and approaches to be applied to effectively monitor the project. Monitoring of all processes and results to which UNDP is contributing is mandatory regardless of budget and duration. The operational details on monitoring are defined by the three documents: A *Communication & Monitoring Plan* which describes which activities and outputs will be monitored, reviewed and evaluated, how and by whom, a *Communication & Monitoring Calendar* providing details of activities on a monthly basis, and a *Communication & Monitoring narrative* describing the coordinating mechanisms and strategies for implementing the plan, including the description of major risks and assumptions. It is envisaged that monitoring and evaluation activities, which include both internal UNDP and project staff monitoring and external evaluations, are budgeted from project funds. The main guideline for good monitoring is UNDP's Handbook on Planning, Monitoring and Evaluating for Results.
4) Running a project: This step implies achieving project outputs through a series of activities. When running a project, UNDP has three main responsibilities: monitoring, periodic reviews and providing financing to the project. Monitoring ensures that the scope, schedule, costs, benefits and quality of outputs and outcomes are correctly assessed. Periodic reviews determine if the project is achieving expected output and if needed, UNDP initiate revisions in order to reinforce project progress or performance. UNDP also provides financing to the project either through advances or through direct payments. In addition to these three main responsibilities, UNDP can also provide

support services to a project (e.g. organize training and workshops procurement, issuance of contracts, etc.). If UNDP is an implementer of projects, it also performs activities to direct the project effectively on a daily basis. A UNDP programme officer (PO) is usually designated for supervising a portfolio, a connected set of projects.

5) Closing a project: A project enters its closing stage when planned outputs are achieved or the Outcome Board makes a decision to cancel a project. A project is closed 1) operationally - when project activities stop, and 2) financially - when all financial operations are duly reported and all accounts are closed. It is desirable that should happen as soon as possible, but not later than 12 months after it is operationally closed. This last step in the project cycle provides the evidence of project completion. After envisaged handover procedures, records on lessons learned are made.

To understand how the above mentioned three levels of project and programme management are connected (UN Programming Cycle, UNDP Programming Cycle and UNDP Project Cycle), it is very important to understand what a result is and how it is defined. Results are changes in a state or condition which derive from a cause-and-effect relationship. Results can be intended or unintended, positive or negative. UNDP classifies results into three types [11]:

- Outputs are tangible, time-bound products resulting from a completion of activities and largely under the control of a development intervention.
- Outcomes are changes in the real world, triggered by a set of outputs and largely not under the control of a project or programme.
- Impact is the overall and long-term effect of an intervention. It is an end rather than a means and usually a bio-medical or socioeconomic improvement in people's lives.

The concepts of Result Based Management (RMB) and Management for Development Results (MfDR) are based on the same concept which includes the best practices of planning, monitoring and evaluation as well as applying lessons learned in the planning of new programmes and projects. However, RBM approaches are more oriented towards internal results and performance of agencies than on changes in the development conditions of people whereas MfDR is more focused on the development assistance demonstrating visible and measurable results. MfDR applies the same basic concepts of RBM regarding the manner in which activities are carried out but it is oriented more towards the external environment and results that are important to programme countries and less towards an agency's internal performance. MfDR is also an effort to report transparently to public and citizens in both the developed and developing countries on how development aid is used, what results are achieved, and what impact these results have on human development. This approach encourages UNDP and other development agencies to make partnerships and also provides greater consistency. It also promotes sustainability measures that strengthen national ownership and capacity development.

UNDP's three main management processes, planning, monitoring and evaluation, being based on the concepts of Result Based Management and Management for Development Results, are referred to as:

- planning for results
- monitoring for results, and
- evaluation for results.

These processes form the Result Based Management Life-Cycle (Figure 1).

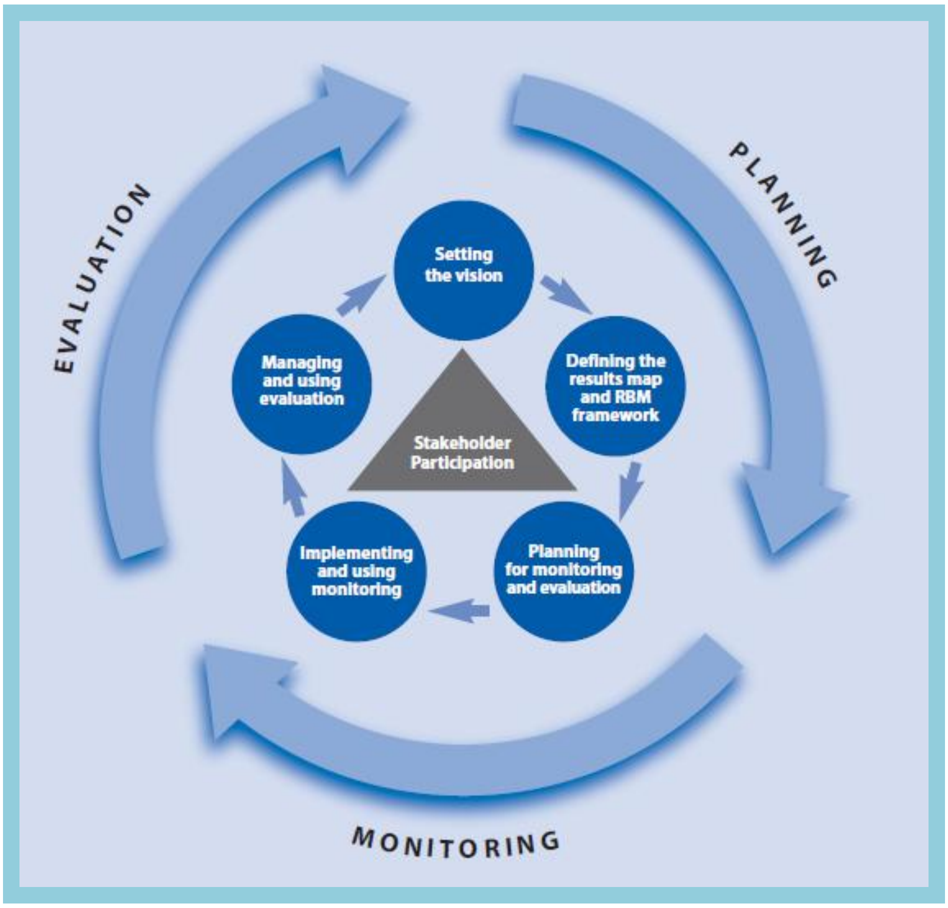

Figure 1. Result- Based Management Life-Cycle [6]

Planning for results is the process of defining goals, strategies, implementation arrangements and resources allocation needed to achieve those goals. Planning consists of a number of different processes [6]:

- Identifying the vision, goals or objectives to be achieved,
- Formulating the strategies needed to achieve the vision and goals,
- Determining and allocating the resources (financial and other) required to achieve the vision and goals, and
- Outlining implementation arrangements, which include the arrangements for monitoring and evaluating progress towards achieving the vision and goals.

The method of Logical Framework is applied in the process of planning through all the above mentioned stages that lead to designing a final version of a logical framework negotiated with and conformed to all stakeholders maximally oriented towards results.

A problem analysis to determine whether the stated problem is part of a bigger problem and whether the proposed solution will be appropriate to address the challenges are of crucial importance for good result-oriented programming. The answers to these questions can sometimes be found, particularly in situations where the projects proposed are connected with an already designed national programme (such as a Poverty Reduction Strategy Paper, UNDAF or country programme). However, it often occurs that more thorough analyses are needed in order to determine if there is a bigger problem and what other actions are needed to solve that problem. These issues should be discussed among all partners. The aim of these questions is to enable thorough analyses and efficient solutions to problems. These solutions may include actions not envisaged by the specific project. This is one of the differences between a project approach and a result-focused approach to development.

Planning for monitoring and evaluation is also carried out in the planning stage. Planning for monitoring and evaluation must start at the time of programme or project design, and these must be planned together. Monitoring provides real-time information on ongoing programme or project implementation required by management whereas evaluation provides more in-depth assessments. Questions which are generated during monitoring should be answered by evaluation. Also, evaluation fully relies on the data generated through monitoring, including baseline data, information on the programme or project implementation process, and measurements of progress towards the planned results through indicators. Therefore, planning for monitoring must be done with evaluation in mind.

The Monitoring and Evaluation Framework (the M&E framework), agreed among the key stakeholders at the end of the planning stage, is essential in order to carry out monitoring and evaluation systematically. The need for an M&E framework applies for both programmes and projects within a programme in their planning stage. The project-level M&E framework should be derived from the programme level M&E framework and should contain more thorough information on monitoring and evaluation tasks that apply specifically to respective projects. Conversely, the programme-level framework builds upon the project-level frameworks. Monitoring and evaluation activities should be seen as an integral component of programme and project management. They take place throughout the programme and project cycles and should be reviewed and updated regularly (at least annually).

According to the above described characteristics of planning for results, it can be concluded that the most important outcomes of the planning process are: clarity on goals, objectives and a vision of the future; commitment and motivation of stakeholders; and clarity on the process to implement and manage the plan. The planning document can serve as a useful record of what has been agreed and a tool for communicating to new stakeholders.

Monitoring for results can be defined as an ongoing process by which a regular feedback is provided to stakeholders on the progress being made towards achieving their goals. It is not merely reviewing progress made in implementing actions or activities, as stated in many definitions, but it is the process focused on reviewing progress against achieving goals. Monitoring should be primarily focused on the question "Are we making progress on achieving the results that we said we wanted to achieve?" It should not be only concerned with whether actions which were said to be done are being done. The difference between these two approaches is very important. In the more limited approach, monitoring may focus on tracking projects and the use of the agency's resources. In the broader approach, monitoring also involves tracking strategies and actions being taken by partners and non-partners, and identifying what new strategies and actions are needed to ensure progress towards the most important results.

UNDP performs monitoring for results at three levels: outputs and projects, outcomes and programme. *Monitoring at the project level* is monitoring of the achievement of direct 'produced' results (outputs) and outcomes. The project manager has the primary responsibility for monitoring at the project level. There is a critical responsibility at each project level relating to the generation of the planned output through a carefully planned set of relevant and effective activities, and proper use of resources allocated for those activities. Primary monitoring tools used at the project level by UNDP are: the corporate project management system (Atlas); field visits, consultations and reviews with stakeholders; Annual (and quarterly) Project Reports; and the Annual Project Review Process. The main purpose of monitoring at the project level is to confirm if the project and programme result logic remains valid in terms of operational experience and evidence, to identify what issues have emerged during the implementation and to check if the foreseen risks and assumptions have materialized or if other unforeseen challenges, opportunities and risks have materialized and if these are being managed.

In UN and UNDP systems there are two hierarchies of outcomes which are achieved by achieving outputs through projects: the United Nations Development Assistance Framework – UNDAF outcomes and UNDP country programme outcomes. All partners who participate in a project implementation are responsible for monitoring at the outcome level. UNDP supports the monitoring function of national institutions and is oriented towards developing their capacities for monitoring. Major monitoring tools used at the outcome level by UNDP are: the corporate results management system (RBM Platform); field visits, consultations and reviews with stakeholders; findings from project and programme monitoring; Annual Reports; and the Annual Programme and UNDAF Review Process. The goal of monitoring at the outcome level is to review and appraise connected projects and give feedback to all implementing partners regarding received reports, particularly the Annual Project Reports from each constituting project. Monitoring should also ensure that all necessary changes in each connected project and in overall approach are made in due course in order to achieve the outcomes.

Monitoring at the programme level involves monitoring of all connected projects, monitoring for each outcome that is supported by programme funds as well as accountability of the programme for UNDAF, contribution to national results, and achieving the corporate outcomes in the Strategic Plan. The monitoring tools used at the programme level by UNDP are generally the same as those used at the outcome level whereas the UNDP's programme manager has the primary responsibility at the programme level. The M&E framework, which is the UNDP Country Programme Action Plan (CPAP) monitoring framework, forms the basis for the purpose of monitoring for results at the country level. The key question referring to monitoring is whether UNDP's programme effectively contributes to the planned UNDP country programme, UNDAF and national results within the agreed partnership arrangements. The same principle applies for UNDP regional programmes, the global programme and the Strategic Plan.

Effective monitoring provides an excellent database used for evaluation.

Evaluation for results is a strict and independent assessment of activities to check if they are achieving planned goals and support decision making. Evaluations and monitoring can be conducted for an activity, project, programme, strategy, policy, topic, theme, sector or organization. The main difference between evaluation and monitoring is that evaluations are done independently to provide impartial data on objective assessment to managers and team members. Also, they are also more rigorous and provide more thorough analysis. However, both monitoring and evaluation aim to provide information that can help inform decisions, improve performance and achieve planned results.

In the evaluation process, first, it is necessary to collect all relevant data on a project/programme. After that, UNDP interprets the obtained results and accordingly draws conclusions, gives recommendations and summarizes lessons learned.

According to the Evaluation Policy of UNDP, evaluation should be independent, intentional, transparent, ethical, impartial, of high quality, timely and used. The statements of evaluation purpose should define why the evaluation is made at that particular point in time, who will use the information, what information is needed and how the information will be used.

4.2. USAID PROJECT MANAGEMENT METHODOLOGY

Given that USAID is a national development agency, its programming structure and policy are conformed to national interests, strategies and laws of the donor country, which makes the main difference between bilateral and multilateral development agencies. The programme level of donor-funded projects implementation is analyzed within a more complex whole. USAID's programing policy is a hierarchy of policies and strategy documents that guides the way in which USAID plans and designs programmes to achieve development results, implements those programmes, and assesses them.

USAID's programing policy consists of the development and the operational policy. The development policy, developed in accordance with the Joint State-USAID Strategic Plan and the Foreign Assistance Framework, defines the content of USAID programmes, summarizes recommended practices for addressing particular development challenges and regulates policy directives and required procedures influencing specific aspects of programme design and implementation. The operational policy consists of procedures and methods to plan, achieve, assess, and learn from the programmes implemented by USAID. Given that the operational policy is connected with project management concept, this study is more focused on it, but in order to get a complete insight into functioning of a complex bilateral donor organization such as USAID, it is necessary to take into consideration and analyze the elements of both policies which form the programming policy and strategy.

In order to fulfill the requirements of the Government Performance and Results Modernization Act of 2010, provide clear information on its work to foreign assistance managers, Congress and taxpayers, improve knowledge, practices, transparency, and accountability and maximize the impact of U.S. foreign assistance programmes and manage for results, USAID developed a holistic approach to programme performance management that incorporates strategic planning, monitoring, evaluation and reporting.

USAID Missions and Offices strongly encourage and support a performance-oriented culture in order to implement performance management effectively. Some of the principles are the following: planning for performance management early in the life of the programme, making decisions on the basis of performance data, research and evaluation, seeking host country ownership and participation from customers, partners, stakeholders, and other USG entities during the performance management process, strengthening host country or local organization capacity on monitoring and evaluation, including gender considerations in the selection of performance indicators, managing the process so that programme managers only collect and report on the information that is most directly useful for performance management, clearly acknowledging any limitations in data quality which enables accurate assessment of achievements, and reporting on the problems that obstruct progress and steps that are being taken to solve them, proactively budgeting for performance management.

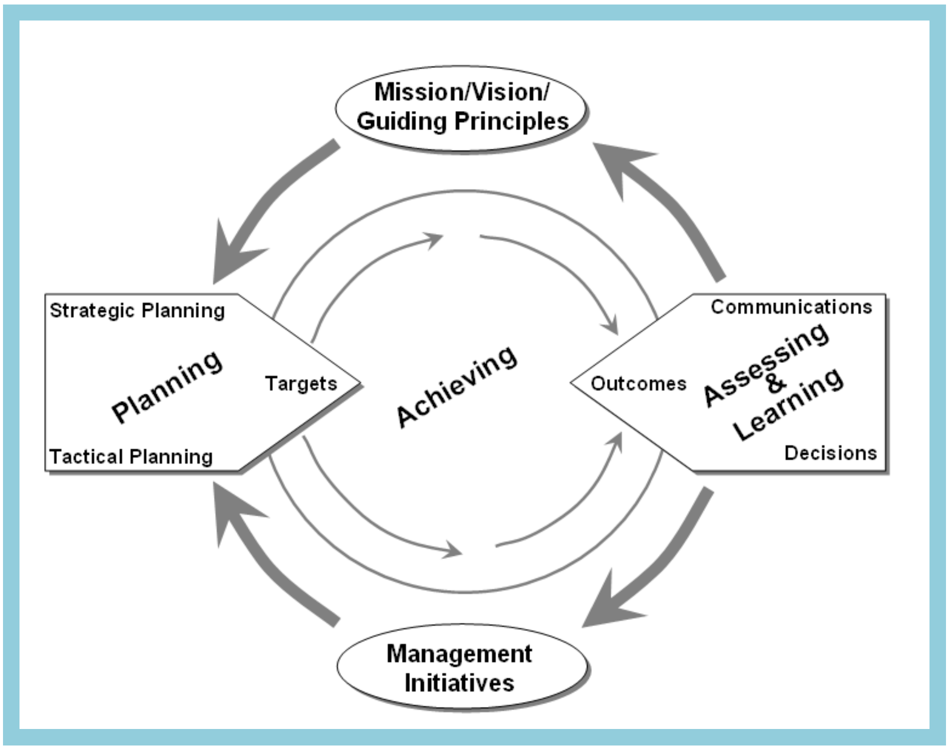

Figure 2. Dynamic Model of the USAID Programming System [3]

Both USAID and UNDP are governed by the methodology based on managing for development results. USAID considers achieving programme results as very important for the credibility of the Agency and accountability to stakeholders. To ensure that all USAID Missions/Offices are oriented towards managing for results, USAID developed a dynamic cycle of management that consists of three functions: planning, achieving, and learning.

These three functions are represented in the Figure 2 within the Dynamic Model of the USAID Programming System. The role of USAID in development assistance planning is performed through three basic dimensions:

a. Strategic planning: Supervised by the Director of Foreign Assistance, USAID cooperates with the State to formulate a coordinated USG foreign assistance strategy. At the field level, USAID Missions participate in preparing joint country assistance strategies. Otherwise, USAID Missions may prepare their own USAID country strategic plans. The Joint State-USAID Strategic Plan, which defines the mission and goals of the Agency in compliance with the Foreign Assistance Framework, is the most important document in strategic planning of foreign assistance goals. The JSP is updated periodically, which depends on important changes in U.S. national interests, global and regional geopolitical issues, goals of countries and customers, progress in achieving Agency goals or new technical knowledge in the sector.

b. Assistance Objective (AO) planning: USAID uses bilateral AOs to provide long-term broad support to achieve precisely defined foreign assistance results. AO's are defined both for USAID programmes based on joint country assistance strategies and programmes based on USAID Strategic Plans. When implementing jointly defined strategic priorities, USAID uses its development knowledge and expertise in analyzing host-countries and in defining suitable tactics, which may often have cross-cutting dimensions. USAID prepares the Mission Strategic Plan and the Operational Plan in cooperation with other USG agencies, which requests programme funding and describes the tactics proposed to achieve Foreign Assistance results and report on progress in achieving objectives. To prove that it uses USG resources effectively, USAID provides annual Performance Plans and Performance Reports describing how it will monitor, evaluate, and report on the programmes it implements.

c. Project planning: During project and activity planning (including feasibility, financial planning, and procurement issues), USAID is particularly focused on technical issues and USG statutory requirements.

USAID performs project and activity planning through the following 13 steps [4]:

1) Develop an Operationally Useful Set of Results Statements,
2) Conducting Analysis as Needed,
3) Specify the Role of Partners,
4) Develop Logical Framework,
5) Assess Capacity of Potential Implementing Partners,
6) Formulate Initial Cost Estimate and Develop Financial Plan,
7) Develop Acquisition and Assistance (Procurement) Plan,
8) Select Implementing Instrument,
9) Determine Appropriate Team Management Structure,
10) Identify Additional Planning Considerations,
11) Determine Meet Remaining Pre-Obligation Requirements,
12) Prepare Activity Approval Document (AAD), and
13) Obtain Formal Approvals / Approval Activity.

<u>Achieving</u> begins after the planning and approval of Assistance Objectives (AOs), projects, or activities and ends with the completion or termination of the AO. However, setting the basis or environment of the assistance often begins during planning, when team members can negotiate on important issues such as necessary policy, institutional reforms, changes, or modifications before the expenditure of programmr funds. When new or modified AOs, projects, and/or activities are identified during achieving, new planning may be performed.

Achieving includes the following steps or tasks [5]:

1) Structuring Assistance Objective Teams (AO Teams) for project and/or activity implementation;
2) Mobilizing inputs;
3) Supporting implementing partners to achieve results;
4) Maintaining open and frank communications with host country counterparts and partners;
5) Monitoring quality and timeliness of key outputs;
6) Managing U.S. Government (USG) programme resources and requesting funds;
7) Performing funds control, payment, and obligations management;
8) Managing vulnerability; and
9) Closing out programmes and obligating instruments.

Assessing impact and learning from experience and achieving are performed concurrently. USAID Missions and Offices cannot estimate the impact of any Assistance Objective before they have previously defined the results that particular AO aims to achieve, how the various proposed outputs are coordinated and adjusted to achieve the planned results, and how these outputs and results will be measured. USAID performs assessing impact and learning from experience in accordance with the above mentioned performance management concept adjusted to USAID's needs which represents the systematic process of monitoring the achievements of programme operations; collecting and analyzing performance information to track progress toward planned results; using performance information and evaluations to influence AO decision-making and resource distribution; and communicating results to improve organizational learning.

USAID's internal policy defined the assessment criteria for the quality of performance data which cover both quantitative and qualitative performance data. The five key assessment criteria for the quality of performance data are validity, integrity, precision, reliability and timeliness in decision-making processes referring to goals of development assistance.

USAID carries out evaluation on the basis of performance assessment of the implemented projects and programmes. USAID Missions and Offices include customers and partners in planning and conducting evaluations as well as USAID staff and other knowledgeable members of a USG Mission/Office in order to improve Agency learning as much as possible.

All evaluation reports must be forwarded to the Development Experience Clearinghouse (DEC, **dec.usaid.gov**), which enables USAID to use them in planning and assessing other programmes. In that manner, USAID creates the database of knowledge and accumulates lessons learned.

5. CONCLUSION

By analysing the best practices of aid organizations, it can be concluded that although their methodologies vary, there are certain specific elements of the project management concept all these organizations have in common, such as the definition of problems and goals, the analysis of stakeholders, the logical framework method, the definition of time and budget project plans, the definition of the project monitoring and evaluation system. Aid recipients' knowledge of the application of these tools is one of the main conditions they have to meet in order to be granted the development aid they apply for.

At a global level, it is necessary to make much more efforts to improve knowledge and competencies of development aid recipients. As far as the Republic of Serbia is concerned, given that Serbia is currently moving towards the beginning of the accession to the European Union, the knowledge in this field is necessary in order that available development aid from the pre-accession funds should be used and exploited in an optimal way. The approval of the pre-accession funds requires observing strictly designed procedures on development aid of the European Union, a significant number of which refer to the field of project management. Analyzing and summarizing of the best practices and lessons learned of leading aid agencies that have achieved high project management maturity level can contribute to improving knowledge in the field of project management in donor-funded projects in developing countries.

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FACTORS THAT INFLUENCES SUCCESS OF STRATEGIC CHANGES

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Abstract: Changing corporate strategy is a very difficult and complex process and its success depends on many different factors. These factors may have their origin in the company itself, or in the external environment. In this paper, factors that influence the process of strategic changes are identified and their influences are explained.

Key words: corporate strategy, changes, factors of success

1. INTRODUCTION

Business environment is characterized by frequent changes. In order to adjust to these changes, the company has to constantly study the interaction between the environment and the company, review and eventually change its strategic goals. Based on the prediction of future conditions, it should establish strategic goals and the ways they should be accomplished.

Strategic changes, especially changes of the whole strategy or its greater part, are very complex and demand capable, determined and persevering managers, as well as leaders capable of reducing change resistance of the employees. The implementation of strategic changes requires complete dedication and hard work of all employees.

The success of the process of implementing changes depends on the size of changes, on the types of business processes affected by the changes, on current relations inside the company, the current organizational structure, the quality of its human resources, the organizational culture. It also depends on the persistence and commitment of the management, especially top managers of the company. Successful management of strategic changes can make the company more efficient, better positioned in the market and can increase the company profit. If it fails, it can produce losses and the need for larger and more risky changes.

2. FACTORS OF SUCCESS

Management of strategic changes is a complex process and its success depends on a number of variables. Whether strategic changes will be successfully implemented depends on how high the scope of the changes is, on whether the company has sufficient capacity and resources to take them out, on the promptness of their implementation, the awareness of company employees on the importance of changes and their usefulness.

Johnson and Scholes have identified the following factors that determine whether the strategic changes will be successfully implemented:

- Time. The promptness of implementing change.
- Scope. The degree of change required.
- Preservation. What organizational resources and features should be retained.
- Diversity. How homogeneous are groups and divisions within the organization.
- Ability. What is the manager and the employees' ability to implement change.
- Capacity. How many resources are available to carry out the changes.
- Readiness. The willingness of employees to accept the changes.
- Power. The level of power of the leader. [6]

Each company, in accordance with the values of these factors, has to make its own program for implementing changes. Each of these factors can significantly affect the success of the strategic change management process and if any of the factors has a negative impact on the process, it must be changed, if possible. The company, especially its top management, must be aware of the impact that each of these factors, as well as their interactions with each other, have on the process of implementing changes.

Petigrew and Whipp set the theory of five factors according to which the successful strategic changes depend on five interrelated factors:

- The environmental effects. The company must be constantly aware of the competition and the environment and adapt the strategy according to circumstances.
- Leadership. There is no universally good leader, and the best leader is capable of adapting his style to the current situation within the company. The leader needs to create such an atmosphere in the company so that employees accept changes. He should enable the organization to implement changes, and should define the contents and direction of changes.
- Linking strategic and operational changes. It is necessary to create the capacity required to perform the changes, but it is also necessary to change the organizational culture so that employees accept new business directions and new values.
- Strategic Human Resource Management. Raising the awareness about the importance of good human resources and the need for necessary human resources changes.
- Consistency and balance in change management. The goals set by the organization must not be contradictory, the entire process must be in accordance with the environment, strategic goals must be feasible, and the competitive advantage must be considered. [7]

R.A.Einsentat and M.Beer identify five factors important for the successful management of strategic changes, i.e. five areas that the team responsible for the managing changes should analyze and determine their current status and their future development:

- Stakeholders
- Strategic objectives
- Organizational capabilities
- The organizational levers
- The context of the organization [5]

Stakeholders

Stakeholders of the organization usually have different views on the expected benefits of the strategy. In principle, the strategy should take into account the interests of all stakeholders, but it often happens that the organization provides benefits only to shareholders, completely disregarding employees.

The contents of the strategy must be carefully chosen in order to produce the expected results, and the expected results must satisfy all stakeholders of the company, not just its owners. Meeting the needs of shareholders only leads to dissatisfaction of other stakeholders, employees, suppliers, business partners, and this might negatively affect the future operations of the company.

Particular attention should be paid to the satisfaction of employees. If implementing strategy requires some unpopular actions, such as reducing the number of employees, the company needs to somehow soften those actions, such as to provide assistance to laid-off employees in the form of severance payments, courses or similar. These will increase the loyalty of the remaining employees.

Strategic objectives

The contents of the strategy involve the answer to the question of what actions should be taken in order to achieve corporate objectives. In order to evaluate the chosen strategy, evaluation criteria must be used. Evaluation criteria vary from organization to organization, but six main criteria that each organization should use in evaluating the contents of the strategy, can be identified:

- Consistency. The adopted strategy should be in accordance with the mission of the organization, that is, in accordance with the general guidance set out in its business. If there is a discrepancy, possible solutions would be to review the mission or to choose another strategy.
- Convenience. Among the different potential strategies, most suitable for the organization should be chosen, considering the available resources and the

environment in which it operates. The strategy should enable the organization to take advantage of the opportunities and avoid threats from its environment, and, at the same time, to increase a competitive advantage by using its powers and correcting its weaknesses.

- Validity. During the formulation of strategies, some assumptions about the future are considered: the future state of the market, competition, trends and related factors affecting the business of the organization. It is necessary to check the validity of these assumptions, that is, whether they are based on valid researches and right information.
- Feasibility. The chosen strategy must be feasible and must be capable to overcome all obstacles that may appear in its implementation. Obstacles may have their origin in organizational culture that may oppose the necessary changes, or in a lack of required knowledge, skills and financial resources. The response of the competition can be strong and can reduce the success of the strategy. Also, the suppliers may be unwilling to respond to the new demands the organization requires. Finally, the lack of commitment of managers and employees to the implementation of the strategy can make the process of its implementation significantly difficult.
- Business risk. Almost every strategy carries some business risk. The organization should assess the level of risk, the damage that may occur and to decide whether the risk is acceptable or not. Riskier strategies can bring much greater profits, and much more benefits to the organization, but, on the other hand, can lead to a weakening of the company and to its bankruptcy.
- Attractiveness to stakeholders. [7]

S. Cummings states that the strategy should be the map that would point to the employees of the company, both managers and other employees, directions to objectives. Also, strategy should make them possible to decide which activities and in which way should be conducted. According to him, all the participants of the process should actively participate in the definition and implementation of changes. [1]

Each strategy carries some risk. The today's world is very uncertain and unpredictable in all areas of life, including business. This requires organizations to take riskier moves in order to survive and thrive in business. Sir H. Walpole has said:" Do not play for safety. It is the world's most dangerous game" [5]. This should be considered, while defining the strategy.

Strategic objectives of the new strategy must be clearly formulated and understood by all employees in the organization, in order to be successfully implemented. They must not be contradictory. A prerequisite for successful implementation of the strategy is that every employee in the organization clearly understands strategic objectives, the ways to achieve them and the benefits they will bring to the organization. Only then will they be able to identify with the strategy and to find their own benefits of its successful implementation, i.e., to become committed to its implementation. This is particularly valid for top managers of the organization.

The organizational capabilities

Successful implementation of strategic changes requires a high level of coordination between its employees, their competencies and dedication.

Coordination between different parts of the company must be on a high level in order to successfully implement strategic changes. The company has to overcome a possible lack of understanding between departments, for example by creating a multy-functional team of managers from all functional areas, that will coordinate the activities of different departments.

Another important factor is the competence of employees, both technical and functional. It is necessary that the employees are educated enough, that they possess enough knowledge and capabilities required for fulfilling the strategic tasks. Capabilities, skills and knowledge of managers, especially top managers of the company must be on a high level.

Employees must be fully aware of the benefits that they and the whole organization will gain from the changes. If employees find that the proposed changes should improve their status in the terms of finance, promotion, work conditions or similar, they will be fully dedicated to their implementation.

The organizational levers

M.Beer and R.A.Einsentat identify five factors in the organization that have a great influence on the development of organizational capacity to implement strategic change. They call them the organizational levers:

- Organization of work
- Influence
- Personnel
- Information systems, performance measurement and reward
- Leadership [5]

Organization of work. A very important factor in the implementation of strategic change is the way the work is organized. Each organizational structure has its advantages and disadvantages, and each organization is required to make a suitable structure, considering its size, activity and the environment in which it is located. Each organizational structure must be set so that the coordination between its parts must lead to integration of the work of the entire organization. The organization's ability to implement the planned changes depends on the degree of integration and mutual understanding and job matching between its organizational units.

A number of companies tends to base their business only on a few processes and, by creating partnerships with other companies, to round off the process from the idea to product distribution and after-sales services. This way, the company focuses only on a few business processes and work on their improvement, and thus simplifies its organization and management. Also, combining the quality achieved in their core business processes, with the quality of business processes of other companies, a synergistic effect is achieved. In such conditions, the success of strategic changes depends on the willingness of the partner companies to support them, and eventually to implement some necessary changes theimselves, so that the entire system can function properly. Responsibilities and authorities must be clearly defined within the organization. For each potential decision it must be clear who should make it, and who is to be consulted. The teams in their meetings should discuss their perception of the role they have, share their opinions with others and eventually reach firm conclusions about the responsibilities and authorities of each member. This is especially valid for top management teams.

Influence. The way the influence is distributed in an organization is a very important factor of success in implementing strategic changes. Employees with the greatest knowledge of the problem should have the greatest influence. However, this is not always the case. A problem may also occur when managers need to delegate decisions to employees at lower levels of the hierarchy. If they do not delegate authorities to others, they can be overwhelmed with obligations. Delegating duties and responsibilities to lower levels of management is necessary, among other things, because that way the managers at lower levels can identify with the changes and become more committed to their implementation.

Personnel. The organization needs to have capable and educated employees, especially managers, in order to be able to implement its strategic changes. In implementing strategic changes the organization can face the problem of managers with lack of required knowledge, capabilities and qualities. The organization may employ new people as well as invest in the education of the existing managers. The top management should be particularly devoted to implementing changes and their behavior should be an example to managers of other hierarchical levels.

Also, the organization may need to lay off a number of employees in order to implement strategic changes, and a very important issue is the way it is done and what kind of message it sends to the remaining employees.

Information systems, performance measurement and reward. When setting up a new organizational design, it is very important to set up a new system of information within and outside the organization. The information system should provide that every team and every individual within the organization is informed about everything relevant to his work and responsibilities, about the current state of the company and the future actions.

The system of performance measurement and reward should be set up to motivate employees to work and behave in a desired manner. Every employee should be aware of the consequences of his actions, weather penalty or reward.

Leadership. The top management of the company must be a true leader in the implementation of strategic changes. This means it should act in accordance with a defined strategy and it should be an example to other employees. If the changes do not have the support of top management, it is likely that they will not be successful. Managers of other levels may be committed to changes, but it would be very difficult to persuade other employees of their necessity if the top management behaves as though they are not necessary and do not seem to agree with their implementation.

The context of the organization

Weather the strategic changes will be successful, highly depends on the context in which the organization is based. Today's conditions dictate rapid pace of changes, they are characterized by unpredictable market movements, sudden events, the occurrence of more intense competition. The strategy must adapt to these conditions.

Due to the emergence of stronger competition, the organization must decide how to achieve a competitive advantage. In order to define a quality strategy, it is necessary for the company to keep track of all the scientific and technological achievements in the field in which the organization operates. Also, it should keep track of market trends, customer needs, the political and economic situation of the markets in which it operates. All these factors influence the formulation of the strategy. External context of the organization has to be well researched and analyzed, in order to properly set the strategic goals and objectives.

Porter has defined five forces of the industry that affect the organization and its operations, and that are part of its external context:

- Bargaining power of suppliers
- Bargaining power of buyers
- The threat of new competition
- The threat of alternative products and services
- The rivalry between existing competitors [1]

The internal context of an organization, such as organization's resources, the way it is managed, the organizational culture, also influences the success of the strategic change process. A rigid organizational culture in which constant learning and changes have not been adopted as values, greatly affects the process of strategy implementation. It is more difficult and management must pay particular attention to the resistance of employees to this process.

The success of the implementation of strategical changes depends on many internal factors. The strategy can be well formulated in relation to external factors, objectives and goals clearly defined and understood, but the organization may be weak, with insufficient capacity and resources to implement it. Current organizational structure, division of power, power of groups and individuals, can be an obstacle or a support to the successful implementation of strategic changes. It is also important which individuals hold key positions in the company, whether they are capable enough, have the appropriate knowledge and skills, and are committed to the changes. These individuals, if they do not meet the above criteria, should be replaced. Also, a system of measuring the contribution of the employees and a reward system should be well defined and should encourage employees to work in compliance with the defined goals and objectives.

One of the key success factors of the implementation of the strategic changes is the behavior of the leaders of the organization. Employees generally pay more attention to their actions rather than words. Their behavior should show the employees that they are committed to change and that they firmly believe that the change will bring benefits to the entire organization and its employees.

3. CONCLUSION

The successfulness of strategic changes depends on many different factors. The strategy should be clearly defined and understandable, so that all stakeholders can estimate the benefits its implementation will bring to them and the company. Its contents should satisfy all company stakeholders, otherwise they may become strong opponents to changes. Strategic objectives should not be in collision with the company mission, should be feasible, and should comply with the environment. They should be attractive to stakeholders and the organization should be ready to take some business risks.

In order that changes be successfully implemented, their implementation must be coordinated between different parts of the organization, and employees that implement changes need to be competent, educated and committed to change, especially managers. Authority and responsibilities should be clearly defined, as well as performance measurement and rewards system. Information systems must be well set so that all necessary information is available and shared with the employees. The top management of the company must lead the strategic changes, and must show commitment by their actions.

The success of strategic changes also depends on the external context of the organization: competition, market conditions, legislation, education and purchasing power of customers, as well as on all other environmental factors that affect the operations of the organization. As for internal context, it includes factors such as the organization's resources, the quality and training of its personnel, the organizational structure, organizational culture, reward and evaluation systems, and leadership.

As can be concluded, the management of strategic changes is a very complex and complicated process. It must be very carefully conducted, since the failure of this process may cause great losses or even the bankruptcy of the company.

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MANAGEMENT AS A FACTOR OF CULTURAL DEVELOPMENT IN BELGRADE

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Abstract: Cultural Management, the main goal of which is finding high quality organizational and financial management solutions significant for the development of cultural activities, is still not fully affirmed and accepted scientific discipline in this country, especially in social activity institutions practice, so this paper will deal with the implementation of basic principles and functions of the management theory in culture and theatre will be the example.

Key words: Cultural management, theatre, implementation.

1. INTRODUCTION

Management in culture is based on the assumption that it is possible to format, edit and manage, i.e., organize work conditions, the process of production and sale of artistic creations, which also involves reconciling the needs of the community, on one hand, and all specific activities in culture industry, on the other. [3]

Given the numerous and diverse specifics of the artistic practice, the key issue regarding the implementation of management in culture concerns the basic principles that must be preserved in order not to compromise the very nature and essence of the creative process. In a general sense, management in art should establish and maintain a balance of at least three concepts: the concept of aesthetics (providing the conditions for the smooth operation of creative artists, support and promotion of evaluating core values of artistic creativity), the concept of public interest (the market valuation of the immeasurable contributions of art, so-called positive externalities), and the concept of rationality (the creation of conditions for rational and responsible behavior of all participants, especially as to the use of material and financial resources), or economic-production concept. [10]

In theory, there are several definitions of management. "Management is a function whose main goal is to effectively provide, deploy and utilize human and physical resources in order to achieve a certain goal. Management as an activity exists in all organizations, both for-profit and non-profit, and is required whenever people want to cooperate in order to perform some task" [15]. “Management in its broadest sense, as managing any entity (self, family, organization, family), is not just a civilization heritage but a prerequisite for its further existence. One of the central problems of the late twentieth century and the beginning of the new century and millennium is precisely the problem of how to persist in the preparation of the desired future in an increasingly complex world, which is at the same time rapidly changing" [1]. "Management is: a) activity or ability to manage and organize activities of a company or organization, b) a group of people who have the task to manage a certain company or organization, c) activity or ability to solve certain situations, to directly supervise or manage them". [6]

The general task of cultural management as a scientific organization of artistic activity is an optimal reproduction of supreme artistic production with achieving its widest possible communication with the audience (market). The specific responsibilities include: organizational design of cultural life at community level; planning the development and research of the existing cultural situation; building models and work organization of some cultural institutions; organization of production within institutions; organizing the process of diffusion; establishing the shape and model of international cultural cooperation. [11]

Management is not independent of the civilizational and cultural context in which it originated and evolved, so we can say that the European management philosophy is oriented toward both the past and the present, and that it is characterized by wisdom, stability, respect for conventions, quality and variety, while the U.S. management is focused on the future and characterized by vitality, mobility, informality, quantity, and good organization[2]. Culture and art in our region is much closer to management theories originated in Europe, based on European cultural values, than it is to the American management model. Two founders of management theory - Frederick Taylor (USA) and Henry Fajol (France) - best illustrate the differences and the influence of the dominant culture in the region on management practice – they first emphasize the production and the economy, efficiency and productivity, and then the administrative organization and strict division of management tasks. [3]

Observed at the European level, cultural institutions in Western Europe only partly depend on changes in the environment, and the management of art has the function not only to respond to that kind of challenge, but also to make them the drivers of desirable changes and trends. On the other hand, in the countries of Central and Eastern Europe during the transition period unwarranted optimism was created that by acquisition of knowledge in this field and introduction of the principles and methods of cultural management they could create a rich and complex art market. However, the benefit is reduced to neutralizing the negative aspects and consequences of the transition process in the culture, and opportunities that art management provides in the development of new initiatives in culture and art institutions are still not sufficiently used. [2]

2. IMPLEMENTATION OF THE MANAGEMENT THEORY IN THEATRE

It is not too bold to say that since the eighties of the twentieth century, the implementation of theoretical and practical knowledge, methods and techniques of cultural management is considered a necessary condition for the overall development of the arts, implementation of specific cultural programs, development of individual artistic and production careers, but also for survival and internal stabilization and modernization and further prosperity of all cultural and art organizations. In theatre, for example, the management carries numerous characteristic features and specificities of that activity, so the creative component and high creativity of managerial activity come to the fore; accordingly, the manager in theatre business must possess exceptional organizational and business capabilities and enhanced artistic sensibility. [7]

3. BASIC PRINCIPLES OF CULTURAL MANAGEMENT

As people’s existence depended more and more on their work, the need for new methods of management and organizational activities in the working process was stronger. During the Industrial Revolution, in the late nineteenth century, when manual labour has been replaced by serial production process productivity and efficiency of production come to fore, a new discipline was created - scientific management, as the original name for management. In the industrial production management has reached the stage of scientific discipline, and eventually became a vital factor in the development in other domains of social life, including areas which have no direct productive and profitable character, such as a creative art.

Arts and culture are a manifestation of human creativity that occurs in the interaction with the socio-economic environment, but only when they are constituted as activities these processes, activities and results become the subject of interest of management. As a discipline that deals with study and application of the most optimal organizational solutions that contribute to the production, market and social efficiency, management is increasingly being confirmed as an essential component of contemporary art practice, although in the field of culture it has won the legitimacy relatively recently.

History of art has always been independent of economic trends, and the art itself traditionally resists the impact of economic laws on its creations, i.e., the need to be market valued. "Since the beginning of the twentieth century, the act of creating a work is no longer a solo act. It is increasingly inseparable from money and politics. Creativity gets a social, collective dimension". [8] In that sense, the first reason of absence of organizational components in art is in its imminent hostility towards economic categories. Another reason lies in the fact that the society discovered the economic capacity of art relatively late, and from that moment, "began the irreversible flow of economic exploitation of the arts, which transformed the realm of creativity into artistic production, and aesthetic experience into the art of consumption". At the same time, the methods and techniques of management have become quite welcome in this area, provided they do not violate the basic principles and conditions of artistic creativity, given the "obvious need for discipline which will organizationally model the art but reflecting the essence and the creative character of this activity". There are many antagonisms that exist between management and the arts: management implies a practical orientation, utility and pragmatism, which is not inherent to artistic creation; imposes conventional standards; represents an action-orientation, which is not creative; a level individuality, reducing it to a group or collective standards. [11]

In this context, cultural management can be defined as "the creation of conditions for cultural creation and production of cultural goods (ideas and values), for their design in the works that are accessible to the public and for the reception of these works in the cultural community." In addition, the main dimensions of management science in culture are: analytical and descriptive (describing and investigating the existing forms and methods of organization) and design and modelling (testing and developing new, more appropriate and more efficient methods and models of management), but these two dimensions of cultural management intertwine and complement each other. [3]

Artistic and non-profit character of the theatrical sector is not automatically a precondition and a guarantee of high artistic quality, nor is the orientation to profit sentenced to mandatory modest artistic results. For example, the musical ”Cats“ extraordinary acclaimed from art critics, lived on the scene of the commercial "New London Theatre" for over 20 years and had a financial result of over 2 billion euros. [9] But, it causes the application of specific principles and techniques of management, which will enable the achievement of the theatre mission within which the ultimate goal is not profit but artistic achievements and social efficiency, which also does not mean giving up the demands for cost-effectiveness, organization and management.

Market inefficiency of traditional art is conditioned by two crucial factors: separation of the purpose and objectives of artwork from commercial motives (teleological difference) and specificity of the art production methods (technological differences). In addition, "the purpose of non-profit arts institutions is to enable artists to create and convey their creativity to the entire society, in accordance with their artistic mind and conscience". [1] For this to happen efficiently in theatre, there were efforts to make services price (tickets) as affordable as possible, and this is not possible without social subsidies. Theatre productions, as opposed to material production, is characterized by a very high share of the costs of direct human labour (labour-intensive nature of production), and the economic benefit is limited because live performance in real time and limited space directly causes the number of consumers and revenue generated from the sales. Then, by controlling inventory of finished goods and raw materials, production organizations control risks, and in arts that is not possible. Further, organizations use the prototype of the product to check the market reaction in advance, while in the theatre that option does not exist, they have to wait for the final rating from the audience and critics. Finally, opposite to commercial activities, in arts there is no mass production, as an essential characteristic of economy. However, despite these differences and specifics, the theatre must strive to rational spending of available resources, because government subsidy does not relieve it from the commitment to worry about the economy and business efficiency and the need to continually search for additional sources of funding. [9]

Contemporary management in theatre implies an efficient and rational way of organizing and managing the theatre, through team work in which team members collectively or individually work towards a common goal, or project. Management team, as the driving force to the process of planning and organizing, managing and directing all activities, is better if it is comprised of educated, specialized and creative staff with clear initiative, entrepreneurial and leadership skills. Therefore, it can be concluded that modern management means harmonious hierarchical form of organization in business management and leadership, in which highly specialized professionals (managers) are carriers and driving force of the managing process, organizing and implementing this in the teamwork. [16]

Managerial activity in contemporary theatre includes a modern and creative approach in redistribution of tasks and responsibilities in all forms and at all levels of the theatre organization and management, from organizers of the shows, theatre producers, the heads of all sectors, to the theatre manager. In addition, as a special form of performing arts, which consists of many kinds of specific and very professional mutually conditioned and compatible activities (artistic, technical, administrative, and other), the theatre stands out from other activities by the pronounced specificity in organizational structure, governance and management.

Very helpful in the work of a theatrical producer are rules and theories, forms and formulas learned and adopted in practice, that is all the experience and skills as well as natural predispositions and talents. He must have a basic knowledge in the field of acting, directing, dramaturgy, set design, costume design, lighting and sound design, as well as the knowledge in the field of finance, the existing legislation, media, marketing and management. That is the only way he can progress from organizer to creative producer (curator), and then it could be said that the job of a theatre producer at its highest level certainly belongs to the arts. [5]

4. BASIC FUNCTIONS OF CULTURAL MANAGEMENT

In the theatre, it is possible to ascertain several forms of managerial activities: administrative, which includes a centralized principle; managerial, which relies on educated managers; project based, which has a project as a core of its action and managers are team leaders; and entrepreneurial, adaptable to rapid market changes in order to increase efficiency. Modern management combines managerial, project based and entrepreneurial forms of organization and action in achieving the set objectives. [16]

At the macro level, management is focused on achieving the overall mission, goals and strategies of theatre activities within the wider theatre politics, and at the micro level it is related to the internal organization and operational tasks and synchronized actions of all system elements, in line with strong multidisciplinary and all specific characteristics of each stage project. [13] In the framework of establishing a management strategy in the theatre business in the first place it is necessary to identify and define the vision, mission, repertoire policy, target group and both long term and short term theatre goals, and specific daily activities should be the answer to some basic categories of business. In defining a theatre business policy, for the purpose of better positioning in the market, the SWOT analysis[10] is usually applied as a method of strategic analysis in contemporary practice. [12] The SWOT analysis is an acronym of the first letters of the English words Strength, Weakness, Opportunities and Threats. Other methods of strategic analysis - GAP and portfolios in the world are less commonly used in cultural activities. [3]

To accurately determine the internal strengths and weaknesses of a specific cultural institution, as well as all the opportunities and threats that come from the environment, the SWOT analysis uses the parameters related to the external factors influencing the policy, but also the internal objective and subjective factors, which then give the opportunity to develop a marketing approach in theatre, making strategic development plans and business policies based on the principles of competition. Strategic planning is based on the mission of the theatre and its cultural and business policy, and then SWOT analysis gives us long-term, annual and action work plans, based on which we come to the necessary budget, and in the inal phase to program realization which includes organization, control, motivation and coordination of the production process, and ultimately to the quantitative and qualitative evaluation of the activities carried out. [3]

According to most scientific research dealing with the theory of management, we can distinguish four basic management functions: planning, organizing, managing (consisting of personnel policy and leading) and controlling. [14]

Planning is the starting function of management which "selects an effective course of action for the collection, allocation, use, and exchange of the organizational resources." Within this framework, operational planning is the process of information gathering, variant evaluation and selecting the most successful courses of action, and planning the entire business is the process of compilation of operational plans to ensure their final checks and balances, with each other and with the organization's goals. [15]

Organizing is a management function in which "the relations between activities and people involved in the acquisition, allocation, use and exchange of organizational resources is projected", in order to enable employees to work more effectively as a whole. [15] Because the process is governed by the laws of organization in the field of labor relations, the division of labor in theatrical practice was made by regulations of job classification, and by statute internal structure of each theatre is further defined, in other words a detailed division into sectors by activities and grouping operations to functional units.

The functions of management in the management theory are the personnel policy, as the process of finding, selecting, training, evaluating, rewarding and replacement of personnel and the function of leading i.e. managing employees which mean that manager continuously works with people involved in the project and motivates them to achieve the goals of the organization. Theatre activity is particularly sensitive to the personnel policies, because the quality distribution of artistic tasks is critical to the success of any theatre, and not without influence is the ability of staff in the technical sector. Unfortunately, in many Belgrade theatres personnel policy analysis is not paid enough attention to, and the work of personnel services comes down to personnel records and follow-up data from the field of labour relations.

The function of leading depends mainly on the structure and complexity of the play and it is largely based on individual abilities of a manager and most evident in the preparation of the play, when the director as a project leader will ensure that the planned tasks are fulfilled. On the other hand, the income for artists in our theatres is not stimulating enough, except for a few highly paid actors, so the most important motivating factor, in fact, is the audience recognition received on stage.

The last function - control is a management activity that measures, evaluates and compares the planned and realized business in order to take corrective measures, if necessary. In theatre practice, the only way to control is the annual report which theatres submit to the Secretariat for Culture within Assembly of Belgrade city as the founder, about the number of premieres and about spending of received funds in relation to repertoire and financial plan. The theatres themselves lack standards by which to control the performance and quality of work at all organizational levels, given that the "control function is present only at the project level, primarily in artistry". [14] "When planning, managers receive, store, track and spread information, they also make decisions about the strategy, about the use of resources and start planning changes. During the organization, managers are mentioned as the liaison people, they make relations between people and creativity - make decisions on the deployment of and use of resources. Personnel policy involves the contract of employment, training, performance appraisals. Managers use their authority to achieve the goal; information and communication are two important parts of the job. Control is based on information about the activities and decisions which are made in order to correct the operations". [15]

To manage means to make quality decisions and effectively implement them. The quality of decisions can be measured through their functionality (if they produce a desired result), and efficient implementation of the efforts made to achieve the goal (invested time and money and human labour). Just a good decision and its efficient implementation lead to positive outcomes. According to Adižes: "what is necessary to make quality decision are not perfect individuals, but a complementary team. To carry out a decision there must be a unity of interests between people, a formal authority, power and influence based on professional competence". [11]

The correlation of organization and management stems from the tendency of managers to make goals possible to achieve through the organization. In fact, the organization is production - operational management subsystem. According to Wren, the resources that will enable the organization to function as "input - output" system are: financial resources, resources with a fixed purpose (building, equipment for the play, accessories); single use resources (e.g. costumes used in only one play) and people as resources. In addition, the management of the theatre should be adapted to all specifics, multidisciplinarity and "unpredictability" of the stage act, but on the other hand, it can be "directly" applied to the theatrical institution, because people are integrated with the help of management into the joint venture - a play. [13]

So, it is obvious that the theoretical principles of management are certainly applicable to the management of the theatre, taking into account all specific activities. In "standard manufacturing, organizations focus on creating such a form that leads to the production of larger effects, while at the theatre organization's main task is to create conditions that will allow consistent and uninterrupted creative work on the design and realization of plays". [7]

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There is no doubt that the collision between the economy and the arts happened a long time ago and that relationship from day to day is more varied, more intense and more important for both sides, where cultural management is sa cientific discipline which investigates and shapes those relationships. In theatre activity, the awareness that organizational acting is needed in the field of production and marketing is increasingly present through the prism of broader social interests, and in terms of more efficient and economical conduct of theatre institutions. Unfortunately, it is just declarative, because in practice the principles of the management theory in our theatres do not apply to a sufficient extent, resulting in high operating costs and maintenance, in an inefficient use of available resources and a relatively modest results of theatrical works, in comparison with those which could be achieved with existing personnel, material, and even such modest financial capacity. And, the implementation of theoretical and practical knowledge, methods and techniques of cultural management is one of the basic assumptions of rapid artistic development, organizational and technical modernization and economic stabilization of all cultural institutions, including the theatre.

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