Chapter 24

Instruments and Methods for the Integration of Sustainability in the Project Management: Case Study from Slovenia

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ABSTRACT

The purpose of this chapter is to propose a framework that is supporting achievement of the sustainable strategy of the organization. The research frames the methodology that integrates project management and Balanced Scorecard (BSC) in the management system of the organization. In this applicative project research, the authors identified and analyzed the Key Performance Indicators (KPIs) that significantly contribute to the benefits of the business processes exploitation. The involved company executes monitoring of its business performance in the four perspectives of the BSC. With this case study, the authors attempted to get deeper understanding, and to clarify and evaluate the causalities between strategic goals and their respective KPIs. For this purpose, they developed an Error Correction Model with which they performed application on the KPIs and estimated short and long term effects between them. The developed model also supports improvements of the performance management system and monitoring of projects.

INTRODUCTION

The theory and practices of Project Management (PM) have fundamentally changed over the past decades. The main concern regarding the changes in the PM is the need to ensure that it remains a useful management tool for academics and practitioners in today’s fast-changing business environments. In order to stay relevant the academic and practical discipline of PM should be updated to reflect necessary changes in practice (Assiri, Zairi, & Eid, 2006; Bryde 2003). Janeš and Faganel (2008, p.
15) argued that already during the stages of the project planning, it would be wise to provide the development of integrative management system, which would connect quantitative and qualitative decision parameters in a dynamic environment, in order to rank and optimize basic processes. For this purpose, we explored the case study of the service company in which we considered the practical use of the Balanced Scorecard (BSC) as a managerial tool for selection and coordination of projects for achievement of the sustainable strategy.

The Port of Koper, PLC is recognized as a significant port and logistic system in the Adriatic maritime market. Port has an excellent location at the head of the Adriatic, the northernmost reach of the Mediterranean, which ensures Port of Koper with a leading position in servicing Central and South-eastern Europe, and in particular those EU markets with the highest growth potential. Port is strategically oriented towards vehicles, containers and other high value-added cargos. It has great potential to further increase handling and storage capacities, which should allow the company to further strengthen market share in Austria, Hungary, and Italy as well as the domestic market. Operating revenues in 2011 exceeded the 2010 performance for 13%, and operating profit (EBIT) increased for 58% regarding previous year (Port of Koper, 2012).

The company introduced their first Balanced Scorecard (BSC) system in 2006. Beside that the company entered the competition for the most prestigious European Business Excellence Award, and became an Excellence Award Finalist in 2006. System of performance measures or BSC, when used in practice, shows that it is difficult to determine transparent relations between perspectives. However, the implemented model does not allow the identification of all the information on relations (i.e. correlations, causalities) between process Key Performance Indicators (KPIs). In this manner, company does not have a transparent evaluation of resource inputs in efficiency of the implemented model in the management system (Janeš & Dolinšek, 2010). Diagnostic activities, in this context, are usually “too expensive” to the company and it’s usually overworked employees. Because of the latter’s outlook, diagnostic is regarded as being time-consuming activity. With the development and application of the model for identification of the influential KPIs which give an important contribution to the business results, company can perform its own diagnostic activities and focus on improvements of the key processes and projects in a short and long-time period.

Many authors, such as Kaplan and Norton (1992), Bititci (1994), Bititci et al. (2006), Olve et al. (1999), and Robson (2004), argue that the establishment of a system of performance measurement must begin with the review of the strategy and not the actual outcome of business processes. Therefore, measures must be directly related to the strategies of the organization and should be selected on the basis of the strategic objectives of the organization. Knowledge about the relations and causality between the KPIs in the selection and composition of BSC is essential for efficient and effective management of the organizations. Namely, implementing and measuring effective sustainable strategies for future success represent continuous challenges for managers, researchers, and consultants.

The main goal of this study was to develop a quantitative approach that is useful in combination with a qualitative approach, as it is usual in determining the causal relations resulting in the strategic map of the BSC (Abernethy et al., 2005); causal knowledge can be gathered from employees that “…through their experience and training have encoded relational or causal knowledge about complex systems; that is, they understand how things fit and work together, although they might not have articulated that knowledge.”

Studies of many authors in the field of performance measurement systems show the actuality of this scientific field and the selected methodology provides support to organizations’ decision-making process in real time. A link between BSC and
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