

# INVESTMENTS' VALUES AND EU FOUNDED PROJECTS

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*Being value based is one of the principles project management has to respect in order to be sustainable. Values are guidelines for human behavior that are shared by a large group of individuals. As projects can be differentiated from investments, also projects' values can be differentiated from investments' values. Connecting projects with investments' values contributes to projects' success, to a sustainable project management process and to a sustainable investment. The article explains the differences between investments and projects and presents how the investment's values can be related to the project. The topic is applicable when dealing with projects in general and can have benefic effects on investments initialized through projects financed by the European Union.*

*Key words: project, investment, value, project management*

*JEL classification: M10*

## **1. Introduction**

In a dynamic environment, with an increasing level of competitiveness, projects might be a solution for handling complexity. Projects are the principal way of creating and dealing with change (Cleland and Gareis, 2006), being used with increasing frequency in all fields.

Significant investments were made in Romania, before and after the accession to the European Union, through projects financed by the European Union in order to implement European strategies and to achieve sustainable development, one of the principal European objectives.

When dealing with projects and investments, not only goals achievement and results evaluation is important, analyzing and managing values is also a topic to be considered.

The article concentrates on how the investment's values can be related to the project, a current topic in project management, which can improve the results obtained through project implementation and increase the success chances of the project.

The central research question of this article is: "Can investment's values be related to the project?"

In order to answer the research questions, we present below the concepts of investment, project and values and the connection between values of investments and projects.

## **2. Methodology**

Considering the high frequency of projects financed by the European Union in the last years in Romania, we consider that a better correlation between investments' values and projects might increase the efficiency of European funds spending. The goal of the research is to present a literature research on the connection between values of investments and projects. To conduct the research we:

- Define the concepts of projects, investments and values;
- Present the difference between projects and investments;

- Present the values that can be identified in the literature in the case of investments and projects;
- Analyze the connection between the investment's values and the project – how can investment's values be transmitted and integrated into the project.

### 3. Projects, investments and values

Different approaches regarding the perception of projects exist (Gareis, 2005: 39-41). Projects can be seen as tasks with special characteristics: “A project is a temporary endeavor undertaken to create a unique product, service, or result. The temporary nature of projects indicates a definitive beginning and end” (PMI, 2008: 5).

Some authors also define projects as temporary organizations and social systems: A project is a temporary and transient organization surrounded by inherent uncertainty (Turner and Muller, 2003). A project can be defined as “a temporary organization of a project-oriented organization for the performance of a relatively unique, short to medium term, strategically important business process of medium or large complexity” (Gareis, 2005: 41). Organizations and also projects can be viewed as social systems which have clear boundaries to differentiate them themselves from their environment, according to social system theory (Gareis, 2005).

On the other hand, investment is defined traditionally as “the purchase of a financial product or other item of value with an expectation of favorable future returns” (Mills and Turner, 1995: 3). Investment involves diverting scarce resources – land, labor and capital – from the production of goods for current consumption to the production of capital goods (Campbell and Brown, 2003). According to Gareis, “investments are long-term employment of capital in assets, in customer relationships, in products, in the organization or in personnel” (Gareis, 2005: 48).

In project management literature the concepts of project and investment are often not differentiated (Gareis et al, 2010). But, *projects can be differentiated from investments*. Projects can be used to initialize an investment (Figure 1) (Gareis, 2005). Projects initialize investments in new products, markets, organizations, or infrastructures, contributing to the achievement of long-term objectives (Gareis et al, 2011).

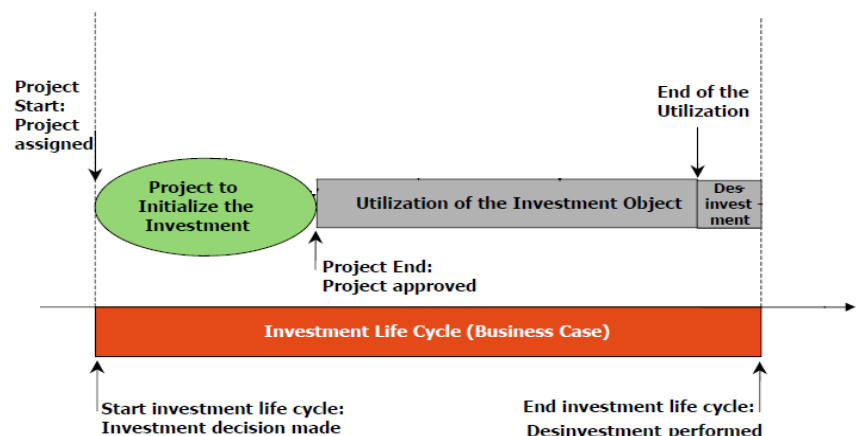


Figure 1. The relationship between projects and investments

Source: Gareis, 2005

„Values are motives or frame of reference, which are fairly stable and influence actions“ (Feather, 1999). Values are important and enduring beliefs or ideals shared by the members of a culture about what is good or desirable and what is not. Values exert major influence on the behavior of an individual and serve as broad guidelines in all situations (Business Dictionary).

Values are setting sense and meaning within a social system, they represent necessary constructional elements of a society and they can serve as guidelines for human behavior. Values can change over time and are influenced by many factors such as religion, age, sex, education etc. (Oelmüller, 1996).

#### ***Investments' values***

In general, investments' values reflect the value of an asset to its owner, depending on his or her expectations and requirements (Business Dictionary).

From the economic point of view value is created when the net benefits resulting from an investment exceed the costs of capital (Copeland et al, 1995). Ex ante evaluation of investments require calculating the Net Present Value (NPV) by discounting future expected cash flows against the costs of capital.

But not just economic values are to be considered when talking about investments. Other types of values also have an important influence in investments, being strongly related to investor's values and beliefs, the type of investment and the desired outcomes.

It is difficult to set a border between values in a complex and dynamic business environment. Usually investment decisions are influenced by more than one value type. A concept which might be used as an example of mixing the values when dealing with investments is the *socially responsible investment*. Socially responsible investment is broadly defined as the integration of personal values, social considerations and economic factors into the investment decision. Socially responsible investment has emerged in recent years as a fashionable and increasingly popular topic.

#### ***Projects' values***

Contrary to traditional professions like doctors or lawyers, no commonly recognized professional ethics or values nor universally accepted codes of professional conduct exist for project, programs and portfolio managers (IPMA).

Values appear to significantly contribute to a compelling sense of purpose beyond making money (Mengel et al, 2009). For project environments in particular, an attractive vision and a shared set of values and beliefs is important (Keegan and Den Hartog, 2004; Kendra and Taplin, 2004), being a significant project success factor.

“Project values provide benchmarks for what is considered good, valuable and desirable in a project. They determine the behavior of the members of the project organization consciously and unconsciously and provide orientation for their actions” (Gareis, 2005: 260).

In defining project values the following questions can be used as an aid (Gareis, 2005):

- What is specific about the project results?
- What is important and what is not important to the project team?
- What differentiate the project from other projects?

#### **4. The connection between values of investments and projects**

As social systems, projects develop their own culture, identity and their own values. Investments unlike projects are non-social systems; therefore they cannot have their own values. It is the investor and the investing organization that can develop and act on values which they can transfer to the project organization. The investor has to communicate their aimed values parallel to their investment. When speaking about investments initialized through projects financed by EU, the investor is considered to be the European Commission and also the funding recipient that has the obligation to co-finance the implementation of the project.

#### ***The investor as an important stakeholder***

The concept of stakeholders was first approached in 1984 by Freeman that defines stakeholders as "any group or individuals who can influence or are influenced by an organization's objectives" (Freeman, 1984: 46). This definition is considered a starting point for stakeholder theory (Achterkamp and Vos, 2008). In 1986 Cleland related stakeholders' theory to project

management, highlighting the importance of identifying stakeholders, their classification and analysis. In the Project Cycle Management guide (2004) stakeholders are defined as persons, groups of people, institutions, professional organizations, companies, etc., which can be related, directly or indirectly to the project or program (European Commission, 2004).

Many authors have stressed the importance of stakeholders in project management. Littau, Adlbrecht and Jujagiri published in 2010 a meta-analysis that summarizes developments in stakeholder theory literature related to project management. Of the 2.026 articles published in the period 1984-2009, in the most important international project management journals, they identified 116 articles on stakeholders, meaning that 5.7% of the articles published in these journals mentioned the word stakeholder in the title, abstract or keywords section (Littau et al, 2010).

Identifying and analyzing the stakeholders' expectations is an important step in project management. Therefore, the question which stakeholders should be consulted or how they should be involved in the values formation process, is of great importance. From the project's point of view, the investor always plays an important role when it comes to stakeholder priorities. On the other hand, an investor could have different investment projects with different priorities in his portfolio.

Project management approaches start to integrate stakeholder value judgments into the project process. As the investor is one of the main stakeholders the value transmission process between the investor and the project has to be considered.

#### ***Transmission of values between the investor and the project***

Depending on his priorities, the investor will direct his influence on the project organization in different ways. The value transmission can take place active or passive. An active transmission requires active communication through different tools. The danger of the passive transmission is the assumption of the leading role of the investor by the project organization, following the assumption of his values. *"Leaders embed their values within a culture because people are guided by what leaders pay attention to, measure and control"* (Mills et al, 2009).

Project organizations will consider the values of their investors, especially when they play the role of the dominant stakeholder. If these values are not communicated properly, the project organization will try to interpret the behavior of the stakeholder.

Values can be transmitted easier between the investor and the project, if the management paradigm of the investor and of the project is similar. Project managers should have an understanding of their own values, those of the organization (project) and of the investor (Mills et al, 2009).

Considering the project duration, the transmission of values as a management tool between the investor and the project will play an important role for short term projects as well as for mid and long term projects. As the creation of values takes time, mid and long term projects will develop their own values, similar or different of those of the investor. For short term projects it is more likely to adopt the values of the dominant stakeholder. The evolution of project values in time is a topic the project management and the investors have to consider.

Considering the phases of the investment, conception and realization projects can be differentiated (Gareis and Stummer, 2008). Concept development projects require openness and creativity. It might be necessary to deal with different project values depending on the phase of the investment. To maintain specific values through the different phases, the investor, as one of the main stakeholders, has to participate in all investment and project phases.

#### ***Integrating the values of the investor into the project***

Project values and the investor's values can positively affect employee satisfaction, work attitude, commitment, effectiveness and staff turnover (Mills et al, 2009). Values are a management tool within organizations and projects. Priorities, defined as values statements alone, will not be

enough to guide day-to-day activity. They can be communicated with the aid of a project mission statement, but the main multipliers of values are the role models.

Stakeholders' values and expectations can be integrated into the project. VALiD (Value in Design) is a new approach to value delivery that integrates stakeholder value judgments into the project process (VALiD). According to its creators, the approach has proven effective in construction projects and building management in the pharmaceutical, education and project management sectors. The concept is based on the following principles:

- value delivery is the goal of all projects;
- value is subjective and based upon stakeholders' underlying values;
- successful projects deliver value for all stakeholders;
- project teams have provider and customer stakeholders, each with their own understanding of value and expectation for its delivery;
- value is judged by each stakeholder from their own perspective and aggregated to provide a project view;
- effective project value delivery requires an ongoing dialogue between all stakeholders to negotiate appropriate compromises and balance stakeholder views (VALiD).

Value is the trade-off between what each stakeholder gets and what they have to give up. It is essential that value from each stakeholder's perspective is analyzed and understood. According to the VALiD framework there are three elements which contribute to the integration of values into the project: understanding values, defining values and assessing value proposition. Through this elements VALiD helps stakeholders express the "get" and the "give" of their value as the benefits they seek from the project, the sacrifices they are willing to make in order to get those benefits, and the resources they consume in doing so (VALiD).

## 5. Conclusions

Values are the basis of human behavior and important factors in the decision making process. Understanding and analyzing the values when dealing with projects and investments contributes to better results and creating sustainable investments.

The principal way of connecting the investment's values to the project is through the investor, as one of the most important stakeholders. The European Commission, as the investor, in EU funded projects defines its values through the objectives formulated in its policies. But it is not enough to communicate the values as a statement. The investor has to be involved in all the investment and project phases in order to ensure that the values are correctly transmitted and understood. Transmitting and integrating the values of the investment into the project increases the efficiency of European funds and has positive effects when dealing with projects in general.

Considering the complexity and importance of the topic, future research can be done in this field. Using interviews or focus groups to find out the stakeholders' opinion on this topic might be a future point of interest in our research.

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