Let's talk about public projects [1]

On public projects' values [2]

Stanisław Gasik

Introduction

In previous issues of PM World Journal, we devoted some time and space to programs (Gasik, 2023b, 2023c, 2023d). Now let's take a look at the second major aggregate of projects, the portfolio. In order to properly construct a portfolio – of course within the framework of the authorization granted to given public organizations – you need to know what values are important when building it.

Intersectoral differences in the methods and criteria used to select projects and project programs for implementation are due to differences among sectors as a whole and differences among organizations belonging to these sectors. A project is a type of organization (Figure 1), and therefore inherits its characteristics, including values and intersectoral differences. Therefore, we will begin this article with an analysis of intersectoral value differences.

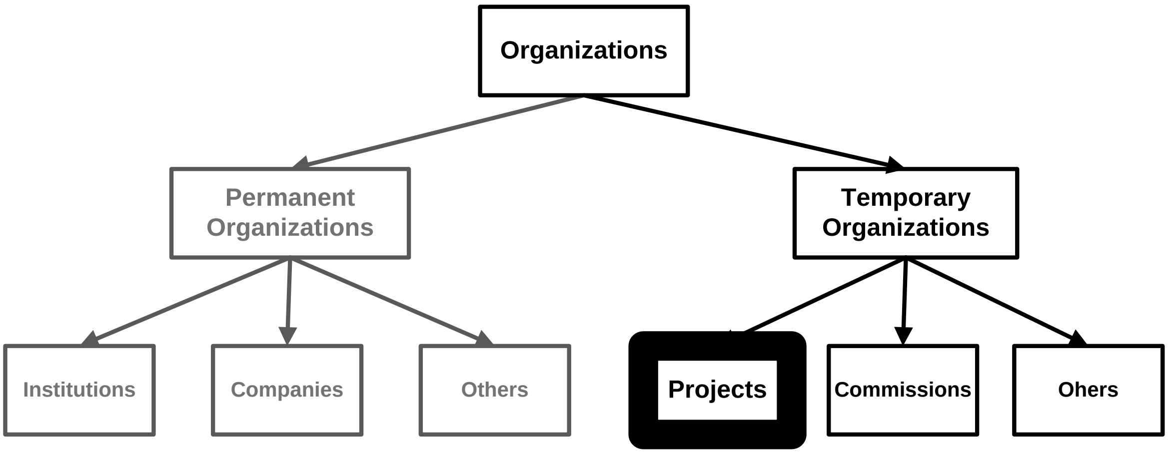

Figure: Projects as organizations (source: Gasik, 2023a)

[1] Editor's note: This article is the 5th in a series related to the management of public programs and projects, those organized, financed and managed by governments and public officials. The author, Dr. Stanisław Gasik, is the author of the book "*Projects, Government, and Public Policy*", recently published by CRC Press / Taylor and Francis Group. That book and these articles are based on Dr. Gasik's research into governmental project management around the world over the last decade. Stanisław is well-known and respected by PMWJ editors; we welcome and support his efforts to share knowledge that can help governments worldwide achieve their most important initiatives.

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Intersectoral objectives differences

It is believed that money is the most important value in the activity of the private sector. Yes, the reason for setting up businesses in the vast majority of cases is the desire to improve one's financial situation and therefore material opportunities. Recently, there has been more and more talk about Corporate Social Responsibility (CSR), i.e. taking into account the impact on society and the natural environment in the activities of private companies. Ethical aspects are taken into account and good working conditions are ensured. However, since private companies for their existence, operation, and compliance with CSR recommendations always have to engage resources for which they are responsible, there is a limit to achieving these goals. This limit is financial capabilities, which in particular determine the level of taking into account CSR. Hence, the dominant goal of private companies is to ensure the appropriate level of financial resources, resulting primarily from the company's activities. Projects implemented by private sector organizations should directly or indirectly contribute to the company's and its owner's financial success.

The situation is different in the public sector (and to some extent in the third sector, i.e. Non-Governmental Organizations, NGOs). Most public organizations are established to achieve specific objectives related to society. The state and the government can also establish or acquire companies whose purpose is to provide financial income, but they only indirectly affect the implementation of social goals. Increasing the financial status of the administration is not the final objective of public project implementation. And business activity is not the main source of income for public administration. Even if a populist government wants to win the acceptance of new voters through financial transfers, most of the state's revenue comes from other sources – primarily taxes. For these reasons, we will not deal with state-owned commercial organizations in the remainder of this article.

That is, private companies may have social goals in their functioning, and public organizations may have financial goals – but in both cases, these are secondary goals.

The objectives of public organizations

So what are public organizations for? To meet public needs. But the public has many needs. For example, needs related to communication. Or related to providing security. Or related to health care. Or related to nature conservation. Or to provide access to cultural goods – for example, books, television, or theaters. Commercial companies, after all, also operate to meet some social needs. If the results of their activities were not needed by members of society, if people were not willing to pay for them, such companies could not operate. On the other hand, services provided by public sector organizations can also be provided by commercial organizations. Private companies can provide health or education services. Having the power to exercise coercion over its own citizens is considered one of the main attributes of the state. But in some countries, even one of the most coercive institutions – prisons – may be run by private companies. In contrast, in many countries, it is natural for the provision of transportation services to be the domain of the private sector, but in others, transportation services are provided by state-owned air or rail transport companies.

That is, the mere satisfying social needs cannot be considered the only and final criterion for belonging to the public sector.

So what is the scope of activities of public organizations? This results from many conditions: historical, cultural, general philosophy of governing, politics, or economic situation.

But for the – one way or another established – set of public organizations, there are certain values that they should fulfill. And these we will now address.

Values of public administration

Since revenue is the main and basically the only criterion for the operation of commercial companies, is there such a single criterion in public administration? The answer to this is not clear. Moore (1995) introduced the concept of "public value" to denote what the public demands from public organizations. But this concept has a much weaker meaning than financial goals for private companies. The statement that every public organization should realize public value has much less operational meaning than the statement that every private company should maximize profits. The notion of public value has a meaning that organizes thinking but not the operational one.

That is, to determine what requirements public projects must meet and their selection criteria, we need to look more closely at the concept of public value.

There are two types of public value: specific and general.

Specific public values

Specific public values relate to meeting specific needs or solving social problems. For example, in the areas of health care, care for the elderly, development of transportation infrastructure, anti-poverty, or state defense. The state also performs interventions in areas that are usually the domain of private entities, such as trade or agriculture. But this is still just defining an area of project activity, not a specific value. For society, it may be important to reduce mortality from a particular disease – for example, tuberculosis or AIDS. People involved in business may want it to be easy to register their company and the required reporting to be simple. All residents want to feel safe, and not be vulnerable to theft or attack by criminals. And this level of granularity is already precise enough to be applied to the selection of public projects for implementation.

General public values

There are also general qualities that are required for the way public projects are implemented. For example, de Vries and Kim (2011) list impartiality, justice, honesty, continuity, accountability, transparency, and responsiveness, among others. In public projects, there are usually two parties: a public organization and a contractor, usually from the private sector (although there are many projects that are also carried out by the public side if it has the necessary resources and capacity). These general values should be primarily (but not exclusively) represented by the public contracting party.

Impartiality in the process of implementing public projects means that the preferences of officials responsible for project selection cannot influence the decisions made. An important point where impartiality is relevant is the selection of a contractor for a public project. Corruption is the main threat to impartiality in the selection of projects to be implemented and the selection of their contractors.

Justice is giving all subjects what they are entitled to in accordance with the provisions of law and a sense of morality. If all children in the country are to have equal access to schools, then school-building projects should be chosen where there are none.

Honesty is adherence to the applicable rules and honoring accepted commitments. In the selection of contractors for public projects, honesty can consist of carefully following the rules, principles, and requirements set out in the terms of the tender.

Transparency in public projects means that stakeholders have access to knowledge of the project process from the arising of its idea, through planning, and implementation, to the evaluation of its products and results. It is unacceptable to hide knowledge about the various phases of a project from the public, especially about problems related to its implementation. However, not all projects must be transparent – for example, in the case of projects related to state security, it is natural to keep in secret some or even all knowledge about their implementation.

An interesting feature of public projects is their responsiveness. On a general level, it means that projects should solve emerging social problems. However, after making the decision to implement the project, it should be possible to adapt the project to emerging or newly defined problems and needs. This approach is implemented by agile methodologies.

Accountability in the public sector is handled differently than in the private one. Public project decision-makers (politicians) and "owners" (sponsors, project managers) do not own the resources, particularly financial ones, used to implement projects. If a private project owner spends his money on a project, he/she is accountable only to himself (and other shareholders). In contrast, in the public sector, it is necessary to be accountable to the public for the decision and implementation of projects. In extreme cases, this can be criminal liability, but above all, there should be transparency in these decisions so that the decision-makers – politicians – can be held accountable for their decisions through political processes, primarily elections.

Continuity is especially important when changing ruling parties. Their change should not have a significant impact on the direction of the administration's activities. For example, it would be inappropriate in the area of energy policy under the rule of one group to prefer nuclear energy, and under the rule of another – traditional, coal-based energy. And with the next change of ruling parties, a return to nuclear energy. On an individual scale, it would be inappropriate to change the scope of support for the poor or even to change the rules of access to education. All such changes in public policies could affect the selection criteria for the implementation of public projects.

Common project selection criteria

Some project selection criteria are common to all sectors. Examples of these are cost and risk level.

In projects of all sectors, financial capacity is a criterion for selecting projects for implementation. In no sector can projects be implemented that the organization cannot afford. Usually, projects are ranked according to the level of fulfillment of the criteria set for the project portfolio and then as many as can be financed are selected. But in the public sector, the financial factor does not play a decisive role as a project outcome. The effect is the achievement of values specific to the area of operation of the institution implementing the project, which we wrote about above.

A factor common to all sectors in selecting projects for implementation is the level of risk. Every organization, including public ones, should consider the degree of probability of achieving planned goals when making portfolio decisions. In the private sector, risk can be measured by the level of financial resources likely (but not certain) to be lost or gained. In the public sector, the risk is more difficult to measure and relates to multidimensional benefits. How do you determine a procedure for measuring the risks associated with reduced (or increased) life expectancy as a result of implementing a certain health program?

Summary

The differences in the ways of project portfolio decision-making between sectors are primarily due to the social role of the sectors and the values that are important to them. In the private sector, financial criteria are primarily important, while in the public sector, many values are important, encompassed by the common notion of public value. But there are also common decision-making criteria – for example, financial capacity or the risk level to which projects are exposed.

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About the Author

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Dr. Stanisław Gasik, PMP is a project management expert. He graduated from the University of Warsaw, Poland, with M. Sc. in mathematics and Ph. D. in organization sciences (with a specialty in project management). Stanisław has over 30 years of experience in project management, consulting, teaching, and implementing PM organizational solutions. His professional and research interests include project knowledge management, portfolio management, and project management maturity. He is the author of the only holistic model of project knowledge management spanning from the individual to the global level.

Since 2013, his main professional focus has been on public projects. He was an expert in project management at the Governmental Accountability Office, an institution of the US Congress. He is the author of "Projects, Government, and Public Policy," a book that systematizes knowledge about government activities in the area of project management.

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