

Project Management Challenges in Family Owned Business

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Abstract This paper will discuss the impact of individual owner's decisions on projects by presenting different case studies and particular experiences while working for a private family-owned property development company. The discussion of this paper will demonstrate different situations where owners and senior management took discrete resolutions based on personal desire which have impacted projects time, cost or quality. Project managers will find it challenging to perform basic project management procedures and proficiency in providing technical advices to handle the changes in a more professional manner while working for this type of family business where owners and senior management are giving single decisions without executing proper due-diligence from the experts. There aren't many literature discussing this topic specifically, as most of the researches are discussing family business in general, nonetheless, this paper is focusing on the impact on projects and the difficulty of handling projects while working for private owners who take decisions based on general knowledge or personal appetite. This paper is based on physical instances and situations and case studies.

Keywords Family business, Project management, Challenges, Personal decisions, Change management

1. Introduction

During the research on similar topics, it was challenging to find papers, discussions or journals that discussed the challenges that may face a project manager while working for a privately owned property development company.

Many project management terminologies will have different meanings and transformations when it comes to family business and their interpretation of each term. Such as project management, value engineering and design management.

Every family business has already established its own set of values and objectives which were built over generations, so it will be very difficult to try and change any of these. So the idea is to understand the legacy behind this family business, and what are their personal values. While trying to implement proper project management methods which will – most of time – be challenged by the owner being the ultimate decision maker. When it comes to professional advice on any impacts of personal decisions, usual this is challenged and the project manager will be unable to apply any theoretical or practical expertise in such cases. From the business side, projects are more related to personal opinion (in this case will be the owner), personal preferences, connections and favouritism. This will be further detailed in

this paper and how this will have an impact on projects and decisions.

Finally, families are risk-averse, in other words they invest less in innovation and research but still seems to generate more innovative output because they apply for significantly more patents [1]. To elaborate more on this point, project managers will find it difficult and challenging to implement proper project management standards while managing projects and developments in a family business as this will always be challenged. The only technique for survival is to implement the owners' requests without deploying your proficiency or knowledge on the decision but to attempt to reduce the impact on determined directions.

2. Hierarchy, Culture and Associates

The decision to transfer from none-family organization to a family-owned business sometimes might be very difficult. Even by trying to search their website and other social media publications, this will not give the real insights of how personal decisions are taken within the company and how this will impact the professional achievement on project management. From the very first date of joining, it is important to understand the culture of the company, the hierarchy of the organization, teams and associates as briefed below:

- Culture: in large corporates, organizational culture

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refers to the beliefs and values that have existed in that organization, and to the foreseen values of the staff work that will influence their attitude and behaviour [2]. However, in family-owned business, organizational culture is more in to how to handle authority, power, leadership, decision-making, performance measurement and relationships with partners and customers [3]. Here it says: Culture shapes the behaviour. The whole behaviour of a manager will transform based on the role, responsibilities and the power been given to him/ her and this will dictate the culture of members working for this manager.

- Hierarchy: this a standard and typical term used everywhere, but it is very important to understand who superiors who, and who has more power and influence in the company regardless of the title. In family businesses, it is noticed that some key members has bigger influence and decision making than others. This will change the way of understanding hierarchy and positions as the power of change usually being controlled. In other words, influence is usually controlled by specific senior management members and gives them the right to change without following proper scientific or technical exploration or even by referring to the skilled team members for proper recommendation, and this will impact negatively on the team members and their confidence.
- Associates: one of the biggest downside of any business is teaming, connections and allies. This is often found in family-owned business where some team members' target is to thrive in front of the owner. This is an important aspect to understand when joining a family business as it will save efforts and energy for the new joiner when trying to compete or prove themselves.

This is from cultural point of view, on the other hand, as this paper will discuss the technical and project management side in a family-owned businesses, where project management will have a slight different interpretation than the international definitions for couple of terms such as, design management, project management and value engineering as these terms will be controlled by the decision makers irrelative of how and why the change is being adopted.

3. Originality/Value

This paper discuss and present the challenges during the application of project management practices while managing projects which are family owned or within a family business establishment. Also it represents couple of case studies where owners have taken individual decisions based on personal perception and the impact of such decisions on projects.

4. Objective

Main objective of this study is to demonstrate to project managers the challenges faced while working for a family-owned business especially that deals with project development and the difficulties to implement proper project management methods and expertise when decisions are based on sole judgement.

5. Project Management Discussion in a Family Business

By definition, a project is a multifaceted system, consisting of many interrelated sub-processes. In any project, it is essential to satisfy both technical requirements and budget compliance in order to meet the deadline [4].

Technical requirements in a family business, is considered the most difficult one, since their projects unique nature makes family firms a challenging context for Project Management as it requires to convince the management and the owners of the knowledge and technical strength were both are always in doubt (if the project leader doesn't belong to the family especially). Owners are usually keen to collect general information from the market or from other family members who are good in construction for example, then use this of information to challenge the knowledge and past experience of the project manager. In nutshell, family firms usually show a lower level of professionalization and managerialization [5] in comparison with non-family ones, and this fact can easily undermine project and knowledge management practices [6].

The other key element of project management is budget compliance: this term is flexible and expandable based on the financial power of the family. It becomes a personal preference of the owner whether to spend money on a project or not based on the company cash-flow and personal appetite in that project. Where in other non-family business, the set budget is fixed since this will define the success of that project and the profitability as it has been already registered in the financial books.

In family-owned business, each project budget is defined independently based on the attitude of the owners at the time of the launch, in addition to other political and family members influence on that development.

Another point of discussion which falls under project management is value engineering. As it is known, Value Engineering is an organized attempt to optimize the overall value of the project in project management endeavour [7].

This means that the project manager or decision makers who are working on the project must consider all cost associated with the project from initial design stages to completion to meet the project the budget or even lower without comprising the quality of design or final product. In the case of family-owned business, Value engineering can be translated in to many different aspects subject to the owner's personal judgment. Value Engineering can be

simply applied by eliminating or adding architectural features, changing finishes specifications or even introducing or terminating new spaces which they believe in their personal opinions is essential. This type of value engineering might end with some cost cutting but in return has ignored completely the fundamental meaning of value engineering which is maintaining the original design quality. The final product might satisfy the personal taste of the owners but has jeopardized the role of the designer and the project manager in practicing the role been assigned to him/her.

6. Case Studies – The Real Impact

In the few following pages, couple of case studies will be presented for discussion purposes only which will reflect the impact of individual decisions on projects from time, cost and quality. The case studies reflects the author's personal assessment and opinion. The discussion will cover 2 areas: fit-out projects and Major developments.

6.1. Fit-Out Projects

Fit out projects are increasing recently in the GCC and around the world especially with the surrounding situation and global pandemic where investors focus on refurbishments and fit out projects rather than building new structures to reduce the financial exposure.

One of the challenges that faces any project is the change management post commencement [8]. Realistically almost all projects have changes after starting the work, however, the challenge is to manage the changes in the scope of work and to determine if the change can be disregarded or it can be absorbed within the project budget. In most family-owned business, and as explained above, owners would like to intervene in the design and to express their design desire at sites and during the construction. Or sometimes a sudden change of function could cause the project budget to go the roof.

“Figures 1 & 2” are an illustration of a completed project where the area was designed as an outdoor terrace with swimming pool. Due to market demand, and in order to accommodate one of the tenants, it was decided to close the area and to convert it to an indoor space.

From business point of view, the decision to utilize this space for an indoor area was intellectual in theory, however, the actual works to implement such drastic changes were immense and took a very long duration to get the authority approvals. The one million dollar question: was the value of such changes on the return of investment worth it? Such change could have been easily managed during the design stage while preparing the business plan for this project. From project management aspect, the first act should be is to prepare a narrative on the impacts of such change, then drafting a responsibility matrix for implementation. Unfortunately, in this case, owners do not want the intervention of the PM. So the action from the project

manager will be is how to reduce the impact of this change and how to implement the design changes with minimum disruptions and least cost irrespective of the decision whether it is correct or not.



Figure 1. Existing outdoor terrace



Figure 2. Existing outdoor terrace

Another example was for a fit out job for one for the food and beverages outlet. The design brief was provided by the operator, then the design drawings were prepared, presented and acknowledged by the operator and the owner. After commencing the execution works, and during a regular site visit, the owner realized that he does not appreciate the final product w it is not in-line with his vision and expectations. This comment has caused major delays to the project and opening date of the facility. Below “figures 3 & 4” reflects the design renderings versus the actual executed works.



Figure 3. Project rendering



Figure 4. Actual internal photo

By recognizing the above figures, both rendering and final product was identical which means that the contractor was able to achieve the design intent. The role of a project manager in this case is make sure that the works are executed based on the approved drawings and within the time and budget agreed and quality. However, managing personal preferences will be a challenge to any project manager since this will be a subjective decision.

“Figures 5 & 6” below also represents a comparison between design renderings and final product.



Figure 5. Project Rendering



Figure 6. Actual outdoor photo

Another case study to demonstrate the significance of determining the use and the function of the space to avoid abortive works. The below example “Figure 7” of a showroom was designed for a specific purpose then the space was changed to accommodate different function after completing the project. The decision was to replace the installed curtain wall with a different type to accommodate the new function for a car showroom. Such late decision has affected the opening date and had instigated extra cost in addition to the sunken cost of the installed glass.



Figure 7. Glass samples in the middle

Thus, the decision for replacement was a progressive action from business point of view, nonetheless, such decision should have been tackled at an earlier stage to avoid such impact since this paper is discussing the impact of personal choices based on instant decisions and their impact on project management. Again, practicing professional project management methods will be by discussing the professional pros and cons of such decision from practical, technical and financial aspect with the owners and decision makers to make a comprehensive decision. However, when the decision is one sided, the discussion will instigate unnecessary arguments.

6.2. Major Projects

Late decisions and changes on large scale projects will have major impacts on time, cost and quality. To understand change management and its impact on projects, we must look at two components, Change and Management [9].

Change: This is anything that transforms or impacts projects, tasks, processes, structures, or even job functions [8].

Project management: This refers to the process of managing a project team and monitoring their activities to meet project goals [9].

By considering both components above for any change management, it is vital to explain to the ownership the required change and the impact of such request. The challenge originates from performing project management in family owned business when trying to implement a professional project management expertise.

The below case study in (figure 8) reflects a radical change requested by the ownership during the handover stage of a large scale development. The instruction was to change the function of a specific area into a totally new purpose.



Figure 8. Original layout design

“Figure 8” above is the actual design of the space showing an open to sky courtyard surrounded with meeting rooms as the originality of the design was to create an outdoor open area for break times during the functioning of the meeting rooms. The owner's decision after the completion of the core and shell works for this area is to convert this space to a closed ballroom.

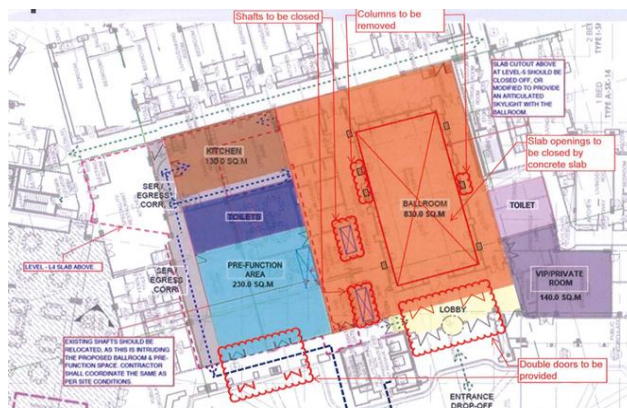


Figure 9. Revised design layout

Such late decision will have radical impact on all engineering disciplines yet to the cost and the completion

date of the project. From project management and change management point of view, the first step is to prepare a narrative of the impacts, risk and consequences of such change. Also, a proper responsibility matrix should be prepared in case the decision is to move ahead with such instruction. Unfortunately, family owners will not entertain the project management analysis and review and will disregard any attempt to review and execute a proper change management document prior taking the decision.

7. Conclusions

This paper has briefly described the main challenges that might face any project manager during implementing project management methods when working for a family-owned business especially – in this paper - if the business is a property/ real-estate development company.

The paper describes the authors' personal experience during managing projects owned by a single owner. The challenges can be summarized in decision making process and how to translate these decisions into workflow. Also it highlights the difficulty of implementing proper project management methods and technical advice to the owner especially if the upper management are none technical related backgrounds. It is essential for any professional project manager to highlight – during the interview – the importance of his/ her role in projects and make sure the owner's appreciation and requirement for the technical and theoretical advice been given by the project manager and the substance of his/ her technical opinion.

Finally, project managers might need to change the way of thinking towards projects especially when decisions are made late in the process. This is called reactive thinking rather than being proactive. This technique will be celebrated in other papers.

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