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Distinctive features of corporate development projects management compared to commercial development projects

Based on the main essence of development project management, i.e. managing efficiency of such projects, the authors have analyzed the existing approaches to defining the concept of efficiency. As a result of the analysis it was concluded that the existing approaches to the definition of the concept of efficiency are not fully applicable in the context of corporate development project management. Therefore, based on the existing approaches and taking into account the specifics of activities, the concept of efficiency was formed in relation to corporate development projects. In addition, taking into account peculiarities of business processes of corporations and development activities within them, the organizational structure of interaction between participants of corporate development projects was clarified. Taking into consideration connection of corporate development projects with corporate strategy, managerial decision-making algorithm was developed in the process of controlling activities. Given the focus of corporate development projects exclusively on corporate strategy objectives, it was found that the standard indicators used in commercial development projects are not fully applicable to corporate development project performance evaluation. This fact creates a need to develop new methods to assess the effectiveness of such projects. One of the parameters which can be used to quantify the economic efficiency of corporate development projects is the total cost of ownership of real estate. This study outlines the general principles for determining this parameter for corporate development projects. Given the complex function of real estate objects in a corporation's portfolio, a social return on investment parameter is proposed to assess the positive effect of projects.

Keywords: project management, corporate real estate development, development efficiency

The classic project management methodology, as set out in the project management standards, is based on the triple bottom line theory formed by Martin Barnes back in 1969 [1]: the quality of a product depends on three project indicators — cost, time spent and labour intensity. When managing corporate development projects as a whole, the same indicators should be used, but they will take a special form.

Earlier in the study [2], the author outlined the main differences between corporate development and commercial development projects:

- the aim of project implementation depends on the objectives shaped by the corporate strategy;
- strictly defined functionality and the end user of the property, which is one of the business units of corporations;
- financing of the project, in most cases, will come from the corporation's own resources.

These characteristics create the need to develop new and optimize existing management methods for corporate development projects, which is what this paper does.

Obviously, in any development project, a certain quality parameter of the completed project has to be met. In corporate development projects, this parameter can often be quantified. Thus, when implementing a development project, the corporation has a certain goal — it is necessary to obtain a well-defined amount of resources to solve the business task at hand. It is worth noting that due to the difference in the goals of commercial and corporate development projects, the conditions of

goal achievement are also different, i.e. the result of the corporate development project is achieved by combining the intellectual and human resources of the corporation and the real estate object through high-quality project management. Therefore, this process ensures a new quality of real estate that meets the original requirements and covers certain needs of the corporation.

A key aspect of the project management process is to maximize the level of efficiency. Depending on the definition of efficiency, the way in which it is defined will vary accordingly. The concept of efficiency can be interpreted in several ways:

1. Efficiency is the ability to achieve objectives [3]. In this approach, effectiveness is defined solely in terms of the result of the activity, i.e. the extent to which the final goal is achieved. The difficulty in applying this approach is that the objectives are often formulated rather implicitly. It is also worth noting that not all formulated objectives can be evaluated, and with a large number of objectives it is difficult to accumulate evaluation.

2. Efficiency is the ratio of the useful output to the resources spent to achieve it. More generally, it is the ratio of what was input to what was output, which allows us to avoid being linked to the concepts of "resources" and "outputs" [4]. Using this approach, it is only possible to quantify the results.

3. According to the concept of system resources, efficiency refers to the ability of an organization to provide the necessary amount of resources to carry out its activities without interruption [5]. The advantage of this approach is the ability to formalize the need for resources and to calculate resource availability.

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4. The approach that defines effectiveness as the degree of satisfaction with the effects of a project or activity is called the multi-stakeholder concept [6, 7]. The essence of this approach is that the interests of all project stakeholders and the degree of their satisfaction should be taken into account when assessing the effectiveness of a project, as they often do not coincide. Conflicting indicators are subject to mandatory balancing in order to achieve optimal results and maximum effect for all participants in the process. This approach is the basis of the international standard ISO 26000 and its domestic analogue IC CSR08260008000, in which the effectiveness of socially responsible organizations is assessed as the sum of different types of efficiency: business, environmental and social [8].

5. In the benchmarking approach, performance is defined as achieving compliance with various corporate, industry or global standards of practice in a given area. This approach is most useful if the performance is clearly regulated by global, industry or organizational standards, or if there are examples with performance benchmarks.

Based on the above mentioned approaches and taking into account the specifics of corporate development processes and outcomes, the author has formed the following definition of efficiency in the context of corporate development project management.

The efficiency of a corporate real estate development project is the ability to achieve the objectives set out in the corporate strategy through project implementation, thereby providing the corporation with the maximum amount of necessary final resources while using the minimum amount of resources and simultaneously meeting all corporate standards and consumer requirements for product quality. Thus, the task of managing a corporate development project comes down to managing the effectiveness of the implementation of a particular project.

Development project performance management is a set of management processes — planning, organization of execution, control and analysis — that allows the developer, in this case the corporation, to strategically define the mission, to promptly assess and manage project activities to achieve the goals set while making the best use of available resources.

Since the effectiveness of the project will depend on the effectiveness of each individual participant of this project, it is necessary to define the composition of the participants of the corporate development project, as well as the order of their interaction. Methodologically, the process of interaction between the participants of the corporate development project and their functional responsibilities can be reflected by means of a flow chart (Fig. 1).

Development project management is about managing the performance of this project, which, as noted earlier, includes the following processes: planning of activities, organization of production processes, project implementation control and analysis of the current state. Due to the fact that corporate development projects have a peculiarity in the form of focus on solving a business problem conditioned by the corporation's strategy, the management processes outlined above have their own peculiarities.

More often than not, activity planning consists of sequencing the business processes of a project in such a way that it is possible to realize the project within a predetermined corporate strategy timeframe. This complicates the planning process itself, knowingly putting the developer within certain limits. It is also worth noting

that large corporations either have a large share of public capital, or may be fully owned by the state, which in turn requires all procurement procedures in accordance with applicable law^{1, 2}. These aspects need to be taken into account in scheduling and network planning and reflected in Level 3 and Level 4 schedules. In addition to the specifics of the facility itself, the planning process must also take into account the peculiarities of internal business processes.

A number of features can be distinguished in the scheme of interaction between the participants in a corporate development project in relation to a similar scheme in commercial development projects.

First of all, it should be noted that the project is fully financed by a corporation, whereas commercial development projects often involve third-party investment in the form of loaned cash or investment capital. The involvement of external funds is also possible in the case of particularly large projects where several corporations will be beneficiaries at the same time, including international projects.

Secondly, an important aspect to be considered in the implementation of a project is the existence of clearly defined consumer requirements for the end result. This fact, on the one hand, simplifies the implementation of the project and relieves the developer of the need to conduct market research in order to formulate the product concept. On the other hand, the existence of such strict requirements for the finished property deprives the developer of a certain flexibility in decision-making during the project implementation process.

Of course, monitoring and controlling the progress of any development project, including corporate projects, is an integral part of project management. In its essence, it is the controlling function that aims to ensure the necessary efficiency of the project. Being the basis of system management, the function of so-called situational controlling ensures effective management of real estate development through the implementation of management measures by adjusting the predetermined relationship between resources and objectives [9].

A special feature of corporate development projects is the higher and clearer quality requirements for the property, which in some cases creates the need for the developer to be involved in management decisions not only at the level of interaction with the technical customer, but also at lower management levels.

The management decision-making process itself is carried out by analyzing current conditions, comparing actual parameters with planned ones and then influencing the system of resources involved in project implementation. This process is implemented through forward and backward communication between the system elements of the project itself [10].

There are several types of controlling in common practice, the first of which is embedded control. Embedded control is a set of procedures that result in fixed points or milestones in a project, without which further implementation is simply not possible. In practice, these activities are implemented through the development of strategic project roadmaps that reflect key project milestones. Namely, site selection, concept readiness, project documentation readiness, obtaining initial permitting documentation, achieving full construction readiness of the facility, obtaining commissioning permit, etc.

For operational management of the project, ongoing monitoring of project implementation is carried out. This type of control aims at detecting current deviations in the cost and time parameters of all processes carried out during the design and construction of the project. It

1 On Procurement of Goods, Works and Services by Certain Types of Legal Entities : Federal Law of July 18, 2011 No. 223-FZ.

2 On the Contract System in the Sphere of Procurement of Goods, Works and Services for State and Municipal Needs : Federal Law of April 5, 2013 No. 44-FZ.

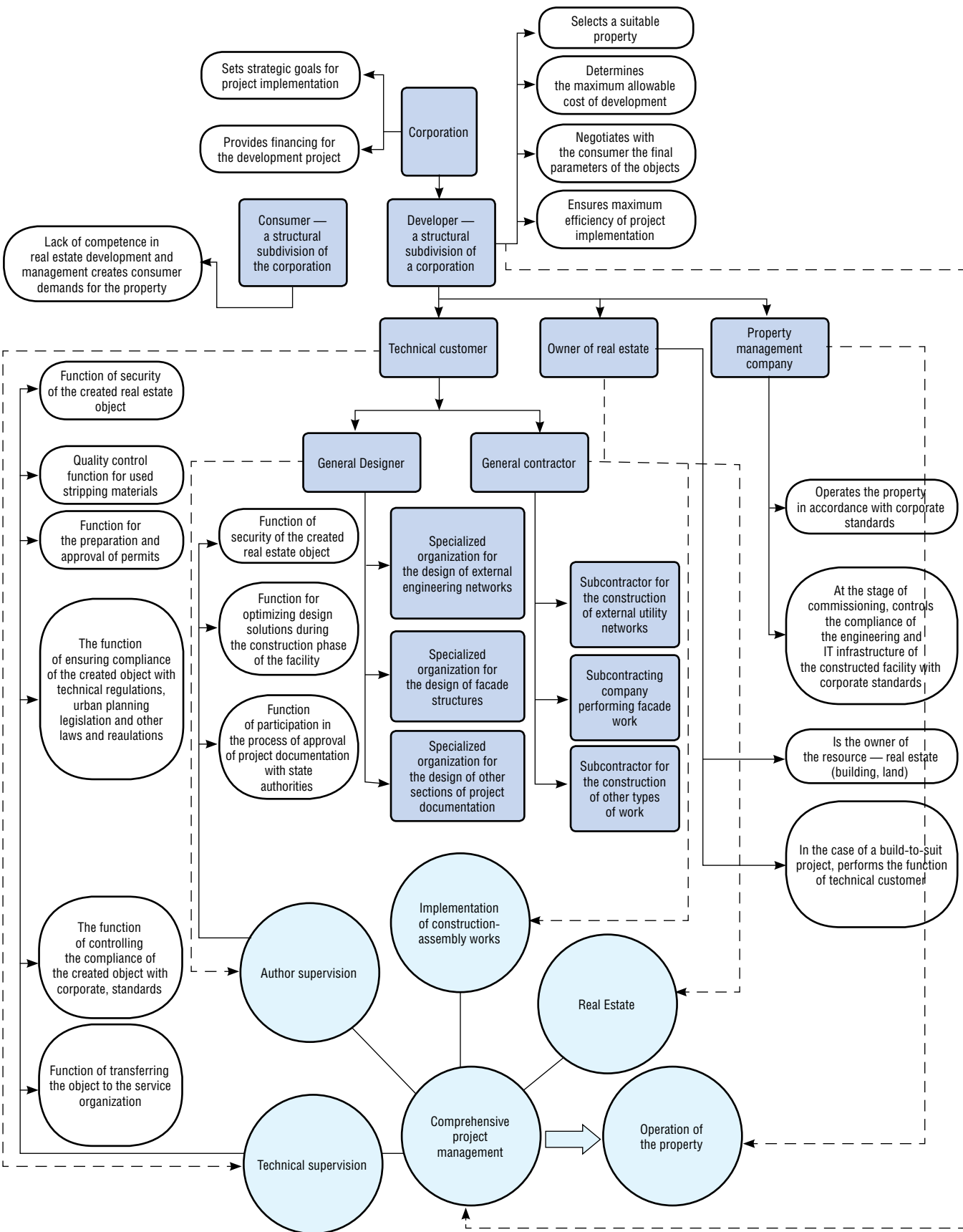


Fig. 1. Organizational scheme of interaction between the participants of a corporate development project. Source: compiled by the author

is carried out by means of multi-level scheduling as well as by controlling the current cost of design, construction and other works.

Post-inspection methods are used to ensure the required quality and compliance with the parameters of the constructed object. In the course of this type of control, the construction work actually carried out is checked, as well as the execution documentation.

An important aspect in the process of controlling the implementation of development projects is the identification of risks that have a direct impact on corporate strategy. Based on this criterion, two types of risks arising in the corporate development process can be distinguished. Risks that have a direct impact on the achievement of corporate goals and risks that do not have an impact on the achievement of strategic goals, but affect project performance.

Introducing these types of controls into the corporate development project management system allows us to propose an algorithm for making and adjusting management decisions (Fig. 2).

Integration of these types of controls ensures the necessary efficiency in corporate development projects at all stages of implementation.

Continuous work on the analysis of the results of controlling measures, combined with the algorithm of making and adjusting decisions, allows the controlling system not only to improve itself in the process of work, but also to identify systemic problems in the implementation of development projects. Based on the analysis of the identified systemic problems, adjustments are developed both in the strategic planning system and in the controlling system. In particular, the planning system is filled with new parameters, the absence of which directly affected the detailing and quality of the controlling system. The management system is adjusted to take into account the identified critical points that reduce the speed and quality of management decisions.

In commercial development projects, efficiency is known to be assessed most often by using the following parameters [11]:

- net discounted cash flow (NPV);
- profitability index (PI);

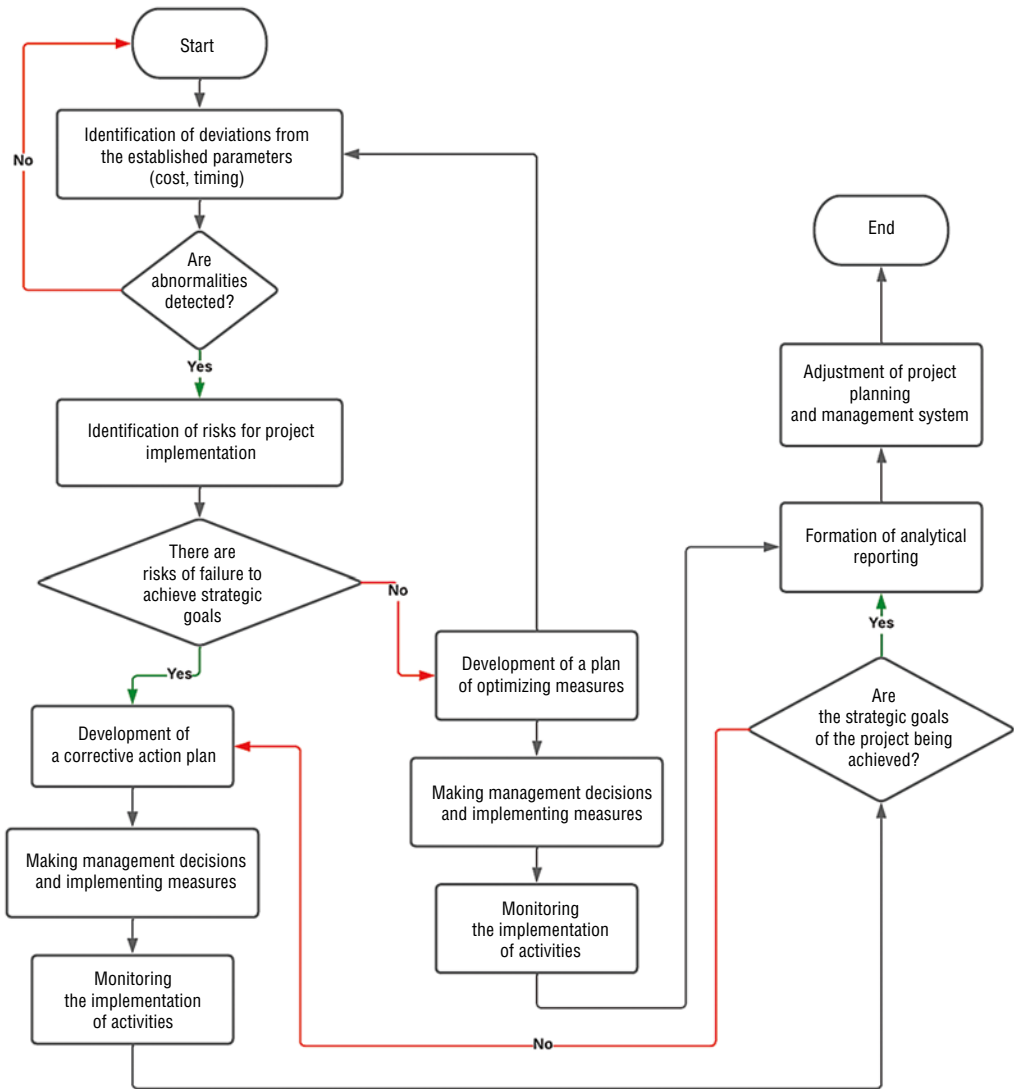


Fig. 2. Algorithm of making and adjusting management decisions during the implementation of corporate development projects. Source: compiled by the author

- internal rate of return (IRR);
- payback period (PP).

For corporate development projects, it is often not possible to define the above parameters because the project does not always have a direct economic impact. Therefore, from an economic point of view, in order to be most efficient, the least costly project should be sought. To estimate this characteristic. It is necessary to determine the total cost of ownership of the property (TCO — total cost of ownership), which in general terms defined by the formula (1):

$$TCO = \sum_{i=0}^n \frac{CAPEX_i + OPEX_i + TAX_i}{(1+r)^i}, \quad (1)$$

where $CAPEX_i$ — the capital cost of the i -th period to maintain the facility in the corporation's property portfolio;

$OPEX_i$ — the i -th period operating cost of maintaining the facility in the corporation's property portfolio;

TAX_i — tax payments due during the i -th period;

r — the discount rate.

Given the complex function of real estate properties in a corporation's portfolio, when assessing the effectiveness of development projects, not only the economic component must be taken into account. An important aspect in such projects is the social and image component of the project itself. In order to evaluate these components of the project, a social return on investment indicator (SROI — Social Return on Investment) must be determined. The main task of SROI is to compare the positive social effects (in monetary terms) received from the implementation of the project with the corresponding costs of all stakeholders [12]. Thus, in general terms, SROI is defined by formula (2):

$$SROI = \frac{SR}{I}, \quad (2)$$

where SR — is the amount of monetized social return resulting from the project;

I — is the amount of investment.

In practice, when calculating the value of social return, the value of social effects obtained from the implementation of the project is determined by comparing the state of the system before the project and after the project [13]. Such effects may include quite different results, for example: impact on the corporate brand, creation of a more comfortable environment for employees, reduction of harmful emissions, etc. The results themselves depend on the type of project, the participants and the business task being solved, and are therefore determined individually for each project.

CONCLUSIONS

1. The development division, as part of a vertically integrated corporation, has to operate under all-round constraints, which requires a special approach to the organization of management processes. When planning a project, it is most important to sequence business processes in such a way that the set goal is achieved within a strictly defined corporate strategy deadline. For the very fact that the goal is achieved, it is crucial to build a system of monitoring and controlling production processes that takes into account the distinctive features of corporate development.

2. The composition of participants in corporate and commercial development projects has some differences, which affects the way they interact and their functional responsibilities. For this reason, the author has developed an organizational structure

describing the order of interaction between the participants and the boundaries of their functional responsibilities.

3. The analysis of existing approaches to defining the concept of project efficiency has shown that the existing ideas about this concept cannot fully reflect its essence in the process of corporate development project management. Thus, the author proposed a definition of the concept of efficiency that takes into account all factors and features of corporate development. To quantify the efficiency of projects, the author proposes to use indicators of the total cost of ownership of the property, as well as the social return on investment.

4. Given a large number of constraints for the developer in the process of project implementation, the management decision-making process is of particular importance. To optimize this process, the author has proposed an algorithm for making and adjusting management decisions that takes into account the specifics of corporate development, as well as the possible risks that arise during project implementation.

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Отличительные особенности управления корпоративными девелоперскими проектами в сравнении с проектами коммерческого девелопмента

Исходя из главной сути управления девелоперскими проектами — управления эффективностью таких проектов, авторами были проанализированы существующие подходы к определению понятия эффективности. В результате анализа было сделано заключение, что существующие подходы к определению понятия эффективности в полной мере не применимы в контексте управления корпоративными девелоперскими проектами. В связи с этим на основании существующих подходов и с учетом специфики деятельности было сформировано понятие эффективности применительно к проектам корпоративного девелопмента. Также, учитывая особенности бизнес-процессов корпораций и девелоперской деятельности внутри них, была уточнена организационная структура взаимодействия участников корпоративных девелоперских проектов. Учитывая связь корпоративных девелоперских проектов с корпоративной стратегией, был разработан алгоритм принятия управленческих решений в процессе осуществления контроллинговых мероприятий. Учитывая направленность корпоративных девелоперских проектов на решение исключительно задач корпоративной стратегии, было установлено, что стандартные показатели, используемые в коммерческих девелоперских проектах, не вполне применимы для оценки эффективности проектов корпоративного девелопмента. Данный факт создает потребность в разработке новых методов оценки эффективности таких проектов. Одним из параметров, который может быть применяться для количественной оценки экономической эффективности проектов корпоративного девелопмента, является совокупная стоимость владения объектом недвижимости. В данном исследовании обозначены общие принципы для определения данного параметра для проектов корпоративного девелопмента. Учитывая сложную функцию объектов недвижимости в портфеле корпорации, для оценки положительного эффекта от реализации проектов предложен параметр социального возврата на инвестиции.

Ключевые слова: управление проектами, девелопмент корпоративной недвижимости, эффективность девелопмента

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