

# Market positions as perceived by project-based organisations in the typical project business segment

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## Abstract

Literature on project marketing mainly focuses on those project-based organisations that are able to supply complex systems primarily for government agencies. Thus, current project marketing literature emphasises the central role of the milieu in which both the constructivistic approach and the associated creative offer are of outstanding importance. Although this segment represents a considerable section of the entire project business, it might be considered to be atypical. Most project-based organisations generally operate in a different segment which is referred to as typical. Consequently, the project marketing approaches propagated for complex system suppliers could not be utilised in the typical project business segment. This paper aims to highlight determinants of the market position perceived by project-based organisations in the typical project business segment. Determinants were firstly drawn from project management literature, then a qualitative empirical research was undertaken to provide empirical evidence for the determinants. The research outcomes may provide the basis for applying project marketing more purposefully in typical project-based organisations in accordance with their likely market position.

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## 1. Introduction

Statistics indicate ([What are PMI Certifications?](#), n.d. [World Bank, 2005](#)) that some 20% of the world-GDP is spent on projects or in project-like arrangements over the course of a year. Thus, the number of projects initiated in the world economy is almost uncountable. A considerable number of these projects are considered to be external projects. In such a case, the project client contracts out implementing the project to one or more external performer organisations. For these organisations, referred to as project-based organisations, both efficient and effective marketing is of vital importance since these organisations generate their revenue from completing projects which are awarded to them by different clients. Project marketing is a certain kind of business-to-business marketing ([Cova et al., 2002](#); [Mandják and Veres, 1998](#); [Skaates and Tikkanen, 2003](#); [Lecoeuvre-Soudain and Deshayes, 2006](#)). Recently, [Smyth and Lecoeuvre \(2015\)](#) completed research on the value of marketing in a project business context. They came

to the conclusion that return on marketing-specific investment might be a useful concept primarily in a multi-project context, i.e. at organisation level.

The need for project marketing in project-based organisations might equally be understood based on the role of bids. A bid is a response given by project-based organisations to a bid invitation issued by a client organisation ([Görög, 2013](#)). A bid has a twofold role: (a) it needs to provide protection for the bidder in case the bid is accepted as it stands ([Marsh, 1981](#)), and (b) it demonstrates the readiness of the bidder for entering into a contractual relationship and completing the work if awarded the bid. The second role of a bid implies a marketing-related role of bids as well, i.e. a bid directly promotes the selling activity of external performer organisations. In this way, bidding itself underpins the need for purposeful and farsighted project marketing that needs to be exercised by the potential external performers, i.e. project-based organisations. Accordingly, [Turner et al. \(2012\)](#) suggest that project marketing needs to be embedded in the project management process since

project marketing is considered to be the marketing activity of the project-based organisations to support their business activity.

Although project marketing is a decisive tool for project-based organisations, little attention was given to this topic earlier in the project management literature (cf. Cova et al., 2002; Cova and Salle, 2005). Project marketing research based on project management literature also does not attract much attention nowadays. The common feature of the existing project marketing literature is that most of the papers are written by researchers from the marketing domain. This means that they generally do not approach project marketing from the point of view of the project management domain area. At the same time, literature on project marketing (e.g. Ahola et al., 2013; Cova et al., 2002; Kapletia and Probert, 2010; Kujala et al., 2013; Smyth and Lecoeuvre, 2015) primarily focuses on a special segment of the project business, namely, supplying complex systems/solutions for project clients. These clients in many cases are government agencies, while there are only a few potential system/solution seller/integrator companies who are able to supply the required complex system. In such a case, the market position perceived by these project-based organisations might be considered to be monopsony. Some authors (e.g. Jalkala et al., 2010; Lecoeuvre-Soudain et al., 2009) suggest that these organisations should adopt the constructivistic approach (creating the client's need and the conditions of completion) and the creative offer (approaching a potential client with a project idea) in their project marketing efforts in order to achieve business success. At the same time, Ahola et al. (2013) state that maintaining a strong market position requires both a strong functional position (based on technical competences) and a relational position (based on the relationship with the milieu which includes the client and their stakeholders).

Supplying complex systems/solutions is an important segment of the entire project business in terms of monetary value; however, the number of projects aiming at delivering complex systems is relatively low in comparison with the total number of projects. Thus, based on the number of projects, this kind of project business is rather atypical; however, adopting the above-mentioned project marketing attitude is decisive for project-based organisations operating in this segment of the market. Most of the projects, at the same time, do not aim to deliver such a complex system or solution. Thus, most project-based organisations operate in a different market situation in which they could not adopt successfully the constructivistic approach and the use of creative offer since both the expected project outcomes and the conditions of completion are predefined by the project client organisations. Thus, in most cases, a project-based organisation needs to face the phenomenon of a perfect or oligopolistic market position, or sometimes a nearly monopolistic position. This segment of the entire project business, in which most of the project-based organisations (as external performers) operate, might be referred to as the typical section of the project business.

*In this paper, the fundamental assumption is that the entire project business comprises two different segments, i.e., an atypical segment and a typical segment.*

Project-based organisations in a typical segment need to adopt a rather deterministic approach (reacting to the situation) to project marketing which requires revealing their likely market position, which might be either perfect or oligopolistic, in the case of a given project business transaction. The current literature does not devote attention to providing solutions in this respect for the project-based organisations operating in a typical segment of the project business. Instead, current literature on project marketing primarily focuses on complex system seller/integrator organisations operating in such a market segment where they generally face the phenomenon of monopsony. Thus, the propagated project marketing approach and toolkit cannot be utilised successfully by those project-based organisations which operate in such a segment of the project business where they generally need to face a perfect or oligopolistic type of competition.

In this paper, the focus is on those project-based organisations which operate in the typical segment of the project business, such as infrastructure industry, oil industry, etc. The aim of this paper and the associated research is to highlight the determinants of market position perceived by project-based organisations in a typical project business segment. This aim necessitates highlighting the underlying features characteristic of any project business transaction belonging to this type of project business. To achieve this end, there is a need to introduce the primary actor of project marketing in this market segment, and also the toolkit for selecting the performing project-based organisation in a typical project business transaction. Thus, to highlight the determinants of the market position perceived by project-based organisations in a typical project business transaction, the work is primarily based on the concept of project-based organisations (the performer), and the concept of project implementation strategy (the toolkit for selecting a performer), especially the types of contract deployed by client organisations. The expected research outcomes may provide a basis for such a project marketing approach that might be successfully used by the project-based organisations operating in a typical segment of the project business.

To achieve this end, the associated research had a threefold aim. One of them was to highlight the immediate underlying contextual features of project business transactions from the perspective of those project-based organisations which operate in a typical project business segment. Another aim was to derive the determinants of market position perceived by these project-based organisations from project management literature. To complete these aims, the researcher adopted the following two assumptions.

*One of the research assumptions is that underlying contextual features of typical project business transactions could be explained primarily from the project management literature on project implementation strategy.*

*The other research assumption is that market position perceived by project-based organisations in typical project business transactions is primarily determined by the type of contract as part of the project implementation strategy deployed by the project client organisation.*

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