

## DO STATUS-CHECKING MEETINGS DURING PROJECT MONITORING DELIVER A SUCCESSFUL START-UP?

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### ABSTRACT

*The objective of this paper is to provide start-up management with practical strategies during monitoring phase. In this study, we conducted personal interviews with CEOs of some venture capital firms in Malaysia. Out of more than fifty active registered venture capital firms, only four firms provide funds to start-ups and their CEOs representatives participated in in-depth interview. Our findings displayed that daily status-checking meetings during monitoring phase help project management to deliver a successful start-up. Moreover, these results support what others found in other countries.*

**Keywords:** *venture capital; startup; monitoring; project; daily meetings; status-checking; management*

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### 1. INTRODUCTION

The importance of venture capital companies (VCs) for the funding of new high-growth potential firms are universally recognized from the beginning of the 21st century (Kenney et al., 2004) and are highly preference by startup companies compared to commercial banks. These venture capitals find the potential firms due to their enormous future growth potential, while banks only provide loans and are mainly interested in the loan interest earning. Therefore, VCs concentrate on areas where their contribution is vital managerially rather than being general financial intermediaries (de Bettignies and Brander, 2007).

New ventures or Startups are an engine for employment, innovation, and regional development (Backes-Gellner and Werner, 2007; Chen et al., 2009). Startups generally are categorized as small businesses. In addition, they are described as organizations that are innovative, dynamic, and independent (Luger and Koo, 2005). On contrast, the craft of venture investing is risky since newly established firms have a high mortality rate.

Reducing the failure rate and achieving a successful exit of projects are the most challenging issues for venture capitalists (VCs), entrepreneurs, and founders (Harris et al., 2005) as the failure rates and startups' ages are inversely proportional (Thornhill and Amit, 2003). The success rate is less than 50% within the first 5 years of startup firms (Carter and Van Auken, 2006; Knaup, 2005). Similarly, it was claimed that only one out of ten startups succeeds within their first year of business (Rowe, 2006). It is necessary for creating employment and growth within the economy to keep the management challenges under control in technology startup firms (Backes-Gellner and Werner, 2007).

The startups' failure reasons are unsuccessful project execution or late delivery of the product or service to market. These reasons lead to startup inability to generate revenues. Overcoming such challenges support startups survival. It is recommended that startups develop and deliver their products on time. This process has a major impact on the startup performance and firm survival.

There are plenty researches that relate startup successfulness with the role and characteristics of project managers, project leaders, and project teams; the performance of the executive players; funding issues; and entrepreneurs' capabilities (Cantner et al., 2007; Chatterji, 2008; Hochberg et al., 2007; Shenhar and Dvir, 2007; Sorensen, 2007; Toohey, 2009). In contrast, there is a lack for an empirical research on particular strategies, for instance project monitoring strategies, such as daily project status-checking meetings. This study concentrates on management team experience in monitoring the investment process of startups from venture capital perception to reduce their huge failure rates by introducing performance evaluation criteria for the Malaysia context.

This article consists of five sections, in addition to the introduction. Section two presents a background for the relationship between venture capital and innovation in developing national economies. Moreover, venture capital stages and characteristics by analysing the innovative success factors. Section three analyses the methodological way for developing the themes of the qualitative study. This section also contains a comprehensive description of the methodology for its development (design, methods for obtaining information and methods of analysis). In the fourth section, we go on to describe the most prominent results obtained, whilst the most relevant conclusions and contributions of the study appear in the final section.

## 2. PROJECT MANAGEMENT

Activities in any organization fall into one of the two categories: operations and projects. The activities in operations characterized by repetition and day to day execution, like production, service or manufacturing. Projects, on the other hand, are longer and complex activities that involve unparalleled, onetime initiatives, e.g. the launch of a new product, or extending the line of products or adding business units. Project management can be a set of management practices that serves organizations in achieving their goals besides completing products on time and within the budget limits (Milosevic and Srivannaboon, 2006).

New ventures with other firms and improvement of products already existing might also be regarded as projects. Projects drive business innovation and change in fact, project is the single way in which organizations can change, carry out a strategy, innovate, or derive competitive advantage. Therefore, this paper focuses on monitoring strategies such as status-checking meetings for its importance in assuring the proper follow-up of investment.

### 2.1 Project life cycle

The life cycle of any project comprises of five steps. They include (a) initiation, (b) planning, (c) execution, (d) monitoring and controlling, and (e) closure (PMI, 2004; Westland, 2006; Wysocki, 2007). Despite using this categorizing method, there are other ways of categorizing the project life cycles. However, all of different project life cycles categorizing techniques take account of the same purposes.

The project monitoring process involves evaluating the progress against the project baselines, monitor the progress to recognize any deviations from the main plan of the project, and recommend corrective actions to meet project objectives if needed (PMI, 2004). A very close monitoring and supervision of project executing process helps in delivering a successful start-up.

### 2.2 Project success factors

In order to evaluate the success of a project standard, constraints such as cost, schedule, risk, quality, scope and customer satisfaction can be used (PMI, 2004). Others, such as Loo (2002) assured that best technical practices include: (a) having an integrated project management system; (b) effective scope management of projects; (c) effective project planning, scheduling, execution, and controlling; and (d) effective contract management. On the other hand, Jugdev and Muller (2005) emphasized the critical success factors of any project include: (a) mission, (b) support of top management, (c) plan and schedule, (d) supporting technology, (e) monitoring, (f) communication channels, and (g) regular meetings. Evidence indicated technical knowledge (Tucker, 2006) and technical skills (Cleland and Ireland, 2002) of project managers and team members have a direct impact on the project success. Therefore, management team knowledge and skills simplify an effective communication with teams (Cleland & Ireland, 2002).

### 2.3 Monitoring Strategies

Managers of any project must follow their projects' performance and monitor any potential risk as part of controlling project (PMI, 2004). They control the implementation through regular analysis of the work done or to be done. It was suggested that project managers should involve the team in execution and monitoring phases by holding frequent meetings and sending reports to all members (Westland, 2006). The regular status meetings

implementation serves as a maintenance strategy to review the status and keep the project on track. Therefore, managers or leaders should monitor the progress of project continuously, assess the project plan execution, and ensure project execution complies with other plans such as the risk plan, quality plan, and the procurement plan.

### **2.3.1 Daily Status-Checking Meetings**

Monitoring facilitates the evaluation and appraisal of how project activities are progressing and enables the project team to make their decisions about the performance. According to PMI (2004), project performance monitoring means collecting, analyzing, and reporting of information on project performance to provide the status of project associated with initiating, planning, executing, and closing. In monitoring phase, the actual project require periodic review and comparison of cost, schedule, and performance with the planned cost, schedule, and performance to determine whether the project is performing according to the project plan or not (Kerzner, 2009).

The use of monitoring helps project managers to analyze the impact of a project's critical path on the project schedule and to analyze the risks. It also enables project managers to perform gap analysis through monitoring and comparison of the actual start and completion dates with that of the original project plan (Kerzner, 2009). PMI (2004) and Wysocki (2007) argued projects become successful when project status monitoring is performed as part of daily project management. Moreover, PMI (2004), Ross (2005), and Westland (2006) emphasized that the main functions of the monitoring phase include: (a) monitoring project planning parameters, (b) monitoring commitments, (c) monitoring project risks, (d) monitoring data management, and (e) monitoring stakeholder involvement.

The use of project status-checking meetings and derivative actions serve as the primary driving forces behind the successful execution of any project. The main purpose of a project status meeting is to maintain control (Whitten, 2005). The status-checking meetings help project managers to identify potential problems/risks and take corrective actions before unrecoverable harm occurs. Status reporting must address all variables that explain the project progress compared with the plan so all team members from the same group or other groups are aware of the variables (Wysocki, 2007). He supposed regular status meetings are the average whenever a project becomes critical. The regular status-checking meetings result in all the information project managers require for tracking the progress of the project and its successful execution.

The regularity of status-checking meetings is important (Kendrick, 2006). Daily status meetings enable managers to know every potential problem directly, while once a week status-checking meetings might experience a delay of one week (Whitten, 2005). So, daily status meetings might result in day-to-day interactions and communications with team members, and continuous monitoring to ensure the project is on the right track with respect to the original plan; to identify if the project deviates from the plan and determine corrective actions to bring the project status back on track; and to keep the project leader to be consistently aware of the project status, issues, and revised schedules.

Frequent project meetings allow team members to communicate with each other on a regular basis and remain focused on commitment and goals (Kerzner, 2003). No existing research included an examination of the impact of daily project status-checking meetings on the success of startups. Because both positive and negative consequences of daily project status checking meetings exist, the intent of the current study is to examine the perceived effect of daily project status-checking meetings on the success of startups' projects.

## **3. RESEARCH METHODOLOGY**

The objective of this study is to examine the perceived effect of daily project status-checking meetings during monitoring phase on the success of startups' projects in Malaysia. The main contribution is enhancing the management team as well as all concerned parties with important strategies such as status-checking meetings on daily basis.

### **3.1 Data collection and sample**

Request letters were sent to 52 active registered venture capital companies to get approval for in-depth interviews with their CEOs assuring respondent s' anonymity and information confidentiality. Only eight firm representatives agreed to participate in the study. After conducting face-to-face interviews with all of eight CEOs, only four of them were involved in funding start-ups.

Creswell (2011) highlighted that the accurate number of participants is less important in qualitative assessments. Moreover, the researcher's ability for studying the research topic in more detail becomes less if the sampling size increases (Kalof et al., 2008; Ritchie et al., 2003). Johnson and Harris (2002) argued that in qualitative researches smaller numbers are used to understand the phenomena in greater details.

This research involved a sequence of personal interviews between successful participants in their business fields and the researcher. Through a personal one-on-one interview, the required information was gathered by asking the participant a set of questions. Interviews enable the researcher to capture various views about a theme from several social viewpoints (Kvale, 1996). Furthermore, during the discussion, the participant can be evaluated directly by observation of the lived experience (Cassell and Symon, 2006).

The data collection strategy was divided into two-part approach. Firstly, information was collected to aid in the appropriate selection of participants. This information included personal information, work history, existing business type, specific environmental discipline, date of starting the business, position within the company, and other firm information, as shown in Table 1.

Finally, data collection strategy involved conducting personal one-to-one interviews. Qualitative data about innovative issues and how they can complement with other factors such as networks, knowledge-sharing, and fundraising to get a successful start-up were obtained during on-site interviews using a list of interview questions. Every participant was asked this series of open-ended interview questions over a period of one to two hours to relate the innovative aspects to his experience of the venture capital financing and start-up performance, and how they have an impact on improving the performance of start-ups.

All interviews were tape-recorded and transcribed as narrative data. In addition to the data gathered from interviews, the organization documents were also reviewed and used to support and/or verify the information gathered from interviewees. The research interviews were carried out during the second quarter of 2010. The data obtained refers to that particular moment in time, given the fact that changes may occur in the firms.

### 3.2 Data analysis

The collected information, from interviews and analysis of documents, were organized and interpreted thoroughly to extract the key findings using the content analysis method. They were analyzed by using the data analysis spiral steps proposed by Creswell (2009). Firstly, the collected data was organized into several forms (i.e. database, sentences or individual word). Secondly, the collected data sets were scrutinized several times to obtain a complete picture or overview what it contains as a whole by taking notes and summarizing the key points that suggest categories or themes related to the research. Thirdly, the general categories or themes were identified and classified accordingly. The themes that are applicable for this study are capital, venture, performance, innovation, start-up, networks, and others. Finally, the data were integrated and summarized to describe the relationship between the categories or themes.

## 4. RESULTS AND DISCUSSIONS

In investments, especially in start-ups, continuous monitoring process is greatly needed. Monitoring ultimately will regulate the performance of the company and will also determine whether or not objectives and goals are being met. It is important for startups and key people to be updated by the latest news of the company, plans and execution status to give the appropriate assistance or add a value to the company in the proper time. By keeping a close monitoring, the VC will be capable of detecting any faults committed purposely or unwittingly. Furthermore, monitoring process confirms the compliant with all investment parties' agreements. The recommended business plans, strategies and investment funds should be followed exactly with referring to decision-makers for approving any deviation or major expenditures.

In addition to evaluating and assessing the execution of project plans, it is advised to continuously monitor the status of the project to ensure that project is progressing as planned and to keep track of its activities. Daily status meetings are the example of how this objective is achieved. It is generally considered that the frequent project status meetings like daily status-checking meetings would be very beneficial in identifying most of potential problems or risks so that managers and leaders could, in advance, take corrective actions because solving the problem at beginning is always good and easy issue. For example, a participant stated:

*In my opinion, daily status-checking meetings keep the project managers and leader aware of what the team members are doing in addition to taking immediate corrective actions if there is any deviation from the original plan. (P1)*

The daily status-checking meetings allow team management to know the issues immediately. There is no doubt that daily status-checking meetings affect the successful completion of projects. They allow management to monitor the status and progress of the project besides evaluating the performance of the project. There are many advantages with these daily and frequent status checking meetings. They create an excellent business environment, provide clear and open communication within the team, promote teamwork and team building activities.

During the different stages of executing the project, there are remarks on the daily and frequent progress issues. The management and all representatives should perform the necessary modifications and corrections without any delays. Delaying such corrections accumulates tasks and in turn could result in project interruption. The proposed plans should be updated according to the amendments of the regular and frequent meetings and remarks to track the project status. In accordance, these changes may result in reconsidering the previous plans and execution processes. Therefore, according to one of participants,

*I believe they [daily status-checking meetings] work as a tool to review the project status and keep the project on track by taking corrective actions to the noticed deviations from what has been planned. (P2)*

Moreover, the frequent status meetings like daily status-checking meetings would be very advantageous in identifying most of potential problems or risks, that couldn't come to light in the previous stages, so that managers could take corrective actions in advance; since solving such problems and deviations at beginning is at all times easy, short response time, and low cost.

Communication continuity, on related issues of a project, provides a good visibility to everybody in the project. Lack of communication among teamwork is a major factor of startup failure. The daily meetings and status-checking enhance the chances startups success by contributing in many ways like decision making, effective communication, promoting teamwork, and knowledge sharing within the team. Moreover, daily project status-checking meetings during monitoring phase establish close communication links by enabling face-to-face conversations within the team as well as cross-functional teams. Therefore, managers and leaders must be possessed of communication skills for a successful startup. It was recommended by a participant that “Yes, sure. These meetings allow you to communicate with entire team members and among team themselves daily so that they [meetings] allow the team to remain focused on commitments and goals”. (P3)

Similarly, the literature review validated the study findings and pointed out the importance of regular status-checking meetings and its turn in helping the project managers to be up-to-date with regard to the project situation and any likely problems (Wysocki, 2007). Kendrick (2006) argued meeting and collecting status information from team members on a weekly basis can control investment problems seriously. Also, frequent project meetings give team members a chance to communicate with each other regularly and keep them focused on commitment and goals (Kerzner, 2003).

## 5. CONCLUSIONS

The study was directed to examine the perceived effect of the project monitoring strategies such as daily project status-checking meetings during the monitoring process on the successful startup performance. The majority of interview participants emphasized not only the daily project status-checking meetings but also frequent status-checking meetings of all cross-functional teams during the project monitoring process result in success of the project monitoring process.

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**Table 1.** Participants' information

Participant's Code	Position	Experience Years	Business Stage / Sector	Business Location
P1	Senior Vice President	10	All stages / ICT	Malaysia
P2	Senior Vice President	9	All stages/ ICT	Malaysia
P3	Chief Executive Officer	5	All stages/ QS, H.Care, & Auto. Research	Asia / Australia Middle East New Zealand
P4	Group Chief Executive Officer	12	All stages/ R&D, Voice S., Internet S., & T.	Malaysia Worldwide