

# PROJECT MANAGEMENT IN CHÁVEZ 'S UTOPIA

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## ABSTRACT

This case study examines agricultural cooperatives' results within the Bolivarian Republic of Venezuela (*República Bolivariana de Venezuela*). It compares the cooperative outcomes to a project management model to determine their reasons for failure. The Vuelta al Campo (VAC) program failed due to a lack of infrastructure, a lack of training, and a lack of experience. The study finds that proper implementation of project management could have supported Chávez 's cooperatives with emphasis upon scope, time, and cost management, and most importantly informational feedback loops.

**Key Words:** Chávez, Venezuela, socialism, cooperatives, project management

## INTRODUCTION

Hugo Chávez was determined to transform the Bolivarian Republic from a capitalist state to 21st Century Socialism. Rather than focusing upon political or macro-economic concepts such as capitalism versus socialism, this paper is only focused upon agricultural cooperatives within Venezuela, viewed through a project management lens. Would the cooperatives have saved Chávez 's utopian dream if they incorporated project and quality management concepts?

## LITERATURE REVIEW AND HYPOTHESIS

Influenced by the nineteenth-century Venezuelan revolutionary Simón Bolívar, Hugo Rafael Chávez Frías and some younger military officers, created the leftist Revolutionary Bolivarian Movement-200 in 1983 to correct perceived corruption and inequities in Venezuela. MBR-200 sought to end political corruption, neoliberal economic policies, and foreign influences [19]. Despite a failed coup d'état attempt, Hugo Chávez had become a symbol of hope for the oppressed as reformist fervor spread [01] [02] [19] [20]. Chávez founded the Fifth Republic Movement (*Movimiento Quinta Republica - MVR*) political party and was elected president of Venezuela in 1998 receiving 56.2% of the vote. After taking office in February 1999, Chávez launched Plan Bolívar 2000, which used about 40,000 Venezuelan soldiers to engage in door-to-door anti-poverty activities that included mass vaccinations, food distribution in slum areas, as well as education programs. All these programs resonated with his supporters as a commitment to place human needs first [11] [13] [20]. In December 1999, 70% of the voters approved a new constitution that increased the presidential term to six years, expanded presidential powers (to include personalized control of the military by the president), converted the two-house National Assembly into a one-house legislature, and per Chávez's request, the Republic of Venezuela, was renamed the Bolivarian Republic of Venezuela (*República Bolivariana de Venezuela*).

In Chávez's socialist worldview, the government should own or control the means of production. Vivoda [21] showed that when prices rise, host governments rethink their contracts and seek higher taxes and royalties; hence, rising oil prices were instrumental in Chávez getting more favorable investment conditions. After a national strike by *Petróleos de Venezuela Sociedad Anónima (PDVSA)* and shutdown,

Chávez won the stand-off with PDVSA employees and his administration raised the oil royalty rate from 16.7% to 30%. In addition, Chávez decreed that all future foreign investment would be developed as joint ventures and the state would always have a 51% stake [15].

The economic grand strategy during Chávez's first term was limited. Since his voter-base primarily consisted of the poor, Chávez's priorities were evidenced in Plan Bolívar 2000, which included road building, housing construction, and mass vaccinations. Rivers [18] identified that during Chávez's second term as president, he solidified his top five priorities – eliminating food dependence, developing infrastructure, managing oligarchs, developing cooperatives, and expropriation as discussed below:

### **Developing Cooperatives**

Cooperatives are groups of people who work collectively and share profits. Cooperatives existed for many decades before Chávez rose to power, but he saw them as central to his Bolivarian strategy, so he provided seed money to expand the number and scope of cooperatives throughout every sector of the economy. The number of cooperatives expanded from 762 co-ops (with 20,000 members) in 1998 to over 100,000 coops (with 1.5 million members) in 2006 [15]. According to the national cooperative supervisory institute, Sunacoop, by 2008, there were 262,904 cooperatives officially registered [04]. Cooperative success was touted and highlighted by the *Association Civil Empresa Campesina Chuao*, which was able to increase cacao production by 300% between 2005 to 2007 [18]; however, this type of success was not the norm for most cooperatives.

### **Eliminating Food Dependence**

Venezuela has always relied on food imports; hence, Chávez intended to make Venezuela more self-sufficient in agriculture, to reduce the 60% of food imports. Chávez was able to pass the Law of Land and Agrarian Development in 2001, which provided the legal framework to redistribute land. Page [17] determined that Chávez's lofty goal was dependent upon training people in agricultural production and shifting to a socialist production model. Unfortunately, the initial volunteers for the *Vuelta Al Campo* (VAC) program did not receive critical training and resources as promised. For instance, *Fundo Revolucion* started with 117 families in five cooperatives, but it shrunk to three cooperatives with a total of 16 members in less than 2 years. The VAC program remained in a Catch-22 loop wherein volunteers did not want to relocate to rural areas without infrastructure; but the government did not want to provide resources without enough volunteers. So, despite numerous Chávez supporters, the VAC was destined to fail due to multiple factors: too few volunteers, too little training, poor environmental and soil conditions, as well as slow infrastructure development [17].

### **Developing Infrastructure**

The development of roads, water utilities, and power companies would help remote areas connect with urban markets. Plan Bolívar - 2000 was a civil-military plan which involved over 40,000 soldiers who cleaned up streets and schools, fought endemic diseases, and rebuilt social infrastructure in poor urban and rural areas; however, there was not a huge focus on infrastructure improvements to support agribusiness. In addition, the more that was spent on social-welfare programs, the less was spent on the necessary improvements to oil infrastructure [03] [11] [13].

## **Managing Oligarchs**

Chávez recognized that his base consisted of the lower socio-economic class, so he often demonized the wealthy. However, by demonizing and attacking the wealthy land and business owners, large landowners as well as National Labor organizations opposed land reform laws as a violation of their private property rights. Chávez destabilized the potential growth and reinvestment in his own economy. Chávez's built his political base by purchasing the votes of the poor with government funds [13] [15] [18].

## **Expropriation**

In 2005, Chávez declared that 136 closed companies were under review for possible expropriation; however, his list targeted 1,149 sites in the whole country [04][20]. The core of Chávez's socialist beliefs was to take wealth out of the hands of the few wealthy and redistribute it for the benefits of the many poor [13]. Azzellini [04] and Batta [08] reported that Chávez nationalized or expropriated many industries, including Orinoco oil field projects (multinational petroleum companies had majority stakes) and Electricidad de Caracas in 2007, the country's largest private electricity provider.

## **Interdependencies**

Chávez's five economic priorities were interwoven, for instance, decreasing food imports would depend upon an improvement in roads to get home-grown food to market. Food self-sufficiency depends on full utilization of land, much of which belonged to the oligarchs; yet the expropriation of land from oligarchs was stymied by Article 115 of the 1999 Constitution. Cooperatives in both rural and urban areas depended upon acquiring capital and natural resources, which were often in the hands of the oligarchs as well. Chávez remained in power due to one thing: a massive increase in the price of oil – between 1999 and the 2008 election cycle, the price per barrel of oil increased more than 400%. Hence, cash-rich Venezuelan regime was able to implement and fund many plans such as cooperatives that would have been impossible to fund during the 1990s [16].

Rivers [18] found that cooperatives were critical to Bolivarian Socialism because they facilitated economic growth at the lowest levels, and typically used a bottoms-up approach for production, management, and growth. Unfortunately, their long-term sustainability was in doubt. In some instances, the price of the product did not cover the cost of production; whereas in other instances some associations had as much as triple the number of employees that might be needed by a private firm; in addition, some agricultural cooperatives could not compete due to price, packaging or labeling [09] [18] [20].

Upchurch [20] reported that registered cooperatives grew from 400 in 1998 to 131,050 in 2006 – but 60 to 70% were not economically active. Page [17] investigated repeasantation programs finding that many failed due to a lack of training, a lack of infrastructure, and often poor soil. Bruce [09] also found that cooperatives often lacked training, lacked resources, lacked infrastructure, and often did not create enough revenue to pay all workers or reinvest in the business itself.

Azzellini [04] reports that out of the 262,904 officially registered cooperatives, only 70,000 were both operational and legally certificated; the remaining cooperatives were created just in case they were needed, but most were not yet running. Cooperatives were seen as a key instrument to transition to an edogenous model of economic development; they were intended to raise people's living standards exempt of capitalistic exploitation. In large part due to a lack of administrative and technical skills, the cooperatives failed to meet the broad goals of the Bolivarian Republic's 21<sup>st</sup> Century Socialism and were inept at

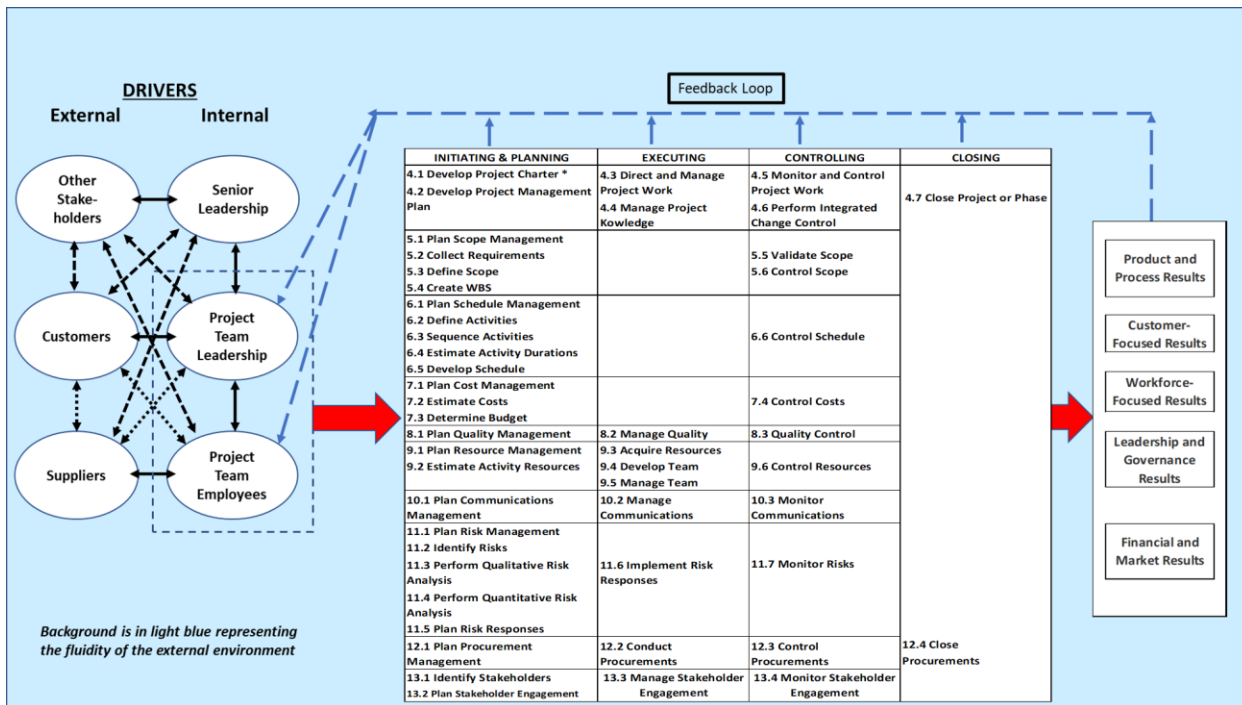
competing with capitalist alternatives [20]. The official explanation for the failure of tens of thousands of cooperatives was greed, however, the struggles of everyday life such as insecure employment, multiple jobs, family obligations and merely the precarious nature of life in the barrio interfered with many of Chávez’s goals since workers often had other priorities [12] [20] [22].

This study was geared towards an investigation of the failure of the cooperatives under the Bolivarian republic and the literature review led to one key research question (RQ): If the Bolivarian Republic had implemented Project and Quality Management for agricultural cooperatives, would it have affected agri-success?

## DATA ANALYSIS AND RESULTS

In this meta-analysis, the empirical data comes from qualitative data collection and analysis of the quantitative studies pertaining to Project Management’s (PM) Critical Success Factors (CSF), and follows a grounded theory approach [14]. Grounded theory, as formulated by Glaser and Strauss [14] grounding and/or ‘generating’ elements must be obtained through a meticulous comparative analysis of the collected data, which is why grounded theory is also referred to as a “constant comparative method” [10] [14]. “Joint collection, coding and analysis of data are the underlying operations” [10, p. 5]; all three should blur together, continuously intertwining, while simultaneously influencing each other, “from the beginning of an investigation to its end” [14, p. 43]. Hence, this investigation was not as lockstep or methodologically simple as many quantitative studies, because grounded theory approach to synthesis and analysis “seeks to tease out and define underlying relationships through an inductive and intuitive interpretation of the data” [5, p. 177].

**FIGURE 1: Baker's (2018) Model for Project Quality Management**



The PM model in Figure 1 represents Baker's [06] meta-model for Project Quality Management, which portrays communication between Senior Leadership (Chávez and his Administration), Project

Team Leadership (the formal and informal leaders in each cooperative), Project Team Employees (the members of each cooperative), Suppliers (predominantly through the Chávez administration), Customers (tailored to the type of cooperative), and finally other Stakeholders (that include people inside and outside of the country, who may be opposed to 21<sup>st</sup> Century Socialism). The dashed arrows represent feedback loops and communication channels among the internal and external players, who are drivers in a project success.

The (1) initiating and planning phase, (2) executing phase, (3) controlling phase, and (4) closing phase of each cooperative project should be planned and understood by Project Team Leadership and Project Team Employees prior to starting the cooperative. However, this was done in an ad hoc manner.

So, why were the cooperatives a failure? Using the literature review we find major flaws in these project management functional areas and related critical success factors (CSF):

- Scope: clear, realistic goals were not established, and government promises not kept.
- Time: Realistic schedules were not created, and deliveries were often months late.
- Cost: A lot of oil money was spent, but there was inadequate cash for infrastructure.
- Human Resources: within a capitalist system, a project manager is appointed based on qualifications. Under Chávez 's system the citizens in a cooperative chose leaders who often had no training or education – a case of the blind leading the blind.
- Communicate: initial communication by Chávez was inspiring, but thereafter they had poor communication among each of the internal and external players; in addition, there were no established feedback loops focused on results.
- Procurement: in the agricultural cooperatives, there is no evidence of timely, competent performance by suppliers, who were typically funded by the government.
- Quality: Quality of a project depends greatly upon the experience of the project leader; proven or familiar technology; and effective monitoring and control: none of this existed in the Bolivarian Agri-cooperatives.
- Leadership: overall senior leadership within the Chávez administration did not communicate effectively with Project Leadership at the Cooperatives; leaders did not allocate resources in a timely manner; there were no feedback loops to learn from past experiences; and there was insufficient training and education to ensure success.

## **DISCUSSION AND CONCLUSIONS**

This exploratory literature review sought answers to the following research question:

**RQ:** If the Bolivarian Republic had implemented Project Quality Management for agricultural cooperatives, how would it have affected success?

**Answer:** Yes, even minimal training and education in the basics of project management would have identified any issues to resolve within the project.

Cooperatives were considered key to the success of the Bolivarian experiment; however, cooperatives often lacked training, lacked resources, lacked infrastructure, and often did not create enough revenue to pay all workers nor reinvest in the business itself. Training that did occur was often considered substandard or lacking. In addition, there was animosity within cooperatives over wages for highly capable versus the untrained workers [03] [09] [13] [15] [17] [18] [19].

<u>PMI CATEGORY</u>	<u>ASSESSMENT</u>
Scope	Fail
Time	Fail
Cost	Fail
Human Resources	Fail
Communication	Fail
Procurement	Fail
Quality	Fail
Leadership	Epic Failure

Page [17] summarized that the Vuelta al Campo (VAC) program failed due to a lack of infrastructure, a lack of training, and a lack of experience. In addition, workers had to shift their thinking from ‘wages in an urban capitalist system’ to shared profits from a collective farm, that would not appear until produce was sold. Hence the original 117 families on 5 cooperatives shrunk to three cooperatives with 16 individuals. Upchurch [20] also identified that most cooperatives would not survive due to amateurism of the new farmers and government bureaucrats. This demise is largely a consequence of the lack of feedback mechanisms that permit effective measurement and analysis thereby dooming the agricultural cooperatives’ future performance. Ellner [12] identified that the Chávez movement had failed to systematically analyze experiences within worker-run companies.

This study finds that training and implementation of project management could have overwhelmingly supported Chávez’s cooperatives with emphasis upon scope, time, and cost management, and at a bare minimum, informational feedback loops. However, this study determined that most agricultural cooperatives failed. Most importantly, this study reinforces that leadership is the primary driver of all project management processes [07]. Academics and practitioners will remember Hugo Chávez as a person with great vision, but little leadership ability, who ruined the most vibrant economy in Latin America.

## **REFERENCES**

Due to page limitations, references are not included, but are available upon request from [bbaker40@msudenver.edu](mailto:bbaker40@msudenver.edu).