

The moderating effect of risk on the relationship between planning and success

Ofer Zwikael ^{a,*}, Raghuvar Dutt Pathak ^b, Gurmeet Singh ^b, Shamsuddin Ahmed ^b

^a *The Australian National University, Canberra, ACT, Australia*

^b *The University of the South Pacific, Suva, Fiji*

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Abstract

Project planning is considered to be critical for project success. However, recent literature questions whether planning has similar importance in various contexts. This paper investigates the effectiveness of planning through an analysis of 183 project manager–supervisor dyads. Results show that the level of risk moderates the impact of planning on success, and in different ways for various success measures. Practical implications of these results suggest project managers to put more emphasis on planning in high risk project situations in order to meet project efficiency, whereas project steering committees to be more involved in approving plans of low risk projects to support benefit realization.

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1. Introduction

Planning is a core element of management. Similarly, in project management, planning is considered one of the major contributors to project success (Pinto and Slevin, 1987), and as a result discussed in project management methodologies as the first step under the responsibility of project managers (e.g., OGC, 2007; PMI, 2013). However, recent literature suggests the importance of planning is overplayed. For example, in strategy, Mintzberg (1994) discusses the “rise and fall of strategic planning”. In project management, Andersen (1996) raised doubts regarding the importance of formal project planning, while Dvir and Lechler (2004) underplayed the importance of planning in their paper entitled “Plans are nothing, changing plans is everything”.

These conflicting findings in the literature regarding the importance of project planning can be better understood if the source of data is analyzed. For example, low effectiveness of planning was found in studies with samples heavily biased towards high risk projects, such as software and product development (Dvir and Lechler, 2004) and R&D projects (Bart, 1993). On the other hand, Zwikael and Globerson (2006a) found that in construction projects, planning had a positive effect on success. As a result, one may claim that risk influences the level of planning effectiveness. Recent literature provides some support for this line of thought (Zwikael and Sadeh, 2007). For example, De Meyer et al. (2002) claim that decisions about the best way of planning are influenced by the level of risk.

In order to understand these inconsistent results in the literature, this paper explores the circumstances under which planning is more effective as a tool to be used by project managers and organizations. In particular, this study analyzes the role of risk in the relationship between planning and project success. The paper consists of hypothesis development based on recent literature and a discussion of a field study aimed at testing these hypotheses.

* Corresponding author at: Research School of Management, ANU College of Business and Economics, The Australian National University, Canberra, ACT 0200, Australia. Tel.: +61 2 61256739.

E-mail address: ofer.zwikael@anu.edu.au (O. Zwikael).

2. Theory and hypothesis development

2.1. Planning

Planning is a core element of management of various management areas, such as strategy, operations management, and human resources management. For example, in marketing, the marketing plan is a central instrument for directing and coordinating the marketing effort, which operates at two levels: strategic and operational (Kotler and Keller, 2006). In strategy, strategic planning is one of two dimensions of the strategic management process (Boseman and Phatak, 1989). The human resource planning requires forecasting personal needs for an organization and deciding on the steps necessary to meet these needs (Schuler, 1994).

2.2. Project planning

Project planning specifies a set of decisions concerning its execution in order to deliver a desired new product, service or result (PMI, 2013; Zwikael and Sadeh, 2007). Kerzner (2009) finds uncertainty reduction to be a core reason for planning a project. Russell and Taylor (2003) identify seven planning processes — defining project objectives, identifying activities, establishing precedence relationships, making time estimates, determining project completion time, comparing project schedule objectives, and determining resource requirements. Planning was found to be a critical process in project management (Pinto and Slevin, 1987; Turner, 2008). For example, based on an analysis of prior studies, Lechler (1997) concluded that planning has positive effect on project success. Narayanan et al. (2011) explain the positive effect of planning on success by highlighting the regular exchange of information with the customer, which occurs during planning. According to Jugdev and Muller (2005) project success is an integrative concept that includes short- and long-term implications, such as project efficiency, customers, business success, and preparing for the future.

Although there is an “almost unanimous agreement in the project management literature” regarding the great effectiveness of planning (Dvir and Lechler, 2004), some underplay its role in projects. For example, Bart (1993) indicated that the traditional approach to planning of R&D projects tends to fail because of excessively restrictive formal control, which curtails creativity as a factor contributing to project success. Consequently, Dvir and Lechler (2004) proposed to reduce formal planning to a minimum required level. Dvir et al. (2003) suggest that project success is insensitive to the level of implementation of management processes and procedures. It has also been claimed that “*the positive total effect of the quality of planning is almost completely overridden by the negative effect of goal changes*” (Dvir and Lechler, 2004:10).

Because of the different findings on planning effectiveness in the literature we raise two competing hypotheses: H₁ assumes a positive main effect of planning on success, whereas the null hypothesis assumes no significant cause and effect relationship exists.

H0. Project planning does not improve project success.

H1. Project planning improves project success.

2.3. The moderating effect of risk

Project risk is defined as a “scenario in which a project suffers a damaging impact.” (Zwikael and Smyrk, 2011: 311). High level of project risk is perceived to become a problem (PMI, 2013) and an obstacle to success (Kerzner, 2009). Although risk cannot be fully eliminated, Chapman and Ward (2004) found that organizations spend significant funds and resources in risk management. According to Wideman (1992), risks can be divided into five groups: (1) external, unpredictable and uncontrollable risks, (2) external, predictable and uncontrollable risks, (3) internal, non-technical and controllable risks, (4) internal, technical and controllable risks, and (5) legal and controllable risks. Shtub et al. (2005) and Couillard (1995) classified risk events into three groups: (1) risks linked to technical performance, (2) risks linked to budget, and (3) risk linked to schedule.

Because risk is considered to be an important moderator for the success of projects (Zwikael and Ahn, 2011), this paper aims at understanding the conflicting findings on planning effectiveness through an analysis of risk. The literature offers support for this line of investigation. For example, low effectiveness of planning was found in studies with samples heavily biased towards high risk projects, such as software and product development (Dvir and Lechler, 2004) and R&D projects (Bart, 1993). Moreover, Zwikael (2009b) found that development of project plans has more impact on success in construction projects (characterized with relatively low level of risk), compared with services and information technology projects (perceived as having higher levels of risk). On the other hand, Zwikael and Sadeh (2007) suggested planning to be more effective in high risk projects than in low risk ones. Hence, although the direction of the interaction is not clear from the literature, the next hypothesis suggests risk has a moderating effect on the relationship between planning and project success:

H2. Risk moderates the relationship between planning and project success.

3. Methods

3.1. The context

The literature has found major differences in project management in general and the perception of risk in particular across countries and industries (Hofstede, 2001; Zwikael and Ahn, 2011; Zwikael et al., 2005). This study was conducted in the unique context of the Fijian government — a public sector environment with strong Pacific culture influence. This section aims at shedding light on this context, and reasons for its selection.

Project management in the public sector is considered a challenge because of insufficient staff and increased pressure to justify funding and continuation of projects (Smith and Stupak, 1994). In particular, the need to improve the service quality of the public enterprises in Fiji under resource constraints, triggered

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