

Chapter 76

The Effect of Organizational Commitment on Project Outcomes under Common Agency

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ABSTRACT

This research was undertaken to look at possible ways to broaden the definition of project management success beyond the tradition measures of time, cost, and scope. The research was designed to determine if the human organization comprised of layers of relationships and governance would or could change and reduce the high failure rate attributed to IT projects. The human aspect of conflicting organizational goals, those established by the information technology principal and the business unit principal with the project manager acting as agent, was the foundation for the study. The study expanded project management theory as it related to three variables: organizational commitment, project governance, and complex agency relationships. This was accomplished through a survey distributed to 403 information technology project managers in the United States designed to measure the three variables against the dependent variable project success. The results indicated that governance, organizational commitment, and the effects of common agency on a project manager's performance in meeting what might be conflicting success criteria do have a positive correlation. This research could provide new directions for researchers, project management practitioners, and strategic corporate planners when establishing project success criterion.

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INTRODUCTION

Information technology surrounds and affects all facets of professional and personal life. The frequency and proliferation of technology, according to Louis Gerstner (2002), former CEO of IBM, has made information technology a commodity. The products of information technology are part of how we work, play, and shop (Bartimo, 2001). Technology controls items as small as a DVD player to as large and complex as air traffic control systems (Mann, 2002). Technology use is changing the education system (McHugh, 2002) with campus wide wireless networks and remote access altering teaching methods, course delivery, study habits, and social interactions.

The majority of this new technology is delivered through information technology projects (Hodgson, 2002). As a result, the field of project management has grown rapidly with the number of project managers increasing from 8,817 in 1992, to over 60,000 by the year 2000 with much of this growth being due to the promotion of project management and its advantages by the Project Management Institute (Hodgson, 2002). Project management.com guesstimates that in the US and Canada alone, "In total, there were bit more than 600K each, with roughly a 13% overlap. 66.8% of PMI members are based in North America. 53.9% of Gantthead members are based in North America. So that implies that there may be 8.7M-11M Project Managers in North America (projectmanagement.com/blog/Project-Management-2.0/4226/). This number equates to approximately 3% of the population is engaged in some form of project management.

This article takes the significance of the work that IT project managers do to advance technological projects within the economy and examines various measures of project success. It introduces additional measures for success beyond the traditional measures of time, cost, and scope; frequently referred to as the "golden triangle" (Project Management Institute, 2008). Using theories linked to the social sciences and financial performance, the study attempted to determine if there were other elements that could affect project success and therefore if categorized could be used by managers to further engage project managers and increase the project success ratios.

The prevailing paradigm for project planning and execution, as presented by the Project Management Institute (2008), is based upon operations research and the transformation theory of production (Koskela & Howell, 2002). Within the transformation paradigm, the project, or area under production is "conceptualized as a transformation of inputs to outputs" (Koskela & Howell, 2002, p. 295). According to the Project Management Institute (2008) "the knowledge and practices described are applicable to most projects most of the time and, and there is consensus about their value and usefulness" (p. 4). The standard measurements for technology project success are time, cost, and scope (Project Management Institute, 2008). Figure 1 illustrates the transformation process of inputs to outputs and the process success measures of time, cost, and scope.

According to Bloch, Blumberg, and Laatz (2012) "On average, large IT projects run 45 percent over budget and 7 percent over time, while delivering 56 percent less value than predicted" (p. 1). This average statistic can be misleading. A large portion of IT projects are massive failures with costs overruns of 200% and schedule overruns of 70% (Flyvbjerg & Budzier, 2011). Taleb (2010; 2009) refers to these as Black Swans, or rare and unpredictable events. Additionally, Meskendahl, Jonas, Kock, and Gemun (2011) in a study of 200 German multinational corporations found that 67% of these companies failed to terminate projects deemed unsuccessful. Whitten, Bentley, and Dittman (2004) found that 70% of IT software development projects failed when they are measured using the project success criteria of cost, time, and scope. Two facts appear evident. First, technology as implemented through the formal project

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