

The Impact of Leadership on Project Performance

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Abstract

In this research study, leadership factors of HR planning were adopted on the basis of project nature and analyzed the effect of the factors on the performance of the project. The links of these factors with strategic goals and objectives of the project were explored in order to improve project performance and develop organizational culture that foster innovativeness, flexibility, formulating and executing HR systems & policies and activities that produce the employees competencies and behavior the project needs to achieve its strategic aims. The data was collected from includes 70 employees from four main consultancies companies working together on a project, located in Lahore, Pakistan. Responses were gone through EFA and Cronbach's alpha test to assure consistency and reliability. Finally, path analysis in SEM using Amos was run to explore the nature and strength of the links. Results suggest that leadership has positive links with project performance.

Keywords: HR Planning, Project Human Management System (PHMS), Leadership, SEM

1. Introduction

The Human Resource (HR) is one of the very important natural resource for the organization to accomplishing the tasks in proper manners. In Pakistan, major failures of projects are due to lack of HR planning and its implementation. Most of companies have no formal infrastructure of HR department and those who have, not properly implementing it. Project Human Management System (PHMS), plays a vital role in every face of all projects by rendering project monitoring and system support services (Rodrigues & Bowers, 1996). The workforce of PHMS comprises of qualified and competent personal from project planning & IT discipline, who pole their efforts to come up with smart solution to fulfill a project's planning and system related needs (Dvir, Raz, & Shenhar, 2003).

In this research leadership factors of HR planning are chosen on the base of project nature and analyze the effect of these factors on the performance of the project. The link of leadership with strategic goals and objective in order to improve project performance and develop organizational culture that foster innovation, flexibility, formulating and executing HR systems & policies and activities-that produce the employees competencies and behaviors the project needs to achieve its strategic aims (Luthans, Norman, & Hughes, 2006). All Divisional/Departmental Heads are responsible to identify and to ensure that all staff involved in work that affects quality is appropriately trained and qualified. Invest in its Human Resources by providing training and education opportunities to enhance their skills and performance. Clearly identify the functions, responsibilities, authorities and interrelationships of all personnel who manage, perform and verify work affecting quality (Berson & Avolio, 2004).

There is need to increase the efficiency of this project by making Human resource (HR) planning more effective, and analyzing its impact on the project. HR planning is such an essential part of the success of any company that they have to set up a section to both explain the HR planning functions, and help HR professionals execute those plans effectively. HR planning used to describe how companies ensure the right staff to do the jobs. The factors are chosen on the basis of project nature. The factors for this study include planning for Leadership, Training and Compensation.

The research is closely related to the area of leadership because it shows these human resource practices' effects on the performance and motivation of the employees in this project. So the different projects should emphasis specific

type of human resource practice(s) to integrate their HR practices with project goals and to solve their excellence performance through these HR practices.

2. Literature Review

Long & Ismail (2009) study examined the relationship of demographic factors of HR practitioners with HR competencies in the manufacturing companies of Malaysia. The findings show that the top rank HR competencies are personal credibility and HR delivery. In this research the findings show that HR practitioners in manufacturing-companies of the southern-region of Malaysia are lacking in business related human resource competencies. This is one of the main barriers to be surmounted if local HR practitioners are to become strategic partners in their organizations.

Kovács & Gergely (2009) explain human resources management is one of the management functions, dealing with people as the essential resource of the organization. This function aims at the most efficient usage of employees in order to realize both organizational and individual goals. Nowadays high significance is attributed to human resources management, since the human factor is the resource that determines the success of an organization. The results of a company are in proportion with the knowledge and talent of the people on its payroll.

Prabhakar (2008) describe most of the projects hear of in media are either over budget, late or are simply not good enough and still different lobbies of people claim that those projects have been successful. Neither the practitioners nor the academicians seem to agree on what constitutes project success. It seems to be a rather elusive concept. This paper attempts to put forth the points of views of different researchers in this field. In HR planning, project manager is an important factor leading to project success. As discussed above, many leading authors agree with this point of view and are conducting research to substantiate this grounded theory. This paper has endeavoured to bring out the factors associated with project manager's leadership style having profound impact on project success.

Birch, Kephart, Murphy, Pallas, Alder, & MacKenzie (2007) developed an analytical framework based on the production of health care services and the multiple determinants of health human resource requirements. The requirements for human resources in the future is shown to depend on four elements: the size and demographic mix of the population (demography), the levels of risks to health and morbidity in the population (epidemiology), the services deemed appropriate to address the levels of risks to health and morbidity (standards of care), and the rate of service delivery by providers (productivity).

Silvas (2005) understand the conjunction of human and natural systems and the nature of their interactions has been more and more crucial. The integrated response to the human management of natural systems is nowadays based on "sustainable development" concept which emphasizes the need to make compatible social, economic and environmental systems.

Project Management Institute, Pennsylvania (2004) explained (PMP Certification) to Managing Project through Project Guidance, case Study & test papers. PMP helps to manage the performance of a project and also helps to increase work efficiency, when human resources are viewed as an asset, companies enhance individual value through training and human development and ensure continued contribution to the organization". The importance of human resources for the corporate performance has in any case proved both in the literature and the empirical research conducted in all industrial sectors.

Dessler, G. (2004) describes the various training programs are formulated to provide dual purposes. Courses like, Team Building, Managerial Skills, Negotiation and conflict resolution can be fully utilized to improve inter as well as intra personal and communication skills. Technical training programs not only cover the theoretical aspect of civil, electrical and mechanical technologies but also how efficiently and effectively companies make use of it at different sites.

Fey & Bjorkman (2000) examine the relationship between human resource management (HRM) and the performance of foreign owned subsidiaries in Russia. The sample size 101 foreign owned subsidiaries, the study's results HRM practices can substantially help a firm perform better when spending high investment in this field. In this research furthermore, different HRM practices for non-managerial and managerial level employees are found to be significantly related with firm performance. However, only limited support is obtained for the hypothesized relationship between subsidiary performance and efforts at aligning HRM practices with firm strategy. The results of this study provide relatively strong support for the existence of a positive relationship between HRM practices and

the performance of Russian subsidiaries of Western corporations.

Weinger (1997) addressed some questions by decision-makers as they move towards the production of national and sub national plans for human resources development (HRD) in environmental and occupational health. People with appropriate training are an essential requirement in all countries for environmental hazard control and sustainable development in both the general and the occupational (workplace) environment. However, the task of HRD planning in environmental and occupational health may seem daunting. It involves assessing the current workforce and training opportunities, estimating the number and type of staff needed to carry out necessary functions, creating and upgrading existing educational institutions to produce new personnel, and providing continuing education for professionals in the field, as well as managing and supervising personnel.

Jackson & Schuler (1990) describes human resource planning have traditionally been used by organizations to ensure that the right person is in the right job at the right time. Under past conditions of relative environmental certainty and stability, human resource planning focused on the short term and was dictated largely by line management concerns. Increasing environmental instability, demographic shifts, changes in technology, and heightened international competition are changing the need for and the nature of human resource planning in leading organizations.

3. Theoretical Framework

Leadership is an important function in small business as well in all industrial projects. Leadership and management represent two completely different business concepts (Atwater & Yammarino, 1992; Thomas, 1988). Leadership is commonly defined as establishing a clear vision, communicating the vision with others and resolving the conflicts between various individuals who are responsible for completing the company's vision (McColl-Kennedy & Anderson, 2002). Management is the organization and coordination of various economic resources in a business. Leadership can have a significant impact on an organization's performance as a whole as well as performance of various projects.

The belief that leaders actually influence project performance and morale is so acceptable that very little research and opinion even deals with this issue. Maccoby (1976) conducted in-depth interviews with business executives over twenty years ago and concluded that organizations required a higher level of leadership than ever before to survive and prosper. In some industrial projects the role of leadership has had a great influence. The decision to change leadership in cases has a hit or miss but in the high upside cases the performance of the project team can be increased through efficient leadership. In addition to leadership making a tangible difference, the perception of these differences is also important. In some industries it is not only who the new leader is, notoriety, but what is their background, as well. In computer technology and aerospace it is prudent that the new leader have a strong legacy of competency in the businesses (McColl-Kennedy & Anderson, 2002). Their knowledge of the business is importance since almost all of the CEO's in these businesses are from the industry specifically.

Organizations and teams as well are complex social systems of decorative interactions among people. Simplified, the need to understand events is directly attributed to the leader by name or by place. Their success is seen as heroic by the workers and management. The future successions are measured by the perception of the previous leader. If we accept the logic of attribution theory in a positive way, most firms' and projects' successes are attributed to heroic leaders (Waldman, Bass, & Einstein, 1987). Hence on the basis of discussions above it is proposed that leaders play a vital role in successful performance of firm's projects. We can develop the following hypothesis that;

H1: Leadership and performance of the project are significantly correlated.

INSERT FIGURE 1 HERE

4. Methodology

4.1. Data Collection

Through structured questionnaire, data was collected from the companies, which make joint venture (JV) for this project and their departments specially HR department and different engineering departments included in the project. The leadership questionnaire was adopted from Antonakis, Avolio, and Sivasubramaniam (2003). The questionnaires include the questions based on leadership and project performance at the level of maturity that is

satisfactory performance. The project performance instrument was adopted from (Keller, 1986). In the questionnaire, “five point liker scale (strongly agree, agree, no idea, disagree and strongly disagree)” was used to check the significant impact. The questionnaire was distributed among the top subject specialist and section comprising engineering, sociology, environment, institutional development and so on.

The sample used in the study includes 70 employees from four main consultancies companies working together on a project, located in Lahore, Pakistan. The sample is a true representative of the population. The total population size is 145 employees working on this project. Among these respondents, 55 filled in the questionnaire.

The filled questionnaire was processed by the computer and visualized graphically and in tabulated form. It was examined by using Statistical Package for the Social Sciences (SPSS-16); enabled to know the HR system of the organizations in depth resulting as well as summarizing the findings of each organization regarding three major factors.

4.2. Data Analysis and Results

Data was analyzed on different performance effecting parameters including leadership. The results were derived through using statistical tool. Data was also analyzed using the frequency analysis to describe the results. In frequency analysis tables took frequency and percent values to describe and conclude the results. In order to address the research questions, exploratory factor analysis (EFA), correlation analysis and path analysis was used to conduct analysis. Principal components analysis (PCA) was used as factor extraction method in the study. When principal components analysis (PCA) is used, it is generally assumed that the original variables or items are correlated, and principal components analysis will develop a new group of variables that are uncorrelated (Chatfield & Collins, 1980). Finally, path analysis was run in Amos 16 to test the hypothesis whether any links exist between leadership and project performance.

Frequency descriptive statistic output shows that 11 out of 55 employees (20%) were strongly disagreed with the working of current team, 21 employees (38.2%) disagreed, 7 employees (12.7%) made no comments while only 8 employees (14.5%) were agreed and other with same percentage (14.5%) were strongly agreed with its working. Majority of employees (58.2%) disagreed with working system and showed their dissatisfaction with present working team’s performance because employees have their own working style and they mentally accept their leader’s dictations. It also shows that project leader cannot handle the pressure at work and does not have skills to manage it. 21 employees (38.2%) strongly disagreed that project leader handle the stress better, 14 employees (25.5%) disagreed, 7 employees (12.7%) made no comments, 8 employees (14.5%) agreed with this statement and only 5 employees (9.1%) strongly disagreed. This shows that 63.7% of the total employees find that their leader cannot handle the situation under stress. This clear representation that leader needs training to handle the stress which is very necessary for performance improvement.

The Pearson correlation between employee’s motivation regarding project and leader motivation toward employees is .316. The P-value $.019 < \alpha$, so there is a significant correlation between employee’s motivation toward project and leader motivation toward employees. It shows that when leader motivate his employees and employees their own self motivate toward the project it will be better impact on the performance of the project.

The Pearson correlation between leader motivation toward employees and leader’s working style is .486. The P-value $.000 < \alpha$, so there is a significant correlation between employee’s motivation toward project and leader’s working style. It shows that when leader motivate his employees and proactive & flexible in his working style, employees automatically adopt his style that would be better impact on the performance of the project. The Pearson correlation between leadership and project performance was $r=0.452$, $p<0.05$. The results from path analysis suggest that leadership describes 72% of project performance.

INSERT FIGURE 2 HERE

5. Discussions and Conclusion

The Leadership Human Resource (HR) planning has significant impact on performance of the project. These variables are also positively correlated with the project performance. The variables were operationalized by listing the HR planning for project performance. In the questionnaires, the questions were based on factors of the HR planning, level of maturity and how did they affect adopting according to the nature of the project under study

(Rodrigues & Bowers, 1996). The results show that the variables of HR planning have a positive and significant effect on the performance of the project.

The hypothesis was tested against the empirical finding related to independent and dependent variables under study showed that the hypothesis was acceptable. However, the study result indicated that these factors for the HR planning had positively affected the performance of projects. Managers should focus on functioning factors during the project planning because they have significant impact on the project performance. The fundamental assumption of this study is that the ultimate goal of the entire commercial organizational project is to maximize their performance and successfully implement these factors to get maximum results. All the activities are engaged and organized to achieve this goal and the most important factor is planning, regarding these factors, to achieve performance (Berson & Avolio, 2004). The study shows that the project has its own planning for every step/stage especially in case of human resource, which is very important natural resource. But the results show that most of the projects fail to achieve this goal due to the little attention of management towards the leadership, training for the employees and their level of compensation. This study is useful to understand the effect of human resource on the project performance especially on the implementation of these planning factors.

The research study found that leadership is important to provide guidelines to its employees, managing them efficiently and work with them to understand their work nature and remove their problems. Arrange training for them to understand the work, helpful to achieve project goals and know about new procedures and technology used in work (Jing & Avery, 2011). Compensation directly affects the employees' performance, while providing them incentives and financial benefits according to their performance.

The leadership can be strengthened through the personal capabilities of the leader. It should be proactive in his/her work. The leader should have ability to motivate his/her employees and it is possible only if he/she is educated and experienced. The project leader should lead the team from front and manage it in efficient way and play an important role in project success. He should try to create congenial environment for working and helps his employees in accomplishing task. The leader should be responsible to analyze the situation, and make strategic plan to solve the problems during project.

6. Limitations of the Study

Besides significant managerial and academia implications of the results, the present study also has some limitations in its scope and subjects of study. First, the data was of cross sectional nature that was collected only over a single period of time. Second, the study focused only on a single project rather to study multiple projects. Third, data could be used to test some other statistical and econometrics techniques to draw more generalized conclusions and implications. Finally, data was only of quantitative nature and only leadership was taken to explore the relationship between leadership and project performance. However, future studies could focus on multiple dimensions of HR planning as well as leadership styles to explore the links in depth. Future studies could also be based on both qualitative and quantitative nature of data.

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Appendix A

Figure 1: Conceptual Model

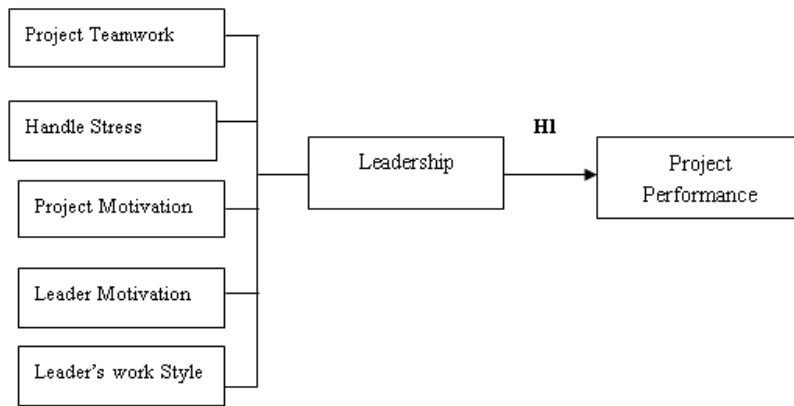
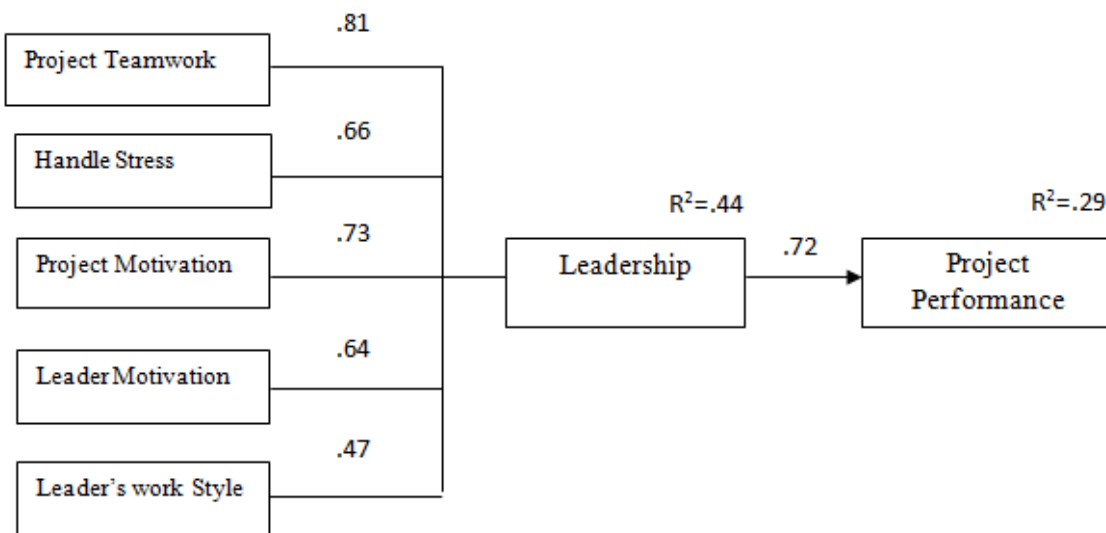


Figure 2: Conceptual Model



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