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Project Management theories and Corporate Governance: Towards Effective Management of Small Farming Cooperative Projects

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Abstract

Project management is defined as the process of applying project knowledge, skills, tools and processes to the established tasks of a project to fulfil the objectives of the project. The planning, execution, controlling, monitoring and closure processes are guided by domains of expertise such as integration, scope, budget, schedule, quality, procurement, communication, human resources, stakeholder management and risk management. This paper sought to analyze theories of project management and corporate governance for effective management of small farming cooperatives. The study adopted a conceptual approach to demonstrate the managerial processes of the theories of project management and corporate governance and how they relate to one another. In the process the literature has revealed that project management is seen by organizations as new methods to plan and manage changes. These planned activities, if not properly coordinated using project management skills, may lead to an unsuccessful project. Project success depends on number of factors ranging from project efficiency, impact on the customer, impact on the project team impact and business or organizational success. The Corporate governance (CG) has been increasingly prevalent in organizations in recent years, and its significance is now acknowledged on a global scale. It has even been adopted by countries where regulations governing the use of CG in organizations have yet to be implemented. The reason for CG's universal appeal is that it serves as the cornerstone of an organization’s operational structure. The article concludes with the relevance of these theories towards effective management of small farming cooperatives.

Keywords: *Project Management; Project Management Theories; Corporate Governance and Small Farming Cooperatives*

Introduction

Koskela and Howell (2002) assert that project management theories ought to be prescriptive, showing how an activity advances the objectives that have been established for it. Broadly speaking, there are three possible courses of action: creating and designing the systems; controlling those systems to achieve the desired level of production; and improving those systems.

In this article, it is argued that both of these views may be unfitting, based on a huge vested interest on exploring the theories of project management (Koskela & Howell, 2002). It is however demonstrated how the current practice of project management is based on an implicit and constrained theory that needs to be expanded upon. In fact, the other issues with project management, like the high rate of project failures, the lack of commitment to project management techniques, and the sluggish rate of methodological renewal, are all explained by the deficiency of current theory. Therefore, the single most important issue for the future of the project management profession is the development of an explicit theory. The corporate governance is another aspect that cannot be ignored for effective project management.

The practice of corporate governance (CG) has developed rapidly in recent times and worldwide its significance has been increasingly highlighted. Countries that have not yet incorporated CG into their organizations have also taken note of it, and when feasible, CG is adopted and implemented in those nations. The fact that CG forms the foundation of a company's operational framework explains the global interest in CG. As a result, owners should profit from the adoption and application of the CG practice. In the broadest sense, the owners' commitment to implementing CG principles and procedures can be interpreted as an efficient oversight of the business's operations, especially if disclosure and transparency principles are implemented (Alabdullah, Yahya & Majeed, 2016).

Alabdullah, Ahmed and Jebna (2022) highlight that corporate governance (CG) has emerged as a crucial component that helps managers make wise decisions. Maintaining, establishing, and improving the firm's success and financial performance all depend on appropriate control, which is essential to raising medium- and long-term company valuation. In order to protect the interests and wealth of investors, CG seeks to maintain a transparent and balanced economy. This may increase the companies' sustainability and reduce their exposure to possible losses. The management of businesses should make use of CG's internal control mechanisms, which include approved rules, procedures, and policies, to ensure that their organizations are operating more in line with the company's predetermined goals. However, the collapse of various projects particularly in the public sector, raises a question of whether the project management theories and cooperate governance are effectively applied for the desirable outcomes. Thus, this article sought to analyse project management theories and cooperate governance towards effective management of farming cooperative projects.

Methodology

The article adopted a conceptual approach to analyse the theories of project management and corporate governance particularly in South Africa. The article also used journals, books, and materials related to the subject under investigation.

Project Management Theories

The PMBOK Guide (2008) classifies project management processes into initiating, planning, execution, controlling and closing processes. With reference to Figure 1 below, the following aspects are illustrated: planning, execution and closing processes. One fundamental concept is that these processes operate in a closed loop: the planning processes generate a plan which the executing processes implement and deviations from the baseline or change requests result in execution corrections and adjustments to future plans (PMBOK Guide, 2008).

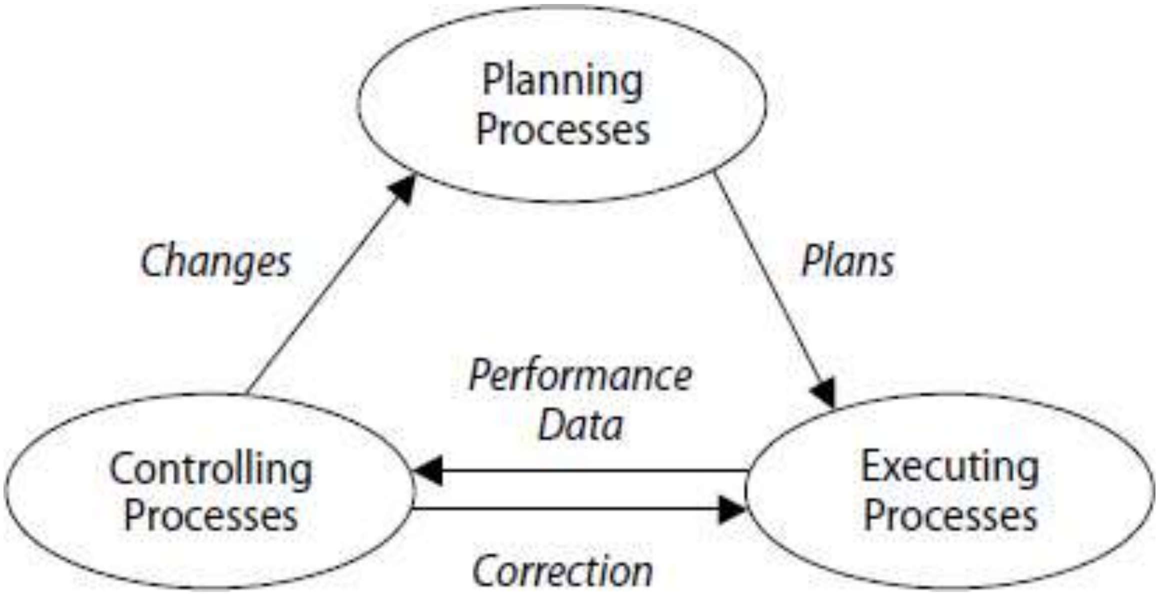

Figure 1: The closed loop of managerial processes in project management

Source: (Koskela and Howell, 2002)

Figure 1 further demonstrates the managerial processes of the theories of project management and how they relate to one another. These theories are explained hereunder.

Planning Theory

Rowe (2020) explains planning as an activity that lasts until the project is completed. As a project progresses, there will always be variables that change. Early on in a project, spending too much time planning can be a big mistake because it not only wastes time but also misleads everyone's perception of the information that is actually available. The primary goal of this phase is to estimate the amount of work required to manage risks effectively by properly budgeting time, money and resources. The scope statement is created, the planning team is chosen, the deliverables are identified, a work breakdown structure is created, the activities necessary to identify those deliverables are identified, those activities are sequenced in a logical order, the resources, time and costs necessary are estimated, the schedule and budget are developed, and the formal approval to start the planning process is received (Rowe, 2020).

The Project Management Institute (2001) classifies planning procedures as either core or auxiliary. The ten primary responsibilities include scope definition, scope planning, resource planning, activity definition, activity length estimation, activity sequencing, timetable formulation, cost estimation, cost budgeting and project plan preparation. The project plans that result from these operations serve as input for the execution processes.

The planning phase focuses on gaining an understanding of how the project can be carried out as well as a strategy for securing the necessary resources. Even though most of the work is done during the planning phase the project plan may be changed when new difficulties and opportunities occur (Project Management Institute, 2001).

Execution Theory

Execution refers to the processes necessary to complete the tasks outlined in the project plan in order to meet the project's objectives (Project Management Institute, 2001). The execution phase entails integrating and carrying out project operations in accordance with the project plan, as well as coordinating people and resources. The project team is accountable for providing the deliverables, which are the most significant end result of the project execution.

In the same way that task dispatching connects the plan and the job in manufacturing, execution connects the plan and the job. The central authority's allocation or assignment of tasks or jobs to machines or work teams is the most difficult aspect of dispatching. Using logical decision principles, job dispatching is currently defined as a technique for choosing a job to be processed on a newly available computer (Project Management Institute, 2001).

When a project enters the execution phase the project team and all necessary resources should be in place and ready to perform project activities. By this time, the project plan should have been completed and baselined. Project teams and managers now place more of a focus on participating in, watching, and analysing work in progress than project planning (PMBOK Guide, 2008).

It is worth noting that in the absence of a clearly defined project execution process, each project team would carry out tasks using their own best practices, knowledge, and techniques, resulting in some control, tracking and corrective action actions being overlooked. The Executing Process Group consists of "those processes carried out to complete the work defined in the project management plan in order to meet the project specifications. This Process Group is responsible for coordinating people and resources, as well as integrating and carrying out project activities in accordance with the project management plan" (PMBOK Guide, 2008:55).

Controlling Theory

Project management is heavily reliant on project control. As a result, to increase project success and project completion on schedule within budget and with the intended features, project managers must use proper project management approaches (Pierrier, Benbrahim & Pellerin, 2018).

The Project Management Institute (2001) divides the basic management process into two parts: performance reporting and general change management. Corrections to the executing processes are recommended based on the former, while improvements to the planning procedures are advocated. Control is referred to as performance reporting and it refers to the thermostat model, which is the same as the feedback control model.

In the Gains Organisation Time Information and Quality technique, project control is the most important method. A full analysis of how to deal with rules for control concerns is offered because it is essential to the project's control (Project Management Institute, 2001). Project controls are critical to the success of any project. They aid in the maintenance of scope, schedule, cost, and quality in order to reduce waste of resources such as time and money. Project controls assist the team in making the best decisions to successfully complete a project. The project control cycle implements project controls (PMBOK Guide, 2008).

Corporate Governance Theories

Trinh (2021) postulates that corporate governance (CG) is one of the most important practical issues in CG theories. It is frequently discussed and researched in a variety of academic disciplines, including organisational theory and economics, macroeconomics, management, finance, law, psychology and accounting, to name a few. Each of these disciplines defines and interprets CG in its own unique way, similar to the story of a group of people attempting to identify an elephant by touching and describing various parts of the elephant (Trinh, 2021).

The Agency Theory

Agency theory can be successfully applied if sufficient empirical facts are acquired and presented logically because it is deductive in technique. According to agency theory, the board's independence may be increased and its responsibility for managing managers can be carried out more successfully by having a large number of independent external members and separating the roles of CEO and chairman of the board (Keremidchiev & Nedelchev, 2020).

The agency paradox was first noted by Adam Smith in 1776, when he noticed that managers of other people's money did not treat it as carefully as the owner did. To control problems at all levels of the organisation, decision systems (decision processes) that separate management (implementation and application) and control (ratification and monitoring) decisions are used. This theory takes into account moral hazard, post-contractual opportunism, information asymmetry, adverse selection and pre-contractual opportunism. The most widely employed concept in computer graphics research is gaining traction. The most commonly used concept in computer graphics research is gaining popularity (Castrillón, 2021).

One of the most important aspects of the so-called contractual view of the company has been the agency problem. The essence of this problem is the separation of ownership or control, or – in simpler terms – management and finance. A corporate manager can raise funds from capital providers like investors to use or cash out their stake in the company. The ability of capital providers to earn returns on their assets is dependent upon managers and managers depend on these capital providers to invest in or liquidate their holdings (Trinh, 2021).

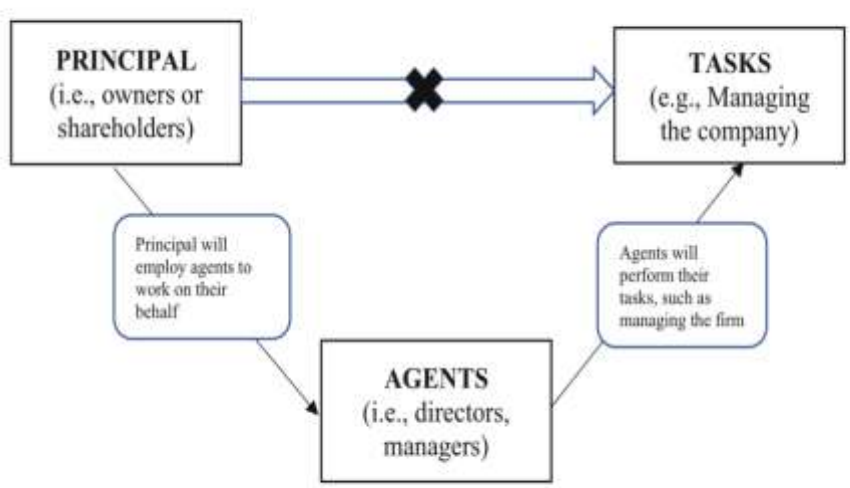

Figure 2: Agency Theory
Source: (Trinh, 2021)

Figure 2 depicts the agency theory in action as providers decide whether to invest or cash in their holdings. The providers' funds, on the other hand are most likely worthless paperbacks from the manager. Thus, the agency problem refers to the difficulties faced by capital providers in ensuring that their capital is not expropriated or wasted on investments with a negative net present value (Trinh, 2021).

The basic implication of agency theory is that due to management gaps that allow them to expropriate the firm owners, the value of a firm may not be maximised as desired by principles. In an ideal world, the company's owners could require managers to sign a comprehensive and legally binding contract outlining what and how they would act in any given situation, as well as how profits would be distributed to owners and stakeholders. In practice, one major issue is that describing and forecasting future contingencies is extremely difficult, resulting in an incomplete contract (Trinh, 2021).

The Stewardship Theory or Management Theory

Castrillón (2021) defines stewardship theory as a theory that states that managers will act as responsible managers of the assets under their control if they are left to their own devices. Long-term contractual partnerships are built on the pillars of reciprocity in relationships, trust, shared objectives, involvement and reputation. The managers' interests and the owners' interests are complementary, there is no conflict of interest that needs to be handled by means like financial incentives.

Directors have a legal obligation to shareholders, but they also have a duty to consider the legitimate interests of stakeholders such as employees, suppliers, customers and others. The corporation and stakeholder groups' conflicts of interest must be settled through free market competition, backed up by legislation and existing legal controls to protect employees, customers, suppliers, and society (Castrillón, 2021).

According to the stewardship hypothesis, managers are responsible stewards who act in the best interests of the company's shareholders. It refutes the notion that managers lack good faith and that special methods to oversee their decisions are required. The stewardship strategy is built on collaborating to achieve common goals and it necessitates cooperation from all CG stakeholders (Papenfuß, Steinhauer & Friedlander, 2017). The exchange of information with the goal of building trust among participants through honest communication and reporting on declared goals and achieved results ensures the implementation of this principle. When co-decision methods are used, the stewardship hypothesis produces the best results.

This explanation does not suggest that the manager has no personal goals; rather, the manager understands the connection between personal and organisational goals and believes that working for common goals is the best way to achieve them. However, when it comes to studying CG, the stewardship theory is thought to have a limitation: This explanation does not suggest that the manager has no personal goals; rather, the manager understands the connection between personal and organisational goals and believes that working for common goals is the best way to achieve them. However, when it comes to studying CG, the stewardship theory is thought to have a limitation: It only takes into account the partners (company owners) and the steward (the manager), ignoring other interest groups (stakeholders) with a direct or indirect impact on society (Castrillón, 2021).

Stakeholder Theory

Stakeholder theory asserts that a broader concept of CG is used in modern businesses. In general, it can be thought of as a more refined version of agency theory. The scope of these conflicts is broadened by stakeholder theory to include a broader range of stakeholders, whereas agency theory focuses on conflicts of interest between managers and stakeholders. Stakeholder theory in particular, emphasises the inherent importance of managers' decision-making and all stakeholders' interests; no one set of interests is expected to take precedence over the others (Freeman, Harrison & Zyglidopoulos, 2018).

Wasowska and Postula (2018) state that the stakeholder theory is interconnected and to some extent builds on the stewardship concept. The enterprise is regarded from a bigger viewpoint that includes external stakeholders, unlike the stewardship and agency conceptions. Stakeholder theory is based on the concept of a corporation as a public entity. As a result, it covers global issues of interaction between individuals, businesses and society in a larger sense. This makes it particularly appealing to government-owned businesses.

The presence of numerous major stakeholders makes looking at state-owned firms distinctive and complicated. Their presence justifies a variety of purposes, some of which are incompatible. The stakeholder theory complicates and perplexes CG's tasks and challenges. The management of stakeholder conflicts, which are far more complex than the principal-agent dichotomy, presents challenges (Wasowska & Postula, 2018).

The Resource Dependency Theory

Castrillón (2021) asserts that this concept defines organisations as being inextricably linked to their surroundings. Organisations will rely on the resources and knowledge of other organisations, as well as agents of the environment in which they operate, to ensure their survival. As a result, the stakeholder theory emerges, which states that enterprises should be accountable to a variety of internal stakeholder groups, rather than just shareholders, because all these groups can affect goal achievement. The application of agency theory is required to meet the organisation's objectives and, as a result, to achieve corporate success. This is because the establishment of more efficient boards of directors could lessen the inequalities between shareholders and executives (Castrillón, 2021).

Trinh (2021) argues that the focus of resource dependency theory is on the function of board members in giving a company access to and securing corporate resources through their relationships with markets and the outside world. Its primary goal is to appoint representatives from independent institutions in order to increase access to critical resources for corporate success. Legal advice which would otherwise be more expensive for an organisation can be provided in periodic board meetings or even through private communications with management or executive boards by an outside director who also works for a law firm (Trinh, 2021).

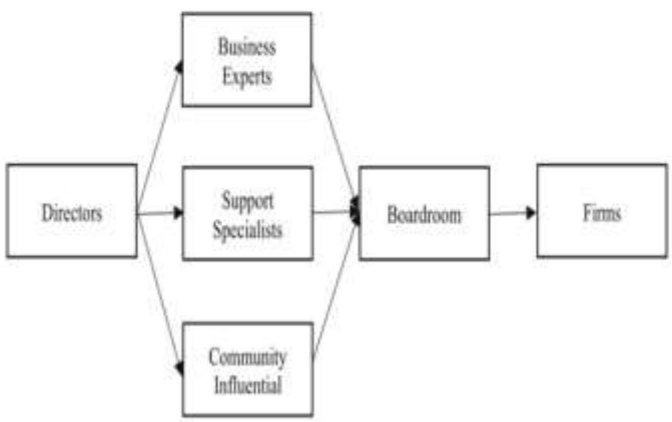

Figure 3: Dependency Resource Theory
Source: (Trinh, 2021)

Figure 3 depicts various types of resources and the firms they serve. According to this theory, board members such as directors and managers can bring valuable resources to all firms where they serve, such as information, skills, legitimacy and networking (Trinh, 2021). Indeed, strong support has been gathered for this theory's four main benefits, which are as follows: Offering advice and counsel, gaining access to information channels that connect organisations and environmental contingencies, prioritising access to corporate resources and establishing credibility all help to obtain important information.

In theory, there are three types of directors, each with their own set of resources to offer. Business specialists include current and former senior executives and directors of non-profit organisations who can contribute knowledge and experience in business strategy, decision-making and problem-solving. Bankers, lawyers, public relations experts and insurance company representatives are examples of support specialists who can assist the firm in their respective fields. Representatives of the community may include politicians, academics, clergy and heads of social and community organisations. It is expected that the boards' dynamic nature, for example, such as altering board composition as environmental needs change is likely to be a nearly normative convention. In this regard, organisations may entice and hire the boards (Trinh, 2021).

Relevance of the Theories to This Article

The importance of project management in organisations cannot be overstated. When it is done correctly, it improves the efficiency of all aspects of the business. It allows teams to focus on the important work without being distracted by erroneous tasks or out-of-control budgets. It is a powerful tool for organisational growth and development. Nevertheless, its implementation is fraught with difficulties. These obstacles include obtaining management approval as well as having competent and dependable personnel with the necessary attitude and knowledge for proper implementation. Most organisations have adopted project management skills to solve organisational problems as awareness of their importance grows. In essence, project management is the future of modern organisations.

The proper strategy for CG is to create a set of connections and circumstances that prioritize shareholder engagement over other actors and participants in the company's value chain. The CG approach may occasionally feel that people who helped design it should benefit from its dissemination.

Conclusion

Project management does not function in a satisfactory manner and has not met the objectives set for it. The theory-related problems could be resolved informally and without harsher consequences in small, straightforward, and slow projects. The goals of corporate governance are to lessen the distance between various stakeholders with an interest in the business, boost investor confidence, and cut agency costs. Furthermore, it establishes a sense of obligation among the company's stakeholders and their interactions with one another. Therefore, implementing sound corporate governance in business is essential to ensuring their survival as well as their productivity and profitability.

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