



An agency theory perspective on managing international development projects: A conceptual view in Jamaica

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Introduction

- International development (ID) projects play a critical role in the economic development of developing countries – **Aims: To reduce poverty, enhance environment protection, capacity building of physical and social infrastructure and improve living standard**
- But the failure rate of these projects is high
- There is little research examining the complex relationships of the stakeholders involved in ID projects in Jamaica
- Drawing on agency theory, this study seeks to focus on the relationship between the principal and the agent in the implementation and delivery of ID projects in Jamaica
- The proposition - The bond in the relationship between the principal and the agent gets weaker as the project advances along the project cycle.

Motivation

- There is little research examining the complex relationships of the stakeholders involved in ID projects (Khang and Moe, 2008)
- There is a small body of empirical research that assesses the people aspects of project management, especially examining the relationship between project members and project success (Scott-Young and Samson, 2008)
- Very little is known about the coordination of the activities between the principal and the agent in ID projects (Pilbeam, 2013)
- Research regarding the implementation of project management practices to overcome the poor performance of ID projects is sparse (Golini et al., 2015)

Research Question & Proposition

- **Research Question:**

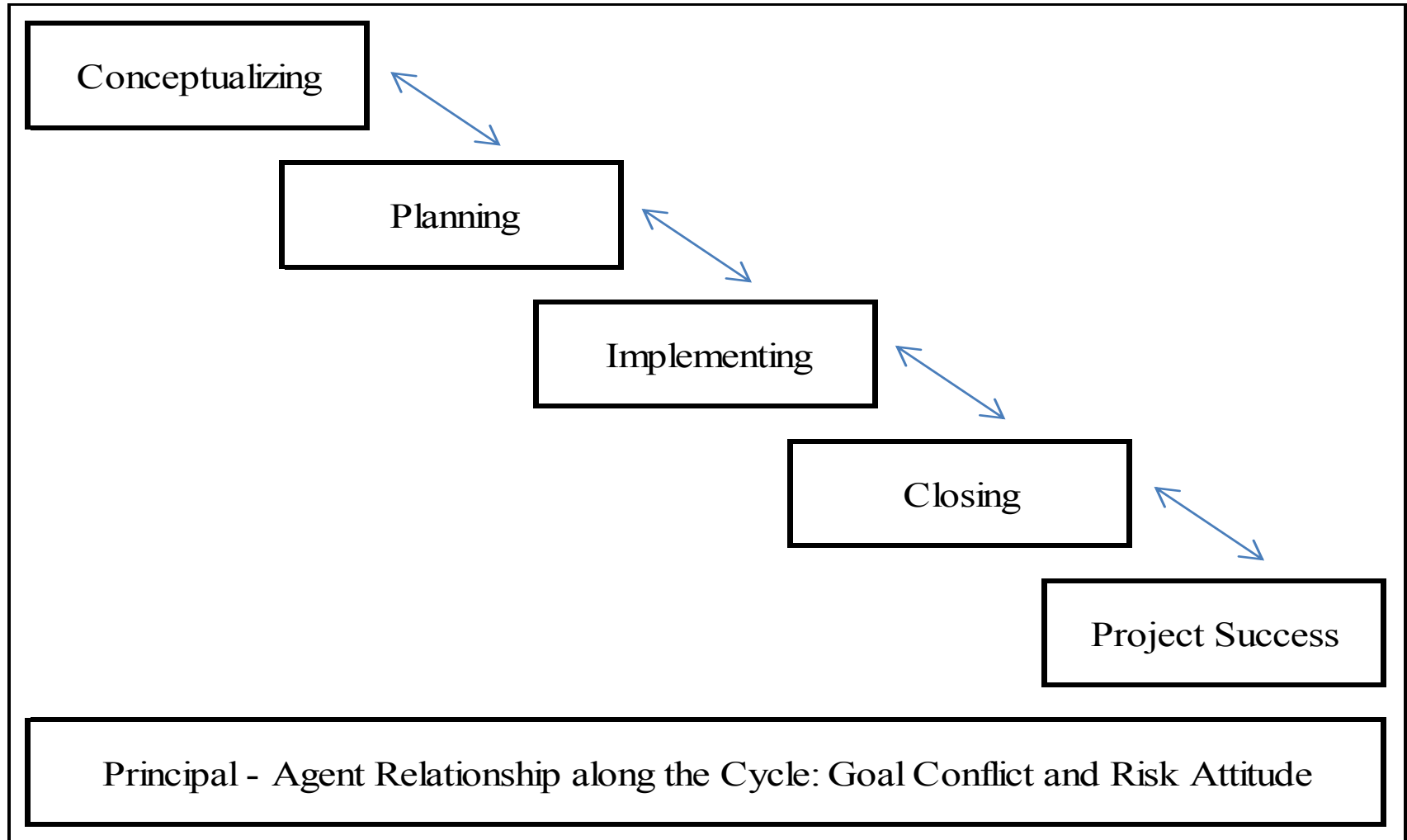
- What is the relationship between the principal and the agent throughout the project life cycle of an ID project in Jamaica?

- **Proposition:**

- The bond in the relationship between the principal and the agent gets weaker as the project advances along the project cycle.

The Conceptual Model

[Adapted Khang & Moe (2008) project life cycle]



Contribution of the study

- It is hoped that the findings of the proposed study can guide policy makers about the best strategies to be employed in an effort to increase the likelihood of implementing successful ID projects in Jamaica
- This can lead to long term growth and sustainable development

Definition – ID Projects

- They are special type of projects that provide socio-economic assistance to developing countries or to some specially designated group of target beneficiaries (Khang and Moe, 2008)

Literature Review

- The failure rate of ID projects is high (Grady et al., 2015)
- Developing countries are unable to absorb such failures due to their characteristics - resource constraints in finance, human resource, equipment and materials (Berisso and de Vries, 2010)

Literature Review

- There are many factors that influence the environment which can increase the risk of accomplishing project objectives (Youker, 2015)

Challenges highlighted in World Bank projects – Youker, 2015

- Communications problems
- Poor feedback and control mechanisms for early detection of problems
- Poor or no analysis of major risk factors
- Delays caused by bureaucratic administrative systems
- Lack of adequate resources
- Unstable project environment

Literature Review

■ The Process (Khang & Moe, 2008)

- The funding agency finances the project but in most cases do not use the project outcome
- The implementing unit executes the project
- And the targeted beneficiaries are expected to use and benefit from the project outcomes
- But in general they do not pay for the project (Khang and Moe, 2008)

■ Characteristics of ID projects (Golini & Landoni, 2014)

- Lack of a defined and/or powerful customer
- The complex web (relationship) of the many stakeholders
- Difficult, complex and risky environment; Resource scarcity
- Difficulty in using project management techniques in the context of other cultures
- The presence of intangibility project outcomes, which can be difficult to define and measure

Agency Theory

Source: Eisenhardt, 1989; Fama and Jensen, 1983; Miller and Whitford, 2007; Schieg, 2008

- Underlining assumption - that the agent is basically a **selfish opportunist individual** who unless monitored closely, will exploit the principal
- Firstly - cooperating parties **not necessarily sharing the same interest and common goals**, which can lead to **information asymmetry** where one party is better informed than the other; who is the **agent**
- Secondly – In response, the principal usually introduce contractual mechanisms to govern the project like frequent visits, audits and regular reports. This leads to **increased agency costs**

Agency Theory

- Financial accountability by the implementation team is critical especially against the background that these projects are implemented in developing countries, where the likelihood of corruption is high (Khang and Moe, 2008)
- For example, Jamaica is ranked **69 out of 165** countries in the 2015 corruption index (Ugaz, 2015)
- Hence, efforts should be made by the funding agencies to establish rules and regulations to control the disbursement and utilization of funds (Khang and Moe, 2008)

Statistics on Jamaica

Department of Economics & Social Affairs, 2014

<u>Statistical Measure</u>	<u>Value in 2012</u>
Exchange rate (national currency per US\$)	92.56
Balance of payment (million US\$)	-1,905
Unemployment (% of labour force)	13.9
Infant mortality rate (per 1,000 live birth)	20.9
Energy consumption per capita (kg oil equivalent)	807.0

Methodology

- Text mining, using latent dirichlet allocation (**LDA**) technique, will be conducted on a number of projects documents to evaluate the actions, behaviour and relationship between the principal and the agent throughout the project cycle
- The requested project documents will be correspondents between the principal and the agent such as emails, letters, memos, the work breakdown structure and all relevant project correspondents
- A snowball approach via referrals will be used to identify 3 - 5 international development projects that were implemented in Jamaica

Methodology

- The unit of analysis is ID projects
- The sample frame will be generated from:
 - World Bank
 - US Agency for International Development (USAID)
 - European Union (EU)
 - Inter-American Development Bank (IDB)
 - Caribbean Development Bank (CDB)
 - Urban Development Corporation (UDC)
 - Jamaica National Foundation (JN Foundation)
 - Digicel Foundation
 - National Housing Trust (NHT)
 - National Integrity Action (NIA)

Implications of the Study

- This paper represents the preparatory phase of a much larger study that will embrace several ID projects
- Useful insights can be drawn through the lens of agency theory regarding the relationship between the principal and the agent throughout the implementation of ID projects in Jamaica
- Such insights can increase the likelihood of implementing and delivering more successful projects, which is urgently needed in Jamaica

Conclusion

- There is a need to understand the impact of principal/agent relationship, the goal conflicts, information asymmetry and the treatment of risk between both parties
- Such knowledge and insights can increase the likelihood of implementing successful ID projects
- This is a condition that developing countries would welcome

Questions?

Thank You!

Agenda

- The Introduction
- Motivation of the Study
- Research Question
- Contribution of the Study
- Literature Review
- Theoretical Framing
- Methodology
- Implication
- Conclusion

Table 1: The Distinction Between Hard and Soft Projects

Source: Crawford & Pollard (2004)

Parameter	Hard Projects	Soft Projects
Goal clarity	Goals clearly defined	Goals/objectives highly ambiguous defined
Goal tangibility	Physical artefact	Abstract concept
Success measures	Only quantitative	Only qualitative
Project permeability	Not subject to external influences	Highly subject to external influences
Number of solution options	Refinement of single solution	Exploration of many alternative solutions
Participation and Practitioner role	Expert practitioner, no stakeholder participation	Facilitative practitioner, high stakeholder involvement
Stakeholder expectations	Values technical performance and efficiency, manages by monitoring and control	Values relationships, culture and meaning, manages by negotiation and discussion