

The Influence of Budgeting on Project Success in Water for Life Project, Rwanda

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Abstract: *The purpose for this study was to evaluate the influence of the budget on project success in water for life project with the following objectives; to examine the effect of unclear budget on the success of water for life project, to identify the effect of poor budget implementation on success of water for life project and to identify the effect of poor budgeting on success of water for life project. The study was limited to the employees of water for life project and was carried out in Kabare sector. Descriptive research design was used. Simple random sampling techniques was used to obtain 86 employees from 110 employees of water for life project. The study found that when planned activities and resources are poorly implemented the project cannot become successful hence leading to failure. Similarly, it was confirmed that unclear budgets make difficulties to raise resources required to implement activities of the project as well as undertaking activities as planned hence affecting project success and found out that budget poorly implemented the project cannot become successful hence leading to failure to achieve project objectives and that working outside budget may lead to wastage of resources and failure to attain the desired objectives. The study recommends that water for life project should continue handling budget management issue well because it is important in fostering project success.*

Keywords: Failure to manage budget, water for life project, project success, project performance, poor budgeting

1. Introduction

All projects are formed with the major aim of attaining or exceeding their set objectives in a stipulated project budget. Tobal et al., (2015) stated the iron triangle as composed of time, cost, and technical performance while neglecting customer satisfaction. Nixon et al., (2012) stated that researchers have conducted studies to conceptualize what constitutes project success. Many researchers hold the view that it is important to overcome the limitations of the traditional performance evaluation criteria of time, cost, and quality (Ngacho & Das, 2014) typically used to assess project success in the construction sector. Practitioners and researchers have expressed concern about the isolated study of factors that may influence project management success, such as the environment, site disputes, and customer satisfaction (Ngacho & Das, 2014). The lack of knowledge may affect the ability of construction companies to improve business performance and increase revenues with successful contract bids (Lu & Hao, 2013). The world has experienced failure of many projects both big and small due to project caressing that led to increase in project time and costs as well as failure to attain the desired project objectives for example the Solyndra (\$535 million), Beacon Power (\$43 million), Nevada Geothermal (\$98.5 million), Sun power (\$1.2 billion) and First solar (\$1.46 billion) (Shao and Turner, 2012). With cost estimates established correctly, senior management have sometimes classified these costs as high thereby reducing the estimate without adjustments in a corresponding decrease in the scope of a project (Doloi, 2013). Water for life project in Rwanda deals with provision of water to rural areas that have challenges in accessing water, the project has been in Rwanda for nearly 10 years, and has improved lives of people in as far as access to water is concerned in the districts of Eastern Rwanda and it is against that background that this research carried out on the influence of the budget on project success with water for life project as a case study.

2. The Statement of Problem

Budget management plays a vital role in water for life project success in general. Doloi (2013) described cost overrun as a chronic problem and inherent in most projects. Stakeholders such as suppliers, an end-user, and facility managers face difficulty in providing an accurate estimate on cost budgets. The difficulty emanated from the unavailability of data to estimate project cost accurately. In developing countries, 60% of project management professionals appear to lack knowledge (Mousa, 2015) that the projects completed on time, within budget, and meeting quality requirements represent the critical success factors to ensure successful completion (Drury-Grogan, 2014). In Africa, 87% of all construction projects have experienced time overruns (Ngacho & Das, 2014). The general business problem was that project managers and leaders do not use one acceptable standard to define project success (Ngacho & Das, 2014). The specific business problem was that some project managers and leaders do not adequately assess the relationship between time, quality, safety, environmental impact, site disputes, and fail to manage the budget.

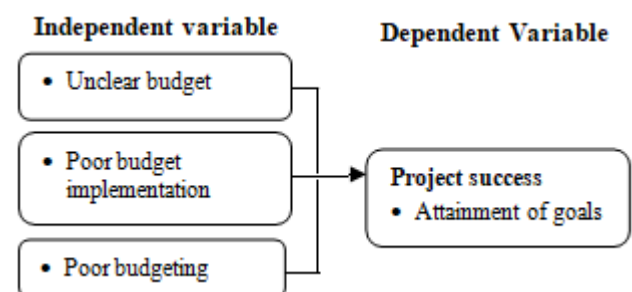


Figure 1: The conceptual frame work

3. Literature Review

3.1. Budget and project completion

Successful execution of a project, within the estimated budget, time and quality standards are the main duty of a project manager. Sustainability and satisfaction indicators present lower significance than the performance indicators and are more relevant to top management than for the other stakeholders (Bernardo, 2014). But, though time and quality might be of equal importance in the life cycle of a project, nothing can advance without the required amount of money and that requires a well planned and estimated budget (Davis & Papakonstantinou, 2012).

All project actions are strongly interwoven around project budget. The amount of required money, in most cases, dictates the duration and type of the used resources, operations and activities within the area of a project. The whole project may collapse due to project budget miscalculation, poor judgment and lack of proper oversight (Cserháti and Szabó, 2014).

Some experts have suggested that customer satisfaction is a critical dimension of project success (Davis, (2014). Ebbesen and Hope (2013) argued that although the iron triangle is a traditional method. Inability to come up with deliverables of quality standards of project's products could have significant effect on your own credibility and future development as a professional. In addition, this might have a big influence on organization's reputation and have negative impact on all team members (Beringer and Kock, 2013). Serrador and Turner (2015) defined project efficiency as the necessary action to complete a project. Hornstein (2015), Mir and Pinnington (2014), and Suprpto et al. (2014) opined that the iron triangle is expandable to include customer satisfaction and relationship quality as dimensions of project success.

This wrong calculation may come as result of inexperience and inefficiency in dealing with numbers and might ends up with insufficient resources. Another consequence might be the reduction in team members, or external contractors as the money simply won't be there to pay them. In such situation is very hard to avoid outcome being affected negatively (Dalche, 2012).

One of the common problems a project manager may face is a poor calculation and a surplus of subsequent alterations and amendment of the project budget which are time and energy consuming. As the mantra goes, "Time is money", and nothing is more dangerous to the successful development of a project than a badly configured budget (Badewi, 2014).

Budget could be employed by the company to get priorities among projects competing for limited resources. It helps the company to set the machines in motion for meeting the interim valuations as when due and also used to justify the elimination of economic projects as well as the revision of its objectives to meet the demand of manageable project (Haddara and Paivarinta, 2011). Some of the capital costs of

large projects can be spread out over time and may be financed through loans, the immediate costs of labor and supplies usually requires dipping into the available cash. Withdrawing funds from the bank account can affect immediate liquidity, cash flow and ability to pay for other business expenses such as utilities and employee salaries (Golini and Landoni, 2015).

4. Research Methodology

The researcher used descriptive research design, the population of this study was 110 employees of water for life project, the sample consisted of 86 randomly selected from employees of water for life project with various activities, the data collection instruments for primary and secondary data from various sources included questionnaires, interviews and documentary review, The collected data was presented using tables while interpretation and analysis was done by using SPSS.

5. Results and Findings

The extent to which respondents consider unclear budgets to affect project success

According to table 1, respondents contacted strongly agreed that unclear budgets project success (45%) while 26% of respondents agreed that unclear budgets affect project success and 20% of respondents neither agreed nor disagreed. Only 9% of respondents disagreed. When asked to give reasons for their answers, respondents said unclear budgets make it difficult to raise resources required to implement activities of the project as well as undertaking activities as planned hence affecting project success. This led the researcher to the understanding that unclear budgets in projects affect project success.

Table 1: Extent to which respondents consider unclear budgets to affect project success

Extent	Frequency
Strongly agree	39
Agree	22
Neither agree nor disagree	17
Disagree	8
Strongly disagree	0
Total	86

Table 21: The extent to which respondents consider poor budget implementation to affect project success

Extent	Frequency	Percentage
Strongly agree	43	50
Agree	27	31
Neither agree nor disagree	10	12
Disagree	6	9
Strongly disagree	0	0
Total	86	100

According to table 2, respondents strongly agreed that poor budget implementation affects project success (50%) while 31% of respondents agreed that poor budget implementation affect project success and 12% of respondents neither agreed nor disagreed. Only 9% of respondents disagreed. When asked to give reasons for their answers, respondents said when planned activities and resources are poorly

implemented the project cannot become successful hence leading to failure to achieve project objectives. This led the researcher to the understanding that poor budget implementation in projects affect project success.

According to table 3, respondents strongly agreed that poor budgeting affects project success (47%) while 34% of respondents agreed that poor budgeting affect project success and 12% of respondents neither agreed nor disagreed. Only 9% of respondents disagreed. When asked to give reasons for their answers, respondents said poor budgeting may call for additional funding that may not be available in the project or call for crisis as a result of failure to budget well and all these can lead to delays affecting project success. This led the researcher to the understanding that poor budgeting affects project success.

Table 3: The extent to which respondents consider poor budgeting to affect project success

Extent	Frequency
Strongly agree	40
Agree	30
Neither agree nor disagree	10
Disagree	6
Strongly disagree	0
Total	86

Table 4: The relationship between budget and success of projects
Correlation

		Budget	Success of projects
Budget	Pearson Correlation	1	0.895
	Sig. (2-tailed)		0.544
	N	43	43
Project Performance	Pearson Correlation	.895	1
	Sig. (2-tailed)	0.544	
	N	43	43

According to Table 4, there is positive relationship between two variables where by $r=0.895$ this indicates budget had positive impact on project success at water for life project, the success of projects depend on budget. Whereby budget is independent variables and project success is dependent variables.

6. Conclusions and Recommendations

6.1. Conclusion

The research concluded that unclear budgets make it difficult to raise resources required to implement activities of the project as well as undertaking activities as planned hence affecting project success, when planned activities and resources are poorly implemented the project cannot become successful hence leading to failure to achieve project objectives and all these can lead to delays affecting project success. The study analysis and interpretation of the views given by respondents concerning the influence of poor budgeting on project success in water for life project so that relevant study conclusions can be made to support conclusions. The study concluded that the factors affecting project success in water for life project are unclear resources, Limited resources and unclear specifications

caused by failure to control budget as required in project management.

6.2. Recommendations

Water for life project should continue handling budget management issue well because it is important in fostering project success.

To the Government

The government of the Republic of Rwanda should help projects to improve their success through capacity building trainings in managing budget. The findings from the study may contribute to positive social change as project managers and leaders could use the knowledge to maximize the use budget to provide water to the community.

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