

Something of value Governance of Projects in the Project-Based Organisation

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Something of Value
Governance of Projects in the Project-Based Organisation

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Something of Value – Governance of Projects in the Project-Based Organisation

Abstract

The paper presents a conceptual framework for studying Governance of Projects and issues of value in the project-based organisation. Attempts at exploring and conceptualising the issues in the current literature are reviewed.

Issues pertinent to gaining value by Governance of Projects have mainly been explored from the perspective of economic theory. Models found in the literature are not typically concerned with value for the implementing organisation as a whole; their scope is limited to the time just after project completion. No valid, empirically-based models of value creation by Governance of Projects have emerged. No real integration of project operations and results with line management activities has been attempted. Nevertheless, the literature reviewed has provided important insights into the interplay of structures and functions of Governance of Projects and value.

There is a need for a better understanding of Governance of Projects and value contribution. The findings presented here form the conceptual foundation for subsequent empirical studies of value by Governance of Projects.

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1. Introduction

Research has confirmed that there is now a near-universal use of project-based activities in mature industries (Söderlund, 2008). Consequently, failed projects impose a heavy burden on organisations and economies – and project failure appears to be frequent (Zwikael & Smyrk, 2010). A recent survey found that more than 20 per cent of all U.S. Chief Information Officers considered their existing IT investments to have failed to generate a genuinely good return (Daniel et al., 2007). For product development projects, only one in four has been considered a commercial success (Cooper et al., 2004). Even in cases where project management and investment frameworks were found to be in line with “best practice”, the attainment of strategic goals had not improved (Young et al., 2012). Some organisations have tried resolving these issues by making projects “singular ventures”. However, this can create further problems: if taken individually, projects do not typically reflect an organisation’s strategic intentions (Grabher, 2004). Research on implementing strategy through projects suggests some systemic weaknesses in the way projects are selected and governed through portfolio, programme and project management. (Young et al., 2012).

Consequently, questions are being asked about the value that projects, programmes and portfolios actually deliver: in terms of return on investment, knowledge development and contributions to the strategic objectives of the organisation (Young et al., 2012). A project’s success or failure depends on a complex interaction of changing conditions, where project owners and other stakeholders demand ever shorter implementation times (Hobday, 1998). Conditions change because of a medley of factors that were not foreseen when the project was launched (Pourdehnad, 2007). One such overlooked factor is that projects undertaken simultaneously influence each other and their outcomes. This, and the management focus on strategic goals and outcomes, requires organisations to establish and maintain structures, processes, and a common understanding of the requirements of project, programme and portfolio management to ensure that value is realised by their projects and programmes (and thereby also the portfolios constituted by the projects and programmes). They ought to institute what this paper will call ‘Governance of Projects’ (GoP).

Furthermore a “third wave” paradigm of project management is emerging (Morris et al., 2011): it positions project management “within the realm of management and organisation studies as a critical capability often needed across a range of organisations; a vital part in the practice of general management”(Morris et al., 2011, p. 3).

In this paper, past research on the institutional context of managing multiple projects and programmes and Project Governance of larger projects will first be briefly reviewed in order to identify some recurring themes and explanations. Next, an understanding of three aspects of the core concepts of the research question and a working definition of Governance of Projects will be presented. Finally, a conceptual framework for Governance of Projects as the basis for further empirical research will be outlined.

2. Research Questions and Methodology

To contribute to a better understanding of GoP this paper will address two principal research questions:

- To what extent are GoP and value in the project-based organisation conceptualised in the existing literature?
- What sort of conceptual framework could support further empirical exploration of GoP?

The method applied is a literature review of existing research publications. To answer the research questions both key project management and organisation theory journals have been consulted, along

with conference proceedings and handbooks of conceptual areas. The concepts and definitions found in these sources will be used as input for a draft theoretical framework.

This paper is to lay the foundation for subsequent empirical research (qualitative case studies) on how GoP can create value in project-based organisations. The aim is to outline a tentative theoretical framework to avoid “being overwhelmed by data and being drawn into narrative at the expense of theory-building” (Gomm et al., 2000, in Hartley, 2004). The framework should inform and make sense of the data. It will be further elaborated in the course of the research project.

The chart below provides an illustration of the method of approach used in this paper.

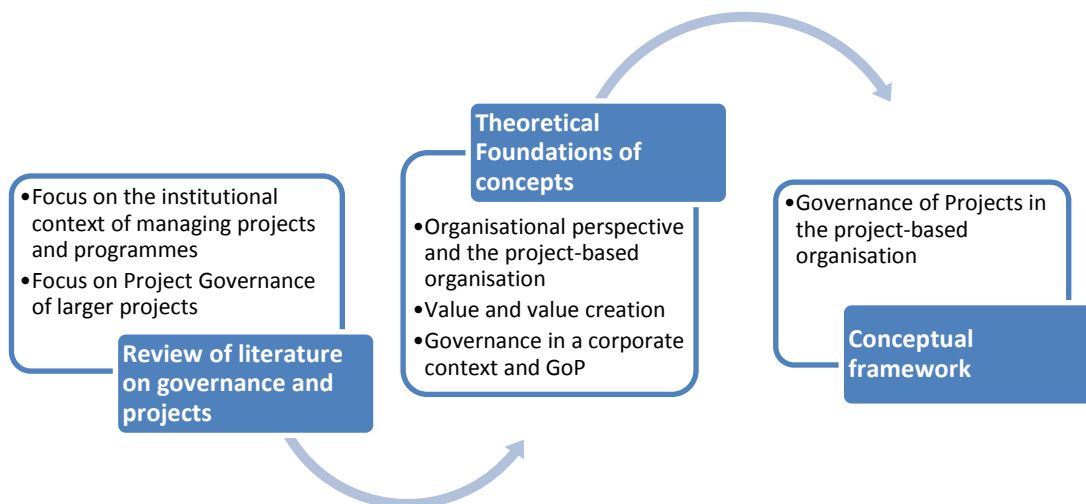


Figure 1: Method of approach

3. Literature review

Past research has explored projects and their place in the organisations implementing them mainly from two perspectives: that focussing on the institutional context or on the governing of larger, typically infrastructural, projects. Both major strands of research call their research topic ‘Project Governance’. However, the use of the term is increasingly restricted to discussions of single projects (Ahola et al., 2010; Williams & Samset, 2012). In line with this emerging convention the term **Project Governance** will be applied to governance of single projects. Managing projects in an organisation that deals with a multitude of projects for the benefit of the organisation as a whole will be called **Governance of Projects**. Section 3.1 will look at the institutional context of managing projects (Governance of Projects), section 3.2 at Project Governance.

3.1 Focus on the institutional context of managing multiple projects and programmes

The theoretical foundations of recent investigations into the relationship between projects and the organisation carrying them out are centred on structures and processes, with special emphasis on portfolio management and the Project Management Office (PMO). Typically, they combine organisational theories such as contingency theory (Burns & Stalker, 1961), organisational capabilities framework (Davies & Brady, 2000), and the resource-based view on organisations (Wernerfelt, 1984).

One of the early articles dealing with the management of multiple projects from an institutional point of view introduced the concept of “Enterprise Project Management (EPM)”. It described a corporation as a portfolio of projects: “Enterprise Project Management is an organisation-wide managerial philosophy based on the principle that company goals are achievable through a web of simultaneous projects, which calls for a systemic approach and includes corporate strategy projects, operational improvement, and organisational transformation, as well as traditional development projects” (Dinsmore, 1999).

The term EPM was adopted by the Microsoft Corporation as a description of their company-wide solutions, and it has also been used in a range of research studies (Englund & Müller, 2004; Cooke-Davies, 2002; Szymczak & Walker, 2003). Today, it is almost exclusively found in Microsoft material and consultants’ homepages, where it is closely linked to IT support systems for project management.

The institutional dimension missing in EPM was first prompted by the question of how project management, programme management, portfolio management and Governance of Projects relate to each other. Answering this question resulted in the outline of an integrated management framework for multiple projects which included the institutional dimension and discussed the problems of balancing empowerment and control (Klakegg & Artto, 2008).

Lately, “the macro-organisational aspects that are relatively stable and specific to the conduct of project management in an organisation” have become a topic for research. These aspects have been called “Project Management (PM) Systems” (Narayanan & DeFillippi, 2012), and five major elements of PM Systems have been identified. These elements are *governance* (project approval processes and stage gates, formal roles and responsibilities, quality assurance, contracts and close-down arrangements), *structure* (organisation of project team, where the projects are located in the organisation, a unit like a PMO, pathway to senior management), *knowledge processes* (knowledge management and learning processes), *linkage to human resource management* (selection, competence development, appraisal and career paths of project managers and team members), and *metrics and value assessment* (process and outcome assessment, where outcomes may range from successful launch of product to ROI) (Narayanan & DeFillippi, 2012). The emphasis of the PM System research is on a top-down view on single projects and with a focus on the progression from project initiation to its completion.

From a more integrative perspective, the concept of *organisational project management* examines a “new sphere of management where dynamic structures in the firm are articulated as a means to implement corporate objectives through projects in order to maximize value” (Aubry, Hobbs, & Thuillier, 2007). Organisational project management seeks to establish “an integrating link at the organisational level that would integrate all parts of project management as a true field of organisational management” (Aubry et al., 2008).

Subsequent research by the authors focussed on the project management offices and explored the organisational management functions further (Aubry et al., 2012). In this later paper, organisational

project management was seen as a function within the organisation. Governance, structures and processes were investigated in four case studies. One of the cases showed that three elements had to be added to the theoretical framework of organisational management: human relations management (project managers' role as coaches and the development of the project managers' own management capabilities); cultural aspects (internal cultural context); and economic value (the tension existing between projects and operations when considering overall performance). Aubry et al. (2012) investigated organisational project management further in an empirical case study, identifying points of interest spanning the period from initiating to delivering projects (investment portfolio and project portfolio management; project management methodology, standardisation and governance).

Extending the concept of organisational project management, the notion of "levels of rational action" has been developed (Morris & Geraldi, 2011). Based on Parsons' structural functionalism (Parsons, 1951, 1960) it considers project management in terms of three levels:

- Technical: operational and delivery-oriented, management within the project; tools and processes.
- Strategic: developing and delivering the project successfully within its organisational and social context, aligning with the organisation's strategy, managing for/managing of stakeholders.
- Institutional: management outside the project but within its environment, aimed at developing the organisation's institutional ability to manage projects and programmes effectively.

An even wider view led to the introduction of the concept of "Project Business" that deals with "the part of business that relates directly or indirectly to projects, with the purpose of achieving objectives of a firm or several firms" (Arto & Wikström, 2005). How are such project-based firms being managed? The Project Business concept specifically addresses managerial activities that are in place for "governing or managing multiple, simultaneous or sequential projects for the firm's business purposes" (Arto & Kujala, 2008). It includes research on the project supplier firm's ability to sell and deliver projects to its customers (Cova et al., 2002), management of innovation (Gann & Salter, 2000), and research on project portfolios (Archer & Ghasemzadeh, 1999) and development programmes (Pellegrinelli et al., 2007).

Considering the project as "the primary unit for production organisation, innovation, and competition" (Hobday, 2000), and looking at project management at the organisational level, three major issues have been identified as key for the implementation of a project-based organisation (Thiry & Deguire, 2007):

- The horizontal integration of projects through programme management and across the product life cycle, from the formulation of a business strategy to the delivery of business benefits.
- The vertical integration of projects through portfolio management across the project portfolio, to link it to the corporate strategy.
- Integrative project governance structures that close the gap between corporate goals and product delivery through the programme management office.

Finally, there have been attempts to put together an inventory of governance theories and perspectives on project governance including the institutions and roles in a project organisation. This has led to the outline of a "total governance model" for a project-based organisation (Müller, 2009, 2011), whose theoretical foundation rests on a balance between agency theory (Jensen & Meckling, 1976) and stewardship (J. H. Davis et al. 1997), transaction cost economics (Williamson, 1975) and legitimacy (institutional theory) (Mason et al., 2007).

On the institutional context for approaches to processes, methods, instruments, attitudes, and behaviour, Eskerod & Riis suggest that organisations might derive value from creating a common frame of reference for project management. They identified elements that enhance such a common frame of reference: (1) a common PM model, (2) common PM training, (3) common PM exams/certifications, and (4) activities for knowledge sharing (Eskerod & Riis, 2009a). The value for an organisation of a common project management model was also described by Eskerod & Riis (2009b)

To summarise, projects research has evolved from focussing on discrete projects to portfolios of projects and to what some authors call ‘enterprise-level’, or organisational, project management tools and practices. Investigations typically look at the project period from initiation to completion. Value is regarded as something delivered mainly upon completion. The organisational perspective of value creation after the completion of the projects is rarely analysed; no empirical studies covering the whole project life – from project generation to longer-term use of the project results – have been pursued. An overview of the literature is summarized in Annex 1.

3.2 Focus on project governance in larger projects

Although GoP is the main interest of this review, literature on Project Governance is included to capture inputs to GoP from the position of single large projects.

Research on single project governance has focussed on large infrastructural projects (for example Henisz et al., 2012; Henisz & Levitt, 2011; Kapsali & Roehrich, 2012; Ruuska et al., 2009; Klakegg, 2009; Pryke & Pearson, 2006; Miller & Hobbs, 2005; Pryke, 2005; Winch, 2001) and on IT projects (Mähring, 2002). In addition, there have been four recent studies that formed a key part of an investigation into the governance of public investment project frameworks in Norway and the UK. The studies looked at how the embedded governance principles worked out in practice, how they affected project management, and how consistent their effects were with their stated aims (Williams et al., 2010).

Published research results define the term “project governance” either as the action or manner of governing (Shorter Oxford English Dictionary), or as the framework established around the project execution and transactions that occur throughout the project life cycle. However, the term “project governance” is frequently not defined at all. To close this gap for large capital projects, Bekker & Steyn used a Delphi study among academics and practitioners. This resulted in the following provisional definition: Project Governance is “a set of management systems, rules, protocols, relationships and structures that provide the framework within which decisions are made for project development and implementation to achieve the intended business or strategic motivation” (Bekker & Steyn, 2007).

A longitudinal scientific study from the University of St. Gallen (Renz, 2007) looks at project governance of major multi-donor development projects and proposes five fundamental governance roles for development projects: societal embedding, strategic direction and support, control, linking to stakeholders and coordination role. The focus of the model is aligning project activities with strategic objectives.

The theoretical foundations of Project Governance in single, large projects derive mainly from project management research and, to a lesser extent, from generic governance theories (Ahola et al., 2010). They include the following:

- Transaction cost economics (Williamson, 1975)
- Agency theory (Eisenhardt, 1989a; Jensen & Meckling, 1976)

- Risk, failure and success and their inherent contributing factors (Flyvbjerg et al., 2003)
- Contents of governance aspects in the project management standard documents or guidelines issued by project management associations (Association for Project Management, 2006; Project Management Institute, 2008)
- Project-based firm or project-based organisation, structures and decision-making (Turner & Keegan, 2001)
- Contract organisation, hierarchy or project management system (Morris & Hough, 1987)
- Alliances, coalitions and quasi firms (Hobday, 1998), Network view (Powell, 1990).

Despite these efforts, the concept of Project Governance and its theoretical foundations remains ambiguous (Ahola et al., 2010).

From the literature on Project Governance of larger projects the main input for further research is the overview of the theoretical foundations, which will be used here in the later analysis of empirical data.

4. Understanding of core concepts

The following will discuss three aspects that are needed for an understanding of the concepts on which the research questions are based:

- Organisational perspective and the project-based organisation
- Value and value-creation
- Governance in a corporate context and Governance of Projects

4.1 Organisational perspective and the project-based organisation

From an organisational perspective a project is defined as “a temporary organisation, established by its base organisation to carry out an assignment on its behalf” (Andersen, 2008). The temporary organisation receives its inputs from a permanent organisation and delivers its outputs or results to the same organisation. Outputs are called the “project product”. The main purpose of a project is to create value for the base organisation. In a private corporation, this is the basic denominator by which everything is judged. The organisational perspective is focused on the relationship between two organisations – the permanent of these and the project as a temporary organisation – and draws on agency theory to understand this arrangement (Eisenhardt, 1989b).

Project success from the organisational perspective is defined as the sum of project management success, which is also called “goal achievement” (Munns & Bjeirmi, 1996) and project product success or “mission achievement” (Baccarini, 1999). Project management success expresses what the project should deliver at what time and at what cost. This kind of project success is in the hands of the project manager. Project product success deals with the effects of the deliverables. It is dependent on the efforts of the base organisation (Andersen, 2006).

Thus, from the organisational perspective Governance of Projects requires close co-operation between the projects and the base organisation. Stated differently, the traditional task perspective as found in, for example, the publications of the Project Management Institute (e.g. Project Management Institute, 2008) – where projects are to deliver “on time, in budget, to specifications” – can no longer be considered adequate.

A number of terms are used for organisations, which frequently rely on projects and programmes to carry out activities, and whose results are of major importance for its business objectives. The most

frequently used terms are: project-oriented, project-led, multi-project organisations or project-based organisations.

The term “project-oriented organisation” was introduced by Gareis, 2004, p. 124: “Companies and parts of companies (or organisations or parts of organisations), such as divisions, business units or profit centres, which use projects and programmes to fulfil complex and relatively unique business processes, [and which] can be defined as “project-oriented companies”. The characteristics of such a company are specific and of a normative character.

Other researchers employ the more narrow concept of “project-led organisations”; these are organisations that operate to internally supply the firm with new knowledge, services, and products, typically found in the R&D division of a corporation (Hobday, 2000, from Söderlund & Tell, 2011). This concept is narrower than that of the “project-oriented organisation” as it focuses mainly on new product development.

Projects that use joint resources, are called “multi-project organisations”: organisational units that rely on a set of many projects at one time, in which projects are using the same pool of resources (Canonic & Söderlund, 2010), with their definition based on work by (Fricke & Shenhar, 2000). According to this definition, multiple projects exist in almost every organisation where divisions are found that carry out a number of tasks through projects. The definition is not limited to any specific sector, but to projects sharing the same resource pool.

Still other research has focused on firms that earn their income from selling and delivering projects and complex systems to external clients, as is often the case in the construction, telecommunications and media industries (Söderlund & Tell, 2011). The concept of “project-based firms” has expanded from a dominant R&D and innovation context (Artto & Wikström, 2005), to firms that use projects as their primary “unit of production” (Söderlund & Tell, 2011), and also to refer both to firms that conduct a few of their operations using projects, and firms that organise most of their internal and external activities this way (Artto & Kujala, 2008). Artto et al. (2011) propose that public sector organisations be included.

Structure, processes and roles in the project-based organisation are the realm of organisational design. Here, projects are seen as a key way to generate new work processes, knowledge, products or services. Consequently, research has covered the significant characteristics of projects including their environment and major challenges (Hobday, 2000; Lindkvist, 2004; Söderlund & Tell, 2011). However, very little of the project management literature deals with the design of organisations as a whole. Most interest is directed at aspects such as competence and capability (Hobday, 2000), the project management office (PMO) (Hobbs et al., 2008), programme management offices (Thiry & Deguire, 2007) or portfolio boards (Müller et al., 2008).

Against this backdrop the concept of the “project-based organisation”, based on Artto et al. (2011), will be used for the planned empirical research: *a project-based organisation organises its activities in projects, programmes and portfolios – both external production or customer delivery and internal development activities*. The main advantage of this definition is that it does not limit the research to specific types of organisation or to projects using mutual resource pools, nor does it presuppose specific paradigms and organisational units.

4.2 Value and value creation

Explorations of value and value creation touch upon a great many disciplines including finance, strategy, human resource management, decision-making and many more. The plurality of disciplines

poses a special challenge to researchers trying to develop a methodological framework for their investigations (Lepak et al., 2007).

If economics and organisational studies use the terms “value” and “value creation” in different ways, the same applies to the concept of “value capture” (Bowman & Ambrosini, 2000). Both initiation and outcomes of projects and programmes – in other words the whole life cycle of the project – are considered for capturing value from the organisational perspective, but also supported by Young et al. (2012). Thus, securing value for the organisation will be seen as occurring in three steps, building on work by Thiry and Deguire (2007). The approach is illustrated in figure 2, below.

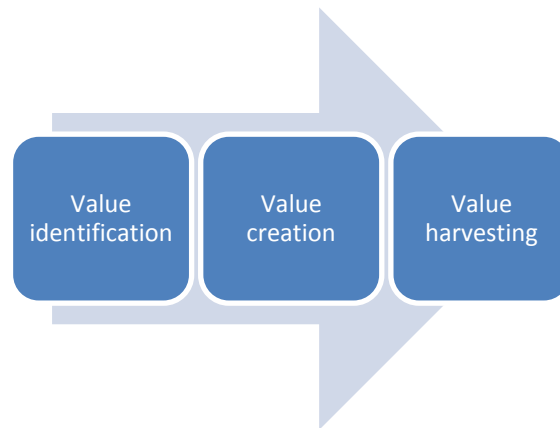


Figure 2: Value process in a project-based organisation

The three steps are:

1. Identifying value (project and programme definition and initiation)
2. Creating value (project and programme implementation)
3. Harvesting value (ensuring that the base organisation/receiving organisation incorporates the project products and that they are utilised so as to harvest value).

A review of the literature yields a wide range of responses to the challenge of applying the concepts of value and value creation in the project management context. Loosely speaking, they can be separated into three sets of approaches. The first sees value and value creation as the most important concern of organisation studies and strategic management scholarship and aims at ways of addressing this concern (Pitelis, 2009). The second approach is based on empirical data, building theory from observations of practice. The third set is rooted in what it considers “best practice”; it aims at providing empirically-based tools for practitioners. A further distinction within each strand of the literature on value and value creation in a project management context is whether it is seen from the view of single projects or from the view of the organisation.

Needless to say there is considerable overlap between the three approaches. For instance, the first two consider value an ambiguous term – elusive in social science (Pitelis, 2009) and having multiple meanings linked to different organisational and individual purposes (Winter et al., 2006). At the same time, all three approaches recognise that there are different forms of value and value creation, and that this leads to a need for new models beyond the conventional “value chain”-type representations of production and manufacturing. In the project management context, the creation of value is often extended over long periods of time and cannot be constrained by the mainstream

concepts of project initiation and closure: the primary concern for projects is increasingly the challenge of creating value and benefit for different stakeholder groups (Winter et al., 2006).

Furthermore, the first two consider value an ambiguous term, elusive in social science (Pitelis, 2009) and having multiple meanings linked to different organisational and individual purposes (Winter et al., 2006)

Looked at from the organisational view, rather than the single project view, value can be perceived in a still greater variety of ways. From this perspective, introduced by Andersen, the application of a project's deliverables may result in a desirable development for a base organisation – for instance, in reducing costs or increasing sales or takings (Andersen, 2008). The value created by a project is the difference between the benefits and the (project) costs. Aggregating this value from all projects and programmes to the organisational level, the costs of not only the projects and programmes, but also the Governance of Projects, should be deducted.

Thus, value contributed to an organisation by projects is seen as the projects' economic net value plus a range of other values – intended as well as unintended, including aspects like stakeholder satisfaction. For instance, Pitelis' main concern are activities, products and services engendered by organisations in market economies which are perceived as worthy by potential beneficiaries such as consumers, suppliers, or competitors. The sum total of these activities, products and services he calls "organisational value" (Pitelis, 2009). Stakeholders are seen as "individuals or entities represented by individuals who can affect or who can be affected by the project process or project outcomes" (Eskerod & Jepsen, 2013, building on Andersen, 2008, and Freeman, 1984)).

The second strand of literature builds theory from empirical observations. Research on organisational effectiveness has traditionally kept to financial measures to evaluate and measure success. Shenhar and his co-authors consider such measurement – taken in isolation – as insufficient for indicating organisational success in the long run (Shenhar et al., 2001). Dynamic markets, multiproduct firms, and high fixed cost environments require a multidimensional concept, and from the empirical research of these authors' four distinct dimensions of such a concept emerge:

- Project efficiency (meeting constraints)
- Impact on the customer (satisfaction, impact, and loyalty)
- Business and direct success (profits, market share, or growth)
- Preparing for the future (new opportunities, skills).

The four dimensions define the different values a base organisation can gain from project execution. Furthermore, to assess a project's success, one needs to address different timeframes, from very short to very long. This view is in line with the thinking that the mission-breakdown structure, which describes the future situation in the base organisation and which the project is to help realise is important for explicitly showing the value to the base organisation, both economic and subjective (Andersen, 2008).

A different set of values builds on the Competing Values Framework, which stems from empirical studies of organisational effectiveness by Quinn & Rohrbaugh (1981). Aubry et al. use the concept in their research on organisational project management to describe the organisational contribution of a project management organisation (Aubry et al., 2007). Their approach sees the organisational contribution as a subjective construct rooted in values and preferences of stakeholders. Project management also contributes to organisational success through innovation, people, processes; using exclusively financial indicators ignores these important contributions (Aubry et al., 2007).

In their research on the value of project management, Thomas and Mullaly (Thomas & Mullaly, 2008) develop a model which “incorporates all aspects of the concept of value”. They achieve this by modifying an evaluation framework developed by Kirkpatrick (Kirkpatrick, 1959; Phillips, 1998) that contains five “levels” of organisational value:

- Level 1: Satisfaction – stakeholder realization of satisfaction from projects
- Level 2: Alignment – consistency, terminology, and understanding in the organisation
- Level 3: Process outcomes – delivery of process efficiencies as a result of implementation
- Level 4: Business outcomes – creation of actual business outcomes resulting from implementation
- Level 5: Return on investment – the results of an actual business case and cost-benefit analysis associated with the project implementation.

Kirkpatrick’s model assumes that the levels represent a causal chain and that each level provides data that is more informative than the preceding one (Bates, 2004). Thomas and Mullaly, on the other hand, define the levels of their model as discrete categories and each category as independent and with no inference that a level 2 value is more important or significant than level 1.

Recent publications of the Project Management Institute define project value as a benefit created for a project’s stakeholders. “The project value could be represented by one or any combination of the project’s efficiency, technical effectiveness, and/or the satisfaction of its stakeholders, with emphasis on clients and stakeholders” (Lechler & Byrne, 2010). Project value is seen from the view of the manager of a particular project and is strongly influenced by the mind-set of the project manager. The focus is on project completion. Developments beyond project closure do not enter the equation.

The third set of literature builds on what is seen as “best practice”. For example, the British Office of Government Commerce sidesteps the concept of value by introducing the notion of “benefits” in their models and guidelines. Their manual on programme management maintains that “a benefit is the measurable improvement resulting from an outcome which is perceived as an advantage by a stakeholder” (OGC, 2007). Benefits can therefore be seen as a narrower concept than value, often linked to specific projects or programmes and not encompassing value originating from interactions between projects and programmes.

Synthesizing the various strands and building on the definition of value from the organisational perspective (Andersen, 2008) extended with organisation studies’ view on organisational value (Pitelis, 2009), the following working definition of value is proposed for the purpose of the empirical research:

The value contributed to an organisation by projects and programmes is the difference between the economic value plus a subjective value and the (project, programme and Governance of Projects) costs.

For a further description of value, which might be needed in order to be able to collect and analyse empirical data, the four dimensions from Shenhar et al. (2001) will be applied, as the dimensions build on the organisational perspective and are rooted in theory built on empirical research.

4.3 Governance in a corporate context and Governance of Projects

The understanding of governance in a project management context has its origins in the area of corporate governance. Since the 1970s, the standard view of corporate governance had been rooted in economic and legal traditions, centring on the principal-agency problems and resulting in a conception of corporate governance, which has placed the defence of the shareholders’ interests at its centre. Recently, research has begun to take a more holistic view of the corporate governance system

(Fiss, 2008). From this angle, corporate governance is seen as consisting of a set of interdependent, complementary or substituting elements where effective practice is highly contingent on the institutional environment.

It has also been noted that national variations of the corporate governance concept will persist, especially in the practices of small- and medium-sized domestic corporations (G. F. Davis & Useem, 2002). The more holistic view has influenced the application of the concept on a national level. An example is the Committee on Corporate Governance established by the Danish Government, which contends that “corporate governance focuses on the relationship between the management, shareholders and stakeholders”(Danish Committee on Corporate Governance, 2012). However, no single generally accepted definition of corporate governance has emerged (Abdullah & Valentine, 2009). The term is used as a general designation for attitudes and rules regarding the directing and controlling of an organisation, which includes both the structure and the processes.

Thus, most corporate governance literature, including textbooks, stresses the need of a broad concept of corporate governance (Wojcik, 2006). The OECD’s definition has been found practical in a number of sources. According to the OECD

“Corporate governance involves a set of relationships between a company's management, its Board (or management team), its shareholders and other stakeholders. Corporate governance provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined.”(Ad Hoc Task Force on Corporate Governance OECD, 2004).

To ensure consistency with the broad view of corporate governance, a definition of Governance of Projects should be holistic. This is in line with Müller’s approach, where Governance of Projects (author’s label) “comprises the value system, responsibilities, processes and policies that allow projects to achieve organizational objectives and foster implementation that is in the best interests of all the stakeholders, internal and external, and the corporation itself” (Müller, 2009).

A number of sources consulted for the preceding analysis apply the term “system” when describing organisations, the systems principle being that operations or organizations should be viewed as ‘wholes’ serving a purpose (Jackson, 2000). One of the strengths of systems thinking is that it is suitable for multi-level analysis in an organisation and focuses on the interactions between different parts of the system (Jackson, 2000). Several authors have argued for the application of systems thinking in project management (Jackson et al., 2007; Kapsali, 2011; Mawby & Stupples, 2002; Pourdehnad, 2007; Sheffield et al., 2012; Staadt, 2012; Yeo, 1993) . A central issue for a project-based organisation is “integration” (Thiry & Deguire, 2007), here understood as developing relationships across the formal borders that separate different sub-units of organisations (Worren, 2012) . For a project-based organisation there are two questions pertinent to integration: which sub-units should coordinate and what coordination mechanisms should be employed for this purpose? For answers to these questions, organisations design usually draws on systems theory (Worren, 2012).

As GoP spans multiple levels in the organisation, and both the integration and synthesis of different parts or processes of the organisation dealing with projects, programmes and portfolios will be an important part of the empirical research, systems thinking will be applied in the conceptual framework. In the further research, integration will be seen as containing elements of both coordination and cooperation (Söderlund, 2011).

Systems theory distinguishes between the purpose of a system (why it exists), the functions that it is intended to perform (what it does) and the design parameters (how it is done) (Ackoff & Emery,

1972 in Worren, 2012). The design parameters of an organisation are roles, processes, systems, structures, procedures, policies and so forth. The purpose of a GoP system is identifying, creating and harvesting value for the organisation.

Drawing on the previous considerations, the following working definition is suggested:

A Governance of Projects system is a set of the base organisation's interrelated sub-systems/elements dealing with the identification, creation and harvesting of value from projects and programmes. The GoP system consists of the relevant structures, roles, processes, policies and approaches (attitudes, behaviour) and the integration of these to achieve value.

The definition accommodates the holistic view (Müller, 2009), but also has several advantages over earlier definitions, encompassing, for instance, the entire value process and at the same time being sufficiently flexible to allow for adjustments of the conceptual framework during the research.

Authors like Crawford & Cooke-Davies and Müller agree that the Governance of Projects and project governance are subsets of corporate governance (Crawford & Cooke-Davies, 2005; Müller, 2011). However, there are some differences concerning the details of this concept, especially in the perception of which organisational level the Governance of Projects refers to.

Müller states that governance, when applied to portfolios, programs, projects, and project management, “coexists within the corporate governance framework” (Müller, 2009). The British Association for Project Management (APM) defines Governance of Project Management as those areas of corporate governance that are specifically related to project activities (Association for Project Management, 2004). Narayanan and DeFillippi see governance as referring to the project portfolio level, which in their opinion is below the strategic level. They link their “Project Management System” to a lower level of management in the organisation (Narayanan & DeFillippi, 2012).

Governance of Projects covers the whole process from the identification of value to value harvesting and incorporates the holistic view and integration with the organisation, meaning it will be seen as a subset of corporate governance linked to top level management and not limited to lower levels of management. Governance of Projects includes both a focus on the governance of the singular project (Project Governance) and all other areas related to projects and programmes, as shown in figure 3:



Figure 3: Governance of Projects as a subset of corporate governance

5. Governance of Projects in the project-based organisation

The following preliminary conceptual framework is based on the literature review. It pays special attention to the variables that affect GoP. In this way the framework will help in answering the overall research question of how GoP can achieve value for the project-based organisation.

For its list of functions the list uses systems thinking and organisational design as a basis (Jackson, 2000; Worren, 2012). The functions of a GoP system reflect the outcome of the literature review presented in this paper:

High-level function	Functions of a GoP system
Organisational design	Integrating projects, programme and general management (Thiry & Deguire, 2007), breadth and depth of implementation of GoP in the organisation (paradigms for Governance of Projects) (Müller, 2009)
Approaches	<i>Approaches:</i> to processes, methods, instruments, attitudes, and behaviour (Eskerod & Riis, 2009a; Müller, 2009)
Value identification	Business strategy formulation (Narayanan & DeFillippi, 2012) Project and programme generation (definition and goal setting for projects, programmes and portfolios of the organisation) (Müller, 2011) Selection and prioritisation of projects (Müller, 2009)
Value creation/ Project/programme implementation	Project Portfolio Coordination (Thiry & Deguire, 2007) Project management (Gareis, 2004) – project management models (Eskerod & Riis, 2009b; Müller, 2009) Programme management (Gareis, 2004)(Müller, 2009) Developing and maintaining enterprise PM and PgM capabilities (Narayanan & DeFillippi, 2012) Knowledge sharing between projects (Müller, 2009)
Value harvesting	Ensuring the base organisation/receiving organisation incorporates the project products (Andersen, 2008) Monitoring of value – Follow-up on value creation and harvesting (Andersen, 2008)

Table 1: Functions of a Governance of Projects system

As GoP spans projects, programmes and portfolios, the organisation and the cross-field between them, it is important to use a framework that is built on functions and not specific organisational entities such as project offices or portfolio boards or structures. Strategy and decision-making should be integrated with the execution of programmes and projects and the harvesting of value thereafter. As such, the functions of the GoP system are interrelated, as illustrated in Figure 4.

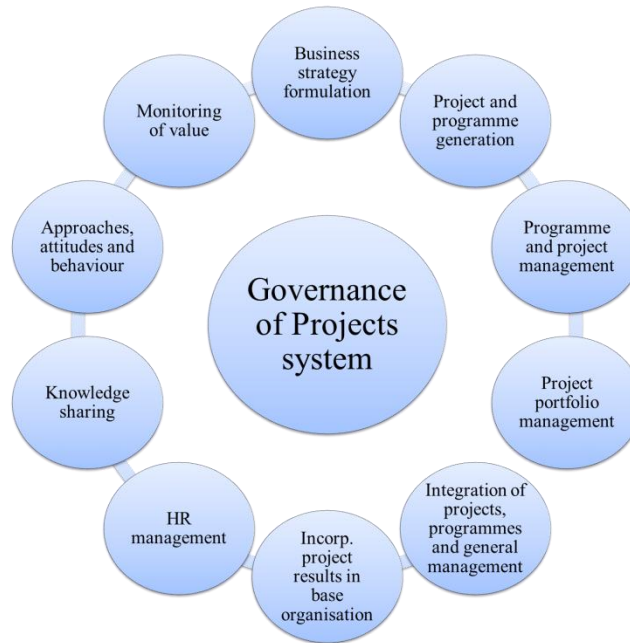


Figure 4: The GoP system

Making use of Figure 4 above, Figure 5 shows how an investigation of GoP must cover the full value process. The empirical research will be designed accordingly.

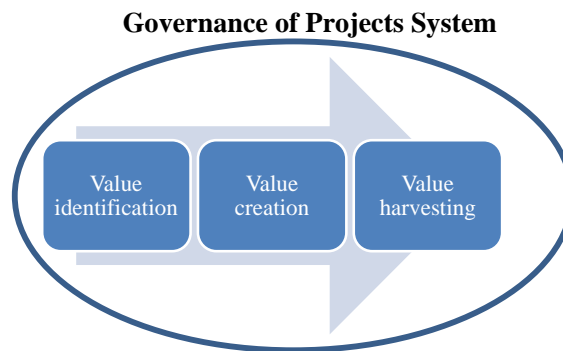


Figure 5: The GoP system covers the entire value process

6. Discussion

The literature review indicates that the theoretical foundations of creating value by Governance of Projects has mainly been explored from the perspective of economic theory. No valid, empirically-based models of value creation by GoP have emerged. The scope of existing models does not extend much beyond project completion. Models are not typically concerned with value creation for the implementing organisation as a whole. No attempts of integrating project operations and results with line management activities have been found. Consequently, there is a need for a better understanding of value creation and Governance of Projects.

The review of the literature has shown that there is no clear definition of Governance of Projects. For the purposes of subsequent empirical research an operational definition has been proposed that combines the relationship of GoP to corporate governance, and the relation with top levels of

management. A three-step process for organisational value has been introduced. A conceptual framework, built on multiple theories including the organisational perspective (from the field of project management) and the fields of organisational value and systems thinking within organisation theory, has been proposed.

In summary, the framework presented here provides an initial effort to understand Governance of Projects. The framework is preliminary in the sense that it will evolve during the research process. Many areas of inquiry about GoP remain fertile ground for further investigation and it is hoped that this paper will serve as an impetus for further research on the rich topic of Governance of Projects.

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Annex 1: Grouping of literature on the institutional context of managing multiple projects and programmes; Governance of multiple projects and large (mainly) infrastructural projects

	Institutional context of projects	Governance of multiple projects (incl. specific types, such as IT projects)	Large (mainly infrastructural) projects
Focus on project implementation	<p><i>Theoretical:</i> (Narayanan & DeFillippi, 2012) (Aubry et al., 2012) (Aubry et al., 2007)</p> <p><i>Empirical:</i> (Aubry et al., 2012) (case study)</p>	<p><i>Empirical:</i> (Canonico & Söderlund, 2010) (Crawford, Cooke-Davies, & Hobbs, 2008) (Mähring, 2002) (Turner & Keegan, 2001)</p>	<p><i>Theoretical:</i> (Winch, 2001)</p> <p><i>Empirical:</i> (Williams et al., 2010) (Ruuska et al., 2009) (Pryke & Pearson, 2006) (Pryke, 2005) (Miller & Hobbs, 2005) (Renz 2007)</p>
Focus on project life (from project generation to longer-term use of the project results)	<p><i>Theoretical:</i> (Müller, 2009, 2011) (Morris & Geraldi, 2011)</p>	<p><i>Theoretical:</i> (Klakegg & Artto, 2008)</p> <p><i>Empirical:</i> (Crawford & Cooke-Davies, 2005)</p>	<p><i>Theoretical:</i> (Henisz & Levitt, 2011) (Henisz et al., 2012) (Ahola et al., 2010)</p> <p><i>Empirical:</i> (Klakegg, 2009)</p>