concept

DECISION MAKERS, DOERS AND ADVISORS
– JOINING FORCES TO ENHANCE UTILITY OF INVESTMENTS

Concept Symposium 2010
Oscarsborg, Norway
16 – 17 September 2010

Symposium web-site: http://www.conceptsymposium.no/
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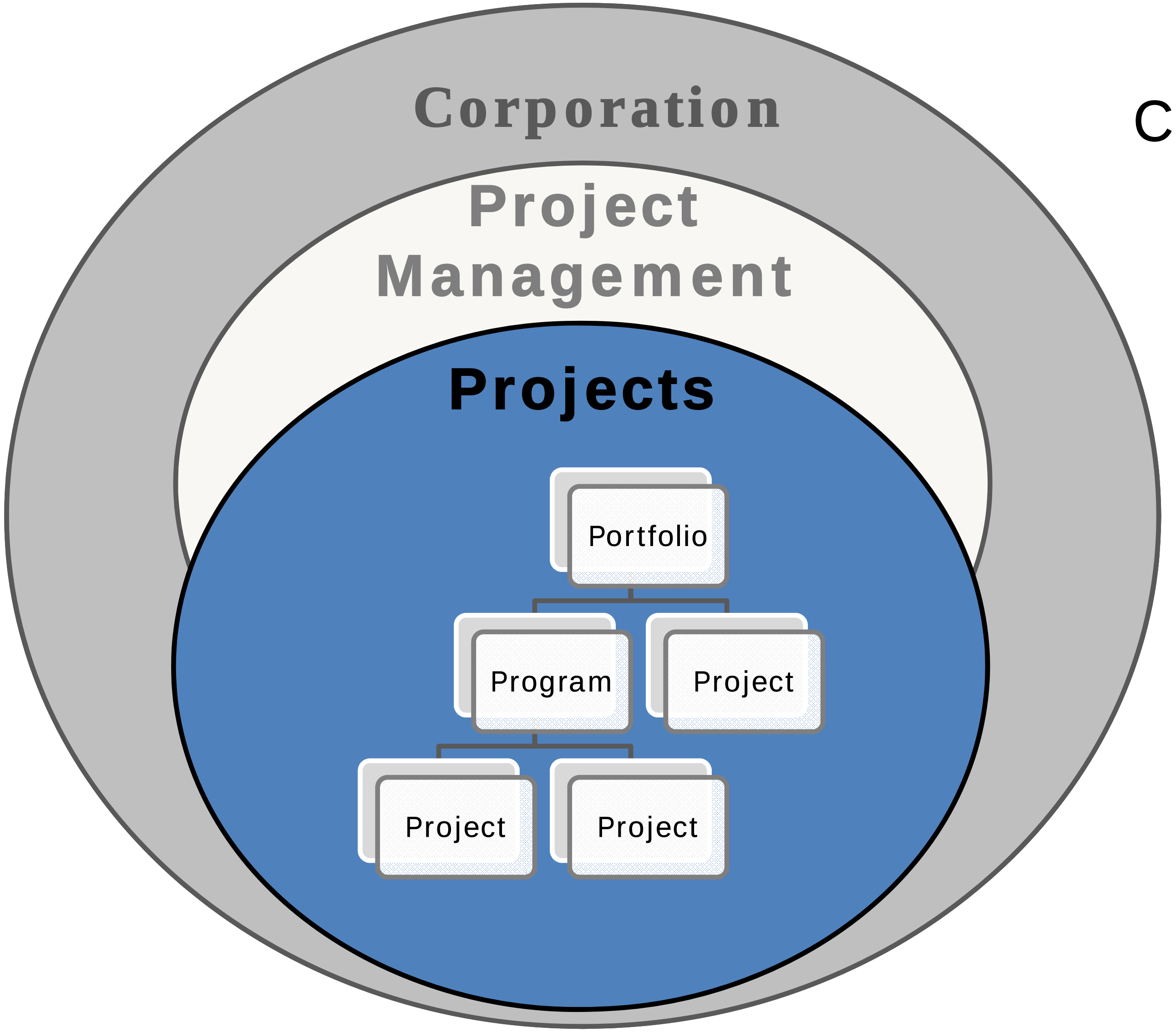
Project Governance

Procedural Staight Jacket or Freedom of Arts?

Dr Ralf Müller
Umeå University
Norwegian School of Management BI
SKEMA Business School

CONCEPT Symposium, 16-17 September 2010, Oscarsborg, Norway



Corporate governance

Governance of project management

Governance of projects, programs and portfolios

Umeå School of Business
Umeå University

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Project governance – a definition

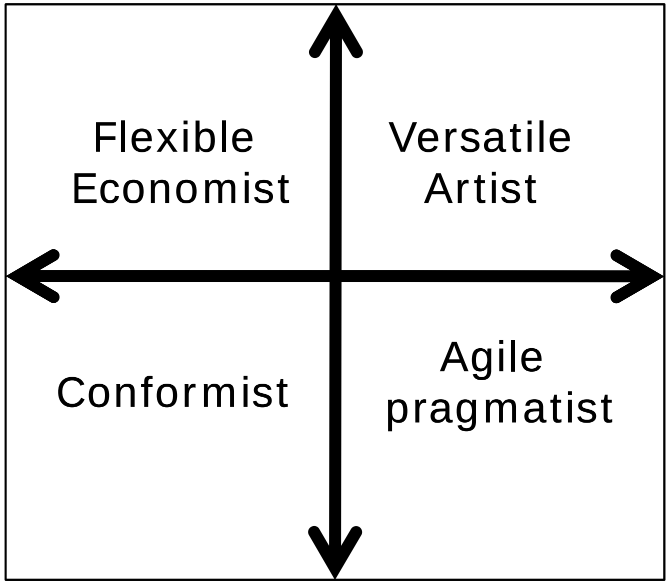
- Governance of portfolios, programs, projects, and project management, coexists within the corporate governance framework.
- It comprises the value system, responsibilities, processes and policies that allow projects to achieve organizational objectives and foster implementation that is in the best interests of all the stakeholders, internal and external, and the corporation itself.

What does project governance do?

- Defines the objectives of an organization / project.
- Provides the means to achieve those objectives.
- Controls progress.

Outcome
e.g.project outcome
(Brown & Eisenhardt, 1997)

Shareholder Theory:
Companies maximize RoI for their shareholders
(Clarke, 2004)



Stakeholder Theory:
Companies maximize benefits for a wide set of stakeholders
(Clarke, 2004)

Compliance
e.g.project process
(Brown & Eisenhardt, 1997)

	Shareholder orientation	*Stakeholder orientation*
Outcome control focus	**Flexible Economist Paradigm** • Highest possible Return on Investment (ROI) • Project management as core competence • Professional project managers • Guided by tactical Project Management Offices (PMO)	**Versatile Artist Paradigm** • Balancing requirements of a wide range of stakeholders • Tailoring of methods • Project management a core competence • Project management a profession • Guided by a strategic PMO
Compliance focus (behavior control)	**Conformist Paradigm** • Maximizing shareholder return • Project management a subset of development processes for technical products or services. • Project management is understood as on-the-side task	**Agile Pragmatist Paradigm** • Balances the diverse requirements of a variety of stakeholders by maximizing their collective benefits • Maximize value by strict prioritization of user needs.

Institutions for project governance

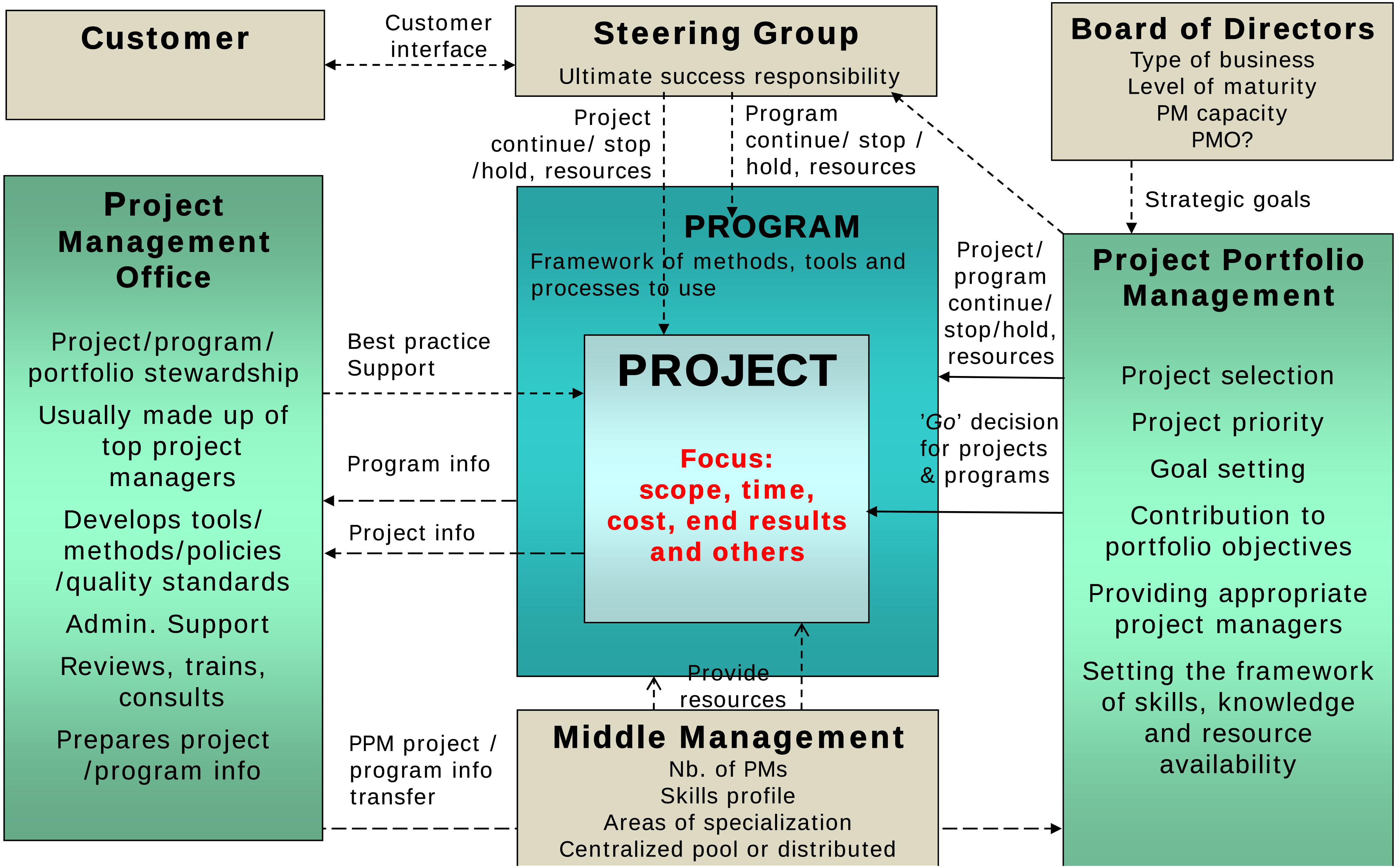
Project governance

- Sponsor & Steering Group
- Program management
- Portfolio management

Project management governance

- Board of Directors
- Middle management
- PMO

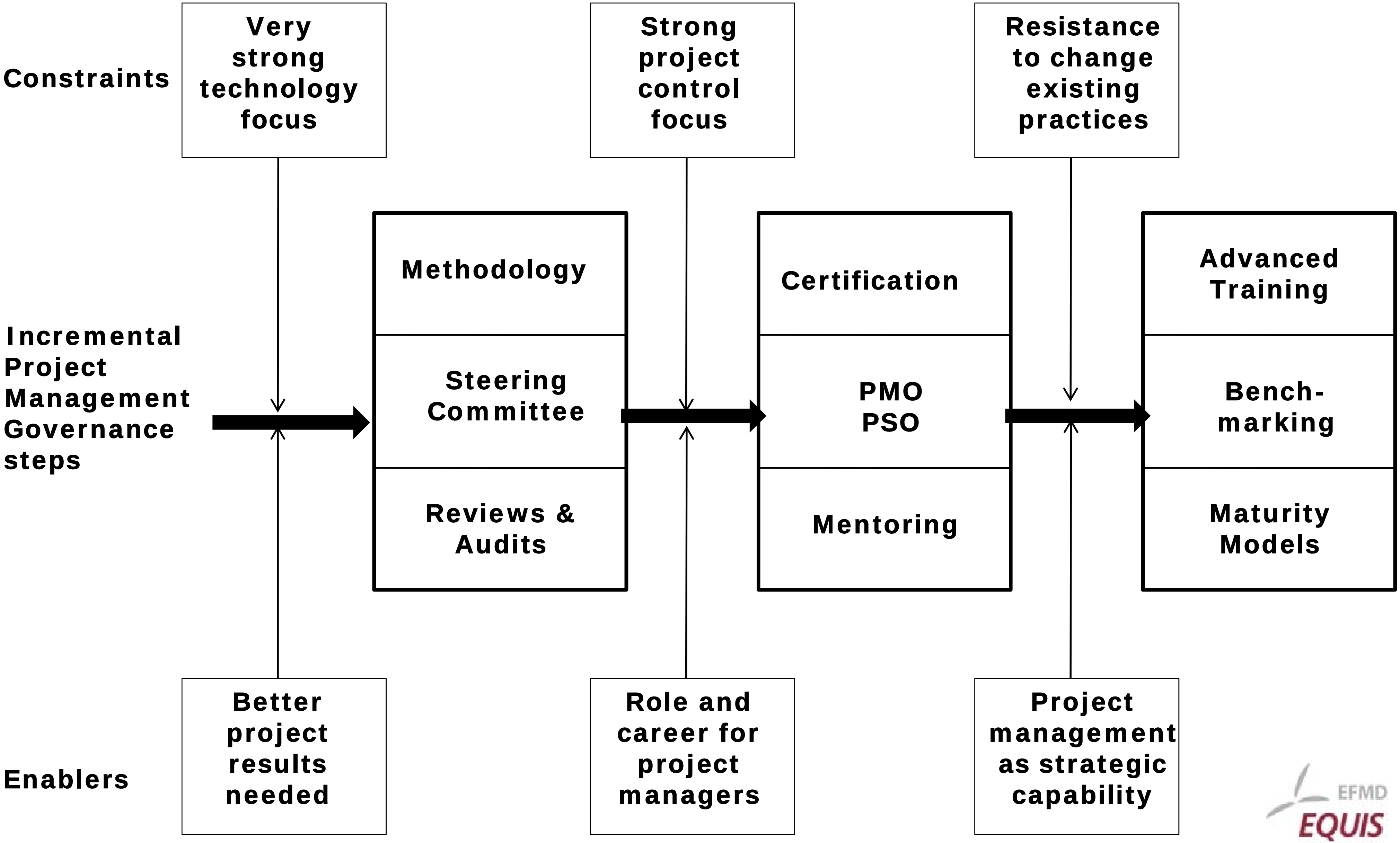
Institutional setup for project governance



Governance structure

- Governance defines the processes, roles, and accountabilities of the managers in the different governance institutions

Governance of project management



Governance perspectives towards projects

- A <u>transaction</u> to be performed
  - Goal: Minimize transaction costs
  - contract, process, method and output
- An <u>agency</u> performing the transaction
  - Goal: Minimize agency costs
  - Adverse selection problem
  - Moral hazard problem
- A <u>legitimate</u> piece of work
  - Goal: a socially acceptable endeavor
  - conform with society's and stakeholders values and expectations

Legitimacy

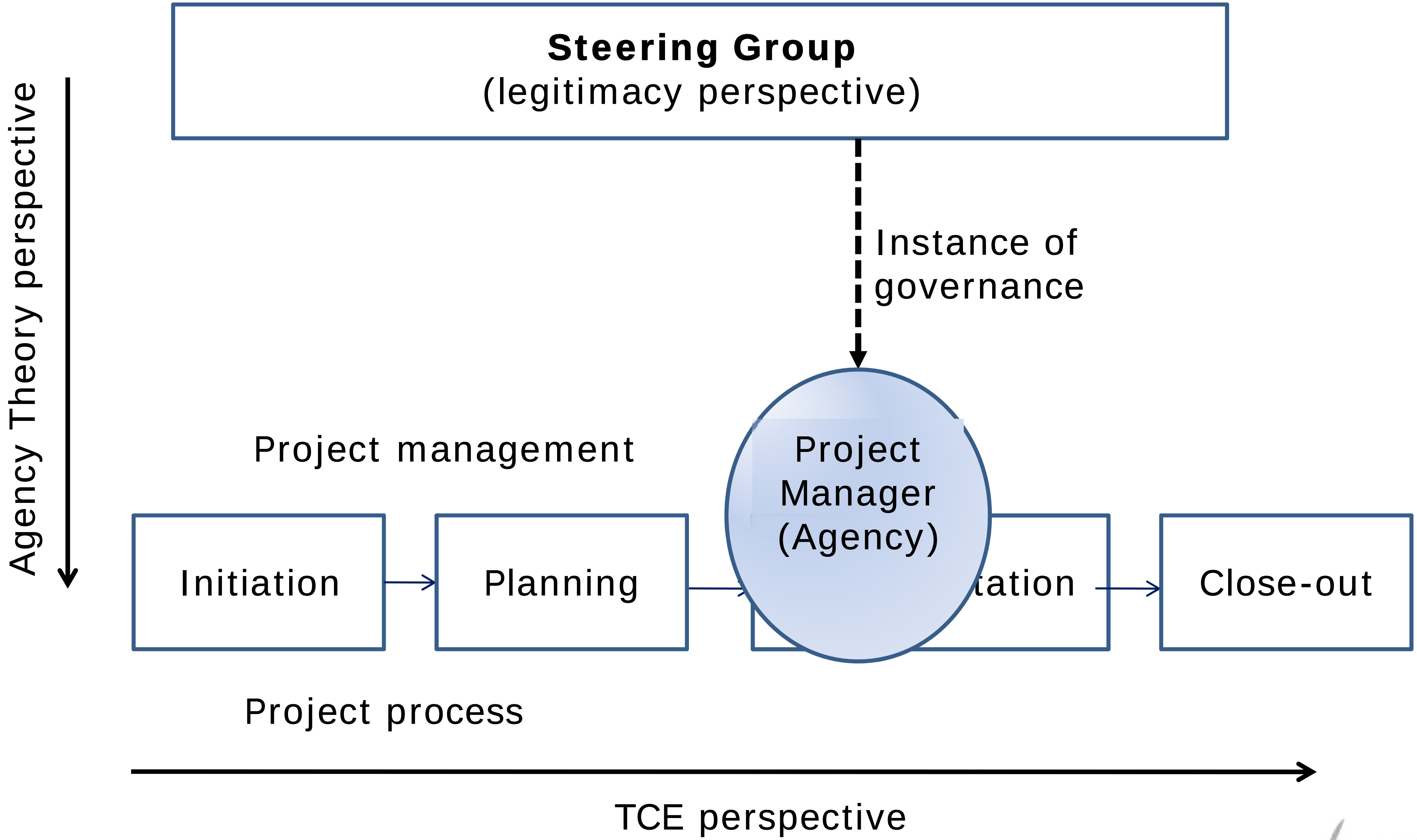
Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions.

(Suchman 1995)

Legitimacy

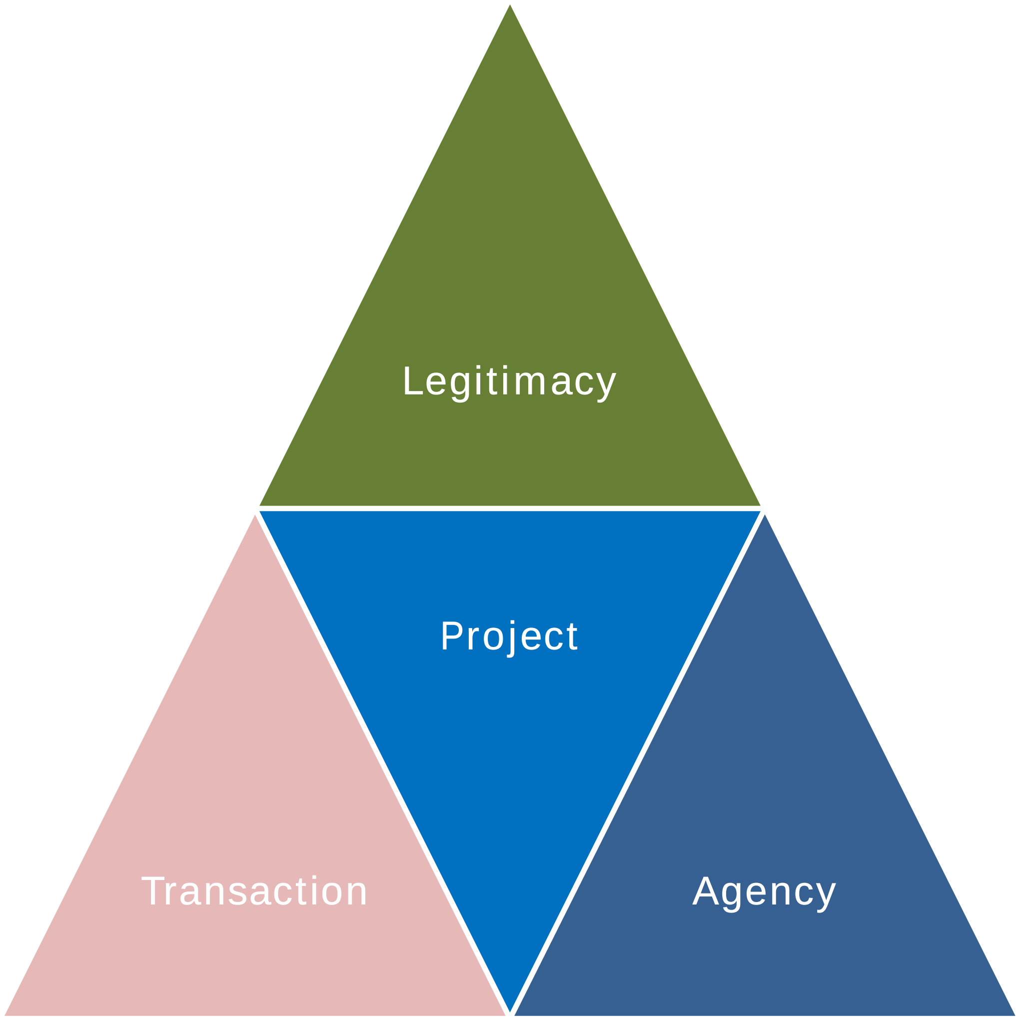
- Morale legitimacy
  - Ethical approval of actions. Congruency with broader norms of the society
- Cognitive legitimacy
  - Comprehensibility and taken-for-grantedness
- Pragmatic legitimacy
  - Benefit in the eyes of stakeholders or society

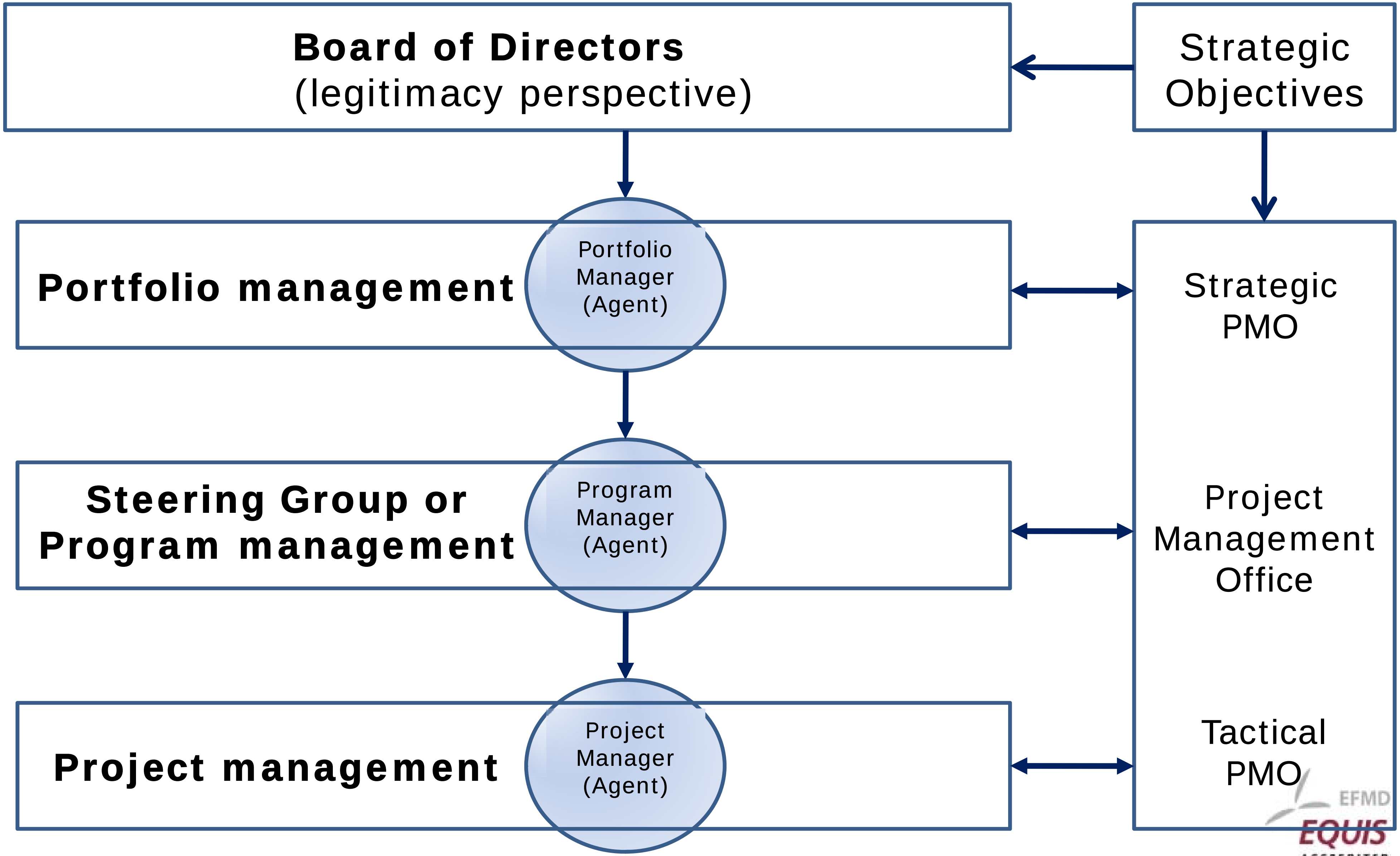
(Suchman 1995)



Steering Group
(legitimacy perspective)
Instance of
governance
Agency Theory perspective
Project management
Project
Manager
(Agency)
Initiation
Planning
tation
Close-out
Project process
TCE perspective

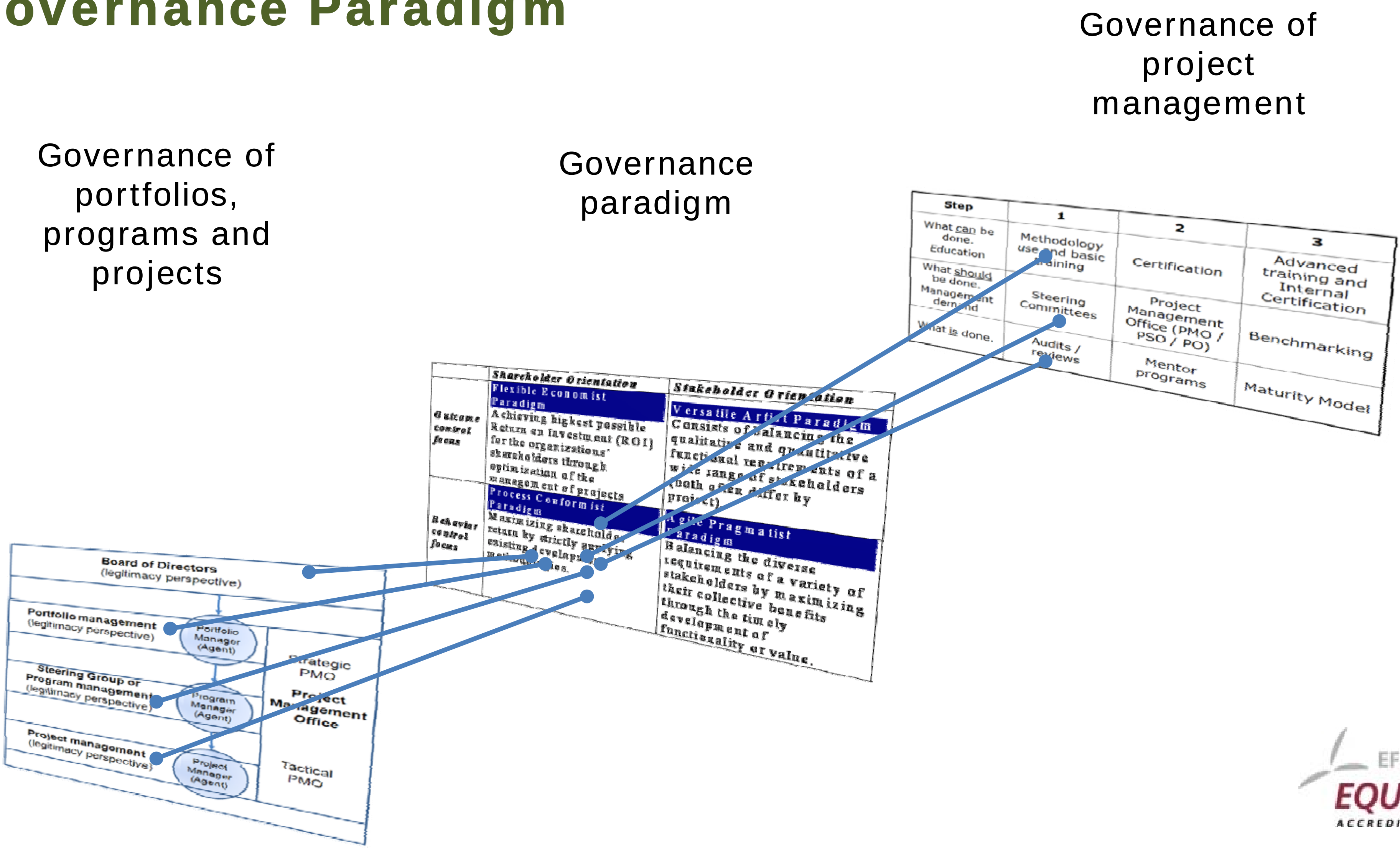
Project in governance context





Board of Directors
(legitimacy perspective)
Strategic Objectives
Portfolio management
Portfolio Manager (Agent)
Strategic PMO
Steering Group or Program management
Program Manager (Agent)
Project Management Office
Project management
Project Manager (Agent)
Tactical PMO

Linking Governance of Project and Project Management Through the Organizational Governance Paradigm



The four governance paradigms tie together and categorize:

- the corporate governance approach chosen, either primarily stakeholder or primarily shareholder oriented
- The ways of managing a project, given the implication stemming from TCE, agency theory and legitimacy.
- the project management capabilities and practices deemed appropriate for all projects throughout the organization

Thank You

References

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