Available online at www.sciencedirect.com

ScienceDirect

International Journal of Project Management 32 (2014) 1382 – 1394

International Journal of Project Management

www.elsevier.com/locate/ijproman

The management of project management: A conceptual framework for project governance

Eric G. Too [a,*], Patrick Weaver [b]

[a] University of Southern Queensland, Australia
[b] Mosaic Project Services Pty Ltd, Australia

Available online 31 August 2013

Abstract

For an organization to create optimal value from its investment in projects there must be a clear link between the outputs created by the projects and the requirements of the organization's business strategy. This means that organizations that have a structure in place for aligning the project deliverables with their organizational goals will be better placed to realize their investment in projects, and achieve the value defined by their business strategies. This paper examines existing research, ideas and concepts of project governance and enterprise project management, and offers a framework to build on current theory development and practice. Synthesizing existing literature of project/program management, governance and portfolio management, this paper proposes four key elements to improve the performance of projects and hence create value for organizations. These four elements are (1) portfolio management: focused on selecting the right projects and programs to support the organization's strategy, and terminating ones that no longer contribute to the business success of the organization; (2) project sponsorship: providing the direct link between the executive and the project or program manager, focused on the whole project lifecycle; (3) Project Management Office (PMO): providing oversight and strategic reporting capabilities; (4) projects and program support: the effective support and management of projects and programs are the measures of an effective governance system. The purpose of the framework described in this paper is to provide guidance to organizations in the development of effective project governance to optimize the management of projects.

Keywords: Project governance; Multi project environment; Strategic alignment; Enterprise project management; Business value

1. Introduction

There is a significant growth in the adoption of project management disciplines to accomplish work in different sectors and industries (Winter and Szczepanek, 2008). Economic pressure to reduce time to market means that projects rarely operate in isolation within an organization and are usually delivered to satisfy broader strategic priorities (Office of Government Commerce, 2007b, 2009). This pressure has driven an increase in the number of projects undertaken simultaneously within organizations, and consequently the complexity of managing their interdependencies and multiple implementations (Platje et al., 1994a; Turner and Speiser, 1992). The management of multiple projects – including program management and portfolio management – is now the dominant model in many organizations for strategy implementation, business transformation, continuous improvement and new product development (Winter et al., 2006). As the use of multi projects grows, the value created by these projects is subjected to more scrutiny. For example, Marnewick and Labuschagne (2008), through action research, found that many projects are not completed within the defined time and budget and do not deliver the expected benefits to the organization. This appears to be largely due to the fact that projects are disconnected, managed as silos, or not aligned or governed as one seamless portfolio (Knodel, 2004). As a result, the management literature has recognized the importance of structured, disciplined management of multiple projects, advocating that, to create value for their organizations, projects are aligned with corporate strategy as part of the approval and initiating processes (e.g. see Aubry et al., 2007; Meskendahl, 2010; Milosevic and Srivannaboon, 2006; Shenhar, 2004).

* Corresponding author. Tel.: +61 7 34704542.
E-mail addresses: eric.too@usq.edu.au (E.G. Too), patw@mosaicprojects.com.au (P. Weaver).

0263-7863/$36.00.
http://dx.doi.org/10.1016/j.ijproman.2013.07.006

Value and value creation are the central elements of business strategy and the success of organizations depends on the extent to which they create for customers what is of value to them (Mittal and Sheth, 2001; Payne and Holt, 2001). The value of a project refers to the explicit and implicit functions created by the project, which can satisfy the explicit and implicit needs of stakeholders (Zhai et al., 2009). The concept of creating value starts with the processes needed to encourage innovation and assess the viability of ideas, through the management of the implementation of the related organizational change. Weaver (2012) argues that there are two interlinked systems within the concept of value creation in the context of managing projects. The first element focuses on the development of an idea and the flow of innovation to value realization via projects. The second key element is the management processes needed to effectively manage the organization's project management infrastructure.

Significant research has been conducted on how projects and programs can contribute to the value creation process (e.g. see Eskerod and Riis, 2009; Lechler and Cohen, 2009; Thomas and Mullaly, 2007; Winter and Szczepanek, 2008; Zhai et al., 2009). However, there is much less research to help general management deal with managing project management within the enterprise. Business utilizes project management disciplines and practices to achieve strategic goals and hence create value for their organizations. However, project processes are not independent entities. The success or failure of projects is not entirely within the control of the project manager and project team. Lack of support, conflicting objectives and other contextual issues in the domain of senior and executive management can influence the progress and outcomes of projects negatively. A key theme in the research is the lack of governance[1] (Crawford et al., 2008; Sargeant, 2010). Sanderson (2012) identifies the main performance problems as a result of misaligned or underdeveloped governance mechanisms, meaning that project actors are unable to provide a sufficiently flexible and robust response to the inevitable turbulence of the project or organizational environment.

Projects lacking effective senior management support cannot deliver the expected business benefits to an organization. Institutional arrangements and systems are needed to facilitate interfaces between executive management and project teams. Such arrangements will enhance the value created for the organization by ensuring the strategic alignment of its projects, decentralization of decision-making powers, rapid resource allocation and participation of external stakeholders (Muller, 2009). The challenge for organizations is therefore, to reconcile the internal management of projects with the governance structure so that the management of the projects is aligned with organizational strategic objectives.

This paper explores, in relation to current development and practice, the notions of project governance and 'enterprise project management', i.e. the 'management of project management' and how together, these functions can create enhanced value for organizations. The questions this paper addresses are these: Is there a difference between governance and management? And; if there is a difference, what are the salient functions and responsibilities of a governance system compared to a management?

To achieve these objectives the paper begins with a literature review to examine current research and directions on governance, and governance in multi-project environments. The purpose of this section is to attempt to identify current research and theory on the relationship between governance and management. From the literature definitions will be examined, reviewed and even constructed, and gaps in the literature will be explored. The next section proposes a conceptual framework for project governance, containing four key elements of management structure, and based on the premise that without the effective support of the organization's governance and management systems project governance and management cannot operate effectively. Finally, the paper concludes with a recommendation for application of the framework in practice and suggestions for further research.

2. Literature review

2.1. Concept of governance

The word governance is associated with words like *government, governing* and *control* (Klakegg et al., 2008). In the context of organization, governance provides a framework for ethical decision-making and managerial action within an organization that is based on transparency, accountability, and defined roles (Muller, 2009). In the literature both practical and academic governance are terms that carry different meanings.

There are two schools of thought about governance. One body of literature postulates that different types of governance are needed in different sub-units of an organization. Some of these different types of governance include papers: on IT governance: (Marnewick and Labuschagne, 2011; Martin and Gregor, 2006; Sharma et al., 2009; Willson and Pollard, 2012); on knowledge governance: (Ghosh et al., 2012; Pemsel and Müller, 2012); on network governance: (Klijn, 2008; Sørensen, 2002); on public governance: (Du and Yin, 2010; Klakegg et al., 2008; Williams et al., 2010); and on project governance: (Abednego and Ogunlana, 2006; Miller and Hobbs, 2005; Winch, 2001). These views of governance appear to have been developed by IT managers, project managers, officials within government departments, and academics who work exclusively within these disciplines. Their view is that governance is a function of management or any entity responsible for making decisions and/or overseeing (controlling) the work of the organization or its projects. Each governance practice operates independently from the other and there is no integrated of theory of practice.

The second school of thought has been developed by organizations such as the OECD (OECD, 2004), various Institutes of Directors (e.g. Australian Institute of Company Directors, 2010; Institute of Directors Southern Africa, 2009) and the agencies responsible for governing stock exchanges. In this model governance is a single process with different facets (see Fig. 1). Fig. 1 is developed from several sources (see

[1] Governance is the system by which organizations are directed and controlled (a full definition is included later in this paper).