



What is project governance and what are its origins?

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Received 28 February 2013; received in revised form 6 September 2013; accepted 12 September 2013

Available online 15 October 2013

Abstract

Although there is an ever-increasing discussion on governance in recent project research, the concept of project governance and its main origins remains ambiguous. In this paper, we examine project governance literature and contrast it to general governance literature published outside the domain of project research. Our analysis revealed the existence of two distinct and relatively independent streams of research. One of these streams addresses project governance as a phenomenon external to any specific project, while the other views project governance as internal to a specific project. Our results further indicate that while project governance literature bases most of its argumentation on established project research it also, to a significant extent, draws from the transaction cost economics literature. Based on our findings, we argue that there exists considerable potential for bridging project governance literature and general governance literature further.

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Keywords: Project governance; Governance; Literature analysis

1. Introduction

When any two actors engage in an economic transaction, often under prevailing conditions of high uncertainty, asset specificity and bounded rationality, they face the problem of how to safeguard, monitor, and adapt the focal transaction in the most efficient way (Williamson, 1975). It is typical for the involved actors to have unequal access to information vital for organising the transaction at hand. Furthermore, their goals may be in conflict with each other. Both factors contribute to phenomena considered unfavourable from the viewpoint of at least one of the involved actors such as moral hazard and adverse selection.

The governance literature focuses on the problem area discussed above by examining how different prevailing conditions are linked to the use of specific governance mechanisms such as written contracts and performance monitoring systems. Two streams of this literature, referred to here as the general governance literature, are especially prevalent. First, the transaction cost economics literature, drawing mainly from the economics

literature, organisation theory, and contract law, focuses on the selection of the most efficient form of governance for a specific economic transaction (Williamson, 1975). Second, the corporate governance literature, drawing from, for example, agency theory, has focused predominantly on the exchange relationship between the corporate owner(s) and the agent (typically CEO) employed to run the business on behalf of the owner (Jensen and Meckling, 1976).

Today, complicated organisational arrangements involving several interdependent economic transactions are required to enable the successful delivery of large projects. More specifically, many legally independent heterogeneous organisational actors temporarily pool their resources, capabilities, and knowledge together to achieve the shared goal specified for the project — such as the construction of a nuclear power plant. This complexity gives rise to the question of how – and by whom – are various exchanges and tasks carried out in these kind of inter-organisational projects safeguarded, controlled, and adapted. Furthermore, today's project-based firms (PBFs) are often involved in several projects simultaneously and must address various portfolio-level challenges and trade-offs, relating to, for example, the allocation and prioritisation of resources and ensuring that individual project managers do not act against the

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interest of the PBF. There exists an emerging stream of literature that focuses on the two challenges often faced by projects and PBFs. We refer to this stream of literature as the project governance literature.

Whereas the project governance literature offers several insights into questions regarding how to safeguard, monitor, and adapt transactions in the context of project business, it appears fragmented and incoherent in terms of underlying assumptions and core definitions, giving rise to the following research questions guiding this study:

How is project governance defined in existing literature? and, What are the main origins of project governance and how do they relate to general governance literature?

To address these questions we conducted an analysis of the project governance literature. Our analysis revealed that the project governance literature is separated into two distinct streams: one stream that views project governance as a process external to any specific project, and another stream that treats project governance as a process internal to a specific project. We carried out a citation analysis to uncover the main origins of project governance literature and how they relate to the theoretical foundations of the general governance literature. Our findings imply that, with the exception of a significant link to transaction cost economics literature, the project governance literature is relatively independent, in the sense that it does not appear to build substantially on the underlying assumptions held in general governance literature, giving rise to the question of whether the project governance literature and the general governance literature could facilitate the advancement of each other. In light of our findings, we discuss this question towards the end of this paper.

This paper is organised as follows. Following this introduction, we introduce our method, citation analysis, and samples of the project governance literature and the general governance literature. We then proceed to discuss our results, first concentrating on the two streams of project governance literature and their underlying assumptions, and then comparing these assumptions with those held in general governance literature. Finally we discuss the implications of our findings from the perspective of the project governance literature and the general governance literature, and propose further avenues for research.

2. Method

Our argumentation draws substantially on a form of bibliometric analysis, namely citation analysis. The core underlying assumption for our chosen method is that scientific work that has had a significant impact on its field is more likely to be cited than work that has not; for instance, a source of a high number of citations may be assumed to be more influential than a source with a low number of citations in the development of a specific concept or discourse (Garfield, 1970). The core strength of citation analysis lies in its ability to build argumentation based on a large number of articles, but the method suffers from several weaknesses as well. First, an individual

may cite a specific source for a variety of reasons, including criticising or disagreeing with this source. These types of citations contribute unfavourably towards the validity of results obtained by citation analysis, but fortunately, such “negative” citations are relatively rare in scientific articles (Chubin and Moitra, 1975; Moravcsik and Murugesan, 1975). Second, electronic databases are man-made and thus prone to errors or inconsistencies (MacRoberts and MacRoberts, 1989). However, the Thomson Reuters Web of Science database used in this study is widely considered to be the best in its field, and we may thus assume its records to be sufficiently reliable for the purposes of our analysis. Finally, it is important to note that the focus of our chosen database is on academic journal articles and extensive book coverage has only been included starting from year 2005. As a result of this limitation, books appear in our analysis only as cited sources (not citing sources). The impact of this limitation should be relatively minor as our sample of citing governance articles is quite sizable (1501 articles) and we see no reason why sources cited by books should systematically differ from sources cited by articles. Regarding the identification of project governance sources, we were only able to identify one book written on project governance (Müller, 2009), indicating that the exclusion of books as citing sources should not severely reduce the validity of the results presented in this paper. Table 1 presents an overview of the empirical research data used in our study.

2.1. Identifying project governance articles

Following our definition of governance introduced earlier, we needed to identify scientific articles that focused on safeguarding, coordinating, and adapting transactions in the context of projects or project-based firms. However, because a significant portion of the entire body of knowledge on project management is focused on planning and coordination of activities, we needed to narrow our search so that we could identify a manageable sample of articles in which governance played a particularly central role. Thus, we faced a need to limit and specify our sample in a manner that would clearly differentiate it from other, albeit related, streams of project literature, including project strategy, the management of project stakeholders, project partnering, and leadership in projects. To achieve this aim, we followed the process discussed below.

First, we concentrated our focus on articles published in three highly influential project research journals. Using the keyword “governance” as a search term in the title, keywords, and abstract in articles published until 2010, we explored the following: *Project Management Journal* (12 articles), *International Journal of Project Management* (159 articles), and *International Journal of Managing Projects in Business* (22 articles). These three journals are widely recognised as leading outlets for publishing project-specific academic research. In addition, all three journals accept a broad range of topics and are open to novel concepts and research approaches. Therefore, we expected that most project governance research would have been published in these journals. We proceeded to read the

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