Cultural practices of governance in the Panama Canal Expansion Megaproject

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Abstract

The academic debate on governance in project management is dominated by research that looks at the structure of governance regimes, but there is very little research on the micro-practices of governance as it actually takes place. This paper fills this gap by focusing on the governance practices of project employees and looking at megaprojects as cultural phenomena. Therefore, a one-year ethnographic field study of the Panama Canal Expansion Megaproject was conducted to examine the cultural practices of governing. In the study, five cultural practices were found to influence the governance of this megaproject: (1) ritualizing the bid-winning ceremony, (2) changing teams, (3) struggling over governance structure, and labeling according to (4) national and (5) organizational cultures. This paper makes a contribution to the current debate by offering a cultural approach of megaprojects and by including a case that shows how ex post micro-processes of governing can start escalation in megaprojects.
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Keywords: Megaprojects; Culture; Governance; Cultural practices; Cross-cultural collaboration

1. Introduction

In February 2014, *The Guardian*, *The New York Times*, and *El Mundo* all carried reports on conflicts in the Panama Canal Expansion Megaproject. The building consortium Grupo Unidos Por el Canal (GUPC) was in charge of the construction of a set of locks, often referred to as the "third set of locks" but had refused to continue the work. They were claiming an additional US $1.6 bn for problems in the construction, an amount the owner of the megaproject, the Autoridad del Canal de Panamá (ACP), refused to pay. As a consequence, the work came to a standstill, causing a further delay in completion. After weeks of public wrangling, GUPC and the ACP agreed upon large cash injections by all partners to resume construction work. This dramatic event raises questions about the governance of this prestigious megaproject.

The debate on the governance of megaprojects has emerged only recently in project management studies (Müller, 2012; Pitsis et al., 2014; Sanderson, 2012). The governance of megaprojects is designed to ensure a consistent and predictable delivery within the limitations set by a contract with external partners (Müller, 2012). In this way, governance structures are designed to ensure megaprojects run smoothly (Miller and Hobbs, 2005). Notwithstanding these strict governance regimes, the performance of megaprojects is often highly problematic (Flyvbjerg et al., 2003). For this problematic performance Sanderson (2012) identifies three possible explanations for this. The first explanation is that of "strategic rent seeking," in which underperformance is caused by an optimism bias and strategic misrepresentation of costs by project supporters, which leads to the regular approval of non-viable projects (e.g., Flyvbjerg, 2012). The second explanation is that of governance arrangement where problems with performance are perceived to be the result of misaligned or underdeveloped governance mechanisms, with project actors being unable to provide a sufficiently flexible and robust response to inevitable turbulence in the project's context (e.g., Miller and Hobbs, 2005; Miller and Lessard, 2000). The third explanation is a cultural one where performance problems are

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seen as an almost inevitable result of the organizational complexity, ambiguity, and conflict faced by project actors with diverse and competing project cultures and rationalities (e.g., Clegg et al., 2002; Van Marrewijk et al., 2008).

Sanderson (2012) concludes that in all three of these typologies accept that the actors involved behave with a degree of foresightedness, consciously trying to build into governance structures the capacity to deal with future events. According to Sanderson (2012), even studies of project culture focus too much on facilitating trust and collaboration in the face of uncertainty (e.g., Atkinson et al., 2006; Clegg et al., 2002) and ignore spontaneous micro-processes of governing, which emerge ex post. Except for a few studies (e.g., Tivonen and Tivonen, 2014), little is known about how governance provides contextual frameworks for shaping, but not necessarily determining, the actions of project employees (e.g., Müller, 2012). Therefore, in a recent special issue of IJPM Pitsis et al. (2014: 1290) suggested that in order to advance our knowledge and understanding of the governance of complex projects, it was important to "transcend disciplinary boundaries."

In line with these calls, the goal of this paper is to further develop cultural understanding of ex post governing governance practices. Practices are here understood as the manifestations and representations of the project as a cultural phenomenon (Van Marrewijk, 2015). Cultural practices are viewed as dynamic, ongoing, everyday actions that produce social reality (Feldman and Orlikowski, 2011). Following Nicolini et al. (2003), practices are perceived as dynamic and provisional, and as activities that require some form of participation.

From the discussion above, the main question addressed in this paper is, *Which cultural practices are related to ex post governing in the Panama Canal Expansion Megaproject?* Given the focus on micro-processes of governing emerging ex post, we limited our study to a single case: the Panama Canal Expansion Megaproject (PCEM). A case study is an excellent in-depth research method for studying a cultural phenomenon within its real-life context (Gerring, 2007). We studied the PCEM using a one-year ethnographic field study. Winch (2013) specifically asked for a study of an ethnographic nature to understand escalation of costs and planning in large-scale projects. Such an ethnographic study describes, interprets, and explains behavior, meaning, and cultural products through direct data collection by researchers who are physically present over a substantial period of time (Barley, 1990). The PCEM is an interesting case as the incident described at the start of this paper illustrates the difficulties of governing a project of this size. The project owner, the ACP, wanted to expand and modernize the Panama Canal, with which the design and construction of the Atlantic and Pacific locks, the so-called "third set of locks," being the main component. The ACP contracted GUPC (Grupo Unidos Por el Canal) consortium to carry out this part of the megaproject, and to design and build these locks.

Our study reveals five distinct cultural practices which influenced how the governance structures in the PCEM worked: (1) ritualizing the bid-winning ceremony, (2) changing teams, (3) struggling over governance structure, (4) labeling national cultures, and (5) labeling organizational cultures. As such this paper makes two contributions to the growing debate on governance in project management studies. First, it suggests that looking at megaprojects as cultural phenomena can help to improve our understanding of ex post governance practices (Biesenthal and Wilder, 2014), thereby providing a completely new theoretical approach in this area. Second, the five cultural practices found in the PCEM case give an in-depth understanding of the ex post governing process as asked for by previous scholars (Pitsis et al., 2014; Sanderson, 2012).

This paper is structured as follows. First, the problematic governance of megaprojects is discussed by proving the need for explicit attention to cultural practices. We develop a cultural perspective in which megaprojects are looked at as cultural phenomena. Second, section 3 discusses our in-depth ethnographic study of the PCEM. We present the governance structure of the megaproject in the findings section. Section 4 shows the five cultural practices related to the governing of the Third Sets of Locks. Towards the end of this paper, we discuss the implications of our research findings. We conclude this paper by returning to our initial research question and providing some answers.

2. Megaprojects as cultural phenomena

Complex megaprojects are distinguished from other projects by the interaction and interdependency of project elements, and by a high level of uncertainty, resulting from a lack of clarity and agreement over project goals and how they are to be achieved (Williams, 2002). These projects generally require complex integration of construction and technical, resource, and materials management, involving a long time frame and numerous interfaces between multiple contractors and third parties (Greiman, 2013: 14). Furthermore, megaprojects are politically sensitive (Bresnen et al., 2005; Hodgson and Cicmil, 2006) and have more network relationships than are found in traditional buyer–seller relationships (Miller and Hobbs, 2005).

Contractually, these complex megaprojects are often defined in terms of a structural cooperation between principal and agent in order to deliver an agreed outcome (Koppenjan, 2005). This basic structure encourages actors to specify all the obligations of each party in advance, in preparation for possible future events (Ouchi, 1980; Sanderson, 2012). Such closed governance systems are based on behavioral and outcome control (Eisenhardt, 1989) in terms of budget, time, and scope (Söderlund, 2004) and central planning, knowledge management, and human resource development (Turner and Keegan, 2001). These pre-arranged contractual arrangements seek to address the many interests that are at stake (Müller, 2012) and include strict governance regimes (Miller and Hobbs, 2005), designed to ensure consistent and predictable delivery within the limitations set by the contract (Müller, 2012).

However, they do not fully capture the complexity of the multiple, fragmented subcultures at work in megaprojects (Clegg et al., 2002; Van Marrewijk et al., 2008). Large-scale global projects are potentially conflict-ridden contexts for project partners because they involve many different stakeholders, geographically dispersed and with often conflicting interests,