

Exploring the roles of portfolio steering committees in project portfolio governance

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Abstract

Governing project portfolios engages different actors in organizations including portfolio managers, portfolio officers, top managers, and others who may team up as portfolio steering committees. While portfolio steering committees play a regular role in project portfolio governance, their role is still unclear. Through an in-depth multiple case study in three Danish companies, the roles of portfolio steering committees were explored. The results showed that portfolio committees may play three distinct roles in portfolio governance: a) communication and consolidation role, b) negotiation role, and c) decision making role. The results challenged the notion that portfolio committee meetings are the place and time to make collective decisions on the portfolio, rather, portfolio steering committees might unintentionally become or intentionally be used for other purposes than decision making. The empirical evidence of the study proposes that these three roles might be related to two governance design factors: frequency and duration of committee meetings.

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1. Introduction

Project Portfolio Management (PPM), today, is commonly acknowledged by scholars and employed by high-performing companies as a response to challenges of managing multiple projects. Earlier literature has noted that people involved in PPM are keys to success (Kendall and Rollins, 2003; Levine, 2005). Nevertheless, portfolio literature is mainly filled with numerous methods, tools, techniques, and practices to make informed decisions. Our current knowledge on the actor side of PPM, that is individuals and groups, is less understood. When speaking about PPM through actors, the concept of governance is touched. According to Müller (2009), governance is built upon the inter-relationships of *actors* and *institutions* addressing overlaps in responsibilities between these two bodies. Therefore, the topic of this paper concerns the governance of project portfolios.

Governance deals with roles and responsibilities, decision making frameworks, accountability, transparency, risk management, ethics, performance and implementation of strategy (OECD, 2004). In project management literature, the concept of project governance has been defined and discussed in the last decade (e.g. Crawford et al., 2008; Ruska et al., 2011; Turner, 2006). In addition, the governance of project-based organizations at multi-project level (e.g. Müller, 2009; Turner and Keegan, 2001) and the links between corporate governance and project governance (e.g. Crawford and Cooke-Davies, 2005) have been discussed. Hazard and Crawford (2004, p.6) defined project governance as “a set of formal principles, structures and processes for the undertaking and management of projects, applicable in the context of individual projects, programs or portfolios of projects which:

- Appoint a governor (or governing body) for a project
- Define and regulate roles, accountabilities, decision making and boundary management, and
- Coordinate project relationships, planning and control”.

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Research on project portfolio governance is rare. In spite of the different nature of portfolios against projects and programs (permanent versus temporary characteristic), often portfolio governance concepts and frameworks are simply presented as the extensions of project governance (e.g. Hazard and Crawford, 2004). Researchers have limitedly studied portfolio governance on its own. Attempts are mainly conceptual with limited empirical verifications. Moreover, most of the contributions are in the forms of various guidelines prescribed by international project management organizations like Office of Government Commerce (OGC), Associate for Project Management (APM), and Project Management Institute (PMI). Therefore, there is a need to understand portfolio governance.

In the context of PPM, engagements of a number of actors have been found: portfolio managers, portfolio steering committees, portfolio offices, top managers, middle managers and so forth. There are attempts to clarify the roles of some of these actors in the context of PPM such as roles of portfolio offices (Unger et al., 2012), roles of middle managers (Blomquist and Müller, 2006), and roles of top managers (Cooper et al., 2002a; Dietrich et al., 2003; Platje and Seidel, 1993). Yet, the roles of portfolio (steering) committees and portfolio managers as key players are unclear. The focus of this study is on portfolio committee and the objective is to explore and understand the actual roles it plays in project portfolio governance. It is to uncover what portfolio committees do in the governance process and how managers perceive its roles. The project/program steering committees which are formed to govern a single project/program are disregarded. The paper, therefore, aims to add to the current body of knowledge in portfolio governance by answering the following two questions:

What roles do portfolio committees perform in the governance of project portfolios?

What are the portfolio governance design factors in relation to portfolio committee roles?

Taking up a qualitative approach, the researcher went into the field in an attempt to grasp the reality of PPM, and therefore, answers the call for studying PPM in practice and in context (Engwall and Jerbrant, 2003; Martinsuo, 2013).

The paper proceeds as follows: a review of literature on the portfolio governance is given. The review based on guidelines and mainstream literature identifies the decision making role as the prime role that portfolio committees are supposed to play. It also includes the composition of portfolio committee and the frequency of the meetings in the governance process. Then, method, data sources and data collection are presented. The next section is within-case analysis of the cases and the cross-case analysis comes after, which tries to identify similarities and differences across cases. Then, the Discussion section compares findings with the decision making role in literature. It also draws on two design factors of the governance process. Further, the section discusses the implications for theory and practice. Finally, the paper is concluded by bringing up the distinct roles which portfolio committees may play in different situations.

2. Portfolio governance

Governance is not limited to the top of organizational hierarchy and can be applied to all levels of managing organizations (Müller, 2009). The Association for Project Management (APM) defines Governance of Project Management (GoPM) as “those areas of corporate governance that are specifically related to project activities. Effective governance of project management ensures that an organization’s project portfolio is aligned to the organization’s objectives, is delivered efficiently and is sustainable” (APM, 2004, p.4). Based on the APM’s definition, Klakegg et al. (2008) argued that portfolio governance has outside and inside views. The outside view treats PPM as a form of governing project-based organizations together with other parallel forms such as program management and project management (Müller, 2009), or in a hierarchical order to govern program and projects (Levine, 2005). The inside view, on the other hand, is the governance of portfolio itself (portfolio governance), which is concerned with the interrelationship between individuals, bodies, role and responsibilities, decision making processes and other governance elements at the portfolio level. This latter view is the desired approach here.

Effective portfolio governance is the key to the success of PPM (OGC, 2011). Effective portfolio governance, according to OGC guide, means clarity about decisions, what, how, where and by whom decisions are made. It also means that portfolio governance is aligned with the corporate governance. For effective portfolio governance, OGC (2011) suggests a two-committee governance structure with decision making rights: *portfolio direction group* and *portfolio progress group*. The former is in charge of upcoming new projects, and the latter in charge of delivering existing projects. In *The Standard for Portfolio Management* (PMI, 2013) a chapter is dedicated to portfolio governance. It contains five portfolio governance management processes: develop portfolio management plan, define portfolio, optimize portfolio, authorize portfolio, and provide portfolio oversight. The standard states that governance management processes are to support overall governance body in decision making activities (p.56). APM (2004) instead has set eleven principles for ‘the governance of project management’ in the context of corporate governance.

Portfolio governance requires defining roles and responsibilities at portfolio level. Portfolio literature identifies various actors engaged in the governance of project portfolios. PPM can be the responsibility of project portfolio management office (Dietrich et al., 2003; OGC, 2011; PMI, 2013; Unger et al., 2012), or portfolio steering committees (APM, 2004; Gareis, 2005; Levine, 2005; Meskendahl, 2010; Platje and Seidel, 1993; Platje et al., 1994); it can be owned and managed by a particular function (Dietrich et al., 2003). Yet, there are others who are involved such as portfolio managers (Gareis, 2005), top managers (Cooper et al., 2002a; Dietrich et al., 2003; Platje et al., 1994), and middle managers (Blomquist and Müller, 2006). Among these, the roles of portfolio committees, portfolio offices, and top management are more highlighted.

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