



Project governance, benefit management, and project success: Towards a framework for supporting organizational strategy implementation

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Abstract

There is growing pressure on project managers to demonstrate the value of their projects to the funding organization. However, most projects lack a robust process for realizing such strategic value. While the literature recognizes the importance of project governance for enabling benefits realization, this research area lacks empirical evidence. Accordingly, this paper analyzes the relationships between effective project governance, benefit management, and project success. A scale for evaluating effective project governance was developed and validated based on feedback from 21 project governance experts. Subsequently, an international survey of 333 projects was used to test proposed relationships. The results indicate effective project governance improves project success both directly and through an enhanced benefit management process. Additionally, the most effective project governance and benefit management practices for improving project success are identified, such as the development and monitoring of a high quality project business case. The resulting model sets the foundations for a theory that explains how effective project governance enhances project success and enables the realization of strategic objectives through projects.

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1. Introduction

A large proportion of projects do not meet their objectives (APM, 2015; PMI, 2015; Standish Group, 2015) and only 40% of project objectives are aligned with organizational strategy (KPMG, 2010; PMI, 2014). This is especially concerning at a time when there is mounting pressure from senior management on project managers to demonstrate project benefits to the organization funding the project (hereafter, “funding organization”), as

well as contribution to organizational strategy implementation (Lappe and Spang, 2014; Mir and Pinnington, 2014). To achieve this, a robust Benefit Management (BM) process is required for the active management of, and continuous alignment between, project outputs, outcomes, benefits, and organizational strategy (Zwikael and Smyrk, 2015).

However, many organizations continue to struggle with the implementation of a comprehensive BM approach (Breese et al., 2015) and therefore fail to maximize the return on their project investments (KPMG, 2010). According to a report by the Project Management Institute (PMI, 2016c), only 17% of organizations report a high level of benefits realization maturity and this figure has remained unchanged from 2014 to 2016. Additionally, only about half of organizations report frequently

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identifying benefits that are aligned to strategic objectives (PMI, 2016d). Furthermore, whereas benefits are often considered during the early stages of projects, they tend to be forgotten and are not actively managed during the later stages (Ashurst et al., 2008).

Various studies have examined the factors that facilitate the implementation of a disciplined and consistent BM approach in projects (Doherty et al., 2012; Hesselmann and Kunal, 2014; Paivarinta et al., 2007). Among these, project governance is one of the most prominent factors (Bradley, 2010; Doherty et al., 2012; Sankaran et al., 2007; Turner et al., 2010). A strong governance framework provides the structures, roles, and accountabilities that enable effective BM (Ahlemann et al., 2013; Sapountzis et al., 2009). This should, as a result, ensure that project outputs and outcomes are continuously aligned with the benefits envisioned in the project's business case (Hjelmbrekke et al., 2014).

However, there is a lack of understanding in the existing literature regarding the governance mechanisms that facilitate the adoption and implementation of BM practices (Doherty et al., 2012; Hesselmann and Kunal, 2014). This is exacerbated by the lack of empirical research examining the relationship between the two concepts. Furthermore, it is not clear if a comprehensive BM approach enabled by effective project governance would actually translate into a significant and positive impact on overall project success. To that end, this paper seeks to address the following research questions: (1) What is the nature of the relationship between effective project governance and benefit management?; (2) Do effective project governance and benefit management improve project success, and if so how?; and (3) What project governance and benefit management practices are most effective in improving project success?

To address these questions, this study uses survey data pertaining to 333 projects from various industries and countries to empirically investigate the relationship between Effective Project Governance (EPG) and BM, as well as their effects on three dimensions of project success (Zwikael and Smyrk, 2012): Project Management Success (PSMS), Project Ownership Success (PSOS), and Project Investment Success (PSIS).

This paper contributes to the existing research on the factors that facilitate the adoption and successful implementation of BM practices. Also, it addresses the need for an operationalization of project governance (Pitsis et al., 2014) by developing and validating a new EPG scale. Furthermore, it contributes to the growing literature on the expanded and multi-dimensional criteria for project success. Overall, this study develops the foundations of a framework for supporting organizational strategy through projects.

Before proceeding further, it is important to clarify the reasons for studying BM at the project level. It is commonly understood that benefits are mostly realized after project delivery (Breese, 2012; Thorp, 2001) and hence the responsibility for benefits realization falls mainly upon the program or corporate management (Office of Government Commerce, 2009). This may lead one to believe that BM is mainly relevant at the program level. We refute this notion for two reasons. First, stand-alone projects can also realize benefits (Serra and

Kunc, 2015) even if they are not part of a program. Similarly, some organizations do not apply a formal or specific approach for program management but instead treat programs as large projects, which often realize benefits. For these projects in particular, BM is a relevant and important topic. Second, a consistent BM process is required throughout the life cycle of every project to ensure that expected outputs and outcomes are aligned with the end benefits to be realized (PMI, 2016a). This is also necessary to ensure the smooth handover of benefits from project management to program management, line management, or corporate management upon delivery, as described in the Projects in Controlled Environments (PRINCE2) methodology (Office of Government Commerce, 2009). Therefore, we argue that BM is relevant even for projects that do not directly realize end benefits. Hence, it is vital to study BM at the project level and examine its effect on overall project success.

The remainder of this paper is organized as follows. Section 2 reviews the relevant literature pertaining to each of the three main variables and, subsequently, the conceptual framework and hypotheses are developed. Section 3 details the methodology of the study as well as the development and validation of the EPG scale. This is followed by the results and discussion of findings in Sections 4 and 5 respectively. Finally, the implications and limitations of the study are discussed in Section 6.

2. Theoretical background

2.1. Effective project governance (EPG)

There are wide variations in how project governance is understood and defined (Bekker and Steyn, 2009; Roe, 2015; Sankaran et al., 2007), often depending upon the technical background and research fields of the authors (Bekker, 2015). As a result, there is generally a lack of a consensus on a single definition of project governance (Roe, 2015), as evidenced by the diverse terminology used in the literature (Ahola et al., 2014). Müller (2009, p. 4) defines project governance as "...the value system, responsibilities, processes and policies that allow projects to achieve organizational objectives and foster implementation that is in the best interest of all stakeholders, internal and external, and the corporation itself." Garland (2009, p. 10) defines it simply as "the framework within which project decisions are made".

While strategic alignment of project objectives has always been one of the functions of project governance, it is increasingly being stated more explicitly (e.g. Samset and Volden, 2016). Strategic alignment is also included in the definition of project governance in PMI's practice guide for the governance of portfolios, programs, and projects: "the framework, functions, and processes that guide project management activities in order to create a unique product, service, or result to meet organizational strategic and operational goals" (PMI, 2016b, p. 4). Similarly, the Association for Project Management (APM) advocates strategic alignment as an important principle of good governance (APM, 2012). In line with the above, this paper adopts the strategy-oriented view of project governance.

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