

# The relationship between project governance and project success



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## KEYWORDS

- Project governance
- Project success
- Agency theory
- Stewardship theory

## Article highlight:

An exploratory analysis was done to analyse the nature of the relationship between governance orientation and project success, using project efficiency, organisational benefits, project impact, future potential and stakeholder satisfaction as the five dimensions of project success.

The results showed that governance orientation (shareholder – stakeholder) was positively and significantly correlated with all five success dimensions, with the success dimension future potential having the strongest correlation.

## What does the paper cover?

This study investigates the relationship between project governance and project success. To do this, the researchers first empirically test the correlation between project governance and project success, before discussing some of the underlying assumptions which, when met, may provide indicators for a limited causality.

The study is relevant for practitioners developing success-related governance structures by pointing out the success related governance approaches, and for academics in developing contingency theories of project performance and results.

## **Methodology:**

The researchers developed a questionnaire containing four sets of questions. The first set included information about the last project, the next two covered governance paradigms and project success, and the last collected the respondents' demographic information.

Using email and LinkedIn forums, the web-based questionnaire was sent to a worldwide cross-section of people working in the project management field, and the researchers used 246 responses from 41 different countries: 38% from North America, 24% from Europe, 22% from Australasia, and 16% from other countries.

The researchers chose the Khan et al (2013) model for measuring success for this study. This model offers a balance between hard and soft factors and measures 25 success criteria variables organised in the five dimensions of project efficiency, organisational benefits, project impact, stakeholder satisfaction and future potential.

## **Research findings:**

The results showed that an increase in stakeholder orientation correlates with an increase in project success, which is consistent with an earlier study by the same researchers which showed that organizations that are more stakeholder-oriented have greater chances of success in applying the relevant methodology elements or parts in their projects.

## **Conclusions:**

In answer to the question of the relationship between project governance and project success, the study found that project governance has a small, but significant correlation with project success. The hypothesis that project governance correlates with project success is partly supported as one of the two governance dimensions correlates project success. This supported dimension showed that it is stakeholder-oriented governance of projects that correlates positively with project success. Stakeholder-oriented governance typically builds on trust and outcome control as governance mechanisms.

The study's results indicate the importance of understanding the governance orientation of the organization governing projects and the potential enabling effect of a stakeholder-orientation in project governance for project success.

## **Significance of the research:**

Managers influencing the design of project governance should be aware of the importance of a stakeholder orientation for project success. This should be included in training programmes for these managers, at industry as well as academic level.

Also, project managers should understand the organisation's governance procedures and work with the authority that defines project governance procedures to tailor the procedures to the project environment and/or project type.

## **Comments from the authors:**

The relationship between governance and success of organizations is a long-standing question. Governance is a broad concept and some of its elements have direct impact, while other elements have indirect impact on organizational success. The present study identified the

corporate governance orientation (ie. stakeholder orientation) as a success factor for projects. Subsequent research showed that other governance aspects, such as the sovereignty of projects and the governmentality (ie. the attitude of those in governance roles towards those they govern) also have a direct impact on project success. Gradually these studies build a web of elements that function as success factors for projects at the governance level.

## **Complete article**

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## Glossary:

### Project governance:

Project governance is defined as the use of systems, structures of authority, and processes to allocate resources and coordinate or control activity in a project.

### Agency theory:

Agency theory explains behaviour in shareholder-oriented governance structures, where contracts and process control structures are used to manage the self-serving behaviour of managers for the maximisation of shareholder wealth.

### Stewardship theory:

Stewardship theory explains behaviour in stakeholder-oriented governance structures, where trust and controlling by outcomes or results serve as a mechanism to govern towards the achievement of organisational goals by balancing the requirements of a diverse set of stakeholders.

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