# Governance of project management SIG 2010 Study Tour - Directing of Project Portfolios: *Good Governance of Change Initiatives*

**Purpose of the study (from the Project Charter):**

The purpose of this study is to define a practical conceptual structure within which directors and their advisors can examine how to ensure good governance of their control of their project portfolio.

Intended outcomes from the study are:

1. Valuable insights for the participants,
2. Greater understanding for the wider Specific Interest Group.

This study builds on the Governance Specific Interest Group's three publications: Directing Change, Co-directing Change and Sponsoring Change. It combines two further strands of work to contribute further to better governance of project management. These are Directing Portfolios and the Motivation of Directors.

**Objectives of the study (from the application)**

- A committed team of at least five by 31/03/10. Achieved.
- Confirmation of invitations from selected interviews by 31/04/10. Delayed, but achieved later.
- A methodology agreed by the team by 30/05/10. Achieved.
- Face to face interviews in at least five organizations across at least two countries by 30.09.10. Achieved, slightly delayed.
- Full report and development presentation for Knowledgeshare by 30/04/11. Realistic, date not passed yet.
- A joint presentation to another professional body, e.g. IOD, by 30/06/11. Realistic, date not passed yet.

## The study methodology

A study tour team was formed spring 2010 to plan and execute the study. The chosen scope was to cover a small number of large corporations (five organisations) in at least two of three countries (UK, Netherlands and Norway). The aim was to study the reality of directing project portfolios (change initiatives) in these corporations. Literature studies and wider surveys were excluded due to capacity, and the fact that a set of targeted interviews would represent a better methodology for getting deep insight into the reality of the corporations.

The countries and number of corporations was chosen to fit the team's capacity and the practical accessibility since members of the team lives and work in these countries. A list of 20 candidate corporations in each country was drafted, and invitations were issued to randomly chosen candidates on the lists. Due to unfortunate circumstances, the team capacity was reduced when two members left the team early, and unfortunately the corporations invited in the Netherlands turned down the invitations.

The team then focussed on completing the study in five corporations in two countries. This is still adequate for the limited purpose of this study. A questionnaire was developed and semi-structured interviews performed in each corporation. The team members documented each interview preparing notes, later confirmed by the interviewees. For analysis a table of excerpts from answers was prepared for comparison of answers from each corporation. This table is presented at the end of this document. The team had two meetings for analyzing the answers and drawing conclusions.

This document contains the final version of the anonymised table for comparison and the findings.

## Commentary

The intention with the study is to get insight into reality – how corporations actually govern their project portfolio. This means it is imperative to identify and get access to respondents in relevant positions in the corporations, and to avoid asking questions in a way that leads into discussions about theory rather than practice. The intention is not to prove anything. Access did prove to be challenging, and forced us to limit to two countries. The way questions were asked also left some issues open in the interviews, a risk that follows the chosen form of interviews (open questions and semi-structured interview). Still the results documented show that the intention is fulfilled.

Performing a comparison across five different corporations in two different countries raises a few important considerations. We will not go into detail here, neither into all the specific considerations made in discussions in this study, nor from other sources or literature. However, the topics are indicated and just a few references made to indicate direction:

- The governance and management of projects and portfolios are not all about rational decision making and systems. Projects should not only be viewed as purposeful instruments, but also as social practices, embedded in symbolic, emotional and political context[1]. The principles of the effective, structured project management methodology are simultaneously seen as major causes of failure – it is timely due to introduce sociological perspectives to the field of projects, even interpret projects in critical perspectives[2]. We considered this carefully both in the preparation of questionnaire, during interviews and in the following analysis. Understanding the established practice cannot be obtained without understanding (to some degree) the context within it works. The different perspectives mentioned by Corvellec and Macheridis were addressed in the analysis. The study tour team sees this as so important that it is a core issue in the questions as well as explicitly addressed in the resulting structure.
- An important part of the context is culture on different levels, exemplified through national culture and industry culture. National culture is a large and challenging topic which includes many aspects of individualism, power distance, uncertainty avoidance and masculinity (Hofstede 1991, 2001 referred in De Bony (2010)). Obviously national culture influence the way people interpret situations and act on them. Examples of studies that have systematically included consideration of the importance and effect of national culture include comparisons between Britain and France[3], Netherlands and France[4], UK and Norway[5]. Others have looked into institutional structures (the political-administrative systems) in these countries and their consequences for decision making[6]. Similarly, there are obviously important cultural differences between public and private sector, as well as between industries dominated by customer services, production industry and technology development. The study tour team used their combined experiences and deep insight into the actual countries and industries to draw conclusions across boundaries.

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[1] Corvellec Hervé, and Macheridis Nikos (2010) The moral responsibility of project selectors. *International Journal of Project management*, Vol 28, Nr. 3, pp. 212-219.

[2] Cicmil, Svetlana and Hodgson, Damian (2006) Making projects critical: an introduction (p.10-11). In Cicmil and Hodgson; Making projects critical, Palgrave Macmillen, New York.

[3] Champaniac, E. and Winch G. (1997) The social regulation of technical expertise: the corps and profession in France and Great Britain. In Whitley, P. and Kristensen, P.H. (eds) *Governance at Work: The Social Regulations of Economic Relations*. Oxford University Press. Champaniac, E. and Winch G. (1998) Civil engineering joint ventures: The British and French models of organisation in confrontation. In Lundin, R.A. and Midler, C (eds) *Projects as arenas for Renewal and Learning processes*. Klüwer, Boston, USA. Key findings: France – industrial model, technical and economic decisions made by engineers coordinated through social networks, Britain – professional model, financial measures and contracts, decisions made by managers independent of technical expertise.

[4] De Bony, Jacqueline (2010) Project management and national culture: A Dutch-French case study. *International Journal of Project Management* 28 (2010) 173-182. Key findings: Netherlands dominated by a culture open for control, measurement and reporting in the project process, in accordance with the fundamental assumptions of project management. France dominated by a culture focusing the quality of the end result, resulting in strong resistance against control, reporting and assessments during execution.

[5] Klakegg, Ole Jonny; Williams, Terry and Magnussen, Ole Morten (2009) *Governance Frameworks For Public Project Development and Estimation*. Project Management Institute, Newtown Square, Penn. USA. Findings: In the UK responsibility is attached to the person and performance has consequences for the individual. Information restricted to few parties (limited transparency). In Norway the system is always to blame, low performance has little consequence for the individual. Information is very open (high degree of transparency). History, traditions and differences in economy, political and judicial systems are part of the explanation.

[6] De Jong, W. Martin (2008) Drawing institutional lessons across countries on making transport infrastructure policy. In Primeus, Flyvbjerg and van Wee (eds) (2008) Decision making on Mega-Projects. Edward Elgar, Cheltenham, UK.

**Conclusions**

The detailed tables at the end of this document contain several interesting observations and findings. Here we will only focus a few chosen conclusions that the study tour team finds especially interesting and noteworthy. To fully take part in the valuable insights from the interviews, it will be necessary for the reader to carefully study the tables in detail.

The selected corporations represent large, professionally run organisations in their industries and national setting. The main impression of the organisations is a high degree of professionalism and project management maturity. The dominating characteristics are private sector, market driven with a mix of national and international markets. The study offers a window into the reality of these organisations governance practices. We have chosen to note the following, grouped under headings derived from the conceptual structure we developed in the study:

Board

- Boards are responsible for the whole portfolio of programmes and projects (total risk exposure). Programme and portfolio management are recognized as processes, but not yet maturely established. Optimisation of portfolio left to subjective judgement of many factors at the board level. Selection criteria are tacit/not formalized except in one company.
- Optimization of the portfolio includes making decisions about resources and restrictions relative to what is intended to achieve. The interviews confirm that resources (competence and capacity) are more restricting than the access to finances.

System

- All these organisations seem to have the formalities (PM systems, necessary controls, progress reporting etc.) in place.
- Although these organisations are obviously aware of PM terms and definitions, these are more widely used in UK than in Norway. The two Norwegian corporations have recently gone through transitions where the portfolio and organisation was renewed. The UK corporations seem to work under stable conditions.
- Projects are closely connected to/integrated in business development. Business plans and business cases are actively used to secure alignment between strategy and single projects, but supported by different methods, tools and criteria. The degree of alignment is claimed to be very high.
- Risks seem to be potentially very large, but few in numbers and well controlled. The use of decision gates and verification of decision making documents seem well established.
- No learning process connected to projects or portfolios is described in the interviews. No mentioning of formal assessments of whether projects have given value for money or still is worth doing. On the other hand they claim that stopping projects is not a problem when they do not seem to lead to success. The study tour team believes this might be a private sector strongpoint.
- The interviews identify a wide range of typologies and categories of projects and portfolios. These organisations seem well aware of challenges in discriminating between business as usual and projects. The challenges of project operations obstructing ongoing

operations is claimed to be well taken care of. We expect that problems arising for ongoing operations often will be reported as the result of a bad plan etc. and not mentioned in relation to the project portfolio.

- The interviewees are obviously well aware of risk and uncertainty, and they master the terminology. The interviews gave a suspiciously "ideal" picture of the situation in terms of awareness, methodology and outcome, not supported by other studies on this issue. We expect the answers are influenced by the high level these interviewees work on. Do the boards really master the effect across single risks, interactions between risks etc.? The focus seems to be on single dominant risks. Do they discuss risks associated with the portfolio as a whole?

Individual

- The organisations are heavily divisionalised and use delegation and roles and responsibilities actively – to a degree where we start to question the top level (board) overview. There seems to be a lack of integration of systems on different levels in some organisations. Much information and noise will be filtered away during accumulation of information from single projects up to management and board level. We believe some messages of which the board should be aware is also filtered away.
- We challenged the interviewees on motivation of Directors in order to check if this is understood as a board responsibility. The interviews tended to focus motivation by the directors, rather than of the directors. We expect this might address a blind spot in boards, the motivation of those making decisions and optimizing the portfolio of change initiatives.

Context

- In terms of engagement with key stakeholders, the interviews show that there is some sort of engagement with suppliers, but no evidence of trying to reach a shared understanding with suppliers that supports the optimization of the portfolio. There is also clearly engagement with customers, but more directed towards confirming business (maintaining contact) than maintaining the portfolio (support the optimization of the portfolio). When it comes to financial sources, this sample of corporations is not representative, being to a large degree independent of external financial sources for external equity. Only one of the interviews responded to our questions by discussing communication with other stakeholders like regulators and the information from the board to analysts and the public. The interviewees seem confident that sufficient information is given. We question this, and wonder to what degree it is clear and precise.

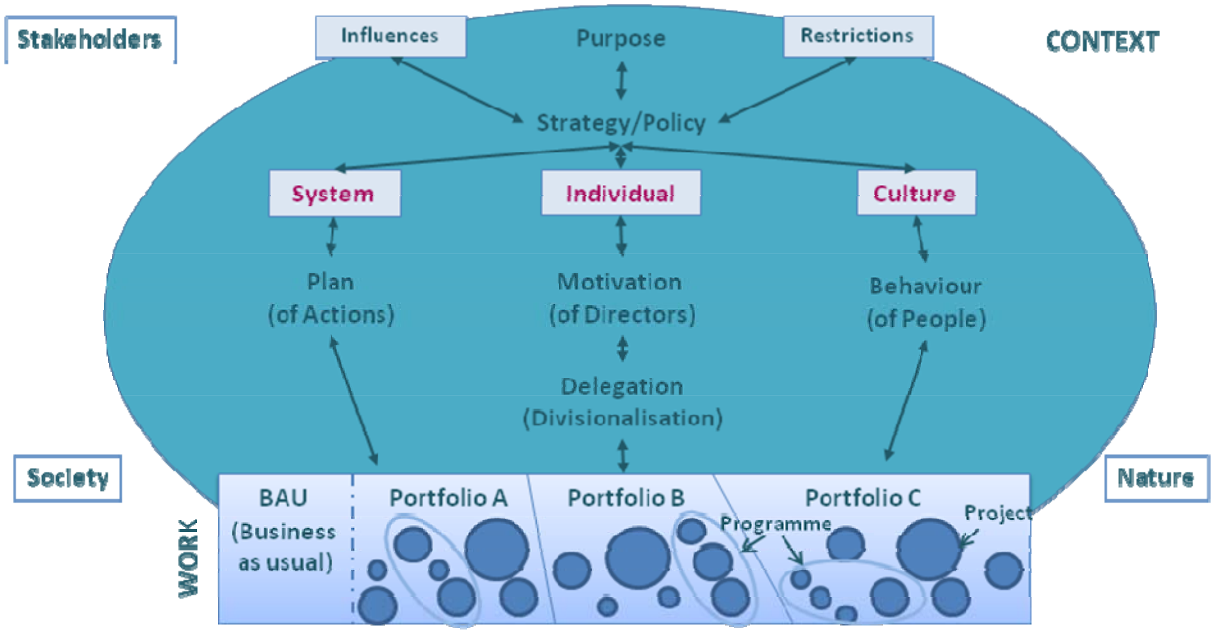
The following topics were not addressed by the interviewees (even if the questions invited to):

- Culture: The study tour team considers this a main issue. The observations lead us to question whether it is OK to talk about culture as a performance factor. It was obviously implicitly a part of the questions and answers in the interviews, but did not come to the surface.
- Success and satisfaction levels: This may be because it is difficult to measure, or maybe the results are less impressive in this perspective than they would have liked to report? The level of success in these organisations is indicated to be rather high. Boards should have some methodology to measure their performance against own history (improvement) or external sources (benchmarks). We believe there is a connection between benchmarking and maturity.

These observations lead to discussions that formed the conceptual structure described below.

**A practical conceptual structure for discussing governance of project management**

To ease discussions about governance of project management the elements addressed in the interviews and the observations are put together in a structure with three main aspects (or "legs") that needs to be properly addressed in any discussion about governance:




Projects are planned and executed within its context, including the social and natural setting. Governance includes relations to external stakeholders and parties. This is why the structure includes these elements in addition to the governance aspects internal to the organisation. The actual work of the organisation (BAU and projects) is partly embedded in this situation, partly a part of the defined internal organisation.

The board has got an overall responsibility to form strategies and policies and keep a balanced over-all risk exposure. The board should see the organisation and its work in a wider perspective and in a long term. The three internal aspects that dominate is the rational systemic side, the individuals working within the organisation as managers or staff, and the collective group or culture side.

By using these elements and their relations, a tool for structuring and enhancing discussions of governance appears.

**Further work**

Because of its significance, the team believes that this work should be followed up. This could be best done with the involvement of select universities, on an international probably pan European scale, incorporating input from our team members, and potentially funded by international organizations such as the EU. John Caton should have suggestions here. IPMA have a Council based seven person EU Task Force chaired by Gunther Lauer of PM Austria who could readily be approached. David Shannon knows a volunteer who could open doors for such a study in the infrastructure sector of Italy. Greece would readily come on board also.

Another recommendation is that this work should be shared with other APM SIG's as will happen at the Knowledgeshare event later this year with a view as to how each SIG could contribute to developing detail within the system structure we have devised. Particularly relevant are the Portfolio Management and the People SIGs and the proposed PMO SIG. Note that APM has recently published the Lens Collective prepared by the People SIG which might be relevant to our System model.

Another suggestion is that APM run a workshop for its Corporate and Higher Education Institution members on our study.

## 2010 Study Tour - Template for recording, comparing and analysing observations and noting findings

| Directing Change Ref. | Question | UKI | UK2 | UK3 | NOR1 | NOR2 | Findings and comments |
|---|---|---|---|---|---|---|---|
| | Highest management level of interviewees | Staff Divisional Director | Staff Divisional Director | Area and Portfolio Manager | Board Director | Line Divisional Director | Information only. |
| | Number of interviewees | 1 | 1 | 1 (+1 part time) | 3 | 2 | Information only. |
| | Description of corporation and context. | Stable<br>Few customers<br>Public sector<br>Market orientated<br>National | Stable,<br>Few customers<br>Private sector<br>Market orientated<br>Large long term projects (3.1)<br>There are several Business Sectors and these address a wide variety of B2B (commercial and other) markets. (1.1)<br>International. Some products can involve high risks. | Stable.<br>Many customers,<br>Private sector.<br>Leading supplier and maintainer of telecom networks and services to businesses. | Recent changes.<br>Very many customers.<br>Private sector.<br>International. | Recent changes.<br>Very many customers.<br>Brand sensitivity.<br>Private sector.<br>Customer focus.<br>Reorganised one year ago. Multi-year transition of culture<br>International | Mix of stable and dynamic context. (note unexpected difference between UK and NOR; the sample of corporations are not representative for any of the countries).<br><br>All are large corporations in terms of economy and no of employees.<br>Dominated by private sector.<br>Dominantly market driven.<br>Mix of national and international corporations.<br>Heavily divisionalized organisations.<br><br>Risks seem to be potentially very large but few in number and well controlled. Large number of projects, but normally small in size. |
| | Project categories | Mix of projects. | Customer facing contracts, new facilities, infrastructure, new product, modifications, capital projects. | Many small projects (customer services). Technology changes. A portfolio corresponds to a customer. | Cost reduction, new opportunity, change, investment, market change, support strategy, mergers and acquisitions | Changes, improving IT-systems, moving offices, mergers and acquisitions, investment evaluations, what to do with brands and divisions, cost reduction. | These answers (although not complete) show the breadth of typologies of projects and confirm the overall focus on value (directly or indirectly through cost reduction or harvesting of benefits). |

| Directing Change Ref. | Question | UKI | UK2 | UK3 | NOR1 | NOR2 | Findings and comments |
|---|---|---|---|---|---|---|---|
| Principles 1, 2 and 6 | What is your portfolio?<br>How is this structured for direction?<br><br>(A key issue here is the divisionalization and definition of responsibility and organisation of portfolios, but also the complete oversight over projects and risk. It is the Directors' duty to consider what is the best for the company all over.) | Mix of projects. | Projects and programmes and portfolio.<br>Slow rate of change of portfolio.<br>Monthly reporting.<br><br>Extended project life-cycle.<br>Value is key portfolio measure.<br>Through life costing.<br>Expected benefits tracked (?). | Telecom and IT projects for clients. (Internal infrastructure projects are another directorate.)<br>Generally a portfolio equates to a customer.<br>Categories are projects and portfolios but groups of related projects are recognised as programmes.<br>Many small projects (customer services).<br>A portfolio is related to a customer. | Changes in market drive the portfolio. Some projects to cut cost, others to create opportunities. Recent reduction in numbers of projects, reorganizing the portfolio. Strategic initiatives owned by the Corporate management team (programme board). Division Directors responsible for implementation. Projects are executed within the base org. Supported by external consultants when appropriate. “Road maps” not common project model. | More central projects.<br>Brands, IS, Infrastructure, M&A, Cost reduction. One unifying theme; customer focus. Three main parts of corporation. Strong coordination supported by Business Development Unit (BDU) and controlled by the top Management Committee (about 50% of their time). | The theoretical concepts of portfolio, programme and project seem more well known/widely used in UK. NOR seems to indicate recent changes in the way portfolio is structured – a recent awakening? This has given more sophisticated governance structures in NOR corp.<br><br>UK seems to indicate stability.<br><br>Apart from the UK1 answer that does not really say anything, they all seem to be aware of concepts and organizing portfolios (based on all answers).<br><br>The org. seems driven by different developments in their context/ market. Perhaps we have not been sensitive enough to the difference between parts of the portfolio that are essential for marketing/survival and those that are process improvement or discretionary.<br><br>Programme and portfolio management recognised as processes but not yet maturely established. Only one, NOR2, has a clearly stated portfolio optimisation criterion. In UK corp. The board is clearly responsible for PM, but criteria are tacit, not formalized.<br><br>Board responsible for risk exposure, not for the details. Still they need visibility of single key projects. Would stakeholders be satisfied with the current visibility? Start from risks, not from deliverables. See across borders and interfaces. |

| Directing Change Ref. | Question | UKI | UK2 | UK3 | NOR1 | NOR2 | Findings and comments |
|---|---|---|---|---|---|---|---|
| PD1 | Is the organisation's project portfolio aligned with its key business objectives, including those of profitability, customer service, reputation, sustainability and growth? | Project boards, but not Prince2<br>Extreme risk aversion<br>Business Owner (?) involved<br>Core plus support projects (?) | Yes, at Business Sector level.<br>(by Business Plan Deployment ("BPD")process)<br>Presumably the overall optimisation takes place via the optimisation of plans per business sector by the main Board. | The documented corporate governance process maintains the link with strategy.<br>It also monitors for achievement of benefits. Where benefits continue long after delivery there is a distinction between project and life cycle. | Yes. By the CMT (Corporate Management Team). Criteria may be economy, support for development of new products, effect on productivity. Business case. | Yes. Illustrated by historic development. Business development is about projects. In one of three major units all projects part of one programme. | They are all confident that portfolio is aligned with strategy.<br><br>Projects are closely related to /connected to/ integrated in business development.<br><br>Uses different tools/documents/criteria<br><br>Seems like all aspects (profit, sustainability etc.) are likely to be included by intention, but criteria rarely/never explicitly mentioned (at least in interviews). Why? To maintain flexibility for decision makers?<br><br>High level anchoring seems to be in place.<br><br>It seems to be the "Business Plan" that ensures alignment – not, for example, portfolio review discussions in Board meetings<br><br>All claim to maintain alignment though the actual mechanism varies in visibility. Sometimes an explicit review, sometimes by submission of project reports to the strategic level of management.<br><br>Optimisation left to subjective judgements of many factors at Board level, except for NOR2.<br><br>We consider the visibility and alignment to be potentially adequate as long as the process of decision making is good and the results are reviewed from time to time. |

| Directing Change Ref. | Question | UKI | UK2 | UK3 | NOR1 | NOR2 | Findings and comments |
|---|---|---|---|---|---|---|---|
| PD2 | Are the organisation's financial controls, financial planning and expenditure review processes applied to both individual projects and the portfolio as a whole?<br><br>(unfortunately we did not ask what they are looking for) | Risk reduction budget.<br>Data interchange with HR and Finance<br>Quarterly overall review | Individual projects and business sector level portfolio are controlled by the BPD and Capital Acquisition processes. Overall corporate control is through summaries generated by the ERP system and a selective review of about 6 projects. | Project managers record purchase orders by project but not staff time.<br>Financial analysis has scope for development.<br>Corporate board receives a weekly report for each project*.<br>Data sources are usually stand-alone project systems.<br><br>*Many small projects (customer services). A portfolio is a customer. The realistic amount of information is one row in a table. | Yes, but not the same for all. Some projects are chosen for a detailed evaluation. Others; monthly reporting. All projects evaluated against business case. Over all evaluation in CMT. | Yes.<br>Common project model.<br>Money left is handed back or we can do more.<br>Financing, benefit realization and profit are local Divisional matters. | The answer seems to be "yes, but no". Meaning they claim the answer is yes. They argue from single projects, but avoid the question about the whole.<br><br>There is reporting from single project level to aggregated level, and there seems to be budgeting and considerations on aggregated level, but not a clear link.<br><br>There seems to be a lack of integration of systems on different levels in some org.<br><br>On the other hand there are arguments for having different procedures for different projects according to what is considered adequate for each type.<br><br>Reporting seems to be very high frequency in some org. Danger of information overload? It is important for the board to have the right information, not too much.<br><br>No mention of assessments of whether projects have given value for money (although Business case mentioned); no learning process described.<br><br>The answer is "Yes, but not necessarily by the same systems." The formalities are in place. |

| Directing Change Ref. | Question | UKI | UK2 | UK3 | NOR1 | NOR2 | Findings and comments |
|---|---|---|---|---|---|---|---|
| PD3 | Is the project portfolio prioritised, refreshed, maintained and pruned in such a way that the mix of projects continues to support strategy and take account of external factors?<br><br>(Key issue: Projects are not "business as usual", but key major financial instruments. Directors are responsible for return on investment. If projects do not keep delivering value, they have to be stopped.<br>*Our theory is that public sector it is harder to get projects started and stopped. They would rather change the scope to something they want than stop it and try starting another. This would potentially take years of formalities and decision making.) | Have a mechanism for stopping projects<br><br>(Unfortunately no information about how it works, and its effect). | Stopping projects not a problem<br>Business elements stops projects<br>BPD maintains the business sector portfolio, taking account of business case and risk adjustment on an ongoing basis.<br>Gate reviews.<br><br>Note: "Stopping projects which were no longer required .. is not a problem". This does not address the issue of projects failing a threshold level of priority to stay in the portfolio (no longer worth doing). The other interviews did not explore this either. | The content of the portfolio changes very frequently - technology changes. (The portfolio as a whole is stable in terms of size, risk and composition.)<br>Project decision taking is basically weekly but could be daily or more often**.<br>The corporate governance process includes an Operational Readiness Review.<br>The gate review process has five stages.<br>Projects can leave the portfolio upon completion or closure following a warning.<br><br>**Weekly portfolio meeting, daily activities delegated to area and portfolio manager. | Yes, by CMT.<br>Mandates issued.<br>Portfolio restructured to secure alignment<br>Stopping projects when they do not seem to reach goals. | Too many projects, but reducing though tighter entry criteria.<br>Monthly consideration of:<br>Is this the right project? And Is the project on the right track?<br>After just one year not yet quite systematic. | Slightly surprising to some –the message seems to be that there is no problem stopping projects. Is this a private sector strong point? The public sector seems to have other characteristics.*<br><br>Are they really so good at keeping their portfolio's updated? We have a feeling they tell us what they want us to hear, not necessarily the whole picture here. On the other hand: The answers are consistent with the answers to PD1 – about alignment with strategy. We have chosen to interview only professional organisations. The sample is considered well above average on practical governance.<br><br>The UK language is more formal and uses f.ex. gateways and reviews. More informal words are used for similar elements in NOR.<br><br>In total we look at these answers as one positive observation in our study, although we did not address all relevant issues in the interviews (see note on UK2).<br><br>People tend to not give up things they have easily. Therefore they will not want to change existing portfolios. It is easier to take in than to take out.<br><br>The mechanism varies depending on the corporate criteria for projects. There is no evidence of pruning in any of the organisations. There was probably an element of pruning in the recent portfolio reorganizations in NOR1 and 2. |

| Directing Change Ref. | Question | UKI | UK2 | UK3 | NOR1 | NOR2 | Findings and comments |
|---|---|---|---|---|---|---|---|
| PD4 | Does the organisation discriminate correctly between activities that should be managed as projects and other activities that should be managed as non-project operations?<br><br>(A relevant division here is between internal projects and customer projects. Normally internal projects will be more relevant for this question.) | Project, non-recurrent, versus initiative for recurrent expenditure | The company believes so. (1.3) all projects, i.e. not day-to-day tasks of a function. | The strength of this model is that it good for identifying risks while controlling deliveries. | Not answered, but aware. They refer to projects as different from operations, and also indicate lift-up of wages to corporate level when assigned to project full or part time. | Not answered. Common project model defines what a project is. Aware; uses pilots before roll-out. “The projects are closer to operations than before” | This point is interesting from a theoretical and practical point of view. I agree that it is important to be aware of the difference between projects and non-project activities, but in practice they are interwoven in many ways. If not for other reasons because of shared resources.<br><br>More work should be done on how to handle this – a usual answer might be the matrix org. which some do not like at all. Here we do not have enough material to say anything about this.<br><br>The question is not well answered in explicit terms, but it seems like they are aware, but perhaps no more than that there is such a difference.<br><br>Yes, but the way in which very small projects are managed, perhaps as a day-to-day function activity, perhaps as a separate organization designed for handling large numbers of small jobs. Agree, all Functional Departments have some small projects within their control and budget which are probably not declared nor visible as projects.<br><br>Complexity level is relevant. There are activities and projects going on in functional organizations and BAU. There is a limit where it turns complex enough to be a project. This happens when they need help to do it, from acquisitions, finance people, project managers etc. This limit is flexible and context dependant. Projects have their own dedicated organization. |

| Directing Change Ref. | Question | UKI | UK2 | UK3 | NOR1 | NOR2 | Findings and comments |
|---|---|---|---|---|---|---|---|
| PD5 | Has the organisation assessed the risk associated with the project portfolio, including the risk of corporate failure? | Sophisticated risk management<br>Types of risk differentiated: individual, strategic and corporate. | Enterprise risk planning<br>“4.2 Corporate risk management covers project risk management with a clear interface.” The ERP Management Group drives the risk adjusted business cases of the portfolio and constituent programmes (4.1)<br>Risk contingency on projects. | Project is assessed at the Commercial Review Gate.<br>There is no formal process for linking project risks with corporate risks.<br>In this corporation “no single risk or project is big enough to worry about”. | Yes. Risks and opportunities systematically considered (probability and consequence) at monthly reporting.<br>Critical ones are highlighted. | Risk central to business cases.<br>Quality department responsible for quality of business portfolio.<br>Internal control by Audit dept.<br>Budgets include risk based contingencies. | Again we feel they answer what they want us to hear. If we take their answers by the letter – this seems all perfectly taken care of. Is it in reality (for the portfolio as a whole)? We have not seen evidence to fully support that (not in a recent 4 year study in Norway or in literature, neither here). We believe the reason for these answers may be the high level our interviewees work on. Do they have hands-on insight and understanding? Isn’t this the official text-book answers?<br><br>One good thing anyway is that they are obviously well aware of the issue. We wonder if their portfolio also has the “right” risk profile all over.<br><br>UK1’s obsession with risk seems to have produced a useful articulation of the types of risk, but even here the focus seems to be at project level and “risk associated with the portfolio” as a whole is not discussed. UK3 do not see any single critical risks. What would make a risk critical in their context? We believe they should look at interaction between risks what fall between risks. There is a tendency to focus dominant risks.<br><br>The answer seems to depend on the proportion of corporate activity accounted for by single risks. Where a single risk could bankrupt the company (e.g. a new product or a financial decision their risk control is thorough. Where there is no such dominant risk it is less so. |

| Directing Change Ref. | Question | UKI | UK2 | UK3 | NOR1 | NOR2 | Findings and comments |
|---|---|---|---|---|---|---|---|
| PD6 | Is the project portfolio consistent with the organisation's capacity? | Resource limits.<br>Capacity for taking on projects limited by staff resource<br>No financial constraint | Resource is key constraint.<br>Strategic control is exercised over the BPD (5.2). Expenditure levels are stable and the forecasting/planning process addresses likely changes (e.g. doubling within 5 years). | 17 programmes work in progress.<br>49 stand-alone projects in progress.<br>The availability of project management staff could slow the rate of addition of new projects.<br>See also answers above. | Manageable projects<br>Adaptation agreement with staff (unions) defines framework.<br>Consultant support when needed. | Too many projects.<br>Need for external resources (experts) in some cases.<br>Suppliers represent the additional resources you need for your project. | They all indicate resources as a key limitation and that they do take measures to keep the portfolio consistent with available capacity. Several of them also indicate that this is a challenge.<br><br>Staff/expertise seems more limiting than finances. The limiting resource seems to be project management staff rather than financial or technical. We consider this a crucial finding. (It is also supported by other SIG feedback.)<br><br>The implication seems to be that they have a backlog of projects that would be started if the resources were available. But it is the strategic plan that should define what is worth doing not the availability of "spare" capacity (do not start projects that do not make sense). A good plan should make the needed resources available. "The right project can always find money".<br><br>They need to know how to make finance into capacity – the marginal conversion rate to capacity.<br><br>Other observed constraints:<br>- Board ambitions<br>- Competence<br>- Brand limitations<br>- Organisation<br>- Technology<br><br>The lack of internal HR capacity, not lack of money partly explains why the consultancy business is thriving. One missing question is who recruits project management people; HR, acquisition, procurement or other? |

| Directing Change Ref. | Question | UKI | UK2 | UK3 | NOR1 | NOR2 | Findings and comments |
|---|---|---|---|---|---|---|---|
| PD7 | Does the organisation's engagement with project suppliers* encourage a sustainable** portfolio by ensuring their early involvement and by a shared understanding of the risks and rewards? (accommodating – doing, not only knowing)<br><br>*Suppliers can mean different things in different settings.<br>**The word "sustainable" is difficult/confusing – will be reworded in DC guidelines. | Main supplier on project board | The company generally seeks to be an "intelligent client" and engages with suppliers, particularly on long-term procurements. | All information which will help a supplier (internal department) is readily available. | Suppliers only engaged at Divisional level | According to project size. Central procurement to project preferred suppliers. | The answers seem a bit confused. The question is about how the suppliers help ensuring a sustainable portfolio. UK3 seems to answer the other way around – helping the supplier. UK1 and NOR1 talks about what level there are engagement. NOR2 is about the formal procedure. Not sure we can draw any strong conclusion here.<br><br>Engagement is obviously visible on execution level through contracts. Contracts define risks and rewards. It is to some extent based on mutual/shared understanding. But what is the concept for Directors? What we intended to identify was signs that the governance includes communication with suppliers to secure long term value creation of the portfolio. This point to the interest of the company's clients.<br><br>The totality indicates that – yes, there seems to be some sort of engagement – but no evidence of trying to reach a "shared understanding of risks and rewards". They seem to aspire to comply but visible confirmation varies. We doubt there is enough openness on risks and opportunities as well as incentives/rewards.<br><br>UK companies have, or say they have reduced risk concerning suppliers, but not all proactively. Recent studies (ICR 2010)[7] confirms the UK construction industry do not do this well. This is one of the comparative weaknesses of UK construction compared to European companies. |

| Directing Change Ref. | Question | UKI | UK2 | UK3 | NOR1 | NOR2 | Findings and comments |
|---|---|---|---|---|---|---|---|
| PD8 | Does the organisation's engagement with its (external) customers encourage a sustainable* portfolio?<br><br>*Sustainable means robust in the medium and long term. This is about maintenance of the portfolio in the long run. | Project customer invariably internal organisation. Business owner attends meetings of Project Board. | Level of engagement is tailored to nature of contractual relationship, with emphasis on maintaining "sound relationship" being the main driver. Customer relationship more important than cost or quality Business customers final benefit issue. | All information which may help a customer on a project is available within the limits of reasonable commercial confidentiality. | Through direct contact in the case of products relating to specific customer. Through market surveys for consumers. | Through customer groups. | Here the answer seems clearly positive. There is customer engagement, and this is consistent with answers to questions PD1 and PD3.<br><br>Seems fairly well considered in each organization. (Not quite sure what to make of UK3.) There seems to be a tendency to confirm business rather than maintaining the portfolio.<br><br>They aspire to comply but the constraints vary.<br><br>The answers raised a discussion about what the core issue here is. Organizations have answered as if it is about maintaining a good relationship with customers for whom projects are undertaken. Is the intention in the DC guidelines about "sustainability" in the corporate responsibility vein, or about preventing the project portfolio from running dry? Why shouldn't it run dry? Again; do not start projects that do not make sense (less obvious for external customer project where the point may simply be making money), stop projects that do not belong in an optimized portfolio - for the health of the organisation. UK1 and NOR2 seem to optimize the portfolio. UK2, UK3 and NOR1 seem to optimize customer relations. |

[7] Infrastructure Cost Review (2010) Main report, paragraphs 3.18 and 3.20, December 2010.

| Directing Change Ref. | Question | UKI | UK2 | UK3 | NOR1 | NOR2 | Findings and comments |
|---|---|---|---|---|---|---|---|
| PD9 | Does the organisation's engagement with the sources of finance for its projects encourage a sustainable portfolio?<br><br>(The key issue here is to secure sustainable financing for the support of the planned/desired future.) | Sources of finance subject to stable availability and change process. | Financing routes for each major project are set up according to the contract involved or the party with an interest in the development (e.g. country seeking inward investment) | Customer projects do not normally need external finance. However milestone payments will be matched with appropriate information flows. | Not usually an issue, but when we look at prospects for mergers and acquisitions. | 100% internal funding of internal projects. See also answer DR8. | During the financial crisis loans dried out. Still a problem for many companies. As we have seen from the answers above – not for these companies.<br><br>The intention of the question is to address what a company can do to improve their situation. How to build trust among the financial sources.<br><br>For this question it seems we have not chosen the organisations well. The question seems for most of these corporations to be of little relevance. (It is not typical to have no worries about external financing.)<br><br>A similar question about "sustainable portfolio" arises.<br>This depends on the sources of project funding which vary greatly. Answers seem to focus on customer focused projects, not on internal. |

| Directing Change Ref. | Question | UKI | UK2 | UK3 | NOR1 | NOR2 | Findings and comments |
|---|---|---|---|---|---|---|---|
| PD10 | Has the organisation assured itself that the impact of implementing its project portfolio is acceptable to its (internal) ongoing operations?<br><br>(This question focuses whether project operations obstruct ongoing internal operations. There is a similar question about whether the project delivery obstructs the customer's operations. The latter is not covered here.) | Current ops have priority. Implementation methodology in place. Cut-in cut-out applied. | Yes, any requirement arising will be taken account of in the BDP. Any implementation will progressively merge into the stream of operations (7.1, 7.2) | An adverse effect of project development on operations is possible but too rare to be of concern. We are aware of the issue in theory, but it affects a small part of business. There is no known case where implementation has affected operations adversely. | Yes. Divisional Directors responsible. Faith in top management is expressed. Very close dialogue with employees. Adaptation agreement with staff (unions) is all about acceptance. | Important. Within departments. Effected by projects driven from operations. | In this case we believe the reason for these answers may be the high level our interviewees work on. Do they have hands-on insight into the problems created by new systems and solutions on the floor? We believe not. Most of the problems are sorted out and the noise filtered away before it reaches this level.<br><br>Experience from both physical infrastructure (buildings) and digital infrastructure (IT-systems) indicate this is a bigger problem than these answers indicate. This raise a second question: Do directors get enough visibility of the problems in implementation of projects?<br><br>All are confident but for different reasons. It appears at senior level that the focus on the portfolio being driven by the plan tend to mean the problems arising for ongoing operations are blamed on a bad plan and not mentioned in relation to project portfolio. |

| Directing Change Ref. | Question | UKI | UK2 | UK3 | NOR1 | NOR2 | Findings and comments |
|---|---|---|---|---|---|---|---|
| DR8 | Communication of portfolio status to key stakeholders?<br><br>(The Directing Change guideline defines governance as involving "a set of relationships between a company's management, it's board, its shareholders and other stakeholders" p. 3.<br><br>Answers above cover suppliers, customers and financial sources. What about shareholders and local authorities and other interested bodies?) | See PD7 (supplier on board), PD8 (internal customer) and PD9 (stable financing) above. | See PD7, PD8 and PD9 above. | See PD7, PD8 and PD9 above. | Yes. Primary stakeholders are internal. Corporate Director takes information back to Division from CMT. Reporting to the Corporate Board. | Yes, through targeted analyst events, close relations with regulators, full time union representatives, openness toward employees in the projects.<br>Annual Report. | Slightly incomplete material, but the answers we have seems to give a positive impression. However, the answers seem to relate to individual projects, not to the portfolio as a whole.<br><br>How good is this information? How clear, and how precise?<br>In general we perceive lack of visibility to the public, shareholders, government etc. Annual Reports are known to be more marketing material than a source of real information about project portfolio.<br><br>No evidence of portfolio status being communicated to external stakeholders, except for NOR2. |

| Directing Change Ref. | Question | UKI | UK2 | UK3 | NOR1 | NOR2 | Findings and comments |
|---|---|---|---|---|---|---|---|
| DR7 | Use of independent verification?*<br><br>*Due to slightly different questionnaires these questions were not asked directly in the UK interviews. | Not mentioned in interview.* | Not mentioned in interview. Customer involvement is closest that is discussed.* | No answer.* | Not systematically. Used in investment projects, but not in change initiatives. Changes are closely integrated in operations and reported there. | Use internal Audit.<br>Small projects audited as part of regular audit planning.<br>External audit for large projects. | Incomplete answers, but in combination with the answers to question PD3 where the UK corporations mention gateways and reviews, we can conclude that there are verifications, but that the form may vary (independent/peer review, external/internal).<br><br>This is also supported by the case-studies and interviews in a recent PMI-report including studies in UK, Norway and Australia; Early Warning Signs in Complex Projects. Link: http://marketplace.pmi.org/Pages/ProductDetail.aspx?GMProduct=00101245001 |
| | Feedback assessment after project completion of the performance of sponsors, project managers and teams<br>- By whom?<br>- How often?<br>Use of the data obtained.* | Mix of projects.<br>No formal programme (yet).<br>Well documented project management process (?). | Projects and programmes and portfolio.<br>Slow rate of change of portfolio.<br>For a typical 2-3 year project the frequency of progress meetings at Business Sector level is monthly.<br>Effect on operations managed.<br>Well documented project management process (?). | Generally, but room for improvement. | All strategic initiatives evaluated ex-post.<br>Focus on whether the effect is achieved.<br>Plus; was it wisely executed? Would we do it differently next time? Evaluation against business case.<br>By the CMT.<br>Used in monthly reports etc. | Following implementation longer than before, out to the customer.<br>BDU consider whether successful.<br>Management group (14 individuals) identifies lessons and decides on learning roll-out. | Fairly direct answers in the NOR interviews, although they do not answer by whom/how often. Hard to get an impression based on the UK ones on this question. (UK answers compiled from answers to other questions.)<br><br>UK does not address this directly but the "well documented" status of the processes suggests that there has been some consideration (once upon a time) of whether/how projects succeed or fail.<br><br>See also answers to question about motivation below.<br><br>Nothing on sponsor and PM's performance. The link on high level seems missing. Is this an elephant in the room? (a major issue no one wants to talk about) |

| Directing Change Ref. | Question | UKI | UK2 | UK3 | NOR1 | NOR2 | Findings and comments |
|---|---|---|---|---|---|---|---|
| Motivation | Different phrasing of the question in questionnaires:<br><br>NOR questionnaire: "Director motivation?<br>Who takes responsibility for ensuring motivation – and maintaining it?<br>What is done to ensure that motivational aspects are catered for in projects? "<br><br>UK questionnaire: "What considerations motivate Directors when taking decisions in relation to projects?"<br><br>(The intention was to illuminate motivation of individuals and the group (the board). Also the role of the chairman to look after motivation could have been asked for.) | Organization's reputation, value for money and delivering strategy.<br>"Who takes responsibility…?" and "What is done…etc?" not clear from interview notes. | Every director has objectives arising from the Business Plan, thus ensuring alignment (8.1). | The principal factor in director motivation is the implementation of UK03 customer strategy. | Each manager responsible for motivation.<br>Motivate by information and focussing effect.<br>Trickle down motivation.<br>Lift-up of wages to corporate level when assigned to project full or part time to secure incentive to follow up. | Sponsor at Director level – motivates the project's existence.<br>Employees regarded as professional who should be committed to change.<br>Hold back in projects to ensure employee commitment.<br>Motivate through piloting. | Theoretically the directors are motivated by translating the objectives and pursuing them. In practice the motivation of the board is the sum of motivation of each member and the influence between them. There is also a difference between Executive – (internal) and Non executive (external) Directors.<br><br>The answers indicate top-down thinking on motivation (similar to top-down thinking about projects and implementation).<br><br>There seems to be a notion that people (at all levels) should be motivated by the purpose (or task, duty).<br><br>There is an indication that managers need no extra motivation, whereas employees need extra information, piloting (see it in operation) etc.<br><br>Motivation of, not by, directors is a key focus for our study. Were respondents reluctant to talk about the motivation of Directors in relation to optimising the portfolios composition and performance? Is this a blind spot for Boards?<br><br>In UK (and NOR) the boards are recommended to review their competence periodically, but there is no mentioning of motivation. We expect this to be important. |

| Directing Change Ref. | Question | UKI | UK2 | UK3 | NOR1 | NOR2 | Findings and comments |
|---|---|---|---|---|---|---|---|
| Other DC PM2/PM3 /PM5 /PS1 /DR7 | Notes concerning “other issues” arising in the interviews – not responses to one specific question. | PM2, PM3, PM5 and PS1 not clear from interview text, although formalised methods and roles (but not PM2) are operated/appointed. DR7 not mentioned in interview. | The longevity of project managers’ positions is a positive factor. (1.6)<br>Corporate Board is the top decision-taking structure.<br>Business Sector management has day to day control of its own portfolio.<br>- There is an “ERP Management Group” (probably at corporate level) | PM2 Generally covered, but room for development.<br>PM3 No answer.<br>PM5 is recognised and trained for.<br>PS1 No answer.<br>DR7 No answer. | Business case.<br>“Partner”-role link to the owner.<br>“Navigator”-role is project support.<br>Roadmaps exist.<br>No formal reviews or audits.<br>Project Office was removed.<br>No standard financial control.<br>Salary lift-up of project resources to secure focus on project tasks. | Business case.<br>Sponsors in Business Units.<br>Common project model.<br>Green-Yellow-Red flagging. Monthly reports to Corporate level.<br>Internal consulting company.<br>Pilot roll-outs. | Here is a mix of issues. Hard to draw a specific conclusion across answers.<br><br>Strong on PM5 (governance and pm-roles and responsibilities) but weak replies on all others. Competence issue seems under-addressed, but was mentioned as a limitation.<br><br>A formal organisational chart for each of the organisations would have given a clearer picture of where the relevant roles and functions are placed in the hierarchy. Different names are used for their functions, but we did not check explicitly their formal place.<br><br>There may be scope for a Stage 2 study tour to follow up on issues not specifically pursued in this stage. |

| Directing Change Ref. | Question | UKI | UK2 | UK3 | NOR1 | NOR2 | Findings and comments |
|---|---|---|---|---|---|---|---|
| | Omitted issues – what they did not cover in their answers (even if the questions invited to do so): | Culture.<br>Changes in organization.<br>Directors' motivation.<br>Constraints.<br>Success and satisfaction level.<br>Stakeholders other than supplier and customer. | Culture.<br>Success and satisfaction level.<br>Stakeholders other than supplier and customer. | Culture.<br>Success and satisfaction level.<br>Stakeholders other than supplier and customer. | Culture.<br>Director's motivation.<br>Turnover of Directors.<br>Constraints.<br>Success and satisfaction level. | Constraints.<br>Success and satisfaction level. | This is one of the really interesting observations in this material: They omit talking about culture. Is it not important? Is it not OK to talk about? We believe this is a main issue – and of course hidden under many of the other issues raised in the interviews, but the observation is that it is not explicitly addressed. Do directors have a blind spot here? Should be further investigated.<br><br>Neither is success and satisfaction levels talked about. This may be because it is difficult to measure, or maybe the results are less impressive in this perspective than they would have liked to report? (Judging from the answers above the level of success is indicated to be rather high.) Boards should have some methodology to measure their performance against own history (improvement) or external sources (benchmarks). We believe there is a connection between benchmarking and maturity.<br><br>The willingness of the individuals and companies to be interviewed is also a factor – those who are uncertain about their performance are more likely to have refused. In addition the country culture has impact. It seems easier to get access to respondents in Norway than the other countries. |

**The team's assessment of the companies and the interviews as a whole**

This is an assessment made on basis of reading through the complete records of each interview. To have a general impression, this will correspond to reading the table above vertically – following each corporations answers.

| Consideration | UKI | UK2 | UK3 | NOR1 | NOR2 | Findings |
|---|---|---|---|---|---|---|
| Assessment of each corporation individually: | Seems inward looking with little concern for justifying itself externally. Complacent? Comfortable with its systems and performance, but against what benchmark? | Seems highly sophisticated in PPPM but how accountable and transparent? | Formalities are in place. How mature in governance terms do we think this and the other four respondents? This seems patchy. | Seems successful in completely changing and redefining the corporation from public sector service provider to commercial industry. Very high concern for employee involvement. Sophisticated. | Rapidly maturing in terms of systems and experience. High concern for employee involvement. Strong unifying theme for portfolio. Seems most competent of the five. | These findings give an impression of how large corporations work. However, these corporations are not representative for companies either in UK or Norway. |
| Project management maturity? | Medium | High | Medium | Medium | High | We would possibly ask different questions if this was our focus. |
| | | | | | | |

**Comments on reliability and validity**

| Factor | UK1 | UK2 | UK3 | NOR1 | NOR2 | Comment |
|---|---|---|---|---|---|---|
| Documentary evidence reviewed? | No | No | Examples seen | No | Partly | Not as good as intended. |
| Confidence of interviewee knowing true picture | High | High | High | High | High | Good. |
| Confidence of interviewee giving full picture | High | High | High | High | High | Good. |

We did not obtain answers to all our prepared questions. Neither did we obtain as much documentation as we intended from the start. This weakens the impression of reliability and validity. On the other hand, the respondents gave a very solid impression. Their key positions related to knowing the issues in focus and the willingness and ability to answer our questions give the totality a good standing. The intention was never to prove anything. The number of cases and interviewees are far too low for such conclusions. This serves only as an illustration and window into the reality in a few, good corporations in two countries.