Multi-Level Governance in Inter-Organizational Project Networks

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PGCS Symposium
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Agenda

- The discourse on the governance of interorganizational project networks
- Governance theories and their limitations
- Multi-level governance (MLG) as theory framework
- Synchronization of MLG Type I and II organizations
- Contextual contingencies of MLG interface units
- Summary

The discourse on governance of interorganizational project networks

- **Network**: a group of three or more organizations connected in ways that facilitate repetitive achievement of a common goal [1]
- Potentially dominate the business of projects [3]

- Characteristics:
  - Long-term, re-occurring collaborations [2],
  - Continuously evolving and redesigning themselves [4]
  - Autonomous actors, motivated by access to scarce resources, business opportunities, lower transaction costs in repetitive collaborations

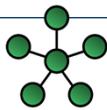**BI**   10 August 2021   PGCS Symposium   3   AACSB EQUIS AMBA

Example of networks

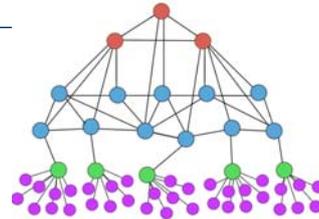Government agency

Between projects

Knowledge sharing network:
Update network organizations on latest BIM developments

Tendering

Information sharing network:
Identify possible specialized advisors and entrepreneurs

Project execution

Service provision network:
EPC contract execution

All of the above networks need network management, network governance, and jointly they need governance of networks

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The discourse on governance of interorganizational project networks

- **Network management**: "planning, organizing, leading, and controlling, […] conditioned by continuous interaction and adaptation among autonomous actors and situation specific tasks" [5, p.659]
- **Network governance**: "the use of formal and informal institutions to allocate resources and coordinate joint action in **a** network of organizations" [6,p.5]
- **Governance of networks**: the governance of **several** networks over time or simultaneously

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Governance theories and their limitations in networked settings

- Governance theories emerged in many disciplines, which led to a multi-perspectival set of theories today
- E.g. the *Handbook of Theories on Governance* [11] lists 44 governance theories
- Project management research typically applies seven of them [12]
  - Agency theory
  - Stewardship theory
  - Transaction costs economics
  - Shareholder theory
  - Stakeholder theory
  - Resource dependence theory
  - Network governance theory

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Governance theories and their limitations in networked settings

- Hierarchies
  - Typically explained by agency theory, stewardship theory, transaction costs economics
  - Applies to dyadic relationships in networks and hierarchies between organizations
- Networks [15]
  1. Lead organization-governed networks
     - One organization has the power to assume a central position and direct the others
  2. Shared network governance
     - Several or all organizations collectively steer the network
  3. Network Administrative Organization (NAO)
     - Separate external organization governs the network

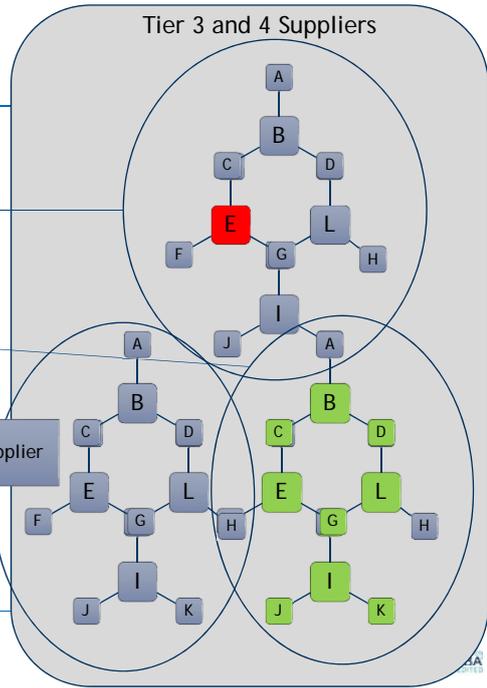BI   10 August 2021   PGCS Symposium   8   AACSB EQUIS AMBA

[14]

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Typical hierarchical governance theories

Agency Theory

Stewardship Theory

Transaction Cost Economics

Ministry

Steering Grp (Beneficiaries)

Project management (Tier One Supplier)

Tier 2 Supplier

Tier 2 Supplier

Tier 2 Supplier

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Typical network governance theories

Lead Network Organization

Shared Network Governance

Network Administrative Organization

Tier 2 Supplier
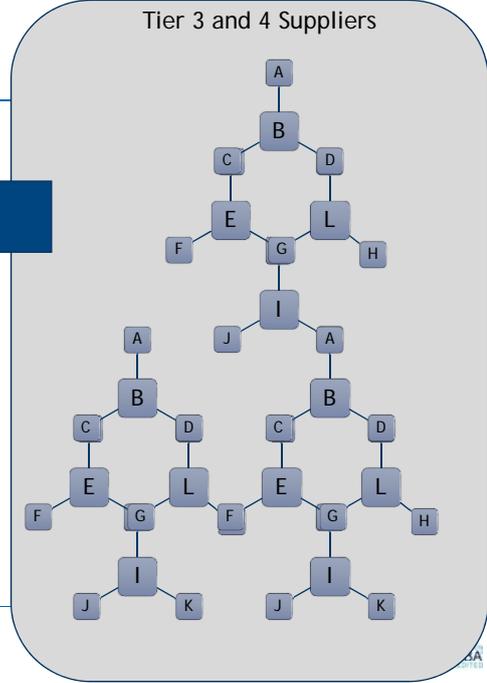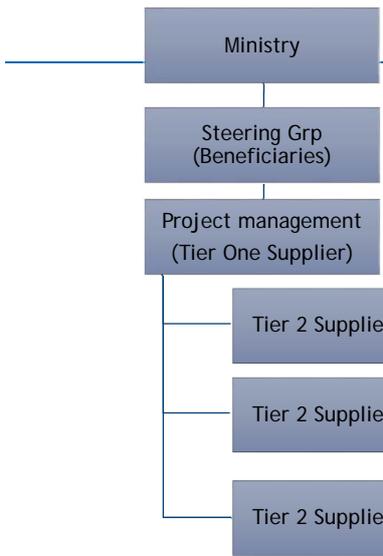
Tier 3 and 4 Suppliers

[15]

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Ministry

Steering Grp (Beneficiaries)

Project management (Tier One Supplier)

Tier 2 Supplier

Tier 2 Supplier

Tier 2 Supplier

Tier 3 and 4 Suppliers

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Multi-level governance theory [13]

- Combines hierarchical and network topologies
- Framework to apply existing theories
- Distinguishes between Type I and Type II governance
  - Type I addresses the hierarchical part
  - Type II addresses the networked part
- Type II governance is typically nested within Type I governance

Multi-level governance [12,13]

- Type I governance
  - System-wide perspective
  - Steers the autonomous and non-overlapping units
  - Decision board for the shared interest of these organizations
  - Aims for system efficiency
- Type II governance
  - Task perspective
  - Steers individual endeavors using technical proficiency, knowledge, solution finding
  - Aims for Pareto optimality in e.g. resource usage

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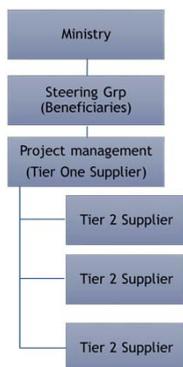## Synchronization of MLG Type I and II organizations [12,16]

Type I governance

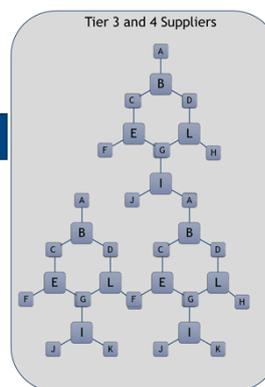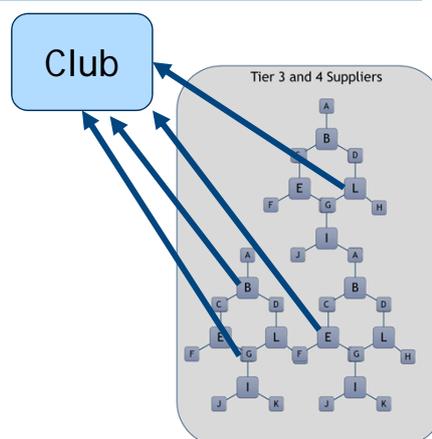Type II governance

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Synchronization of MLG Type I and II organizations – Clubs [12]

Emerge as a group of volunteers from different disciplines [11]

- Jointly solve ad-hoc a shared issue
- Mutual trust in capabilities and skills
- Tend to occur in stewardship-types of governance contexts

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Synchronization of MLG Type I and II organizations – Agencies [12]

- Formed by prime contractor and/or investor
- Led by prime contractor representatives and staffed with people from subcontractor companies
- Leaders typically belong to the project management group,
  - provides for mutual transparency between Type I and II governance.
- More formal than clubs, using formal appointments, defined roles, regular meetings
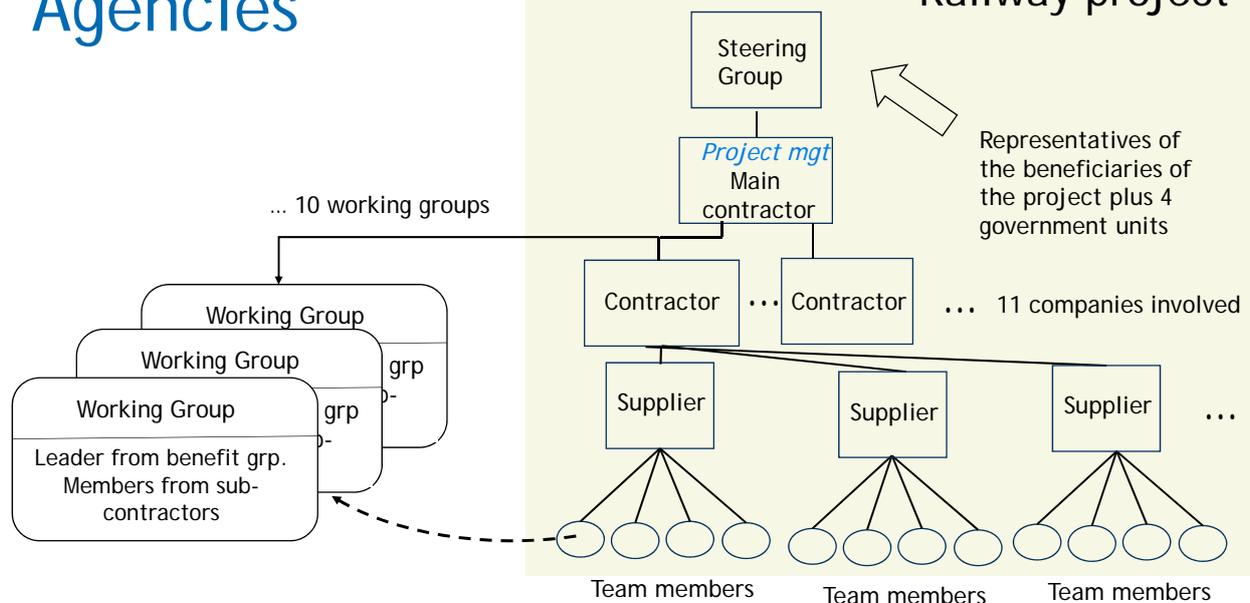- Typical for environments that balance both agency and stewardship approaches to governance

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Agencies

Railway project

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Synchronization of MLG Type I and II organizations – Boards [12]

- Formed for formal handling of project internal and external governance-related issues
- Often concerned with process compliance and overall correctness
- Boards align closer with the project owner than agencies or clubs
- Typical for control-driven, agency like context

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Boards

School project

- City Gvt
- SPV Project comp
- Advisor company
  - Legal advisor company
  - Technical advisor company
  - Financial advisor company
- *Project mgt* Main contractor
- Contractor ... Contractor ...
- Sub-contractor
- Sub-contractor
- Sub-contractor ...
- Legal advisory board
- Technical advisory board
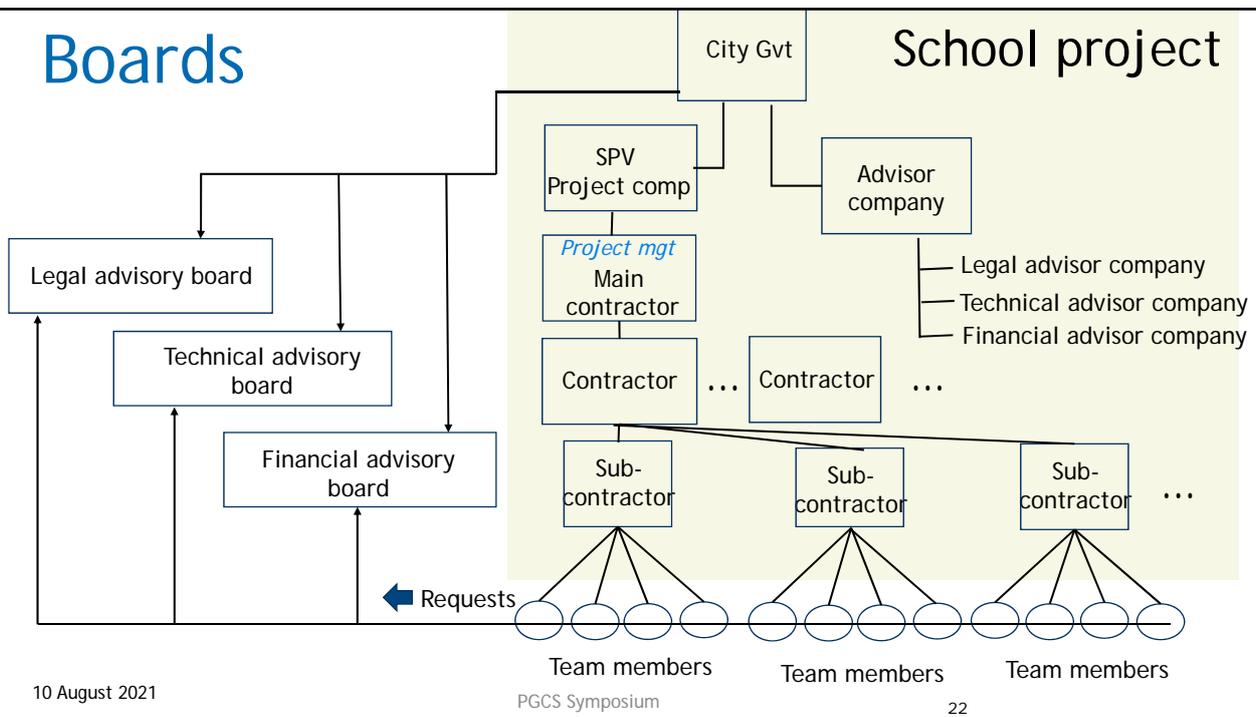- Financial advisory board
- ← Requests
- Team members
- Team members
- Team members

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Context for interface organizations [12]

| Characteristic	Agency theory	Stewardship theory
Governance mechanism	Control	Trust
Control approach	Behavior-control (e.g., process compliance)	Outcome-control (e.g., delivery according to specifications)
Contract strategy and interaction	Stringent with frequent detailed reviews	Some level of freedom, with regular reviews

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Context contingencies of interface organizations [12]
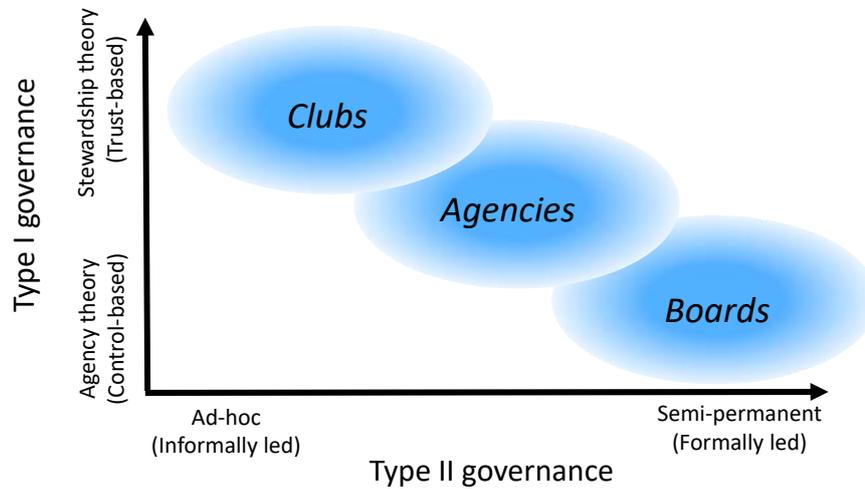
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Summing-up – We looked into…

- The nature of interorganizational network governance of organizations that jointly execute (mega)projects over time
  - Identified their typical structures as hybrids
  - Discussed the limitations of existing popular governance theories used in project management
- A framework of governance design options
  - Multi-level governance
- Interface units for Type I and Type II governance institutions
  - Clubs, agencies, boards and their contextual contingencies

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Thank you

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