# Governance for Sustainable Project Management

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# Introduction

- As a global society are facing a multitude of crises and challenges.

- UN SDGs are an attempt to address some of the underlying wicked problems.

→ Achievement of these goals is under severe threat and progress is moving in the wrong direction (Messerli et al., 2019; United Nations, 2020).

→ Interventions on a transformational scale are required.
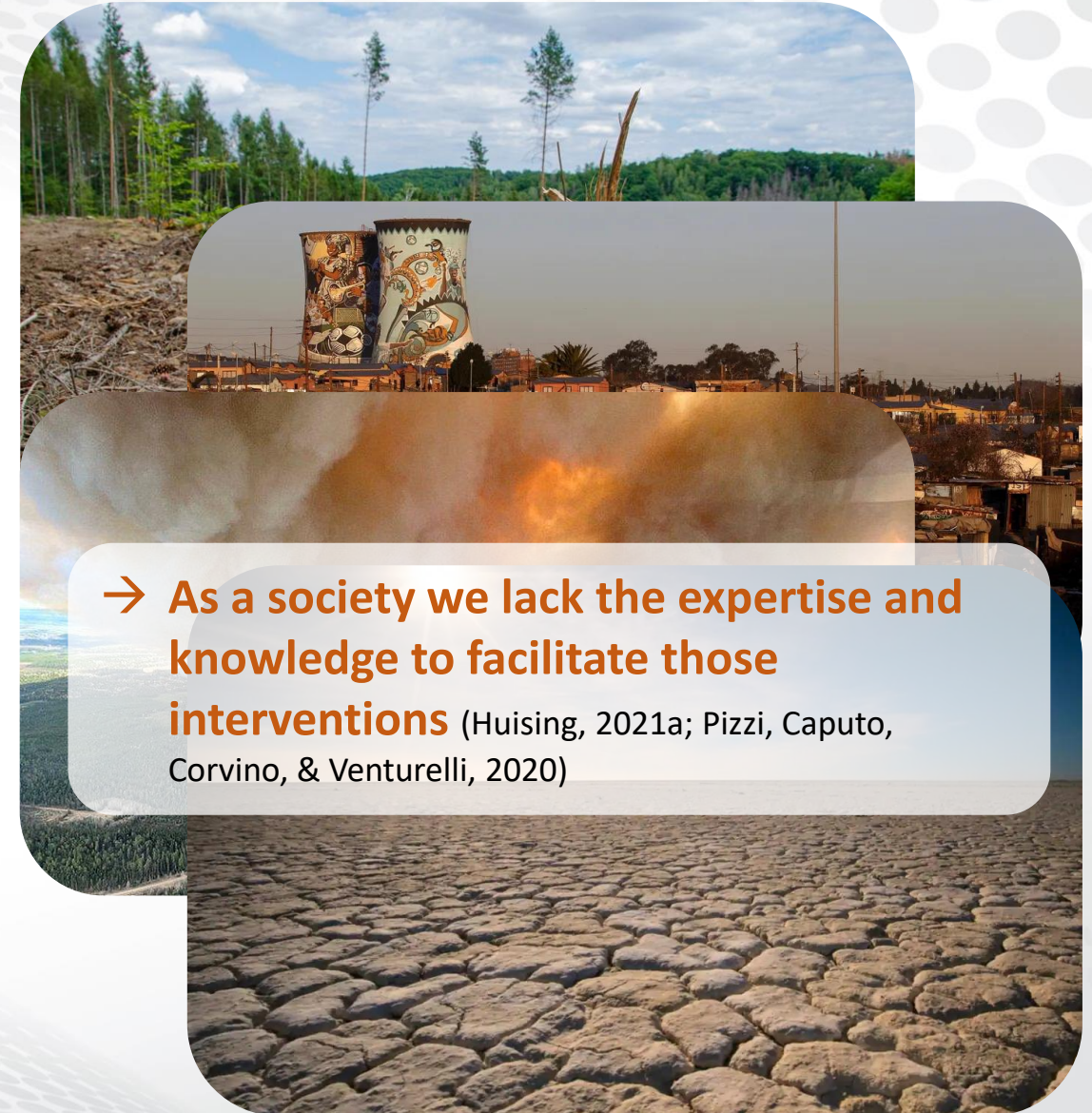
→ **As a society we lack the expertise and knowledge to facilitate those interventions** (Huising, 2021a; Pizzi, Caputo, Corvino, & Venturelli, 2020)

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# Introduction

*"With projects, we create the future."*

(Huemann, 2021)

Projects can contribute to the sustainable development in two ways (Gareis, Huemann, Martinuzzi, Weninger, & Sedlacko, 2013; Huemann & Silvius, 2017) :

❖ through the product or deliverable of the project ('sustainability by the project')

❖ through the process or delivery of the project ('sustainability of the project')

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# Sustainable Project Management

*"Sustainable Project Management is the planning, monitoring and controlling of project delivery and support processes, with consideration of the environmental, economical and social aspects of the life-cycle of the project's resources, processes, deliverables and effects, aimed at realising benefits for stakeholders, and performed in a transparent, fair and ethical way that includes proactive stakeholder participation."*

(Silvius and Schipper 2014, p. 79)

**Why should businesses care about it?**

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# Sustainable Project Management

❖ Assumption: economic performance will be enhanced if principles of sustainability are introduced in projects (Sabini et al, 2019).

❖ Issues:

- Measurement of success of projects and project management

- Control mechanisms (Kivilä, Martinsuo, & Vuorinen, 2017).

❖ Incorporation of sustainability consideration into projects is challenging (Hueskes, Verhoest, & Block, 2017).

**How can an appropriate inter-organisational environment be created that acts as an intervention nexus to create a more sustainable future for everyone through sustainable business practices?**

**→ Governance**

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# Governance

*"Better governance is a prerequisite for […] steps towards sustainability"*

(Kemp, Parto, and Gibson, 2005, p. 18)

*"The TBL [triple bottom line] agenda is the responsibility of the corporate board".*

(Elkington, 2006, p. 524)

❖ Effective governance mechanisms support organisations in realizing their sustainability objectives and in achieving legitimacy (Hussain et al., 2018).

❖ Organisations that have a more holistic appreciation of sustainability as well as corporate governance have been found to address sustainability issues more comprehensively (Aras & Crowther, 2008).

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# Governance

**_Governance theories and sustainability_**

Organisational perspective

Integration of complementary governance theories



Shareholder theory
[Single bottom line]

Stakeholder theory
[Triple bottom line]

Behavioural perspective

Agency theory
[Opportunistic behaviour]

Stewardship theory
[Collectivist serving]

# Governance

**_Governance mechanisms and sustainability_**

Formal governance mechanisms

❖ Control and reporting systems (Formentini & Taticchi, 2016)

= Contractual governance (Roehrich et al., 2020)

❖ Formal and explicit contracts which outline roles and responsibilities

❖ Typically legally binding

**COMPLEMENTARIES**

Informal governance mechanisms

❖ Social systems based on cooperation (Formentini & Taticchi, 2016)

= Relational governance (Poppo & Zenger, 2002)

❖ Flexibility, solidarity and information exchange

❖ Negotiation capacity, problem solving skills and information sharing

# Governance

**_Governance mechanisms and sustainability_**

Sustainability leaders (Formentini and Taticchi, 2016)

❖ Deploy a combination of formal and informal governance mechanisms

❖ Holistic and collaborative approach: high level of socialisation, investment in skills development and formal support structures

❖ Have sustainability and management expertise available internally in the organisations

Other organisations (Formentini and Taticchi, 2016)

❖ Which lack a clear understanding of sustainability demonstrate a misalignment between strategic goals and actions

❖ Mainly formal governance mechanisms with little focus on collaboration

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# Expertise

*Expertise "refers to the characteristics, skills, and knowledge that distinguish experts from novices and less experienced people* (Ericsson, 2018, p. 3)

- ❖ Professional expertise: based on abstract knowledge system (Barley, 1996)

- ❖ Relational expertise: understanding the network of interactions in the working environment (Huising, 2021)

- ❖ Interactional expertise: generated in interaction with clients (Huising, 2021)

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# Expertise

**Sustainability expertise**

❖ Imbalance between competences PMs are required to have according to the leading standards in project management and the sustainability expertise they need (Silvius & Schipper, 2014)

❖ Professional, relational and interactional expertise required

Sustainability competencies (Silvius & Schipper, 2014)

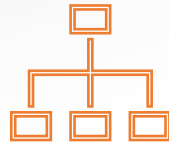❖ Systems thinking competence

❖ Anticipatory competences

❖ Normative competences

❖ Strategic competences

❖ Interpersonal competences

→ **Likely that there is a similar gap of sustainability expertise within project governing bodies**

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# Expertise

## *Governance expertise*

❖ Represents the "integration of several forms of domain expertise in the service of organisational goals" and is regarded as an expertise for the 21$^{st}$ century (Huising, 2021)

❖ Projects as instruments and nexus for transformational interventions will demand the integration of a wide variety of subject specific expertise in order to achieve their objectives

❖ Governance expertise could facilitate and enable SPM through the creation of the specialised capacity to access multiple domains of expertise, assess and curate, represent and transform into an intervention

❖ Project management experts focus on the operational application of planning and control, stakeholder engagement or interface management vs. governance experts act directly "at the intervention nexus where several and varied forms of expertise meet" (Huising, 2021)

➔ **Gap in governance expertise in the project context**

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# Governance for SPM

***Governance arrangements***

❖ Stakeholder theory has been widely adopted to explain the mutually supportive relationship of governance and sustainability → management for stakeholders imperative (Huemann, Eskerod, and Ringhofer, 2016) → project managers need to have permission, authority, opportunity and accountability to act accordingly → governance arrangements

❖ Sustainable business practices require the adoption of a long-term perspective in the decision making and the collective serving behaviour shifts the focus from personal gain to the benefit of the stakeholders → stewardship approach

**P1:** **In order to govern effectively for sustainable project management, governance arrangements need to be based on the principles of stakeholder and stewardship theory.**

# Governance for SPM

**_Principles for governance arrangements for SPM_**

1) Project governing bodies need to be divers

2) Members of the project governing body need to be independent

3) Project governing bodies need to meet frequently

4) Reporting frameworks need to be integrated

5) Project manager roles needs to be separated from the leadership of the project governing body.

6) Establishment of a project social responsibility committee needs to be considered

# Governance for SPM

***Governance mechanisms***

❖ In inter-organisational collaborations leadership in sustainability performance requires the utilisation of both formal and informal governance mechanisms based on predominantly collaborative approaches

❖ Integration of sustainability efforts across the temporary project organisation is required

**P2:** **In order to govern effectively for sustainable project management, governance mechanisms for compliance need to comprise of a combination of formal and informal mechanisms reflecting contractual and relational aspects.**

# Governance for SPM

***Principles for governance mechanisms for SPM***

1) Formal contractual mechanisms need to

- outline roles and responsibilities for sustainable business practices
- include integrated control and reporting systems.
- consider the establishment of incentives or bonus systems for compliance

2) Informal relational mechanisms need to

- facilitate the development of a shared vision, values and social norms aligned with the triple bottom line
- facilitate collaborative initiatives with the aim to build long-term trusting relationships.
- facilitate socialisation and engagement between all organisations involved in the project.

3) Financial and non-financial investment needs to support the formal and informal mechanisms.

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# Governance for SPM

**_Governance expertise_**

❖ Project governance is often seen within the remit of the project sponsor or project owner → strong economic connotation with likely single focus on financial performance → need for more integration of different control and assessment mechanisms for sustainability in the management of projects

❖ If there is no holistic and comprehensive approach in terms of sustainable business practices to the governance of a project due to isolated responsibilities and accountabilities, it is unlikely that this integration will happen on the management level.

**P3:** **In order to govern effectively for sustainable project management, a project governor with sustainability and governance expertise needs to be instated.**
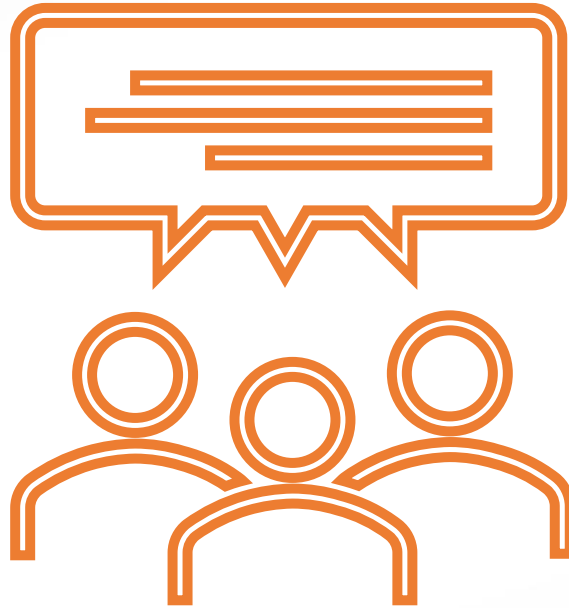
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**Read more**:
Unterhitzenberger, C. 2024. Governance for Sustainable Project Management. In: Silvius, G. and Huemann, M. eds. *Research Handbook on Sustainable Project Management.* Cheltenham: Edward Elgar
Available from July 2024 (here)

# Discussion



Thank you.

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