



# Owner capabilities in the project society: The setting of project-supported organisations

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## ABSTRACT

Building on extant research on domains of project organising, the aim of this study is to explore the application of the concept of owner capabilities to the wider setting of the project society. To this end, the study focuses on the context of project-supported organisations (PSOs) that operate through a continuous provision of goods and services and only occasionally undertake projects to expand or maintain its business infrastructure. We select the setting of fast-moving consumer goods, where projects have the role of capacity expansion or extension of operational capability. Engaging with 18 informants from a selection of organisations on the supply and demand side in the provision of capital projects in the selected setting, the study provides further insight into the nature and role of strategic, commercial and governance owner capabilities in project-supported organisations. Building on the findings, we derive key recommendations for project leadership and we conclude by calling for future research to understand the role of project owners and their capabilities in the various contextual settings of the project society.

## 1. Introduction

Whilst projects are often theorised as temporary organisational forms going back to the seminal piece by Lundin and Soderholm (1995), there is increasing recognition that project organising takes place in the context of permanent organisational entities with long-term strategic and operational horizons. As an important contribution to this debate Winch (2014) suggests a useful distinction between *domains of project organising* including (1) *owner/operators* that undertake temporary projects and programmes to expand or maintain their business infrastructure, (2) *the project-based firms* that provide their services and thus contribute to the realisation of the owners' strategic intent and the (3) *projects and programmes* as temporary organisational arrangements that make it possible for owners to engage with their suppliers and achieve their purpose. The discussion on domains of project organising also suggests the importance on the interfaces between the permanent and temporary organisations – both the governance needed to align the owner with the project organisation as well as commercial arrangements necessary for the relationships between the owner and its suppliers.

This literature also makes a useful distinction between the *project client* as a purchasing entity in the contractual sense and *owner-operator*,

who is typically engaged in long-term operations of the assets that are produced through the project. Along these lines, Winch and Leiringer (2016) build on Morris and Hough's (1987) "strong owner" concept to develop a framework on *project owner capabilities*, needed in the context of owner organisations whose primary operational and business model is not based on projects but continuous flow provision of services.

Whilst Winch and Leiringer (2016) validate their framework by presenting empirical research within economic infrastructure, they are "convinced that [their framework] has relevance to projects for the acquisition of a wide variety of physical infrastructure by owners in the private and public sector (Winch and Leiringer, 2016, p8)." Our study endeavours to build on this point, by extending the owner capabilities framework in the context of *the project society*, described by Lundin et al. (2015) as a result of the various trends of *projectification*, where a large volume of social and economic activity takes place in the form of projects. This stream of work identifies and discusses the macro-level context that defines how project activity takes place. Specifically, Lundin (2016) differentiates between *Project-supported Organisations*, which undertake projects for purposes of development of organisational capability or business infrastructure, *Project-based Organisations* that engage with project delivery as their main business and operational model working

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for external business clients and *Project Networks* as inter-organisational temporary arrangements assembled around a specific goal in mind. Specifically wanting to expand the notion of owner capabilities in the context of the project society, we chose to focus on the Project-supported organisation (PSO) context as it emphasises the role of the owner and the role of projects to support or develop the long-term business goals through operations and maintenance rather than focusing on projects as the main business model for organisations. As an example of the PSO context distinct from the economic infrastructure where the concept is originally developed, we are interested in extending the owner capability framework to the context of fast-moving consumer goods (FMCG) focusing on the role of the owners therein and their capital projects. The FMCG setting is chosen as a business context heavily focused on manufacturing, marketing and sales with wide distribution of often perishable low-margin and high-volume products. Whilst capital projects in this setting are key to support the value chain, they would not be expected as the key focus of long-range decision-making on strategic and operational business considerations. To explore the extent of the application of ideas on owner capabilities we thus focus on large-scale manufacturing of FMCGs with the main operating model relying on supply chain optimisation (Godsell et al., 2011) and operations management (Holweg et al., 2018) whilst the role of projects is in the context of the expansion of manufacturing capacity, systems and processes.

We therefore ask the following research question: *How does the concept of owner capabilities translate to the setting of project-supported organisations in the project society?*

## 2. Owner capabilities in project organisations

The definition of projects as temporary organisations has been widely accepted and pervades project research (Lundin and Soderholm, 1995; Packendorff, 1995; Bakker, 2010; Winch, 2014). Temporary organisations are created to accomplish specific tasks, or to deliver particular outputs, after which they cease to exist (Grabher, 2002; van Marrewijk et al., 2016). Whilst projects are established within existing permanent organisations (; Lundin and Söderholm, 1995 Turner and Müller, 2003; Young et al., 2012), links with the permanent organisation must be established for each individual project (Too and Weaver, 2014) forming a project coalition (Winch, 1989). Moreover, projects are rarely formed solely built on the owner's organisational resources but rely on project-based firms to supply resources to aid in project execution (Winch, 2010). There is then a 'difficult balancing act' for participants in the project who are encouraged to put interests of the temporary organisation above that of their permanent employers (Müller and Martinsuo, 2015). Projects are therefore delivered by temporary organisations requiring interorganisational collaboration across multiple geographical, technical and cultural boundaries, to deliver some specific benefits (Grabher, 2002) after which they are disbanded (van Marrewijk et al., 2016). The delivery of these benefits requires, for instance, specific commercial capabilities including for instance contracting (Salimi et al., 2014; Lu et al., 2015) relational (Pitsis et al., 2004; Kumaraswamy et al., 2005; Xu et al., 2014; Lu et al., 2015; Joslin and Muller, 2016), and packaging (Winch and Leiringer, 2016) capabilities. Alongside commercial capabilities, Winch and Leiringer (2016) also establish strategy and governance as important capability areas for project owners. Further research on capabilities has identified for instance the importance of transformational capabilities which are needed for clients to develop into strong owners Gulino et al. (2020) as well as capability identification, development and performance aspects of capabilities in project organisations (Leiringer and Zhang, 2021).

To expand on the debate on owner capabilities in PSOs, in we use the strategic-commercial-governance model of owner capabilities to build the conceptual basis for the empirical work.

### 2.1. Strategic capabilities

Strategic capabilities are a key responsibility of the owner organisation. With multiple competing proposals for investment, the successful organisation must be capable of identifying the "best" projects, putting in place the organisational, and financial resources to enable its delivery. Shenhar and Dvir (2007) categorise the strategic portfolio into four different project types based on the customer orientation (internal or external) and the strategic goal dimension (strategic or operational). Arto and Dietrich (2007) argue that this process includes categorising projects by type, supporting flexible decision making, effective communication and transparency, linking projects and strategy processes, setting goals, evaluating strategic content and distinguishing between effectiveness and efficiency. Morris and Jamieson (2005); and Cooke-Davies (2002) add that "choosing the right projects" is critical to delivering this corporate strategy. The allocation of capital to specific investments, can, by definition not happen without the process of project selection, despite this, academic research has seldom explored the process (Winch and Leiringer, 2016). However, the behavioural phenomenon of deception through strategic misrepresentation and delusion through optimism bias have also been explored (Flyvbjerg et al., 2009; Winch, 2010).

Portfolio management is often used as a method to ensure that projects are evaluated to ensure alignment with organisational strategic objectives. Too and Weaver (2014) argue for clear delineation between the function of project sponsorship and management of resources. The sponsor will often be used as the agent of the strategic core in communicating with the temporary project organisation (Too and Weaver, 2014). Cooper et al. (1999) present evidence for top performing companies displaying strong management support, and formal processes and procedures for managing their resources. Young et al. (2012) argue for a more principle-based approach, to provide a strong link between project management and top management, focusing on senior management decision making to realise strategic goals.

Research in the IT sector suggests the level of projects that are delivering true business benefits may be fewer than one third (Young et al., 2012). The importance of projects being initiated to deliver corporate strategy in both the management literature (Kwak and Anbari, 2009) and the project management literature (Morris and Jamieson, 2005) suggest a merging of fundamental principles (Cooke-Davies, 2002; Peppard et al., 2007). However, Young et al. (2012) suggests there is almost no overlap between the view of senior management 'through a telescope' with that of project managers 'peering down their microscope'. Deficiencies in top management support, and its high impact on project success suggest that project managers failure to engage senior management (Young and Jordan, 2008; Young et al., 2012) along with a lack of concern for project management by senior management (Crawford, 2005) may present a fundamental barrier to organisational success.

### 2.2. Commercial capabilities

Commercial capabilities, on the other hand, are important to enable focus on contractual and selection issues to govern temporary project organisation behaviour. Transaction cost economics (Masten et al., 1991; Corts and Singh, 2004; C. Ive and Chang, 2007) is used in research to develop a stronger understanding of project organising in an environment of increasing disintegration. The problem of supplier selection (Winch, 2014) has been addressed through auction theory, focusing on the design of bidding systems (Bajari et al., 2009) and on the unit of analysis as the "transaction" (Winch and Leiringer, 2016) or as the way project scope is broken down into work packages, leaving the interfaces between these work packages to be managed by the owner, and those within that package "blind".

Relational contracting is often seen as a solution to the fragmented, adversarial nature of some project industries (mainly construction) where the underlying principle is that of creating goal congruence, or

‘win-win’ scenarios for both owner and supplier (Kumaraswamy et al., 2005; Pryke and Smyth, 2006; Hughes et al., 2012; Poirier et al., 2016). There is a perception that the temporal nature of projects impedes the ability to build lasting relationships (Bakker, 2010). However, many project managers work within core teams of suppliers and owners allowing for longer term relationships to prevail over the temporary organisation (Manning and Sydow, 2011). There are benefits of partnering in combatting a lack of integration by attempting to drive the stewardship type behaviours that are driven by long term relationships and repeated interactions (Latham, 1994; Egan, 2002; HM Government, 2013; Müller and Martinsuo, 2015). This relationship quality includes satisfaction (Holmlund, 2008), commitment and trust as key components between individuals within the business-to-business transaction (Müller and Martinsuo, 2015), and flexibility, solidarity and information exchange (Zhang and Qian, 2016). In IT project research there is substantial evidence that the degree of managerial flexibility combined with the level of relational norms within the temporary organisation has a strong effect on project success (Müller and Martinsuo, 2015). That research shows that low managerial flexibility reduces the project to a bureaucratic process. On the contrary, in the case of high relational norms, Müller and Martinsuo (2015) argue that low flexibility in partner management leads to stronger trust bonds and a better long-term relationship suggesting that the key determinant to project success is the level of relational norms achieved.

2.3. Governance capabilities

The third set of owner capabilities explored in this paper refers to governance capabilities. Project governance literature broadly encompasses ideas on corporate governance focusing on the relationship between senior organisational leadership and the portfolio of projects in their organisation and governance of inter-firm relationships. A recent literature review on project governance literature identifies a wide variety of theoretical frameworks underpinning project studies on project governance such as Agency theory, Stewardship Theory, Institutional Theory, Transaction Cost Economics, Network Theory, Contingency Theory and Stakeholder Theory (ul Musawir et al., 2020). Ahola et al. (2014) identify two distinct streams of governance research in projects - research addressing governance as external to the project, and research positing governance as internal to the project. The first focuses on a permanent set of procedures and systems exercised in the temporary focal project which can be considered as a broker interface role, responsible for relationships with the external project client; the latter focuses on forms of procurement and contracts which act as a steward (interface role) to connect parent organisation and the project team. However, in contrast to Ahola et al. (2014), recent focus on governance in temporary organising and relational contracting, built on trust and relationship quality, suggest enhancement in project performance (Turner and Müller, 2004; Müller and Martinsuo, 2015). Governance capabilities broaden the outward perspective of commercial capabilities, encompassing both inter-organisational, and intra-organisational interfaces (Winch, 2014), the guidance of projects through their lifecycle (Biesenthal and Wilden, 2014) and the coordination of multiple projects, and their resources. Whilst literature argues that a project must be seen as a temporary organisation within an organisation, it seldom addresses the importance of project contingencies, attempting to apply a universal set of managerial characteristics (Shenhar and Dvir, 2007). Young et al. (2012) are critical of standardised project management methodologies in aiding the delivery of strategic benefits, highlighting discrepancies between “project management success” and “project success”. Governance at the permanent project organisation level steers the project along its lifecycle (Biesenthal and Wilden, 2014), being concerned with defining objectives, allocating resources and monitoring progress (Müller and Lecoeuvre, 2014). However, little attention is paid to how these configurations and approval processes change throughout the lifecycle (Winch, 2014). The increasing number of projects being

handled by organisations have led to the development of the project management office (PMO), responsible for developing project management competence, performance monitoring for single projects and coordination of multiple projects (Kerzner, 2003; Too and Weaver, 2014). PMO’s are usually associated with carrying out project assurance (Hobbs et al., 2008; Aubry et al., 2010), often relating to who makes decisions, when in the lifecycle they are made, and on the basis of what information (Winch, 2010). As well as presiding over these project controls, the PMO is also tasked with internal assurance, and overseeing external audits (Hone et al., 2011), usually requiring that they are ‘neutral’ from project delivery. Winch (2014) highlights the issue of ‘lagging indicators’ in formal assurance procedures, and, in the same vein, notes the resourcing of the PMO (or lack thereof) as a major cause of project failure.

Research on the principal-agency relationships between project owner and project supervisor (Toivonen and Toivonen, 2014), shows that the principal should employ contractual incentives in order to align the project managers interests with that of the organisation’s (Cuevas-Rodriguez et al., 2012). The underlying pre-requisite of information asymmetry (Balakrishnan and Koza, 1993) in principal-agent theory (Eisenhardt, 1989; Strange et al., 2009) lends this form of governance to situations where the monitoring of performance is difficult or expensive. As such the hiring organisation, it is argued, should employ performance monitoring metrics to overcome the information asymmetry problem. Critics of agency theory suggest an agency approach to governance is a self-fulfilling prophecy (Ferraro et al., 2005; Toivonen and Toivonen, 2014). Stewardship advocates posit that the steward makes decisions in the best interests of the organisation, and satisfies their own personal needs by taking actions that enhance organisational performance (Prencipe et al., 2005; Toivonen and Toivonen, 2014; Turner and Keegan, 2001). Müller and Lecoeuvre (2014) focus on orientation of the firm on a stakeholder-shareholder continuum, operationalising this for empirical testing they define four dimensions, decision making, remuneration, legitimacy, financial objectives, and long-term objectives.

The integration of an asset that is the product of a project into the existing operating environment of a project, is argued by Winch and Leiringer (2016) to be an essential capability in project governance. However, this task is increasingly difficult as technology and projects themselves become more complex (Hobday, 1998; Gernaldi et al., 2011) arguing for a broad systems integration approach (Hobday et al., 2005; Prencipe et al., 2005; Davies and Mackenzie, 2014). Systems integration capabilities require in depth knowledge and ability, and are thus being used as a source of competitive advantage in supplying project-based firms (Prencipe et al., 2005). In summary, we suggest that owner capabilities necessary for project-supported organisations are as in Table 1.

3. Research design and methodology

The goal of the data collection was to understand how the concept of owner capabilities applies in project-supported organisations (PSOs) outside the setting economic infrastructure delivery, where the theoretical framework was developed. We chose fast-moving consumer goods (FMCG) manufacturing as a setting that represents a heavily operations focused setting, where the role of projects is contained to that of

Table 1  
Owner capabilities (adapted from Winch and Leiringer, 2016).

Strategic	Commercial	Governance
Financial resource allocation	Packaging Contracting	Controlling Auditing
Project Prioritisation	Relational	Monitoring
Sponsorship		Coordinating interdependent projects Integration

expanding of production and operational capacity. To inform this enquiry with multiple perspectives, we selected organisations occupying both supply and demand sides of the project-supported setting of fast-moving consumer goods manufacturing. To represent the demand and owner domain of project-supported organisations, we approached two publicly traded multinational consumer goods manufacturing firms and a smaller, privately owned domestic consumer goods manufacturing company. To represent the supply side, we approached three firms providing project and programme management consultancy, and main contracting services. In total eighteen in-depth, semi-structured interviews were carried out with practitioners.

The sample of interviewees used convenience sampling (Etikan et al., 2016) with a set of specific criteria. At the time of data collection, all participants had over 10 years' experience and operated in senior management positions in the consumer goods manufacturing sector, with heavy involvement in the delivery of capital projects either from an owner, or tier one supplier perspective. The first author was professionally embedded in the sector and was thus able to obtain access to relevant knowledge by navigating the organisational field and leveraging existing professional relationships to engage key informants and then increase the sample size through snowballing recommendations for further interviewees from the participants engaged (Biernacki and Waldorf, 1981). Table 2 provides a summary of interviewees.

Interview participants had differing perspectives related to their roles and experience, so the interviews followed an exploratory approach broadly following capabilities categorised in Table 1. Having existing relationships with the initial interviewees helped researcher reflexivity and allowed for emergent topics to form, driven by the interviewee's experience. Informal interviews were carried out via telephone, or video conferencing, and lasted between 32, and 45 min each, resulting in 10 h and 57 min of interviews. Prior to the interview the interviewees were encouraged to meander from the question to aid the emergence of contemporary issues, only in the case where the interviewer felt the subject was straying too far from the issue at hand were the interviewees re-focused. 12 informal interviews were audio

recorded, and at the request of the interviewees the remaining six were not. Non-recorded interviews were recorded by taking field notes throughout the interview. Example of the interview questions included.

1. How does the business case get written and delegated at various stages of the project?
2. Who sets the strategic direction and where do project ideas come from?
3. Can you describe the permanent structures that are in place to guide how projects are run?
4. How are contract systems selected and customised?
5. How are conflicts usually managed at a project level, both Internally and through the supply chain?
6. How are the people across organisations usually coordinated?

All interviewees were guaranteed anonymity, both individually and of their employer. No quotations used in the presentation of data were to be able to be traceable to any participant, and organisation. Additionally, no names of, or means of identifying any third parties used in examples throughout the interviews were to be made public. The intention of this anonymity was to allow all interviewees the freedom to express their views without reprisal, either personally or professionally. All audio recordings were made available to the researcher only and all copies were password protected for security.

The audio recorded data was imported to qualitative analysis software (Atlas.ti) resulting in 7 h and 5 min of recorded audio for analysis. Due to the pre-existing categories and concepts developed by Winch and Leiringer's (2016) conceptual framework this research chose to adopt an axial coding approach (Corbin and Strauss, 2008) to data analysis, allowing for a better understanding of the salience and density of the concepts within the framework. This axial coding methodology allowed for both the assessment of concepts both by their presence, and absence. The first author led the data analysis but the ongoing process of coding was discussed between the first and second author to strengthen the robustness and consistency of the interpretation of data and emergent

**Table 2**  
Summary of Interviewees details.

Interviewee	Current Role	Current Company Profile	Interviewee Perspective	Years of Experience	Recording Method	Duration (Mins)
IV1	Technical Project Manager	Global Snack Food Manufacturing Business	Owner organisation	26–30	Audio Recorded	39
IV2	Project Manager	Global Snack Food Manufacturing Business	Owner organisation	20–25	Audio Recorded	35
IV3	Technical Project Manager	Global Snack Food Manufacturing Business	Owner organisation	20–25	Audio Recorded	34
IV4	Managing Director	Medium sized project management consultancy with a global presence	Supplier organisation	35+	Audio Recorded	32
IV5	Managing Director	Medium sized project management consultancy	Supplier organisation	35+	Audio Recorded	32
IV6	Project Manager	Large, global main contractor	Supplier organisation	20–25	Audio Recorded	33
IV7	Project Director	Large, global main contractor	Supplier organisation	25–30	Audio Recorded	45
IV8	Consultant	Self-Employer	Supplier organisation	20–25	Audio Recorded	40
IV9	Engineering Project Manager	Privately owned food manufacturing business	Owner organisation	30–35	Audio Recorded	36
IV10	Project Director	Global Snack Food Manufacturing Business	Owner organisation	25–30	Audio Recorded	28
IV11	Consultant	Self Employed	Owner organisation	20–25	Audio Recorded	35
IV12	Senior Manager	Global Snack Food Manufacturing Business	Owner organisation	20–25	Audio Recorded	36
IV13	Project Manager	Medium sized project management consultancy	Owner organisation	25–30	Field Notes	41
IV14	Project Manager	Medium sized project management consultancy	Supplier organisation	10–15	Field Notes	39
IV15	Director	Global Snack Food Manufacturing Business	Owner organisation	25–30	Field Notes	35
IV16	Director	Medium sized main contractor	Supplier organisation	20–25	Field Notes	40
IV17	Project Manager	Medium sized project management consultancy	Supplier organisation	10–15	Field Notes	42
IV18	Project Manager	Medium sized project management consultancy	Supplier organisation	10–15	Field Notes	35

theoretical constructs. Table 3 shows this coding matrix.

Coding was used to allow for a structured organisation of relevant passages in line with the theoretical framework and the presentation of results below. The use of co-occurrence analysis where the coding shows a level of association between constructs within Atlas. ti (Contreras, 2011) – example of commercial capabilities is shown in Table 4 – allowed for drilling down into coded passages for further review and analysis of the framework. Interviews captured by field notes were reviewed separately. By analysing the data, trends were identified where several participants shared similar views, and quotations were selected to provide depth to the results presentation below. Also, as the interviewees were transcribed we found that quotes by some informants provided more insight than others which led us to rely more on those ‘power quotes’ in the illustration of our analytical categories presented in the findings.

4. Findings

In reporting the findings from the qualitative data analysis, it is important to reiterate that in line with non-disclosure provisions in the research governance protocol set up for this study, interviewees’ and organisational identity will remain anonymised and we only refer to their affiliation with either owner or supplier organisation. Similarly, whilst informants interchangeably used terms of client, investor, operator and owner, for purposes of conceptual consistency we use the term ‘owner’ in reporting the findings and their discussion.

4.1. Strategic capabilities

The nature of the consumer goods manufacturing organisations approach to the allocation of funding available for capital investment is driven by targets related to net sales value. There is a distinct boundary between the business-as-usual organisation and that of the capital project delivery organisation. Furthermore, the sheer size of the core business of the organisation, in relation to the entire capital investment allocation, let alone the individual project scale is evident. These allocations are broken down into regional, and strategic business unit targets for capital investment by their apportioned sales value.

“These are multi-billion-dollar companies, their core business is the manufacturing and sales of their product [...] they are required to invest [a percentage] of their net sales value annually, so there you have your multi-million-dollar business within the multi-billion-dollar business, with its own set of rules.” – IV11

As a result, the publicly traded nature of the owner organisations leads to demands on the business to ensure that the capital spending meets the levels of capital allocation. The capital project delivery organisation undergoes significant “portfolio balancing” to ensure that the capital spend is as close to allocation as possible. This can lead to

Table 3 Coding matrix.

Code Level	One (Interviewee perspective)	Two (Capability Category)	Three (Concept)
Values	Owner Operator Capital Project Delivery Supplier	Strategic Commercial Governance	Financial Resource Allocation Project Prioritisation Sponsorship Packaging Contracting Relational Controlling Auditing Monitoring Coordinating interdependent projects Integration

Table 4 Co-occurrence table export from Atlas.ti for “Commercial capabilities”.

	#CPDO	#Operator	#Owner	#Supplier	TOTALS:
Com_Packaging	5	2	0	3	10
Com_Relational	7	11	2	8	28
Com_Contract	10	1	1	5	17

year-by-year swings in the difficulty of securing approval for capital projects. When other regions, or strategic business units, are underspent in the closing phases of the annual cycle, projects are likely to be approved with less stringent criteria. It is possible this could lead to low performing projects being approved, and even the tactical holding of projects for opportunistic entry into the approval process.

“Investors are watching the stock market, if you’re not hitting your [annual target], the CEO is being asked why ... In [one year] we had a regional underspend, so we had to go around trying to get the site leaders to try and bring some projects forward before the end of the year. The next year the same thing happened, but this time everybody had a list of projects ready to go as they knew they could get them approved. As a result, we ended up with an overspend. We did the same thing two years in a row, one year we’re the heroes, the next year we’re public enemy number one.” – IV11

Project definition is happening at different levels throughout the organisation. The projects are proposed either in a bottom-up fashion, where somebody within the operational teams is aware of an operational problem that requires attention. Conversely, there may be top-down introduction of technologies. Interestingly however, it is often the case that the project is conceptualised in either the owner/operator areas of the organisation, but to truly define the project these business-as-usual departments are heavily reliant on the capital project organisation to fully develop the project definition.

“The projects come from a number of different sources, they can come from one of the [owners], or from [corporate HQ] with a new technology. With the ones from the [owner], they’ll usually come to us with an idea, and ask us to turn it into a project. With the technology projects, they’ll come in and say, ‘I’ve got this new technology working in X’ can you look at the options in [your region] to deploy it, and they’ll well build up a business case around that after doing the analysis” – IV1

Strategic focus from the owner’s point of view is on the operational segment of the organisation. A conscious effort to label the operational business as an owner of the capital project delivery organisation leads to a strong alignment of the capital project delivery organisation to focus on that relationship quality.

“This whole labelling of the site as a ‘customer’ has led to more autonomy for people in my part of the organisation to go and present to sites and tell them what we think they should implement, however it has made it more important to get buy in for execution at a site level, and as you know for the design process to make sure the site is getting what they want” – IV1

The stark realisation by the capital project delivery organisation that the success of the project in the front-end, execution, and close-out is reliant on these relationships leads to a pervasive preoccupation on building and maintaining these relationships.

“... nobody is going to stop you delivering your project quicker than the site team. If you don’t have those relationships in place already, every snag you hit is going to take twice as long to resolve ...” – IV15

“The site teams can make or break you ... you could go in and deliver the best bit of kit, the site team will make it or break it in the first 3 weeks” – IV1

An understanding that the execution of those projects is secondary to the business-as-usual output of the organisation is also evident.

“You’re constantly trying to balance the priorities of project performance against the priorities of site performance ... most of my job is dealing with disagreements and misalignments between project teams and site, and in my experience the ease to which they are resolved is entirely linked to the relationship between the project team and the operations team ... it’s all very personality driven” – IV1

Although these large major organisations have been executing capital projects for a considerable time, the centralisation of project capabilities into the capital project organisation, attempting to act symbiotically with the operational business as usual profit centres leads to further challenges in resource allocation. The subservient nature of the project organisation within the greater organisation, and the lack of formal reimbursement procedures for project allocated time against functional responsibility creates a pressure to negotiate for critical functional, and operational resource participation on project execution.

“It’s the classic matrix organisation ... The project team is pulling its resource from the functional teams, and external suppliers ... The internal resources have a boss in the core business ... if you don’t have a relationship with that manager you need to go and make one, because you will have to negotiate to get time spent on your project” – IV11

Although the project definition is heavily developed in the capital project delivery organisation and the supplier network, sponsorship remains within the owner organisation. Sponsorship seniority level is dependent on the capital value of the project.

“You can’t expect the executive level to care about upgrading compressors in [site X], they simply don’t have the time. The capital plan is delegated to the operational levels and those levels are expected to ensure those necessary operational projects are done within their budget” – IV15

Seldom did any respondent in owner organisations refer to the strength of sponsorship, or the importance of the selection of the sponsor. Sponsorship appears to be reduced to representation at pre-scheduled meetings, and an ongoing proactive involvement from project sponsors doesn’t appear to be of paramount concern.

“We have monthly meetings, sometimes quarterly depending on the project. The sponsor will sit on that steering committee and will receive an update on the project.” – IV1

Corroborating this perception, suppliers cite the difficulty in engaging senior management in the project reporting process.

“I always found [the reporting] difficult to right. Bad news always travelled fast, I always struggled to get the [owner] to engage with the good news – that’s almost just what was expected. The major [owners] often had a lot of project with issues and seemed to be overworked dealing with that.” – IV5

The task of project prioritisation, or selection is delegated by project value. There is limited visibility of projects under the financial thresholds by senior management. The financial investment case has delegated levels of IRR, in different categories of projects allowing for the priorities of the owner organisation to be set by weighting the IRR’s for projects that are of strategic priority to the business.

“The IRR is the main hurdle that is set for capital approval, with different IRR’s for different categories of projects” – IV3

In summary, the research shows that the demand size and the nature of FMCG manufacturing business are factors that have an impact on

strategic capabilities in their capital projects spending. To make strategic capital project investments, the organisation relies on accurate signals from the market and needs to collaborate with the supplier network as a critical element of managing the commercial interface, which we further elaborate on.

#### 4.2. Commercial capabilities

The project is reliant on the suppliers when moving closer towards capital approval as the need for detailed knowledge of solutions increases. The owner organisation is going “out to tender” at very early stages of the project definition, when it would appear the actual intent of this is to have *supplier* proposing solutions to problems to build up the capital business case. The reliance on the supplier to assist in the definition of the project may well be driven by the lean resource models in the capital project delivery organisation, or it may indeed be driven by the supplier’s drive for competitive advantage.

“We’d try to get involved as early as possible, you often find the [owner] has a good idea of that they need but they don’t actually understand the nuts and bolts of it, and they often have limited resource to do that in house .... The [owner] would want our ideas on how to solve the problem, always done at our cost, but that was often the key to winning the job”- IV5

“You have to give the [owner] confidence by showing them you understand their business, and even more the pains they are enduring in the market [...] if you read about what the [owner] is doing in their published reviews you’re six or twelve months too late, if you’re working with the [owner] to help them develop their strategies, you’re in the box seat, and hopefully you won’t find yourself headbutting in the trenches for a race to the bottom on price in a tender race” – IV4

There is a clear favouring of traditional procurement techniques by the owner. Following a process of writing a “full” scope, and for the supplier giving a fixed price for the delivery of that scope with all risks accounted for. There appears to be awareness of the weaknesses of this approach, however, this appears to be combatted through relying on supplier’s interpretations of the needs of the owner.

“We go in turnkey with a robust URS, when we go in and find the URS was less robust than we thought, we’re very exposed to cost escalation [...] We could write a [scope] that goes down to the Nth degree, but we put some faith in the supplier understanding the requirements we’re looking for – there’s an expectation that the supplier knows what the output is” – IV2

This is driven by corporate policy, and the approval process. The capital approval process doesn’t allow for the levels of observable risk associated with more contemporary forms of contract, therefore driving out the opportunity for their use.

“I’m expected to go in for approval saying, ‘I can deliver this output for this cost. Not, I estimate it will cost this amount to deliver this project’” – IV2

One contradicting example was found in a smaller privately-owned organisation, by an engineering manager with previous experience in a larger global owner organisation further backing up the notion that this preference for traditional fixed price contracting is driven by the larger corporate business models.

“I’ve used every gamut of contracts in the last six months ... it’s when the scope is defined, I can really go out and get a detailed proposal ... if you don’t know what you want, the risk profile is just going to get covered by money” – IV9

“The senior leadership team are happy for the Capex to be submitted with no risk allowance for ground conditions, as they were aware there would be a chance that no rock would be found; I couldn’t have done that in a corporate entity ... I would have had to have samples taken and then pass that risk down the supply chain” – IV9

Investigating the packaging problem further reinforces this approach. There is an understandable aversion to actively managing civil works, as they are not core capability, and equally an understandable willingness to manage the connection of utilities separately as they are often beyond the remit of the supplier.

“if we’re going to do anything with civils we’ll hand it over turn key lock stock the lot. We wouldn’t get involved in any of that and we don’t want to take on any risk with that ... we won’t get involved with anything to do with safety systems anymore, we just don’t have the capability in house to be competent” – IV1

There is a drive by suppliers to compete for greater and greater portions of the scope, regarding capital equipment. This presents an opportunity for the owner to cherry-pick from suppliers, and allows for an almost reversing of the packaging process. The general approach being that the full project scope is released to the preferred suppliers, who then bid for the scope they are willing to perform, at which point the owner can choose which interfaces it manages and which it chooses to “wrap” in a single supplier scope.

“Even if they said, ‘I want this’, because of your knowledge of the [owner] and the market you would usually offer them something else. If you could build that in and show the [owner] it was useful, the [owner] would often shift their allegiance to you ... if you just offer what the [owner] has asked for, you’re almost dealing in commodities, then it’s all about cost” – IV5

This drive by the suppliers to try and add value through integrating project scope, and being a “one-stop shop” for a project, gave the owner an opportunity in that they can almost have a competing scope for all areas of the project.

“We would have 3 or 4 suppliers that would come in and present for an hour. The brief we would have already given them would come through a request for quotation, and we offer them their full scope to come and tell us what they would be prepared to do. So, let’s say, one comes in, and says, right we are prepared a package that says, we can do the entire line, we can do seasoning, distribution, weighing, bagmaking, collation, and case packing ... and we will do the lot, we’ll bundle the price, and it will be X. and then we’ll have [a second supplier] come in and say, we just want to do the bagmakers and the weighers. We’ll then break that down and see where are the points of risk, so putting all that work with [supplier one], they’ve been behind with the last three jobs, they’ve got a resource problem in northern Europe, would we really go and do that?” – IV1

The reliance on a core network of suppliers, with tender qualification heavily biased towards prior project performance suggests the importance of these relationships in both the efficacy of execution and also the suppliers ability to secure future work.

“I don’t see distance [between us and the suppliers] as an issue, we give them a scope and they deliver to that scope, if there are any issues it will be picked up at the design reviews or progress meetings, it’s very simple” – IV10

“We have a permanent core of contractors ... I’ve worked with new contractors in the past, and I can spend longer managing them than doing my own job ...” – IV9

In contrast, focus on relationship quality in this dyad is very deliberate on behalf of the supplier. Suppliers are blatantly aware of the importance of informal communication, and relationship development

inter-organisationally, both to enhance project performance, and to develop a sales pipeline. Active policies of contractual confrontation avoidance (within reason) are common.

“We’re very relationship focussed, and we actively try to avoid those difficult contractual conversations as much as possible, and that works relatively well for us in that we have almost nothing but repeat business.” – IV7

“We always tried to have our project reviews on a Friday, after that you can go for dinner and have some beers or wine, that is when the [owner] generally has a chance to say, ‘I don’t like this guy for this or that reason, I need to have somebody else on site’” – IV4

The lack of recognition of relationship importance on the owner side may be driven by the traditional business as usual design of the organisations, with a strong focus on procurement efficiency over effectiveness acting in direct opposition to those “on the ground” trying to build stable networks of talent in project delivery across organisations.

“Right now, procurement is the top dog function, so the engineers are fighting for a core network of suppliers, but procurement see it as a commodity so you don’t see it translate.” – IV11

However, there may also be issues rooted in the scale dominance in a market traditionally categorised by low competition – a situation which is changing with the rise of generic, and contracted out manufacturing services – whereby the owner organisations are acutely aware of their market-based power over the smaller supplying firms, and as such is able to exploit this dominance to its advantage.

“If I knew that supplier was delivering systems to us all over the world, then I would expect them to take it on the chin for the greater good” – IV3

In summary, the research shows that the FMCG business relies significantly on the knowledge and capability inputs from suppliers. In many cases unclear requirements from owners are deliberate to allow suppliers to add value to the project through their capabilities. This dependence on suppliers often is a result of power relations between owner and suppliers through how the scope of project, contracts and project risks are managed.

#### 4.3. Governance capabilities

Governance processes in the consumer good manufacturing organisations studied here are mixed. Project control is dominated by many standard documents, both on delivery aspects and technical aspects. Technical engineering standards are managed centrally to allow for consistency across business units, in both operation, and product output. These technical standards are stringent and heavily detailed, due to the stringent regulatory industry requirement governing the nature of the product output.

“... it’s more of a ticket to play, rather than an advantage. Without having those [technical] assurances in place you won’t be invited to the table” – IV7

However, conversely, delivery documentation in all cases is referred to as a “building block” type system allowing project managers to autonomously exercise their discretion on the control systems implemented.

“Each stage gate requires a standard set of documentation ...” – IV3

“We have an internal process to follow which is set up with a series of compulsory and optional building blocks [...] We have a certain degree of autonomy, however in any situation where you deviate from the recommended process you better be able to justify your actions when something doesn’t go to plan” – IV2

There is recognition that the level of process and control in a delivery context is “low definition” in comparison to some other industries, and that this is acceptable to the organisation. Project managers are expected to exercise their ad-hoc judgement and their “style” of management is accepted to be different across different parts of the organisation.

“We don’t have the same level of process as your standard project management houses. In our industry, I don’t think we need it ...” – IV10

“We don’t have a fixed process, we have guidelines, but our projects are always pretty varied so we build it up based on the size and complexity of the project” – IV9

The dominance of the ‘business as usual’ operation over the capital project delivery potentially drives a differing definition of project “effectiveness” than assumptions may presume. Although projects, even within the consumer goods industry strive for “success” in delivering benefits, effectiveness may be driven more by the projects impacts on operations rather than by the isolated impact of benefits driven by the project. This is illustrated by the willingness to enter into major capital spending projects with what would in other industries be considered far from complete scope and definition.

“They all have a different definition of effectiveness. [Company A] says, I want to deploy quickly, and we’ll mop up at the end with money. [Company B] is more concerned with predictability of delivery” – IV11

“When you look at the amount of money we spend, it is quite astonishing we don’t choose to put a small amount of money at risk to reduce the risk on the full capital amount” – IV4

“... some companies are very mature in their processes, they spend money up front as a practice, you’re not just putting numbers on a page, you actually have to do the engineering ... Others are far more inward looking, they’ve been around for years, and you are able to just have a slush fund for your errors in the business case.” – IV11

This weaker governance environment is carried through to monitoring processes. Project reporting is focussed on exception reporting and issue escalation, with little focus on continuous communication.

“It starts with conversations between site ops and site PM, any issues will be escalated to site leader and regional execute lead, and anything that can’t be resolved will be escalated further up the chain ... it will be exceptions that get fed up the chain” – IV1

There is no evidence of projects being reviewed in line with business objectives after capital commitment. The disposition of the owner organisation is to carry out available due diligence prior to Capex sign off, at which point the project will be seen through to completion. Again, the overriding priorities of the business-as-usual shift focus on technological success rather than efficient project delivery.

“We generally only consider projects as failing when they are failing to deliver technically, and we don’t always know that until too late ...” – IV2

“Once we’ve gone through the stage gates and said we’re going to run with this project and orders are placed ... once that’s happened we don’t go back and check the financials are still viable” – IV3

Overall, there is little focus on issues under the governance umbrella throughout interactions with professionals.

In summary, the research shows that consumer goods manufacturing businesses use a mixture of both set procedure (building blocks) and ad-hoc documentation practices. Because the capital delivery project is seen as not part of “business as usual” process, therefore, there is a degree of adjustment on the go for project governance. This is seen as creating

flexible governance capabilities that firms require.

## 5. Discussion

The research provides insight into the current understanding of owner capabilities in FMCG projects as a category of the PSO setting. We further expand on how our findings relate to the original concept of strategic, commercial and governance capabilities and how they expand the notion of the project society.

### 5.1. Strategic capabilities

The key insight about owner strategic capabilities is in the positioning of the strategy in relation to long-term operational and maintenance aspects. This is in line with previous literature differentiating between project clients and owner operators (Winch and Leiringer, 2016) based on the client’s purchasing and contractual role and owner’s strategic focus. Specifically, the owner’s strategic focus is on its relationship with operations where project outputs have the role of assets to be utilised over long periods of time in line with Merrow (2011). Moreover, our findings suggest that portfolio management is far more passive than the existing literature would suggest, where capital portfolio values are set more as targets, rather than available capital, and delegated to strategic business units through pre-set formulaic criteria. The key project selection issue within portfolio management is then reduced to a decision within specific business units (usually manufacturing sites), with business unit leaders both lobbying for the approval of their chosen projects, and also acting as sponsor for those projects throughout their lifecycle. Combining these roles is somewhat contradicting Too and Weaver’s (2014) advice. Furthermore, sponsorship is reduced to far less of a leadership role, and more of an administrative task, and post-approval the centralised coordination of the portfolio is concerned primarily with assurance of capital spend values over that of portfolio added value. Thus, there is a palpable organisational distance between the owner, and the true value delivery potential of its projects. It is possible that by focusing on projects as a typical unit of analysis the collective power of the portfolio as a whole, particularly in PSOs, is underestimated and thus the strategic capabilities surrounding that portfolio may require further investigation.

### 5.2. Commercial capabilities

Commercial capabilities are typified in this research by a predisposition for traditional contracting techniques, and although those working within the capital delivery organisation are aware of the potential shortfall in many scenarios there is little appetite for change by the wider business. There is an inadvertent reliance on the supply chain to assist in the definition of project scope, with the supply side of the relationship citing difficulty in engaging senior management in times other than crises. This organisational distance may be driven by the relative average project scale to the corporate whole, thus driving a need for stabilised systems in place of active management. The procurement led nature of the wider owner business, possibly driven by the historical motivation for reducing input prices in manufacturing, makes motivating change in this area a challenge. Although causality is unclear, packaging processes appear to be shifted onto the supplier in the first instance, with suppliers bidding for ever greater proportions of capital project scope. In addition to this, owner relational capability presents itself as very inward looking – that is exclusively toward operations. However, admission of a reliance on a core network of repeat supply chain interactions leads to a competitive advantage that has been noted by suppliers. Relationship quality is evidently of importance to the supplier-capital project delivery organisation dyad. It is unclear whether the underlying cause of this reliance is supplier motivation for competitive advantage, or supplier desperation in filling an otherwise unbridgeable void in project capability. This reliance on the supply



chain for commercial capabilities may provide some transferrable parallels to the economic infrastructure industry. With the vertical disintegration of the construction industry being heralded as a major stumbling block for the efficiency of the UK construction industry (Gruneberg, 2018), this may too be mirrored in the other industries, with the increasing level of horizontal integration from the supply chain looking to combat (or take advantage of) this opportunity.

### 5.3. Governance capabilities

Governance capability in the capital project delivery context, would appear in this case to leave a void of effective control. The high levels of regulation in output quality proceeds high-definition technical standards that are executed with rigour. However, regarding control, monitoring and auditing, the former two appear to be reduced to a check-list approach, whereas the latter is almost non-existent on the owner side. An important question is raised regarding project effectiveness, challenging the assumption of effectiveness of projects being tasked with maximising value and raising the concern of project impact on the profit-making organisation during execution within which it resides. Again, existing research would suggest that governance is far less passive, possibly due to the higher levels of business risk associated with capital projects, or potentially due to the direct interface between the end consumer and the physical assets being produced through projects typically analysed in past research. As a result, we couldn't identify a distinct point of emphasis in the governance domain, besides the issues of monitoring and control (efficiency) and questioning the choice of the project in relation to its fulfilment of long-term goals (effectiveness). In this way our findings are consistent with existing theoretical insights suggesting project governance should be more clearly linked to the implementation of organisational strategy in practice (ul Musawir et al., 2020).

## 6. Conclusion

This paper set out to answer the following research question: How does the concept of owner capabilities translate to the setting of project-supported organisations in the project society? Our findings illustrate the landscape of the perception of owner capabilities by professionals engaged within the FMCG manufacturing sector. Our findings suggest that while the specific notion of the project owner was not explicitly present, some of the key features of the strategic, commercial and governance capabilities mindset were discussed and emphasised in the interviews. For example, the emphasis on long-term operational and asset performance corroborates the distinction between the transactional role of project clients and strategic role of project owners along the same lines as previously discussed in literature on infrastructure projects (Winch, 2014). Similarly, the importance of engaging with the supplier network not only in the project execution stage but also in the strategic project front-end reinforces the importance of the commercial-facing interface. Thus, the focus on commercial capabilities is not only in unlocking the execution of projects but also for the decision of which projects to undertake to accomplish the strategic business goals. Finally, the emphasis on efficiency and effectiveness in defining the governance capabilities suggests that the owner focus is primarily on operational continuity, which is in line with recent research identifying the lack of implementation of project governance research in organisational strategy (ul Musawir et al., 2020). Another important finding was the implicit nature of references to owner capabilities, suggesting a somewhat passive awareness of the owner capabilities mindset in the FMCG setting.

Whilst developed in the FMCG setting, our findings have wider implications for the PSO context.

For example, the implied operational focus in the governance of PSO settings provides a good reference point to select projects with most potential for enhancing the effectiveness and efficiency of the business-

as-usual performance. Regardless of this implied focus, there was a lack of the explicit acknowledgment of the project owner role in our setting. This suggests that PSOs can learn from infrastructure provision clients and explicitly define the project owner as an organisational unit dedicated to the strategic implementation of capital projects. This role can be designed as a dedicated delivery unit or it can be embedded in the organisational PMO.

The subordinate nature of the capital project organisation to business-as-usual carries through all aspects of the project environment surrounding capital project delivery. We suggest that in a PSO, projects require careful negotiation around the impact on resources and a heavy focus on lobbying functional department heads in a matrix style organisation to secure scarce time from valuable resources. Our research confirms that in those settings success is not only measured on project implementation efficiency (i.e. time and cost) but, but also on the impact on the effectiveness of the operational business.

As our findings suggest that owner's focus on capabilities is less deliberate than often reported in organisational external facing communications and with an increasing reliance on the supplier network to perform what should be owner capabilities, we see two main implications arising from this study. First, PSOs should take a more deliberate strategic approach to owning their projects including, for example, the decision of whether to develop or procure their project-related capabilities and to which extent to engage their supplier network in the definition and selection of project options. And second, considering a reliance on the wider ecosystem in the delivery of projects, may prove fruitful to encourage and develop a more outward looking perspective, allowing for a more cognisant perception of the reliance on other parties throughout the project and operational lifecycle of the PSO.

The implications of the study for the project society are in extending the discussion on the project owner to the PSO contexts outside the economic infrastructure delivery sector. In particular, by emphasising the idea of owner capabilities in industrial settings not usually associated with project organising, the findings of the study contribute to the debate on projectification of the economy (Midler, 1995; Schoper et al., 2018) and the society (Lundin et al., 2015). The work starts to problematise the notion of projectification of the firm as it found a relatively weak take up of owner capabilities ideas in the FMCG case organisation. More broadly, our findings also suggest that if 'projectification of everything' (Jensen et al., 2016) is taking place, the understanding of the various capabilities needed to operate in project-oriented organisational contexts also needs to expand. Finally, the study provides additional nuance to research on owner capabilities with transferability potential for other PSO settings. To build further understanding on the nature and role of owner capabilities in the project society context, future research should focus on project capabilities in other PSO settings as well as settings of project-based organisations and project networks as key contexts of the project society (Lundin, 2016).

## Declaration of competing interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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