Abstract

The last 50 years has seen a shift in the nature of work, from mass production, with stable customer requirements and slowly changing technology, to the current situation where every product or service may be supplied against a bespoke design, and technology changes continuously and rapidly. This modern environment is a more project-based economy. The management of the former situation was well understood, based on classical management theory, developed over the previous 100 years. Classical management offers the traditional organization many strengths derived from the functional hierarchy at its core. These include strong central planning, governance and control, knowledge management and human resource development. The project-based organization requires a new approach to its management, which addresses the unique, novel and transient nature of its work, but retains the strengths of classical
management. This paper is one of a series aimed at deriving such a management paradigm for the project-based organization. In this paper, we describe governance structures adopted by successful project-based organizations, and how they use them to manage the interface between projects and their clients. We describe two roles observed at this interface, labelled the broker and steward. We provide a Transaction Cost perspective of the governance mechanisms observed and the two roles. We note that the same governance mechanisms are adopted whether the project is managed in the market or the hierarchy. This is in stark contrast to the classically managed organization, and suggests different pressures act on the project-based organization requiring hybrid governance structures to be adopted for all projects. We outline the roles of the broker and steward in the different project governance structures we have identified. We consider why it is necessary to have two roles, a broker and a steward, and not one person fulfilling both.

Keywords
Governance; Transaction cost economics; Project-based organizations; Projects

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J. Rodney Turner is Professor of Project Management at Erasmus University, Rotterdam, Operations Director for the European Construction Institute, Benelux Region, and Director of EuroProjex, the European Centre for Project Excellence. His many books include the best-selling Handbook of Project-based Management, and he is Editor of The International Journal of Project Management.
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