



Conference on ENTERprise Information Systems / International Conference on Project  
MANagement / Conference on Health and Social Care Information Systems and Technologies,  
CENTERIS / ProjMAN / HCist 2016, October 5-7, 2016

## Aspects of project ownership in theory and practice

Nils O.E. Olsson\*, Gørild Berg-Johansen

*NTNU Norwegian University of Science and Technology, 7052 Trondheim, Norway*

---

### Abstract

Project owners are important. They shall support the project manager and provide senior backing to a project. However, there are some different aspects of project ownership, which are discussed in this paper. The main research questions addressed in the paper are; how is the project owner role described in the literature, and how is the role in practice? The paper is mainly a theory review of the topic project ownership. We present a simple model for the relation between project owner, project manager and operation of the project delivery. The basis for the model and discussion is a theoretical review, but we also test the proposed model on a sample of projects. As we will see, this testing creates the need for a distinction between two types of project owners; one that is mainly concerned with supporting the project manager and enabling project delivery, the other being focused on the business case and having responsibility for both project delivery and benefit realization. There has been a development where the importance of the role as project owner has been highlighted. It is our impression that this development has had two ambitions. One is to strengthen project execution. The other ambition is to emphasize the business case perspective. These two perspectives call for different organizational positions of the persons called project owners. We urge future researchers and practitioners to clarify what type of project owner role that is referred to in different contexts. We also call for an awareness of the fact that different project owners will have different set of incentives and priorities.

© 2016 The Authors. Published by Elsevier B.V. This is an open access article under the CC BY-NC-ND license (<http://creativecommons.org/licenses/by-nc-nd/4.0/>).

Peer-review under responsibility of the organizing committee of CENTERIS 2016

*Keywords:* Project owner; Sponsor; Governance; Ownership

---

---

\* Corresponding author. Tel.: +47 97713628 ; fax: +47 73 59 37 90  
*E-mail address:* [nils.olsson@ntnu.no](mailto:nils.olsson@ntnu.no)

## 1. Introduction

Project management has become aware of the importance of project owners, and of the concept of project ownership. Owners have both control and responsibility for cost and income related to a project. A stakeholder who both has control and profit responsibility has incentives to maximize the value creation related to the resource they own. Projects owners have incentives for weighing costs against benefits for a project, in order to initiate and execute successful projects. Applied in a project context, this means that project owners should be responsible for a project's business case. Project sponsorship and project ownership are related.

Project ownership typically includes the identification and definition of the project. In contrast, project management is usually concerned with delivering a project that is already defined. Responsibility for the business would mean that project owners have incentives to cancel a project if the business case no longer justifies the project.

However, the background for this paper is that our experience indicates that this type of "pure" ownership of projects is not present for all projects. While a traditional owner can be identified for some projects, it is a more complex picture in many other projects. We present a simple model for the relation between project owner, project manager and operation of the project delivery. We test the model on a sample of projects. As we will see, this testing creates the need for a revised model, and the introduction of two types of project owners; one based on the mainstream in the theory and one based on practice.

The purpose of this paper is to discuss the concept of project ownership. The main research question addressed in the paper is: How is the project owner role described in the literature in terms of responsibility for project execution and the following operation of the project delivery? Based on a literature study, we present models for the relation between project owner, project manager and operation of the project delivery. We then briefly test the models on a sample of projects. As we will see, both the literature study, and the model create the need for a distinction between two types of project owners; one based on theory and one based on practice. The empirical part of the paper is based on interviews with both project managers and project owners for seven Norwegian public projects.

## 2. Project owners and project ownership

Ownership gives control and responsibility<sup>1</sup>. A project owner bears the owner rights and responsibilities of a project<sup>2</sup>. It is the project owner that takes the risk related to the cost and future value of a project<sup>2</sup>. Both these risks can to a certain extent be transferred to other actors in the project.

Project governance has become an important issue in project management<sup>3,4,5,6</sup>. The project owner has been the subject of attention in project management literature<sup>7,8</sup>.

In spite of this, it has been claimed<sup>3</sup> that there is no universal definition of project ownership. They conducted a literature study to investigate how different researchers define project ownership, and which management theories from the traditional organizational literature is the origin of theories of project ownership. They found that the definition of project ownership varies from a very narrow to a very wide perspective. There was a large variance in the terminology used to define and describe the key concepts of project ownership. Consequently, they believe that we are missing a universal understanding and definition of what project ownership actually is. Project sponsor and project owner are two important terms related to project governance. The terminology is not consistent in the project management literature, and there is considerable overlap in the use of the two terms. This report focuses on the project owner.

There is a literature addressing the relation between project manager and projects owner. This literature is mostly written from a management perspective. A common focus is methods and techniques to improve the project management's ability to handle the owner and to contribute to the owner's success<sup>9,10</sup>.

The specific characteristics of the public sector make the governance of public projects a complex issue. One study<sup>11</sup> looked at project ownership. They found that that responsibility and ownership are much more complex than previously assumed in the project management literature. Some reasons for the complexity in public sector are the multifaceted success criteria (a wide perspective), the limitations to market, and responsibility for common resources, benefits, welfare, and development<sup>12</sup>.

### 3. Project delivery and operation

#### 3.1. About responsibility for project deliveries and benefit realization

Operation of a project delivery is typically not done by the project manager. Projects deliver their output to someone else who will use the delivery. Operational responsibility includes responsibility for the value generating activity that utilizes the project delivery, but also maintenance. Stakeholders responsible for operation are those who receive the project deliveries. The operating party is responsible for the long-term benefit delivered – the outcome of the project. They therefore have a benefit perspective. Their success is measured in terms of value delivered to the users and the quality of their performance.

Project management typically has an executing perspective. Common incentives are to keep investment costs within budget and to deliver on time in addition to delivering the specified scope. The elements in this ‘iron triangle’ are still the dominating success criteria in projects<sup>13</sup>. Avoiding cost overruns can affect priorities can imply less quality in terms of service, functionality or functioning time after the result is delivered. In practical terms, the decisions made by the executing party to some degree influence what the operation costs will be later. One common role of a project owner is to address this potential conflict between delivery and operations.

#### 3.1. A model for the relation between project owner, project manager and operations

The combination of control and responsibility for both cost and income from the owned resource put owners in a special position. A project owner should be responsible for the project at the business level. Including both the operation of the project delivery as well as efficient execution of the project. This means that the project owner often is located at a relatively high level in organizations, where responsibilities for project investments and operations meet, as illustrated in Fig. 1.

The model in Fig. 1 is based on the parts of the literature that highlights the project owner as responsible for the business case of a project. Responsibilities include both ensuring project delivery and the benefit realization. Project delivery is typically responsible for project deliveries. Other stakeholders (internal or external) are usually responsible for the operation of the project delivery, and thus benefit realization. What is called project owner type 1 is responsible for both of these activities. Our interpretation of the literature is that most authors more or less implicitly recommend this type of project owners.

A stakeholder who both has control and profit responsibility has incentives to maximize the value creation related to the project. The beauty behind the concept of a project owner lies in the fact that a projects owner has incentives for weighing costs against benefits for a project.

### 4. Project owners in practice

We have studied project ownership in seven governmental projects<sup>14</sup>. Project ownership was proved to be different practiced in the study compared to the descriptions of best practice in the literature. In all of the studied governmental projects, different stakeholders are responsible for project cost and project benefits, respectively. The term project owner was used for senior officials responsible for the project delivery. The project manager reported typically to the project owner.

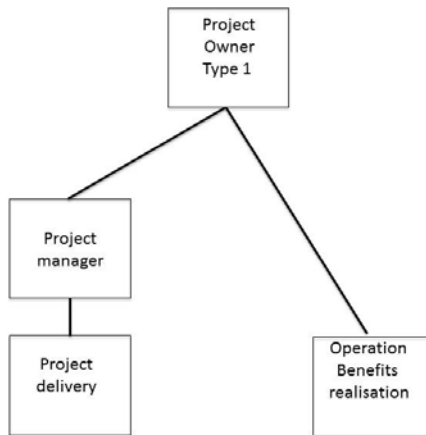


Fig. 1. Organizational position of project owner implied by established theory, based on the project owner as responsible for the business cas

Responsibility for project cost is typically allocated to a governmental agency, which shall provide the new infrastructure in accordance with a traditional project management perspective on time, cost and according to specification. Project owners were typically found in this part of the organizations.

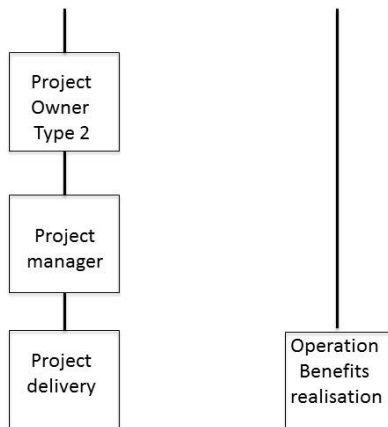


Fig. 2. Location of project owners in the study

The illustration in Fig. 2 is based on the observations in the study. Project owners provide senior support for the project manager with special focus on securing the projects delivery, by providing resources, funds and attention for

the project. Both the project manager and project owner were organized and had responsibilities mainly aimed at project delivery. We have called a project owner in this context a project owner type 2. This is project ownership in practice, and it differs significantly from project ownership in theory.

## 5. Concluding discussion

Most literature on project ownership focuses on one owner having all the characteristics of owner. It is based on one stakeholder who takes the risk related to the cost and future value of the project.

The referred study shows that there is an important difference between mainstream theory and practice related to who is called project owner, and the responsibilities of the project owner role. Our case study shows that owner responsibilities are not located at the level that the project governance literature discusses. Project owners are typically organizationally located above the project managers, but still within the delivery side of projects. The role called project owner do typically not have responsibilities for the operation of the deliveries.

A traditional project owner is a stakeholder who takes the risk related to both the cost and future value of the project. Such a stakeholder has incentives to analyze and follow up a project based on weighting the costs against the benefits. We did not identify such project owners in our study.

Consequently, we introduce a model showing two types of project owners, as shown in Fig. 3. The type 1 project owner is the role that most textbooks discuss. Type 1 project owners have responsibilities of both the delivery of a project, but also for the operation and benefit realization. Type 1 project owners have responsibilities for the project business case. We did not find this type of project owners in our study. Type 2 project owners are managers that support the project manager, but within the same part of the organization as the project manager, and with responsibilities for the project delivery. In our study, these people were referred to as project owners, but they do not have the business case responsibility that is called for by the mainstream literature.

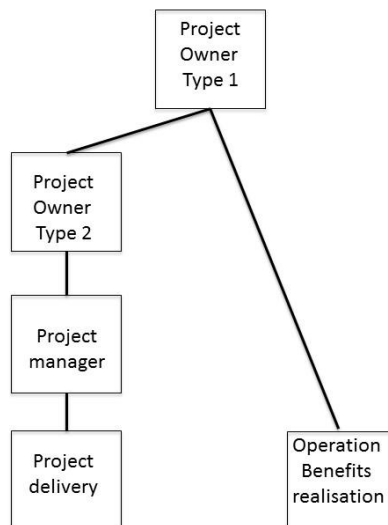


Fig. 3. Distinction between project owners type 1, as discussed in theory, and project owners type 2, as observed in practice.

We urge future researchers and practitioners to clarify what type of project owner role that is referred to in different contexts. It is likely that project owners of type 1 and 2, respectively, will have different set of incentives and priorities. There has been a development where the importance of the role as project owner has been

highlighted. It is our impression that this development has had two ambitions. One is to strengthen project execution, which calls for a project owner type 2. The other ambition is to emphasise the business case perspective, which points to project owner type 1. This would focus on the fact that projects are executed for a reason. Project owners would then take responsibility for both the investment cost as well as the future benefits from the delivery. Such project owners have incentives to select, execute and direct projects that support overall business objectives of the organisation.

### Acknowledgements

We thank the Concept program for moral support and constructive feedback on working versions of this text. A previous version of the study is available as a Concept working report<sup>15</sup>.

### References

1. Foss, K. and Foss, N.J. *Understanding Ownership: Residual Rights of Control and Appropriable Control Rights* DRUID Working Papers 99-4, DRUID, Copenhagen Business School, Department of Industrial Economics and Strategy/Aalborg University, 1999.
2. Eikeland, P.T. *Teoretisk Analyse av Byggeprosesser*, Samspill i byggeprosessen, prosjektnr. 10602 (In Norwegian), 2001.
3. Ahola T., Ruuska I., Artto K. and Kujala J. What is project governance and what are its origins? *International Journal of Project Management* 32 (2014) pp 1321-1332.
4. Garland, R. *Project Governance – A Practical Guide to Effective Project Decision Making*. Kogan Page, London, UK., 2009
5. Müller, R. *Project Governance*. England: Gower Publishing Limited, 2009
6. Williams T. and Samset K. *Project Governance. Getting Investments Right*. UK: Palgrave Macmillan, 2012
7. Morris, P.W.G. *The management of projects*, edn. London: Thomas Telford, 1994
8. Crawford, L. and Cooke-Davies, T.J., *Project Governance – The role and capabilities of the executive sponsor*. 21st *IPMA World Congress* 2007. Cracow.
9. Müller, R. and Turner, J.R. The impact of principal-agent relationship and contract type on communication between project owner and manager. *International Journal of Project Management* 2005, 23, pp 398–403.
10. Gunhan, S. and Arditi, D. Budgeting owner's construction contingency. *Journal of Construction Engineering and Management* 2007, 133:7, pp 492–497.
11. Olsson, N.O.E., Johansen, A., Langlo, J.A. and Torp, O. Project ownership: Implications on success measurement. *Measuring Business Excellence* 2008, 12:1, pp 39–46.
12. Christensen, T.; Lægrend, P.; Roness, P.G. and Røvik, K.A. *Organization Theory and the Public Sector. Instrument, Culture and Myth*. Routledge, London, 2007.
13. Atkinson, R. Project management: cost time and quality, two best guesses and a phenomenon, its time to accept other success criteria. *International Journal of Project Management* 1999, 17:6, pp 337–342.
14. Berg-Johansen, G. *Prosjekteierskap i offentlig sektor*. (Project ownership in the public sector). Master i organisasjon og ledelse, spesialisering prosjektledelse. NTNU, Trondheim, 2015
15. Olsson, N., Berg-Johansen, G. *Project Ownership in Theory and Practice. Project owners type 1 and type 2*. Working report. Concept programme. NTNU Trondheim, 2015