Expending the social scope of Project Portfolio-Management.

A qualitative study on Escalation Prevention Potential within public and private organizations.

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Abstract

This paper aims at expanding the scope on the implementation of project portfolio-management (PPM) in organizations by taking into account social factors that enable projects to escalate in terms of time and resources. Previous studies tend to focus on the rational and systematic aspects of implementing PPM. The social aspects that influence this process are underrepresented. This research is contributing to the current debate by elaborating on the social mechanisms and factors that contribute to the implementation of PPM. Factors that contribute to the failure of PPM are derived from the *escalation of commitment* mechanisms and include issues as unconscious denial, sunk costs and self-justification. Concurrently, the factors that contribute to the success of PPM are mechanisms derived from *escalation prevention potential* mechanisms, like stating clear goals, have a clear process and the right ability. Using a qualitative approach, 39 respondents were interviewed from 13 organizations in the Netherlands. The analysis showed that a distinction should be made between public and private organizations. Public organizations that are implementing PPM experience more escalating projects compared to private organizations. We argue that without stating clear organizational *goals,* the *process* and the *ability* will have an unstable foundation and the organization and its projects will be more prone to escalation.

Keywords: project portfolio-management, escalation of commitment, escalation prevention potential, PPM

1. Introduction

Organizations today face difficulties with the implementation and execution of organizational and strategic goals than with the formulation of these goals. This is illustrated by research that shows that more than half of the corporate strategy is never implemented (Johnson, 2004) and therefore only 63% of the organization's potential value related to their main strategies is realized (Mankins & Steele, 2005). This is one of the reasons why many organizations turn to project portfolio-management (PPM). PPM manages the coordination and implementation of multiple projects in an organization that pursues the strategic goals of an organization (Cooper, Edgett & Kleinschmidt, 1997). PPM is used by organizations as a governance model to make an organization more maneuverable, steerable as a whole and to create more insight into the projects, programs and how to allocate their resources to do the right project at the right time. In theory, PPM is used to achieve all of the organization's strategic goals and reach the full potential of the main strategy. The central focus of this research is focused on the question why organizations have difficulty reaching their full potential regarding their main strategies and goals when implementing or using PPM as a governance model.

In the current literature, PPM has been described as a rational process, where the stress lies on the optimization of formal structures, procedures and processes within organizations. Though these structures, procedures and processes are designed and executed by people. The question that arises is if there are any social forces at work during the implementation of PPM, what are these social forces and their mechanisms? Is PPM truly a rational process or is there more than the eye meets? The professional relevance of these questions is seen in different consultancy firms where the stress is put on the rational or structural processes as well as on social factors that influence the implementation of PPM. For example, the Dutch consultancy firm Intermedius who specializes in the implementation of PPM. They have developed a model that is designed to support organizations who are implementing PPM by creating more grip and insight into projects and ultimately making the organization more maneuverable by actively contributing to the strategic goals (Diane Dros, verbal communication, February 6th, 2017). Intermedius assumes there are social factors that influence the rational aspects of implementing PPM (for example structure, process and procedures). If an organization wants to successfully implement PPM, and thus to create more insight into their expenses and make the organization more steerable as a whole, Intermedius states that the organization should develop both the social as the rational aspects of PPM. Only implementing the rational aspects of PPM is not sufficient to successfully implement PPM according to Intermedius (Diane Dros, verbal communication, February 6th, 2017).

In sum, scholars in the field of organizational science and change-management have described in detail why organizations do not reach their full potential regarding strategic goals and this is often related to the failure of projects. The social mechanisms that cause projects to fail are described in the literature as the escalation of commitment. The latter refers to the irrational decision to continue a course of action that is prone to failure (Lambooij & Koster, 2016). In the current literature, less is known on how organizations can counter these effects. Escalation prevention potential (EPP) can provide valuable insight on how to counter escalation of commitment effects. EPP is conceptualized as “the ability of an organization to stop or steer unsuccessful innovation projects” (Koster & Lambooij, 2017, p. 2). The more EPP organizations have, the better they are armed to divert from or abandon projects that are unsuccessful. The EPP mechanisms *goals, process* and *ability* are regarded in this research as organizational mechanisms that refer to “systems of lower-level components the organized behaviors of which result in some higher-level phenomenon” (Leuridan, 2012, p. 4). The organizational mechanisms of EPP are mainly focused on project level but could also provide insight into the mechanisms that contribute to the failure or success of PPM, since PPM is designed to govern all the projects within an organization. Concurrently, research describing the successful mechanisms of portfolio-management is mostly focused on the rational side of implementing portfolio-management (Kaiser, Arbi & Ahlemann, 2015; Martinsuo, 2013). The relation between people and organizations has been little discussed in the field of project-based management. In general, much of the attention of the portfolio manager goes to the prioritization of projects based on numbers that follow from procedures and structures. Less is known about the social mechanisms that influence this process and what the consequences are for the effectiveness of PPM (Martinsuo, 2013). What are the characteristics of organizations that enable them to successfully implement and adopt portfolio-management? Why are some organizations not able to stop or adjust their course of action once it has been set in motion?

The organizational mechanisms that underlie EPP might provide us valuable insight into organizations that are stranded in a certain developing phase of portfolio-management implementation. The research question that will guide this research is: *''Does Escalation Prevention Potential explain how organizations implement PPM when attempting to accomplish their organizational goals?'.* This paper will contribute to the existing knowledge by expanding the scope by researching not only rational factors, but also social factors that contribute to the implementation and execution of PPM. The research will be conducted in a qualitative manner. By using a comparative design, multiple organizations will be analyzed and compared (Bryman, 2008). A typology is constructed of the different organizations and their mechanisms that influence the escalation prevention potential.

2. Theoretical framework

2.1 Project portfolio-management

As stated in the introduction, many organizations do not reach their full potential value since more than half of the corporate strategy is never implemented (Mankins & Steele, 2005). To increase the implementation of the corporate strategy and reaching the organizational goals, organizations can turn to project portfolio-management (PPM). PPM manages the coordination and implementation of multiple projects that pursue the strategic goals of an organization. All projects involved are competing for the same resources through which managers have to prioritize projects to maximize strategic benefits (Cooper, Edgett & Kleinschmidt, 1997). The main goals of PPM are maximizing the financial value of all projects, programs and the portfolio as a whole, the linking of the portfolio to the main strategy of the organization and the prioritization of the projects within the portfolio while considering the capacities of the organization (Meshkendahl, 2010). PPM is one of the most prominent approaches to keep track of existing and new projects and to maintain their state as optimal as possible. For defining the optimal state of projects, financial criteria play an important role as well as strategic aspects (Artto, Kujala, Dietrich & Martinsuo, 2008). Within the literature in regards to PPM, ample literature is focused on the methodological perspective like tools to optimize portfolios and their effectiveness (Benko & McFarlan, 2003) by using for example algorithms (Doerner, Gutjahr, Hartl, Strauss & Stummer, 2006). Many of these methodological aspects were developed into standards and practical tool books to help organize and execute PPM in different organizations (Jenner & Kilford, 2011; Cooper, Edgett & Kleinschmidt, 2001). These models, frameworks and theories regarding the selection of projects, allocation of resources and portfolio-management depict PPM as a rational process (Martinsuo, 2013). Treating PPM as a rational process is not harmful to the organization per se. For example, organizations that have a systematic approach for resource allocation, evaluation and decision-making are more successful compared to organizations that are less systematic (Fricke & Shenhar, 2000).

However, other research is suggesting that project-oriented companies can also underperform and do not accomplish many of the projects that were initiated in the first place and therefore not reach their intended strategic goals (Mankins & Steele, 2005). Why is this? Well, according to Blichfeldt and Eskerod (2008) this relates to problems such as (a) not executing projects as plan, (b) management and employees feel they do not have sufficient overview of all projects and (c) involved actors experience stress due to the continuous reallocation of resources for different projects. These latter three factors are all of social nature and illustrate that there is more to manage within PPM than choosing the right (number of) projects or dealing with different mathematical models to stay on the right course. This raises the question: is the assumption of PPM as a rational decision process correct and complete?

Martinsuo (2013) argues in a systematic review of empirical research on PPM that there are several underlying features to the assumption of PPM as a rational decision process that has a considerable impact on how PPM has been studied and executed. Her main conclusion is that PPM is “a process for and between people, and for and between organizations, besides its service to strategy and products within one organization” (p. 801). The behavioral aspects of PPM are underrepresented in the current debate on the successful implementation and success of PPM. The framework has depicted PPM as a systemic resolution to achieve organizational goals in a static environment. For example, PPM generally assumes that projects have to compete for the same pool of resources and that these resources are all known and regulated by the organization itself (Jenner & Kilford, 2011). However, with innovative projects, there is an increasing tendency to collaborate with external organizations or partners in order to develop the product or service. Furthermore, Martinsuo (2013) argues that within PPM many of the environments and their influence on projects are insufficiently known. This is contrary to what the rational choice approach assumes, namely that companies are aware of all possible factors that influence projects. The last feature relates to the latter in terms of available knowledge. It is assumed that all knowledge regarding the project and execution of a project can be captured into criteria and guidelines that are in line with the main strategy. Nonetheless, there is growing evidence that these guidelines and criteria do not solve problems that are faced when dealing with multiple projects. There are too many external uncertainties and information misalignment to make a rational informed decision based on all information available. Decision makers have to work within certain constraints, for example the limited information that is available on the consequences of their actions or certain alternatives. Besides this, there is only limited time to make a decision (Simon, 1989). Therefore, even the actors that want to make an informed and rational decision have to make a satisfying choice instead of the optimal choice for economically maximizing in certain situations. Regarding PPM as a rational decision-making process is narrowing the scope and social factors should be taken into consideration to explain the success and failure factors regarding the implementation and execution of PPM in organizations (Martinsuo, 2013).

To broaden the scope on PPM and to fully understand the mechanisms that enable the success or failure of PPM, the latter three features show that more attention needs to be paid to the current assumptions that are associated with PPM. PPM appears to be less rational and less straightforward than the decision-process centered theoretical frameworks implies. Scholars should take into account two other frameworks (Martinsuo, 2013). First of all, what does PPM mean in practice? What do managers actually do? The process of PPM has political aspects and is path-dependent, instead of a rational or planned process (Aaltonen, 2010). Also, personal traits have a significant influence on the selection of strategies and projects and how these projects are evaluated. This demonstrates that PPM is situational and not static. It is applied differently to each situation. The second framework that is addressed is the situational context of PPM. The prosperity of PPM in an organization is dependent on the context, like organizational complexity, the degree of innovativeness, the type of organizational governance and the managerial context impacts the success of PPM (Martinsuo, 2013). For example, when an organization implements a project portfolio-management office (PPMO) to handle the collection of multiple projects and programs the chance of success will increase. This is due to the coordinating role of the PPMO. They steer the portfolio by allocating the limited resources and selecting projects and managing and resolving conflicts over resources. This requires a strong authority and can only be done if first-tier senior management mandates them (Unger, Gemünden & Aubry, 2012). These two frameworks of what managers actually do and what the situational context is, are still under represented in the current debate regarding the success of PPM (Martinsuo, 2013).

2.2 Escalation of commitment

Martinsuo (2013) argues that social aspects are often overlooked when researching PPM. Though on project level, research has been conducted on the conditions of failure of projects for decades (Staw, 1997; Drummond, 2014; Sleesman, Conlon, McNamara & Miles, 2012). In order to explain what factors influence PPM we first turn to the question: “What do managers actually do when PPM is implemented and executed?”. The answer is less straightforward when the scope is broadened from a narrow rational view to a view which takes social factors into consideration. Managers do not necessarily follow the formal rules of an organization, like the set processes, measures and structures that fit within the rational approach of PPM. There are other principles that guide their decision-making not to follow the formal process. Examples are outdatedness of projects and the inflexibility of the formal process when making decisions (Loch, 2000) and also political interest and path-dependency are playing a role (Aaltonen, 2010). Furthermore, when a project is not as successful as expected it is often difficult to steer the project into a different direction or to abandon it as a whole. Factors such as sunk-costs, face loss and the need of self-justification are reasons why unsuccessful projects are often continued. This irrational decision is referred to as the escalation of commitment. This refers to the pattern of behavior of a group or individual when a course of action is continued instead of altered, even though they are faced with negative outcomes from a decision, action or investment. This might seem irrational, though staying on course is in line with previous decisions and actions (Staw, 1997). When applied to organizations and PPM, escalation of commitment is a phenomenon where projects are continued, even if it is clear that the costs will be higher than expected or they will not meet the preset goals. When confronted with this situation, decision makers will have to decide if they accept the loss of the failed course of action, or if they stick to the intended plan and throw more resources at it. In a nutshell, the escalation of commitment refers to the irrational decision to continue a course of action that is prone to failure (Lambooij & Koster, 2016). The social aspects of escalation of commitment can explain why organizations fail when implementing or executing PPM.

There are several forces for persistence that drives escalation (Drummond, 2014; Sleesman, Conlon, McNamara & Miles, 2012). First of all, project planners can be overconfident. Organizations are often using sophisticated forecasting and planning tools. These tools can increase overconfidence since they tend to look only to the organization capabilities and aspirations and less to external factors, like competition and results of external similar projects. The second drive of escalation is sunk costs. If costs are larger than budgeted or deadlines slip, decision makers are expected to reevaluate and only persist if the project still makes economic sense. However, decision makers may ignore this because they have too much invested already (Teger, 1980). This relates to the third factor: the perceived need for self-justification. Drummond (1994) states that the cost of quitting has also psychological aspects. Managers who invest resources will be driven to finish the project to prove that their decision was correct. The self-justification aspect of escalation is often accompanied by denial. Decision makers tend to pay more attention to positive experiences and information while downplaying the negative. Conlon and Parks (1987) state that this behavior tends to be unconsciously and that decision makers may believe that it is a success when an objective analysis clearly states otherwise. Furthermore, admitting failure is not part of human nature. According to the self-presentation theory (Goffman, 1959), people are managing their impressions for the outside world. This implies that decision makers persist on the failing course in order not to lose face.

In addition to the social aspects, there are also economical aspects to consider in regard to the escalation of commitment. Abandoning a project can be extremely expensive; there might be redundancy payments, obligations on leases or penalties from contractors. In sum, the current literature suggests that decision makers see abandonment as a sure loss of credibility, investments and increased exiting costs. Persisting a course that is prone to failure has a chance of succeeding, even if it is just a small one. The downside is that risks start to increase every step of the way.

2.3 Escalation prevention potential

The mechanisms that influence the escalation of commitment are well known, the mechanisms that ensure the processes is moving into a different direction are less clear. Escalation prevention Potential (EPP) can provide insights into what the characteristics are of organizations that succeed in implementing and executing PPM and how organizations can tackle the social factors that relate to the escalation of commitment. The EPP construct refers to organizational mechanisms that organizations possess to steer or stop a project. EPP is conceptualized as "the ability of an organization to stop or steer unsuccessful innovation projects" (Koster & Lambooij, 2017, p. 2). The more EPP organizations have, the better they are armed to divert from or abandon projects that are unsuccessful. EPP is theoretically based on the conditions for de-escalation in the escalation of commitment literature. Organizations with a high level of EPP have clearly defined the goals of projects, evaluate the project from beginning to end with measurable performance indicators that are based on those goals, divide the project into smaller parts to achieve structural results and assign the right people to the project who have clearly defined responsibilities (Lambooij & Koster, 2016).

Koster and Lambooij (2017) argue that there are three general mechanisms that steer projects away from escalation: *goals, process* and *ability*. These three mechanisms are the grouping of de-escalation conditions derived from the mechanisms of escalation of commitment. Leuridan (2012) states that the concept of 'mechanism' is used implicitly in different ways within social science research, but should not be used interchangeably. It is important to note that the EPP mechanisms in this research are not reviewed as theoretical mechanisms where there is a particular causal chain (Ylikoski, 2011, p. 160). The EPP mechanisms are regarded as organizational mechanisms that refer to "systems of lower-level components the organized behaviors of which result in some higher-level phenomenon" (Leuridan, 2012, p. 4). This aligns with the definition of Machamer et al. (2000, p. 3) where it is stated that "mechanisms are entities and activities organized such that they are productive of regular changes from start or set up to finish or termination conditions". The three EPP mechanisms that are distinguished by Koster and Lambooij (2017) are the grouping of activities within organization that produces regular changes to the outcome of projects.

The first mechanism Koster and Lambooij (2017) distinguish is stating clear *goals*. Any project has an uncertain outcome due to external factors. If there are no clear goals or success factors formulated, decision makers can justify their actions that are the basis for escalation, for example the sunk costs involved when discontinuing a project, or self-justification and face-loss problems due to the decisions that were already made by the same decision maker (Whyte, 1986). By formulating clear goals and formulating measurable success criteria, the probability of escalation will diminish. It will define the direction of the project in early stages and provides a handle to rationally assess whether a project develops as planned.

The second mechanism is the *process*. Escalation of commitment is seen as a process that can quietly intertwine with the project (Ross & Staw, 1993). Projects that do not have predefined milestones and that are not assessed on a regular base have a higher chance to escalate. By breaking up the project into smaller workable pieces, it will reduce problems related to escalation. Koster and Lambooij (2017) argue that issues related to sunk-costs will be limited, since the number of financial resources that is already used is limited. In addition, self-justification will be limited due to the transparency and measurability of the project. It will become more clear when a project develops successfully or unsuccessfully. Also, personal embarrassment is an issue within escalation that will be (partly) prevented since one can rely on objective output to justify decisions.

The third mechanism is *ability.* Portfolio management is seen as a demanding process where an abundant amount of information needs to be processed in order to make informed decisions on the course of the programs and projects. If a small group of people is responsible for the design, implementation and success of the project, the project has a higher chance of escalating because they feel personally responsible to finish the project they started. The EPP mechanism *ability* is the mechanism of involving a larger number of people in the project and to distribute tasks in an explicit manner. By dividing important tasks as planning, implementation and performance, there is a smaller risk that people are too dependent and involved in the project. For example, the need for self-justification decreases if skeptics are included in the project team who question decisions or courses of action (Pan & Pan, 2011, as described in Koster & Lambooij, 2017).

These three organizational mechanisms provide an explanation why some organizations are able to finish projects within the pre-set time and resources and how this counteracts aspects of escalation. EPP has the potential to fill the theoretical gap in PPM literature because it also focuses on the social aspects of project management. If EPP works for projects, can EPP be applicable for the collection of all projects (and therefore the organizational portfolio) as a whole? The conceptualization of EPP has been done fairly recent (Lambooij and Koster, 2016; Koster and Lambooij, 2017) and has only been used once in empirical research regarding innovative projects in Dutch hospitals (Koster and Lambooij, 2017). EPP provides a key component regarding the theoretical bases on the functioning of PPM in organizations. This paper aims to apply the EPP mechanisms on organizations that use PPM in order to explain the functioning of PPM regarding both rational as social aspects.

3. Method

The aim of this thesis is to contribute to the current debate regarding the mechanisms of implementing and executing PPM by elaborating on the social mechanisms and factors that contribute to the success or the failure of PPM in organizations. By using a qualitative comparative design, multiple organizations were analyzed and compared (Bryman, 2008). The selection of the respondents took place in collaboration with Intermedius. Before selecting the respondents, certain conditions were formulated. Respondents were required to work in an organization where PPM is implemented or executed and there needed to be a balance between higher and lower management respondents within an organization to ensure that higher or lower management was not overrepresented. This division is key since working with PPM is affecting the organization as a whole, from strategic managers to operational employees (Jenner & Kilford, 2011). With these conditions Intermedius created a list of 94 respondents. The researcher has selected 39 respondents who work in 13 organizations. These organizations are categorized in private organizations (4) and semi-public or public organizations (9) since the overall strategic goals of these organizations differ. For example, public organizations exist to serve the public and have therefore different strategic goals compared to private organizations.

In collaboration with three fellow students, data is collected through semi-structured interviews. Semi-structured interviews are best used when one has to send different interviewers into the field to conduct the research and the chance of interviewing someone twice is slim (Bernard, 1988). In order to strengthen the internal validity, the semi-structured interviews were first piloted with professionals in the field who were not a part of the participant pool. Since the data collection was conducted with three fellow students it was imperative that the interviews were piloted before approaching the selected respondents.

The interviews were piloted with three professionals in the field of portfolio management with all four master students present. Based on these interviews the topics and questions were revised and, where needed, adjusted to make sure the right information was collected for all four theses.

The interview topics were designed according to the theoretical framework. In order to understand the situational context of PPM in every organization, the interviews started with questions regarding the *organizational complexity,* by asking how many people work in the organization and how many projects are executed in a year. The *type of organizational governance and managerial context* is researched by asking how the respondent would describe the organizational structure, hierarchy and management style.

Furthermore, in order to understand what managers or decision makers actually do, the concepts of escalation of commitment were asked. *Overconfidence* was researched by asking what planning and forecasting tools managers used for their day-to-day activities and to what extent they, and others, rely on these tools. *Sunk costs* were researched by asking if projects were discontinued, and if so, what the reason was. Also if projects were continued that should have been discontinued in their opinion, and if there was an economic and/or social factor that explained why they have been continued when they were prone to failure. *Denial* was researched by asking how results and information were transferred to superior managers (by themselves or colleagues) and if this information had a tendency to be downplayed or sugar coated. *Self-presentation* was researched by asking respondents how they would describe the result of a certain project and how they would describe their role in the process.

Lastly, in order to measure the degree of EPP within an organization, the participants were asked questions regarding the *goals, process and abilities* of their organization. *Goals* were researched with questions regarding the predefined aim of the projects, how the planning was defined before the project could start and if or how they would measure the success of a project. *Process* was researched by asking respondents to what extent the projects were monitored if there were milestones in the course of one project and to what extend costs and resources were transparent. Also, if and how the organization measures this. Is there objective output to base decisions on? The final factor *ability* was researched by asking the respondents if the roles, responsibilities and mandate were clearly defined.

In order to analyze the data of the interviews, all interviews were recorded on tape after asking the respondents permission and transcribed afterward. The interviews were conducted in Dutch since all respondents were native Dutch. The quotes that were used in the results and analysis section were translated from Dutch to English by the researcher. All data was collected and uploaded in ATLAS.TI. The data is subsequently open coded, meaning "the process of breaking down, examining, comparing, conceptualizing and categorizing data" (Bryman and Bell, 2015). The data was labeled based on recurring concepts, which were later grouped into categories. The coding was divided into three groups: concepts that referred to the situational context of the organization and PPM, concepts that referred to the escalation of commitment and concepts that referred to escalation prevention potential. Open coding leaves room for new concepts and therefore there is a high regard to other mechanisms that either enabled escalation or enabled prevention of escalation in portfolio-management. The results are structured and described according to the natural life course of projects in the different organizations. The regards the start, continuation and the termination of projects in different organizations. To ensure the anonymity of the respondents all names used in the analysis are fictitious and organizations are labeled with capital letters.

4. Results and analysis

4.1 Initiation of projects

As stated before, the main goals of PPM are maximizing the financial value of all projects, programs and the portfolio as a whole, the linking of the portfolio to the main strategy of the organization and the prioritization of the projects within the portfolio while considering the capacities of the organization (Meshkendahl, 2010). Translated to the day-to-day activities of an organization, projects should be initiated when it is agreed upon that they contribute to the main strategy and goals of the organization. How and by whom is agreed on what project should be initiated differs between organizations. For example, organization I has a strong top-down hierarchy and structure in organization I. This organization has been working with PPM within the IT department for several years and had implemented a PPMO office. According to Unger et al. (2012), the chance of successfully start and handle a collection of multiple projects and programs will increase due to the coordinating role of the PPMO, on the condition that there is a strong authority and if the first-tier senior management mandates the PPMO. In organization I most information was gathered through the informal network of the organization instead of the formal (PPMO) network. Concurrently, project initiating decisions were also made through the informal network instead of the formal one.

> *"In my organization there is a crystal clear structure, a rake format and top-down. It is just not the structure that is followed in the workplace. If you want something done, you need to have coffee with the right people." (Sam, organization I)*

Using the informal network of an organization to start a project has been seen in other organizations as well. For example, Lotte of organization L described that projects are often started because it is seen as important by one of her superiors. She is given the assignment to start a project and to ignore the official processes what results in the following:

> *"More than half [of the projects] had no financial resources. They were just working on a project. You can't even imagine. Bob [the manager] said it was important, so get to work and I'll make sure [the resources] will be available down the road." (Lotte, organization L)*

This quote is a good example of self-justification when starting a project. These projects are often referred to as 'pet projects'. The project is important to one of the decision makers. The reason or goal is unclear, but it has to be done at all costs. There is no transparency or insight in many of the projects of this organization. Which is interesting, because the director of Lotte's department has a completely different view on this. He implemented the basis of PPM five years ago and states:

> *"[T]he fact that we have the correct image of which projects are currently ongoing. So, that is good and there is strict management that if there is no client or demand, or resources available, then we do not start a project." (Nick, organization L)*

Nick clearly has a more positive view on the functioning of PPM within organization L and shows that there is a discrepancy in what is planned to do and is actually being done. Several reasons might be the cause for this. First, the operational employees, in this case Lotte and her colleagues, are downplaying information to higher management. The second option is that Nick is actively managing his impressions for the world. After all, he implemented PPM five years ago and does not want to lose face. The third option is that Nick is over-confident and relies too much on tools:

> *"We have zone-boards now. The project management shows us [in a visual manner] where the issues are. We have a quick and current image of where which projects are in trouble. Yes, I believe we have an excellent image of the current projects."*

Managing impressions and the need for self-justification is seen in many other organizations as well. Decision makers need to find means to justify their decisions. PPM is a mode of governance that assists with balancing projects based on their added value to the organization. When self-justification is one of the main drivers of project initiation due to political concerns it blocks the process of objectively balancing and prioritizing projects. The quote below illustrates how decisions are often made in regard to large and expensive projects within public organizations.

> *"A city council member can state: look, I want to do this because I promised this to my citizens. Afterwards, he will not care if it costs one, two or three million. It even might just yield half a million. Though he promised the citizens the project, so it will happen." (Liza, organization I)*

Also in other organizations, there are political factors that influence if a project starts or not. For example, Lucas is implementing PPM at organization E and has been attempting to implement a standard process to which all projects and programs should adhere. His assignment was to creating a PPMO with additional guidelines to increase transparency and measurability. Though there was much resistance by the managers for the following reason:

> *"Management is currently working with a lot of freedom. They can decide what projects they want to start or shape to their own idea. They are their own manager and are responsible for their own projects. They have to let the strategic business manager sign off on in, though that was just a formality." (Lucas, organization E)*

The resistance concerning the implementation of PPM was born out of fear of losing independe and power. Within organization E, making employees adhering to the process, guidelines and rules have not been effortless. In order to divert this, managers often used their informal networks to get projects done or signed off on:

> *"I've been cornered a few times that I've sent a mail to the director and said guys, if you agree on this project.. The whole process of portfolio management is just, back to square one. The manager will always know if Lucas won't sign off, I can get this [signed] with the director." (Lucas, organization E)*

By bypassing the formal process, projects will not have predefined milestones, will not be assessed on a regular base and have therefore a higher chance to escalate in the long run. Public organizations that give their PPMO a clear mandate on their decision power are more equipped to policing the process and make sure all employees adhere to the same standard. Organization E is aware of this by creating a PPMO and giving it the appropriate mandate. Though the managers are not keen on adhering to the process since they have to give in on their autonomy, freedom and power to start projects they feel are valuable.

> *"Everyone can decide for themselves what they find important. The manager will ask why that is important and if your story is appealing, you can do it. Though there is no clear vision. This [..] offers maneuverability to do the things that you like, so called pet-projects" (Sanne, organization E).*

The quotes above illustrate that in many organizations projects are initiated because decision makers are self-justifying their actions, are actively managing their impressions or simply do not want to lose face. When respondents were asked how projects were selected almost none replied that projects were selected with the help of data, analysis or structured plans. Organization A was one of the few organizations where all employees unanimous replied that projects were selected according to their contribution to the organizational strategy or goals. Most notably was that not only senior management had a say in the matter:

"The product managers and business parties decide what they want to do. They make plans, we [higher management] translate this to the demand of the portfolio. Top down is decided what our strategic goals are and what the financial budget is. Bottom-up is decided what projects will start and priorities are made there." (Emma, organization A)

Organization A is trying to create a bottom-up culture where aspects as showing initiative, teamwork and trust are the foundation of working towards a common goal. Work as a team towards the strategic goals by creating innovative products and projects. By placing the responsibility with the operational development teams, more value within projects is created that contribute to the strategic goals. Organization A was the only organization that had implemented PPM organization wide. This means that all projects were prioritized from all departments on one portfolio board instead of balancing all projects of one department. Since the reorganization in the beginning of 2017 organization A implemented PPM organizational wide while using a different approach. By using pre-funded teams, they want their employees to completely focus on developing projects that contribute in terms of added value (not financial benefits) to the main strategic goals. The main goal or purpose for every employee is to contribute to one of the strategic goals.

The quotes above all illustrate the importance of stating clear outcomes, what directly links to the EPP mechanism of *goals.* If there are no clear goals or success factors formulated, decision makers can justify their actions that are the base for escalation, for example the sunk costs involved when discontinuing a project, or self-justification and face-loss problems due to the decisions that were already made by the same decision maker (Whyte, 1986). In organization A the goal is clear for all its employees: contribute to the strategic and organizational goals. For the other organizations the goal is less clear and projects are often started because of personal or political preferences.

4.2 Continuation of projects

After projects are initiated they need to be tracked and regularly evaluated to ensure the projects are not escalating in terms of resources. We took notice that the employees of organization A had a clear notion on how to proceed when a project is accredited. They used to work according to the set standards of the company and used tools like Project Initiation

Documents (PIDs), business cases and progress reports. All employees were documenting on projects in a uniform manner and were following the pre-set process when initiating a project until the project was finished. Clear guidelines and the monitoring of ongoing projects are important to prevent projects from spiraling out of control unnoticed (Koster & Lambooij, 2017). What was striking in this research is that organization A is actively changing the process: from a hierarchical top-down culture to a bottom-up culture, and from a static process to a more organic process.

> *"We are making a turn to a different management style, to AGILE. This is not just a trick or a thing. What you see is that we deliver faster, making more contact with each other. We have daily stand-ups and weekly presentations or EPICs to clients. We can redirect a course much faster because we are engaging in a dialogue." (Emma, organization A)*

Organization A has recently started to work according to AGILE principles. This includes breaking up the project into smaller parts and communicating with the clients regarding the progress of the project. Every week there is a set time where progress is discussed and the project can be redirected if deemed necessary. Every single week the team delivers a part of the project and every week the project can be adjusted. This is in line with the EPP mechanism *process.* Projects that have predefined milestones and are assessed on regular bases are less likely to escalate. Breaking up the project in smaller pieces will reduce the chance of escalation. Working according to the AGILE principles is supporting the *process* of a project. The key advantage of working in smaller parts is that the project is continuingly measured on its added value to the strategic goals.

> *"How big your PID or business case is, the world is an unsure place. In two week you can have to change your planning, discontinue your project or whatever. Or your competition can release a product in the market on which you have to react very quickly. In that case you can have lovely project with a planning of one year, but you have to discontinue your projects at once so the resources and capacity can be reallocated." (Luuk, organization A)*

The quote above describes how issues related to escalation factors, such as sunk costs, can be limited if you re-evaluate projects on a regular basis. One way of doing so is to decide if the project is still valid and if it creates value. If the competition released a superior product earlier than your new product, it is best if the resources are allocated to another project as soon as possible. Working with regular evaluations during the project will enable this.

Not evaluating the projects on a regular basis is not the only way projects can spin out of control. Projects can escalate because a small group of people feels responsible for the project. This relates to the EPP mechanism *ability* that includes that the right people are assigned to the right tasks in accordance with the tasks and responsibilities that are defined within the *process*. First, it is key that the tasks by itself are clearly defined. Second, tasks as planning, implementation and performance should also be clearly distributed among team members. Organization I was subject to many reorganizations in the past year. This subsequently had a large effect on the clarity of tasks and the distribution of tasks among newly formed teams. The quote below illustrates that there is only uncertainty and ambiguity within an organization when people do not know what their role is. The probability of escalation will be much higher.

> *"Who is responsible for what? When are projects finished? Are projects finished? I tried to let everyone use the same template, though they just do whatever they used to do. [..] We are do'ers. First we run fast, in every direction. Afterwards we stop and think." (Lisa, organization I)*

4.3 Termination of projects

Projects end when they meet their intended goal or when they are prematurely terminated. Discontinuing projects is not often done in time due to escalation of commitment factors as losing face, unconscious denial or self-justification. When all projects in a portfolio are regularly evaluated on their added value, one can make an informed decision on where to allocate resources. Some projects will have to extend and will receive more resources, others will be placed on hold or discontinued:

> *"We have to make an analysis that shows how much percent [the projects] contribute to a certain goal. If we are short of resources at some point, we know what initiatives*

we have to discontinue or downgrade because we made a choice for a certain strategic goal." (Sven, organization A)

"The teams know where the value lies for the client [..] Now we just say: develop your best idea and if the results are not valuable enough, we stop instead of finishing it and flushing more money down the drain". (Luuk, organization A).

These are examples of a bottom-up decision-making structure. By deciding what the added value is to the organization strategy before hand, they argue that they can make an informed objective decision during the project as to continue or discontinue the project at any time. Making informed and unbiased decisions on what projects should continue and what should be discontinued is an integral part of the process in organization A. The latter is also stated in other organizations:

"A larger group is making portfolio rapports and we have seen that we maintain more grip on discrepancies. The management team is better informed on the progress on a weekly basis. We do see that some projects have dispositions to escalate, but we discontinued this in time." (Finn, organization B)

A larger group of people with clear assigned tasks is more likely to present objective numbers and figures and therefore projects will less likely escalate. It will build the foundation for objective decision making. For example, in organization B part of the team is monitoring the project and the management team is making decisions based on the statistics and figures from the rapport. The effect of feeling personally responsible for the outcome of the project will recede. Another factor that influences the mechanism *ability* is placing skeptics on the team that can challenge decisions and have the role of the devils' advocate. Organization A has introduced a committee of skeptics:

"Today we have 7 people who determine the organizational strategy, instead of 116 people. It used to be dispersed as hell. Now it is much more compact. What is new is that we have a 'challenge of forty'. So left, right, green, rich, people from the organization who can challenge the strategy." (Luuk, organization A)

Placing people in a team who are skeptics or challengers should decrease the likelihood of self-justification (Pan & Pan, 2011). Organization A has introduced this organization wide and this should contribute to the organizations potential to make informed decisions regarding the continuation and discontinuation of projects.

5. Conclusion and discussion

The analysis shows that all organizations in this research, with the exemption of organizations A and E are at the early stages of implementing PPM. The latter organizations are all public or semi-public organizations. The biggest challenge that lies ahead regarding the implementation of PPM is to change the status quo, changing the way projects have been initiated and conducted over the last decades. This has to start with setting clear *goals*. Not only predefined goals for individual projects, but goals for the organization as a whole. To what extent does the organization intends to implement PPM? Is it just to create more financial insight into projects or does the organization wants to be able to stop and steer projects in order to contribute to the strategic goals? Is the motivation to implement PPM only to adhere to external rules or does the organization have an intrinsic motivation to change and create more transparency? On every level in an organization there are political interests that do not benefit from objective transparency in terms of figures, costs and benefits. Prioritizing projects based on figures is more difficult since the common goal of the organization is less clear.

When the *goals* of projects, programs and the portfolio as a whole are defined, instilling the right *process* should prevent projects from heading in an undesired direction without anyone notice it. The first milestone of implementing PPM is to create insight into all the projects, their costs, benefits and duration. This is a milestone many public organizations are forced to achieve by external bodies, or they acknowledge the added value of this knowledge. Though in order to reduce projects into smaller parts there needs to be uniformity in work processes. The latter is the first step to collect all the data and to create a current overview of all ongoing projects. One of the ways of doing this is to implement a PPMO, though this is only effective when it is given the mandate of senior management. So far this seems difficult because it strips decision makers of some of their freedom and power. They cannot initiate any project whenever they want anymore. The third challenge is *ability*. In order to diminish escalation of projects, a larger group of people should be involved in the project in order to reduce the risk of feeling personally responsible for finishing the project. The employees involved should have a clear distribution of tasks and the tasks itself should be clearly defined. Due to the many reorganizations, the employees of public organizations that are involved in PPM are still searching for a uniform way of work and what their tasks and responsibilities are. With no clarity and no strict management to guide the actors involved, projects tend to spin out of control.

Organizations A and E are both private organizations and are in the completing phase of implementing PPM. For a start, these organizations have clearly stated objective and goals. This already differs greatly from public organizations. The desired course of the organization is translated to strategic goals with measurable performance indicators. The general thought is that an organization should be able to react quickly to changes in the environment. In order to achieve the strategic goals and to be steerable when the environment changes, the focus on projects lays more on their benefits to the strategic goals. The mechanism *goals* that underlie EPP states that it needs to be clear beforehand what the planning will be for a project, what the intended costs will be and how success will be measured. Escalation of commitment factors as sunk costs issues and self-justification problems are less prevalent in private organizations compared to public organizations. Organization A used to work with a detailed planning before and decided to change this practical way of setting goals by using pre-funded teams to work on projects. The main goal or purpose for every employee is to contribute to one of the strategic goals. At first, this seems to contradict the *goals* aspect of EPP, where it is stated that in order to reduce uncertainty, clear goals and measurable indicators should be in place before initiating a project. However, *goals* can also be interpreted as to define beforehand the goal of the project. To what strategic goal will this contribute and what is the added value of the project? Private organizations are often working with innovative products and therefore the project is more subject to change.

The second aspect of EPP that strengthen the EPP mechanism in organizations is *process*. This entails breaking up the project into smaller pieces and evaluating the project along the way. This will decrease escalation factors as self-justification, sunk costs and losing face. Most private organizations were evaluating projects every week to assess their added value, if there were any unforeseen hicks in the process or if more or fewer resources should be allocated. The process is clear to all those involved in the project and portfolio. In private organizations, we have also seen that the tasks and responsibilities of people were clear, relatively more people were responsible for a project, program or portfolio and projects are not often escalating. This is in contrast with many public organizations. In private organizations there is a culture of challenging the status quo and speak your mind. This is for example propagated by introducing a committee of challengers. Having the right people at the right place who can speak their mind will diminish self-justification problems with decision-makers. They have to make themselves accountable for their actions.

This research shows that public organizations encounter substantial more escalation of commitment factors within PPM compared to private organizations. In regard to the research question posed in the introduction: *'Does Escalation Prevention Potential explain how organizations implement PPM when attempting to accomplish their organizational goals?'* it is argued that the EPP mechanisms: *goals, process* and *ability* are a forecast to what extent organizations are able to use PPM to achieve their potential value. If an organization possess more EPP, they are more likely to achieve a higher potential organizational value by using PPM. For private organizations, organizational value is expressed in financial terms. Private organizations have a greater need to be highly cost effective. If the organization is not profitable, it will no longer exist. Therefore the *goals* are in private organizations are clear and translated into strategic goals. In public organizations, there is a lesser need to be cost efficient due to their public function. Organizational value is expressed in their added value to society. The central goals is therefore less straightforward and we have seen that the reason to initiate projects can be to personal or political, hence strengthening escalation of commitment factors as self-justification and preventing to lose face. The (lack of) need to be cost effective is also translated into the *process* of PPM. Private organizations are very strict in designing their processes and are able to stop or redirect a project when necessary due to their need to evaluate projects on a regular basis. Public organizations have difficulty achieving this due to the lack of working uniformly. It is more difficult to gather all relevant information to make informed decisions since political interest is blocking the need for transparency. This influences the *ability* of public organizations. There is less support for PPM in public organizations and this translates to the lower level of the organization with an unclear distribution of tasks and responsibilities. In contrast, private organizations do have a clear distribution of tasks and responsibilities for those involved in PPM and value and assign challengers within the organization to criticize the decisions that are made. We argue that *goals, process* and *ability,* the three factors that underlay the EPP mechanism, are consecutive. Without stating clear organizational *goals,* the *process* and the *ability* will have a shakier foundation and the organization and its portfolio will be more prone to escalation.

The findings of this study have several implications for the theoretical field. We have concluded in this study that PPM is an interplay between rational and social processes. The social processes that cause projects to fail are also applicable on the functioning of PPM as a whole. Furthermore, this study has implication for professionals in the field of PPM as well. It differs greatly if one is implementing PPM in a public or private organization. Based on the goals of an organization, one should adjust the implementing strategy to the goals of the organization. The organizational goals should lay the groundwork. When these are clear, the process and ability should as building blocks.

This study has several limitations. First of all, this research was conducted in a limited time span. Within three months the 39 respondents were contacted, interviews were conducted, transcribed and analyzed. Since we were partly depended on Intermedius to compromise a list of potential respondents we were only able to research organizations that were in the process of implementing and executing PPM. It would be of added value to the current theoretical debate to include organizations and respondents who already have successfully implemented PPM. Further research should include more public organizations that are actively managing their portfolio for several years. Lastly, this research is descriptive and elaborates on different social mechanisms. A recommendation for further research is to use a quantitative approach to research the relations between concepts.

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