Evolution of the governance of projects within a program

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Abstract

In this thesis is discussed the evolution of the governance for the projects constituting a program. The different kinds of programs are first presented. A strong focus is given to the analysis of the actors of the governance and their role. A literature review of these characteristics for project and program governance shows the important role of the sponsor and the manager of the project.

A case study of a global program in the luxury group LVMH has been realized for this thesis. This program, called Sapphire consists of the worldwide implementation of a Swiftnet platform in the affiliate of the group. This platform enables to realize secure payments and to receive account statements every day. One characteristic of the program implementation is that the mother houses implementation is handled by a project unit in the holding company. The implementations in the affiliates of the mother houses are then managed by the mother house itself.

The main conclusions were:

- The perspective of a first implementation is a governance one from the holding company toward the mother house. However, it shifts to a support perspective between the holding company and the mother house for the next implementation.
- The project manager moves from the holding company to the mother house. The broker and the steward are thus in the mother house for the affiliate implementation. This practice enables
LVMH to keep a small program team whose role becomes like the one of a program management office.

- The project unit thus has first a managerial role which is transformed to a support role. However, it remains able to take decisions in case of potential failures.

The degree of generalizability of this study is finally addressed. This evolution of the governance could also be observed in other temporary programs like ERP implementations.

**Key-words:** Program, Project Governance, Steering Committee, Sponsor
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1 Introduction

1.1 Background

1.1.1 From governance to corporate governance

For the past decade, governance and especially corporate governance have become highly debated topics. As a matter of fact, scandals created for example by rogue traders raise the question of the control of the employees’ activity. Controlling and leading individuals without being responsible for them appears to be one of the goals of the neo-liberal forms of governance (Lemke, 2001).

Governance refers to “the conduct of conduct” (Clegg, 1994). Applied to companies, it appears to be a necessity for collective action (Stoker, 1998). In 2004, the OECD gave the following definition:

“Corporate governance involves a set of relationships between a company’s management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined”.

This definition highlights two major aspects of governance. It refers to some identified people in the company, which have identified responsibilities. Some of them classically are defining the objectives of the organization, providing the means to achieve those objectives, and controlling the processes (Müller, 2009).

1.1.2 Project as a temporary organization

The first definitions of the project often were goal oriented, restricting it to a production function. They focused on the first goal of a project which is to achieve a goal and deliver an outcome. Turner and Müller (2003) added a new dimension to it when they developed the view of a project as a temporary organization. From their view, “a project is a temporary organization to which resources are assigned to undertake a unique, novel and transient endeavour managing the inherent uncertainty and need for integration in order to deliver beneficial objectives of change.” Where companies have a structure with no start and end dates, a project requires for a defined time period a team working on it. The concept is thus time-related in the sense that it is expected to have an ending-date and the complexity of the tasks associated requires “organizing efforts” (Packendorff, 1995)
A project can be seen as an agency established by the parent organization. A structure needs to be developed, to enable change and efficient resource utilization. In that sense, the parent organization, seen as the principal will name an agent, the project manager to be chief of the temporary organization (Turner, Müller, 2003).

1.1.3 From corporate governance to project governance

This view of the project a temporary organization also emphasizes a need for control over the team and eventually the need of specific governance for the project. The following definition thus can be given (Müller, 2009):

“Governance, as it applies to portfolios, programs, projects, and project management, coexists within the corporate governance framework. It comprises the value system, responsibilities, processes and policies that allow projects to achieve organizational objectives and foster implementation that is in the best interest of all stakeholders, internal and external, and the corporation itself.”

Project governance thus requires designed people and tasks assigned to them. As it is suggested in this definition, the main ones are:

- Fostering of a productive environment for the project
- Resource optimization
- Project prioritization
- Identification of projects in trouble

1.1.4 Programs and their governance

When projects share a common goal, or show specific interdependency, they can be grouped into a program. The simplest definition of a program is a grouping of projects which share a common goal. Under the temporary organizational point of view, it can be defined as a “temporary organization in which a group of projects are managed together to deliver higher order strategic objectives not delivered by any of the projects individually” (Turner, Müller, 2003). Depending on the size of the company and of the program, the programs might imply projects located in different places. Programs will indeed be more complex to manage than projects.
The notion of project governance thus can be adapted to programs. More specifically, a governance structure will be needed at the level of projects, programs and portfolios. Sponsors, project or program steering group will embody this structure. One of their responsibilities will be to define the control processes they will want to establish (Müller, 2009).

1.2 Problem description

Programs are usually preferred to isolated projects as they enable to reach strategic goals, which wouldn't be achieved with projects (Partington D., 2000). Resource optimization and cost savings are also enabled by programs. Interdependency can be found in the management of projects which belong to the same program. This can be the case for the management techniques, the control processes, the deliverables, etc.

Moreover, program management can be viewed as the management of several projects, or as the management of organizational change through projects that bring change. The differences in the nature of the program explain in part this variation. For instance, the projects in a program may be represented as a chain of projects – one occurring after another, a portfolio of projects taking place at one point in time, or as a network of interlinked projects as it is synthesized in Figure 1.

![Figure 1: Organization of projects in programs](image-url)
Governance of project and programs are often studied independently of each other. However, since there is a strong dependency between their management, we could expect to find synergies in their governance.

1.3 Aim and objectives

In this paper, the research could thus be summarized as

*How does the governance of the projects belonging to a program evolve from the beginning to the end of the program?*

*As programs are meant to increase project benefits, how can specific governance structures increase the efficiency of a program?*

We thus expect the different phases of the program to have an impact on the governance of the projects.

1.4 Delimitations

This study will focus on the governance perspective and won’t go into the details of the management methods for projects and programs. Moreover, studied projects will only be projects part of a program.
2 Research methodology

This second chapter explains the characteristics of the research process. The research approach, paradigm and strategy are explained. Moreover, it presents the data that have been collected.

2.1 Research approach

Research links theory and practice. Studies usually are distinguished by whether they aim at generating theory or at providing empirical evidence to existing one. In the first case, an inductive approach will be used to generalize the empirical findings. In the second case, a deductive approach will be used when the researches want to find relevant information corresponding to a theory (Figure 2: Inductive and deductive approaches).

The purpose of this research is to study how the governance of the projects evolves during programs. The existing theoretical frameworks thus helped to analyze the empirical data. Thus a deductive approach was adopted.

2.2 Research paradigm

Paradigms can be defined as particular combinations of our basic belief system or world views (ontology), with their associated epistemologies. Paradigms thus direct the research ontologically (i.e. the nature of reality), epistemologically (i.e. nature and scope of knowledge) in selecting the research methodology (Guba and Lincoln, 1994).

For this study was adopted an interpretivist paradigm. This paradigm addresses the complexity of social actions. It is suitable to study the perceptions and meanings attached to human phenomena. It further addresses the particular (Biedenbach, Müller, 2011).
2.3 Research strategy

A research strategy aims at defining the type of results sought by the study. Qualitative data were used for this thesis as it helps to study human interactions.

2.4 Data collection

2.4.1 An interpretive method: the case study

As the main objective of this study is to see how the governance of projects evolves during a program, a case study appeared to be an efficient method to achieve this goal. As a matter of fact, it is used “to explore a single phenomenon in a natural setting using a variety of methods to obtain in-depth knowledge” (Collis, Hussey, 2009). More precisely, a descriptive case study was adopted.

2.4.2 Presentation of the case study

2.4.2.1 General presentation

This case is about the group LVMH Moët Hennessy – Louis Vuitton S.A. often shortened to LVMH which is a French holding company. It is one of the largest producers in the luxury business. The business consists of around 60 brands that often control themselves. Louis Vuitton a fashion house and the wine and spirit producer Moët Hennessy merged in 1987. Moët Hennessy itself was a result of the wine producer Moët & Chandon and the cognac producer Hennessy merger in 1971.

The LVMH group is a traditional example of a house of brands, because it has a massive but highly selective acquisition strategy and all the brands are working independently. Five ranges of activities are distinguished (LVMH Website):

- Wines & Spirits
- Fashion and Leather Goods
- Perfumes & Cosmetics
- Watches & Jewelry
- Selective Retailing
- Other activities

The group has one holding and four others under it, each one gathering more than twelve brands, each brand being a small company (LVMH document de reference 2011). As the group gathers companies,
they all have their own history and techniques. Creating synergies is thus hard: their common aspect is that they are all in the luxury business.

LVMH is a decentralized organization. Governance is thus divided among the affiliates. This company suited well to study program and project governance as we couldn’t expect to find different actors in the different project of a program. Moreover, this is an international group, so it can be expected that multi-located programs increase the complexity in the governance choices. This aspect was an interesting point of the case. Finally, as it was previously said, some synergies are created between the entities. It was thus relevant to wonder if it was also the case for governance.

2.4.2.2 Target team

The study focuses on a program managed from the Holding company. The holding of LVMH is mainly housing financial activities while all the production and operation management aspects are dealt in the smaller holdings and in the houses. One of its departments is the Financial and Treasury direction, under which a team is in charge of project management within the financial area.

The target program deals with the worldwide implementation of a secure banking platform.

![Figure 3: Partial organization chart of the Holding](image)

The objective will be to analyze how the governance of the projects constituting the program has been evolving since its beginning.

2.4.3 Triangulation

Using several sources of data adds relevance to the case study (Collis, Hussey, 2009).
2.4.3.1 Analysis of LVMH

A first part of the work was to gather information about the group. This was done thanks to reports and organizational charts. This first part was done thanks to Internet researches and to the documentation available in the company, information about the group and the program. This analysis was very important in order to have a good overview of LVMH’s organization and to understand how the houses are linked together.

2.4.3.2 Interview of the head of the project unit

In May, I could interview the head of the project unit. The questions were qualitative and aiming at understanding the choices made for the project organizations. Stories about the program helped to better understand how they are linked together and reflect about program management. Doing this interview in May helped me to have a good overview of the whole program and to be able to try to ask more relevant and less generalist questions about the program.

Interview questions can differ depending on their degree of structure – structured, semi-structured and unstructured. Structured interviews would have produced more standardized data and less flexibility. However, unstructured interviews might have led to gently guided conversation. In order to find a balance between guidance for the interview and enough flexibility the interview was semi-structured (see questions in Appendix).

2.4.3.3 Integration to the daily life of the program team

Finally, being able to be part of the team was interesting to follow the individual projects of the program. Regular reporting with the management, formal and informal meetings also helped to formalize what was learnt. Moreover, this integration enabled me to have contacts with the project sponsor and managers in the affiliates. This aspect added relevance to the study as it helped me to gather several point of views from the project unit but also from the mother houses.
3 Theoretical framework

In this section, the existing frameworks for project and program governance will be explored. The notion of program will first be reviewed and compared to the one of portfolio. Once the types of programs are clearly stated, the governance of projects and programs will be studied. This part will be concluded with some existing frameworks linking both of them.

3.1 Projects, programs and portfolios

3.1.1 Definition and advantages of the programs

Several definitions can be found for programs. A program refers to “a group of related projects managed in a coordinated way to obtain benefits and control not available from managing them individually. Programs may include elements of related work outside the scope of the discrete projects in a program” (Maylor, 2007). Pellegrinelli (1997) adds that it can be viewed as a “framework for grouping or defining new projects, and for focusing all the activities required to achieve a set of major benefits”. Projects are indeed related. It also can be noticed that the projects within a program won’t all be defined at the beginning. This fact adds temporality and flexibility to the concept. A common goal for projects is traditionally sought by programs. A wide view is needed for programs, which isn’t always the case for projects. Among the advantages of programs, the fact that they enable a greater visibility of projects to senior management and reporting of progress more aligned to the strategy of the company. Other advantages of programs are:

- Efficient prioritization of projects
- Efficient and appropriate use of resources
- Projects aligned to business needs
- Better planning and coordination (Pellegrinelli, 1997)

<table>
<thead>
<tr>
<th>Program</th>
<th>Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>An organizing framework</td>
<td>A process for delivering a specific outcome</td>
</tr>
<tr>
<td>May have indefinite time horizon</td>
<td>Will have a fixed duration</td>
</tr>
<tr>
<td>Evolves in line with business needs</td>
<td>Has set objectives</td>
</tr>
<tr>
<td>May involve the management the management of multiple, related deliveries</td>
<td>Involves the management of a single delivery</td>
</tr>
<tr>
<td>Focused on meeting strategic or extra-project objectives</td>
<td>Focused on the delivery of an asset or change</td>
</tr>
<tr>
<td>Program manager facilitates the interaction of numerous managers</td>
<td>Project manager has single point responsibility for project’s success</td>
</tr>
</tbody>
</table>

Table 1: Comparison of programs and projects (Pellegrinelli, 1997)
While projects are seen as vehicles for change and resource optimization (Turner, Müller, 2003), programs are in addition vehicles for implementing strategy and for bringing about corporate renewal. They are often seen as an extension of project management (Pellegrinelli, Partington, Hemingway, Mohdzain, Shah, 2007). To synthesize, a comparison of projects and programs is given in Table 1: Comparison of programs and projects (Pellegrinelli, 1997).

Moreover, the term “projectification” has been established by Midler in 1995 and referred to the process which took place to change the structures for organizing new product development at Renault. More generally, this concept refers to the increasing use of project structures in the organizations (Maylor et al, 2006). It was extended to the idea of programmification, which refers to “a more holistic approach to effecting fundamental and transformational change in organizations than projectification does” (Maylor et al, 2006). Both of these concepts shows that the use of projects and programs are vehicles for a change in the way organizations are organized.

### 3.1.2 Typologies of programs

Several typologies of programs are found in the literature.

#### 3.1.2.1 Typology based on the program duration

A first classification criteria, used by Müller (2009), is the duration of the program. Two kinds of programs are thus distinguished:

- **Temporary programs**: these programs have a defined start and end date. They are in that case a perfect application of the temporary organization concept. Common examples of this type are IT programs such as the implementation of a new Enterprise Resource Planning (ERP). Such programs will consist of projects dedicated to implement the various functionalities for instance.

- **Semi-permanent programs**: as it is suggested in the definition, this kind of program has no defined end date. This is often the case when new products are marketed. The duration is only vague at the beginning, and change will be encouraged during the program. Operational processes and support might be included in the program. Pellegrinelli’s definition of the program (1997) as a framework, where projects are added during the life of the program also supports the fact that it is not always necessary to define an end date at the beginning.
3.1.2.2 Typology based on the locations of the individual projects

Evaristo and van Fenema (1999) give a classification of the projects depending on whether they are part of a program or not and on their location. Figure 4: Project Management typology (Evaristo, van Fenema, 1999) presents it. This typology helps to understand the economies of scale which can be made during the projects if they are co-located. Moreover, the distributed projects require creating synergies between the locations which can be challenging for the project leaders.

![Figure 4: Project Management typology (Evaristo, van Fenema, 1999)](image)

3.1.3 Phases of a program

Whereas the three inherent phases of a project are definition, design and execution (Turner, 2006), Pellegrinelli (1997) distinguishes five phases of the program.

- During the program initiation, the need of a new program is first examined. The fit of the program to the strategic objectives is then studied and the program manager and her team are designed.
- The program definition and planning phase is about determining how to add value to the existing processes with the program. Once this is stated, a first planning is done. If there is a renewal, an update will be done.

- During the projects delivery, the performance of the individual projects is evaluated. New requirements can be added if some specifications are not fulfilled.

- The project renewal will be the occasion to discuss whether the programs should be refunded (case of the semi-permanent program) or whether it is still coherent with the strategic objectives.

- Finally, when the program is not needed anymore, it is dissolve. Uncompleted works and projects are re-allocated and the program team is re-assigned.

These program phases, summarized in Table 2: Program phases and issues (Pellegrinelli, 1997) are thus very different from the unidirectional project lifecycle (Pellegrinelli, 1997).

<table>
<thead>
<tr>
<th>Phase</th>
<th>Issues</th>
<th>Key factors</th>
</tr>
</thead>
</table>
| Initiation| Will the business benefit from the requirements delivery or projects with a program framework? | • New client or business requirements  
• Changes in strategic direction                                    |
| Planning  | How should the program seek to achieve the business benefit?                              | • Program rationale  
• Nature of work/projects                                            |
| Delivery  | Are the projects delivering against their objectives?                                     | • Projects’ performance  
• Management of inter-project and inter-program relationships  
• Resource efficiency                                                 |
| Delivery  | Is the program realizing the anticipated benefits?                                        |                                                                  |
| Renewal   | Should the program continue?                                                              | • New client or business requirements  
• Changes to the business model  
• Opportunities for realignment of projects                          |
| Dissolution| How should the remaining work or projects be reallocated?                                  | • Business processes and interdependencies (as reflected in program arrangements) |

3.1.4 Comparison to portfolios of projects

The project portfolio is a “grouping of projects and programs by similar skills or resource needs, prioritized by their contribution to corporate strategy and managed together to optimize contribution to strategic objectives” (Müller, 2009). Portfolios add effectiveness to the company as the portfolio will indeed be a selection of the “right projects”. This definition shows that portfolios can contain programs, but the opposite can’t happen. Moreover, we can see that projects within a program share the same objective, which isn’t the case for projects part of a program. The representation in Figure 5: Portfolio
and goal-oriented program (from Pellegrinelli, 1997) shows the difference between portfolios and programs which are goal oriented.

![Business objectives or benefits](image)

Figure 5: Portfolio and goal-oriented program (from Pellegrinelli, 1997)

Companies might prefer working more with programs or portfolios. Müller (2009) argues that portfolios will increase effectiveness as resources are shared. Programs will have a higher impact on efficiency. Organizations can also choose neither to relate the objectives nor to share resources of projects (multi-project organizations), or to do both, in the case of hybrid organizations (See Figure 6: Four different governance styles (Müller, 2009)).

<table>
<thead>
<tr>
<th>Resources</th>
<th>Portfolio of projects</th>
<th>Hybrid organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shared</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not shared</td>
<td>Multi-project organization</td>
<td>Program of projects</td>
</tr>
</tbody>
</table>

Unrelated | Related

Figure 6: Four different governance styles (Müller, 2009)
3.2 Project governance

A good design of the project governance is critical and needs to be established at the early stages of the project design (Hellström, Ruuska, Wikström, Jafs, 2013).

Müller’s definition of project governance states that it comprises the “value system, responsibilities, processes and policies that allow projects to achieve organizational objectives and foster implementation that is in the best interest of all stakeholders, internal and external, and the corporation itself” (2009).” It is intimately linked to the corporate governance. It more specifically provides risk minimization, transparency, division of ownership and control at the project level.

In this definition, two aspects of the governance are introduced. On the one hand, the people in charge of the governance have to be identified. On the other hand, their role must be defined. The following section will thus present the members and roles of the steering group, as it can be viewed as the main institution for governance of projects. As a matter of fact, the Board of Directors makes important decisions which will impact the creation of a project as they allocate budgets. However, when these decisions are made, the portfolio managers will be the ones to decide whether the projects are accepted (Müller, 2009).

In a second time, the impact that different governance views can have on the roles of the steering committee will be studied. Finally, the needed balance of governance will be analyzed.

3.2.1 Members and role of the steering group

Steering groups are committees which were created to implement the governance of projects. They also can be named Project boards or Steering committees. As they are the closest governance institution to project execution, they are ultimately responsible for project success. They are decision-makers and require managerial authority to assign resources when needed.

They gather minimum two people:

- The project sponsor, a manager whose organization gave funding for the project. He is the one who ordered the project.
- The project manager, who will be responsible for the day-to-day management of the project (Müller, 2009).

Other members can be senior managers, project account managers, business change managers, depending on the organization (Pellegrinelli, Partington, Hemingway, Mohdzain, Shah, 2007).
The Steering Group needs to provide “the structure through which the objectives of the project are set, and the means of attaining those objectives are determined and the means of monitoring performance are determined” (Turner, 2006). More specifically, in *Project Governance*, Müller distinguishes five roles of the Steering Committee:

- **Governance infrastructure**: this role enables to have a link between the temporary and the permanent organization. As a matter of fact, the project governance processes, the means of controlling projects, the roles and responsibilities will be defined and communicated. This selection of the projects aligned with corporate strategy might be chosen at the same moment.
- **Project goals**: the steering committee will define the desired business benefits, aligned to the corporate strategy. Deliverables and success criteria will also be decided in order to control the project progress.
- **Means to achieve project goals**: Resources required for the projects will be allowed by the Project Board. They might be people, budgets, training, consulting and IT structures.
- **Progress control**: thanks to the success criteria and deliverables, the project progress can be followed. The Steering Committee will need to prevent a scope creed, a decrease of interest of one stakeholder and any resource problem.
- **Steering group meetings** will need to be planned at the beginning of the project. Their frequency might depend on the phases of the project.

The general responsibilities of the Steering Group being defined, the roles and characteristics of the project sponsor will now be presented.

### 3.2.2 The project sponsor

The project sponsor can be viewed as the effective link between the organization’s senior executive body and the management of the project with decision making, directing, etc. (APM, 2004). He owns the business case for the project and is accountable to senior management for achievement of the business goals associated to it. Moreover, the parent organization can expect the sponsor to provide expertise from a business perspective to ensure that the proposed project is the one that they require. These characteristics make the sponsor having “one foot in the permanent organization and the other foot in the temporary organization” (Crawford et al, 2008). Crawford *et al* (2008) add to this definition that the role of the sponsor will depend on the type of the project. Two perspectives are distinguished:
- The perspective of the parent organization towards its project: this is the act of governing. Defining goals means and ends of the project, its contribution to and link with the parent organization are major responsibilities in this case.

- The perspective of the project towards its parent organization: this is the act of providing top management support, thanks to resources, decisions, formal authorizations by the parent organization to continue, etc.

![Figure 7: Governance perspectives](image)

Depending on the situation, the project sponsor might emphasize one or the other perspective. A governance perspective might be adopted if the parent organization would be very exposed to the consequences of a failure of the project or if this project has drawn the particular attention of the board for example. The other perspective might be preferred if the project team is inexperienced, if the parent organization is failing to provide sufficient resources or for instance if there are particular signs of difficulties (Crawford et al., 2008). Other reasons for choosing the perspectives are presented in Table 3: Examples of situations where governance and support perspectives are preferred.

<table>
<thead>
<tr>
<th>Governance perspective</th>
<th>Support perspective</th>
</tr>
</thead>
<tbody>
<tr>
<td>High level of risk exposure to the consequences of failure of the project for the parent organization</td>
<td>Failure of the parent organization to provide sufficient resources to the project</td>
</tr>
<tr>
<td>Poor performance of the project against the parent organization’s expectations</td>
<td>Resisting parts of the parent organization to the project’s implementation</td>
</tr>
<tr>
<td>Rapidly changing market conditions</td>
<td>Conflicting definitions of the project objectives or scope or untenable constraints by the different stakeholders</td>
</tr>
<tr>
<td>Particular attention to the project because of corporate governance requirements</td>
<td>Incapacity to give necessary decisions to maintaining planned progress</td>
</tr>
<tr>
<td>Suspected illegal, or noncompliant, behavior on the part of the project team;</td>
<td>Inexperienced or weak project management team</td>
</tr>
<tr>
<td>Mission-critical project or high level of exposure</td>
<td>Early signs of difficulty with the project such as a possible shortfall in benefits realization.</td>
</tr>
</tbody>
</table>

Table 3: Examples of situations where governance and support perspectives are preferred
3.2.3 The broker and the steward

Turner and Keegan (2001) define two project roles:

- The broker, who will be the person who defines the objectives of the project, the desired outcomes (benefit) and defined outputs. This person often is the sponsor, who owns the project.
- The steward is the person who defines the means of achieving the objectives. In practice, the steward generally is the project manager.

The roles of the broker and the steward are complementary. Trying to combine them would create conflicts of interests. The broker will want the best for the owner. The steward will have to be pragmatic to develop feasible solutions (Turner, 2006).

3.2.4 Governance views

Governance roles will be influenced by the way the project is viewed. As a matter of fact, the project can be viewed as a transaction to be performed or the agency performing the transaction (Müller, 2009).
3.2.4.1 Governance of the project as a transaction

The project is in this case viewed as the conversion of an input to an output. The governance goal will thus to reduce to a minimum its coast. Müller (2009) distinguishes the following costs: adaptiveness (need to align the interests of the different parties involved in the contract), contract governance (execution, monitoring and control) and the contract administration (development and agreement of the contract).

For example, the progress control role of the steering committee is “contract governance”. The contract gathers the objectives set at the beginning of the project. Performance and their achievement will be measured thanks to formal deliverables (Müller, 2009).

The uniqueness of the product, the risk of the endeavor and the extent to which this endeavor is a one-time undertaking or can be repeated are the three factors within which the project is governed (Winch, 2001). They are respectively referred to as specificity, uncertainty and frequency. The degree of importance of each of these factors in the project will influence the governance structure.

3.2.4.2 Governance of the project as an agency

This view of the project takes into consideration the human part of the project and adds it to the previously presented contractual aspect. The project, which is seen as an agency, has to be linked to the parent organization. Governance of this link requires good communication and mutual understanding between the two organizations in order to develop the best solutions (Müller, 2009).

Through strategic alignment, it is linked to the business. Projects were previously described as agencies for change, resource utilization and managing risk. The project manager should act as the Chief Executive Officer of this agency, which would enable the parent organization to be linked to the project structure (Turner, Müller, 2003).

3.2.5 The level of governance needed

Too strong or weak governance structures can have a bad impact on the project success. Müller (2003) argues that equilibrium for successful projects is reached thanks to a high collaboration between the steering group and the project manager and to a medium level of operational structure. The high collaboration will result from common goals and mutual partnership between the project manager and the project board. The medium structure will result from sufficient freedom to the project manager to solve day-to-day problems.
The three scenarios (Figure 9: Governance equilibrium and its deviations) show configurations of failing projects. First, when a project is failing, the steering committee might increase its governance perspective. More frequent reporting might be asked and flexibility will decrease. Moreover, if face to face communication isn’t frequent, the project manager and the steering committee can misunderstand which can lead to project failure. This can happen when they are in different locations. Finally, low reporting can easily lead to misaligned objectives and project failure (Müller, 2003).
3.3 Program governance

So far, this literature study first presented the definition of programs. The definition and concepts of project governance were studied. Pellegrinnelli (2011) insisted on the fact that since program isn’t just a label given to big projects, a distinct program management model has to be established. Applied to governance, a specific model for program governance needs to be defined. The study will thus now deal with a more macroscopic point of view with this notion of program governance.

Programs imply a move of power from the directors of the departments of the organization to those controlling the programs or portfolios of programs (Maylor et al, 2006). Program governance can be viewed as the process for developing, communicating, implementing, monitoring and assuring the policies, procedures, organizational structures and practices for a program (PMI, 2006). It will help to ensure achievement of the major objective or benefit, which cannot be achieved by a single project alone.

As it was the case for program governance, program governance will be embodied by the Program Steering Committee. It will at least gather the Executive sponsor and the Program Manager. Depending on the company, they might be joined by the Business Change Manager, the Portfolio Manager and other stakeholders if needed (Müller, 2009). In the following parts, the roles of the steering committee will be developed.

3.3.1 Goal setting

This first function is crucial for the definition and establishment of the program. The steering committee will have to ensure that the proposed program is feasible and the prerequisites already exist or will be established. Additionally to the feasibility, the members of the group will have to check whether the program, its methods, facilities and skill set fit into the overall corporate objectives. Müller (2009) lists the following aspects that should be handles by the goal setting function:

1) Communication of the program’s qualitative and quantitative contribution to the corporation objectives,

2) Establishment of an agreement on the “three themes” of program management (PMI, 2006)
   - Benefit management is fundamental to the realization of benefits from new capabilities delivered by projects within the program. This activity can be a thread throughout the program. Focus will be given to the identification, quantification, assignment of owners and tracking
A plan will emerge from this phase and will be used as an input for planning and progress control.

- **Stakeholder management** will aim at defining the objectives for how to manage and prioritize the different stakeholder groups.

- Individual **project governance** will aim at identifying any constraints for the governance of the projects comprising the program.

3) Definition of the General Program Governance Practices which includes the definition of the program’s success criteria, reporting and communication standards, procedures for escalation, etc. (Müller, 2009).

The goal setting thus appears to be a fundamental phase to ensure the success of the program, which will be dealt with during the initiation of the program.

### 3.3.2 Achievement of Program objectives

Once the goals are stated, the steering committee has to define the means to achieve them. Four aspects can be analyzed. First, a good organization structure has to be established. It should enable decision making at the appropriate level and flexibility to respond quickly to changing circumstances.

The second aspect is that roles and authorities have to be assigned. The target roles are program management, opportunity management (identification of possible synergies to increase the program efficiency and effectiveness), resource management (planning ahead for a specific required resource or skill set) and program maintenance (status reports, identification of poorly performing projects, coaching of project managers). Establishing a Program Management Office support constitutes the third aspect. This team can be an expert team who will help to choose the right methodologies, tools and techniques and to do administrative work. Finally, the steering committee will have the responsibility to choose the appropriate program manager. Program managers have to be tolerant of uncertainty, aware of business influences and to embrace change (Müller, 2009).

### 3.3.3 Controlling progress

As it was presented in the two previous parts, the first function of the steering committee is to define the goals of the program; the second one is to provide the means to achieve them. The third one will thus be to ensure that they are achieved. Controlling progress will usually be done thanks to Stage Gate Reviews. PMI (2006) suggests that they should be done at the end of each phase of the program. When they are done, plans and achievement should be compared, performance should be assessed and evaluated, and risks should be assessed in order to decide on continuation, suspension or modification.
of the program. Reviews between the Stage Gate Reviews might be needed, especially for multi-year programs (Müller, 2009).

### 3.4 Toward an integrated framework of the program governance

So far, program and project governance have been studied separately. Müller (2009) presents an integrated governance model. Legitimacy is an important aspect of the hierarchy of Figure 9. As a matter of fact, the institutional theory uses legitimacy as it aims to ensure that actions carried out and decisions taken during governance are performed in a way that achieves legitimacy within its context. Therefore, decisions taken by the governance institutions will balance benefit maximization and moral appropriateness.

The model in figure 9 gathers all the actors of the governance, from the macroscopic level (portfolio) to the project level. All the actors are linked to the project management office which will provide appropriate information flow through the organization (Müller, 2009). This institution thus appears to be a necessary bridge between the actors.

![Figure 10: Project governance hierarchy](image-url)
4 Case study: the Sapphire project

In this part, the program the case study deals with will be presented. A background about the organization of the group will first be given. Then, the history of the program and its context will help to have a better overview of its characteristics. Governance during projects aiming at implementing the platform in the mother houses will first be studied. Its analysis will be followed by a focus on projects with their affiliates.

4.1 Organization of the group

LVMH is a decentralized organization. Since its creation in 1987, it has known a tremendous growth thanks to acquisitions and the success of its prestigious brands. All the affiliates are independent and have their own strategies.

The divisionalized form of organizations derived from Mintzberg’s model (Figure 12: Divisionalized Form (Mintzberg, 1979)) is often suitable to have a good picture of the configuration of the group. The units are working autonomously but synergies are created by the holding to realize economies of scale (Bolman, Deal, 2003). Some synergies can especially be found within the six domains of activity.
4.2 Presentation of the program

4.2.1 Birth of the program

In 2009 was announced that the end of the French protocol ETEBAC would be at the end of 2011. This protocol enabled communication between banks and their clients (account statements, payment files). As all of the French houses used this protocol, this ending would have a dramatic impact on the banking communication. Moreover, not a long time after this news, another deadline was added. As a matter of fact, payments in the SEPA area should respect its prerequisite, meaning that local formats would also have to be stopped by February 2014.

In 2010, the Holding company and two of the mother houses (Louis Vuitton and Perfume and Cosmetics) used the same solution to communicate with banks. However, their systems for it were independent and upgrades were needed. To sum up, at the end of 2009, the mother houses of the group had a common need for a new banking platform, to ensure security in their payments and an efficient management of the cash.

4.2.2 March 2010: Meeting with the treasurers

At the beginning of 2010, the need for a common solution was identified in the Treasury and Financing Department of the Holding Company. Technical solutions had been studied. In order to deeply understand their need, treasurers were gathered to identify their payment habits, learn how they like to manage the cash in the mother houses.

“The objective of the treasurer committee was to present the solutions to them and to make them sensitive to the upcoming program. Moreover, discussing with them helped us to understand their particular needs the program would have to satisfy” (from the interview)

This meeting actually launched the SAPHIRE (Swift Access Payment Platform for Houses Including Reporting) project. SAPHIRE is the name of the program and of the global solution. The chosen solution was to access to the Society for Worldwide Interbank Financial Telecommunication (SWIFT) which provides a network that enables financial institutions worldwide to send and receive information about financial transactions in a secure, standardized and reliable environment. Account statements and payments are standardized. Countries specifications are minimized to reduce the integration efforts.
In a nutshell, the entities send their payment files from their ERP to the solution (Trax) via a client SFTP. Payments can directly be created in Trax. They are then sent to the bank via the secured network of Swift. Account statements take the opposite way from the bank to the entity as it is presented in Figure 13: Financial instruction flows via Sapphire).

Another objective of SAPPHIRE is to rationalize the bank partners of the group. In the context of the financial crisis, it appeared necessary to limit the exposition to weak banks.

**4.2.3 Planning of the program**

Sapphire is a program as it gathers lots of individual projects aiming at implementing the banking platform worldwide. As the group gathers around 60 mother houses and more than a 1000 entities when all the geographical locations are included, prioritization had to be done. Due to the deadline in France with the Etebac protocol, the priority was given to the French mother houses in 2011(Figure 14: Sapphire projects of 2011).
Figure 14: Sapphire projects of 2011

The deployment went in 2012 with first affiliates in Europe and pilots in the United States and Asia (Perfume & Cosmetics Singapour, Louis Vuitton Singapore, see Figure 15: Sapphire implementations of 2012).

Sapphire is a long but temporary program. As a matter of fact, the initial objectives were to finish the European implementation at the end of 2013, and the worldwide implementation by the end of 2015. These objectives are still the same today. Around 330 entities over approximately are currently using the Swiftnet platform.

Figure 15: Sapphire implementations of 2012
4.2.4 Program governance

Program sponsor

Several projects are managed by the project unit of the Financing and Treasury department. As they don’t all have the same goal but share resources (at least human resources as the project managers handle several projects), they all form a portfolio of projects and programs. Other examples of programs are the implementation of a treasury platform for the group or also the development of a pricing tool for the financial instruments of the group. The projects are each year chosen during strategic committees gathering several departments of LVMH in October. Their budget is then attributed for a year. The official sponsor is the Chief Financial Officer of the Holding Company. However, for each project or program, another director can represent him as he often is busy.

For the Sapphire program, the Head of the Project unit has weekly meetings with the treasury and Financing director.

“I meet the head of the Financing and Treasury department every week. The objective of this meeting is to keep him informed on the evolution of the projects and of the main difficulties encountered. Around one or two meetings are organized each year with the CFO Even if the program is running really well, it is important to communicate about it so that it doesn’t stay isolated in the group” (from the interview)

This extract from the interview show that even if the CFO can’t follow weekly the project, he is updated about its progress.

Program manager

The project unit gathers seven managers. All of them follow different projects. However, each one has already been involved with the program. The head of the unit has an important role in the implementation: he decides which entity can enter the program and sets with the treasury and financing director the priorities in the banks. He is the program manager. However, he is helped a lot by another project manager who works only with this project and became the expert of the solution within the team.

Now that a general introduction of the program has been given, the implementation of Sapphire in the mother houses and in the daughter houses will be presented.
4.3 Implementation of Sapphire in the mother houses

The golden rule of the group might be that the mother houses are responsible for their affiliates. Further, implementing Sapphire in a mother house aims at providing it an efficient payment and cash management tool, but also to teach them how to handle a Sapphire implementation.

Project sponsor

The project sponsor of an implementation is always the CFO of the affiliate, no matter if it is a mother house or not. As it is the case for the program sponsor, the implementation will be followed by a treasurer who will represent the interests of the CFO. During a first implementation, the treasurer will present the payment habits of the mother house. He will give the list of banks and accounts they have. However, he won’t be a leader in the decision making process. As a matter of fact, he will have to discover the file formats and payment possibilities available in Sapphire. He will thus be guided by LVMH project unit.

![Figure 16: the four main phases of a Sapphire implementation](image-url)
Project manager

“For a first implementation, everything is handled from the project unit. A project leader is designated in our team and we basically tell the mother house how many people and skill set for the project. For example, an ERP team, people working with the network and working stations will at least be responsible.” (from the interview)

This extract shows something fundamental in the Sapphire program. For every mother house implementation, one project leader will be chosen in LVMH. The team he will manage will be in the mother house. This is important for two reasons. On the one hand, an affiliate is a new system, it is thus better to have people who know their system. On the other end, this is also important because people working in the affiliate get familiar with Sapphire; their competencies with the solution increase during the project.

Moreover, the progress control will be handled by LVMH. Documents and templates to monitor will be given to the affiliates. The objective is to show them the good way to do the project. The training session (Figure 16: the four main phases of a Sapphire implementation) will be handled by LVMH. The objective is to limit the number of error from the users and to have the mother house able to help its affiliate with Sapphire.

Finally, some responsibilities the project manager and of the project sponsor are summed up in Table 4: Roles of the project manager and sponsor during a first implementation.

<table>
<thead>
<tr>
<th>Project manager (LVMH)</th>
<th>Project sponsor (Mother house)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Describe the skill set needed for the implementation</td>
<td>Find the implementation team</td>
</tr>
<tr>
<td>Teach the mother house the good practices</td>
<td>Capitalize this new knowledge</td>
</tr>
<tr>
<td>Communicate with the bank</td>
<td>Communicate with the CFO</td>
</tr>
</tbody>
</table>

Table 4: Roles of the project manager and sponsor during a first implementation

4.4 Implementation of Sapphire in the affiliates

“Each mother house is responsible for the implementation of its affiliates”. This sentence is clearly stated in the documentations of the program. The reason for it is organizational:
“Directly implementing all the affiliates wouldn’t be viable. From 60 the number of interlocutors would increase to around one thousand. We thus would need to be more than seven in our team. Moreover, this is a win-win situation for the mother house as it remains the main contact for its affiliates. It indeed increases its credibility” (from the interview)

Management becomes indirect when the affiliates are implemented. Figure 17: Communication flows during an affiliate implementation shows how the communication flows are oriented during the implementation. The particularity is that LVMH keeps the banking communication as it is easier for the testing phases. However, the affiliate keeps it local bank contacts for the day-to-day activities. LVMH will “ever” be directly confronted to the affiliate.

In the following four parts implementations of Sapphire in different affiliates will be presented. A focus will be given to the roles of the mother house and LVMH for each of them.

4.4.1 Parfums Christian Dior Nordics

The mother house Parfums Christian Dior has four affiliates in the Nordic countries, in Sweden, Denmark, Finland and Norway. All of them are working with the same bank and some synergies were created between the entities. This project was initiated in February 2013 and its project board gathered three people.

- The project sponsor, who is the treasurer of Perfume and Cosmetics France
- The project manager from Perfume and Cosmetics IS, which is the department of the mother house in charge of IT
- The LVMH project unit member in charge of the implementation
The IT project manager was really the person in charge of the operational implementation. He was in contact with the affiliate for the technical parts and to train them. The project sponsor had two main roles. First of all, she is the one who gave the scope of the project and gathered all the information needed for the contractual phase. She and the IT project manager had regular project committee with the affiliate in order to explain them the project and give them instructions. When the project was well in place, she let the project manager run the project and was mainly an escalation contact.

The project unit member was in charge of planning the steering committees (weekly), the give some specification, run the contractual phase with the bank. An important point is that this person also has a symbolic role as he represents the Sapphire program. For this reason, he has to scrupulously respect the delays and show again the good ways to the mother house.

Finally, the go live decision was taken by the mother house. It is important to notice that LVMH has to confirm that everything is fine to go live. By go live is meant to send real payment files.

4.4.2 Watch and Jewellery Spain

As each implementation is unique, the configurations can differ a little from one to another one. For Tag Heuer Spain, the classic and “model” configuration was a little violated. For this project, the project committee was followed by:

- The mother house project sponsor, who is the treasurer of Tag Heuer and works in Switzerland,
- The IT project manager who also was in Switzerland,
- The local project sponsor, who is the CFO of the entity
- The LVMH project unit member in charge of the implementation

The roles of the mother house sponsor and manager were quite similar to Parfums Christian Dior SA. However, the project sponsor had a little bit more responsibilities. As a matter of fact, he organized the meetings, used his owned control documents and was the real leader of the project. He was able to take important decisions for the project development. He thus had responsibilities that the project unit member had for Perfume and Cosmetics. For this reason, it can be said that for this implementation the project unit only had a support role.

One particularity was that the local CFO was part of the steering committee. This enabled him to have directly answers from LVMH for some questions. This usually is not wanted by LVMH. Since this was a small entity, it didn't increase too much the number of interlocutors.
4.4.3 Louis Vuitton Benelux

For Louis Vuitton, contacts with the affiliates are impossible. As a matter of fact, this brand is by itself a huge group. As it was the case for Parfums Christian Dior, the project Sapphire Louis Vuitton Benelux encompassed several entities in one project. This was made easier as they all worked with the same bank in Belgium, Luxembourg and Netherlands. This project was in Louis Vuitton part of global ERP implementations. The people present to the weekly project committee were:

- Louis Vuitton project sponsor, who is the treasurer,
- The IT project manager from Louis Vuitton,
- The LVMH project unit member in charge of the implementation

In this case, LVMH only had a support role as the whole implementation is handled by Louis Vuitton. As the project is really technical, the project manager had more authority than the project sponsor during the project committees. To sum up the project sponsor has the responsibility to gather information from the affiliate but technical decisions and the planning was really handled by the project manager. Moreover, communication tools were realized by the project manager.

4.4.4 Progress control from the project unit

Depending on the project, project unit members are more or less involved in the governance of each project. However, all the implementation progress is weekly reviewed in order to prevent failures. These weekly meeting also enable the whole team to have a good overview of the evolution of the program and are also aimed at raising improvement axis.

4.5 Analysis of the results

4.5.1 From a governance perspective to a support perspective

Even if each implementation is unique and has its own specificities, it can be said that some general trends can be observed in the evolution of the governance between the first project and the following ones. The governance perspectives were discussed in 3.2.2. In the Sapphire program, an evolution from the governance perspective to the support one has been observed. As a matter of fact, during the first implementation, LVMH sets the goals and means of the project and give the guidelines to run the projects. During the implementations of the affiliates, the holding company appears more as a management support and a resource to ensure the project progress.
This change in the perspective is also illustrated by the fact that the project manager moves from the holding company to the mother house of the affiliates. The mother house will indeed earn more credibility toward its affiliates. However, LVMH’s project unit progressively takes a program management office role. It becomes an “expert team whose function is to support the choice of methods and application of tools and techniques or an administrative team whose function is to retrieve the productive program resources from the need to do unproductive administrative work” (Müller, 2009). This evolution is illustrated in Figure 18: Evolution of the hierarchy of the actors of the governance during the program.

4.5.2 Relations between the broker and the steward

As we could observe that the project manager shifts from LVMH’s side to the mother house and based, this may be an interesting point with the roles of the broker and the steward studied in 3.2.2. As a matter of fact, between a first and a second implementation, the steward will change but the broker won’t (Figure 19: The broker and the steward in the first and following projects). This characteristic of the Sapphire program is a key factor for its success. This creates stability along the program but enables the program leaders not to require too many people in their team. Moreover, LVMH’s project unit has many contacts with the broker so is able to intervene in case of a potential failure.
4.5.3 Conclusion of the analysis

This case study gave an example of the evolution of the governance of the projects of a program. The main conclusions were:

- The perspective of a first implementation is a governance one from the holding company toward the mother house. However, it shifts to a support perspective between the holding company and the mother house for the next implementation.

- The project manager moves from the holding company to the mother house. The broker and the steward are thus in the mother house for the affiliate implementation. This practice enables LVMH to keep a small program team whose role becomes like the one of a program management office.

- The project unit thus has first a managerial role which is transformed to a support role. However, it remains able to take decisions in case of potential failures.
5 Conclusion and future research

The goal of this Master of Science Thesis was to study the evolution of the governance of projects within a program. The case study about the Sapphire Program enabled to have an example of this evolution. The two questions raised in the introduction are recalled to conclude this work. The conclusions of the case study will be used to see how these questions can be answered and to which extent generalizations could be done.

*How does the governance of the projects belonging to a program evolve from the beginning to the end of the program?*

This case study helped us to see that, during the Sapphire program, the governance evolved in a particular way. As a matter of fact, we could observe that while LVMH had a dominant role in the first implementations, it then became more like a project management office, with a support role.

From this statement can be raised the question of how this observation could be generalized in order to answer to this first question. A case study does not permit generalization. However, an interesting point might be to wonder to which case this kind of transfer of the governance during a program might be needed or observed.

One must say that LVMH is the perfect example of a decentralized organization. Each mother house is fully responsible for its affiliate. This characteristic might be needed for this configuration. We might think that global programs could have this configuration. For example, we could imagine a global program divided in geographic zones where a pilot in each one would be governed by the program team. The governance transfer would then occur after the pilot implementation of each zone. This could lead us to think that we would expect to observe this transfer in programs with discrete locations and maybe less in programs located in one place.

Moreover, another aspect is the type of program. As a matter of fact, the Sapphire program is a temporary program, close to an ERP development. Thus the actions of each implementation don’t differ a lot from a project to another one. For this reason, this type of governance transfer might not be suitable for a program where each of the projects is not precisely defined. As a matter of fact, in this structure, the program managers follow all the projects and are able to intervene if something goes wrong and doesn’t fulfill the expectations of the program. This might not fit with the creativity process.
We could also expect to find this evolution of the governance during a product development. We might find the same governance transfer if the development is divided into different parts of the target product. If we take the example of the development of a car or maybe a plane, the parts are sometimes produced in different places. At the beginning of the program, during the design phase, we might be able to observe that the people responsible for each part of the car would work under the authority of the holding company which would be developing the car. Then, each director of the development of a piece of the vehicle might be able to run their own project consisting of the development of the specific part.

As programs are meant to increase project benefits, how can specific governance structures increase the efficiency of a program?

Several aspects of the Sapphire program could help us to define guidelines to gain efficiency for other programs.

This governance shifts appears to be a strategic asset for the program. As a matter of fact, this enables the project unit of LVMH to remain a small team. If they had directly managed all the implementations, then they would not be able to follow several affiliate implementations at a time. This is thus a benefit for this team which doesn’t have to increase with the program.

Additionally, the program gains efficiency while it doesn’t multiply the communication channels. As a matter of fact, it uses the existing one. The LVMH Treasury and Financing Department is regularly dealing with the mother houses while the latter ones are regularly in contact with their affiliates. Once more, this configuration beneficiates to the holding company because they don’t have to implement a huge support team. Each mother house is responsible for the support of its affiliates.

Moreover, this configuration where the sponsor remains during the whole experience could also be beneficial for other programs. As a matter of fact, it adds credibility toward the affiliates. In a group as decentralized as LVMH is, the mother houses needs to remain the main point of communications for their affiliates. This would for sure be the case for other big house of brands.

Finally, coherency is created thanks to the fact that the project units starts with a governance perspective and then adopts the support one. This is a key success factor for the program as it maintains control of the program for its managers and sponsors. Even if the governance is decentralized, LVMH and the project sponsors remain in the implementation of the affiliates which creates a common basis for each project.
To conclude, this governance evolution helps to optimize human resources, to give more responsibilities to the mother houses and to maintain a control of the progress of the project. These three aspects of the configuration might be sought by many programs, so they might benefit from adopting similar patterns.

By a way of conclusion, an interesting continuation for this research would then to study the governance of other kind of programs and see if a comparable evolution can be observed. Various programs might be studied. This might be interesting to go into other multi-located projects. As we don’t expect to observe this pattern in programs located in a unique location, it would be interesting to compare the evolution of the governance in this kind of programs too.
6 References

Association for Project Management (APM, 2004), *Directing change: A guide to governance of project management*. High Wycombe, UK: APM.


*Online sources*


7 Appendix – Interview questions of the program manager of Sapphire

- How did the program started?
- What are the main objectives of the program?
- Did you directly establish duration for the program?
- What is the status of the program?
- Could you describe a Sapphire implementation of a mother house?
- Why isn’t the implementation of the “daughter houses” managed from the holding company?
- Who is the sponsor of the program in LVMH? Who follows the status of the program?
- More generally, how are the projects of the project unit decided/initiated?