It’s Time to Professionalise Project Governance

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Abstract

Many organisations appear to experience difficulty in extracting maximum organisational value from investments in projects, particularly but not exclusively in areas such as IT. Research, experience and anecdotal evidence suggest that poor project governance is widespread. This is despite the fact that historical evidence should have indicated to those in corporate governance the need for more effective project governance from the outset in many projects.

One reason for such negative outcomes for organisations appears to be an emphasis on the technical, financial and scheduling aspects of projects rather than emphasis on ensuring that required business outcomes will be achieved and organisational value realised. Another is that many of those appointed to project governance roles are ill prepared.

In many cases, projects are not subject to adequate oversight and guidance by senior business managers. The achievement of business value is enhanced through active participation of senior business managers in the governance of projects from initiation to realisation of benefits, particularly through their involvement in project decision making and promotion of the organizational change necessary to achieve anticipated business value.

This paper first reviews the guidance available on project governance, then discusses possible approaches to professionalising and supporting those governing projects and programmes, including emerging accreditation options.

Key words: project governance, benefits, leadership

What is project governance?

The word ‘governance’ is derived from a Greek word meaning ‘to guide, or ‘to steer’.

The primary role of project governance is to "steer" the project and its associated change into the organisation with minimum disruption while tending to the best interests of the organisation. A project manager can influence and cajole, but not enforce or direct the organisation to cooperate with this introduction of change.

Project governance provides a management structure for the project that mandates policies, procedures and management methods, and allocates stakeholder responsibilities and accountabilities. This includes the assignment of decision rights, and the development of an accountability framework to encourage desirable behaviour by all stakeholders.

The project governance group need to forecast where a project might end up, and deal with potential undesirable outcomes early. The group should establish adequate internal project control structures and reporting arrangements.

Project governance requires real understanding of the motivations and pressures of all the significant stakeholders. In reality, personal objectives and priorities can override corporate objectives, and this can impact project outcomes.

Project governance requires an active, independent and sceptical mindset that anticipates the consequences of conflicts and behavioural dilemmas throughout the project delivery lifecycle - it is not just about compliance with an established process.

The project governance group acts as the gatekeeper at key points in a gated project life-cycle. Even if many aspects of project governance are delegated, periodically those in project governance roles need to personally 'open up the project' and check the project's health. In particular, the governance group makes the critical decision on whether and when project products will be transitioned into operational use, because of the risk to business-as-usual if the products do not work or do not integrate into day-to-day business processes as expected.

A project manager's job is done when the project closes. Those governing projects must remain engaged until the benefits of the transition to the new approach to business-as-usual have been proven, and generally this may not be achieved until months or years after project completion.

Project governance is a subset of corporate governance. Those in the project governance group should be individually accountable to corporate governance for their performance.

Is there really a problem?

Many organisations appear to experience difficulty in extracting maximum organisational value from investments in projects, particularly but not exclusively in areas such as ICT. Research, experience and anecdotal evidence suggest that poor project governance is widespread. This is despite the ample evidence that indicates the need for more effective project governance.

One reason for poor project outcomes for many organisations is that undue emphasis is placed on the technical, financial and scheduling aspects of projects rather than on ensuring that expected business outcomes will be achieved and organisational value realised. This is because many of those appointed to project governance roles are more familiar with the technical, financial and scheduling aspects of the project rather than benefits realisation and value delivery. Specifically, viewing major ICT projects as technical initiatives rather than business initiatives promotes ineffective project governance.

Project governance must concern itself with a range of issues; it is not just about compliance with a process, and it must not let the 'noise' around a project cause a loss of focus on the need for a 'return on investment'. Project governance also means remaining aware of the context in which the project is running – a change in this context might mean that a well-run project should be cancelled.

In many cases, projects are not subject to adequate oversight and guidance by senior managers. Research shows that delivery of value from projects is enhanced through active participation of senior managers in the governance of projects, from concept initiation through to realisation of benefits. In fact, an effective and engaged project sponsor is actually a predictor of project success.

The problem is that, despite the many hours spent by senior managers in project governance meetings, few actually know what their role is, what they should be focussed on or why. Many organisations spend considerable effort in acquiring or developing competent project managers but few seem willing to develop the competence of those governing projects.

How bad is it?

All research on why major projects fail finds that "lack of senior management support" is one of the top three contributors. The UK Government lists "decision making failures" as one of the top five causes of project failure. Victorian Treasury, which oversees Gateway Reviews of major projects, lists poor project governance as the second most common cause of project failure.

A recent survey conducted by QUT researchers found that project managers were critical of project governance:

- The respondees who used PRINCE2 were exceptionally critical of the competence and effectiveness of Project Boards and Project Sponsors;
- The respondees who did not use PRINCE2 were likewise highly critical of the absence of defined project governance structures, processes and associated roles, responsibilities and accountabilities.

Project governance is a distinctly different activity to operational management. Approaches that work well in the latter actually hinder success in the former. Most sponsors and project governors are operational managers who have been promoted into senior roles through excellence in managing business-as-usual in functional units. They could be described as "accidental sponsors". People appointed to project governance roles for the first time need to be briefed as to how to discharge their new responsibility effectively, and provided with ongoing support by P3Os and other independent assurance and support functions.

Differences between project governance and operational management

Operational managers purchase commodities. If they take on project governance roles, they may not understand that the products of projects are not commodities. Operational managers have no option but to ensure that a breakdown in an operational process is corrected; they don't have the option to abandon the process. Which may lead to unfortunate behaviours in project governance role, such as pouring more resources into a project that should have been reviewed and possible cancelled.

If an operational manager replaces an element of their business-as-usual processes, they will check that the replacement works, then feel that their job is done. In a project environment, though, the project's Business Case contains the answer to the question: are we done yet? And the answer is: not until the benefits described in the project's Business Case have been realised. A project manager's job is done when the project closes. Those governing projects must remain engaged until the benefits of the transition to new business-as-usual products and processes has been proven, and generally this may not be achieved until months or years after project completion.

What the Standards say

There are many sources of information providing guidance on aspects of project governance:

- Corporate governance standards, including the ASX's principles of corporate governance, most of which have a direct interpretation for project governance:
    - Lay solid foundations for management and oversight;
    - Structure the board to add value;
    - Promote ethical and responsible decision-making;
    - Safeguard integrity in financial reporting;
    - Make timely and balanced disclosure;
    - Respect the rights of shareholders;
    - Recognise and manage risk;
    - Remunerate fairly and responsibly, which at project level could be interpreted as 'manage the performance of the project team'
- The OGC's PRINCE2 project management method provides a set of Project Board duties and behaviours:
    - Be accountable for the project;
    - Provide unified direction;
    - Delegate effectively;
    - Facilitate cross-functional integration;

    - Commit resources;
    - Ensure effective decision-making;
    - Support the Project Manager;
    - Ensure effective communication
- The OGC's PRINCE2 project management method and MSP programme management method provide detailed role descriptions for those in project and programme governance roles;
- The OGC's Programme and Project Sponsor (PPS) offering is a method-agnostic programme and project governance briefing;
- The OGC's Portfolio Programme and Project Office (P3O) offering provides valuable advice and concrete guidance on how to establish portfolio, programme and project offices to support the decision-making role of those in project governance;
- The OGC's latest offerings, Management of Value (MoV) and Management of Portfolios (MoP) also offer useful guidance on clearly establishing the justification for projects in terms of organisational value objectives as the focus of subsequent project governance;
- The British APM's Governance of Project Management (GoPM) offering provides eleven overarching principles of effective project governance, then provides 42 questions that those in corporate governance or their agents should ask to satisfy themselves that effective project governance exists in their organisation;
- The interim draft of AS/8016 Corporate Governance of ICT Projects lists project governance responsibilities as including:
    - Evaluate – check the initial and ongoing justification for the project;
    - Direct – provide guidance and direction to the project; make decisions;
    - Monitor – keep an eye on the critical aspects of the project
- The draft ISO 21500 Guide to Project Management discusses various aspects of project governance, covering both the 'directive' and 'executive' aspects of governance, including aspects that might be described as 'portfolio management' and 'governance of project management'. Interestingly, it says that those in governance roles should mentor the Project Manager to ensure a business orientation rather than a technical orientation, but this will only work if those in project governance roles have a business orientation themselves;
- Academic research showing how those governing projects can promote or hinder project success;
- Books by academics and practitioners;
- Briefings offered by professional project management support organisations.

Approaches to Improving Project Governance

The main recommendations of the QUT research cited previously were:

- Educate Project Board members on their collective and individual responsibilities;
- Increase senior management awareness of project management controls;
- Explain how to achieve the senior leadership commitment needed to embed standard project management methods;
- Prepare publications targeting the roles and responsibilities of Executives and other Project Board members;
- Develop a targeted briefing for Project Sponsors and Project Board Members;
- Introduce certification for Project Board members.

With respect to the final point, while some organisations have developed in-house project governance frameworks and provide 'project sponsor training', there are no generally accepted accreditations for those in project governance roles.

It should be noted that the observed behaviour of many organisations in adopting PRINCE2 is to send project managers to a PRINCE2 course without providing guidance and support to those who will need to take on Project Board roles.

Since it is a corporate governance responsibility to ensure that appropriate behaviours and mechanisms are in place within the organization, those in corporate governance should develop a principles-based project governance policy that defines a common and structured approach to project governance. The OGC's P3O method provides guidance on how to promulgate and support such a policy.

Many organisations support those in project governance roles by:

- Strengthening the assurance roles referred to in the PRINCE2 and MSP methods;
- Developing programme and project support functions aligned with P3O;
- Adopting the Gateway Review Process to provide periodic independent scrutiny at key gates;
- Providing coaching and mentoring support from experienced practitioners.

Conclusions

Until corporate governance is strengthened to require improvement of the quality of project governance, there may be little motivation to develop project governance accreditation frameworks.

As effective project governance is critical, organisations should seek, adopt and mandate the best available practice in project governance. In the absence of a definitive standard of project governance, there is more than enough information available for organisations to develop their own credible project governance frameworks.

It's time to professionalise project governance!

Author Bio

Geoff Rankins has been a practicing project management professional for over 30 years. Geoff is a member of PMI, and an accredited consultant and trainer in programme and project management. As well as his ongoing contribution to real-world projects and programs, Geoff now offers specialist services in project and program management as a consultant, coach, trainer and presenter. Geoff has extensive experience in implementing formal project and programme management methods into multinationals, major corporates, SMEs, Government Departments, Universities and NFPs. He is currently helping to implement PRINCE2 and MSP into Government and major private sector organisations in NZ.

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