

The Governance of Project Management

Presentation at Almaty, Kazakhstan
27 January 2006

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Oxford Project Management Ltd

A Guide to the Governance of Project Management

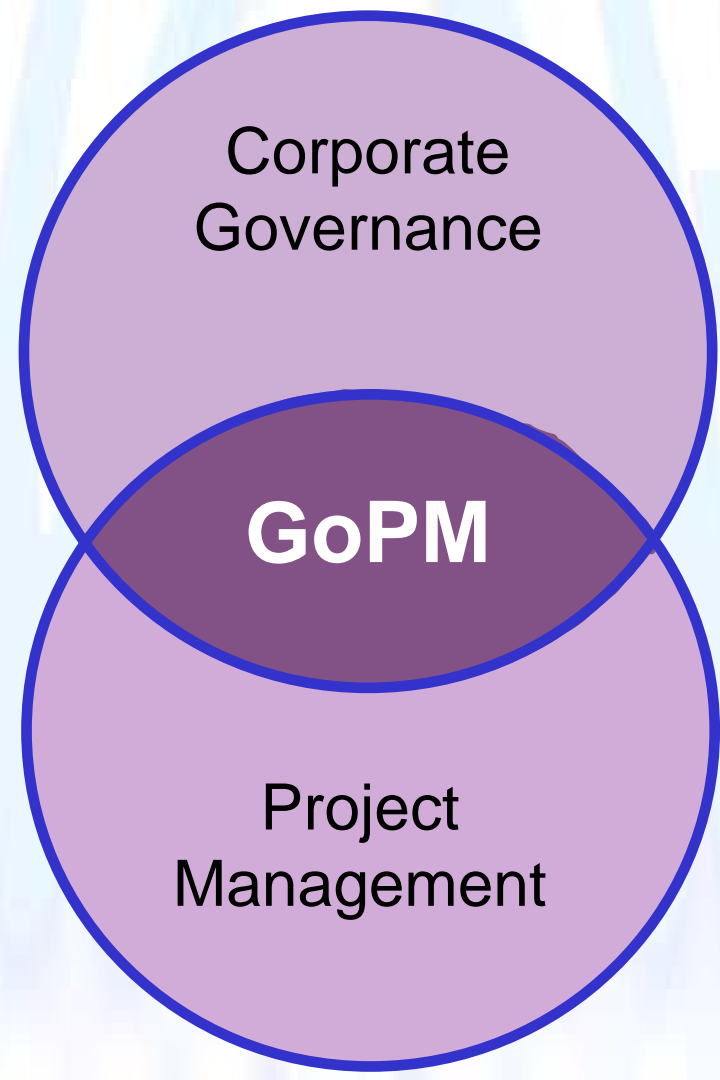
1st Issue September 2004

2nd Issue October 2005

Association for Project Management (APM)

GoPM SIG

Governance of Project Management **OPM**



Corporate governance involves a set of relationships between:

- a company's management
- its Board (or management team)
- 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.

Source: Preamble to Organisation for Economic Co-operation & Development Principles

Current

- The Combined Code (UK)
- Sarbanes Oxley Act (USA)

Pending

- UK Law Reform (white paper)
- European Union (due to be effective 2007)

Why might project
management be relevant to
Corporate Governance?



- Railtrack – West Coast Mainline



- New Coke – 1986

Corporate Governance and Projects **OPM**

- The Combined Code
- Sarbanes Oxley Act
- SOX Internal Control

How many times does the word “project” appear?

1

Project Management and Corporate Governance **OPM**

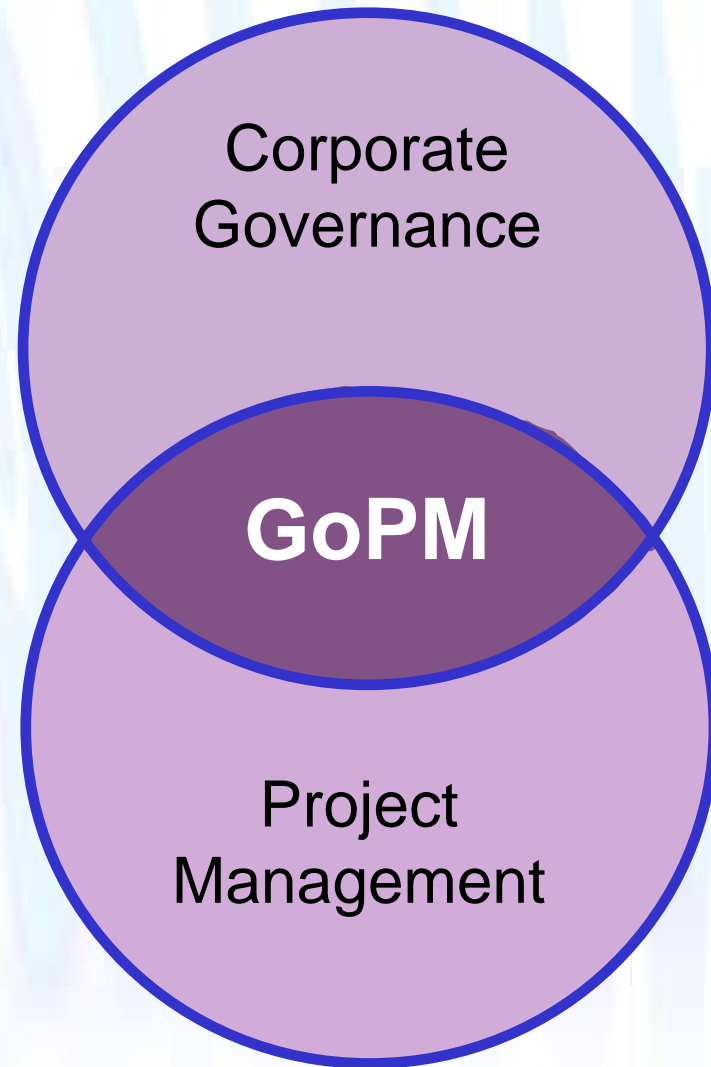
- PMI BoK
- APM BoK

} How many times do the words “corporate” or “governance” appear?

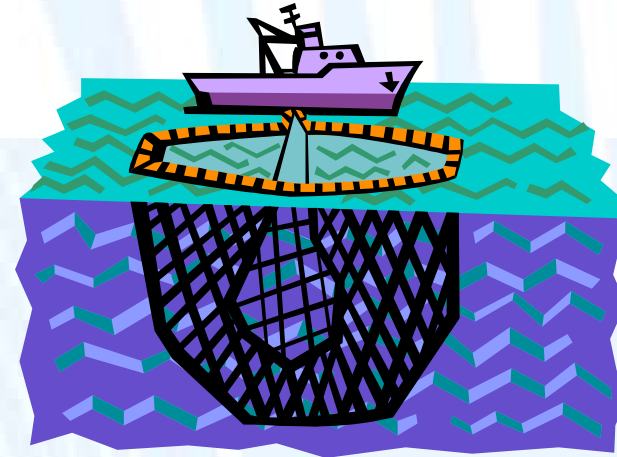
GoPM New for the APM BoK 5th Edition

Governance of Project Management **OPM**

“The governance of project management concerns those areas of corporate governance that are specifically related to project activities”



- Working Group
- Mix of professionals
- APM support
- Studied texts
- Regular meetings and own interactive website
- Involved with experts in related forums
- Action planning



Directing Change - The Published Guide **OPM**

- Foreword signed by Sir John Bourn and Sir Bob Reid
- Eleven GoPM Principles
- Four Components / Key Questions
- Appendix 1 – Relationship with Combined Code
- Appendix 2 – Relationship with Sarbanes - Oxley

Organisations whose business is significantly dependent upon Project Management

- Listed companies
- Private companies
- Government organisations
- Charities and NGOs

People with responsibility for activities associated with the Governance of Project Management

- Directors
- Company Secretaries
- Project Portfolio Managers
- Project Sponsors
- Project Managers
- Professionals with any role in Controls Assurance

Directing Change

Principle 1: “The Board has overall responsibility for the Governance of projects.”

The Combined Code

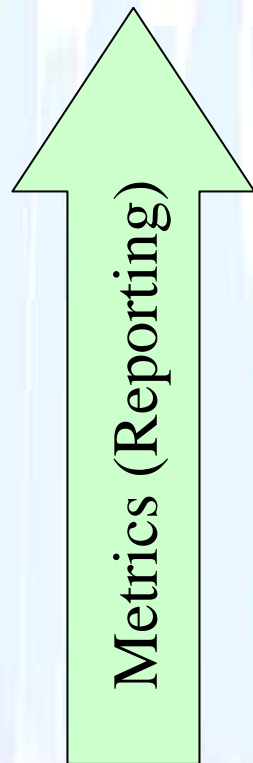
“Every company should be headed by an effective board which is collectively responsible for the success of the company”

Directing Change

Principle 4: “A coherent and supportive relationship is demonstrated between the overall business strategy and the project portfolio”

Principle 9: “There are clearly defined criteria for reporting project status and for the escalation of risks and issues to the levels required by the organisation.”

Guidance At The Next Level Below That of the Eleven Principles



Were the right projects done right, time after time?

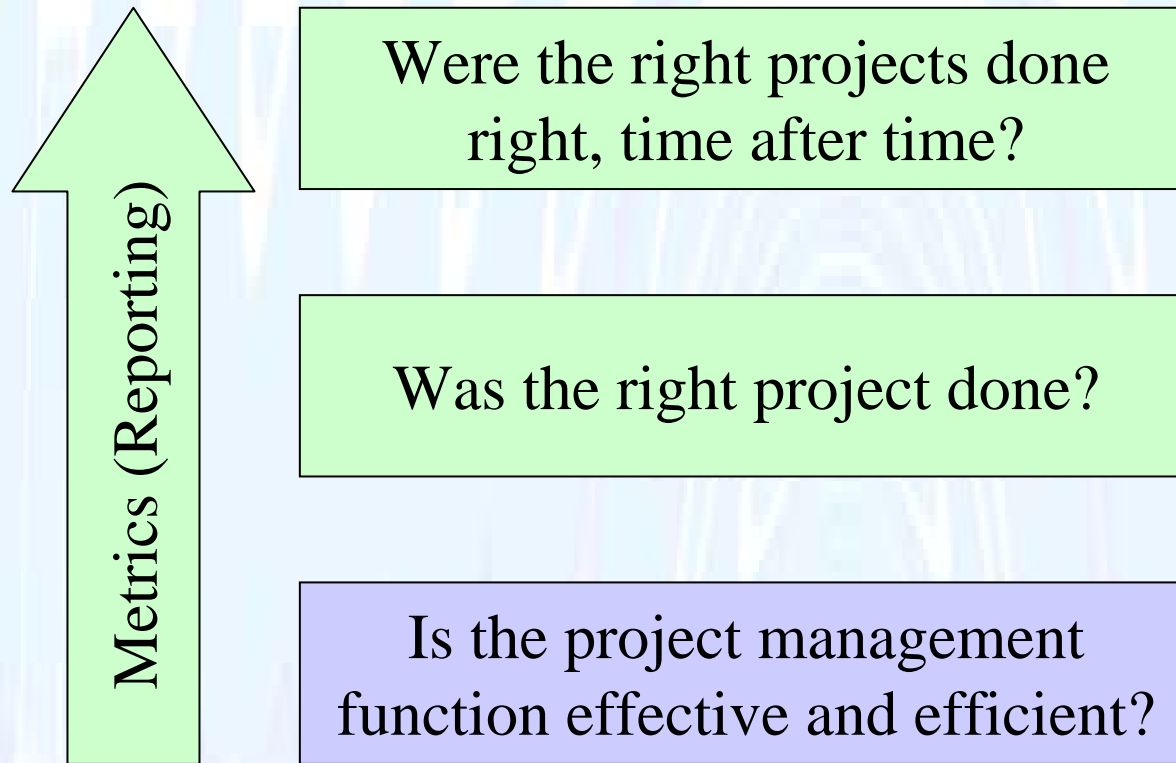
Was the right project done?

Was the project done right?

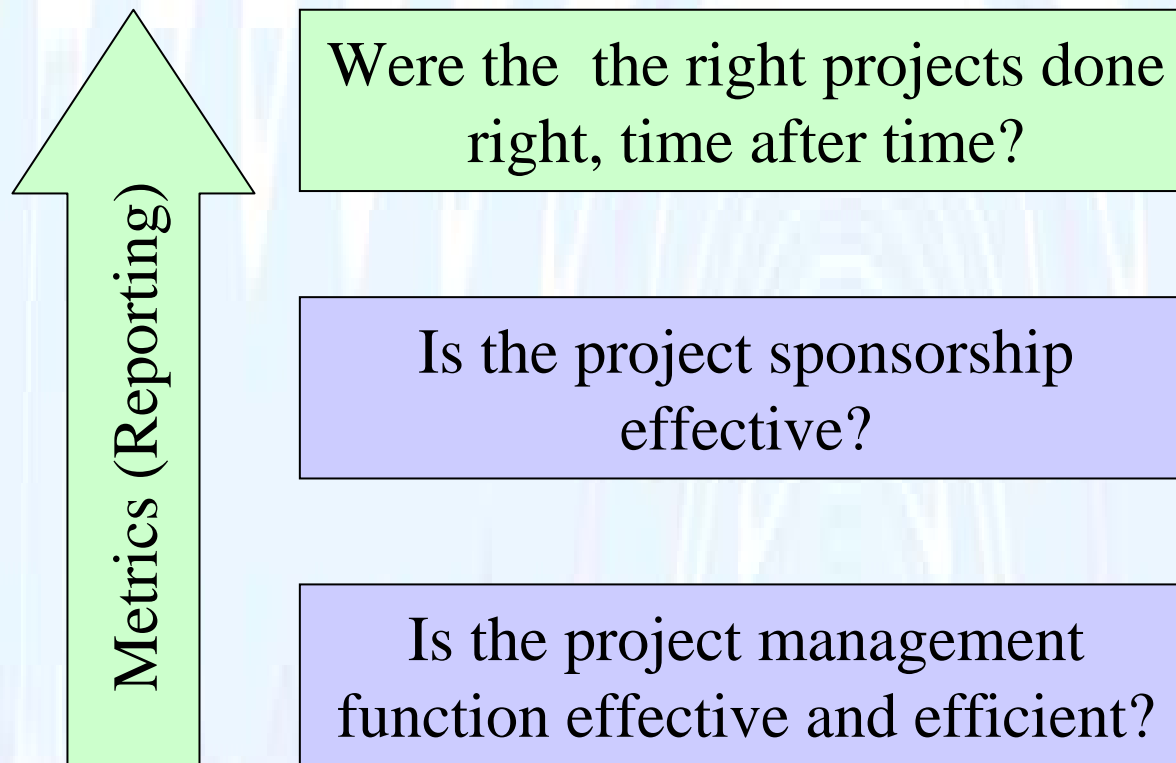
Consistently Doing the Right Projects and Doing them Right – What Metrics do you Need?

Cooke-Davies 2004

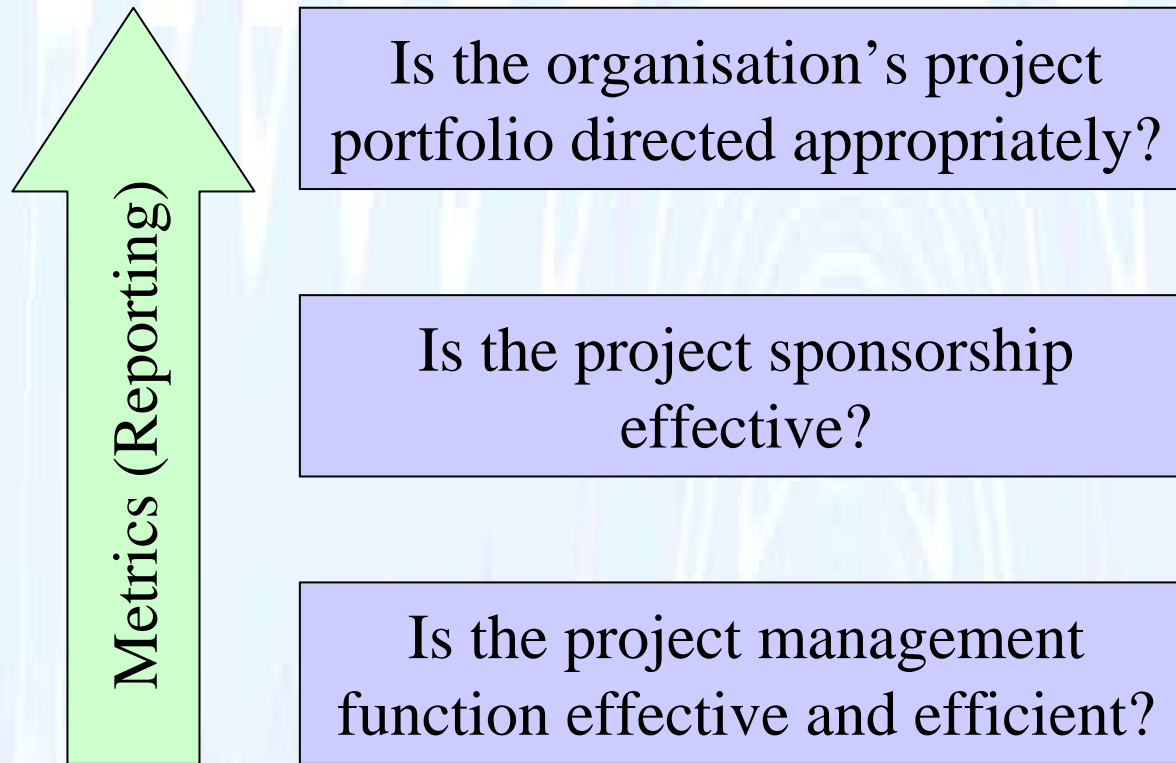
Guidance At The Next Level Below That of the Eleven Principles



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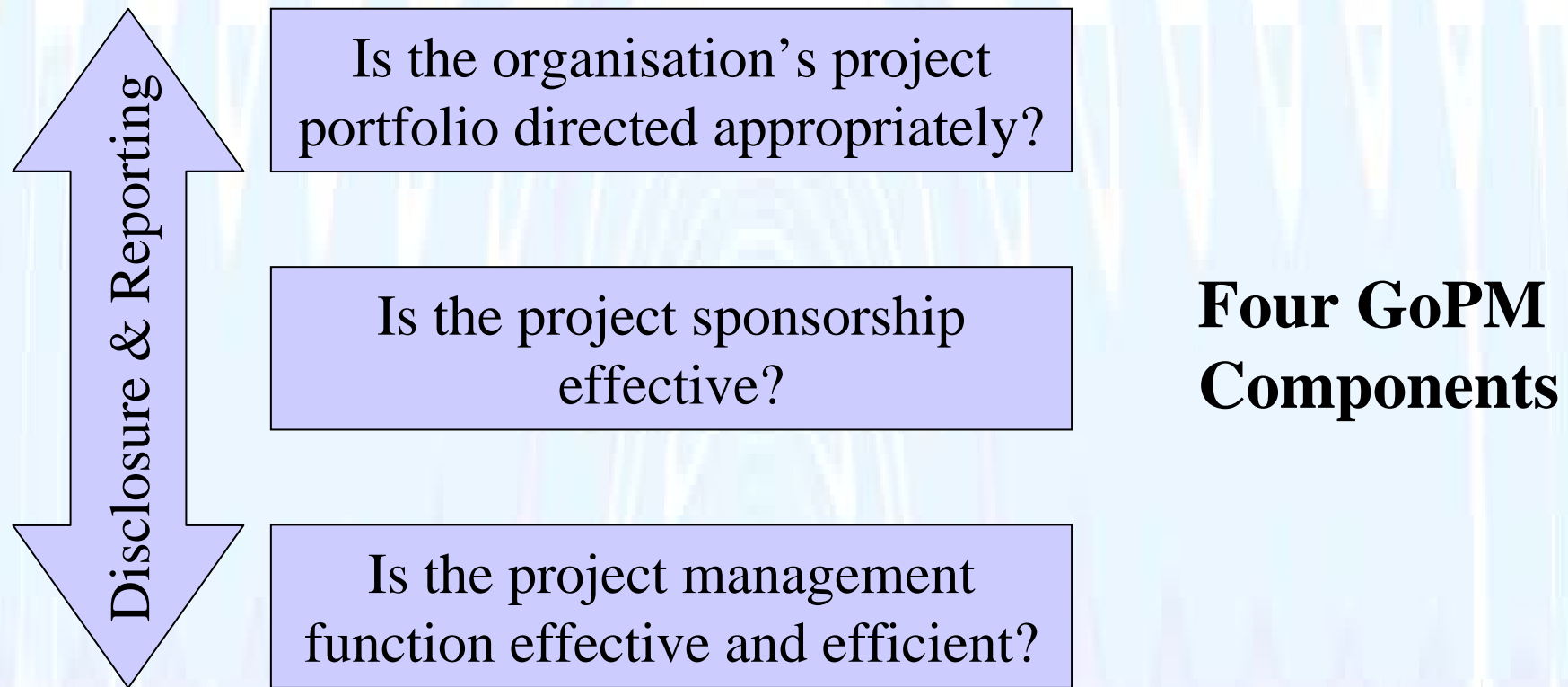


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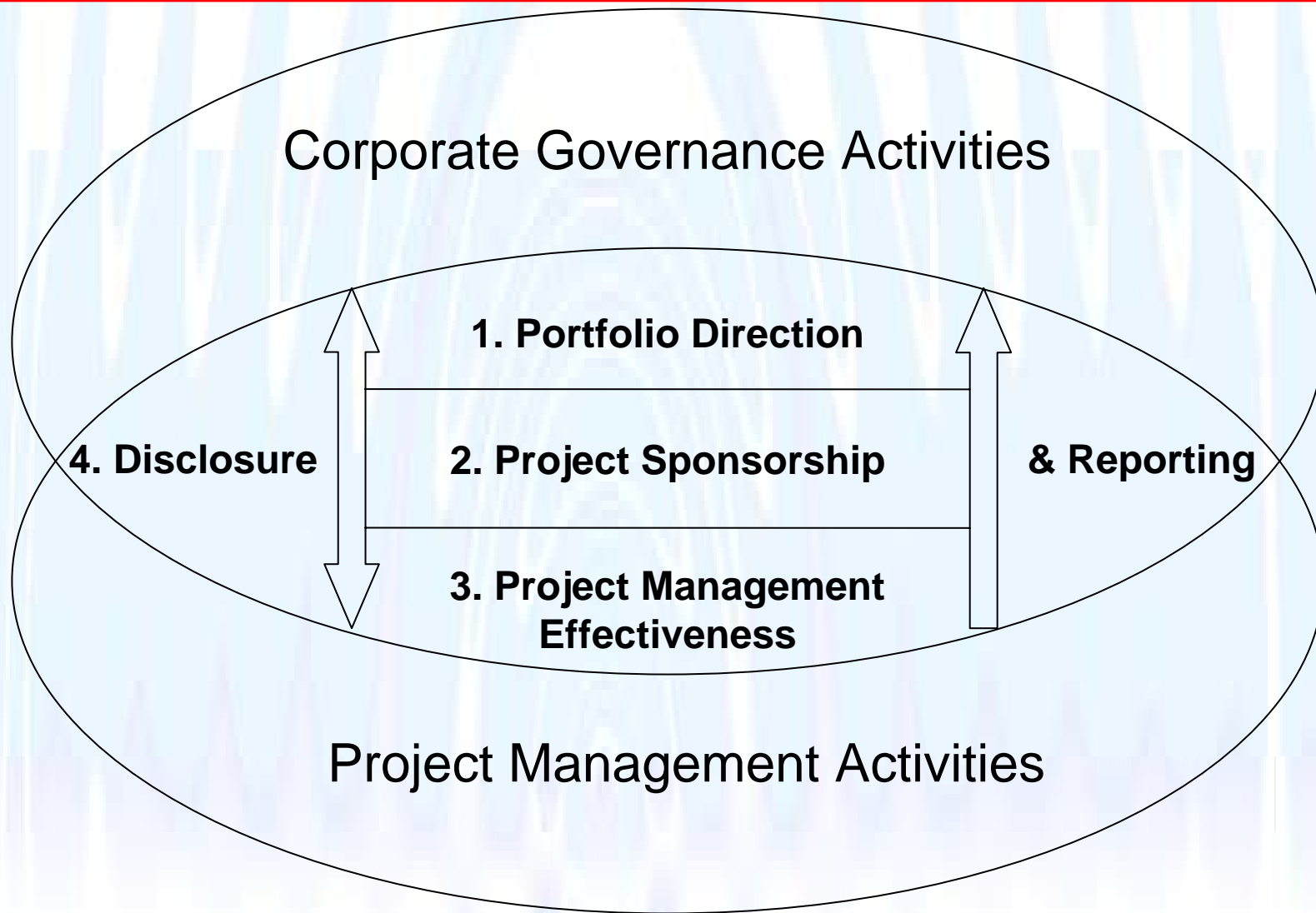


Guidance At The Next Level Below That of the Eleven Principles

OPM



Four Components – 2nd Level Guidance **OPM**



Portfolio Direction Questions

Question PD1: “Is the organisation’s project portfolio aligned with its key business objectives, including those of profitability, customer service, reputation, sustainability and growth?”

Portfolio Direction Questions

Question PD1: “Is the organisation’s project portfolio **aligned with its key business objectives**, including those of profitability, customer service, reputation, sustainability and growth?”

1. Key business objectives must be known
2. Projects must have clear purposes (quantifiable where possible)
3. Must be able to test project purposes against business objectives

Other Questions

Question PD6: “Is the project portfolio consistent with the organisation’s capacity?”

Question PD8: “Does the organisation’s engagement with its customers encourage a sustainable portfolio?”

Question PD10: “Has the organisation assured itself that the impact of implementing its project portfolio is acceptable to its ongoing operations?”

Project Sponsor

“Project Sponsors are the route through which project managers directly report and from whom project managers obtain their formal authority, remit and decisions”.

“Project Sponsors own the project business case”.

Project Sponsorship Questions (examples)

Question PS1: “Do all major projects have competent sponsors at all times?”

Question PS4: “Do project sponsors provide clear and timely directions and decisions?”

Question PS6: Are projects closed at the appropriate time?”

Project Management Effectiveness

“...to ensure that the teams responsible for projects are capable of achieving the objectives that are defined at project approval points”.

Project Management Efficiency

“...that allows decisions to be made at a level that is consistent with the organisation’s system for internal control”.

The Key Question is:

Are the board and the senior management assured that the organisation's project managers are effective and efficient?

- What methods do senior management use to judge whether or not their organisation's project management is effective and efficient?
- Which is the most accurate method?
- Which method uses the least resources?

Please exclude:
“Measuring Performance against objectives”

- Why did I ask you to do this?:

Please exclude:
“Measuring Performance against objectives”

Comparing Two Equivalent Projects **OPM**

Same Products

		Project A	Project B
Objectives	Planned Cost	£20M	£15M
	Schedule	1 Year	1 Year
Outcome	Actual Cost	£18M	£17M
	Schedule	1 Year	1 Year

Which was the more effective Project Manager?

Eight Causes of Project Failure

OPM

1. Lack of a clear link between the project and the organisation's key strategic priorities, including agreed measures of success.
2. Lack of clear senior management and ministerial ownership and leadership
3. Lack of effective engagement with Stakeholders
4. Lack of skills and proven approach to project management and risk management.
5. Lack of understanding of and contact with the supply industry at senior levels within the organisation.
6. Evaluation of proposals driven by initial price rather than long-term value for money (especially securing the delivery of business benefits).
7. Too little attention to breaking development and implementation into manageable steps.
8. Inadequate resources and skill to deliver the total delivery portfolio.

**Source: POST Report on UK
Government IT Projects**

Failures Attributable to Governance **OPM**

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Why did I ask you to do this?

OPM

Measuring the Performance of Projects against their objectives is not always a good proxy for project management effectiveness

- Particularly for large or complex projects in which governance is a major factor

Please exclude:
“Measuring Performance against objectives”

Reporting

“... the content of project reports will provide timely, relevant and realistic information that supports the organisation’s decision making process”.

Disclosure

“A culture of open and honest disclosure is a key requirement for effective reporting”.

Examples of Questions

Question DR4: “Are there threshold criteria that are used to escalate significant issues, risks and opportunities through the organisation to the board?”

Question DR5: “Does the organisation use measures for both key success drivers and key success indicators?”

Question DR6: Is the organisation able to distinguish between project forecasts based on targets, commitments and expected outcomes?”

Question DR10

“Do project processes reduce reporting requirements to the minimum necessary?”

Download the Guide Free of Charge

www.mylara.com/gopm/

OR

www.apm.org.uk

(Follow Resources – SIGs – GoPM)

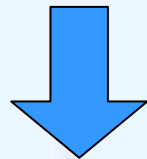
Guide also available free from:

- Hardcopies via phone call to APM HQ

- A Guide to the Governance of Multi-owned Projects

GoPM

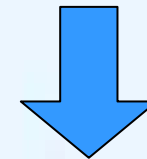
One Organisation



Project Portfolio

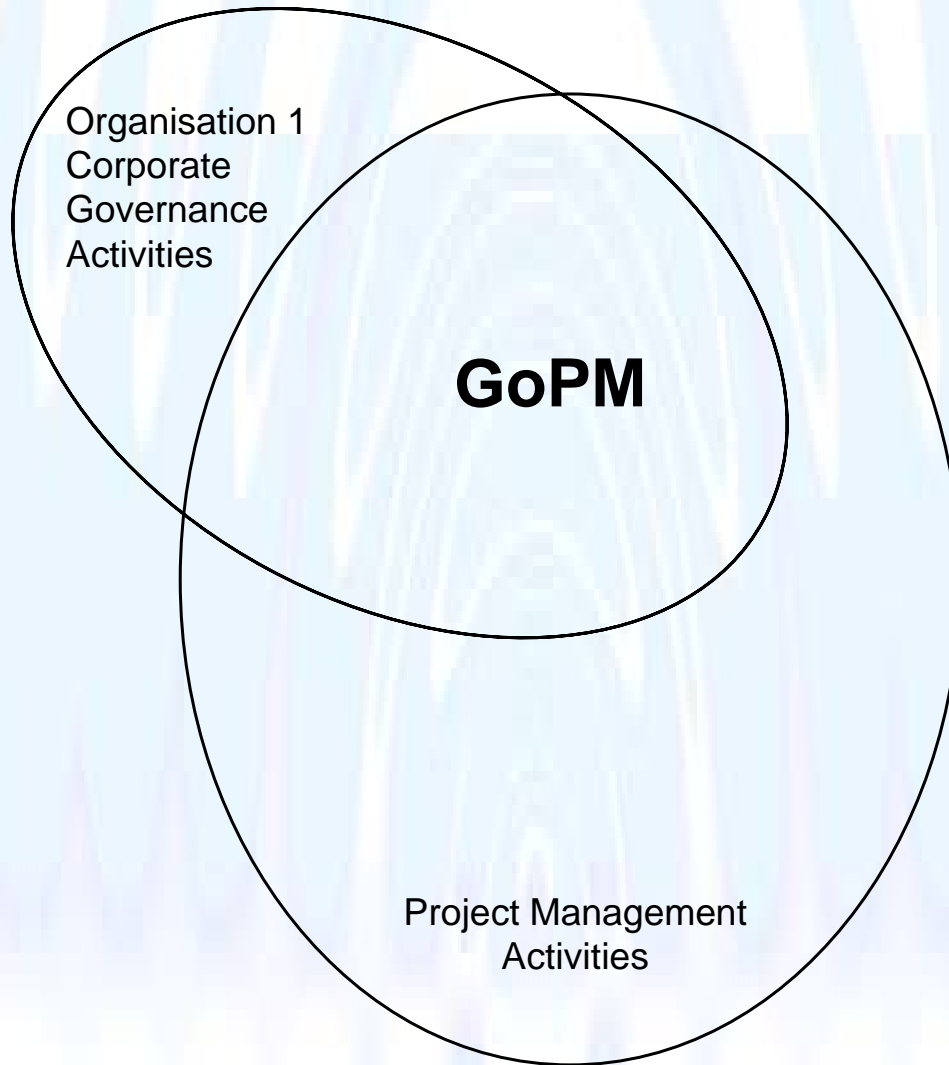
GoMOP

Two or more Organisations



Single Project or Programme

Governance of Multi-owned Projects **OPM**



Governance of Multi-owned Projects **OPM**

