

## Project Governance

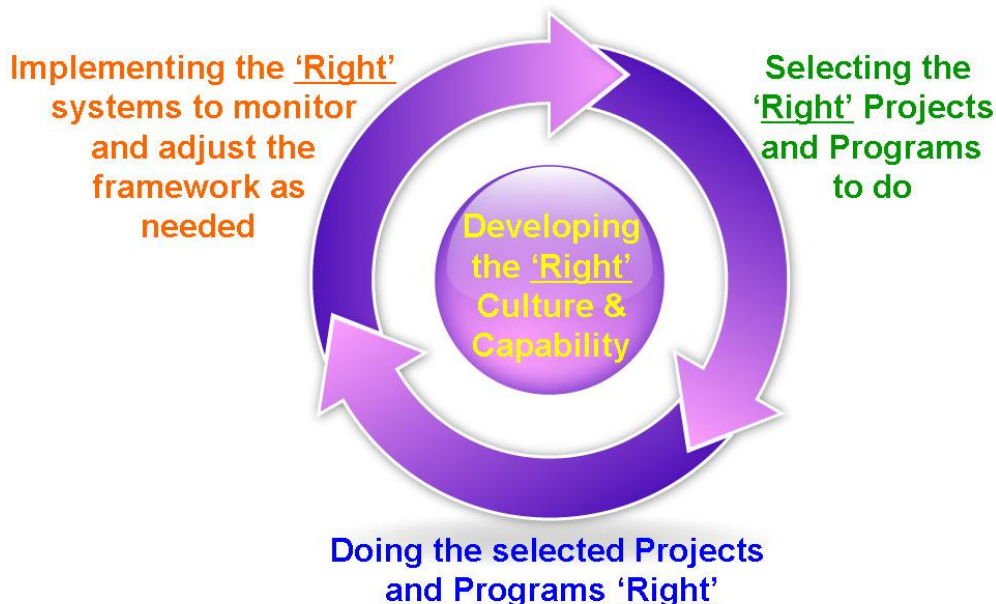
Project, Program and Portfolio governance (called ‘project governance’ for convenience) is the sub-set of corporate and organisational governance<sup>1</sup> focused on assisting and ensuring that the projects and programs undertaken by the organisation deliver the maximum value to the organisation. It is important to differentiate the governance function from the techniques used to implement governance such as portfolio management and the management of project management.

Governance is the responsibility of the ‘governing board’, typically the ‘Board of Directors’ in corporations, the key elements include:

- Specifying the distribution of rights and responsibilities among different participants in the corporation.
- Defining the rules and procedures for making decisions.
- Defining the strategic framework needed to select the ‘right’ projects and programs to undertake.
- Encouraging the efficient use of resources.
- Monitoring performance.
- Requiring accountability at all levels for the stewardship of those resources.

The art of good governance is designing systems that offer sufficient checks and balances to ensure accountability without diminishing the ability of project and program managers to deliver the objectives they have been tasked to accomplish. Governance structures and processes are merely the mechanisms needed to achieve good governance; they do not represent good governance in themselves and should be kept to a practical minimum.

## The Project Governance Framework



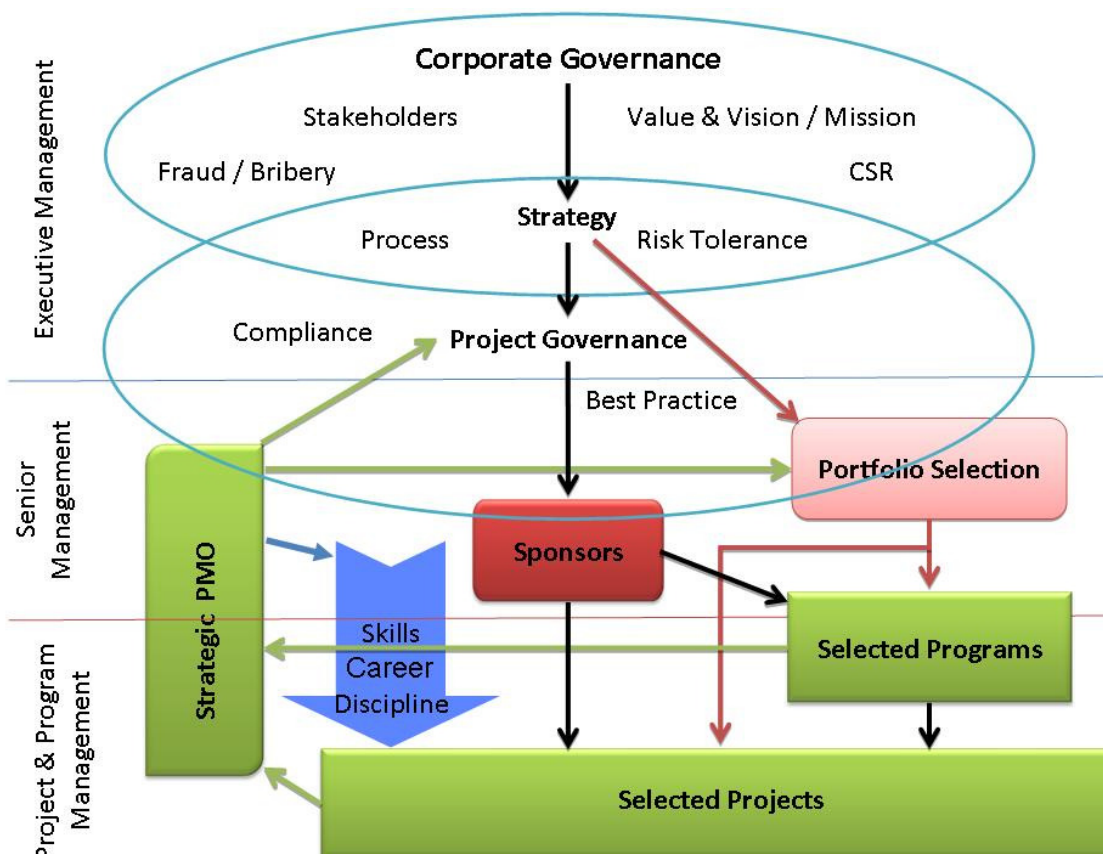
These process focus first on doing the right projects and programs constrained by the organisations capacity to undertake the work – Portfolio Management; secondly, creating the environment to do the selected

<sup>1</sup> For more on **Corporate and Organisational Governance** see:  
[http://www.mosaicprojects.com.au/WhitePapers/WP1033\\_Governance.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1033_Governance.pdf)

projects and programs right<sup>2</sup> – developing and maintaining an effective culture and capability; and lastly systems to validate the usefulness and efficiency of the ongoing work which feeds back into the selection and capability aspects of governance.

The key to developing an effective governance framework that makes effective use of these processes is cultural. Well governed organisations develop an open culture focused on achieving excellence through the creation of meaningful ownership and accountability structures in which senior managers take responsibility for the work and its outcomes (of which governance is the enabler), supported by a proactive stakeholder focus<sup>3</sup> which aligns the interests of key stakeholders - governance and accountability.

## The Elements of Project Governance<sup>4</sup>



Project governance, encompassing project, program and portfolio governance is focused on the systems that ensure the right projects and programs are selected by the organisation, and that the selected ‘few’ are accomplished as efficiently as possible.

Project governance involves setting the ‘right objectives’, and then asking the ‘right questions’ so that the governing Board can be confident the organisation’s management are making the best use of the resources assigned to undertake projects and programs. The ‘questions’ asked by the Board need firstly to assure the Board the management structures providing the answers to their questions is capable, effective and honest; then assure the Board that the resources as deployed by management are generating the optimum value to

<sup>2</sup> For more on the best practices for project, program and portfolio management see OPM3, Organisational Project Management Maturity Model: <http://www.mosaicprojects.com.au/OPM3.html>

<sup>3</sup> For more on stakeholder engagement see: [http://www.mosaicprojects.com.au/Stakeholder\\_Circle.html](http://www.mosaicprojects.com.au/Stakeholder_Circle.html)

<sup>4</sup> The elements involved in the overall management of project management are outlined in our White Paper **PPP Taxonomy**, see: [http://www.mosaicprojects.com.au/WhitePapers/WP1074\\_PPP\\_Taxonomy.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1074_PPP_Taxonomy.pdf)

support the long, medium and short term objectives defined in the organisations strategy. Management's role is to understand the Board's strategy and objectives and develop systems that are capable of offering effective 'answers' to both sets of questions as well as providing advice and recommendations for improvements. There are four key elements needed in the management structures that support effective governance:

- **Portfolio management;** focused on selecting the right projects and programs to undertake in support of the strategy, and terminating ones that no longer contribute value to the organisation.
- **Project Sponsorship;** providing the direct link between the executive and the project or program manager, focused on the whole project lifecycle leading to the delivery of value.
- **PMOs;** providing oversight and strategic reporting capabilities.
- **Senior Management inputs to the 'management of project management';** including opportunity identification, skills development, methodologies, best practices, career management and discipline. Aspects of 'senior management' inputs may be incorporated in the roles assigned to the PMO, Portfolio Manager, and/or Sponsor in the overall governance structure.

## Portfolio Management

Portfolio management<sup>5</sup> focuses on selecting the right projects and programs to maintain or start and which to defer or cancel. These decisions have to be based on what's the best mix to achieve the organisations longer term strategies whilst maintaining current operations. This includes terminating projects that no longer contribute value to an organisation in a way that conserves the maximum value and ensuring the resources are reallocated through the portfolio management process to more valuable endeavours.

Portfolio governance processes<sup>6</sup> largely preceded project and program governance processes, the portfolio decisions approve the creation of the projects and programs the organisation will undertake. Then on a regular basis assess their continued viability based on the updated strategic plan for the organisation. Where the overall value proposition no longer supports the continuance of the project or program, good governance requires their effective closure so that valuable resources can be re-deployed to more valuable work.

## Project Sponsorship

The Project Sponsor<sup>7</sup> is the key governance role. The project or program's Sponsor is the key management link between the organisation's executive and strategic levels and the effective delivery of the benefits the project/program was created to facilitate.

The Sponsor should have a 'cradle to grave' responsibility to ensure the expected benefits are realised<sup>8</sup> from the resources committed by the organisation. The role of the Sponsor is critically important for the successful delivery of the project or program. From a governance perspective this includes:

- Taking ultimate authority and responsibility for the project and leading the Project Steering Board (if one is created).
- Making key organisation/commercial decisions for the project and providing decisions in a timely fashion<sup>9</sup>.

<sup>5</sup> See WP1017 Portfolio Management: [http://www.mosaicprojects.com.au/WhitePapers/WP1017\\_Portfolios.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1017_Portfolios.pdf)

<sup>6</sup> See: [http://www.mosaicprojects.com.au/WhitePapers/WP1033\\_Governance.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1033_Governance.pdf)

<sup>7</sup> For more on the role of the Sponsor see: [http://www.mosaicprojects.com.au/WhitePapers/WP1031\\_Project\\_Sponsorship.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1031_Project_Sponsorship.pdf)

<sup>8</sup> For more on Benefits realisation see:  
[http://www.mosaicprojects.com.au/WhitePapers/WP1042\\_Outputs\\_Outcomes\\_Benefits.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1042_Outputs_Outcomes_Benefits.pdf)  
[http://www.mosaicprojects.com.au/WhitePapers/WP1023\\_Benefits\\_and\\_Value.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1023_Benefits_and_Value.pdf)

- Governing project risk.
- Ensuring the resolution of issues escalated by the Project Manager.
- Monitoring and controlling the progress of the business change at an operational level.
- Formally closing the project and ensuring that the lessons learned are documented.
- Project Boards as defined by methodologies such as PRINCE2 are effectively a part of the project management process (rather than directly supporting project governance). The function of a typical project board primarily focuses on making management decisions the PM is responsible for implementing. In other methodologies these decisions are the responsibility of the project manager (often in consultation with the Sponsor). Where a Board exists, the Sponsor Chairs the meetings and fulfils both a governance role and a project management role.

## Governance within the PMO<sup>10</sup>

PMOs have a critical governance role; they need to ensure accurate information is available to executive management on the performance and trends of the projects and programs they report on. The PMO management need to ensure sufficient discipline and rigour in their processes to achieve the reporting accuracy needed whilst allowing development and innovation to achieve the strategic objectives of the organisation.

The two key functions the PMO perform are firstly ensuring the information in their reports is useful, relevant, accurate and complete and then providing interpretive and predictive assessments to help senior management fulfil its governance responsibilities and to support the portfolio management decision making process.

## Other Senior Management Inputs

Depending on the structure of the organisation, it is also quite likely other senior managers will also have some responsibilities to assist in the effective governance of the project or program<sup>11</sup>. The elements listed below may be included in the roles assigned to the PMO, the Sponsor or fulfilled by another senior manager:

- **Project initiation and assessment processes;** the stages to identify, quantify and validate projects and programs for input to the Portfolio Management selection process<sup>12</sup>.
- **Benefits realisation;** the transition from ‘project’ to operational management and the realisation of the value the project or program was created to generate<sup>13</sup>.
- **Skills development;** the efficient use of resources requires skilled managers. Good governance includes providing processes to develop the capability of the project manager and team to enhance the overall capability of the organisation.
- **Best practices and continuous improvement.** Repeatable best practices generate the most efficient use of resources but should not constrain development and improvement; flexibility is essential. Defining

<sup>9</sup> For more on decision making see: [http://www.mosaicprojects.com.au/WhitePapers/WP1053\\_Decision\\_Making.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1053_Decision_Making.pdf)

<sup>10</sup> For more on PMOs see WP1034 PMOs: [http://www.mosaicprojects.com.au/WhitePapers/WP1034\\_PMOs.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1034_PMOs.pdf)

<sup>11</sup> For more on the ‘*managers of project managers*’ see: [http://www.mosaicprojects.com.au/WhitePapers/WP1055\\_The\\_Managers\\_of\\_PMs.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1055_The_Managers_of_PMs.pdf)

<sup>12</sup> For more on these critical ‘Front End Loading’ activities to define the project or program see: [http://www.mosaicprojects.com.au/WhitePapers/WP1027\\_Feasibility\\_Studies.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1027_Feasibility_Studies.pdf)

<sup>13</sup> For more on value and benefits realization see: [http://www.mosaicprojects.com.au/WhitePapers/WP1023\\_Benefits\\_and\\_Value.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1023_Benefits_and_Value.pdf)

and propagating best practises, linked to a process of continuous improvement within an appropriate methodology is a key governance process<sup>14</sup>.

- **Career management** of project and program staff to enhance the retention of knowledge and capability within the organisation.
- **Discipline, motivation and ethical behaviours** all form part of good governance. Senior management need to ensure best practices are used and appropriate corrective actions are taken when needed.

## Summary

Good governance is a synonym for ‘good business’, structuring the organisation to deliver high levels of achievement on an ethical and sustainable basis. This requires the optimum strategy and the right approach to risk taking supported by sufficient processes to be reasonably confident the organisations limited resources are being used to achieve the best short, medium and long term outcomes. This is the ultimate responsibility of the Board, or equivalent top executive level of an organisation. At this level, the people responsible need to ask the ‘right questions<sup>15</sup>’ to test if good governance is being effectively applied to the organisation’s projects and programs. The role of senior management is to be able to answer the questions effectively by having systems in place to ensure they have the ‘right answers’ and can clearly identify issues, problems and opportunities for improvement.

The ultimate objective of good governance is to optimise the efficient use of resources to the benefit of the organisation and society at large. Project governance applies these principles to the use of resources within projects and programs to generate benefits and value.

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<sup>14</sup> For more on the best practices for project, program and portfolio management see OPM3, Organisational Project Management Maturity Model: <http://www.mosaicprojects.com.au/OPM3.html>

<sup>15</sup> The Association for Project Management (UK) has developed ‘**Directing Change - A guide to governance of project management**’ – this booklet explains how good governance requirements apply to the direction and management of an organisation’s project portfolio, lists principles which directors or their equivalents should adopt and the questions they should ask: <http://www.mosaicprojects.com.au/PDF/APM%20GoPM%20booklet.pdf>