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Cont.

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CEPIS NEWS

Project Governance[1]

Ralf Müller

Having a governance structure in organizations provides a framework to guide managers in decision making and action taking and helps to alleviate the risk of conflicts and inconsistencies between the various means of achieving organizational goals such as processes and resources. This article introduces project governance, a major area of interest in organizations, which is intended to guide, direct and lead project work in a more successful setting. To that purpose a new three step governance model is presented and described.

Keywords: Behaviour Control, Framework for Governance, Governance Model for Project Management, Governance Structures, Outcome Control, Project Governance, Project Management Action, Shareholder Orientation, Stakeholder Orientation.

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Governance starts at the corporate level and provides a framework to guide managers in their daily work of decision making and action taking. At the level of projects governance is often implemented through defined policies, processes, roles and responsibilities, which set the framework for peoples' behaviour, which, in turn, influences the project. Governance sets the boundaries for project management action, by

- *Defining the objectives of a project*. These should be derived from the organization's strategy and clearly outline the specific contribution a project makes to the achievement of the strategic objectives
- *Providing the means to achieve those objectives.* This is the provision of or enabling the access to the resources required by the project manager
- *Controlling progress*. This is the evaluation of the appropriate use of resources, processes, tools, techniques and quality standards in the project.

Without a governance structure, an organization runs the risk of conflicts and inconsistencies between the various means of achieving organizational goals, such as processes and resources, thereby causing costly inefficiencies that negatively impact both smooth running and bottom line profitability.

Approaches to governance vary by the particularities of organizations. Some organizations are more shareholder oriented than others, thus aim mainly for Return on Investment for their shareholder (i.e. having shareholder orientation), while others try to balance a wider set of objectives, including societal goals or recognition as preferred employer (i.e. having a stakeholder orientation). Within this continuum, the work in organizations might be controlled through compliance with existing processes and procedures (i.e. behaviour control), or by ensuring that work outcomes meet expectations (i.e. outcome orientation). Four governance paradigms derive from that and are shown in Figure 1.

"This article introduces project governance, a major area of interest in organizations"

The *Conformist* paradigm emphasizes compliance with existing work procedures to keep costs low. It is appropriate when the link between specific behaviour and project outcome is well known. The *Flexible Economist* paradigm is more outcomes-focused requiring a careful selection of project management methodologies etc. in order to ensure economic project delivery. Project managers in this para-

1 This article was previously published online in the "Advances in Project Management" column of PM World Today (Vol. XII Issue III - March 2010), <http://www.pmworldtoday.net/>. It is republished with all permissions.

	Shareholder Orientation	***Stakeholder Orientation***
Outcome Control	Flexible economist	Versatile artist
Behaviour Control	Conformist	Agile pragmatist

Figure 1: Four Project Governance Paradigms.

"Governance provides a framework to guide managers in their daily work of decision making and action taking"

digm must be skilled, experienced and flexible and often work autonomously to optimize shareholder returns through professional management of their projects. The *Versatile Artist* paradigm maximizes benefits by balancing the diverse set of requirements arising from a number of different stakeholders and their particular needs and desires. These project managers are also very skilled, experienced and work autonomously, but are expected to develop new or tailor existing methodologies, processes or tools to economically balance the diversity of requirements. Organizations using this governance paradigm posses a very heterogeneous set of projects in high technology or high risk environments. The *Agile Pragmatist* paradigm is found when maximization of technical usability is needed, often through a time-phased approach to the development and product release of functionality over a period of time. Products developed in projects under this paradigm grow from a core functionality, which is developed first, to ever increasing features, which although of a lesser and lesser importance to the core functionality, enhance the product in flexibility, sophistication and ease-of-use. These projects often use Agile/Scrum methods, with the sponsor prioritising deliverables by business value over a given timeframe.

Larger enterprises often apply different paradigms to different parts of their organization. Maintenance organizations are often governed using the conformist or economist paradigms, while R&D organizations often use the versatile artist or agile pragmatist approach to project governance.

Governance is executed at all layers of the organizational hierarchy or in hierarchical relationships in organizational networks. It starts with the *Board of Directors*, which defines the objectives of the company and the role of projects in achieving these objectives. This implies decisions about the establishment of steering groups and Project Management Offices (PMOs) as additional governance institutions. The former often being responsible for the achievement of the project's business case through direct governance of the project, by setting goals, providing resources (mainly financial) and controlling progress. The latter (the PMOs) are set up in a variety of structures and mandates, in order to solve particular project related issues within the organization. Some PMOs focus on more tactical tasks, like ensuring compliance of project managers with existing methodologies and standards. That supports gov-

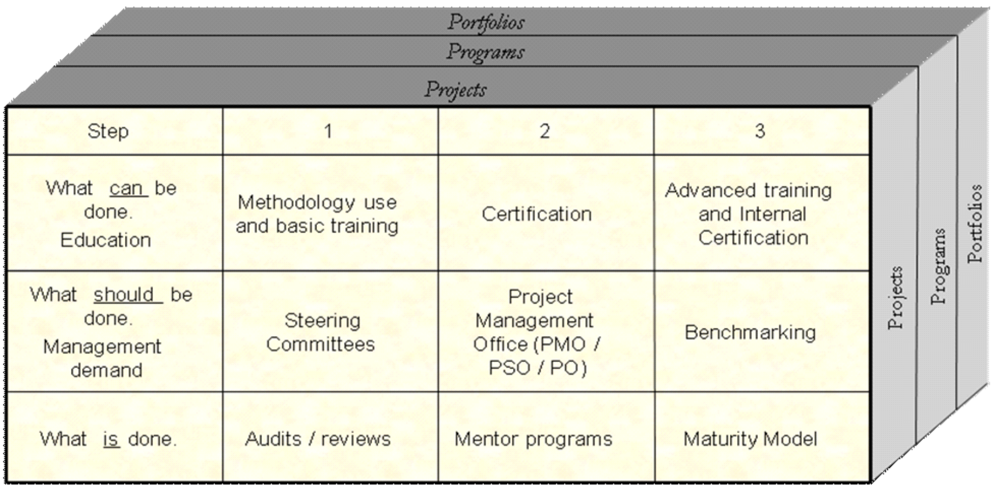

Figure 2: Framework for Governance of Project, Program and Portfolio Management.

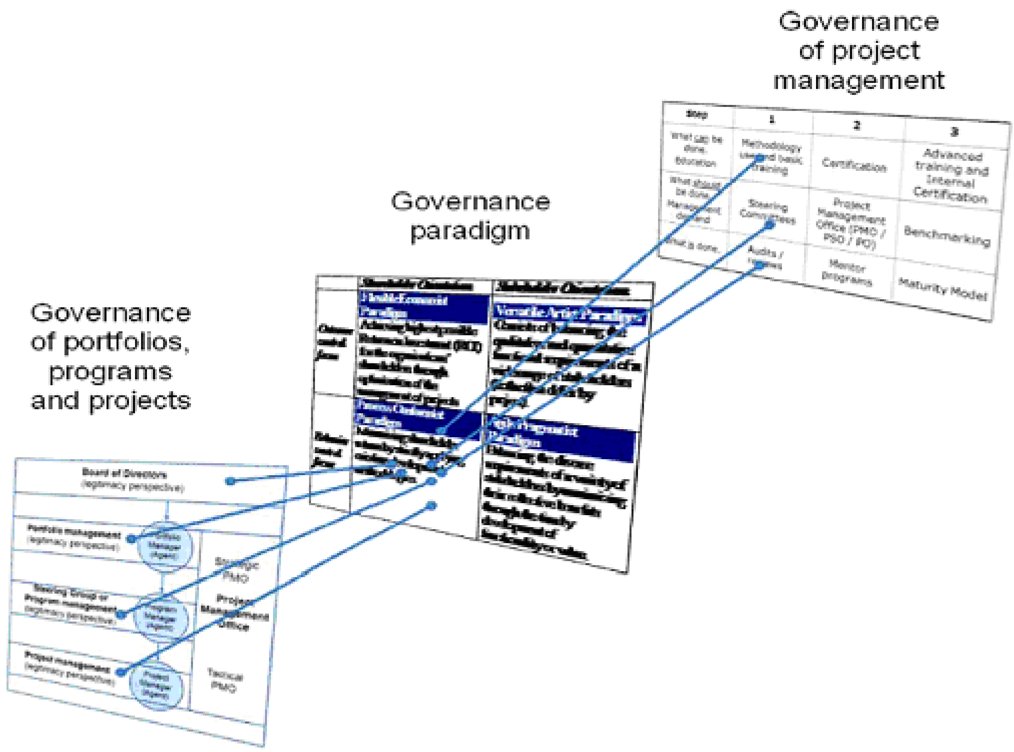

Figure 3: Model of Project Governance.

ernance along the behaviour control paradigms. Other PMOs are more strategic in nature and perform stewardship roles in project portfolio management and foster project management within the organization thereby supporting governance along the outcome control paradigms. A further governance task of the *Board of Directors* is the decision to adopt programme and/or portfolio management as a way to manage the many projects simultaneously going on in an organization. Programme management is the governing body of the projects within its programme, and portfolio management the governing body of the groups of projects and programmes that make up the organization. They select and prioritize the projects and programmes and with it their staffing.

How Much Project Management is enough for my Organization?

This is addressed through *governance of project management*. Research showed that project-oriented companies balance investments and returns in project management through careful implementation of measures that address the three forces that make them successful. These forces are (see also Figure 2):

a) educated project managers. This determines what can be done;

b) higher management demanding professionalism in project management. This determines what should be done; and,

c) control of project management execution. This shows what is done in an organization in terms of project management.

Companies economize the investments in project management by using a three step process to migrate from process orientation to project orientation. Depending on their particular needs they stop migration at step 1, 2 or 3 when they have found the balance between investments in project management (and improved project results) in relation to the percentage of their business that is based on projects. Organizations with only a small portion of their business based on projects should invest less, and project-based organizations invest more in order to gain higher returns from their investments. The three steps are (see also Figure 2):

Step 1: Basic training in project management, use of steering groups, and audits of troubled projects. This relativly small investment yields small returns and is appropriate for businesses with very little activities in projects

Step 2: all of step 1 plus project manager certification, establishment of PMO, and mentor programs for project managers. This medium level of investment yields higher returns in terms of better project results and is appropriate for organizations with a reasonable amount of their business being dependent on projects.

“ Approaches to governance vary by the particularities of organizations ”

> "Companies economize the investments in project management by using a three step process"

Step 3: All of step 1 and 2 plus advanced training and certification, benchmarking of project management capabilities, and use of project management maturity models. This highest level of investment yields the highest returns through better project results and is appropriate for project-based organizations, or organizations whose results are significantly determined by their projects

The same concept applies for programme and portfolio management. This allows the tailoring of efforts for governance of project, program and portfolio management to the needs of the organization. By achieving a balance of return and investment through the establishment of the three elements of each step, organizations can become mindful of their project management needs. Organizations can stop at each step, after they have reached the appropriate amount of project management for their business.

How does All that link together in an Organization?

The project governance hierarchy from the board of directors, via portfolio and program management, down to steering groups is linked with governance of project management through the project governance paradigm (see Figure 3).

A paradigm such as the *Conformist* paradigm supports project management approaches as described above in Step 1 of the three step governance model for project management, that is, methodology compliance, audits and steering group observation. A *Versatile Artist* paradigm, on the other hand, will foster autonomy and trust in the project manager, and align the organization towards a 'project-way-of-working', where skilled and flexible project managers work autonomously on their projects.

The paradigm is set by management and the nature of the business the company is in. The project governance paradigm influences the extent to which an organization implements steps 1 to 3 of the governance model for project management. It then synchronizes these project management capabilities with the level of control and autonomy needed for projects throughout the organization. This then becomes the tool for linking capabilities with requirements in accordance with the wider corporate governance approach.