Developing a Project Governance Framework

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1 Introduction

The UK Government lists “decision making failures” as one of the top 5 causes of project failure. Victorian Treasury which runs the Victorian Gateway Review Process lists project governance and stakeholder management as the second and third most common causes of project failure. Effective project governance underpins project success and results in efficient and timely project decision making.

And yet, project governance appears to be a haphazard affair with few, if any, established principles, let alone common structures. Most organisations can display a multiplicity of governance arrangements often with little commonality even between projects of a similar type. Few organisations have a principles based project governance policy that defines a common and structured approach to project governance.

This paper establishes four key principles designed to avoid the common failures associated with ineffective project governance. It then develops a project governance structure that puts these principles into action. The framework is applicable to most projects in most organisations but focused primarily on high risk projects. Lower risk projects should subscribe to the same principles but their implementation can take different forms to suit the needs of the organisation.

The paper provides guidance on how to select the role holders to ensure the correct persons hold the correct positions.

The governance framework is applicable to all projects, whether they be ICT, business change or infrastructure. The framework is applicable throughout the full life cycle of a project, commencing at concept development and continuing through to commissioning.

2 Principles

Good project governance is based around 4 key principles.

2.1 Identify a single point of accountability

It is crucial to identify the person accountable for the success of the project. This determines who is driving the project forward and who is empowered to make key project decisions. Too often this is either left unstated or, worse, is placed in the wrong hands. Equally, all personnel involved in the project governance structure need to know for what they are accountable and responsible.

Accountability cannot be shared - more than one person, or a committee, cannot be held “accountable” for the success of a project - or delegated.

Without a single point of accountability, the project lacks clear authority because the validity of any decision is questionable since the authority that lies behind that decision has not been established. This can be particularly noticeable during project initiation, where rather than the
project being driven by one person with the necessary authority, it is forced to generate its own momentum by building consensus and support.

2.2 Ensure project governance is service delivery focussed

While most people now acknowledge the key difference between service delivery and project delivery, this is not always effectively translated into the project governance structure. Hence key project decision forums are sometimes provider led rather than customer/purchaser led. Good project governance requires the Customer retain the key project decision making responsibility throughout the project since the Customer owns the project Business Case and the project budget.

Provider led project governance structures, that is, those led by the project delivery arm of the organisation whether that be a capital works group in the infrastructure sector or an IT group in the ICT/business change sector, are not focussed on service delivery outcomes. This is only natural since the customer/purchaser and the delivery arm/provider each have their own business case. The providers, especially when an in-house provider is used, may well be unstated but it will be implicit and derived from the strategic goals of the provider’s organisation. There is always a tension between these two business cases and for the provider to be responsible for delivering both presents a significant problem for the Customer.

2.3 Separate project and organisational governance

Project governance, the process by which project decisions are made and issues resolved, is separate and different to organisational governance. Separating these two structures will reduce the number of project decision nodes since the decision path will not follow the organisational line of command.

Confusing them will result in multi layered decision making causing three fundamentally negative impacts on the project:

- Decision making is slowed not only because of the extra decision layers but because organisational governance often relies upon consensus building so at each level of the organisation support is sought for any decision taken.
- The quality of the decision is impacted since those involved don’t necessarily have the prerequisite knowledge and understanding of the project and its issues
- The authority of the project and its governance body is compromised since decisions are not binding but have to be ratified by the organisation.

2.4 Separate stakeholder management and project decision making

Stakeholder management and project decision making are two separate functions and must be addressed separately. When the two are confused, decision making forums become clogged with stakeholders resulting in labored decision making. While many people may need to be aware of a project and have input into shaping it, not everyone needs to participate in each critical project decision. Achieving separation will reduce the number of persons required in project decision forums while maintaining the essential input provided by key stakeholders. The framework establishes a mechanism for addressing the needs of stakeholders.
Effective stakeholder management is essential for the success of any project. Supporting the needs of stakeholders requires communication channels to be established and reporting frameworks to be developed. Stakeholders must have the opportunity to have their views heard and their issues and concerns raised and addressed. These tasks can however be done separately to the function of project decision making.

The most critical stakeholders of course are, or should be running the project and holding the key roles in the decision making framework. We deal with this shortly. Stakeholders less centrally aligned to the core service delivery outcomes the project is designed to achieve have narrower and more specific interests in the project. Thus the need for such stakeholders to be involved in each and every significant project decision is less and their ability to usefully contribute to all such decisions is constrained.

This principle is an acknowledgement of this fact. It does not remove stakeholders from the project. It recognises that they have different needs and that these are better met in a stakeholder forum than in a focused decision making forum.

2.5 Project Governance Framework

Figure 1 proposes a core project governance structure to meet the needs of high risk projects based on the above principles.

- Accountability for the success of the project sits with the Project Owner who chairs the Project Board.

- The structure is completely separate to that of the organisation. Organisational decision making plays no part in project decision making under this arrangement. Note though, that key organisational roles may sit within the Strategic Stakeholders

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1 The Project Board and the roles of Project Owner, Senior User and Senior Supplier are drawn from and similar to those in PRINCE2, a project management methodology used extensively across the UK Government, and increasingly in Europe and Australia. It is administered by the UK Office of Government Commerce (OGC).
Group and provide valuable input to and remain briefed on project developments. The structure recognises however that the decision making path is via the Project Board.

Note that this structure does not set out to address the project’s communications or reporting needs. There may be many within the organisation structure who will require briefing on the project or who will receive regular project reports. The Project Owner and Project Director will need to establish reporting and communications frameworks to enable this. But, again, this is separate to project decision making.

- The stakeholder forums and decision making forum (Project Board) are kept separate to ensure that the latter is an efficient size.

2.6 Project Board Membership

2.6.1 Project Owner

The Project Owner is the person accountable for the success of the project and owns the Business Case. The Project Owner therefore chairs the Project Board which exists to support the Project Owner and assist in the decision making process. However the final say on any decision rests with the Project Owner since that is where the ultimate accountability lies. The Project Owner is normally the person that has project budget responsibility since responsibility for a budget implies responsibility for what the budget is spent on – budget responsibility implies project accountability. The Project Owner should appoint Project Board members. The Project Owner chairs the Strategic Advisors Group.

2.6.2 Senior User

The Senior User represents the end users of the delivered service and promotes their concerns and interests. If there is a Project User Group, it is chaired by the Senior User. The Senior User may also represent those who have an interest in the project’s outcomes and whose activities will be affected by the project. They may share in the benefits of the project or in its investment or operational costs. The Senior User may assist the Project Owner in chairing of the Strategic Advisors Group.

2.6.3 Senior Supplier

The Senior Supplier is a senior representative of the project’s suppliers and provides their perspective and expertise. Successful projects maintain a close relationship between the customer and their suppliers and this is reflected in the latter’s membership of the Project Board.

The holder of the Senior Supplier role may change as the project transitions from the Business Case phase to the construction phase. On large projects, particularly when the client organisation has a project delivery arm that has contracted with an outside delivery entity, more than one Senior Supplier may sit on the Project Board (albeit with individual role statements).

2.6.4 Project Director

The Project Director is the Project Owner’s eyes and ears on the job. This role undertakes day to day management and decisions on behalf of the Project Owner. The Project Director
supports the Project Owner and reflects the reality that the Project Owner may not have the
time available to devote themselves full-time to the project. The Project Director chairs the
Stakeholder Working Group.

2.6.5 Size of the Project Board

The Project Board provides the Project Owner with stakeholder and technical input to
decisions affecting the project. Other people’s expert opinion may also be sought such as the
views of corporate or program management, technical specialists or other key stakeholders
(possibly from other departments). Generally, however, this input will be provided via
stakeholder groups.

There may be valid reasons for having more than one Senior User on a project, particularly
when the project is multi-agency. As stated above, there are also circumstances where more
than one Senior Supplier may sit on the Project Board. There can only ever be one Project
Owner since project accountability cannot be shared, and there should only be one Project
Director.

As a general rule the Project Board should contain no more than 6 people to maintain decision
making efficiency.

2.7 Decision Making

The Project Manager and his team will make the vast majority of project decisions, for the
sake of argument say 95%.

Of the remainder, 4% will be made at the Project Board level. These decisions will be around
key project documents such as endorsing the Business Case for Investment Decision Group
approval, approving the Project Plan and so on. Issues that the Project Manager is unable to
resolve will also be addressed by the Project Board.

The Investment Decision Group are required to make project investment decisions which
normally involve approving the Business Case and any changes to it.

2.8 Stakeholder Groups

2.8.1 Strategic Advisors Group

This group represents key stakeholders that have a valid interest in the project yet are not
sufficiently central to the project’s success to warrant a seat on the Project Board. This group
is chaired by the Project Owner thus ensuring the views, concerns and issues in this group
have a direct conduit to the Project Board.

2.8.2 Stakeholder Working Group

This group represents the interests of stakeholders operating at a more detailed level. It is
chaired by the Project Director thus ensuring this group also has a direct conduit to project
decision making.
2.9 The Role of the Investment Decision Group

The Investment Decision Group has the following responsibilities:

- Approves project investment decisions. This primarily revolves around the Business Case however an earlier investment decision justifies the work required in undertaking development of the Business Case. This decision is normally based on a project brief or proposal and is also taken by the Investment Decision Group.

- Approves any changes that subsequently impact the project investment decision or any changes to the project Business Case.

- Responsible for those project decisions, raised by the Project Board, that potentially impact organisational policy or strategy.

- Responsible for the resolution of issues elevated by the Project Board.

3 Implications for the organisation

The project governance framework exerts a positive influence on both Customers/Purchasers and Supplier/Provider.

The Customer/Purchaser business is driven down a path of greater sophistication in order to respond to the accountability needs imposed by the framework. The framework requires the Customer to become more involved in projects and requires them to accept ownership of the project. The concept of “hand-over” of a project does not exist in this framework. Consequently, the Customer focussed business needs the resources to operate to this new paradigm.

Commonly, when organisations are faced with a large increase in capital works, the standard and natural response is to increase resourcing in the Provider/Supplier function of the business. This framework drives an increase in Customer/Purchaser resources as well. A common impact of this framework on organisations is they find the Customer/Purchaser business is insufficiently resourced to fulfil the role demanded of it. A clear sign of this is when a single Project Owner is named for a string of high risk projects – more than they could reasonably be expected to manage.

There is great potential for the Supplier/Provider business to also benefit from these arrangements. In order to successfully deliver to the Customer/Purchaser, the Supplier/Provider must be presented with a detailed brief and ongoing project involvement and ownership to ensure delivery success. The alternative path, where the Supplier/Provider takes an ill-defined brief and delivers a project with little or no Customer/Purchaser involvement is fraught with difficulty. This framework requires the ongoing involvement of the Customer/Purchaser and necessitates a commensurate degree of sophistication thereby enhancing the opportunity for delivery success.

When the framework works effectively in an organisation, it tends to strengthen the relationship between the Customer/Purchaser and the Supplier/Provider as they work together to deliver successful outcomes.
4 Implementation Challenges

Implementing the project governance framework is a business change management exercise. Problems likely to be encountered include:

- The separation of project governance from organisational governance is difficult. An example is approval of the Project Plan which you would think implies approval of project resourcing since it is an integral part of that plan. However, most organisations have detailed approval processes for the hiring of staff and contractors and have difficulty aligning them with a project’s approval under its governance structure.

Another example is the approval by the Project Board of the Business Case. This framework explains that the people who best understand the needs of the project have signed off on the Business Case and it may therefore proceed directly to the Investment Decision Group. Some organisations will have difficulty with this approach given the importance of that document and will still expect the Business Case to be approved via the organisations chain of command.

- The project governance structure is only as strong as the Project Board and to be effective it needs to be populated with the right caliber of people who understand projects. Without this, the project board will lack authority and project decision making will be poor.

- The framework requires the Customer to be resourced to meet the increased needs of their ongoing role in the project. There is likely to be a need to increase resources in the Customer/Purchaser side of the business.

- In organisations with both Customer/Purchaser and Supplier/Provider functions, there can be a perception by the Supplier/Provider of a loss of power. This is particularly evident if old project governance structures have been chaired by the Supplier/Provider as is sometimes the case. The reality is that the framework will enhance the ability of the Supplier/Provider to deliver to the Customer’s expectations and this is the message that needs highlighting.