

Project Governance

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PMG 424

Lecture 07



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Effective Project Governance

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Chapter
07

Learning Outcomes

- Discussing the implications of ineffective project governance.
- Explaining how effective project governance is necessary for project success.
- Understanding the role of effective governance in project decision-making, risk management, and resource allocation.
- Summarizing the solutions through which effective project governance enhance project outcomes.

Ineffective Project Governance

- It is difficult to determine the extent to which a project's governance can be said to be the cause of project failure.
- Project governance failings are definitely detrimental to the health of a project.
- Although the symptom of project failure may vary, problems with project governance will be a significant contributing factor.

Causes of Project Governance Problems

- Many of the causes of project governance problems are interrelated and the list is by no means exhaustive.
- In addition to organizational structures (heavily discussed in this course), the basic causes of project governance related problems can be categorized to:
- Confusion regarding the objectives of project governance (decision-making);
- Risk aversion (risk management);
- Stakeholder issues (resource allocation).

The Governance Model

Understanding the Causes of Ineffective Project Governance Allows
Identifying the Criteria That Any Solution Must Meet To Constitute An
Effective and Efficient Project Governance Framework

Project Governance Objectives

- Project governance is established to fulfil one primary objective – to enable efficient and effective project decision-making.
- A project governance structure must also support project reporting, information dissemination and stakeholder management, since key stakeholders are closely involved in the decision-making process.

Confusion Regarding Project Governance Objectives

- Problems arise when the side benefits of project governance become the main driver for the governance structure include:
 1. Overemphasizing on stakeholder management results in committees growing in size to cater for the full range of project stakeholders, which decreases the effectiveness of decision-making.
 2. Overemphasizing on reporting results in the project decision-making structure being integrated within the organization's structure.

Problems of Overemphasized Project Reporting

- Committees heavily reporting up through the line of command, which effectively negates the benefit of having a decision-making committee in the first place.
- A project governance structure is formed precisely because the organization's structure is not designed to meet the needs of project decision-making.
- This blurring or integration of project structures and organization structures introduces several undesirable features:

Confusion Regarding Project Governance Objectives

- Problems of overemphasized project reporting include:
 - It adds multiple layers to the decision-making structure, which slows the decision-making process.
 - Projects require timely decision-making; serial decision-making through the organizational hierarchy does not support this imperative.
 - The organizational hierarchy includes persons in the decision-making process who may not be best placed to make project decisions.
 - It blurs accountability since it becomes impossible to distinguish the different accountabilities of the different layers within the decision-making process.

Confusion Regarding Project Governance Objectives

3. Overemphasizing the decisions around contractual arrangements; the project governance structure should be dealing with the delivery of the complete project as defined by the business case rather than the specific contractual arrangements between customer and supplier.
 - This leads to detracting from the ability of decision-makers to concentrate on the issues that define the project rather than the issues surrounding the contract.

Risk Aversion

- There are many opportunities for an individual in an organization to reduce or 'smear' individual risk.
- Different organizations have different risk appetites, and the risk culture of the organization is reflected in the approach of its officers.
- In large organizations, with their complex management structures, a risk-averse culture can become, to an extent, part of the fabric of the organization.
- This consensus approach can lead to unhealthy behaviour in the project governance environment.

Problems with Consensus Approach Regarding Risk Aversion

- A consensus approach to decision-making regarding risk aversion does not suit projects for four primary reasons:
 1. This approach is slow.
 2. The poor quality.
 3. The assumption that people in the decision chain are equal.
 4. The consensus-building approach blurs accountability.

1. This approach is slow

- The consensus decision-making approach requires the decision to progress both up the chain of command and across the divisional structure of the organization.
- This is done as an attempt to gain buy-in to the decision.
- This process is very time-consuming.

2. The poor quality

- The quality of the documentation that informs the decision can suffer since managers in the chain can seek to justify their involvement through 'adding value' by making unwarranted or unhelpful changes.
- Each change sends the document in question back down the chain to start again.
- This leads to the consensus decision-making being not only slow, but also affects the quality of the outcome.

3. The assumption that people in the decision chain are equal
 - This approach means that the persons who are best placed to make project decisions have equal weighting with those with marginal project involvement.
 - The outcome therefore is not necessarily 'best for the project' or the organization.

4. The consensus-building approach blurs accountability
 - When consensus decision-making is built into the project governance structure, the outcome is unclearly defined roles because accountability cannot be sliced so finely between so many persons.
 - No one thus can have a clear picture of their accountabilities or responsibilities, both of which are essential for clarity and speed of decision-making.

Project Stakeholders

- Key stakeholder support for a project is an essential ingredient for its success.
- Conversely, a lack of support by key stakeholders is likely to result in the project failing, remembering that those key stakeholders run business units whose cooperation is essential to project success.
- Whatever decision-making body is established for the project should itself comprise the central project stakeholders.

Stakeholder Issues

- Not all potential stakeholders can be engaged in project decision-making, since large committees cannot make effective decisions.
- Only main stakeholders must be included in decision-making.
- Projects run into problems when the decision-making does Not contain the correct stakeholders.
- This can result in dissatisfied stakeholders and a lack of resources and clarity around decision-making responsibility.

Deciding on Main Stakeholders

- It is important to decide on the main stakeholders who should participate in project decision-making, and other stakeholders whose needs must be addressed through other stakeholder management mechanisms.
- The wrong decision potentially results in a failed project due to its inability to address the needs of those stakeholders who are not part of the decision-making.
- If stakeholders do Not have a hand in decision-making, they are potentially less interested in supporting the project or providing resources for it.

Effective Project Governance

- Effective project governance must address the previously discussed problems and, as far as possible, resolve them.
- The extent to which the project governance framework can achieve this is one important measure of its effectiveness.
- The following solutions explains the role of an effective project governance framework in addressing decision-making, risk management, and stakeholder (resource allocation) issues.

Summary of Effective Governance Solutions

1. Clear Objective

- The project governance framework must be clear in its objectives.
- It must fundamentally address project decision-making but must also address the structure that enables stakeholder management to be addressed.

Summary of Effective Governance Solutions

2. Efficient and Effective Project Decision-making

- The project governance framework must enable efficient and effective project decision-making.
- It must address issues such as multi-layered decision-making resulting from:
 - Organizational chain of command considerations.
 - The tendency towards consensus decision-making.

Summary of Effective Governance Solutions

3. Clarity of Accountability

- The project governance must provide clarity of accountability and clear and correct assignment of accountability.

4. Clarity of Structure

- The project governance must resolve the relationship between the organization's structure and the temporary structure put in place to deliver the project.

Summary of Effective Governance Solutions

5. Focus on Project Delivery

- The project governance must support the project, delivering a service rather than being just an asset, since an asset is only a platform for delivering a service.

6. Decide on Main Stakeholders In Project Decision-making

- The project governance must ensure that the stakeholders who comprise the project's decision-making forum are those necessary to meet the needs of the project without including so many that its effectiveness is reduced.

Summary of Effective Governance Solutions

7. Address the Needs of Less Important Stakeholders

- It must ensure that those stakeholders not included within the decision-making forum have their needs adequately met by the project governance framework.

All These Considerations Must Take Place In a Project Governance Framework To Enable Effective and Efficient Decision-making, Risk Management, and Resource Allocation

Other Considerations of Effective Governance

Confusion Regarding the Objectives of Project Governance

Symptoms	Governance Solutions
Stakeholder management: Large and ineffective decision-making committees	Decide on main stakeholders to be included in the committee
Project reporting: Project governance structure embedded within organization structure.	Keep project decision-making process tight to necessary players to allow more relevant decisions and clearer accountability
Contract management: Decision-making has contract management focus.	Keep the focus on decision on project delivery and not on contractual terms.

Other Considerations of Effective Governance

Risk Aversion

Symptoms

Risk management:
Consensus decision-making that involves many people across the organization, and analysis paralysis.

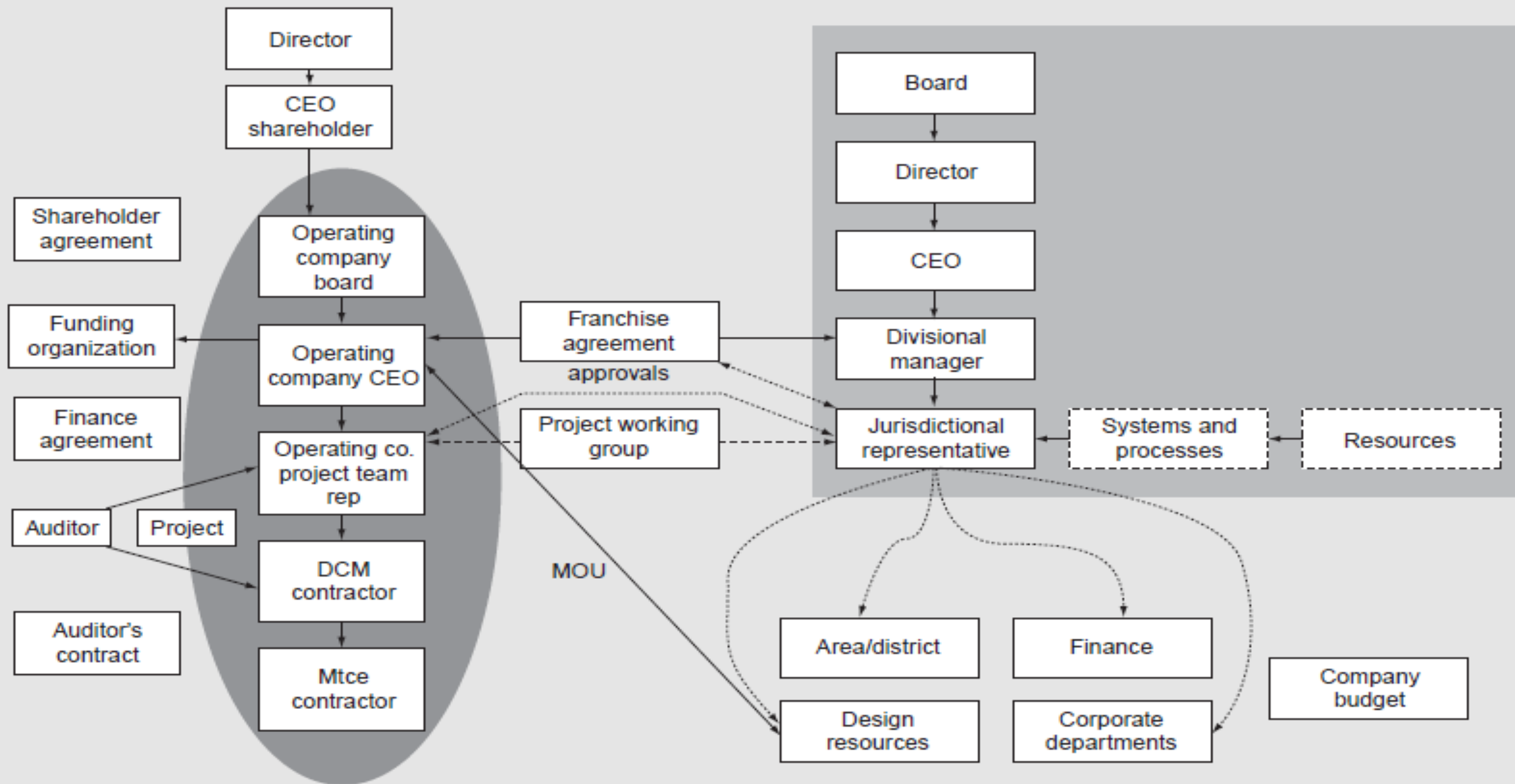
Governance Solutions

Keep the decisions related to risk management relevant through including only the persons who are best placed to make project decisions and eliminating the ones with marginal involvement.

Other Considerations of Effective Governance

In the Total Model of Project Governance, A Paradigm Represents the Tool Used For Linking Project Management Capabilities With Requirements In Accordance With the Wider Corporate Governance Orientation

Stakeholder Issues	
Symptoms	Governance Solutions
Stakeholder management: Dissatisfied stakeholders	Link the project vision and objectives with the goals of all stakeholders to secure their support
Project responsibilities: Lack of clarity around decision-making responsibilities	Ensure clear project responsibilities through including only necessary stakeholders in project decision-making.



Conclusion

- Poor project governance failings will definitely be detrimental to the health of a project.
- Although the symptom of project failure may vary, problems with project governance will be a significant contributing factor.

Conclusion

- Project governance is established to fulfil one primary objective – to enable efficient and effective project decision-making.
- Overemphasizing project reporting and stakeholder management in the project governance structure causes many project disruptions.

Conclusion

- An effective project governance provides solutions to address all issues related to decision-making, risk management, and stakeholder. These solutions include:
 - Ensuring Clear Objective
 - Making efficient and effective project decisions
 - Clarifying accountability
 - Clarifying structure
 - Focusing on project delivery
 - Deciding on most relevant stakeholders
 - Addressing the needs of less important stakeholders

Task 1

- Identify two companies in your country (successful and unsuccessful) and compare between their project governance frameworks?

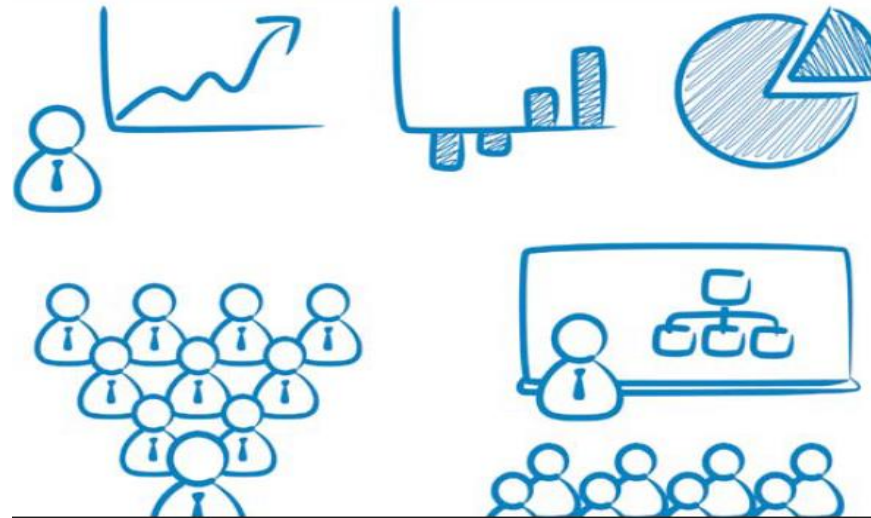
Task 2

- Find an ineffective project governance framework, and analysis how it causes the issue related to decision-making, risk management, and resource allocation?

Reference

Project Governance

Ralf Müller





Thank You