

Enterprise Project Governance¹
How to Manage Projects Successfully Across the Organization

EPG and Corporate Governance (continued)
Alignment with major International Project Organizations

By Paul Dinsmore & Luiz Rocha

This is the third article of the series *Enterprise Project Governance (EPG): How to Manage Projects Successfully Across the Organization*. As commented on the previous two articles EPG has evolved in part due to the dynamic changes that have affected overall corporate governance beginning in the 1990s. Pressures from the marketplace, governments and regulatory agencies have placed a disconcerting spotlight on company boards to ensure that decisions and corresponding actions are fully traceable, from the top down. Since a major part of organizational survival depends on new projects, EPG adds that measure of traceability and corresponding accountability to the basics of corporate governance. This article will cover the view of major project related international organizations about the topic.

The challenge for organizations that rely on projects, programs and portfolios to instigate change and grow value is monumental. It calls for moving from ad hoc execution to an integrated, robust, repeatable and auditable system aimed at increasing the predictability of an organization's future state. When these requirements are combined with the enhanced expectations of stakeholders, a significant requirement for such robust, predictable and auditable processes emerges.

Enterprise project governance resides under the umbrella of top management and corporate governance and is about ensuring that projects are aligned with overall strategy, are balanced with respect to corporate priorities and succeed by establishing a well defined approach which is understood and agreed to by all parties, that the approach is followed throughout the lifecycle of portfolios, programs and projects, and that progress is measured and actions are pro-actively taken to confirm that everything stays on track and that the agreed benefits, products or services are delivered.

Four pertinent views from some international organizations on the governance of project management are summarized below:

¹ This series includes articles by Paul Dinsmore and Luiz Rocha, authors of the book *Enterprise Project Governance*, published by AMACOM in the USA in 2012. The articles are extracts and summaries of key topics from their book, providing information and guidance on one of the most important aspects of portfolio, program and project management today – governance. For information about the book, go to <http://www.amacombooks.org/book.cfm?isbn=9780814417461>.

APM

The need for more integration of projects with the business environment in which they exist led the Association for Project Management (APM) in the UK, a member of the International Project Management Association (IPMA), to produce the document “Directing Change – A Guide to the Governance of Project Management.” They follow Organization for Economic Co-operation and Development’s (OECD) definition of governance as a set of relationships between an organization’s owners, its board, its management, and other stakeholders. The principles of effective project governance are described as well as the information a board needs to be confident that the organization’s projects are managed in accordance with the governing principles. Organizations striving for project success are encouraged to lift their perspectives beyond the delivery of the project itself and onto the broader issues of the project’s benefits and effects on the business.

The APM publication lays out the principles of effective project governance:

- The board has overall responsibility for governance of project management;
- The roles, responsibilities and performance criteria for the governance of project management are clearly defined;
- Disciplined governance arrangements, supported by appropriate methods and controls are applied throughout the project life cycle;
- A coherent and supportive relationship is demonstrated between the overall business strategy and the project portfolio;
- All projects have an approved plan containing authorization points at which the business case is reviewed and approved. Decisions made at authorization points are recorded and communicated;
- Members of delegated authorization bodies have sufficient representation, competence, authority and resources to enable them to make appropriate decisions;
- The project business case is supported by relevant and realistic information that provides a reliable basis for making authorization decisions;
- The board or its delegated agents decide when independent scrutiny of projects and project management systems is required, and implement such scrutiny accordingly;
- There are clearly defined criteria for reporting project status and for the escalation of risks and issues to the levels required by the organization;
- The organization fosters a culture of improvement and of frank internal disclosure of project information;
- Project stakeholders are engaged at a level that is commensurate with their importance to the organization and in a manner that fosters trust.

According to the document, four governance areas enable the achievement of the principles outlined:

Portfolio Direction - is concerned with ensuring that the project portfolio is aligned with the organization's objectives including profitability, customer service, reputation and sustainability;

Sponsorship - is the effective linkage between senior management and the management of the project. At its heart is leadership and decision making for the benefit of achieving the project objectives. It is the communication route through which project managers report progress and issues upwards to the board and obtain authority and decisions on issues affecting their project. It owns the business case and is responsible for ensuring that the intended benefits become the project objectives and delivered accordingly;

Project Management – addresses the capability and competence of the teams assigned to the management of projects, the appropriateness of the levels of decision making authority delegated to project teams and their ability to deliver the project objectives. Team capability is about the competence of the people involved at all levels, the resources they have available to perform their roles and the processes or management systems they are able to deploy in fulfilling their function;

Disclosure and reporting - A culture of open and honest disclosure is paramount for effective reporting. What is reported is to be open, honest, efficient, timely, relevant and reliable. When disclosure and reporting is poor and ineffective there is inevitably weak project sponsorship and project management because this is the component most reliant on the culture of the organization.

APM has two other publications about governance. One related to multi-owned projects and another covering governance aspects of sponsorship.

PMI

Working from another angle of effective project governance, the Project Management Institute (PMI) developed an integrated set of foundational standards addressing the processes required to manage projects, programs and portfolios and one focusing in the project organizational maturity of organizations. The component standards include: A Guide to the Project Management Body of Knowledge, The Standard for Program Management and The Standard for Portfolio Management, while the Organizational Project Management Maturity Model (OPM3) covers the management of projects on broader scale.

According to PMI, the OPM3 standard is designed to provide benefits to organizations and senior management such as strengthening the link between strategy and execution, so that project outcomes are predictable; providing best practices to support the implementation of organizational strategy through projects, and offering a basis from which organizations can make improvement in their project management processes.

The standard acknowledges that corporate governance is the force that drives the realization of strategies through portfolios, programs and projects. If an organization correctly understands the complementarities between corporate governance, strategy execution and project portfolio management then it can successfully pursue its strategic goals.

Governance has also been included as a process in standards such as the Portfolio and the Program Management.

OGC

Another organization with a strong focus on project governance is the Office of Government and Commerce (OGC), a department within the UK Government with a remit to help public sector organizations gain better value for money from procurements and deliver improved success from programs and projects. OGC is owner of PRINCE2, a well known methodology for project development, and the IT best-practice framework ITIL. OGC also has a Portfolio, Programme and Project Management Maturity Model (P3M3). The standard describes the portfolio, program and project-related activities within seven perspectives (management control, benefits management, financial management, stakeholder management, corporate governance, and resource management) addressing governance issues that correlate to improved performance in five levels (recognition, repeatable, defined, managed, optimized). Knowing the positioning level of each perspective helps determine what actions to target.

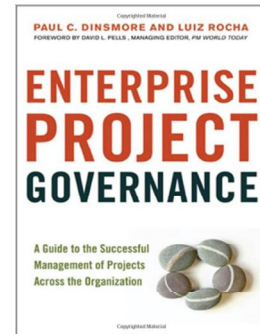
ISO

The ISO 21500, Guidance on Project Management, is intended to provide orientation for the needs and effects of projects in organizations. The standard, launched by the International Organization for Standardization, is not for accreditation but for guidance purposes only, providing organizations with a solid baseline from which to evaluate the development of projects, and incorporates the work of several national standards. However, the most significant value is the establishment of a global, common understandable guideline from which the principles of project management can be further developed and refined across each national standard organization, towards the overall improvement of project performance.

The ISO norm recognizes that projects usually exists within a larger context and are often the means to accomplish strategic goals and that the creation of required project deliverables contribute to the achievement of benefits associated with those goals. It also considers that project governance is concerned with those areas of corporate governance specifically related to project activities including aspects such as defining the management structure; the policies, processes and methodologies to be used; limits of authority for decision-making; stakeholder responsibilities and accountabilities; and interactions such as reporting and the escalation of issues or risks. The responsibility for maintaining the appropriate governance of a project is commonly assigned either to the project sponsor or to a project steering committee.

The four views presented are congruent with the definitions of EPG and its components presented in this series. Indeed, they reinforce the need for a framework such as EPG with the objective of successfully creating a governance structure for overseeing the pathway from strategy to value creation.

Enterprise Project Governance describes proven techniques for dealing with simultaneous initiatives and ensuring that programs and projects align with the priorities, resources, and strategies of the organization - and ultimately create value. Containing examples and case studies, the book provides readers with practical methods for incorporating enterprise project governance into their organization's culture, synchronizing it with corporate governance, and maximizing efficiency and results across departments.



Whether one's view is from the boardroom, the executive suite, the project management office, or the project trenches, this is an important guide for anyone managing multiple projects. For more about the book, go to <http://www.amacombooks.org/book.cfm?isbn=9780814417461>.

About the Authors



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Luiz Rocha has 35+ years of experience in the industry and business consulting. Luiz worked with Andersen Consulting and Deloitte in the USA and Europe when he had the opportunity to manage multi-cultural and geographically dispersed projects in Latin America, North America and Europe. In Brazil he worked with Dinsmore Associates and Petrobras. Luiz is an engineer by background, MSc. in industrial engineering from UFRJ – Brazil, PMP-PMI and IPMA certifications. He is also a published author with two previous books, *Business Metamorphosis*, in Brazil, and *Mount Athos, a Journey of Self-Discovery*, in the USA. Luiz can be contacted at luiz.rocha@dinsmore.com.br.