Governance: Key to Successful Program Management Delivery [1, 2]

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Program management in the engineering & construction industry represents a fundamental re-allocation of responsibilities and authorities between the traditional owner organization and an engaged program manager. The readiness of the owner organization to adopt such a delivery strategy will be governed by many factors including overall capital project delivery volumes; prior experience, if any, with program management delivery approaches; inherent organizational capabilities and depth of staff; and, perhaps most importantly, degree of recognition of the level of self-change that adoption of a different delivery and management methodology will require.

From the program manager's perspective, a key factor for success will be the degree to which its responsibilities can be clearly defined and responsibility and authority allocated consistent with these responsibilities and the owner organization's own readiness. A well-developed contractual and implementation framework are therefore key ingredients for success but in many cases, even the best developed frameworks are undermined by a poorly defined governance regime and inadequate contract administration capabilities within owner organizations. This later factor sometimes reflects passive resistance to change while in other instances it reflects inadequate organizational maturity to adopt the new delivery regime.

This paper is not intended to dwell on the failings of either the program management contractor or owner organizations but rather outline some of the governance features which are hallmarks of successful program management implementations.

Program Management Governance Thinking

Program management governance thinking has developed across a wide range of industries ranging from government implemented healthcare transformations to enterprise-wide IT delivery efforts. In the engineering & construction industry, attention to governance issues at the outset of program initiation has been to a large degree spotty and inconsistent. The evolving nature of programs delivered in the engineering & construction industry and, more

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importantly, the inherent risks that program manager's increasingly assume give rise to a necessary refocusing on governance issues. The engineering & construction industry can, however, draw not only on its own experience but on that of other sectors as well.

Key Success Factors

A review of identifiable key success factors from a broad range on non-E&C programs internationally suggest that certain characteristics are common to successful program management applications. These success factors include several with governance implications including:

1. Strong and decisive leadership by senior management

    - supported by clear and appropriate allocation of responsibility and authority without ambiguity

2. Early, consistent and direct involvement of frontline staff

    - With appropriate feedback mechanisms to encourage, collect and analyze criticism without fear of retribution

3. Engagement and ongoing involvement by each stakeholder population both within the owner's organization as well as externally

    - Communication chokepoints are avoided even while control points are strengthened

4. Acceptance and projected confidence in the implementation of new strategies and solutions at early program stage

    - Leadership by example and strong "sponsorship" by the executive are essential to programmatic success

    - Areas of concern or uncertainty are monitored consciously but self doubt is reserved until supported by information based decision making

5. Utilization of experienced, neutral, external facilitators to drive organizational change management and alignment processes; identify latent conflicts for resolution; and facilitate building of the required multidisciplinary team focused on undertaking the program management "journey"

    - Team building and alignment processes must be contractual requirements of both the owner and the program manager

6. Clear recognition that many parts of the project delivery system need to be restructured simultaneously for effective program delivery

    - Governance structure must provide the program manager with the ability to act in parallel versus sequentially within an accelerated change time horizon

7. Collective determination of key performance indicators and their application

    - Owner organization must transition to an outcomes-based management style versus more traditional input control management styles

8. Comprehensive data analysis by experienced staff with a programmatic and systemic focus; and timely reporting of KPIs

    - performance assessment regimes require owner oversight staff to adopt new perspectives that are broader than project-based performance assessment; new skill sets and training must be implemented at an early stage

9. Recognition and reward for success emphasized over penalty for failure

    - Governance regimes must increasingly adopt a reinforcing versus punitive framework

10. Appropriate resourcing of program management role with sufficient flexibility to migrate the organization structure and skills mix as the program evolves

    - Program management's need for a more robust structure and control is understood in light of the larger impact their failure can have

Program Management Governance Structures

In the course of implementing a program management delivery approach, there are fundamental practices and governance features which must be put in place. These include (but are not limited to):

- Strong Foundations built on:

    - Governance - the structure and process to control operations and change to performance objectives. Sufficient authority must be provided to the program manager to take timely actions for program success while at the same time assuring that owner driven changes to program objectives are strategic in nature and not merely expressions of sub-group preferences. This tradeoff of flexibility for improved outcomes typically represents a major change management challenge even in the contractual negotiation stage. Governance structures must be supported by a well defined framework for program sponsorship at both the program and executive levels in the owner and program management organizations. Governance structures must provide for clear leadership and establish the requisite ethical, safety and other cultural foundations that successful programs require.

Critical success factors for governance leadership:

- shape strategic thinking;
- achieve results;
- cultivate productive working relationships;
- exemplify personal drive and integrity; and
- communicate with influence.

- Standards - activity and limits that define the performance “architecture” for the programs systems, structures, components and practices that will aid in the capture of the value inherent in a program management approach.

- Integration - activity to optimize performance across the program value chain functionally and technically. Program management may result in a reconfigured or perhaps even new value chain. Traditional owner – supplier relationships may need to be modified to provide the program manager with the authority and freedom of action required to fully integrate all elements for success. Certain owner functions may need to take on a shared management approach (risk and contingency management are examples).

Key components of effective risk management, for example would include:

- robust systems in place;
- detailed consideration of the risks facing the organisation as a whole as well as major policy or strategy developments and/or operational tasks or projects;
- establishment by management of appropriate processes and practices to manage all risks;
- analysis and review of risk management approaches; and
- the active involvement in risk management of everyone in the organisation.

To be effective, the risk management process needs to be rigorous, structured and systematic. Emphasis is on real actions and outcomes so that it does not become essentially a process-based exercise. Effective risk management requires an organisation to have a risk-assessment culture whereby all major decisions are considered in terms of risk management principles.

- Windows into the Program Management Effort, to provide:

    - Assurance - activities to verify and validate all operations delegated to the program manager as well as his readiness and capacity to perform. Objective assessment standards must be clearly agreed to at the outset of the project. Key elements of internal conformance and accountability include:

        - documentation of the objectives, roles and powers of the owner's representative, program director and executive or steering committee;
        - internal audit and review processes and functions;
        - documentation of objectives, roles and powers of other program committees (for example, HSE);
        - owner and program manager business planning arrangements that aim to make conformance and accountability integral to the way the organisation meets its business and project execution objectives;
        - performance planning and monitoring arrangements;
        - fraud control plans and processes, including any planned inspector general type structures and how integrated into project execution processes;
        - up to date and consistent rules relating to financial and other delegations, and
        - clear and widely communicated policies on the standards of professional and ethical behaviour.

      An organisation with effective internal conformance and accountability will have staff and management who know, understand and communicate clearly their own roles, powers and responsibilities and how these relate to others in the organisation.

    - Alignment - activity to support higher level vision, goals and objectives . Alignment sessions are ofter uncomfortable to participants since by nature they are designed to resolve policies, conflicts and drive accelerated decision making and action. Alignment is further reinforced by government systems and processes such as:

        - Effective corporate, business and program execution planning. It is important to ensure such plans down to, and including, individuals' performance plans, are aligned and mutually reinforcing. This reduces the potential for unclear or conflicting objectives or gaps in execution planning
        - Clear and robust budgeting and financial planning systems, overseen by an appropriately resourced finance committee or equivalent.
        - Various reporting and measurement frameworks for financial and non-financial aspects of the organisation's specified outcomes and outputs.
        - A structured and regular system of performance measurement and monitoring aligned with the organisation's outcomes and outputs structure.

    - Consideration of program wide and cross-project issues in policy development and program execution. Issues related to joint or shared accountability, risks and responsibilities can affect governance arrangements.

  - Improvement - activity to continuously assess performance, research and develop new capabilities and systemically apply learning and knowledge to the program. Performance criteria must provide the program manager with the necessary authority to innovate and drive new systemic continuous improvements into the project execution process.

  - Business Process Improvement – activity undertaken by the program manager that not only identifies business process improvement actions within the program management function but also in the activities undertaken by and between those suppliers and service providers managed by the program manager. Business process improvement should also identify processes changes in the owner organization that would further reinforce the efforts of the program manager in the achievement of program success. The executive sponsorship requirements outlined under "governance" are essential to success of these efforts.

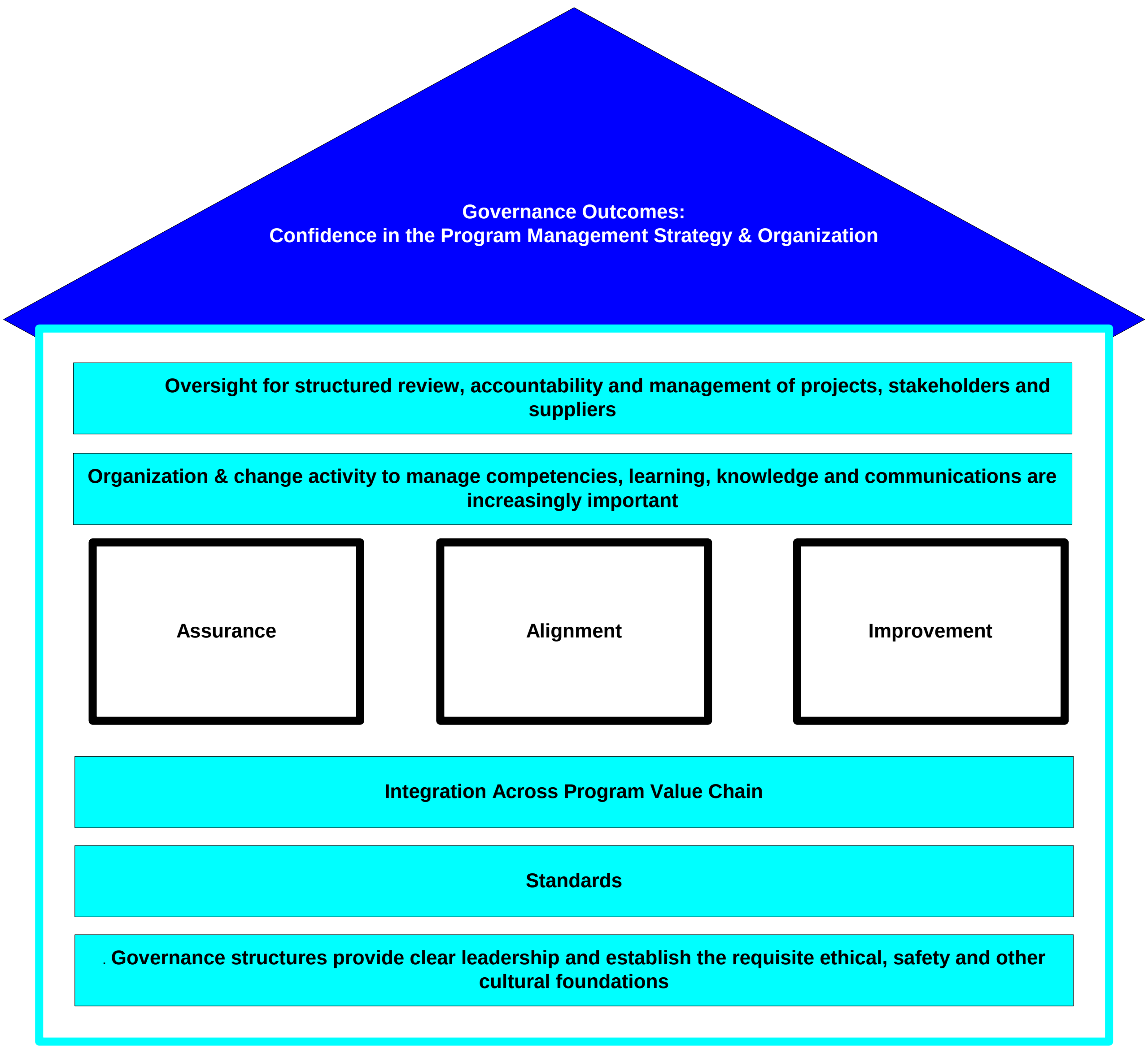
- Supporting Structures for Program Success, including:

  - Organization & Change - activity to manage competencies, learning, knowledge and communications are increasingly important given the lifetime of program organizations. Owner and program management organizations must be on the same page when it comes to the capture and utilization of knowledge and lessons learned and governance frameworks sufficiently defined to promote capture of lessons learned for improvement rather than as a tool for assignment of punishment. Communication takes on increased importance in a program management delivery strategy but must be matched by having singular points of control for changes. Owner organizational elements which previously had directive authority with respect to certain project types now part of the integrated program management approach, must adjust to an oversight versus directive role with respect to these activities embedded in the new program management organization. Change request must now come through a strengthened change management process to ensure programmatic benefits driven by standardization, common supply and carefully sequenced project execution are not unduly impacted.

  - Oversight - activity to structure reviews, accountability and management of projects, stakeholders or suppliers. The segregation of responsibilities between owner and program management organizations need to be clearly defined and demarked with a bright line. This is not inconsistent with integrated or salt and pepper approaches to various organizational elements. Rather in these integrated structures, clear processes for action and decision making are all the more important.

Governance Outcomes

When comprehensively implemented, the program management governance structure described above provides the framework for the desired governance outcome in program management delivery of large engineering & construction programs, namely, the requisite confidence in the program management strategy and organization which is the sine quo non of successful program execution.



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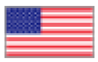

Bob Prieto is a senior executive effective in shaping and executing business strategy and a recognized leader within the infrastructure, engineering and construction industries. Currently Bob heads his own management consulting practice, Strategic Program Management LLC. He previously served as a senior vice president of Fluor, one of the largest engineering and construction companies in the world. He focuses on the development and delivery of large, complex projects worldwide and consults with owners across all market sectors in the development of programmatic delivery strategies. He is author of nine books including "Strategic Program Management", "The Giga Factor: Program Management in the Engineering and Construction Industry", "Application of Life Cycle Analysis in the Capital Assets Industry", "Capital Efficiency: Pull All the Levers" and, most recently, "Theory of Management of Large Complex Projects" published by the Construction Management Association of America (CMAA) as well as over 750 other papers and presentations.

Bob is an Independent Member of the Shareholder Committee of Mott MacDonald. He is a member of the ASCE Industry Leaders Council, National Academy of Construction, a Fellow of the Construction Management Association of America, Millennium Challenge Corporation Advisory Board and member of several university departmental and campus advisory boards. Bob served until 2006 as a U.S. presidential appointee to the Asia Pacific Economic Cooperation (APEC) Business Advisory Council (ABAC), working with U.S. and Asia-Pacific business leaders to shape the framework for trade and economic growth. He had previously served as both as Chairman of the Engineering and Construction Governors of the World Economic Forum and co-chair of the infrastructure task force formed after September 11th by the New York City Chamber of Commerce. Previously, he served as Chairman at Parsons Brinckerhoff (PB) and a non-executive director of Cardno (ASX)

Bob serves as an honorary global advisor for the *PM World Journal* and Library and can be contacted at rpstrategic@comcast.net.