

Foundations of Project Success¹

Part 3 - Governance

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Introduction

This article is the third of a three part series that covers three interrelated topics essential for successful management, execution, and delivery of today's engineering and construction projects:

- Comprehensive planning
- Organization, and
- Governance



Comprehensive
Planning



Organization



Governance

Each of these topics could be an extended paper in their own right, but in this series we will touch on many of the aspects of each but know there is much more to each aspect. This series is driven in part by a recognition that later, larger problems on projects can trace their roots back to foundational activities that either have not been sufficiently thought through or in some case not even really considered.

The papers in this series are drawn from a script for a class the author previously taught, so the style is conversational.

Let's conclude the series with Part 3 of the series, governance.

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Governance

Governance is about:

- Who decides?
- How is this decided?
- What is decided?

Governance is essential to strong project foundations.

Governance is the structure and process to control operations and changes to performance objectives. It is different than management which focuses on delivering on those objectives.

Governance recognizes that sufficient authority must be provided to the Project Manager to take timely actions for project success while at the same time assuring that Owner-driven changes to project 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 project sponsorship at both the project and executive levels in the owner and program or construction management organizations.

Governance structures must provide for clear leadership and establish the ethical, safety, and other cultural foundations that successful projects require.

Let's consider some of the success factors that are key to good project governance.

First, governance and strategy must be mutually reinforcing.

Second, good governance requires strong and decisive leadership by senior management. Governance is not a substitute for good project leadership. This in turn is supported by clear and appropriate allocation of responsibility and authority without ambiguity.

Third, there must be clear recognition that many parts of the project delivery system need to be restructured simultaneously for effective delivery. Governance structure must provide the project manager with the ability to act in parallel versus sequentially within an accelerated change time horizon.

Fourth, there must be an emphasis on recognition and reward for success over penalty for failure. Governance regimes must increasingly adopt a reinforcing versus punitive framework.



**SHAPE
STRATEGIC
THINKING**



**ACHIEVE
RESULTS**



**CULTIVATE
PRODUCTIVE
WORKING
RELATIONSHIPS**



**EXEMPLIFY
PERSONAL
DRIVE AND
INTEGRITY**



**COMMUNICATE
WITH
INFLUENCE**

The critical success factors for governance leadership include:

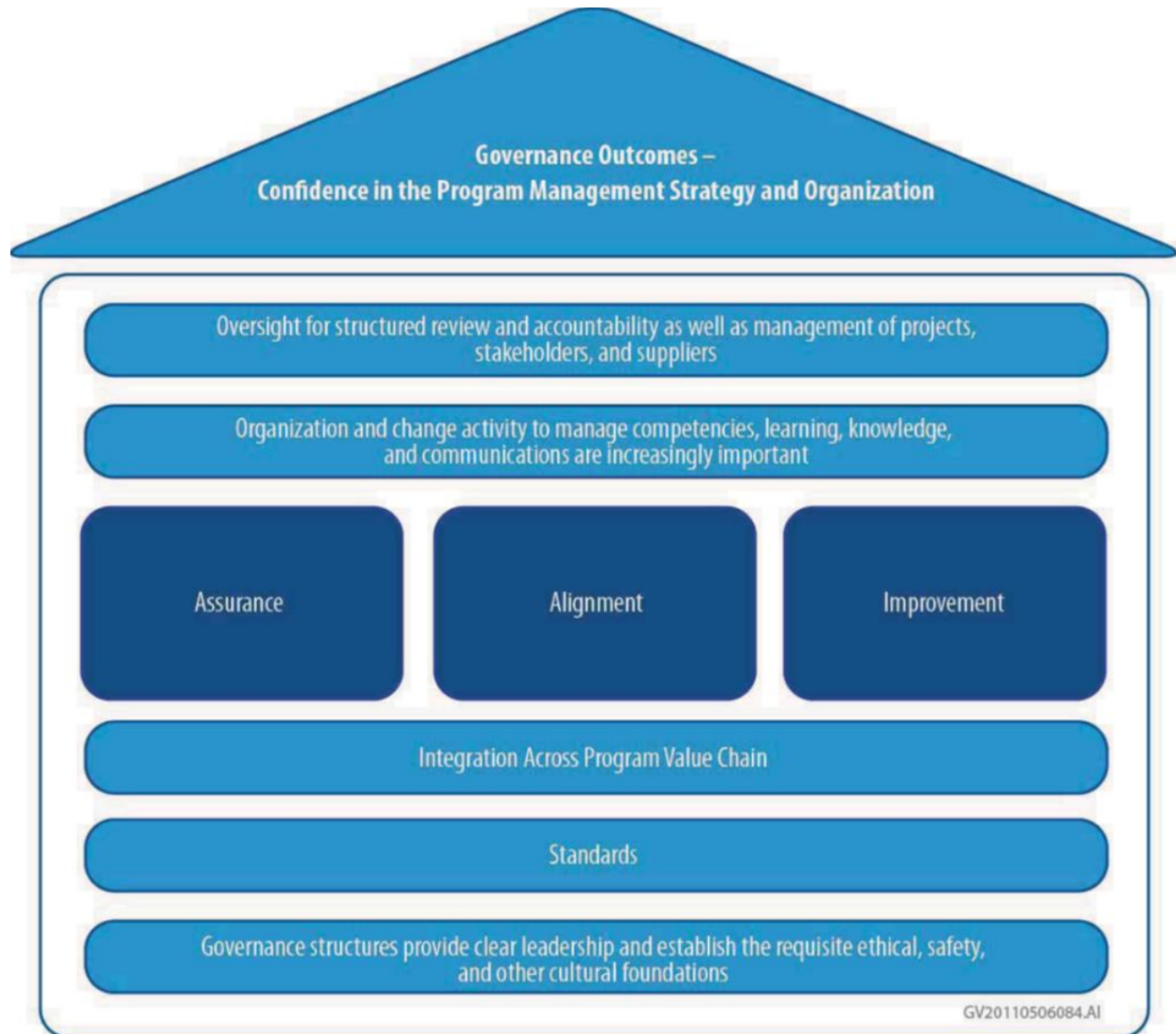
- Shaping strategic thinking. This is about creating a framework for challenge and lateral thinking. It is about broadening one's perspective about where the project horizon is. It is about bringing and encouraging different perspectives to get to the deeper insights that underpin good strategy.
- Achieving results is key to good governance. Great effort by the project team is good but great results is better. There are no participation trophies in governance leadership.
- Good governance leadership cultivates productive working relationships with the extended project team and within the project team. At times this is being a sounding board. At other times, a coach or mentor. And yes also a critic, challenger and even more directive roles. Good governance ensures the project team is getting what it needs to be successful managers.
- Governance leadership must exemplify the personal drive and integrity that in turn is expected from the project team. Leadership by example is critical.
- Governance leadership must communicate with influence. What is said must be trusted, respected, knowledgeable and compelling. Governance leaders must be seen as authoritative figures even when coaching or mentoring. The value that good governance leadership can bring to a project is often underestimated.

Let's look now at a framework for achieving governance outcomes.

Let's think of this as a house with:

- Strong foundations
- Windows into the project
- Supporting structures
- A roof, representing our governance outcomes

I typically use this description when talking about programs but in reality large projects have many if not all the same elements as programs.



In our Governance house we saw three parts to our foundation.

Our strong foundation is built on:

- Governance - the structure and process to control operations and change to performance objectives.

We have already seen the critical success factors for governance leadership. These included:

- shaping strategic thinking;

- achieving results;
 - cultivating productive working relationships;
 - exemplifying personal drive and integrity; and
 - communicating with influence.
- Standards - the second element of that foundation are the activities and limits that define the performance “architecture” for the systems, structures, components and practices that will aid in value capture
- Integration - the third element of our foundation is the activity to optimize performance across the value chain functionally and technically. Management may result in a reconfigured or perhaps even new value chain.

Now, let’s look at the windows in our Governance house. These windows provide us the required insights into our project management effort.

- Assurance is the first of the windows. Assurance encompasses those activities to verify and validate all operations delegated to the project manager as well as his readiness and capacity to perform.
 - Key elements of assurance are focused on internal conformance and accountability. These elements include:
 - documentation of the objectives, roles and powers of the owner’s representative, program director and executive or steering committee. The governance leadership role requires engagement with the owner to ensure all parties are aligned for success;
 - Assurance includes internal audit activities and other review processes and functions. Internal audit can bring the fresh eyes required for good governance but is as important for good project management. Internal audit can be your friend;
 - Assurance ensures that there is good documentation of the objectives, roles and powers of other project committees, especially those that extend back into the parent organizations, as well as any that extend to others working in the same program. An example might be any health, safety and environmental committees focused on common sitewide safety practices.
 - owner and project business planning arrangements that aim to make conformance and accountability integral to the way the organization meets its business and project execution objectives. Often alignment with supporting elements in the owner’s organization are ignored until they result in an unwelcome surprise;

- performance planning and monitoring arrangements are key aspects of assurance activities;
- Assurance also looks at fraud control plans and processes, including any planned inspector general type structures associated with the owner's organization or government or funding entities. Assurance considers how they are integrated into the project execution processes;
- Effective assurance requires 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 behavior.

Our second window into the project management effort is Alignment.

Alignment is the activity to support higher level vision, goals and objectives. Alignment is further reinforced by governance systems and processes such as:

- Effective corporate, business and project 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 is part of the alignment process..
- Various reporting and measurement frameworks for financial and non-financial aspects of the project, program or organization's specified outcomes and outputs.
- A structured and regular system of performance measurement and monitoring aligned with the organization's outcomes and outputs structure.
- Consideration, in the case of a program, 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.

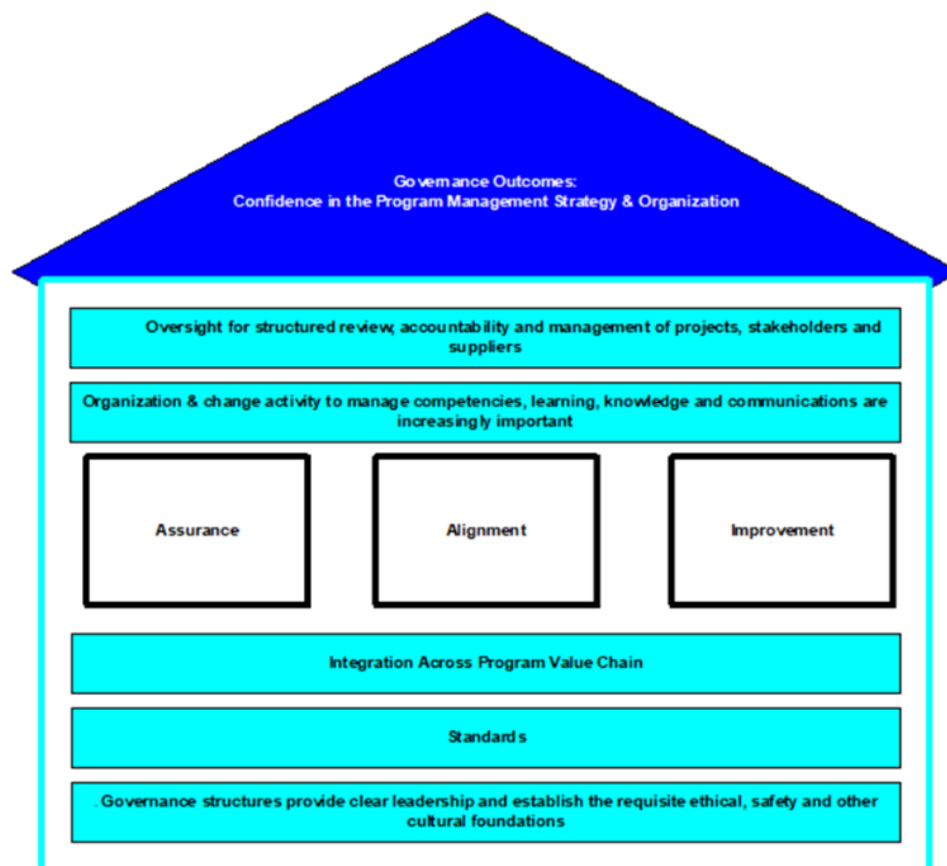
Our third window into project management efforts provides two additional insights associated with good governance. These include:

- Improvement, an activity to continuously assess performance, research and develop new capabilities and systemically apply learning and knowledge to the program or project.
- Business Process Improvement, which is an activity, in the case of a program, 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. The same activity typically occurs as part of a broader corporate process in multi-project engineering and construction organizations.

We have discussed the strong governance foundations that are required and the windows providing us views into our organizations performance. Let's turn now to a couple supporting structures in our Governance house.

- Organization & Change is the first of those supporting structures. It consist of those activities to manage competencies, learning, knowledge and communications. These are increasingly important given the lifetime of many program and large complex project organizations.
- Oversight is the second supporting structure and is that activity required to structure reviews, ensure accountability and management of all aspects of projects, stakeholders or suppliers. Governance oversight can bring a broader perspective to the project team especially as it relates to stakeholders and the supply chain.

Foundations, windows, and supporting structures provide the requisite confidence in the program management strategy and organization which is the sine quo non of successful program execution.



Whether you are in project management or have oversight responsibilities here are some questions you should be asking:

- Has the governance regime been clearly defined and the necessary alignment activities undertaken between Owner and Project staff? You can't wait for the owner to initiate. Step forward and lead.
- Do responsibilities, authorities, and project policies and processes act to reinforce the agreed upon governance regime? Make sure we aren't saying one thing and doing another.
- Have key success factors in project governance been reviewed as part of alignment activities? Align on SBO's, strategy and even tactics in some instances. Align on business processes, reports and stakeholder management. But DO ensure that you are aligned on the approach to project governance.

Joint Ventures

Let's look more closely at one particular organizational and governance challenge – joint ventures. Let's begin with a question:

Why Joint Venture?

There are many reasons but let's highlight two.

- Growth in engineering and construction project scale and complexity
- Continuing shift to alternative delivery models such as design-build and public/private partnerships

Joint ventures come in many flavors. A few types of JVs include:

- Integrated JV
- Non-integrated JV
- Combination JV
- Equity JV
- Contractual JV

Let's look at these more closely.

Integrated Joint Venture

In an integrated JV, partners collaborate on complex, non-linear projects. They pool resources, employees, and expertise. Operating almost as if a separate company.

The distribution of profits and losses is based on each partner's percentage of interest in the venture not their percentage of labor and equipment inputs.

The key challenge faced is structuring project management. It can be a hurdle due to the project's complexity.

Non-Integrated Joint Venture

In a Non-Integrated Joint Venture you have a restricted, non-partnership arrangement. Each party is assigned specific work, and they are individually responsible for profit, loss, and resources related to that work.

This form of joint venture is best suited for projects that can be easily divided or distributed among partners.

The challenges is when internal conflicts arise.

Combination Joint Venture

A third form of joint venture is referred to as a Combination Joint Venture.

It is a blend of integrated and non-integrated JVs and is used for more complex projects.

Each party is assigned a portion of work, and they manage their own profits and losses.

In a Combination Joint Venture partners may also share portions of the work.

Equity Joint Ventures

A fourth type of joint venture is referred to as an Equity Joint Ventures.

In this scenario, two or more parties create a separate legal company to execute a project.

Parties contribute equity capital and agree on objectives, including staff, profit sharing, bonds, and other resources.

Contractual Joint Ventures

A final form of joint venture can be described as a Contractual Joint Ventures. Here, parties form a partnership to achieve a short-term construction project. Members have no equity, and their rights and liabilities concerning third parties are governed by contract terms.

Each of these forms of joint venture have their own benefits and challenges and not all are suitable for every project.

Joint Ventures present Special Organizational and Governance Challenge. We have just covered some of the organizational challenges so let's turn to some governance challenges.

The Governance Challenges that arise in joint ventures require:

- a clear recognition of the added complexity inherent in a JV

- increased emphasis on agreeing to and respecting communication protocols with the JV. Communication needs to stay in established lanes and channels. The tendency to talk to “your guy” on the project can undermine governance and management authority. The same is true with respect to client communications.
- more comprehensively and frequently engaging with the JV board including in initial and ongoing partnering efforts
- greater acceptance of JV decisions on operating policies, processes and procedures and the associated implementing tools. Do not attempt to micro-manage the JV.
- resisting the temptation to directly intervene in day to day JV operations
- ensuring continued alignment of JV partner interests and trust. Alignment is an important and ongoing process especially if there is a change in Executive Sponsorship or Project Manager.

JVs have challenges but also Opportunities for Success. Let’s look at those.

JV Opportunities for Ensuring Success

JV Opportunities for Ensuring Success begin early. The proposal preparation process should be used as a tool to test cultural and project alignment, being prepared to not submit if misalignment of interests or culture becomes clearly evident.

The team has to have the foresight to invest in the “soft factors” of project success. These include:

- formal, third party led partnering at the proposal stage
- delineation of the PM’s added communication responsibilities with respect to the JV board and the various partners. He works for the JV, not just his parent firm.
- “team” based problem solving at the proposal stage to promote alignment and initial JV culture definition
- trust building activities and exercises
- open discussion of corporate and national cultures including defining key differences the JV will have to deal with
- visibility and discussion and management of those risks uniquely created by the JV nature. These risks don’t get enough discussion and rarely appear on project risk registers.

Conclusion

In this series, Foundations of Project Success, we covered three topics.

- Comprehensive Planning
- Organization, and
- Governance

In our look at Comprehensive Planning we discussed:

- SBOs. Strategic Business Outcomes or Strategic Business Objectives. If you remember one thing from this paper remember that failing to articulate, get agreement on, and continuously communicate SBOs are the #1 reason large projects fail.
- We discussed the importance of project planning to project success. The foundations have to be strong. Remember, project planning is a primary management function

We covered Organization looking at both

- Organizational design and
- Project roles

Finally we covered Governance

- Addressing its success factors
- And we provided a framework for governance, our Governance house,
- Lastly we looked at the special case of Joint Ventures, introducing a few forms and highlighting some considerations. There was much more that could be said.

Delivering mega-scale infrastructure programs demands an integrative approach that begins with unambiguous, time-bounded SBOs and extends through disciplined planning, fit-for-purpose organizational design, and robust governance. By employing diagnostic tools (e.g., PDRI), establishing baseline-centric controls, weaving hybrid structures with clear linking mechanisms, and constructing a governance “house” that balances assurance, alignment, and improvement, practitioners can navigate complexity, mitigate systemic risks, and realize transformative project outcomes.

Disclaimer on Use of AI: In preparing the manuscript, AI-based editorial tools (e.g., Grammarly) were used for grammar refinement, and language models (e.g., ChatGPT or similar) were selectively consulted to explore alternate phrasing and improve clarity. All core ideas, structure, and substantive content are original, derived from the author’s professional experience and past presentations. Where relevant, previous materials have been appropriately referenced or adapted.

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Bob Prieto is Chairman & CEO of Strategic Program Management LLC focused on strengthening engineering and construction organizations and improving capital efficiency in large capital construction programs. Previously, Bob was a senior vice president of Fluor, focused on the development, delivery, and turnaround of large, complex projects worldwide across all of the firm's business lines; and Chairman of Parsons Brinckerhoff, where he led growth initiatives throughout his career with the firm.

Bob's board level experience includes Parsons Brinckerhoff (Chairman); Cardno (ASX listed; non-executive director); Mott MacDonald (Independent Member of the Shareholders Committee); and Dar al Riyadh Group (current)

Bob consults with owners of large, complex capital asset programs in the development of programmatic delivery strategies encompassing planning, engineering, procurement, construction, financing, and enterprise asset management. He has assisted engineering and construction organizations to improve their strategy and execution and has served as an executive coach to a new CEO. He is author of eleven books, over 1000 papers and National Academy of Construction Executive Insights, and an inventor on 4 issued patents.

Bob's industry involvement includes the National Academy of Construction and Fellow of the Construction Management Association of America (CMAA). He serves on the New York University Tandon School of Engineering Department of Civil and Urban Engineering Advisory Board and New York University Abu Dhabi Engineering Academic Advisory Council and previously served as a trustee of Polytechnic University. He has served on the Millennium Challenge Corporation Advisory Board and ASCE Industry Leaders Council. He received the ASCE Outstanding Projects and Leaders (OPAL) award in Management (2024). He was appointed as an honorary global advisor for the PM World Journal and Library.

Bob served until 2006 as one of three U.S. presidential appointees to the Asia Pacific Economic Cooperation (APEC) Business Advisory Council (ABAC). He chaired the World Economic Forum's Engineering & Construction Governors and co-chaired the infrastructure task force in New York after 9/11. He can be contacted at rpstrategic@comcast.net.