Governance in the Project Management World
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Executive Summary

This paper examines "governance", its potential role in project management and the governance environment in which projects exist. It look at the merits of providing standard guidelines for project portfolio governance that encompass all levels of the project management domain versus separate governance standards for each level in the hierarchy. The paper provides relevant definitions for each of the major terms involved and attempts to display the overall environment in graphical form. It lists the attributes of each level. The paper recommends appropriate guidelines for Project Portfolio Management Governance that sets it apart from the governance of a single project.

The paper concludes that each level in the domain should be identified separately, each with separate standard governance guidelines.

Governance in general

These days "Governance" is attracting a lot of discussion amongst project management academics and practitioners. So, just what is "governance" exactly? Well, it turns out that it depends on whom you talk to. In international affairs, for example, we often hear the term "Good Governance". According to Wikipedia:

> *Good Governance* is an indeterminate term used in international development literature to describe how public institutions conduct public affairs and manage public resources in order to guarantee the realization of human rights.[1] Governance describes "the process of decision-making and the process by which decisions are implemented (or not implemented)". The term governance can apply to corporate, international, national, local governance or to the interactions between other sectors of society.[2]

In practice, "Good Governance" provides the basis for comparing the government operations of developing countries to those of the democratic countries of the west.

In business we see the term "Corporate Governance" that essentially refers to the "administrative activity" of the corporate organization.[3] That is:

> Corporate Governance is "the system by which companies are directed and controlled".[4] It involves regulatory and market mechanisms, and the roles and relationships between a company's management, its board, its shareholders and other stakeholders, and the goals for which the corporation is governed.[5],[6]

In practice it is the means for sorting out, or mitigating, the conflicts of interest amongst the shareholders and the stakeholders.

Then there is the fledgling "Project Governance". Here Wikipedia has an extensive and interesting description that boils down to:

> The role of Project Governance is to provide a decision-making framework that is logical, robust and repeatable to govern an organization's capital investments. In this way, an organization will have a structured approach for conducting both its business-as-usual activities and its business change, or project, activities.[7]

In practice, it is recognized that some form of "governance" is a critical element of any project, i.e. accountability and responsibility for the various contained activities. However, not all organizations have formal corporate policies covering project activities in the same detail as they have for covering their business-as-usual activities.

Now, new on the scene comes project portfolio management governance.

More definitions

While we are at it, we should be clear on what we mean by the terms we have used so far. We have selected the following definitions for their relevance to the subject at hand.

Project - A systematic process for achieving a distinct objective. The "system" consists of a period of "planning" followed by a period of "doing", and this system is repeated at every level of detail in the work breakdown structure until the project is complete. These two "periods" are the genesis of the project life span.[8] The project ends when the product or service is delivered and all paperwork completed.

Program – A temporary, flexible organization structure created to coordinate, direct and oversee the implementation of a set of related projects and activities in order to deliver outcomes and benefits related to the organization's strategic objectives. A program is likely to have a life that spans several years.[9] The program does not deliver products and services directly. That is done by the projects within the program. The program ends when the last project in the sequence is completed.

Project portfolio – A set of projects and/or programs, not necessarily related, brought together for the sake of control, coordination and optimization of the portfolio in its totality. Unlike projects and programs that exist for a limited time, the portfolio may remain in existence indefinitely.[10]

Project Portfolio Management – A process designed to ensure that individual projects, initiatives, and the required resources are all coordinated and aligned with corporate strategy, thereby ensuring the most value and least risk for the invested resources. In addition, the process allows the corporate strategy to be communicated throughout the organization, better equipping it to choose and execute those projects and initiatives that support the strategy, while eliminating those that do not.[11] Project portfolio management will be required, and should continue to exist, while ever there are two or more projects to be managed.

For those companies that implement a project portfolio management office, these responsibilities are clearly at a similar level to the well-established departments supporting corporate organizations, such as finance, accounting, human resources, purchasing, legal and so on.

Corporate Governance – as we said earlier, corporate governance is "the system by which companies are directed and controlled". We will elaborate on this in a later section.

Project Portfolio Management Governance

No doubt because this title is a bit of a mouthful, current study groups tend to loosely refer to their efforts under the general heading of "Project Governance". Having taken that step, then the natural

tendency is to look to how we manage projects and build out from there. This gives us a sort of worldview in which projects are at the center.

Then how they are managed depends on whether we are speaking of a single project, several projects that are a part of a program, or there are several projects and programs that together are managed as a portfolio. Surrounding the whole is then this vague notion of a "project governance" environment that is dealing with anything from a single project to a portfolio of projects. Naturally, this governance "environment" is somewhere close to the level of Corporate Governance of the business as a whole, or for that matter the governance of any level of government department.

But this model is clearly inadequate for several reasons:
1. It does not reflect the natural hierarchy from single project, through programs of projects, to whole portfolios of projects and programs.
2. It does not take into account the time dimension
3. It does not take into account the unique nature of a project and its management, as distinct from the other possible groupings
4. Consequently, it mixes apples and oranges.

Therefore, a more realistic view is required to take into account both hierarchy and time frame. Figure 1 is intended to illustrate these more explicit relationships within the corporate environment.
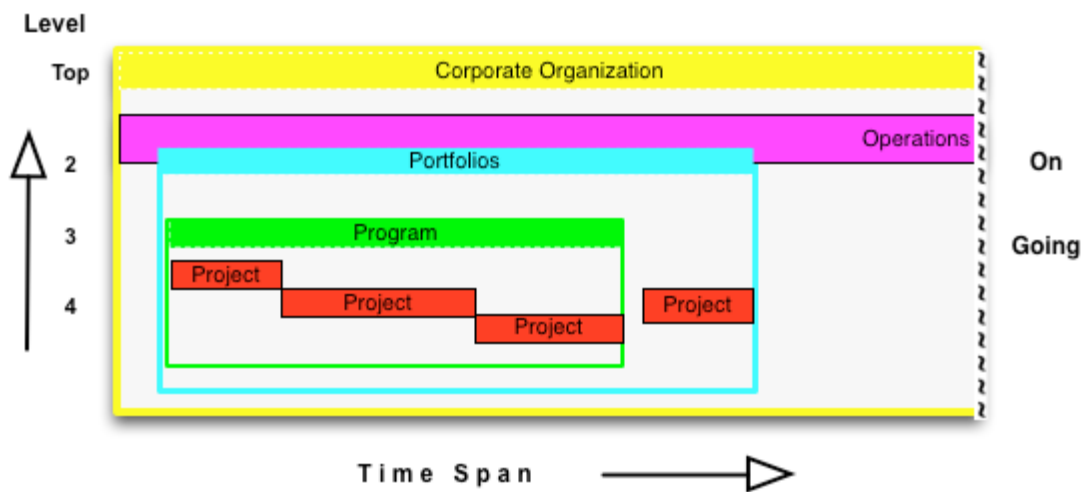

Figure 1: Project portfolio management in the corporate environment

At the corporate level

Several attributes of this scenario are worth noting:
- The primary source of survival of the corporate organization is its operations. These are ongoing as shown in Figure 1.
- The "governance" of corporate operations is generally well established, with appropriate management policies and procedures that are auditable to well established standards.
- While policies and procedures generally address standards of behavior in the present; finance, accounting, audits, and annual reporting all focus on the performance of the organization in the past.

- True, that annual reports are expected to provide an outlook for the future, but rarely are any specific targets described.
- For the survival of the organization, a steady stream of projects, large and small, and in diverse areas of application, are necessary.

In other words, in today's business world, and even in governments, a steady stream of projects needs to be undertaken to survive. Without this stream of projects, the organization will eventually atrophy and die.

At the portfolio level

We see that in general:
- While ever two or more significant projects exist, management of the portfolio will be required, whether the projects are directly related or not.
- The objective of this management is to ensure that the required resources are all coordinated and aligned with corporate strategy, and in a manner that provides the most value at least risk.
- Project portfolio management will be required only until the last project is completed.
- However, if the corporate organization entertains a continuous stream of projects then project portfolio management will also be ongoing.
- Complimenting corporate governance that is accountable for the present and the past, Project Portfolio Management is accountable for the derivation of benefits in the future.

From these notes we see that Operations and Project Portfolio Management have major similarities and convergence. Therefore it can be argued that both should be subject to similar forms of "governance".

Programs and projects

At the program level

By definition:
- A program is an entity typically created to oversee a set of related projects and activities that together deliver benefits to satisfy the organization's strategic objectives.
- A very large initiative (i.e. project) may be broken down in this way to provide better overall control.
- Conversely, a program may be viewed as a very large project with detailed control delegated to major work packages.
- As such the program will terminate when the last project within its sphere of influence is completed.

At the project level
- The project, and its concomitant management structure, is the basic building block for the whole edifice.

An important distinction between programs and projects is that project program management is intended to provide "governance" that includes planning and coordination. However, it does not (or at least should not) exercise direct control over the activities of the separate projects. That is the responsibility

of the project managers of the individual projects. To do more is to usurp or undermine the authority of the project manager and reduce the efficiency of the project delivery process.

However, the project manager does have the responsibility to report upwards such items as current progress status, major milestones achieved, forecast completion, forecast cost-at-completion, anticipated resource requirements, anticipated risks, and so on. That is necessary for program management to coordinate and manage the project collection as a whole. In particular, this includes the anticipated overall cash flow impact on the corporate organization, other resource requirements, and the expected final delivery of the whole program.

From these notes we see that Program Management and Project Management have major similarities and convergence. Therefore it can be argued that Program Management should have its own "governance" criteria, that is, distinct from the higher levels of management.

It should be noted that since the definition of "governance" is not specific, then the borderline between governance activities and management activities is often a grey area. It is even an area in contention in some organizations, especially between one participating department and another. Moreover, what may be viewed as "governance" at one level may be seen as "management" at the next level up.

Project Portfolio Management Governance Guidelines

Assuming that we have made the case that Corporate Governance and Project Portfolio Governance are closely aligned, yet distinct from governance in the lower levels of the hierarchy, then we should be able to draw on corporate governance for guidance. Based on corporate governance audit recommendations for effective corporate governance,[12] the following major headings are suggested for Project Portfolio Management Governance Guidelines.

1. **Management Direction** –The Project Portfolio Management Group (the "Group") should ensure that the programs and projects are correctly aligned with the organization's strategic objectives.

2. **Relevance** –The Group should address actual opportunities, conditions or challenges that confront the organization.

3. **Appropriateness** – The Group should design its program and major elements, including setting a logical level of effort, to meet the specific corporate objectives.

4. **Achievement of results** – The Group should determine to what extent the goals and objectives of the Group are being realized.

5. **Acceptance** – The Group should determine to what extent the Group's intended 'customers' are judging the results as being satisfactory.

6. **Secondary Impacts and Risks** – The group should examine if there (or might there be) significant intended or unintended consequences, positive or negative.

7. **Costs and Productivity** – The Group should verify to what extent there is (or will be) an improvement in corporate productivity and output at reduced effort and lower cost as a result of the Group's work.

8. **Responsiveness** – The Group should maintain awareness of the extent to which the organization can be expected to adapt to the change(s) involved resulting from the Group's work.

9. **Financial Results** – The Group should maintain accounting for the work-in-progress and the assets being improved under the Group's responsibilities.

10. **Working Environment** – The Group should periodically examine the improvement in the environment for the user/employees as reflected by their adoption of the products and services resulting from the Group's responsibilities.

11. **Protection of Assets** – The Group should ensure that the organization's assets are being protected in terms of mitigation of risks arising from the Group's project portfolio activities.

12. **Monitoring and Reporting** – The Group should establish effective high-level reporting within the Group and to corporate management that establishes program and project performance, the delivery of products and service, their integration into their respective environments, and the realization of intended benefits?

Summary and Conclusions

Summary

The concept of "governance" in general, and project portfolio management in particular, is not clear-cut at this time. Moreover, the boundaries between governance and management is a delicate balance between exercising sufficient control for management and reporting purposes at the high level and carefully avoiding interfering with project management's responsibilities to produce effectively and efficiently at the project level.

The essential connection between the two, i.e. between Project Portfolio Governance, or Program Governance, and Project Governance is in the presence of the respective life spans. The life spans of the corporation and project portfolio management last indefinitely. Program management lasts until the last project within its responsibility is completed. Project Management of each individual project lasts until its specific project objectives are achieved.

Projects are the basic building blocks of the whole project portfolio execution structure and the governance of individual projects form the basis of the whole project portfolio reporting structure. This is achieved either directly, or via the portfolio subset of program management. Therefore, the governance structure established for the projects within the project portfolio form the basis of good project portfolio management governance.

Good project portfolio management at the project level is reflected by the establishment of the major milestones in the project life span at which corporate management needs to have a thorough accounting of the status of each project. These major milestones also act as "gates" through which the project must pass in order to move forward. In a well-established project portfolio management system, these major milestones or gates may be identified as follows:
1. Value Proposition approved (i.e. corporate recognition of the project concept in principle)
2. Business Case approved (i.e. corporate acceptance of the justification for the project)

3. Project Charter or Brief approved (i.e. corporate commitment of the resources, including financial, for executing the project)
4. Detailed product scope or design approved (i.e. project management's establishment of the vision of the end product)
5. Product Delivery accepted (i.e. the transfer by project management of the product into the care, custody and control of its owners and users)
6. Project Closure Activities completed (i.e. project management settlement of all accounts, completion of any maintenance periods, transfer of all documentation, compilation of lessons learned, and so on)

Note: The naming of these descriptors may vary from organization to organization and also vary in number. Some organizations have additional gates at the front end, while others have additional or incremental gates at the closing end.

For purposes of comparison, good project **management**, as distinct from project **governance**, is established in the traditional project objectives of scope, quality, time cost, risk objectives or constraints and so on.

From these observations it will be seen that the description of good **project** governance is very different from good project **portfolio** governance that we described earlier in the section: *At the corporate level* under **Project Portfolio Management Governance.**

Conclusions

Project Portfolio Management Governance is very different in goals and content as compared to *Project Governance*. Therefore, the standard guidelines for each must be dealt with quite separately and according to the natural goals, objectives and content requirements of each.

The attributes of Program Management are such that the standard for *Program Management Governance* is something of a hybrid between *Project Portfolio Management Governance* and *Project Governance.* This is because it encompasses some attributes of both. Therefore, it too should have its own separate standard guidelines.

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[10] Ibid, definition #[D06500]
[11] Ibid, definition #[D05080]
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