Guidance Sheet
GOVERNANCE

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ProjExc Guidance Sheet - GOVERNANCE

Definition

Governance refers to the set of policies, regulations, functions, processes, procedures and responsibilities that define the establishment, management and control of projects, programmes and portfolios.

General

The governance of portfolios, programmes and projects is a necessary part of organisational governance. It gives an organisation the required internal controls, while externally, it reassures stakeholders that the money being spent is justified.

Good governance is increasingly demanded by shareholders, government and regulators. An organisation will often have to comply with external regulations and legislation (e.g. the UK Corporate Governance Code and Sarbanes-Oxley in the USA). The governance of projects, programmes and portfolios should support compliance in these areas.

The benefits of good P3 (projects, programmes and portfolios) governance include the optimisation of investment, avoidance of common reasons for failure, and motivation of staff through better communication.

The application of good governance minimises risks arising from change and maximises the benefits. It also assures the continued development of the profession and disciplines of project, programme, and portfolio management

Good governance can be demonstrated through:

- the adoption of a disciplined **life cycle governance** that includes *approval gates* at which viability is reviewed and approved;
- **recording and communicating decisions** made at approval gates;
- the **acceptance of responsibility** by the organisation's management board for P3 governance;
- establishing **clearly defined roles**, responsibilities and performance criteria for governance;
- developing **coherent and supportive relationships** between business strategy and P3;
- procedures that allow a management board to call for an **independent scrutiny** of projects, programmes and portfolios;
- fostering a **culture of improvement** and frank disclosure of P3 information;
- giving members of delegated bodies the **capability and resources** to make appropriate decisions;
- ensuring that **business cases** are supported by information that allows reliable decision-making;
- ensuring that **stakeholders are engaged** at a level that reflects their importance to the organisation and in a way that fosters trust;
- the deployment of **suitably competent** (qualified and experienced) people;
- ensuring that P3 management **adds value**.

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In the case of a joint venture between two or more organisations, there should be:

- formally agreed governance arrangements covering **unified decision-making** and joint authority for managing contacts with owners, stakeholders and third parties;
- jointly agreed business cases that reflect the apportionment of **risk and reward**;
- arrangements for governance that **take account** of existing governance and the technical strengths and weaknesses of the co-owners;
- approval gates that give the owners the opportunity to **re-evaluate** their participation;
- agreed procedures for **reporting**, independent **reviews** and dispute resolution.

Virtually all topics within a solid project management methodology or framework (e.g. APM BoK) will contribute towards good governance. However, the key areas are:

P3 management – the methodologies that deliver projects, programmes and portfolios;

knowledge management – the organisation's ability to capture, develop and improve its capability to deliver;

life cycle – the structure underpinning delivery;

maturity – the development of increasing levels of capability;

sponsorship – the link between P3, strategic management and business-as-usual;

support – the support environment that provides P3 managers with consistency of practice.

Governance starts with the host organisation whose board must ensure that projects, programmes and portfolios are properly managed. The standards set by the board will be applied by a portfolio to its component programmes and projects. A programme will be responsible for applying the standards to its component projects.

Project

In a less mature organisation, where such centrally driven governance is not in place, the project team will have to take responsibility for governance themselves.

The project sponsor is responsible for ensuring that adequate governance mechanisms are in place. Periodically checking that governance mechanisms are being applied is referred to as project assurance. This should be performed by someone external to the project management team and who reports to the project sponsor.

Programme

Where a programme is part of a portfolio, it will adhere to the governance standards set by the portfolio. If the programme has been created as a stand-alone entity, then it may need to create its own governance mechanisms.

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Sometimes programmes are formed partly from existing projects that may not be managed in a consistent manner. The programme management team then has the added challenge of changing project governance part way through existing projects. The risk of allowing projects to continue unchanged has to be balanced against the benefits of adopting a consistent approach across the programme.

A programme assurance function will report to the programme sponsor to ensure that governance standards are being applied. This will also include conducting project assurance on the component projects.

Portfolio

Some organisations will simply have one portfolio comprising all the programmes and projects they undertake. The governance of the portfolio will then drive the governance of all projects and programmes.

Larger organisations may have several portfolios divided by geography, operating division, or subsidiary. There may be compelling reasons for having different governance frameworks in these different portfolios. This may arise from varying cultural or regulatory environments, but the core values should be consistent across the organisation and compatible with organisational governance.

Portfolio assurance will be conducted by a corporate quality function reporting to the body that provides portfolio sponsorship.

Roles

The **project sponsor** will normally be accountable to the organisation board for the successful delivery of project capabilities and programme benefits to the organisation. The project sponsor is usually the executive nominated by the board for providing regular executive support to the project manager, monitoring progress, and making decisions on behalf of the board within an agreed delegation framework.

Typically the **project manager** is the individual given responsibility for delivering the project in accordance with the project objectives defined and agreed with the sponsor.

The project steering group will typically comprise:

- Project Sponsor;
- Project Manager;
- Programme Manager;
- Portfolio Manager;
- PMO Manager;
- Other nominated executives (e.g. CEO, CFO, CTO) as appropriate to the project.

The **steering group** will provide timely support and guidance to the sponsor and project manager and monitor project governance