

# **Expert Advisory Panels for Project Management Governance and Oversight**

*By David L. Pells*

## **Abstract**

Project management governance is an important aspect of overall corporate governance, especially for project-based organizations and for organizations with large capital investment projects underway. Project management oversight is also needed on large, complex, mission-critical, and globally important programs and projects. The usage of committees or panels of project management experts can be an effective solution, just as board level committees are now used by many public corporations in the USA for oversight. This paper discusses this approach, including practical implementation issues and potential benefits. An example from recent experience related to the use of a senior advisory team on a global project for an agency of the US government is presented.

## **Background**

Now that modern professional project management has gained the attention of corporate and governmental leaders, it is now time to take program and project governance to the next higher level. In recent years we have seen the emergence of enterprise project management; program and portfolio management; strategic project management; and organizational, program and project management maturity models. In the wake of corporate governance scandals in the USA, we have also seen project management principles and techniques held out as means to improve program, project and organizational governance. The use of high level project management advisory panels is another approach for promoting better project management.

Over the last 15 years, I have grown convinced that the use of high level “strategic” project management advisory teams could significantly improve performance on large public and privately financed projects. This is especially true for what are often referred to as “mega-projects”, those that cost more than US\$1B, for example, span several years and often involve hundreds of participating organizations. But I also believe that major public programs, multi-national projects and important global initiatives could significantly benefit from this approach.

## **Some Personal Experience**

In the Spring of 1989, I moved to North Texas as a member of the mobilization team for the startup of the Superconducting Super Collider (SSC) project. To create a new high energy physics laboratory for the US Department of Energy (DOE), the SSC was one of the largest public science projects in US history, with an original cost estimate of approximately \$7.5B and eight year schedule. It was also a very visible project, with its own line item in the US government’s annual budget, and a highly visible public competition among US states for the location.

The SSC was an exciting project to be associated with. Upon selection of the Texas site, some of the world’s leading scientists, engineers and constructors were assembled, all with high local

visibility in the press and among local politicians. Nobel laureate physicists visited and participated in planning meetings; some of the world's leading scientists participated on engineering and science planning committees. Senator Phil Gramm of Texas was a frequent visitor; US President George Walker Bush came to visit. Unfortunately, because of that size and visibility, the project also had its political detractors, and the project sponsors were forced to defend the budget every year in Congress. By 1992, when the cost estimate had grown to over \$10B and completion schedule to over 10 years, the opposition in the US congress grew as well. Unbelievably to those of us working on the project, it was cancelled by vote in the US congress. By the time shut down was completed several years later, expenditures had reached in excess of \$2.5B.

The SSC project was cancelled on the basis of cost growth and mismanagement. Frankly speaking, I can attest to the fact that the SSC project was poorly managed. For example, I was personally responsible for developing an earned value based project cost and schedule control system for the entire project, in essence a fully integrated project management information system. Yet, when I questioned the logic and basis for the work breakdown structure (WBS), I was personally told by the deputy director that the WBS was none of my business. I was absolutely shocked, since that was a violation of the most basic principles of project management. (I was told, by the way, that the WBS was the responsibility of the cost estimating manager and CFO). Obviously, it was a challenging environment for implementing good PM.

At the highest levels of the new SSC Laboratory, two important committees were formed: a Science Committee, composed of some of the world's leading high energy physicists; and a Tunnel Committee, consisting of globally-recognized experts with experience with large tunneling projects and technologies. These committees reviewed progress on the project, asked questions at the highest levels, and provided feedback and recommendations to the top executives and government officials overseeing the project. These committees were effective and were a very good idea. But I remember wondering at the time, "why isn't there a similar high level Project Management Committee?"

I am now convinced that such a committee might have saved the SSC project from cancellation. That particular project was cancelled primarily due to poor external stakeholder management, a concept and process well established in the project management profession. And yet the entire issue was downplayed, not well managed, and not successful. In addition, I remember little if any risk management during the project planning process, and little if any reporting on risk mitigation measures on a regular basis.

### **Mega-projects need Oversight**

During the late 1980s and early 1990s, two other highly visible mega-projects were being proposed in Texas. The first was the International Space Station, to be based at the Johnson Space Center in Houston. With a multi-billion dollar price tag, this project was also subject to major public visibility and congressional scrutiny. The second large project was a proposed high-speed rail system to connect the largest Texas cities: Austin, Dallas, Houston and San Antonio. It too had a multi-billion \$ price tag. As we know, the space station was approved and the high-speed train was not. While mismanagement was not a factor during the financing decisions on those projects, it occurred to me at the time that these mega-projects all shared some common characteristics.

During the dozen or so years prior to coming to Texas, I had the opportunity to work on several other very large projects, including the loss-of-fluid-test (LOFT) project in Idaho, the Idaho Environmental Restoration Program, and the Space Reactor Program, all major projects financed by the US DOE. In the late 1990s, I had the opportunity to work on two very large transit programs, in Dallas and Seattle, both with ten year “build-out” budgets exceeding US\$1B. The Sound Move Program in Seattle, involving regional transit improvements including light rail, commuter rail and highway projects, was a ten-year, \$3B+ program easily classified as a “mega” project. In all of these cases, I saw many of the same issues, problems and mistakes.

Over the last twenty years, I have seen and studied a wide variety of large projects, including multi-national programs, and seldom if ever have I seen high level executive attention to project management. (There have been a few exceptions, of course, for example among global contractor companies such as a Bechtel (USA), JGC (Japan), Siemens (Germany), ABB (Swedish/Swiss), IBM (USA), Lockheed Martin (USA), etc.) Today that is starting to change, but slowly.

### **The Common Mistake**

The largest and most common mistake on many large programs and projects, in my opinion, is the delegation of project management to lower levels of the organization. In some cases, there is an unmistakable arrogance among top executives that they only need to worry about finances, politics and public image. What they don’t seem to realize is that financial performance, public perceptions and political support all hinge on the progress and performance of the project team. And these are directly related to project management. Doesn’t it make sense that the first and primary issue on any “project” must be “project management”?

In some cases, the organization is creating a new facility and senior executives are so anxious to start “production” that they immediately form a functional operating organization, delegating the project management matters to a “project team” or project “division”. This is exactly what occurred on the SSC. While the operations experts and managers are an important part of the project team, there will be no operations unless and until the project is successfully completed. Therefore, it is project management that should and must drive the organization.

### **Current trends lead to more enlightened executives**

Trends in the project management profession and industry in recent years are changing attitudes in executive suites worldwide. This is especially true in high technology industries, and for organizations with significant investments in information technology products and systems. The rise of enterprise PM, project management offices, project management maturity models, and project portfolio management have all given rise to a much higher profile for project managers and project management.

More organizations and executives recognize the importance of successful project management when significant capital or company financial performance are invested in or dependent on projects. This higher profile, and popularity, of project management has been reflected in the phenomenal growth of interest in project management certifications, education, standards and professional

activities. For example, the growth of the membership of the Project Management Institute (PMI®) from 50,000 to over 250,000 members worldwide in 10 years is a direct reflection of these trends, with little sign of slowing.

## **Project & Program Governance**

In the last five years, I have seen a number of project management concepts promoted for improving corporate governance. Use of earned value management (EVM), for example, can help ensure better project performance and status reporting. Implementation of EPM, PMO or PPM methodologies and systems can improve the overall organizational performance for multiple projects and project-oriented enterprises.

But what about oversight of large programs and projects? How can performance on major projects be improved or the probability of success increased? Large projects are notorious for exceeding budgets and schedules, especially if the project involves high technology. Just last week, the cost estimate for the London 2012 Olympics, for example, has apparently tripled to near £10B. Consider the history of the Big Dig project in Boston, or most other mega projects funded by taxpayers and governments. How can project failures be reduced, especially on large projects?

It seems to me that just as governance and oversight have become serious and important issues for public companies, the same issues should be applied on large projects, especially those funded with public funds. Standards should be required and applied. Accurate reporting required. Qualified project management professionals and suppliers employed. And there should be some oversight.

## **A Suggested Solution - Project Management Advisory Panels**

For corporate governance of public companies in the USA, board-level committees are now common. Those committees review and oversee such issues as executive compensation; financial reporting and auditing; corporate ethics and public reporting; and other topics. Now I would like to suggest that for major programs and projects, a “**Project Management Advisory Panel**”, board, committee or council be considered as a simple but effective mechanism for reducing performance risks. Such a panel should report to the program manager or higher level executive, and in some cases to the CEO or board of directors.

Many of the project management experts and leaders that I know personally, and especially those who have many years of experience, can very quickly identify key success or risk factors related to project management. Most experienced project management experts can ask a few questions on nearly any type of major project and quickly identify potential risks and steps to reduce those risks, possible cost and schedule improvements, contracting suggestions, communication issues or other ways to otherwise increase the probability of project success.

Any such committee or panel should include participants familiar with the technology or industry of the project as well as general project management experts. The charter for such a team could be quite limited, for example periodic meetings to review or discuss certain project management issues, or more formal and extensive. For large programs and projects, the return on such a small investment would be significant, in my opinion.

## **Candidate Programs and Projects for PM Advisory Panels**

It seems logical to me that large complex programs and projects should be obvious candidates for project management oversight or advisory panels. But so should programs or projects of a strategic nature, or associated with mission-critical initiatives, enterprise survival – critical actions, or globally-important issues.

I suggest the following as candidates for advisory panels:

- Mega-projects (those with budgets exceeding \$1B);
- Major projects financed with public funds;
- Programs & projects associated with national or global security;
- Large complex projects involving untested or complicated technologies;
- Enterprise “mission-critical” projects and programs;
- Programs and projects addressing global problems, especially those involving multiple countries and governmental funding;
- Major projects funded by multi-lateral funding agencies; and
- Many other projects and programs of strategic importance to sponsors.

Project-oriented businesses might also consider this approach, perhaps even reporting to the board of directors or CEO.

## **Possible Benefits**

The potential benefits of using a strategic level project management advisory panel could include the following:

- Better project planning;
- Lower project completion risks;
- Lower overall project costs;
- Earlier completion;
- Higher quality;
- More confident project management team;
- Increased executive confidence;
- Higher public acceptance & credibility;
- Increased probability of overall success.

These are not insignificant benefits, and each one can easily be translated into financial terms. The cost of implementing such an approach would probably be minimal, compared with overall project budgets.

## **Current Examples**

The US Department of Energy (DOE) has taken significant steps in recent years to embrace project management best practices. Our firm has recently been awarded a contract to provide four very

senior level project management experts to review PM processes and systems being implemented on a global threat reduction initiative financed by the US government to reduce the risks of global terrorism. In this case, we are reviewing documents and meeting with government officials in Washington, DC, providing feedback on major PM issues, challenges and potential risks.

Other agencies within the US federal government are making similar improvements, partially in response to pressure from the Office of Management and Budget (OMB) for better capital budgeting and performance based reporting. The Federal Transit Administration (FTA) within the US Department of Transportation (DoT) has a very effective Project Management Oversight (PMO) Program whereby qualified contractors are hired to ensure that federal project management requirements are satisfied on major projects involving federal funds. This is a great program, in my opinion, but not without some weaknesses. The Federal Highway Administration within DoT has a similar program, the Federal Aviation Agency is implementing earned value across the agency, and it is my understanding that broad improvements are underway throughout DoT.

Similar initiatives are underway in Australia, Canada, India, Japan and the UK, that I am aware of, and probably many other countries. The European Commission has also gotten more serious recently in requiring project management qualifications and standards on major projects funded by the EU.

## **Conclusion**

The use of a Project Management Advisory Panel could be very useful for many programs, projects and organizations. Such a panel can identify project management strengths and weaknesses, risks and opportunities for improvement. A team of advisors can also provide senior management with an effective sounding board, and some leverage with board of directors, investors or shareholders. The advisors should not, however, be hired as consultants to actually fix the problems or implement solutions. Rather they should advise the organization without potential conflicts of interest. Real project and organizational oversight can then be possible.

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### **About the Author**



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