

## PM WORLD TODAY – FEATURED PAPER – JANUARY 2010

## Notes on Program/Project Governance

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**ABSTRACT**

This paper discusses varying understandings of the nature of governance in general, and program/project governance in particular, in the relevant literatures. It starts with organisational governance, where definitions and descriptors vary substantially, and are mostly too generalised to give a clear understanding of what the authors believe is actually involved in organisational/corporate governance. There is an evident need for further work to develop a clear common understanding of governance at large.

The next section of the paper is concerned with strategic portfolios (of programs/projects), where one author gives a good coverage of what is actually entailed in their governance.

The main section of the paper is concerned with the direct governance of programs/projects. One definition/descriptor gives a reasonably detailed coverage of what is involved in program/project governance. Two other sets of definitions/descriptors do not spell out any details, but also include as governance components several processes which used to be regarded as management responsibilities. This suggests that there is a need to better define program/project governance, and to clearly specify how it differs from normal program/project management responsibilities

This is followed by a discussion of APM's Guide to Governance of Project Management, developed in the context of guidance to an organisation's board of directors about the governance of its programs/projects. This sets down some eleven governance principles, and four sets of checklists of key questions relating to four main components of governance, which appear to be very useful contributions.

However, several prominent authors believe that specific program boards should be established to exercise such governance, and add reasonably detailed materials on what is involved in program/project governance by such boards.

I then discuss governance of projects in a projectised organisational situation (rather than matrix) by presenting a case study from my old employer, Civil & Civic, showing how it developed Project Control Groups (PCGs) as its project governance mechanism in the early 1960s.

Finally, I synthesise a basic set of program/project governance processes from the literature which appears to offer a reasonably sound framework from which to develop individual program/project governance processes.

## INTRODUCTION

This paper is concerned with varying interpretations of what is meant by 'governance' in the literature, not only in relation to programs and projects, but also in wider contexts of organisations at large. The latter concern derives from a recognition that the governance of programs/ projects will be subject to, and affected by, the governance arrangements in the parent organisation(s).

This investigation of what the literature has to say about governance therefore starts with corporate/organisational governance, then the organisation's strategic portfolios and their governance, and then the governance of the programs/projects that comprise the strategic portfolios.

## ORGANISATIONAL GOVERNANCE

Clearly the governance of programs will be subject to, and/or influenced by, the governance of the parent organisation(s). There are quite a lot of definitions/descriptors of organisational/corporate governance in the literature, but they vary quite substantially, as indicated in the following examples:

### From general management sources

#### ***Standards Australia 2004***

Corporate governance: The system by which entities are directed and controlled.

NOTE: Corporate governance addresses the issues arising from the interrelationships between boards of directors, such as interaction with senior management, and relationships with the owners and other interested in the affairs of the entity, including regulators, auditors, creditors, debt financiers and analysts.

Definitions of corporate governance are many and varied. There is no one global applicable definition but some useful statements include:

*Corporate governance is concerned with improving the performance of companies for the benefit of shareholders, stakeholders and economic growth. It focuses on the conduct of, and relationships between, the board of directors, managers and the company shareholders.*

*Corporate governance generally refers to the processes by which organisations are directed, controlled and held to account. It encompasses authority, accountability, stewardship, leadership, direction and control exercised in the organisation.*

**Johnson & Scholes 1999**

The corporate governance arrangements determine whom the organisation is there to serve and how the purposes and priorities should be decided. Corporate governance has become more complex for two main reasons. First, the separation of ownership and management control, and second, the increasing tendency to make organisations more visibly accountable to a range of stakeholders.

**From the program/project literature  
Turner 2004**

Corporate governance involves a set of relationships between:

- A company's management
- Its Board (or management team)
- Its shareholders, and
- Other stakeholders

Corporate governance provides the structure through which the objectives of the company are set, and the means of obtaining those objectives and monitoring performance are determined

**Underhill 2004**

Corporate governance: The way in which organizations are directed and controlled

- Providing the means of setting and achieving corporate objectives
- Determining rules and procedures, monitoring performance, and making decisions on corporate affairs
- Defining the distribution of responsibilities amongst the board, managers, and other stakeholders

**PMI 2006a** defines corporate governance as

The process by which an organisation directs and controls its operational and strategic activities, and by which the organisation responds to the legitimate rights, expectations and desires of its stakeholders.

**PMI 2006b:8-9**

Organisational governance establishes the limits of power, rules of conduct, and protocols of work that organisations can use effectively to advance strategic goals and objectives, and to realise anticipated benefits.

These definitions/descriptors of governance in the literature vary substantially, which should concern everyone interested in corporate governance. Also, most of these definitions/descriptors are too general to give a clear understanding of what is actually entailed in organisational/corporate governance.

My own (perhaps old-fashioned) understanding of governance is that it is concerned with oversight and beneficial influencing of the performance of the managers who are responsible for the work. The sense of this appears in some of the above definitions/descriptors, but only indirectly.

We move on to look at what the literature has to say about the next level of governance in the context that involves programs and projects, namely the governance of an organisation’s strategic portfolios. As PMI 2006b points out,

Organisational governance occurs at different decision-making levels of the organisation in support of specific goals and objectives. These goals and objectives are defined through the organisation’s strategic planning process. This process defines the means of attaining the goals through either operations (ongoing organisational activities) or temporary endeavours (projects) and also defines how they are governed. Whether managing operations or managing projects, all governance levels are linked together to ensure that each organisational action is ultimately aligned with organisational strategy. Figure 1-3 illustrates this relationship:

## STRATEGIC PORTFOLIOS AND THEIR GOVERNANCE

### The nature of strategic portfolios

I use the term “strategic portfolios” to identify portfolios of programs and/or projects that are developed specifically and directly to implement the organisation’s strategic objectives. This follows the terminology used by both Van Den Broecke 2005 and PMI 2006a.

PMI 2006b gives the following example of relationships between a [strategic] portfolio and its components – i.e. sub-portfolios, programs and projects:

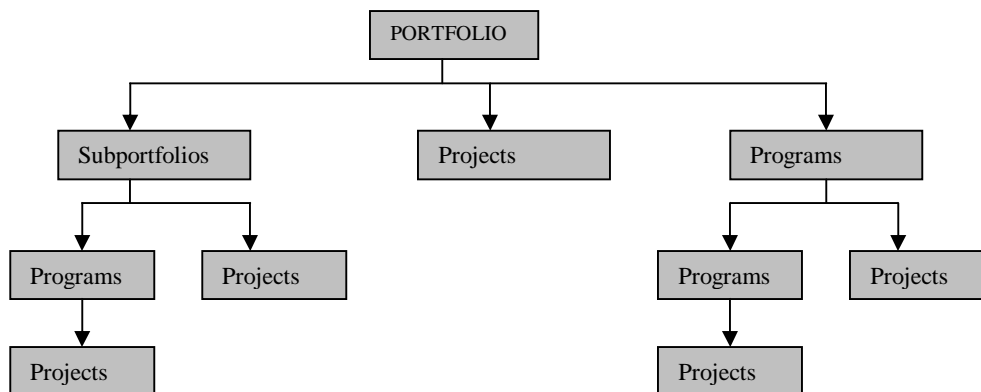


Figure 1: PMI 2006b Figure 1-1 – Portfolio Relationships – Example

PMI 2006b goes on to say (p. 5):

A portfolio reflects investments made or planned by an organisation, which are aligned with the organisation's strategic goals and objectives. It is where priorities are identified, investment decisions are made, and resources are allocated.

### **The governance of strategic portfolios**

**PMI 2006b** includes the governance of strategic portfolios in the following statement about organisational governance, but in rather a generalised way (p. 9):

Organisational governance involves controls – such as phase gates, meetings, metrics to monitor progress, etc. – and includes the domains of portfolio, program, and project management. The portfolio management domain of governance is the subject of this standard .....

**Kendall 2006**, writing of the governance of project portfolio management, says:

This executive role is one of decision making, usually conducted by top management teams. In the most effective implementations that this author has evaluated, this role includes the “C” level executives (CFO, CEO, COO, CIO) who meet monthly to make decisions about:

- Which projects to approve/reject
- When to activate projects
- How many projects to activate and which projects to deactivate
- Due dates for projects
- Criteria for project proposals
- Priorities
- Resource allocation, including capital expenditure, people, and operating expense budget
- Project reviews, with approval for a project to proceed to the next stage or the kill the project, or approval/rejection of project improvement plans
- Investment in project management methodology and tools

Whilst Kendall's contribution focuses particularly on the ‘front end’, it is still quite a comprehensive coverage of what the governance of strategic portfolios actually entails.

## **THE GOVERNANCE OF PROGRAMS AND/OR PROJECTS**

### **Definitions/descriptors of program governance**

There is a moderate amount of material in the project management literature about program and project governance. Indeed, program governance, along with program stakeholder management and benefits management, is one of the three major attributes considered important enough to have specific sections devoted to it by both OGC 2007

and PMI 2006a. However, these two publications define program governance rather differently.

### ***OGC 2007 – ‘Managing Successful Programmes’***

OGC 2007 has two definitions/descriptors

**Governance** is the control framework through which programmes deliver their change objectives and remain within corporate visibility and control (p.19)

**Governance.** The functions, responsibilities, processes and procedures that define how a programme is set up, managed and controlled.(p.246)

Regarding the first definition/descriptor, it could be said that OGC’s control component is typically a managerial responsibility. However the control framework is then related to corporate visibility, which suggests that this definition/descriptor has in mind what I regard as the essence of governance, namely that it involves corporate-level oversight of the efficiency and effectiveness of the program management work.

This latter interpretation could also be given to the second definition. However, it is also noted that OGC 2007 has nine program governance themes, in its Part 2, with a chapter devoted to each of the following – organisation, vision, leadership and stakeholder engagement, benefits realisation management, blueprint design and delivery, planning and control, the business case, risk management and issue resolution, and quality management. In its own words, OGC 2007:20 says:

Part 2, The Governance Themes, details the consistent controls needed to manage the programme, ....

Thus the focus of these “governance” themes appears to be solidly on detailed program management control, which could be seen as governance by micro-managing, rather than on corporate-level oversight of this management work. Similar comments could be made about the following definition from PMI 2006a.

### ***PMI 2006a – ‘The Standard for Program Management’***

**Program Governance.** The process of developing, communicating, implementing, monitoring, and assuring the policies, procedures, organisational structures, and practices associated with a given program. (p.106)

Much of the work described by PMI 2006a as program governance is work that has traditionally been regarded as part of typical managerial functions. However, perhaps a somewhat similar implication as with OGC could be given regarding PMI’s definition – i.e. that the governance focus is meant to be on developing/confirming basic policies, procedures, organisational structures, and practices related to programs to levels that

are appropriate to higher-level oversight, whilst leaving their more detailed development and implementation to the management team.

However, the PMI definition does not make this explicit point. Nor does the second of OGC's definitions. I believe it is very important to distinguish quite clearly between governance and managerial responsibilities, and not to describe as 'governance' processes which are traditionally management responsibilities.

### ***Pellegrinelli 2008 – 'Thinking and Acting as a Great Programme Manager'***

In the context of his competence framework relating to project and program management, Pellegrinelli describes governance as follows.

Governance comprises [my bullet points]

- the policies, guidelines and principles that underpin the management of project or programme,
- and the organisational arrangements to support, direct and control this process

The governance framework includes [my bullet points]

- criteria and processes for defining benefits
- securing funds and resources
- flagging and resolving issues
- choosing sponsors and members of steering bodies
- levels of delegated authority, and
- protocols for meetings and decision making

*Approach to governance* relates to how a project or programme manager seeks to create, influence or adapt the governance framework.(p.196)

Pellegrinelli focuses particularly on the 'front end', and gives a better understanding of what is involved in the governance of programs/projects than the other two sources.

### **APM's general principles of governance of program/project management**

APM 2005 sets down eleven principles of project management in its "Directing Change: A guide to governance of project management". The Guide makes a specific note that,

For brevity, this guide uses the term project management as inclusive of the management of programmes of projects.

The guide sets down the following principles for the governance of project management

- (1) The board has overall responsibility for governance of project management

- (2) The roles, responsibilities and performance criteria for the governance of project management are clearly defined
- (3) Disciplined governance arrangements, supported by appropriate methods and controls, are applied throughout the project life cycle
- (4) A coherent and supportive relationship is demonstrated between overall business strategy and the project portfolio
- (5) All projects have an approved plan containing authorisation points at which the business case is reviewed and approved. Decisions made at authorisation points are recorded and communicated
- (6) Members of delegated authorisation bodies have sufficient representation, competence, authority and resources to enable them to make appropriate decisions
- (7) The project business case is supported by relevant and realistic information that provides a reliable basis for making authorisation decisions
- (8) The board or its delegated agents decide when individual scrutiny of projects and project management systems is required, and implement such scrutiny accordingly
- (9) There are clearly defined criteria for reporting project status and for the escalation of risks and issues to the levels required by the organisation
- (10) The organisation fosters a culture of improvement and of frank internal disclosure of project information
- (11) Project stakeholders are engaged at a level that is commensurate with their importance to the organisation and in a manner that fosters trust

The context of the APM guide is that it seeks to direct how a board of directors [of an organisation] might address the following four main components of the governance of project management. The guide provides checklists of key questions to be asked about each of these components (the number of questions for each shown in brackets)

- Portfolio direction (10 key questions)
- Project sponsorship (11 key questions)
- Project management effectiveness & efficiency ( 9 key questions)
- Disclosure and reporting (12 key questions)

APM's contribution is a guide to help a board of directors exercise effective governance of the organisation's programs/projects. However, several prominent authors believe that specific program boards should be established to exercise such governance, as now discussed.

### **Program/project governance by program/project boards**

There appears to be a measure of agreement in the literature that program governance should be exercised through a Program Board (or Program Governance Board) – e.g. OGC 2007, PMI 2006a, Rayner 2004 and Turner 2004. Each of these authors has different Program Board membership, but this simply seems to reflect the common sense expectation that the composition of the Program Board will depend on the nature of the program, and perhaps also on the stage of completion of the program.

OGC 2007:30 describes the responsibilities of the program board as follows:

Members of the Programme Board are individually accountable to the SRO [Senior Responsible Owner] for their areas of responsibility and delivery within the programme as follows:

- Defining the acceptable risk profile and risk thresholds for the programme and its constituent projects
- Ensuring that the programme delivers within its agreed parameters (e.g. cost, organisational impact and rate/scale adoption, expected/actual benefits realisation, etc.)
- Resolving strategic and directional issues between projects, which need the input and agreement of senior stakeholders to ensure the progress of the programme
- Ensuring the integrity of benefit profiles and realisation plan and ensuring that there is no double-counting of benefits
- Providing assurance for operational stability and effectiveness through the programme delivery cycle

PMI 2006a also focuses quite substantially on the program board, and its role in program governance.

The program board, representing the interests of the organisation, provides the overarching governance and quality assurance of the program. The composition of the program board is typically a cross-functional group of senior stakeholders responsible for providing guidance and decisions regarding program direction and changes affecting the program outcomes.

Specific functions of the board include, but are not limited to, the following:

- Initiation of the program
- Approval of program plans and authorising deviations from the plans
- Review of the program's progress, benefits delivery, and costs
- Guidance on issues that the program manager has been unable to resolve
- Assurance that resources are available for the program
- Collection of input for strategic progress reporting
- Establishment of frameworks and limits for making decisions about investments in the program
- Compliance with corporate and legal policies, procedures, standards and requirements

Evidently the PMI contribution is the more pragmatic of the two.

Most of the discussions to date have been in the context of programs/projects in matrix organisations. Governance of programs/projects is a good deal more straightforward in the context of projectised organisations providing program/project management services.

## Project governance in a projectised organisation

The following case study shows how and why Project Control Groups, which were basically project governance bodies, came into being in my old employer, Civil & Civic

### **Case Study : Initiation of Project Control Groups (PCGs) for project governance in Civil & Civic**

The origins of the Project Control Groups (PCGs) date back to the 1950s, at a time when Civil & Civic had comparatively few design-and-construct projects. As Clark 2002:38 records,

[Chief Executive] Dusseldorp's ideal 'building team' [the predecessor of the PCG] would comprise a 'Senior Executive of the Client's organisation', along with representatives from 'each major specialist field involved in the project, including the contractor', with all of the specialists accorded 'equal status' on the team.

As design and construct projects and project management work accelerated, Civil & Civic initiated its first formal Project Control Groups in the early 1960s, initially as a device for getting certain design-and-construct and project management clients involved in their projects. This was because some clients who had operated for many years under the architect/tender system, found the idea of getting involved in their own project somewhat alien, and simply did not want such involvement. On the other hand, Civil & Civic felt it essential to have strong client involvement.

A natural extension of the original idea of the Project Control Group (PCG) was that it would become very much like the project equivalent of a board of directors of a public company, with similar objectives, such as strategic decision-making, performance review and the like. Even reluctant clients could see merit in this, and, as they became increasingly involved, were able to contribute increasingly to the ongoing governance of their projects. PCGs were soon adopted as the governance mechanism for all C&C projects. As Murphy 1984:103 records

In June 1963, it became official Company policy that each project was to have a [Project] Control Group...

This adoption of PCGs on projects was also mirrored at the C&C company organisational level.

They [PCGs] became the 'fundamental management unit' of the growing company, for Dusseldorp saw PCGs as the ideal way to guard against bureaucracy – which he abhorred – and to achieve a flat, flexible, fluid and team-based organisation structure in its place. (Clark 2002:38)

This of course had substantial implications for governance of the whole organisation, additional to the key role of PCGs in project governance.

## A SYNTHESIS OF PROGRAM/PROJECT GOVERNANCE PROCESSES

There appear to be sufficient materials in the above to attempt a synthesis of program/project governance. I have assumed that a program/project board (or PCG) constitutes the governance body. The following headings and bullet points are a combination of my own understanding of the essence of what governance is about, and the above materials from the literature, as acknowledged.

### 1. Establish the governance framework

[Pellegrinelli 2008, PMI 2006a]

- Governance policies, guidelines and principles are in place [Pellegrinelli 2008]
- Membership of governance body is established [Pellegrinelli 2008]
- Levels and limits of delegated authority are established [Pellegrinelli 2008, PMI 2006a,
- Protocols and timing criteria for governance body meetings and decision making processes are established APM 2005(6)] [Pellegrinelli 2008, PMI 2006a]

### 2. Initiate program/project

[PMI 2006a]

- Examine/modify/approve program plans [PMI 2006a, Kendall 2006]
- Agree criteria and processes for defining benefits [Pellegrinelli 2008]
- Agree acceptable risk profiles & thresholds for escalation [OGC 2007, APM2005 (9)]

### 3. Ensure resources availability

[Kendall 2006, Pellegrinelli 2008,

Including capital expenditure, people, and operating expense budget

PMI 2006a]

### 4. Review program's progress, costs, benefits delivery

[Kendall 2006, Pellegrinelli 2008,

Review periodically, and/or at authorisation points; authorise to proceed to next stage, or to kill, or approve/reject improvement/change plans

PMI 2006a, OGC 2007, APM 2005 (5)]

### 5. Guide resolution of unusually difficult issues

[Pellegrinelli 2008, PMI 2006a,

i.e. issues which the program manager is unable to resolve, for whatever reasons

OGC2007]

This synthesis appears to be reasonably comprehensive, yet does not include items which are essentially management work rather than governance work. Hopefully, it represents a reasonably solid base from which to develop sound governance processes for most programs/projects.

## SUMMARIES AND DISCUSSIONS

This paper first looked at definitions/descriptors of organisational governance from both the general management and program/project management literature. These vary

substantially, and most are too generalised to give a clear understanding of what is actually entailed in organisational/corporate governance.

*At this point I commented that my own (perhaps old-fashioned) understanding of governance is that it is concerned with oversight and beneficial influencing of the performance of the managers who are responsible for the work. The sense of this appears in some of these definitions/ descriptors, but only indirectly.*

In the next section, on the governance of strategic portfolios (of programs/projects), one author, Kendall 2006, gave a good coverage of what is actually entailed in their governance.

The main section of the paper is directly concerned with the governance of programs/projects. A definition/descriptor by Pellegrinelli 2008 gave a reasonably detailed coverage of what is involved in program/project governance. The definitions/descriptors of OGC 2007 and PMI 2006a really did not spell out what is entailed in any detail. Additionally, some of the governance components discussed were processes which used to be regarded as management responsibilities, which suggested a perception of governance as involving elements of micro-management.

*To me, this indicates an apparent need/opportunity to better define governance, and to specify how it differs from normal management responsibilities. This appears to be an important and current challenge for those who are involved and/or concerned with program/project governance.*

This was followed by a discussion of APM's Guide to Governance of Project Management, developed in the context of guidance to an organisation's board of directors about the governance of its programs/projects. This set down some eleven governance principles, and four sets of checklists of key questions relating to four main components of governance, which appear to be very useful contributions.

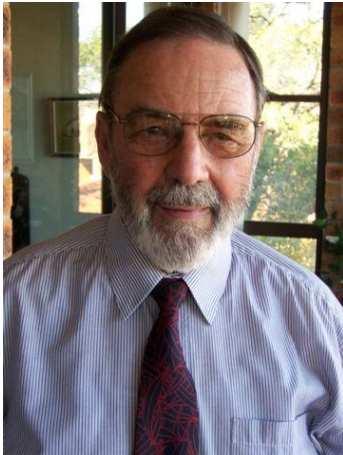
However, several prominent authors believe that specific program boards should be established to exercise such governance. Contributions from OGC 2007 and PMI 2006a added reasonably detailed materials on what is involved in program/project governance via program boards.

I then discussed governance of projects in a projectised organisational situation (rather than matrix) in the form of a case study from my old employer, Civil & Civic, showing how it developed Project Control Groups (PCGs) as its project governance mechanism in the early 1960s.

Finally, I synthesised a set of basic program/project governance processes from the literature, which hopefully represents a reasonably solid base from which to develop individual governance processes for most programs/projects.

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