

Expert Advisory Panels for Project Management Governance & Oversight

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Objective

To suggest the use of
expert PM advisory panels
by corporate boards and executives
for oversight of programs, project
portfolios, large individual projects
and project management



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Timing is Everything!

- Good governance has always been needed for importance projects
- Corporate governance failures, project disasters & SOX legislation have all brought attention to this important topic
- Use of Expert Panels is an idea whose time has come!



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“The discipline of project management has come of age. The body of knowledge is well defined, skill requirements can be assessed and methods are codified. Good practice in directing and managing project work is increasingly evident. However, in many organizations there remains a gap in the governing surveillance of project activities. Responsible practice requires that gap be eliminated.”*

* *Directing Change: A guide to governance of Project Management*, The Association for Project Management, UK, 2004.



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According to APM's 2004 Guide adherence to good PM governance can:

1. Provide assurance that all projects are properly planned and managed
2. Optimize portfolios of projects
3. Avoid common project and PM failures
4. Motive project staff and stakeholders due to improved communications
5. Minimize risks arising from projects
6. Maximize benefits from projects
7. Assure the continued development of the org

11 Key Principles of PM Governance ⁽¹⁾

1. The board of directors has overall responsibility for the governance of projects
2. The roles, responsibilities & performance criteria for the governance of project management must be clearly defined.
3. Disciplined governance arrangement, supported by appropriate methods & controls, are applied throughout the project lifecycle
4. A coherent & supportive relationship must be demonstrated between the overall business strategy & the project portfolios

Key Principles of Governance (1) (continued)

5. All projects have an approved plan containing authorization points at which the project business case is reviewed & approved; decisions are documented & communicated.
6. Members of delegated authorization bodies have sufficient representation, competence, authority and resources to make appropriate decisions.
7. The project business case is supported by relevant and realistic information that provides a reliable basis for make authorization decisions.



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Key Principles of Governance (1) (continued)

8. The board should decide when independent scrutiny of projects & PM is required, and implement such scrutiny accordingly.
9. Clearly defined criteria must be established for reporting project status & for escalating project risks & issues to appropriate levels
10. The organizations must foster a culture of improvement & frank internal disclosure of project information
11. Project stakeholders should be engaged at levels commensurate with their importance to the organization



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Components of PM Governance ⁽¹⁾

1. Portfolio direction
2. Project sponsorship
3. Project management
4. Disclosure & reporting

Questions related to these areas can help decide which actions, if any, should be taken to improve PM in the organization!

(The APM guide lists 42 questions)



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Where & when should such PM governance be applied?

- The APM guide states “all medium-to-large organizations, including private companies, government organizations and charities...”
- Whenever a board or major project stakeholders demand assurance of timely, relevant and reliable information



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Governance of PM is generally not intended to

- Compromise advice related to, or compliance with, legal obligations
- Compromise the governance of individual projects related to contractual or organizational arrangements
- Dictate the use of particular methods, systems or tools that may be project or industry specific



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Recent regulatory drivers for better Corporate Governance

- The Sarbanes-Oxley Act (SOX) in the USA (2002-2004)
- The Combined Code, under the rules of the London Stock Exchange, UK
- The Turnbull Guidance, UK (1999)

Neither the Combined Code nor SOX distinguishes between projects and operations!



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Why is PM Governance needed?

- Worldwide IT spending is expected to exceed \$1.2 trillion in 2007 (*Source: IDC's Worldwide Black Book Query Tool*)
- 50% of IT projects fail to meet projects objectives (*KPMG Global IT Project Management Survey 2005, 2006 Forrester Research and CHAOS report 2004*).
- The Big Dig and other mega-project disasters
- FEMA failures after Hurricane Katrina
- Too many project failures and problems to mention, many studies and surveys, and all the well known reasons for implementing PM in the first place!



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Why is PM governance needed? "8 major causes of project failure"⁽²⁾

1. Lack of clear link between project & organization's strategic priorities
2. Lack of senior management ownership & leadership
3. Lack of effective engagement with stakeholders
4. Lack of skills & proven approach to project management & risk management
5. Lack of understanding of & contact with suppliers
6. Evaluation of proposals based on initial price rather than long term value for money (realization of benefits)
7. Too little attention to breaking projects into manageable steps
8. Inadequate resources & skills to deliver total portfolio



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What does GoPM entail?

- According to Seningen (4)
 - Committees
 - Oversight
 - Program & project reviews
 - Decision making bodies
 - Voting
 - Financial transparency
 - Financial reviews
 - And more

PM Governance Some Key Considerations

- Only at the CEO or board level can organization-wide governance be assured
- PM governance must involve various levels of responsibility and oversight – at project, program, portfolio & enterprise levels
- Governance is a function of PM maturity

Board level Committees for Corporate Oversight

- Compensation Committees
- Audit Committees
- Investment Committees
- Governance Committees
- Nominations Committees



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Why not a PM Oversight Committee?

- Board level committee
- For entities with major projects or project-oriented enterprises
- To satisfy PM governance needs
- To assure shareholders and stakeholders that projects are aligned with strategies and are well managed



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The Problem

- Few board members are PM experts
- Few directors have experience managing major programs, projects, portfolios, PMOs, or enterprise PM
- PM expertise resides at lower levels of the organization



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A simple solution:

Use of Expert PM Advisory Panels ⁽³⁾

- Consisting of external (independent) PM experts and internal executives familiar with the business, industry and associated technologies
- Reporting to the board, CEO or program manager
- To review PM policies, practices, structures, systems and performance



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Potential Benefits for major projects

- Better project planning
- Lower project completion risks
- Lower overall project costs
- Earlier project completion
- Higher quality
- More executive confidence and support
- Higher probability of project success



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Potential Benefits for Organizations

- Faster and more comprehensive adaptation of PM processes & solutions
- Better organization and structuring of projects and programs
- Implementation of more mature portfolio & strategic PM approaches
- Better alignment of programs & projects with organizational objectives



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Potential benefits for Senior Executives & Boards

- Assurances that programs and projects are most effectively managed
- Assurance that resources are used most efficiently
- Lower organizational & financial risks
- Greater stability & predictability



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Candidate Programs & Projects

- Mega-projects (all projects with budgets exceeding \$1B)
- Major projects financed with public funds
- Programs & projects associated with national or global security
- Large complex projects involving new technology
- "Mission-critical" projects and programs
- Programs & projects addressing global problems
- Those involving multiple countries & government funds, especially those funded by multi-lateral agencies
- Those of strategic importance to sponsors



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Expert PM Advisory Panels are effective! A Current example

- PMForum is providing a “Senior Review Team” to the US government
 - 4 globally recognized PM experts
 - To review PM practices, processes & systems
 - By reviewing documents & meetings with PM team members & executives in Washington
 - Providing periodic reports of observations, concerns & suggestions
- Phase I complete; Phase II review starting now



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The Global Threat Reduction Initiative

Program financed by US government through National Nuclear Security Administration within the US Department of Energy



To reduce the threat of terrorists obtaining nuclear materials for “dirty bombs”



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The Global Threat Reduction Initiative

- ❖ To convert, remove or protect vulnerable nuclear & radiological material located at civilian sites worldwide – 2007 budget at \$250M
- ❖ Program involves projects in 90 countries requiring cooperation and coordination with local, regional and national governmental organizations
- ❖ Program is coordinated with the International Atomic Energy Agency (IAEA) in Vienna
- ❖ Program manager reports to the Secretary of Energy, US congress and Office of the President



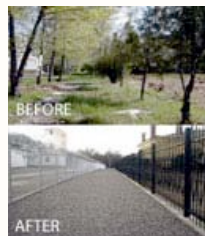
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The Global Threat Reduction Initiative



Remove



Secure

Convert



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The Global Threat Reduction Initiative

- PMF advisory team is providing a high level review & oversight function
- Reporting to the Deputy Administrator & Program Manager
- Phase I complete; Phase II review process beginning



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Other Agencies are interested

- Other agencies of the US government may be interested in this same approach
 - Other DOE programs
 - Other federal agencies
 - Program offices around the USA
- OMB is putting more pressure on US government agencies for better PM
- GAO is making audit reports on PM visible to the general public



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Potential Impact Significant!

- The Use of an Expert PM Advisory Panel can be very useful for many organizations, and for oversight of major projects
- Experts can identify strengths & weaknesses, risks & opportunities for improvement very fast
- Cost is generally low, with high potential return & benefits



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Warning!

- PM “Advisors” hired for governance and oversight should not
 - Be hired to implement recommendations
 - Be decision makers for the organization
- Conflicts of Interest must always be avoided for affective governance



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Conclusion

- PM Governance is an obvious need now for many medium sized and large organizations
- PM Oversight should be mandatory for large public programs & projects
- PM Oversight & governance seems reasonable for mission-critical projects
- Expert PM Advisory Panels can provide a simple solution for this major issue



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Thank you very much!

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