Governance Under Program Management

Key Points

- Governance, the structure and process to control operations and changes to performance objectives, is distinct from management.
- Program management in the engineering and construction industry represents a fundamental re-allocation of responsibilities and authorities.
- A key factor for success will be the degree to which the program manager's responsibilities can be clearly defined and responsibility and authority allocated consistent with these responsibilities and the broader owner organization's own readiness.
- Ten key governance success factors are defined.

Introduction

Governance is the structure and process to control operations and changes to performance objectives. In large programs governance is separate and distinct from management thinking and practice. In reviewing over $50 billion of "failing" programs, governance was the number one reason large programs and organizations failed. It also was the one failure mechanism that appeared in all failing programs. Typically, this manifested as a failure to clearly articulate the owner's strategic business objectives (SBOs), achieve agreement on them, and continuously communicate them.

Execution of the strategies developed to deliver SBOs will be carried out for both operating expenditures (OPEX) support as well as for major capital programs. The owner's organization's role will include both a direct management function (program/project management) as well as an oversight role in the form of a Project Management Office (PMO).

Program Management

Program management in the engineering and construction industry represents a fundamental re-allocation of responsibilities and authorities. The readiness of the owner organization to adopt such a delivery strategy is governed by many factors including overall capital project delivery volumes; prior experience, if any, with program management delivery approaches; and inherent organizational capabilities and depth of staff. Perhaps most importantly is the degree of recognition of the level of self-change that adoption of a different delivery and management methodology will require.

From the program manager's perspective, a key factor for success will be the degree to which their responsibilities can be clearly defined and responsibility and authority allocated consistent with these responsibilities and the broader owner organization's readiness. A well-developed contractual and implementation framework are therefore key ingredients for success. In many cases, however, even the best developed frameworks are undermined by a poorly defined governance regime and inadequate contract administration capabilities within owner organizations. This latter factor sometimes reflects passive resistance to change, while in other instances it reflects inadequate organizational maturity to adopt the new delivery regime.

Program management governance thinking has developed across a wide range of industries from government-implemented healthcare transformations to enterprise-wide IT delivery efforts. In the engineering and construction industry, attention to governance issues at the outset of program initiation has been largely spotty and inconsistent. The evolving nature of programs in the industry and, more importantly, the inherent risks that third-party program managers increasingly assume give rise to a necessary refocusing on governance issues.

Ten Key Governance Success Factors

Ten key governance success factors can be defined including:

1. **Strong, timely, and decisive leadership by senior management.**
    - Supported by clear and appropriate allocation of responsibility and authority without ambiguity.
2. **Early, consistent, and direct involvement of frontline staff.**
    - With appropriate feedback mechanisms to encourage, collect, and analyze criticism without fear of retribution.
        - Open communication
        - Proactive communication
        - People treated with respect
3. **Engagement and ongoing involvement by each stakeholder population both within the owner's organization as well as externally.**
    - Communication chokepoints are avoided even while control points are strengthened.
4. **Acceptance and projected confidence in the implementation of new strategies and solutions at the early program stage.**
    - Leadership by example and strong "sponsorship" by the executive are essential to programmatic success.
    - Areas of concern or uncertainty are monitored consciously, but self-doubt is reserved until supported by information-based decision making.

5. **Utilization of experienced, neutral, external facilitators to drive organizational change management and alignment processes, identify latent conflicts for resolution, and help building of the required multidisciplinary team that is focused on undertaking the program management "journey."**
   - Team building and alignment processes must be contractual requirements.

6. **Clear recognition that many parts of the project delivery system need to be restructured simultaneously for effective program delivery.**
   - Governance structure must provide the ability to act in parallel versus sequentially within an accelerated change time horizon.

7. **Collective determination of key performance indicators and their application.**
   - Owner organization must transition to an outcomes-based management style versus more traditional input control management styles.

8. **Comprehensive data analysis by experienced staff with a programmatic and systemic focus and timely reporting of key performance indicators (KPIs).**
   - Performance assessment regimes require owner oversight staff to adopt new perspectives that are broader than the project-based performance assessment; new skill sets and training must be implemented at an early stage.

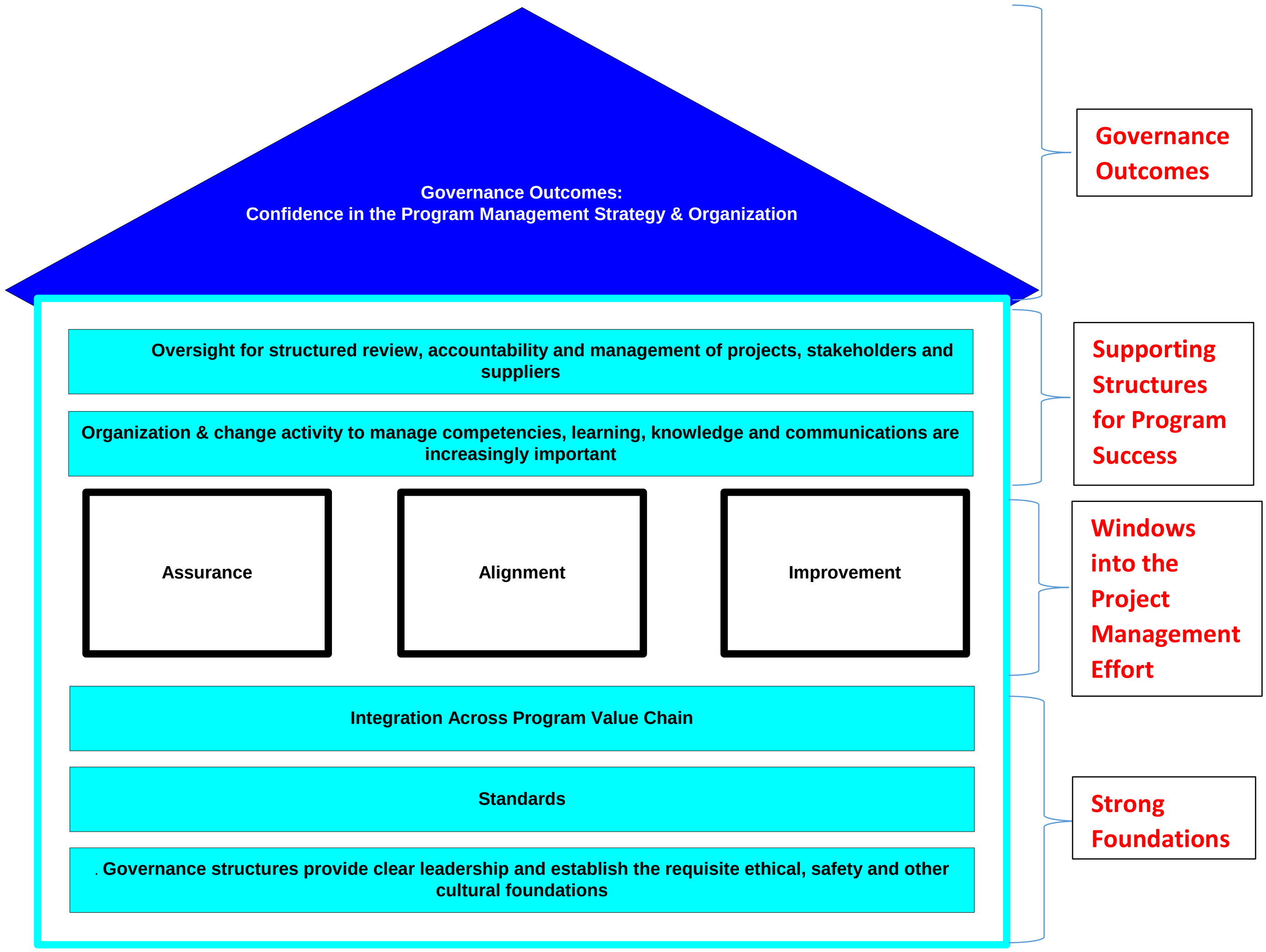
9. **Recognition and reward for success emphasized over penalty for failure.**
   - Governance regimes must increasingly adopt a reinforcing versus punitive framework.

10. **Appropriate resourcing of the program management role with sufficient flexibility to migrate the organization structure and skills mix as the program evolves.**
    - Program management's need for a more robust structure and control is understood in light of the larger impact their failure can have.

Governance Structures

In the course of implementing an outcomes-focused program management delivery approach, there are fundamental practices and governance features which must be put in place. We can define a simplified governance structure as consisting of:

- Strong foundations
- Windows into the program management effort
- Supporting structures for program success
- Governance outcomes



Strong Foundations

Our **governance foundations** comprise strong layers of governance, standards, and integration. These include:

Governance – the structure and process to control operations and changes to performance objectives. Sufficient authority must be provided to the program manager to take timely actions for program success while at the same time assuring that owner executive driven changes to program objectives are strategic in nature and not merely expressions of sub-group preferences. This tradeoff of flexibility for improved outcomes typically represents a major change management challenge. Governance structures must be supported by a well-defined framework for sponsorship at both the program and executive levels in the owner and program management organizations. Governance structures must provide for clear leadership and establish the requisite ethical, safety and other cultural foundations that successful programs require. Critical success factors for governance leadership include the ability to:

- Shape strategic thinking
- Achieve results
- Cultivate productive working relationships

- Exemplify personal drive and integrity
- Communicate with influence

RACI (**R**esponsible – **A**ccountable – **C**onsulted – **I**nformed) **charts** are key governance tools that provide clarity of roles and responsibilities:

- Within the owner's organization, between the various internal organizational elements.

- Between the PMC and the owner organization and key components including the owner's project team, their PMO and legal, financial, and accounting.

- Between the PMC and other parties under contract to the owner.

- Within the PMC team.

- Between the PMC and key project contractors.

RACI charts can also provide guidance on who interacts with which stakeholder groups.

Standards – activity and limits that define the performance "architecture" for the programs systems, structures, components, and practices that will aid in the capture of the value inherent in a program management approach.

Program standards encompass both prescriptive and performance-based standards. An example of prescriptive standards would include communication and reporting; program level work breakdown structure (WBS); applicable technical standards and so forth. Performance based standards may lay out the desired outcomes of health and safety programs implemented by individual contractors for example.

Integration – activity to optimize performance across the program value chain functionally and technically. This may result in a reconfigured or perhaps even new value chain. Traditional supply chain relationships may need to be modified to provide the program manager with the authority and freedom of action required to fully integrate all elements for success. Certain owner functions may need to take on a shared management approach (risk and contingency management are examples).

For example, key components of effective risk management would include:

- Robust systems in place.

- Detailed consideration of the risks facing the organization as a whole as well as major policy or strategy developments and/or operational tasks or projects.

- Establishment by management of appropriate processes and practices to manage all risks.

- Analysis and review of risk management approaches.

- The active involvement in risk management of everyone in the organization.

To be effective, the risk management process needs to be rigorous, structured and systematic. Emphasis is on real actions and outcomes so that it does not become essentially a process-based exercise. Effective risk management requires an organization to have a risk-assessment culture whereby all major decisions are considered in terms of risk management principles.

Windows into the Project Management Effort

Let's look now at another aspect of this simplified governance structure, namely its **windows**. These include:

- Assurance
- Alignment
- Improvement
- Business Process Improvement

Let's look at these in turn.

Assurance – activities to verify and validate all operations delegated to the program manager as well as his readiness and capacity to perform. Objective assessment standards must be clearly agreed to at the outset of the project. **Key elements of internal conformance and accountability include:**

- Documentation of the objectives, roles, and powers of the owner's representative, program director, and executive or steering committee
- Internal audit and review processes and functions
- Documentation of objectives, roles and powers of other program committees (for example, HSE - Health, Safety, and Environmental)
- Owner and program manager business planning arrangements that aim to make conformance and accountability integral to the way the organization meets its business and project execution objectives
- Performance planning and monitoring arrangements
- Fraud control plans and processes, including any planned inspector-general type structures and how these are integrated into project execution processes
- Up-to-date and consistent rules relating to financial and other delegations
- Clear and widely communicated policies on the standards of professional and ethical behavior

An organization with effective internal conformance and accountability will have staff and management who know, understand, and communicate clearly their own roles, powers, and responsibilities and how these relate to others in the organization.

Alignment – activity to support higher level vision, goals, and objectives. Alignment sessions are often uncomfortable to participants since by nature they are designed to resolve policies and conflicts, and they drive accelerated decision-making and action. Alignment is further reinforced by government systems and processes such as:

- Effective corporate, business, and program execution planning. It is important to ensure such plans, down to and including individuals' performance plans, are aligned and mutually reinforcing. This reduces the potential for unclear or conflicting objectives or gaps in execution planning.
- Clear and robust budgeting and financial planning systems overseen by an appropriately resourced finance committee or equivalent.
- Various reporting and measurement frameworks for financial and non-financial aspects of the organization's specified outcomes and outputs.
- A structured and regular system of performance measurement and monitoring aligned with the organization's outcomes and outputs structure.
- Consideration of program wide and cross-project issues in policy development and program execution. Issues related to joint or shared accountability, risks, and responsibilities can affect governance arrangements.

Improvement – activity to continuously assess performance, research and develop new capabilities and systemically apply learning and knowledge to the program. Performance criteria must provide the program manager with the necessary authority to innovate and drive new systemic continuous improvements into the project execution process.

In assessing areas for improvement, consideration needs to move beyond first-derivative thinking and the velocity of activities to higher order derivatives like acceleration and even jerk (third derivative; rate of change in acceleration).

Business Process Improvement – activity undertaken by the program manager that not only identifies business process improvement actions within the program management function but also in the activities undertaken by and between those suppliers and service providers managed by the program manager. **Business process improvement should also identify processes and changes in the owner organization that would further reinforce the efforts of the program manager in the achievement of program success. The executive sponsorship requirements outlined under "governance" are essential to success of these efforts.**

Supporting Structures for Program Success

Let's continue on our tour of governance structure by looking at two **supporting structures** essential for program success.

Organization and Change – activities to manage competencies, learning, knowledge, and communication are increasingly important given the lifetime of program organizations. The owner and program management organizations must be aligned regarding the capture and utilization of knowledge and lessons learned. Governance frameworks also must be sufficiently defined to promote the capture of lessons learned for improvement rather than as a tool for assignment of punishment. Communication is critical and must be risk free and open minded.

In addition, communication takes on increased importance in a program management delivery strategy. It must, however, be matched by having singular points of control for changes. Owner organizational elements which previously had directive authority with respect to certain project types, now part of the integrated program management approach, must adjust to an oversight versus directive role with respect to these activities embedded in the new program management organization. Change requests must now come through a strengthened change management process to ensure that programmatic benefits driven by standardization, common supply, and carefully sequenced project execution are not unduly impacted.

Oversight – activities to structure reviews, accountability, and management of projects, stakeholders, or suppliers also is important. The segregation of responsibilities between owner and program management organizations needs to be clearly defined and demarked with a bright line. This is not inconsistent with integrated or "salt and pepper" approaches to various organizational elements. Rather in these integrated structures, clear processes for action and decision making are all the more important.

Closing

When comprehensively implemented, the program management governance structure described above provides the framework for the desired governance outcome in delivery of large engineering and construction programs, namely, the requisite confidence in the program management strategy and organization, which is absolutely essential to successful program execution.

About the Author

Bob Prieto was elected to the National Academy of Construction in 2011. He is a senior executive who is effective in shaping and executing business strategy and a recognized leader within the infrastructure, engineering, and construction industries.