

NAC Executive Insights

Project Governance

Key Points

- Governance is discussed and contrasted with management.
- Governance success factors are outlined.
- A framework for governance is provided, a Governance House.
- The special governance challenges of joint ventures are described.

Introduction

Governance is about:

- Who decides?
- How is this decided?
- What is decided?

Governance is the structure and process to control operations and changes to performance objectives. It is different than management which focuses on delivering on those objectives. Governance recognizes that sufficient authority must be provided to the Project Manager to take timely actions for project success while at the same time assuring that any changes to project objectives are strategic in nature and not merely expressions of preferences. This tradeoff of flexibility vs accountability for improved outcomes typically represents a major change management challenge even in the contractual negotiation stage.

Governance structures must be supported by a well-defined framework for project sponsorship at both the project and executive levels in the owner and program or construction management organizations. Governance structures must provide for clear leadership and establish the ethical, safety, and other cultural foundations that successful projects require.

Project Governance is one component of successful project execution, but not the only component. Good Project Governance alone cannot replace other needed components that are equally required for excellent project execution.

Key Governance Success Factors

Let's consider some of the success factors that are key to good project governance.

- First, governance and strategy must be mutually reinforcing.
- Second, good governance requires strong and decisive leadership by senior management. Governance is not a substitute for good project leadership, but is supported by clear and appropriate allocation of responsibility and authority without ambiguity.
- Third, there must be clear recognition that many parts of the project delivery system need to be restructured simultaneously for effective delivery. Governance structure must provide the project manager with the ability to act in parallel versus sequentially within an accelerated change time horizon.
- Fourth, there must be an emphasis on recognition and reward for success over penalty for failure. Governance regimes must increasingly adopt a reinforcing versus punitive framework.

Critical success factors for governance leadership

The critical success factors for governance leadership include:

- **Shaping strategic thinking.** This is about creating a framework for challenge, lateral thinking and a strategic mindset. It is about broadening ones perspective about where the project horizon is, thinking longterm and anticipating challenges. It is about bringing and encouraging different perspectives to get to the deeper insights that underpin good strategy.
- **Achieving results** is the objective of good governance. Great effort by the project team is good but great results is better. There are no participation trophies in governance leadership.
- **Good governance leadership cultivates productive working relationships** with the extended project team, external and internal stakeholders, and within the project team. At times this is being a sounding board. At other times a coach or mentor. And yes also a critic, challenger and even more directive roles. Good governance ensures the project team is getting what it needs to be successful.
- Governance leadership must **exemplify the personal drive and integrity** that in turn is expected from the project team. Leadership by example is critical.
- Governance leadership must **communicate with influence.** What is said must be trusted, respected, knowledgeable, and compelling. Governance leaders must be seen as authoritative figures even when coaching or mentoring. The value that good governance leadership can bring to a project is often underestimated.



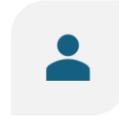
**SHAPE
STRATEGIC
THINKING**



**ACHIEVE
RESULTS**



**CULTIVATE
PRODUCTIVE
WORKING
RELATIONSHIPS**



**EXEMPLIFY
PERSONAL
DRIVE AND
INTEGRITY**

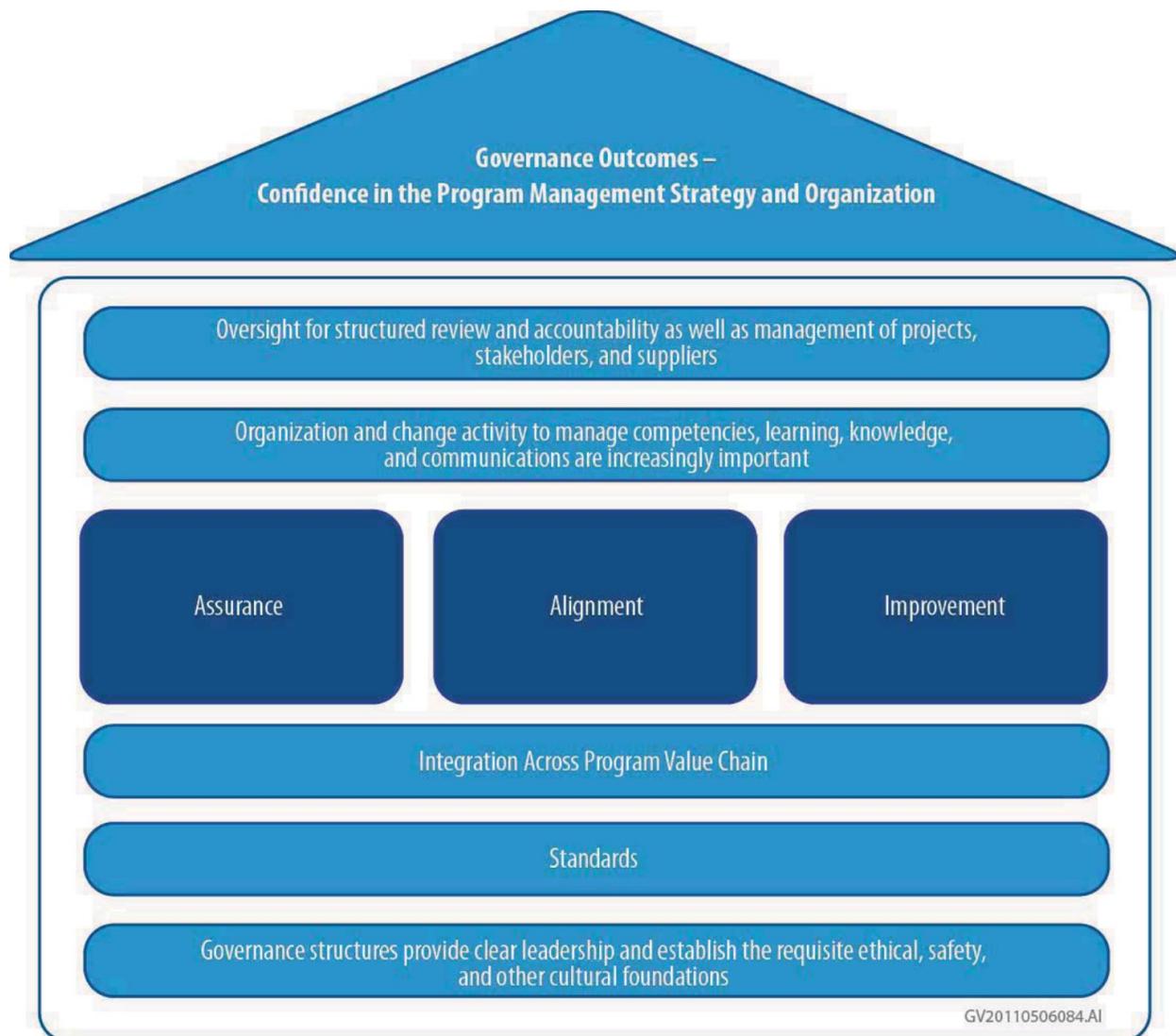


**COMMUNICATE
WITH
INFLUENCE**

Framework for Governance Outcomes

Let us now look at a framework for achieving governance outcomes. Let's think of this as a house with:

- Strong foundations
- Windows into the project
- Supporting structures
- And a roof, representing our governance outcomes



Strong Foundations

In our Governance house we saw three parts to our foundation. Our strong foundation is built on:

- **Governance** - the structure and process to control operations and change to performance objectives. We have already seen the critical success factors for governance leadership. These included:
 - shaping strategic thinking;
 - focus on achieving results;
 - cultivating productive working relationships;
 - exemplifying personal drive and integrity; and
 - communicating with influence.

- **Standards**, are the second element of that foundation. They are the activity and limits that define the performance “architecture” for the systems, structures, components and practices that will aid in value capture. Standards would include:
 - Technical Standards
 - Process Standards
 - Performance Standards
 - Safety and Environmental Standards
 - Cultural and Behavioral Standards
 - Commercial and Contractual Standards
 - Data and Information Standards

By codifying activity and limits, standards serve as the “performance architecture” ensuring:

- Objectives are pursued within consistent and reliable frameworks
 - Stakeholders share a common understanding of expectations and deliverables
 - Integration efforts across functions and suppliers remain feasible and scalable
 - Governance structures can confidently delegate, monitor, and course-correct
- **Integration** is the third element of our foundation. It is the activity to optimize performance across the value chain functionally and technically.

Integration serves as a strategic mechanism for orchestrating functional, technical, organizational, and commercial elements across the value chain to achieve cohesive and high-performing outcomes. This often requires reconfiguring traditional Owner-Supplier relationships by empowering expanded authority, encouraging shared risk management, and shifting from transactional models to collaborative partnerships. It may result in a reconfigured or perhaps even new value chain.

Integration harmonizes systems, workflows, and leadership structures—introducing cross-functional delivery teams, digitized data exchanges, and parallel development approaches that compress timelines and amplify agility. The value chain may evolve from a linear sequence to a dynamic, networked configuration, fostering joint accountability, trust-based governance, and adaptive decision-making. Ultimately, integration unlocks systemic value through synchronized efforts, enabling complex programs to deliver strategic benefits that transcend conventional boundaries.

Windows into the Project Management Effort

Now, let’s look at the windows in our Governance house. These windows provide us the required insights into our project management effort.

Assurance is the first of the windows. Assurance encompasses those activities to verify and validate all operations delegated to the project manager as well as their readiness and capacity to perform.

Key elements of assurance are focused on internal conformance and accountability. These elements include documentation of the objectives, roles and powers of the owner's representative, program director and executive or steering committee. The governance leadership role requires active engagement to ensure all parties are aligned for success.

Assurance includes internal audit activities and other review processes and functions. Internal audit can bring the fresh eyes required for good governance but is also important for good project management. Auditors, internal and external, can be your friend.

Assurance ensures that there is good documentation of the objectives, roles and powers of other project members and teams, especially those that extend back into the parent organizations, as well as any that extend to others working in the same program. An example might be any health, safety and environmental functions focused on common sitewide safety practices.

Owner and project business planning arrangements aim to make conformance and accountability integral to the way the organization meets its business and project execution objectives. Often alignment with supporting elements in the owner's organization are ignored until they result in an unwelcomed surprise.

Performance planning and monitoring arrangements are key aspects of assurance activities. Assurance also looks at fraud control plans and processes, including any planned inspector general type structures associated with the owner's organization or government or funding entities. Assurance considers how they are integrated into the project execution processes.

Effective assurance requires up to date and consistent rules relating to financial and other delegations, and clear and widely communicated policies on the standards of professional and ethical behavior.

The second window into the project management effort is Alignment.

Alignment is the state where all parts of an organization (its structure, processes, culture, and employees) are working together towards shared vision, goals, objectives, and strategies. Alignment is further reinforced by governance systems and processes such as:

- Effective corporate, business and project 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, are part of the alignment process.
- Various reporting and measurement frameworks for financial and non-financial aspects of the project, program or 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, in the case of a program, 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.

The third window into project management efforts provides two additional insights associated with good governance. These include:

- **Improvement**, an activity to continuously assess performance, research and develop new capabilities and systemically apply learning and knowledge to the program or project.
- **Business Process Improvement**, which is an activity, in the case of a program, 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. The same activity typically occurs as part of a broader corporate process in multi-project engineering and construction organizations.

Supporting Structures for Project Success

We have discussed the strong governance foundations that are required and the windows providing us views into our project organization's performance. Let's turn now to a couple of supporting structures in our Governance house.

Organization & Change is the first of those supporting structures. It consists of those activities to manage competencies, learning, knowledge and communications. These are increasingly important given the lifetime of many program and large complex project organizations. The Owner and project organizations must be on the same page when it comes to the capture and utilization of knowledge and lessons learned, and governance frameworks must be sufficiently defined to promote the capture of lessons learned for improvement rather than as a tool for assignment of punishment. Communication takes on increased importance but must 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 management approach, must adjust to an oversight versus directive role with respect to these activities embedded in the new 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 is the second supporting structure and is that activity required to structure reviews, ensure accountability and management of all aspects of projects, stakeholders or suppliers. The segregation of responsibilities between Owner and program management organizations needs to be clearly defined and demarcated 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. Governance oversight can bring a

broader perspective to the project team especially as it relates to stakeholders and the supply chain.

Governance Outcomes

Foundations, windows, and supporting structures provide the requisite confidence in the program management strategy and organization which is essential for successful program execution.

Questions to ask

Whether you are in project management or have oversight responsibilities here are some questions you should be asking:

- Has the governance regime been clearly defined and the necessary alignment activities undertaken between Owner and Contractor staff? You can't wait for the owner/contractor to initiate. Step forward and lead.
- Do responsibilities, authorities, and project policies and processes act to reinforce the agreed upon governance regime? Make sure we aren't saying one thing and doing another.
- Have key success factors in project governance been reviewed as part of alignment activities? Align on SBO's, strategy and even tactics in some instances. Align on business processes, reports and stakeholder management. But DO ensure that you are aligned on the approach to project governance.

Joint Ventures – A Special Organizational and Governance Challenge

Let's spend a few minutes looking at one particular organizational and governance challenge – joint ventures from a contractor's perspective.

Let's begin with a question:

- **Why Joint Venture?** There are many reasons but let me highlight two.
 - Growth in engineering and construction project scale and complexity.
 - Continuing shift to alternative delivery models such as design-build and public/private partnerships.

Joint ventures come in many flavors. A few types of JVs include:

- Integrated JV
- Non-integrated JV
- Combination JV
- Equity JV
- Contractual JV

Integrated Joint Venture

In an integrated JV, partners collaborate on **complex, non-linear projects**. They pool resources, employees, and expertise. Operating almost as of a separate company.

The distribution of profits and losses is based on each partner's **percentage of interest** in the venture not their percentage of labor and equipment inputs.

The key challenge facing the JV is structuring project management, often compounded by project and organizational complexity.

Non-Integrated Joint Venture

In a Non-Integrated Joint Venture you have a restricted, non-partnership arrangement. Each party is assigned specific work, and they are individually responsible for profit, loss, and resources related to that work.

This form of joint venture is best suited for projects that can be easily be divided or distributed among partners.

The challenges is when Internal conflicts arise.

Combination Joint Venture

A third form of joint venture is referred to as a Combination Joint Venture. It is a blend of integrated and non-integrated JVs, and is used for more complex projects. Each party is assigned a portion of work, and they manage their own profits and losses.

In a Combination Joint Venture partners may also share portions of the work.

Equity Joint Ventures

A fourth type of joint venture is referred to as an Equity Joint Ventures. In this scenario, two or more parties create a **separate legal company** to execute a project. Parties contribute equity capital and agree on objectives, including staff, profit sharing, bonds, and other resources.

Contractual Joint Ventures

A final form of joint venture can be described as a Contractual Joint Ventures. Here, parties form a partnership to achieve a short-term construction project. Members have no equity, and their rights and liabilities concerning third parties are governed by contract terms.

Each of these forms of joint venture have their own benefits and challenges and not all are suitable for every project.

Joint Ventures – A Special Organizational and Governance Challenge

Joint Ventures present Special Organizational and Governance Challenges. We have just briefly talked about some organizational challenges so let's turn now to some governance challenges.

The Governance Challenges that arise in **joint ventures require:**

- A clear recognition of the added complexity inherent in a JV.
- Increased emphasis on agreeing to and respecting communication protocols with the JV. Communication needs to stay in established lanes and channels. The tendency to talk to “your guy” on the project can undermine governance and management authority. The same is true with respect to client communications.
- More comprehensively and frequently engaging with the JV board including in initial and ongoing partnering efforts.
- Greater acceptance of JV decisions on operating policies, processes and procedures and the associated implementing tools. Do not attempt to micro-manage the JV.
- Resisting the temptation to directly intervene in day to day JV operations.
- Ensuring continued alignment of JV partner interests and trust. Alignment is an important and ongoing process especially if there is a change in Executive Sponsorship or Project Manager.

JVs have challenges but also opportunities for success. These begin early.

The proposal preparation process should be used as a tool to test cultural and project alignment, being prepared to not submit if misalignment of interests or culture becomes clearly evident.

The team has to have the foresight to invest in the “soft factors” of project success. These include:

- Formal, third party led partnering at the proposal stage.
- Delineation of the PM’s added communication responsibilities with respect to the JV board and the various partners. He works for the JV, not just his parent firm.
- “Team” based problem solving at the proposal stage to promote alignment and initial JV culture definition.
- Trust building activities and exercises.
- Open discussion of corporate and national cultures including defining key differences the JV will have to deal with.
- Visibility and discussion and management of those risks uniquely created by the JV nature. These risks don’t get enough discussion and rarely appear on project risk registers.
- A clearer recognition of the added complexity inherent in a JV.
- Increased emphasis on agreeing to and respecting communication protocols with the JV.
- More comprehensively and frequently engaging with the JV board including in initial and ongoing partnering efforts.
- Greater acceptance of JV decisions on operating policies, processes and procedures and the associated implementing tools.
- Resisting the temptation to directly intervene in day to day JV operations.
- Ensuring continued alignment of JV partner interests and trust.

Conclusion

Effective governance is a key component of successful project management. By establishing a structured framework, referred to as the Governance House, organizations can ensure that their projects are not only aligned with strategic objectives but also equipped to navigate the complexities of execution. The three foundational elements—governance, standards, and integration—serve as the bedrock upon which robust project management practices are built.

We have explored the critical success factors for governance leadership, emphasizing the importance of strategic thinking, results orientation, and the cultivation of productive relationships. These factors empower leaders to communicate effectively and drive projects toward their intended outcomes. Furthermore, the windows into project management efforts—assurance, alignment, and improvement—provide essential insights that enhance accountability and performance monitoring.

Joint ventures present unique organizational and governance challenges that require careful navigation. By recognizing the complexities inherent in these partnerships and committing to clear communication protocols, organizations can foster trust and alignment among partners. This proactive approach not only mitigates risks but also leverages the diverse strengths of each partner to achieve shared goals.

Ultimately, the commitment to continuous improvement and the integration of lessons learned into future projects will enhance governance structures and processes. By prioritizing these elements, organizations can create a culture of excellence that drives project success and delivers value to stakeholders. As we move forward, let us embrace the principles of good governance, ensuring that our projects are not only well-managed but also strategically aligned and ethically grounded. This commitment will pave the way for sustainable success in an increasingly complex project landscape.

About the Author

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