PRINCE2® strengthens your projects governance

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1. Introduction

Applying good governance to the way we **manage change** in our organizations is as important as instilling it into our existing, hopefully stable operations. But governance is not governance unless it is implemented, hence the word "practical" in the title. If governance is not seen as being practical, as adding value, it will not be accepted beyond a forced implementation. In King III terms, it will not be sustainable. In PRINCE2 terms, it will not be embedded. This is the problem with many project governance frameworks or methodologies that do not provide practical guidance on implementation.

So please read on, whilst considering the practical side of project governance.

2. The importance of project governance in today's organizations

Our stretch target strategies require us to make changes, often quite dramatic ones in order to survive (e.g. legislative and compliance implementation) and to grow (e.g. new product launch, new supply chain). And yet senior management are often unsure of the right governance frameworks that should be in place that enable them to measure the progress of planned change, to prioritize the change initiatives and to assess the success or otherwise of their well thought strategies. In fact only 16% of organizations (in the UK) practice a defined approach to benefits realization, where the benefits of change are defined, and the success or otherwise measured and assessed against the targets used to justify the initiative in the first place. For project governance overall, only 25% of acting programme owners in the UK believe that there is sufficient knowledge and application of governance in programmes and projects. This is being corrected with the recent release of the publication "Directing Successful Projects with PRINCE2", a concise guide that defines the roles and responsibilities for executives who are accountable for project delivery.

Our organizations are overwhelmed with the demand for change; but few of us have the capacity or the capability to fulfil all the requirements. It doesn't help that we are running at maximum capacity in our 'Business as Usual' areas, with little or no time left for time consuming and complex change initiatives, no matter how hard we squeeze and motivate.

We lament the billions of Rand's worth of change initiatives that take too long, cost too much and still produce disappointing results.

As South African's we have spent close to a trillion Rand on various infrastructure projects over the last 8 years; add the cost of corporate and donor funded projects in the 10 Southern African Development Community or SADC countries and the project cost figure is staggering!

It's time to get our change management right, through a sensible, cost saving framework of portfolio and project management that draws on best practice and good governance.

3. King III and PRINCE2

King III has a number of principles that we can apply directly to how we should be managing projects and programmes of change. The following are just **some** of those. Apologies if I have left out some of your favourites.

King III Principle 1.1 – 'The Board should provide effective leadership based on an ethical foundation', and Principle 2.2 – 'The Board should appreciate that strategy, risk, performance and sustainability are inseparable'.

Leaders should ensure that the appropriate level of management take responsibility, and are accountable for the overall success of the portfolio of projects, and the potential risk that future events can impose.

This means that the creation of the strategy is not enough.

Process and methods must be in place to drive the delivery of the strategy.

This should start with a portfolio dashboard of all projects, programmes and other initiatives that are running, or should be run to satisfy the strategy; and of course stopped if they are not strategically aligned.

Such processes should include a best practice project methodology that includes a framework for delegation of authority, PRINCE2®for example. In a recent global survey Price Waterhouse Coopers reported that using a project management methodology increases the likelihood of project success by 77%.

Providing leadership to your projects is a no brainer, but we don't seem to find enough time. Have you seen what happens to leaderless projects, or when authority levels are unclear? How slowly decisions are made, and when made are bad.

Each project should have a Senior Responsible Owner, an executive that is senior to the project manager who is accountable for the achievement of the desired outcome and associated benefits in accordance with the strategy, and ensures that projects are considered for their sustainable value and risk potential, both for the organization and society. Benefits should address the 3 P's. People, Profit and Planet, using the other 3 P's of Portfolio, Programme and Project Management to achieve the benefits.

Projects often start with a request for quotes, or the release of a tender. King III reminds us that management, including government officials are accountable for ensuring that this should be an ethical, fair and transparent process. Stating the obvious, but concerning when the World Bank recently reports on how "quiet corruption" is pervasive and widespread across Africa, having a disproportionate effect on the poor, with long-term consequences for development and of course **sustainability**.

King III Principle 4.1 – 'The Board should be responsible for the governance of risk', and the rest of the Risk Principles 4.2 to 4.10.

Because projects and programmes invoke future change, they are one of the primary contributors to the risk profile of any organization. The King III Report's Risk Principles all apply as much to project risks as they do to strategic and operational risks.

These risk principles require management to implement a project risk framework that identifies, categorizes, evaluates and manages risks. This framework should be based on one of the tried and tested methodologies available, like the one included in OGC's (Office of Government Commerce) Managing Successful Programmes (MSP®) Framework.

The risk methodology should include the tolerances that define for project owners and project managers when a risk's possible impact becomes unacceptable and requires escalation, and how to accumulate all the risks to ensure that the organization's total risk appetite is not being exceeded.

Typically the management of risk is left up to the project manager with little or no encouragement from senior management for an embedded risk management culture, and yet unmanaged risks are a primary cause of project overruns and failure. Clearly, project managers must work hard at identifying and managing risks, but the project's Senior Responsible Owner (SRO) must take accountability for the overall risk assessment, balancing the cost of mitigating the risk against the cost incurred if the risk materializes. Stopping a high risk project may be a sensible senior management decision.

Project managers, as you may have noticed, will be happy to spend perhaps a disproportionate amount of time and money on the prevention of risks, as it will after all make their lives easier and their projects success more assured. But apart from construction projects, I seldom come across project risk budgets, or defined and adhered to risk frameworks for projects, nor do I come across project owners asking for regular risk assessments of their projects until it's too late.

King III's Stakeholder Principles

The change that projects bring about invariably impact a number of stakeholders, including staff, management, suppliers, constituents, communities, partners, customers and even shareholders.
The emphasis King III brings to stakeholder relationships shows us how stakeholder policy will encourage a more structured approach to stakeholder engagement through project and programme communication strategies rather than the typical add-hoc approach, that often leads to stakeholder frustration, mixed messages and even resentment. The way some municipalities have managed their communities comes to mind.

Techniques that guide good stakeholder management can be found as part of OGC's Managing Successful Programmes (MSP®) framework, and includes stakeholder mapping and analysis, communications strategy templates to make it easy.

Stakeholder resistance to change and the projects that induce it (both the resistance and the change) increase the chance of overruns and project failure, so the effort required in implementing good stakeholder governance goes a long way to improving your strategic delivery performance.

4. The project duties of senior management according to PRINCE2

How do the King III principles translate into the project duties of senior management? There are two primary areas of responsibility, one is to ensure that a permanent governance management system or project office is embedded into the organization, ideally reporting in to a main board member, and the second is to ensure that senior management take up their role of directing temporary projects and programmes.

Senior management should:

I. **Implement a permanent governance management system (Project Office) that:**
   - Manages the process of turning strategy into a prioritized portfolio of projects. (If management don't prioritize, junior staff will). Use a balanced score card, that would include sustainability as a criteria. (One such project will be the King III compliance project).
   - Manages stakeholder engagement and benefits realization, considering pre-implementation and post implementation engagements.

- Provides delivery support services to projects, like risk management and project assurance expertise.
- Embeds a Centre of Excellence that defines the project methodologies, tools and techniques to be used.
- Instils organizational learning and manages the skills development of the project resources, including senior management.

In Europe and the US 80% of organizations have a project support office of some sort. Snap Tech uses P3O® (Portfolio, Programme and Project office) as its best practice route to an implemented governance and support office for your project office.

II. Direct temporary projects and programmes by:

- Being accountable for the project - Must demonstrate 'ownership' and be accountable for the success or failure of the project. Ensure that the governance standards and methodologies defined by the governance system are used.
- Delegating Effectively – Ensuring roles and responsibilities are defined and the framework for delegation of authority is in place.
- Committing resources – Based on the plans that the project owner approves, and to address out of tolerance situations.
- Ensuring effective decision making – Make key decisions promptly. Approve, adjust and approve, Stop or close. Validate the business case. Attend to serious issues and risks.
- Ensuring effective communications – To the project's stakeholders, includes appropriate progress reporting.
- Ensuring quality – Through the assignment of project assurance responsibilities.

This does not have to be time consuming; take a 'management by exception' approach, that escalates key issues for your attention, and have access to a few trusted professional project managers.

5. Conclusion

My first heading refers to managing project governance in "today's" organizations. Didn't we need such governance yesterday? Probably yes, even though business moved at a slower pace, just ask descendents of those who lost everything in the Wall Street Crash of 1929, or for that matter, ask your colleague next to you about 2008.

In those days business thinking had not started to consider that change and project management were vital management disciplines in their own right.

We now have the necessary sophistication in governance and project management thinking, let's take advantage of this and as senior management ensure we apply project management in a sensible way that contributes to our strategic success.

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