

Project Governance

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GOVERNANCE OF PROJECT MANAGEMENT

The previous chapter examined institutions and standards for governance. This chapter introduces a model for governance of project management within companies. It consists of three steps and is suitable for companies with little project work, to companies whose business is based mainly on projects and particularly for the majority of companies who fall between these two extremes.

MIGRATING TO A PROJECT BASED ORGANIZATION

Chapter 2 presented a number of decisions to be made by the board of directors on the quantity and quality of project managers in the corporation. I also discussed the need to establish specific institutions for governance, that is, the awareness of project management at the middle manager level, the building of tactical PMOs, establishment of Steering Groups and so on. I also introduced roles and work of each of these governance institutions within the corporation. The variety of these institutions and their particular roles in governance raises the question of what combination is appropriate for which corporation. Corporations have differing levels of *projectization*; that is, the extent to which their business is based on projects and the degree the project way of working pervades practice within the corporation. A framework is needed to enable corporations to choose their own appropriate governance structure for project management, according to their own level of *projectization*. To develop this framework I will first take a look at the forces that foster good quality in project management delivery and from there develop the steps for economic implementation of governance structures for project management.

Quality of project management

Much has been published and researched on the practices that lead to successful project management. Research has shown that, in summary, there are three forces which impact and determine the quality of project management for any specific project (Müller and Stawicki 2007). These are:

1. *Education*

'What Can Be Done?'

The first force is education. Education impacts the skill level and project management knowledge of the project manager. Better educated project managers have a greater repertoire of methods, tools and techniques to manage projects and their inherent management problems. This force determines *what can be done* by the project manager.

2. *Management Demands*

'What Should Be Done?'

The second force is management demands. Corporate management determines the extent to which specific project management practices are demanded, for example, by Sponsors, Steering Groups, Program Managers or other line functions supervising the project manager. This force determines how project management should be done by the project manager, for example, which project management methodology to be used, the frequency and contents of status reports and the type of planning and control techniques to be applied. Anything not specifically demanded by management is often neglected by project managers, with an adverse effect on project performance. Management demand determines *what should be done* for good quality project management.

3. *Perceived Economic Pressure*

'What is Done?'

The third and most detrimental force is perceived economic pressure. This is the project managers' perception of the economics of the project (for example, costs overruns) and the resulting pressure on them. Project managers with low perceived economic pressure (that is, the project is being successfully managed within the cost and time constraints) tend to have a long-term view of the project, possibly planning follow-on projects. High pressure from steering groups or other stakeholders as a result of plan deviation or unrealistic goals (for example, unrealistic cost and/or time constraints) reduces the time horizon view of the project manager drastically. Being threatened with bad project results and the possibility of being fired, project managers tend to drastically shorten their time horizon when making project decisions. They tend to focus exclusively on their own short-term survival in the current position, with little or no regard to the longer term needs of the organization and the role of the project in meeting them. Emphasizing only short term goals can lead to decisions which are severely detrimental for the project itself, the long-term client relationship and the long-term accomplishments of the organization. This

force has a major impact on *what is done* (or *compliance*) by the project manager in a project.

Figure 3.1 shows the related force field analysis. Increasing education and management demand has positive effects on the quality of project management, while the perceived economic pressure has a negative effect.

A framework for organizational migration

Each corporation needs to respond to these three forces with appropriate measures. They need to balance financial investment in project management capabilities against return – that is, measuring Return-on-Investment (ROI) for project management. Corporations whose project-based part of the business is relatively small naturally invest less in project management capabilities. As there are relatively few project improvements in the quality of project management this results in only minor financial gains for the wider organization. In contrast, corporations whose business is almost totally project-based invest much more in their project management capabilities. High quality of project management will result in far more significant financial gains for the wider organization.

Figure 3.2 shows the governance framework as a three-step process. Each step constitutes the equilibrium of the three forces listed above. Migration from step one to step three indicates an increasingly stronger organizational focus on project management capabilities and an associated increase in investment (and potential return) in project management capabilities.

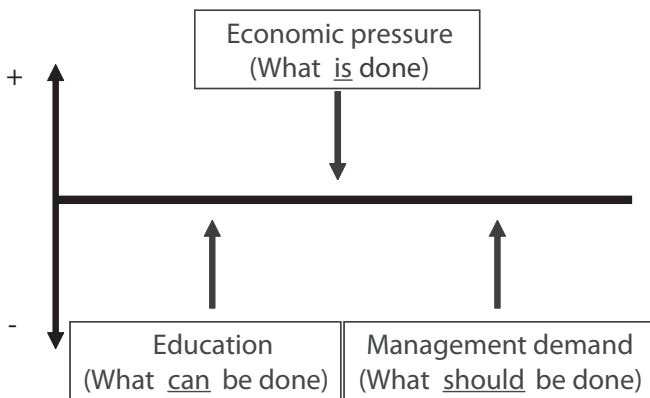


Figure 3.1 Forces impacting quality of project management

Portfolios			
Programs			
Projects			
Step	1	2	3
What <u>can</u> be done. Education	Methodology use and basic training	Certification	Advanced training and Internal Certification
What <u>should</u> be done. Management demand	Steering Committees	Project Management Office (PMO/ PSO/PO)	Benchmarking
What <u>is</u> done	Audits/reviews	Mentor programs	Maturity Model

Figure 3.2 Governance framework for project management

Primary elements of the framework

Step 1 constitutes the lowest level of investment and return (ROI). This step is indicated when the amount of project-based work is increasing and management has the impression that project results could be improved. The move from zero project management capabilities to those of Step 1 may be inhibited by too strong a focus on the corporation's technical expertise resulting in ignoring possibilities for business improvement. Corporations at Step 1 often use the Conformist or Agile Pragmatist paradigm of governance. At this step project management emerges as a set of procedures extracted from the technical development processes. Figure 3.3 (below) shows the migration.

Step 1 governance measures should be used by all corporations that have at least some project-based work, even those with a minimal project-based work component. Corporations implementing and synchronizing the three measures of Step 1 achieve a good balance between investment in and return on (ROI) project management capability improvement. These corporations may wish to keep their investment in project management governance to this level; higher investment would merely lead to diminishing return (ROI). Corporations with a higher quantity of project-based work may also tend to stay at this step for a while and, following evaluation of the improvements made in terms of project results, move on to step two.

Step 1

At Step 1 corporations implement the following *Education*, *Management Demand* and *what is done* measures:

1. *Education: Basic Training*

This may include short project management courses for technical specialists in charge of projects. These people then become the change agents in the corporation by introducing more professional ways of establishing temporary organizations and working within them. This often takes the form of beginning to use project management terminology and introducing a new process for managing projects (using phased approaches and Stage Gate or Milestone/Tollgate models). This fosters procurement or development of a formal project management methodology to define and integrate the process, techniques and tools to be used, as well as the roles and responsibilities of the project stakeholders, team, project managers and line managers. General purpose methodologies such as PRINCE2 (OGC 2008), PROPS (Ericsson 1999) or derivations thereof are typically introduced at this stage. This is the simplest form of the Education (*what can be done*).

2. *Management Demand: Steering Groups and Sponsors*

Steering groups and/or sponsors are put in place to foster use of the new methods and to ensure new skills learned during project management training are put into practice. This is the simplest form of management demand (*what should be done*). The caveat is that to be effective the managers involved require a good understanding of modern project management. Unfortunately this is rarely the case. While working as an external project management consultant I found that few of these managers possessed consistent or current knowledge about project management. I also found that in the vast majority of cases pressures of other work meant these managers were either unable or unwilling to spend time updating their skills in this area. The result is that many steering groups and sponsors are not in a position to judge what constitutes good project management execution and demand it from their project managers. This has two negative effects:

- a) Project managers will tend to prioritize their work according to their own perceived importance and not necessarily the priorities of the steering group/sponsor. They may neglect those deliverables perceived as not being necessary for their own work (for example, forecasts, or performance reporting using Earned Value) but important for effective governance. This leads to management and steering of the project that is less than its optimum.
- b) Instead of being managed by the sponsor/steering group senior project managers will tend to manage them, thus reversing the intention of the project governance hierarchy. This extends the agency problem with possible adverse effects for the corporation.

It can be seen from the above that steering groups and sponsors constitute the most severe skills bottleneck when it comes to good project management delivery in the industry. Further details of the Steering Group and Sponsor tasks are given in the next chapter.

3. *What is Done: Review of Projects in Trouble*

The simplest form of ‘*what is done*’ is to carry out reviews of troubled projects.

Projects may end up in trouble due either to:

- Project managers have neither the skills nor the training to be effective;

or because:

- Project managers do not apply the skills and techniques they learned during training effectively to the actual work.

The need for training and methodology use often arises from reviews of troubled projects. Unfortunately training employees in project management does not automatically guarantee that the trained behaviour is put into practice.

Three types of review of varying degrees of formality should be distinguished here:

1. *Audit*. This most formal type of review is often carried out by certified auditors from external organizations. It is usually indicated when the project places high financial amounts at stake, such as very large projects or those with public interest (for example, infrastructure projects). In such cases the audit is planned as part of the project planning, implementation and control phase.
2. *Formal Review*. Less rigorous than the audit, formal review is the most common type of assessment. It is often carried out by senior project managers from the same company but not necessarily from the same organization within the company. Projects are selected for review mainly because of lower than planned performance. The review process focuses primarily on project management; technical review of project achievements and deliverables may, or may not, be done as well.
3. *Health Check*. The health check is the most informal type of project management review. It is often carried out by as simple a process as sending a questionnaire to the project managers. Success of this type of review depends on the honesty and professionalism of the project manager involved, as his or her answers to the questionnaire cannot be independently verified. Thus this review type is not very credible unless the project manager is well known and held in high esteem by the company.

A number of templates for reviews and health checks exist, such as those published in the *Gower Handbook of Project Management* (Turner 2007).

All three of these review types require relatively small investment, which allows for continuity and a common process in project execution.

Having established Step 1, organizations improve project management quality in terms of the classic *iron triangle* of time, budget and quality goals. The measurement of project success along these goals has been around since the 1960s and is accepted today only within the context of other performance measures for project management. More details can be found in (Judgev and Müller 2005).

Step 2

Many corporations will use Step 1 techniques. Corporations with a medium amount (approx. 40–70 per cent) of project-based work tend to progress to Step 2 techniques in addition to those of Step 1.

Step 2 is the level to which the majority of projectized organizations have progressed. It is associated with Flexible Economist and Versatile Artist paradigms for project management governance.

Enablers:

- Acknowledgement of project management as a role within the organization.
- Definition of a career path for project managers.

Constraints:

- Insufficient amount of project-based business to warrant the investment.
- Strong organizational emphasis of the Conformist governance paradigm (Figure 3.3).

The *Education, Management Demand* and *What is Done* measures appropriate to Step 2 (Figure 3.2) are examined below:

1. *Education: External certification of project managers*

External certification ensures that the professionalism of project managers is assessed independently by an organization dedicated to doing this. Two main approaches for certification exist:

- Certification of knowledge, as in PMI's PMP^{®1} certification.
- Certification of skills, as in IPMA's Level C certification.

1 PMP is a registered certification mark of the Project Management Institute, Inc.

Certifications are valid for periods of 3 to 5 years and candidates must pursue training in project management to maintain their certification. Beside acknowledgement of professionalism, certification also reduces the agency problem between project sponsor and project manager, as it contributes to the credibility of the project manager (Turner and Müller 2004a). Certification of project managers became popular in the 1990s and is increasingly used by companies as a prerequisite for employment as project manager. Certification addresses *Education* at Step 2 of the model (Figure 3.2)

2. *Management Demand: Project Management Offices (PMOs)*

Tactical PMOs are used to improve project management execution within the organization. PMOs are chartered with very diverse sets of tasks. Their project management governance charter typically starts with identification and reviewing of projects in trouble. Subsequently they work with the respective project managers to improve project management delivery. In addition, PMOs may identify skills gaps and train or consult project managers in methodologies, techniques and tools. Some PMOs take on even stronger governance roles by developing or deciding on the methodologies to use and the training programs for the project manager community in their organization. Such PMOs typically implement the other two measures of Step 2 and also Step 3 measures, thus becoming the unit which extends the organization's project management capabilities to a higher level. These PMOs are staffed with the most senior project management resources in order to leverage the skills and experience of these experts across the whole of the corporation. Tactical PMOs remain close to the individual projects and often form part of productive delivery in geography or functionality based units.

A variation of the PMO approach is the Project Office (PO) or Project Support Office (PSO), which is staffed with administrative personnel to offload project administrative work thus relieving core project members, including the project manager, from the need to spend time on these overhead activities. Such POs and PSOs ensure good quality administrative work, appropriate documentation, planning data and status updates and thereby contribute to higher productivity of technical and management personnel.

The tasks and charters of PMOs, POs and PSOs vary widely and are often designed to address the very specific approaches of their particular organization when it comes to project management delivery.

Although PSOs and POs are important and useful, it is the tactical PMOs that determine the best practices for the community of project managers

within their organization. They define what management expects from project managers thus addressing the *management demand* at Step 2 in the above model (Figure 3.2).

3. *What is Done: Mentor Programs*

At Step 2 mentor programs identify and influence *what is done* by project managers. These programs (much more extensive than simple coaching) address the approach and attitude project managers develop towards their work as well as communication and teamwork with their teams, sponsors/steering groups and project stakeholders. A variety of techniques exist. These range from internal swapping of managers from one organizational unit to another for a few hours each month, junior project managers being mentored by senior project managers or PMO members through to mentoring by external project management consultants. The aims are to improve co-operation between the project managers and other parts of the organization and to improve leadership skills for better project management delivery.

The best way to achieve a successful and economic implementation of Step 2 techniques is to ensure a healthy balance between the three Step 2 measures described above.

The assumption underlying implementation of this step is that project success is more complex than just the iron triangle. Step 2 techniques address a diverse set of Critical Success Factors (CSF) for projects and their surrounding organization, including:

- customer satisfaction
- appropriateness of planning techniques
- the general quality of project management
- the impact of project management on follow-on projects with customers.

Step 2 investments in project management improvement are generally higher than in Step 1 and so are the expected returns. Improvements are mainly at the project level and there is confidence that introduction of a PMO will have a beneficial impact on processes and practices of organizational units working in and around projects (Liu and Yetton 2007).

Step 3

The third step comprises introduction of advanced project management capabilities and is typically used by companies whose business consists almost entirely of project-based work. The underlying governance paradigm is Flexible Economist or Versatile Artist.

Enablers:

- management belief that competitors can only be bypassed through leapfrog, not gradual, improvements in capabilities
- belief that project management capabilities are a core corporate strength and constitute a major competitive advantage in the battle against others in the marketplace.

Constraints:

- lack of trust in the current project management resources' capabilities
- resistance to change corporate processes, roles and working-style to make them more supportive of project work
- unwillingness to prioritize project-based work over traditional hierarchies in the company.

Step 1 and Step 2 techniques are prerequisites (and always in active use) for these Step 3 techniques consisting of the following *Education*, *Management Demand* and *What is Done* measures examined below:

1. *Education: Advanced Training and Internal Certification*

The Step 3 *Education* element consists of advanced training in particular areas requiring improvement, such as specialized planning tools, industry knowledge, technical skills, or other focused improvements of project management capabilities. Many companies at this step develop an internal certification program in which project managers are required to demonstrate the specific industry and technology skills peculiar to their own company's needs. They also need to prove their ability to run projects successfully using established project management principles. The amalgamation of management, technical and industry skills should allow for thought-leadership of project managers when working with the company's customers. These techniques move the *Education* to that of Step 3.

2. *Management Demand: Benchmarking*

The Step 3 extension of *Management Demand* consists of benchmarking project management capabilities against those of other companies. Companies are benchmarked either against their competitors or across industries.

Benchmarking against competitors is undertaken within industry clusters; companies of the same industry are assessed against a series of measurement dimensions and provided with assessment results showing their relative position against their competitors for each measurement dimension. This allows for identification of strengths and weaknesses relative to other companies in the same industry.

Benchmarking across industries allows for leapfrog improvements and development of enhanced capabilities, beyond those typical of the corporation's own industry. An example is benchmarking of relatively immature industries (in terms of project management) against the capabilities of more mature industries. This can result in rapid transfer of know-how. A good case in point is the way in which the IT industry, traditionally very weak in contract management, can learn from the contract management experts in the construction industry.

3. *What is Done: Maturity Model*

Use of (organizational) project management maturity models addresses the Step 3 element *what is done*. These maturity models aim to ensure predictable and consistent delivery of good project results. Typically, they distinguish five levels of maturity ranging from ad-hoc to optimized, following the CMM model (SEI 1993). Most of these models assess project management capabilities only and provide one level of overall project management maturity. In contrast PMI's Organizational Project Management Maturity Model (OPM3) (PMI 2003) assesses project, program and portfolio management simultaneously and benchmarks the assessment results against a build-in database of best-practices for a number of industries. It then provides suggestions for improvement together with maturity levels measured across various dimensions. This allows for development of the organization's internal capabilities to manage their projects, resources and processes simultaneously and with maximum efficiency. Intuitively, these maturity models are also suitable for organizations at Step 1 and Step 2. However, the breadth and depth of the maturity model assessment questions, together with the sophistication of deployment of project, program and portfolio management related roles and skills require a strong organizational focus on project work, typical only of organizations at Step 3 and not to be expected of organizations at Step 1 and 2.

Once again, a healthy balance between the three Step 3 measures is required for their successful and economic implementation. No matter how far an organization develops, the techniques associated with the earlier Steps will not disappear. Step 3 organizations still apply Step 1 and Step 2 measures.

Step 3 requires the corporation to make significant investments, not just in terms of money but also in adapting and streamlining the organization's processes to make them more supportive of the project way of working and supportive only to a lesser extent of the traditional hierarchy.

Figure 3.3 summarizes the model by showing the incremental steps together with the enablers and constraints when moving from one step to the next. From left to right the organizational enablers develop from a project focus to project manager

role and finally project management as a strategic capability of the corporation. Constraints arise from a narrow organizational focus on the technology development processes and their control at the expense of business and economic results. This focus usually results in a resistance to change for existing processes and practices because of the powerful position of technology heroes in the organization.

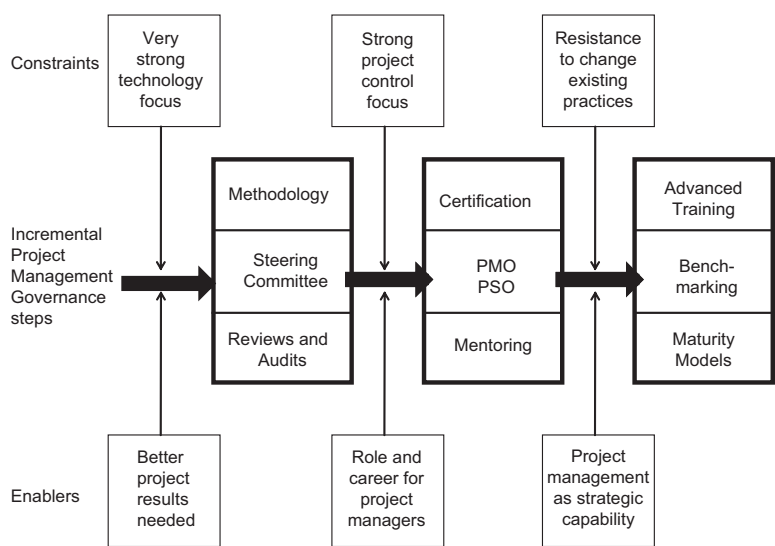


Figure 3.3 Model for governance of project management

Secondary elements of the framework

By taking program and portfolio management into account, we see that the measures for Steps 1–3 are also applicable in a wider context. Programs are groups of projects with a common goal, not achievable through just one project (Turner and Müller 2003). However, the steps and their contents are equally applicable for the governance of program management as they are for governance of project management. Examples are Program Management Offices, PMI’s recently announced Program Manager Certification, PgMP^{SM2} and its OPM3[®] maturity model.³

Portfolio management is the grouping of projects by their skills and resource needs. Governance of portfolio management is not developed to the same extent

2 PgMP is a service mark of the Project Management Institute, Inc.

3 OPM3 is a registered trade mark of the Project Management Institute, Inc.

as project and program management governance. Current practices comprise Step 1 measures, advanced training and PMI's OPM3® maturity model. It seems likely that the missing Step 2 measures will be developed in the near future.

ORGANIZATIONAL CONTEXT

The model in Figure 3.3 shows the importance of the organizational context for governance of project management. In a culture that fosters technological heroism over business results it is difficult to implement more advanced governance structures. This is caused by an underlying governance paradigm of Conformism and Agile Pragmatism established by successful and superior technologists in the days when projects were few and narrowly defined and with little resource sharing across projects. When companies develop towards more parallel and cross-sectional projects the need arises for a paradigm shift towards the Flexible Economist or Versatile Artist paradigm. This shift should be implemented using a management of change approach, taking into account such elements as:

- People and their behaviour.
- Goals and hidden agendas.
- What's in it for me?
- Willingness and ability to change.

Managing this paradigm shift requires a roadmap or framework as above and an organizational change process.

HOW MUCH PROJECT MANAGEMENT IS ENOUGH?

A word of caution: the governance model described above should not be misinterpreted. It does not imply that all organizations should aim for the highest step (that is, Step 3). It is not the same as a CMM model.

It is intended to identify the best economic mix of project management governance measures for an organization, with a healthy balance between the need for improving project management against increased investment. I have provided indicators on the correlation between the amount of project-based work in an organization and the appropriate step of the model to which you should aspire.

However, this cannot be generalized and careful evaluation is needed for each individual organization. The correct application of the model lies in the identification of the extent of project management needed (that is, which step is appropriate) and subsequently the balanced application of the measures given in that step of the model. The enablers show what needs to be in place from an organizational

perspective to move up to a particular step. The constraints indicate threats to successful implementation. If too many constraints exist they should either be eliminated before moving to a particular step, or, if this is not possible, the move should be reconsidered. As every organization is different, there is no one size fits all solution. Many companies remain at Step 1 with no intention to move beyond it, while others aim for Step 2, starting with a PMO and project manager certification. Only a few companies aim for Step 3, as this requires a strong commitment to the project way of working as the mainstay of corporate culture.

KEY ROLES AND INDIVIDUALS IN THE FRAMEWORK

Implementing any or all of the nine measures (three at each step) in the framework requires two key roles, which should be carefully staffed. These are:

1. the sponsor, as representative of the steering group and closest to the project and its governance;
2. the PMO members, who work closely with the individual project managers on the application of appropriate methods and skills.

These two key roles are described in the subsections to follow.

The Sponsor

Researchers of project management agree on the important and often crucial role of project sponsors for project success (for example, Helm and Remington 2005, Müller and Turner 2002). In their research on effective project sponsorship Helm and Remington (2005, p. 57) found the following attributes of sponsors to be important:

- Appropriate seniority and power within the organization.
- Political knowledge of the organization and political savvy.
- Ability and willingness to make connections between project and organization.
- Courage and willingness to battle with others in the organization on behalf of the project.
- Ability to motivate the team to deliver the vision and provide ad hoc support to the project team.
- Willingness to partner with the project manager and project team.
- Excellent communication skills.
- Personal compatibility with other key players.
- Ability and willingness to provide objectivity and challenge the project manager.

Research carried out by Rodney Turner and me on the communication between sponsors and project managers, showed a significant difference in project performance, depending on the sponsor's interest in the project and willingness to communicate. When the sponsor showed more interest in the project together with a sceptical stance towards its performance they were rewarded with better project results (Müller and Turner 2002, Turner and Müller 2004).

The sponsor should therefore be experienced, socially competent and flexible in order to foster collaboration. At the same time he or she should be interested in project progress but sceptical and constantly challenging the project manager's interpretation of success. The sponsor should demand good project management work.

PMO members

Successful PMOs grow organically. Initially, they are setup with a senior expert in project management in order to establish PMO work in the organization and overcome resistance to the change inherent in building up new organizational entities. Especially important is the access to projects-in-trouble in order to help with their recovery. PMOs must build trust and gain credibility with individual project managers as well as provide visible examples of success to senior managers. They need to provide value up and down the organization. As the PMO grows more members with differing profiles are added to it.

Randy Englund and I used the metaphor of an organizational jungle to describe the personalities needed for successful PMO work. We suggest a three step evolution of PMO members (Englund and Müller 2005):

1. In the beginning there should be a *brown bear*. These animals are intelligent, have excellent navigation and long term memory. Bear people in organizations have a deep introspective capacity, are caring, compassionate, seekers of deeper self-knowledge, dreamers at times and helpers. They have tremendous power and physical strength, intelligence, inner confidence, reserve and detachment. They draw great strength from solitude, choose peace instead of conflict and contemplate the healing power. Their contribution is strength, introspection and self-knowledge.

Managers establishing a PMO should be of this profile. By building on long years of experience and their patience and the credibility gained within the organization, they build collaborative relationships with the individual project managers and work with them on the improvement of their skills and project results. They build a reputation of the PMO as a trusted partner and a source for valuable information and support. PMOs at this stage are often staffed with one or two individuals. With a successful launch of the

PMO, the capacity of this group is quickly reached and further resources are needed. These additional people, however, need to be of a different profile.

2. PMOs in growth mode need *lions*. Lions roar in concert to scare away their enemies. In PMO context this means lions are needed to communicate the PMO messages, including best-practices in managing the organization's projects and the benefits of certification etc. These PMO members are typically mid-career project managers with a few years of experience. They are temporarily assigned to the PMO, maybe for 2–3 years, to act as a role model for the more junior project managers and to foster good project management work in the organization. Then they move on to other responsibilities. These tactical PMOs, concerned with governance of project management at the operational level, can exist for an extended period of time. However, over time they need a strategic vision, which does not grow organically among their peers.
3. In the long term PMOs need *eagles*. These animals hover at high altitudes; constantly monitoring what is happening at ground level and can be on the ground within seconds. In an organizational context these people see the broader strategic picture of project, program and portfolio governance, often far beyond the boundaries of the own organization. At the same time, they can work 'top down' through to the detail level. They work, for example, on the details of a portfolio management tool to identify the best tool for the organization, or do reviews at the project level to identify skill shortages. These individuals are hard to find as they combine both breadth and depth in their approach to work. Their contribution is, however, key for the long term survival of the PMO.

The metaphor used above shows the migration of personalities within a PMO. The three sets of personal attributes are not mutually exclusive. In fact, stronger PMO organizations carefully employ members to ensure a good balance between the three profiles.

This chapter has shown a framework for governance of the project management capabilities of individuals, organizations and entire firms or corporations. The next chapter addresses governance of portfolios and programs within organizations.