

## PPP Governance



The Governance of Projects, Programs and Portfolios (PPP) (sometimes called ‘project governance’ for convenience) is the sub-set of corporate and organisational governance<sup>1</sup> focused on assisting and ensuring that the projects and programs undertaken by the organisation deliver the maximum value to the organisation. **As a fundamental principle, you do not ‘govern project management’ - you govern the organisation that undertakes projects as a part of its business**<sup>2</sup>. It is also important to differentiate the governance function<sup>3</sup> from the techniques used to implement governance such as portfolio management and the management of project management<sup>4</sup>. Governance focuses on the aspirational and ethical considerations of ‘what is to be achieved and why this is important to the organisation’; management focuses on how the objectives set by the governing body will be achieved, who does the work and when.

By definition<sup>5</sup>, governance is the process of governing and this is undertaken by the governing body at the summit of any hierarchal system ranging from nation states to corporations<sup>6</sup>. In organisations, governance is the responsibility of the ‘governing body’, typically the ‘Board of Directors’ in commercial corporations and their equivalent in other types of organisation. However, given the technical nature of projects, this function could sensibly be delegated to a Board sub-committee (similar to an Audit Committee) to allow additional project management expertise to be brought into the governance processes.

The key elements in the governance of PPP include:

- Specifying the distribution of rights and responsibilities among different participants in the organisation.

<sup>1</sup> For more on **Corporate and Organisational Governance** see: [https://www.mosaicprojects.com.au/WhitePapers/WP1033\\_Governance.pdf](https://www.mosaicprojects.com.au/WhitePapers/WP1033_Governance.pdf)

<sup>2</sup> The one exception to this general principle is where the project is set up as an organisation in its own right such as an incorporated joint venture between two or more other organisations. Governing this type of entity is discussed in **Co Directing Change – A guide to the governance of multi-owned projects** published by the APM (UK)

<sup>3</sup> For more on the **six functions of governance** see: [https://www.mosaicprojects.com.au/WhitePapers/WP1096\\_Six\\_Functions\\_Governance.pdf](https://www.mosaicprojects.com.au/WhitePapers/WP1096_Six_Functions_Governance.pdf)

<sup>4</sup> To understand the difference between **governance systems and management systems** see: [https://www.mosaicprojects.com.au/WhitePapers/WP1084\\_Governance\\_Systems.pdf](https://www.mosaicprojects.com.au/WhitePapers/WP1084_Governance_Systems.pdf)

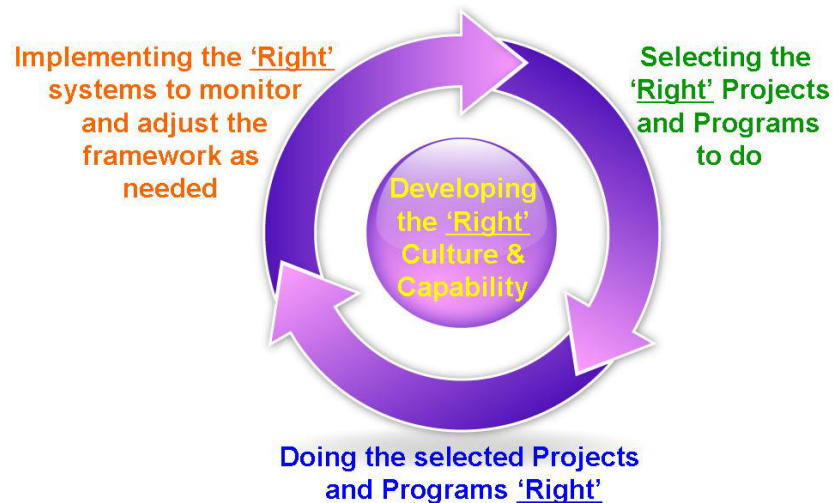
<sup>5</sup> For more on the **definition of governance** see: <https://mosaicprojects.wordpress.com/2014/04/21/defining-governance-what-the-words-mean/>

<sup>6</sup> See Wikipedia: <https://en.wikipedia.org/wiki/Governance>

- Defining the rules and procedures for making decisions using a principle-based approach that recognises and encourages entrepreneurial responses from all levels of management to deal with changes in circumstances<sup>7</sup>.
- Defining the strategic framework needed to select the 'right' projects and programs to undertake<sup>8</sup>.
- Encouraging the efficient use of resources.
- Monitoring performance<sup>9</sup>.
- Ensuring proper support for the organisational change needed to realise the intended benefits.
- Requiring accountability at all levels for the stewardship of the resources used.

The art of good governance is designing systems that offer sufficient checks and balances to ensure accountability without diminishing the ability of project and program managers to deliver the objectives they have been tasked to accomplish. Governance structures and processes are merely the mechanisms needed to achieve good governance; they do not represent good governance in themselves and should be kept to a practical minimum.

## The Project Governance Framework



The focuses of the processes developed for the Governance of PPP are:

- First on doing the right projects and programs constrained by the organisations capability and capacity to undertake the work – Portfolio Management<sup>10</sup>.
- Second on creating the environment that facilitate the doing of the selected projects and programs right<sup>11</sup> – developing and maintaining an effective culture supported by effective capabilities. PMI's Code of

<sup>7</sup> Bodies such as the Australian Institute of Company Directors and governance bodies that oversight corporations have a strong preference for principle-based guidelines that allow Directors to use their skills and knowledge to optimise outcomes. Unfortunately, there is a low level of awareness of principle-based governance in management and project management circles and most of the academic and other authorities advocate prescriptive guidelines and rules that focus on project management concerns and largely fail to succeed in achieving corporate strategy (Ref: *Is strategy being implemented through projects? Contrary evidence from a leader in new public management*. IJPM, Vol30, Issue 8, pp887 – 900).

<sup>8</sup> For more on the **strategic management of projects** see: [https://www.mosaicprojects.com.au/WhitePapers/WP1079\\_PDC.pdf](https://www.mosaicprojects.com.au/WhitePapers/WP1079_PDC.pdf)

<sup>9</sup> For more on **project reviews** see: [https://www.mosaicprojects.com.au/WhitePapers/WP1080\\_Project\\_Reviews.pdf](https://www.mosaicprojects.com.au/WhitePapers/WP1080_Project_Reviews.pdf)

<sup>10</sup> For more on **Portfolio Management** see: [https://www.mosaicprojects.com.au/WhitePapers/WP1017\\_Portfolios.pdf](https://www.mosaicprojects.com.au/WhitePapers/WP1017_Portfolios.pdf)

Ethics and Professional Conduct<sup>12</sup> provides a good foundation for project and program managers operating within this structure working to achieve the organisations overall objectives<sup>13</sup>.

- Lastly on creating systems to validate the usefulness and efficiency of the ongoing work which feeds back into the selection and oversight aspects of governance.

The key to developing an effective governance framework that makes effective use of these processes is cultural. Well governed organisations develop an open culture focused on achieving excellence through the creation of meaningful ownership structures in which senior managers take responsibility for the work and its outcomes<sup>14</sup> (of which governance is the enabler), supported by a proactive stakeholder focus<sup>15</sup> which aligns the interests of key stakeholders – governance, authority and responsibility.

## The Elements of a Project Governance framework<sup>16</sup>

The Governance of PPP, encompassing project, program and portfolio governance is focused on ensuring management develop and implement systems that are capable of ensuring the right projects and programs are selected by the organisation, and that the selected ‘few’ are accomplished as efficiently as possible.

The Governance of PPP involves setting the ‘right objectives’, and then asking the ‘right questions’ so that the governing Board can be confident the organisation’s management are making the best use of the resources assigned to undertake projects and programs. The ‘questions’ asked by the Board need firstly to assure the Board the management structures providing the answers to their questions is capable, effective and honest; then assure the Board that the resources as deployed by management are generating the optimum value to support the long, medium- and short-term objectives defined in the organisations strategy. Management’s role is to understand the Board’s strategy and objectives and develop systems that are capable of offering effective ‘answers’ to both sets of questions as well as providing advice and recommendations for improvements.

There are a number of key elements needed in the management structures that support effective governance of projects and programs:

- **Portfolio management;** focused on selecting the right projects and programs to undertake in support of the strategy, and terminating ones that no longer contribute value to the organisation.
- **Project Sponsorship;** providing the direct link between the executive and the project or program manager, focused on the whole project lifecycle leading to the delivery of value.
- **PMOs;** providing oversight and strategic reporting capabilities.
- **Senior Management inputs to the ‘management of project management’;** including opportunity identification, skills development, methodologies, best practices, career management and discipline. Aspects of ‘senior management’ inputs may be incorporated in the roles assigned to the PMO, Portfolio Manager, and/or Sponsor in the overall governance structure.
- **Projects and Programs;** the effective management of projects and programs is the measure of an effective governance system.

<sup>11</sup> For more on the best practices for project, program and portfolio management see OPM3, Organisational Project Management Maturity Model: <https://mosaicprojects.com.au/PMKI-ORG-050.php>

<sup>12</sup> Download a copy of the code from: <https://www.mosaicprojects.com.au/PDF-Gen/PMICodeofEthics.pdf>

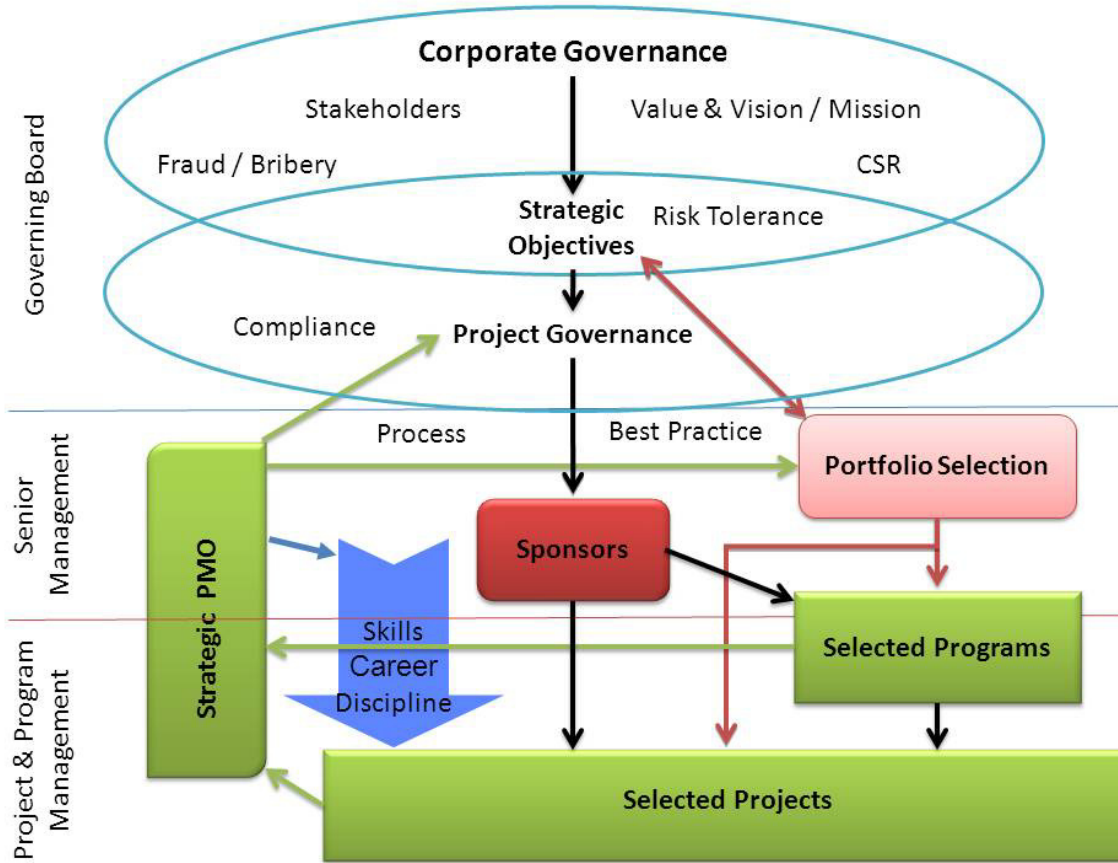
<sup>13</sup> For more papers, references and booklets on corporate and project governance see: <https://mosaicprojects.com.au/PMKI-ORG-005.php>

<sup>14</sup> For more on the *functions of management* see: [https://www.mosaicprojects.com.au/WhitePapers/WP1094\\_Defining\\_Management.pdf](https://www.mosaicprojects.com.au/WhitePapers/WP1094_Defining_Management.pdf)

<sup>15</sup> For more on **stakeholder engagement** see: <https://mosaicprojects.com.au/PMKI-TPI-075.php>

<sup>16</sup> The elements involved in the overall management of project management are outlined in our White Paper **PDC Taxonomy**, see: [https://www.mosaicprojects.com.au/WhitePapers/WP1074\\_PPP\\_Taxonomy.pdf](https://www.mosaicprojects.com.au/WhitePapers/WP1074_PPP_Taxonomy.pdf)





## Portfolio Management

Portfolio management is a key management function to support the organisation’s governance process by ensuring the selected projects are aligned with and support the organisation’s strategy. Portfolio management<sup>17</sup> focuses on selecting the right projects and programs to maintain or start and which to defer or cancel. These decisions have to be based on what’s the best mix to achieve the organisations longer term strategies whilst maintaining current operations. This includes terminating projects that no longer contribute value to an organisation in a way that conserves the maximum value and ensuring the resources are reallocated through the portfolio management process to more valuable endeavours.

Portfolio governance processes<sup>18</sup> largely preceded project and program governance processes, the portfolio decisions approve the creation of the projects and programs the organisation will undertake. Then on a regular basis assess their continued viability based on the updated strategic plan for the organisation. Where the overall value proposition no longer supports the continuance of the project or program, good governance requires their effective closure so that valuable resources can be re-deployed to more valuable work.

<sup>17</sup> See WP1017 **Portfolio Management**: [https://www.mosaicprojects.com.au/WhitePapers/WP1017\\_Portfolios.pdf](https://www.mosaicprojects.com.au/WhitePapers/WP1017_Portfolios.pdf)

<sup>18</sup> See: [https://www.mosaicprojects.com.au/WhitePapers/WP1033\\_Governance.pdf](https://www.mosaicprojects.com.au/WhitePapers/WP1033_Governance.pdf)



Portfolio management supports the overall governance processes by:

- Aligning the projects and programs selected for investment with the strategic objectives of the organisation and providing feedback to the strategic planning processes.
- Ensuring an appropriate mix of high-risk high return projects that create the ‘future organisation’ compared to safe or essential projects with a short payback period, remembering there is no such thing as a ‘risk free’ project, good governance focuses on managing risk and rewards<sup>19</sup>.
- Balancing the accepted workload against the organisations capability and capacity to undertake the work.
- Ensuring the information needed to allow a proper decision to be made is developed and that the degree of uncertainty (risk) involved in the assessments is understood and is acceptable to the organisation when balanced against the anticipated benefits.

## Project Sponsorship

The Project Sponsor<sup>20</sup> is a key link in the management systems that support good governance. The project or program’s Sponsor is the link between the executive and strategic levels of the organisation and the effective delivery of the benefits the project/program was created to facilitate<sup>21</sup>. The Sponsor is a critically important person for the successful delivery of the project or program.

This means the sponsor should be accountable to higher level management for directing the project with a ‘cradle to grave’ responsibility to ensure that the benefits for the organization are realised<sup>22</sup>. Including ensuring that the project always makes sound business sense, approving key deliverables and making decisions or recommendations at critical points in the project’s life as required in the project management plan. The project sponsor is the primary risk taker and should:

- a) Take ultimate authority and responsibility for the project.
- b) Ensure that a real need or opportunity is being addressed by the project.
- c) Own the business case.
- d) Ensure that the project remains a viable proposition<sup>23</sup>.
- d) Make key organisation/commercial decisions for the project and provide decisions in a timely fashion<sup>24</sup>.
- e) Govern project risk.
- f) Initiate project reviews.
- g) Ensure that the delivered solution matches the needs of the organisation.
- h) Monitor and control the progress of the business change at an operational level.
- i) Engage key stakeholders.

<sup>19</sup> For more on **risk management** see:

[https://www.mosaicprojects.com.au/WhitePapers/WP1047\\_Risk\\_Management.pdf](https://www.mosaicprojects.com.au/WhitePapers/WP1047_Risk_Management.pdf)

<sup>20</sup> For more on the role of the **Sponsor** see:

[https://www.mosaicprojects.com.au/WhitePapers/WP1031\\_Project\\_Sponsorship.pdf](https://www.mosaicprojects.com.au/WhitePapers/WP1031_Project_Sponsorship.pdf)

<sup>21</sup> For more on the organisational aspects of **change management** and value creation see:

[https://www.mosaicprojects.com.au/WhitePapers/WP1078\\_Change\\_Management.pdf](https://www.mosaicprojects.com.au/WhitePapers/WP1078_Change_Management.pdf)

<sup>22</sup> For more on **Benefits realisation** see:

[https://www.mosaicprojects.com.au/WhitePapers/WP1042\\_Outputs\\_Outcomes\\_Benefits.pdf](https://www.mosaicprojects.com.au/WhitePapers/WP1042_Outputs_Outcomes_Benefits.pdf)

[https://www.mosaicprojects.com.au/WhitePapers/WP1023\\_Benefits\\_and\\_Value.pdf](https://www.mosaicprojects.com.au/WhitePapers/WP1023_Benefits_and_Value.pdf)

<sup>23</sup> If the project is internal to the organisation, the benefits are normally driven by the strategic intent; in a contracting organization, the benefits will usually be determined by the revenue and profit made for undertaking the work and the options open to the sponsor may be limited by contractual obligations.

<sup>24</sup> For more on **decision making** see: [https://www.mosaicprojects.com.au/WhitePapers/WP1053\\_Decision\\_Making.pdf](https://www.mosaicprojects.com.au/WhitePapers/WP1053_Decision_Making.pdf)



- j) Represent the organisation in key project decisions.
- k) Approve key project deliverables.
- l) Formally closing the project and ensuring that the lessons learned are documented.
- m) Ensure the resolution of issues escalated by, or that are outside the control of, the project manager.
- n) Establish and chair the Project Steering Board (if one is required<sup>25</sup>).
- o) Appoint the project manager and facilitate the appointment of team members.
- p) Facilitate the availability of project resources in order to achieve successful delivery.

The precise role may vary depending on the nature of the organisation and the project objectives. In situations where the sponsor does not have direct authority for a specific action (eg, appointing the project manager), the sponsor is required to ensure the responsible entity within the organisation fulfils its role.

### Governance implications within the PMO<sup>26</sup>

PMOs have a critical governance support role; they need to ensure accurate information is available to executive management on the performance and trends of the projects and programs they report on. The PMO management need to ensure sufficient discipline and rigour in their processes to achieve the reporting accuracy needed whilst allowing development and innovation to achieve the strategic objectives of the organisation.

Every minute a person spends working on reports and processes required by the PMO that are not required for the effective management of the project; and every time a project team is prevented from innovating because of PMO policies, the PMO is preventing the achievement of good governance defined as *achieving the alignment of the interests of individuals, organisations and society*.

This is a difficult balancing act for PMO management to achieve, ensuring sufficient discipline and rigour to achieve the reporting accuracy needed whilst allowing development and innovation to achieve the strategic objectives of the organisation. The two key functions the PMO perform are firstly ensuring the information in their reports is useful, relevant, accurate and complete and then providing interpretive and predictive assessments to help senior management fulfil its governance responsibilities and to support the portfolio management decision making process.

### Other Senior Management Inputs

Depending on the structure of the organisation, it is also quite likely other senior managers will also have some responsibilities to assist in the effective governance of the project or program<sup>27</sup>. The elements listed below may be included in the roles assigned to the PMO, the Sponsor or fulfilled by another senior manager:

- **Project initiation and assessment processes;** the stages to identify, quantify and validate projects and programs for input to the Portfolio Management selection process<sup>28</sup>.

<sup>25</sup> Project Boards as defined by methodologies such as PRINCE2 are effectively a part of the project management process (rather than directly supporting project governance). The function of a typical project board primarily focuses on making management decisions the PM is responsible for implementing. In other methodologies these decisions are the responsibility of the project manager (often in consultation with the Sponsor). Where a Board exists, the Sponsor Chairs the meetings and fulfils both a governance support role and a project management role. An effective Board provides a forum for assisting with strategic, cross-functional decisions, removing obstacles and for resolving issues.

<sup>26</sup> For more on **PMOs** see WP1034 PMOs: [https://www.mosaicprojects.com.au/WhitePapers/WP1034\\_PMOs.pdf](https://www.mosaicprojects.com.au/WhitePapers/WP1034_PMOs.pdf)

<sup>27</sup> For more on the **'managers of project managers'** see: [https://www.mosaicprojects.com.au/WhitePapers/WP1055\\_The\\_Managers\\_of\\_PMs.pdf](https://www.mosaicprojects.com.au/WhitePapers/WP1055_The_Managers_of_PMs.pdf)

<sup>28</sup> For more on these critical **'Front End Loading'** activities to define the project or program see: [https://www.mosaicprojects.com.au/WhitePapers/WP1027\\_Feasibility\\_Studies.pdf](https://www.mosaicprojects.com.au/WhitePapers/WP1027_Feasibility_Studies.pdf)



- **Benefits realisation;** the transition from ‘project’ to operational management and the realisation of the value the project or program was created to generate<sup>29</sup>.
- **Skills development;** the efficient use of resources requires skilled managers. Good governance includes providing processes to develop the capability of the project manager and team to enhance the overall capability of the organisation.
- **Best practices and continuous improvement.** Repeatable best practices generate the most efficient use of resources but should not constrain development and improvement; flexibility is essential. Defining and propagating best practises, linked to a process of continuous improvement within an appropriate methodology is a key governance process<sup>30</sup>.
- **Career management** of project and program staff to enhance the retention of knowledge and capability within the organisation.
- **Discipline, motivation and ethical behaviours** all form part of good governance. Senior management need to ensure best practices are used and appropriate corrective actions are taken when needed.

The overall framework used by the organisation to deliver its projects and programs is discussed in our White Paper on ‘Project Delivery Capability (PDC)’<sup>31</sup>.

## Governance at the Program and Project Level

Projects and programs are created by the organisation to deliver the change needed to achieve its objectives. The obligation of project and program managers is to create the outputs and deliverables as efficiently as possible, whilst working ethically and in accord with the organisation’s practices and procedures.

If the governance system is working effectively the organisation’s projects and programs will be being managed effectively. BS6079-1:2010 defines four layers of governance<sup>32</sup> and management:

- a) Governance related to identifying projects, approving them and assessing outcomes.
- b) Sponsorship through the project sponsor or delegate directing the project.
- c) Management through the project manager initiating, managing and closing the project.
- d) Delivery through team managers, supported by their teams, creating the project’s outputs.

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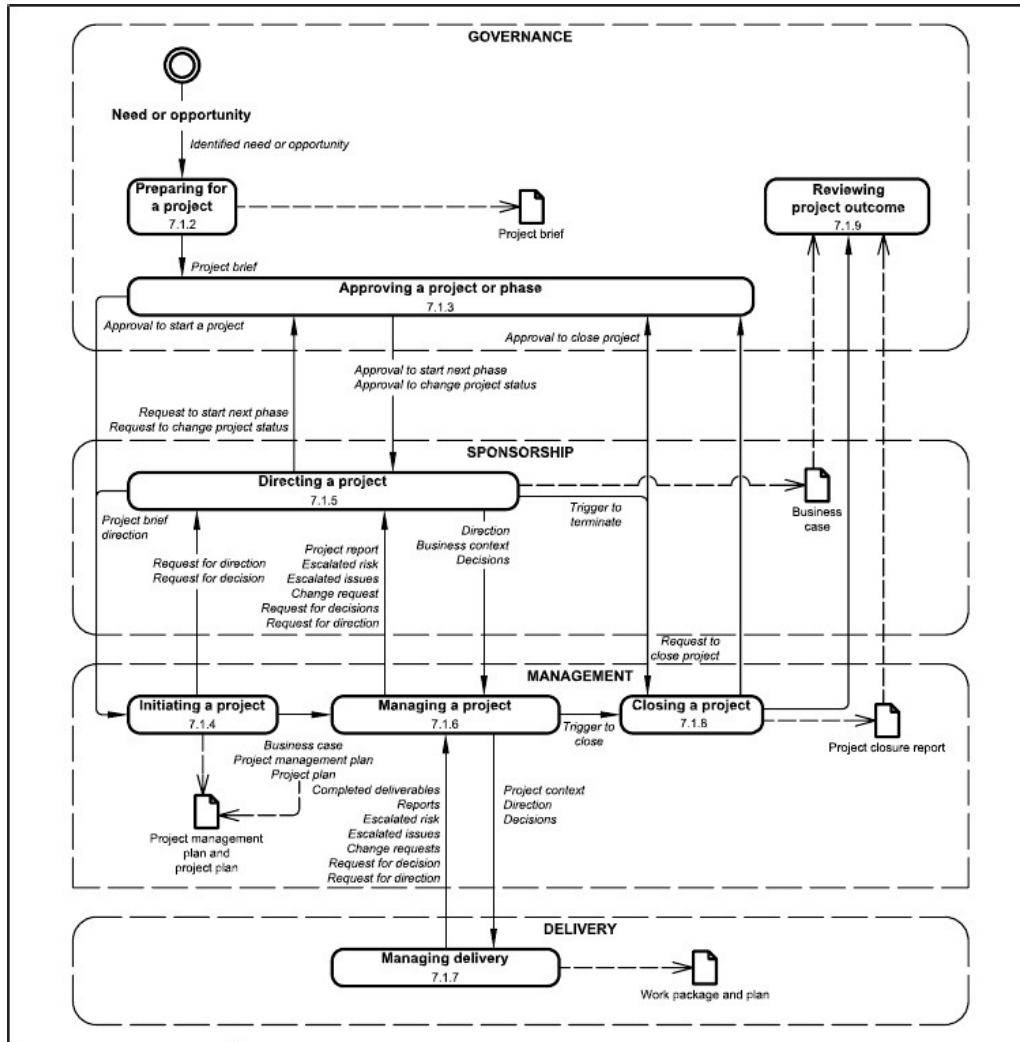
<sup>29</sup> For more on **value and benefits realization** see: [https://www.mosaicprojects.com.au/WhitePapers/WP1023\\_Benefits\\_and\\_Value.pdf](https://www.mosaicprojects.com.au/WhitePapers/WP1023_Benefits_and_Value.pdf)

<sup>30</sup> For more on the best practices for project, program and portfolio management see OPM3, Organisational Project Management Maturity Model: <https://mosaicprojects.com.au/PMKI-ORG-050.php>

<sup>31</sup> For more on **PDC** see: [https://www.mosaicprojects.com.au/WhitePapers/WP1079\\_PDC.pdf](https://www.mosaicprojects.com.au/WhitePapers/WP1079_PDC.pdf)

<sup>32</sup> More accurately, this is the implementation of the governance systems by management.





© BS 6079-1:2010 "Figure 9"

The organisation’s management should ensure that the appropriate project organisation is in place to undertake the project. All projects should have people identified and held responsible for:

- a) Ensuring that managerial and technical oversight is maintained.
- b) Sponsoring the project in pursuit of stated organisational needs or objectives. The Sponsor’s responsibility extends beyond the completion of the project to encompass organisational change, the embedding of the project’s deliverables into the operations of the organisation and the realisation of the intended benefits.
- c) Managing the project on a day-to-day basis, ensuring that the deliverables are appropriate to the delivery of the desired outcomes. Normally the project manager is accountable to the project sponsor for the day-to-day leadership and management of the project involving the project team across all necessary functions.
- d) Undertaking the specialist work on the project. In addition, depending on the specific project, these roles maybe supplemented by project support staff who are specialists in disciplines such as legal, finance, planning, risk management and procurement.





At each level, decision makers should be accountable to higher level management for key decisions relating to the project. Decision makers can be individuals or groups of people (e.g. boards) with the appropriate level of authority, skills and knowledge. The levels of authority and constituency of any decision-making body will normally be defined within the governance arrangements or schemes of delegation of the sponsoring organisation. For projects, external management approval and oversight is typically required for:

- a) Authorising the start of projects and each phase of a project.
- b) Authorising changes to the project.
- c) Changing the status of a project.
- d) Ensuring compliance with the organisation's policies.
- e) Ensuring compliance with any applicable legal or regulatory requirements.

In addition, there will usually be a level of oversight of the quality of any outputs, including the application of any organisational constraints (eg, standards and components to be used), supported by an appropriate assurance system<sup>33</sup>. Assurance activities may be assigned to one or more persons who are independent of the project manager and team and include:

- Recommending to the project sponsor that reviews or audits should be held.
- Checking that user needs and expectations are being met or managed.
- Checking that risks are being controlled.
- Checking that plans are realistic and achievable.
- Checking that the right people are being involved.
- Checking that an acceptable solution is being developed.
- Checking that the programme/project remains viable and the business need is being addressed.
- Checking that the scope of the programme/project is not growing unnoticed.
- Checking that any legislative, regulatory or contractual requirements are being met.
- Checking that the needs of stakeholders are being respected.

## Summary

Good governance is a synonym for 'good business', structuring the organisation to deliver high levels of achievement on an ethical and sustainable basis. This requires the optimum strategy and the right approach to risk taking supported by sufficient processes to be reasonably confident the organisations limited resources are being used to achieve the best short, medium- and long-term outcomes. This is the ultimate responsibility of the Board, or equivalent top executive level of an organisation. At this level, the people responsible need to ask the 'right questions'<sup>34</sup> to test if good governance is being effectively applied to the organisation's projects and programs. The role of executive management is to be able to answer the questions effectively by having systems<sup>35</sup> in place to ensure they have the 'right answers' and can clearly identify issues, problems and opportunities for improvement.

The governing Board may choose to delegate some authority to undertake some governance functions to the organisation's management; however, whilst the Board can delegate some of its authority for selected

<sup>33</sup> For more on **Project Assurance** see: [http://www.mosaicprojects.com.au/WhitePapers/WP1080\\_Project\\_Reviews.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1080_Project_Reviews.pdf)

<sup>34</sup> The Association for Project Management (UK) has developed '**Directing Change - A guide to governance of project management**' – this booklet explains how good governance requirements apply to the direction and management of an organisation's project portfolio, lists principles which directors or their equivalents should adopt and the questions they should ask: [https://www.mosaicprojects.com.au/PDF-Gen/APM\\_GoPM\\_booklet.pdf](https://www.mosaicprojects.com.au/PDF-Gen/APM_GoPM_booklet.pdf)

<sup>35</sup> For a definition of the different levels maturity in **Project Delivery Capability** see: [https://www.mosaicprojects.com.au/WhitePapers/WP1079\\_PDC.pdf](https://www.mosaicprojects.com.au/WhitePapers/WP1079_PDC.pdf)



functional aspects of governance, it cannot delegate any of its accountability. This delegation needs to be managed carefully, you cannot govern your own area of responsibility and decision making, therefore a part of an organisation's management cannot govern the process of managing the organisation it is directly responsible for – the two responsibilities are mutually exclusive. Certainly, projects cannot govern themselves – the project manager is a manager responsible for managing the project properly and it is fundamentally impossible for him/her to govern something he/she is managing; similar limitations apply to 'project boards' – if the board has a management support role, it cannot have a governance role.

Governance is a management oversight process:

- Internal projects are ultimately governed by the organisation's Board of Directors; project governance is simply a sub-set of this overall organisational governance process and interacts with many other aspects of governance such as ensuring financial probity.
- External projects (eg, Joint Ventures) need a project specific governing body that links the partner organisations' governance to the governing of the project. This body has to be separate from project's management structures such as a project control board (PCB), assuming the PCB is tasked with making decisions about the management of the project on behalf of the JV partners.

The objective of good governance is to optimise the efficient use of resources to the benefit of the organisation and society at large. Project governance applies these principles to the use of resources within projects and programs to generate benefits and value through the mechanism of the governing body (the Board) requiring the organisation's management to develop and implement an effective culture, supported by appropriate processes and procedures.



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