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## GOVERNANCE IN PROGRAMME and PROJECT MANAGEMENT

A practical view including the use of IT tools such as Hydra and professional services

PMG White Paper

### **Abstract**

New legislation in the USA and UK plus an increased focus on corporate governance has brought a new level of demand on the programme management community. Governance is now seen as so important to many companies and government bodies that it is recognised as a specialist subject and a foundation stone of effective programmes.



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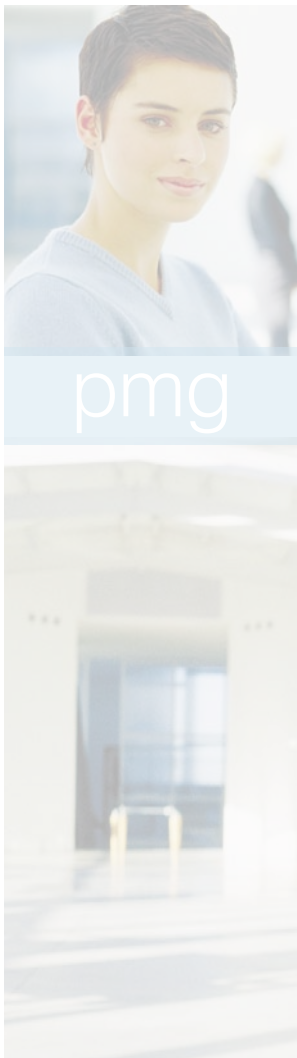


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# 1. Governance in Programme Management

## 1.1. Introduction

Governance has become one of the buzzwords of our age. Its absence has become a synonym for all that is wrong when corruption or mis-management is uncovered in lurid press headlines. In some quarters this has led to an additional reliance on detailed disclosure by companies via the Operations and Risk Assessment Document, by changes recommended by the Higgs Report <http://www.dti.gov.uk/bbf/co-law-reform-bill/index.html> and in the USA as enacted in the Sarbanes-Oxley Act (SOX) of 2004.

This has created a new focus on corporate governance and subsequently greater pressures on non-Executive Directors in particular. But often a major source of risks lies in the portfolio of projects being run by the organisation and this is why the governance of the organisation needs to be linked with the governance of the projects and programmes it invests in.

Governance at project and programme level is different in some ways to corporate or public sector governance. It is concerned with the best use of resources, for example, as well as with risks and accountability.

The Association for Project Management defines it thus: Governance is how “businesses can assure the effectiveness and efficiency of their project management, project sponsorship and portfolio direction and how they can ensure: proper coherent disclosure and reporting of these systems and of their performance”.

In this paper we will look at each of the above aspects in turn.

## 1.2 The Legal Position

The Companies (Audit, Investigations and Community Enterprise) Act 2004 received Royal Assent on 29th October 2004,

This new act is the UK government’s equivalent of the US Sarbanes-Oxley Act (SOX). The UK government undertook a detailed analysis in partnership with business, institutional investors, independent regulators and the accountancy profession. That process led to the new Act and some additional measures.

The new Bill tightens the regulation of auditing and increases powers to investigate listed companies. It strengthens auditors’ powers to obtain information from directors, employees and others. In particular it underlines the responsibility for non-executive directors to take an independent view of the effectiveness of controls in listed companies and for the board to be made up of a majority of non-executives.

Both the UK and US legislation were fashioned to protect investors by requiring accuracy, reliability and accountability of corporate disclosures. It requires companies to put in place controls to inhibit and deter financial misconduct.



### 1.3. Programme Management and effective governance

Programmes are management frameworks for the delivery of benefits from cross-functional and temporary teams. These teams have resources invested in them in the expectation of greater returns. Note that the returns need not be purely financial and so governance is the way in which management exercises control over the effectiveness of these resources and the associated risks.

The fact that programme teams are normally temporary indicates that controls, system and governance processes may be new to the elected team and, in some cases, new to the whole organisation. By their nature, programmes are often less governed than normal 'Business As Usual'.

This emphasis on both control and accountability is also very important. The creation of programme teams, especially where a substantial investment is involved, implies a great deal of delegated authority to the programme manager or director. Running multi-project teams to either deliver technology for change or to transform the capability of the organisation often means that day to day control is taken from the line managers who nominally "own" the resources.

In fact, where this doesn't happen the imbalance which results between authority and accountability can lead to significant organisational stresses, with subsequent impacts upon morale and staff turnover. The challenge for senior managers, therefore, is to delegate enough control to empower the teams (and to encourage further devolution of responsibility) while holding people accountable for the effectiveness of the effort expended.

More than this, the real issue is to be seen as empowering the programme teams, by providing guidance, seeing opportunities and resolving conflicts between functional interests through stakeholder representation.

This leads us to two important conclusions: firstly, that programme and project governance is inextricably linked with corporate governance, in that the policy on risks, direction and accountability must be set by the Board. Secondly that the balance of investment in the short, medium and long term aims of the organisation are ultimately the responsibility of the Board and should be overseen through programme governance.

The design of programme governance is highly specific and is both organisation and situation dependant. Best practice can help us to consider the factors to be taken into account when putting in place or reviewing governance but what it cannot do is to tell us the right answer for all cases.

Programme governance does, however, need to be fit for purpose and some of the considerations are as follows:

- Are projects of sufficient scale and risk to warrant their own Change Control Boards or Project Boards? If so, what should their terms of reference be? In effect, where organisations operate programmes of change the Project Board may have delegated authority from,,,

- Programme Boards or Steering Committees. These too, must have clear terms of reference, delegated authority from the Board and cross-functional membership to reflect the stakeholders in the programme.

- Does the programme involve complex technology or highly specialist knowledge? If so, a Technical or Design Authority may be needed to agree scope changes which affect the technical characteristics of the product or capability produced or configuration management changes which impact the target benefits.

- Lastly, and most contentiously, the Programme Team is another form of governance depending on the skills of the programme manager and the degree



of delegated authority from the Programme Sponsor and Programme Board to the Programme Manager. In fact, it is very important that the Programme Manager feels empowered and accountable for the management of risks and issues through his or her team. In a large programme of, say, 30+ projects, dozens of decisions are being made each week and it is simply impossible for senior management to be involved in them all.

A further consideration, but beyond the scope of this paper, is the role of the Enterprise Programme Office (EPMO). This can be a very effective way to exercise governance across the portfolio of programmes by having a dedicated team with functional responsibility for the investment and reporting. This works well because it allows a senior management focus on programme effectiveness without the obligation to manage a functional organisation at the same time.

Members of the EPMO also understand the special nature of programme direction. As custodians of best practice (really shorthand for a consistent methodology, role definitions and processes) the EPMO can understand the need for effective translation of business strategy or public sector policy initiatives into programme goals and vice versa.

Perhaps the over-riding arena where directors and non-executives may be called upon to demonstrate their application of good governance practice is in the process for selecting and prioritising programmes. A very large part of an organisation's investment will be made through programmes of work and it is therefore essential that the organisation is able to show that a logical, rational process for programme selection and prioritisation has been followed in all cases.



## 1.4. The role of IT Systems in Programme Management Governance

### 1.4.1. Portfolio Management

It is virtually impossible to track the resources, costs and planned returns from a portfolio of programmes without IT systems. Keeping such information updated and pro-active scenario planning at the project and programme level demands it. The most effective way to model and track the activity of a complex series of projects is on an end-to-end process basis in near-real time (i.e. with programmed updates).

This allows expert staff and managers to understand what effort is planned for what duration and to what effect. Since in real life, projects are subject to constant change, it also enables decision making based on a “whole picture” view.

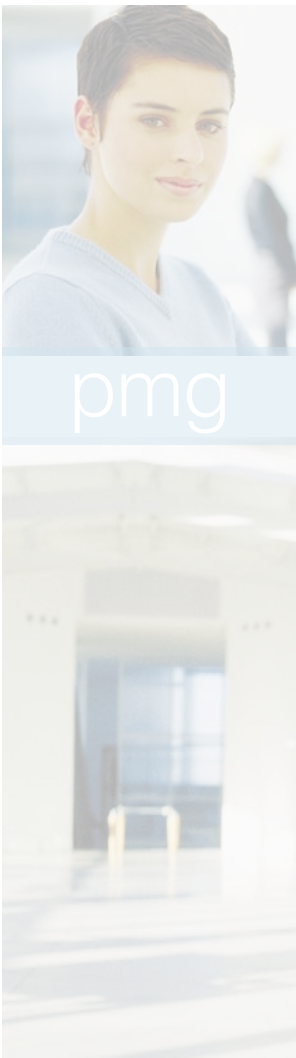
Decision Support tools will make possible a process of modelling proposed programmes in terms of the required investment, resource requirements, and planned benefits in such a way that they may be cumulated. Only when existing and proposed programmes have been modelled collectively can the most beneficial group of programmes that lie within the organisation’s ability to deliver change be selected and prioritised.

Important considerations in the choice of an IT system for this purpose are:

- To be able to define the organisation’s strategy in balanced score card terms so as to see the dimensions which are targeted for change and how they will be measured
- To be able to define contender programme business cases in terms of investment, financial and non-financial return and to review ongoing investments against target
- To be able to select the optimal mixture of programmes in terms of a number of criteria such as return on investment, short versus long term and sell-side versus buy-side
- To be able to monitor actual performance against baselines and understand the risk to the target cost-benefit ratio
- To be able to base-line those expectations and track variances, even after the programme is delivered

Hydra Executive has been designed to exactly meet this need.

If you need help evaluating IT solutions download the [free evaluation guide](#)



## 1.4.2. Knowledge Management

An important consideration in effective governance is the management of knowledge alongside the management of risks and issues and the management of costs. Knowledge Management has two main aspects, firstly the management of knowledge and information inside the programme team and its stakeholders and secondly the organisational learning which comes from capturing experience and insights. It is vital that lessons learned are applied to subsequent programmes and project portfolios.

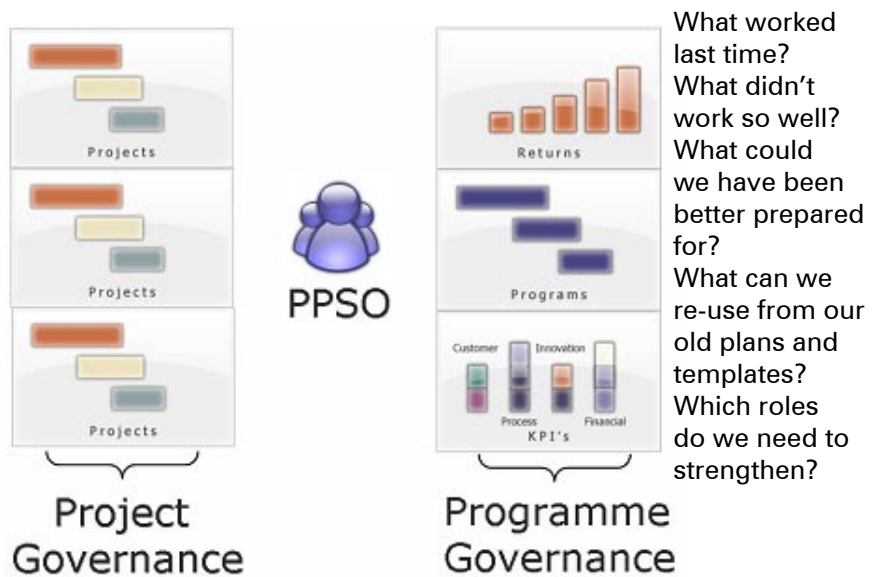
Modern IT systems facilitate both types of knowledge management through sophisticated document control services, web access, authentication and access control. This enables, for example, the programme team to share and update their stakeholder contact plans without this sensitive information being available to those outside the team and for programme reporting to be as simple as sending a URL link in an electronic mail message.

It does, however, like so many aspects of effective programme management, need processes and discipline. The Programme Team need to meet (at least the core team) at the outset of the programme to plan how they will approach the task.

At this meeting a review of lessons to be learned from previous, similar programmes can avoid repeating mistakes. Of course, knowledge should be gained from historic successes as well as failures.

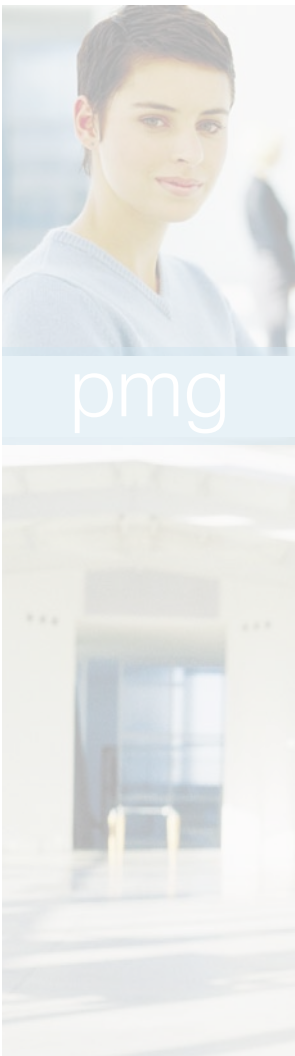
This is particularly useful in terms of the culture of the organisation, where a very important insight is how the considerable theory on the subject is best applied in this context. Innovations in programmes often happen more frequently than we imagine but are lost to the organisation unless actively captured.

Some key questions:



This is important to the team, increases the probability of success and is therefore something that the governance bodies should check for. A similar review by the governance bodies of what they can learn from previous programmes would be not only leading by example but good practice to boot.

Hydra Collaborator is a project and programme orientated collaboration tool which facilitates Knowledge Management.



### 1.4.3. Roles and Responsibilities

All programmes need a number of basic things to be in place. Like an Architect's drawings, a Quantity Surveyor's Bill of Materials and the Project Manager's Plans are essential for a building construction, so a programme needs basic Policies, Processes, Structures and Methodology to work as a coherent whole.

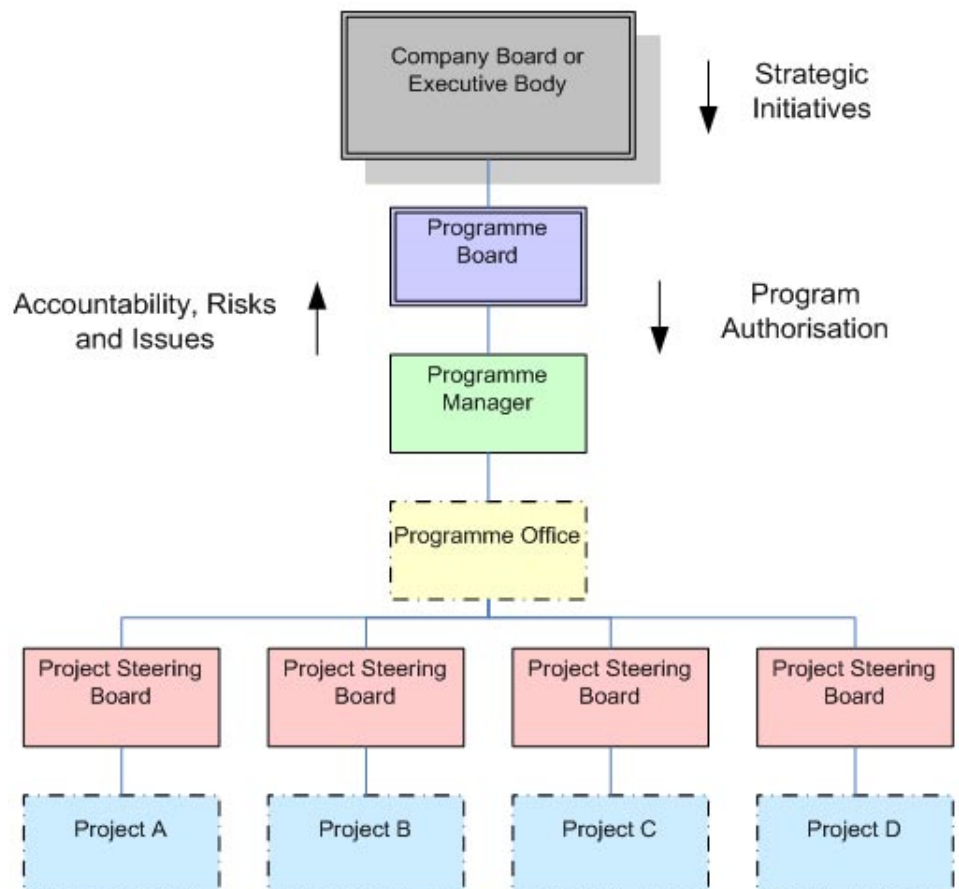
In particular, roles and responsibilities are contained in the methodology used for the programme, and Program Management Group provides the Hydra Framework for this purpose. It can help organisations apply the project and programme management methodology consistently (rather than every Project Manager simplifying Prince2 their own way) and to make appropriate decisions on the level of management focus required.

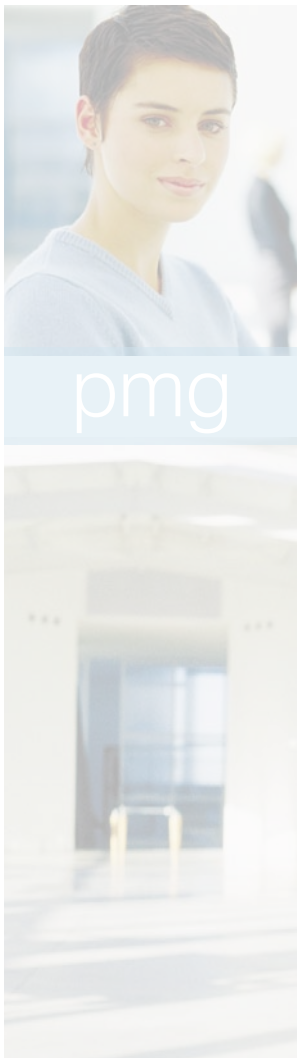
The Hydra Framework is structured in five layers to provide appropriate access to the programme management community dependant on need and role. It also contains Hypertext links to documents and forms in the Hydra solution or other applications used for source documents.

This sets out the lifecycle of projects and programmes with which roles are needed at each stage, how work progresses between stages, is approved or not and how delivery is agreed.

The key roles in a Programme Management Team should be agreed by the Senior Sponsor and the Governance Body which he or she chairs. This needs to contain enough specialism to provide focus and to reflect the scope of the programme but not so much that it creates management interference, or leaves the team open to accusations of being "an overhead", although, of course, they are in an accounting sense.

#### Levels of Governance in Programme Management





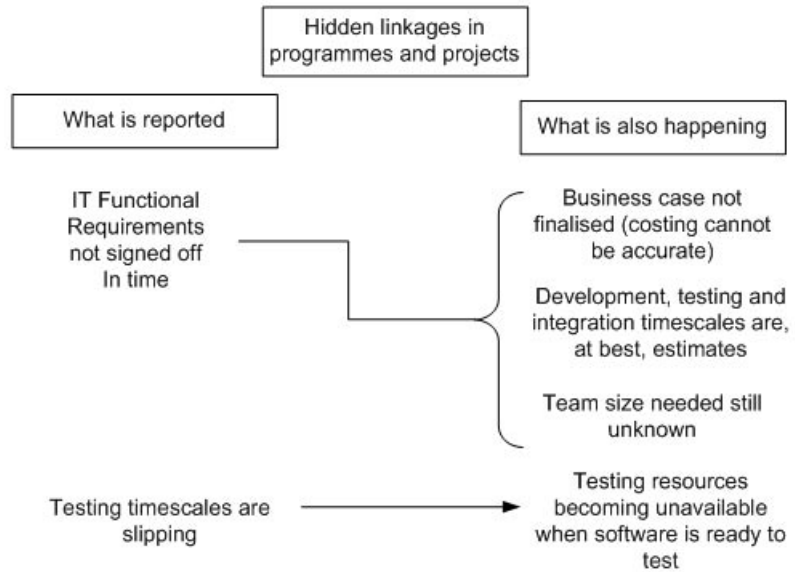
#### 1.4.4. Programme Reporting and Control

All programme teams rely on information as their lifeblood. Governance without accurate, timely and relevant information (not just data) is like flying an aeroplane without instruments – fine when everything is going well.

Once a programme is under way it quickly starts to generate a lot of information and much of it is only relevant to the layer of the programme structure which generated it. (See diagram above on levels of governance).

Exercising effective control is therefore about both managing by exception – look only at what is off-plan, not at what is going to plan – and by understanding the linkages between events.

An example of symptom and linked factors is shown below and refers, for purposes of illustration, to a typical software delivery programme

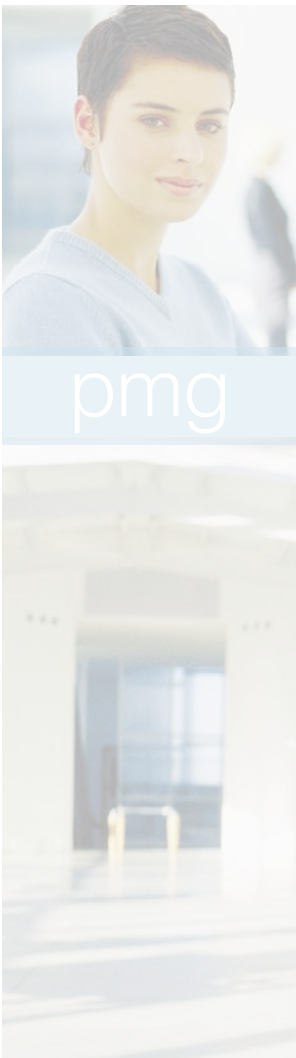


Programme reporting is often the responsibility of the Programme Office or Centre of Excellence in the Public Sector. It needs to show the information (what is happening), the effect on future plans (what this implies) and what the magnitude of corrective action needs to be. Only by seeing the linkages between events and risks can the governance bodies exercise effective control and really add value by drawing out insights for all key stakeholders.

Effective control is a subtle and intricate thing. Senior Management must be fully represented on governance bodies where they are significant stakeholders in the outcome which is planned for the programme but must resist the urge to interfere when the pressure is on. Concerted action is essential and managers and directors need to understand that it takes times for interventions to take effect. Too many interventions leads to the outcome of one decision not being clear before another decision is taken which impacts the same resources, leading to overload.

A further risk for governance bodies is of dis-empowering the Programme Manager or Programme Director by resorting to micro-management when the pressure is on. This should be resisted as it not only is likely to demoralise the leader and his or her team but takes the person who is closest to the tactic knowledge about the programme out of the decision making loop. It is better to replace the Programme Leader if the governance body do not have faith in the way that the programme is being run or its ability to manage risks, although they should first look at the way they are working in facilitating change.

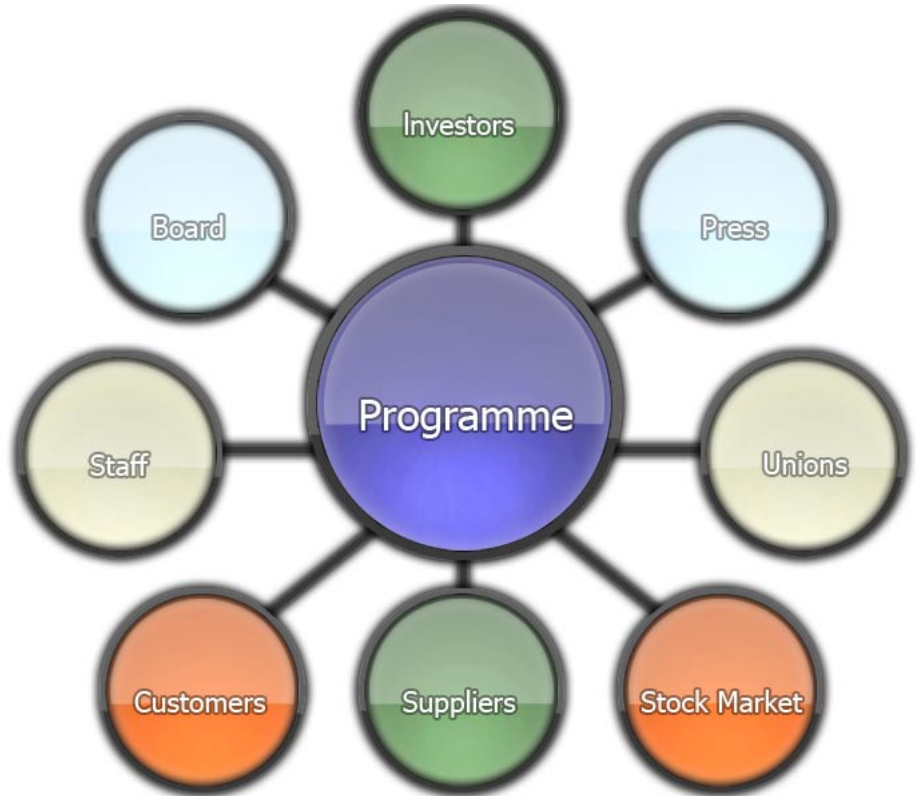
Hydra Reporter has been used by a number of organisations to deliver these functions.



### 1.4.5. Programme Communications

Programme communications is a major role of programme governance. The governance bodies must take responsibility for the messages received by all stakeholders and the timeliness and relevance of what is reported.

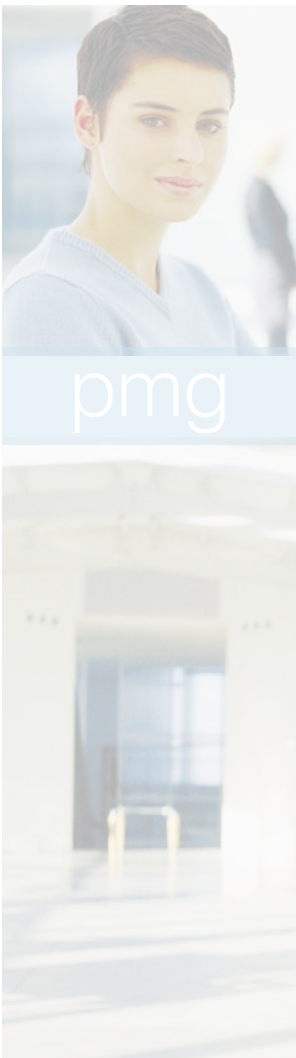
The Wider Stakeholders



Not only must the whole range of stakeholders be considered in programme communications, the use of media is too and it is vital that all communications to external stakeholders is under the supervision of the appropriate governance body.

Specialist help, perhaps on an invitation basis, may be needed for announcements which could be share price-affecting or which could affect contracts in place with either suppliers or customers.

Hydra Reporter has been used by a number of organisations to deliver these functions.



### 1.4.6. Standards and Documentation Governance

It has already been stated that setting clear policies is the role of the Programme Board or Steering Committee and these policies will include standards of documentation to be used and any standard formats or pro-formas. Additionally, the governance body must approve the quality assurance strategy to be used at both programme and project or work-stream level.

A Quality Strategy must encompass a number of key aspects of the programme: the level of documentation required, how configuration management is to be carried out, the management of requirements and technical standards and what tests of quality will be applied to the outputs of the projects.

Hydra Framework can assist in this by setting out both documentation standards at the outset of a project or programme and by advising on the level of governance required, based on the complexity, cost and risk profile of the programme.

Specifically, it includes the following:

- how to start the new project
- what documentation will be required
- who should approve the proposal through the governance process
- who should be informed about the proposal at each stage
- A template and/or sample of the project initiation document itself
- The flow-control for the selection and gateway reviews of projects

The architecture of the Hydra Framework has the following levels: Key is the level of strategic programme planning. Major represents a very significant programme investment, Detailed is the project plans behind the programme plan and Individual is the plans of the people concerned with the project. Finally, Templates is a database of forms, report formats and plans used throughout the programme and project life-cycle.

The types of measures that will be the basis of documentation and therefore, reporting are:

What documentation is needed for each of the stage gates?

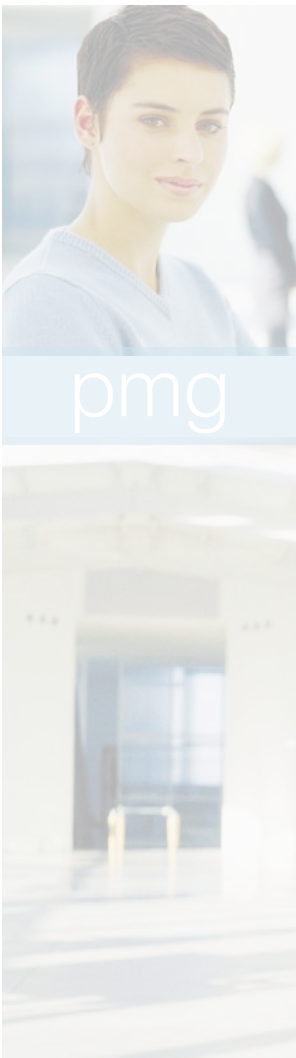


What are the project or programme financial approvals?

What is the Business Case format and which benefits apply?



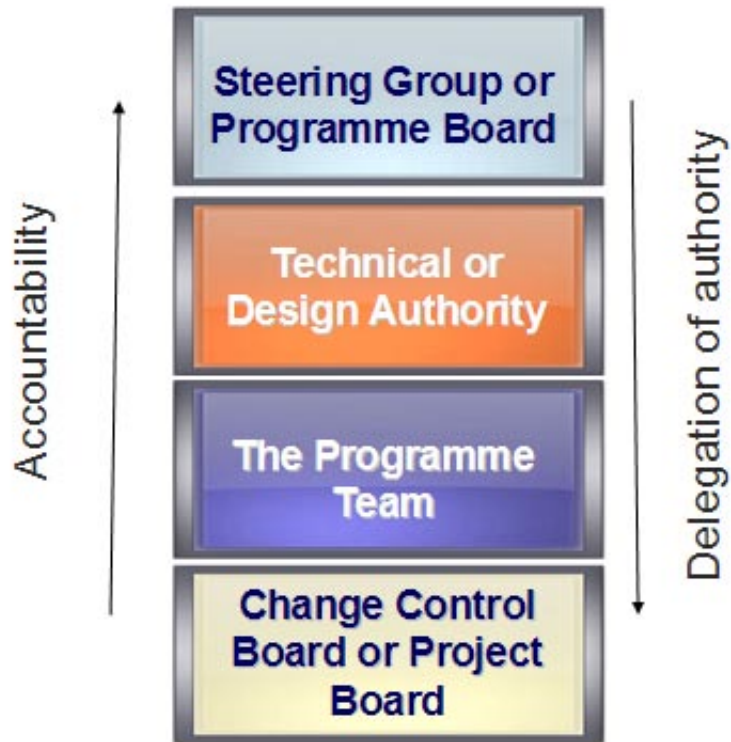
What is the level at which risks and issues are to be tracked?



## 1.5. Conclusion

Governance is becoming more important both as a result of political scandals which reach the press and because it is a major concern of all stakeholders in the change process. The level of accountability expected is greater than ever and as the scale of programmes increases the complexity demands integrated decision making between senior managers.

Programmes are often too complex in their technical, financial and operational impacts to be left to a single individual to drive and review. No-one can be an expert on everything and in business this is being recognised by specialist governance such as Technical Review Boards (see below).



Programme governance is nonetheless not a matter of “getting it right” but rather of “getting it right for your organisation”. It is clearly a different proposition to change a health service infrastructure than to upgrade a call centre and the governance as with the programme management approach must be fit for purpose. Information is critical as is the involvement of the right people and that they clearly understand their roles. For this purpose we have referred to the Hydra solution as an example of how this type of sophisticated software can support good governance but to evaluate or design effective governance you might need the help of our [consultants](#).

If you have found this white paper of interest why not download our white paper on Program Portfolio Management, also written by Geoff Reiss. [Click here to receive your FREE copy now.](#)



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