Governing to Create Value

Construction CPM Conference

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New Orleans

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Governing to Create Value: the vital connection between controls and governance

1. It is impossible to govern or manage effectively without accurate controls data

2. Good governance is needed to **allow** the creation of accurate controls data
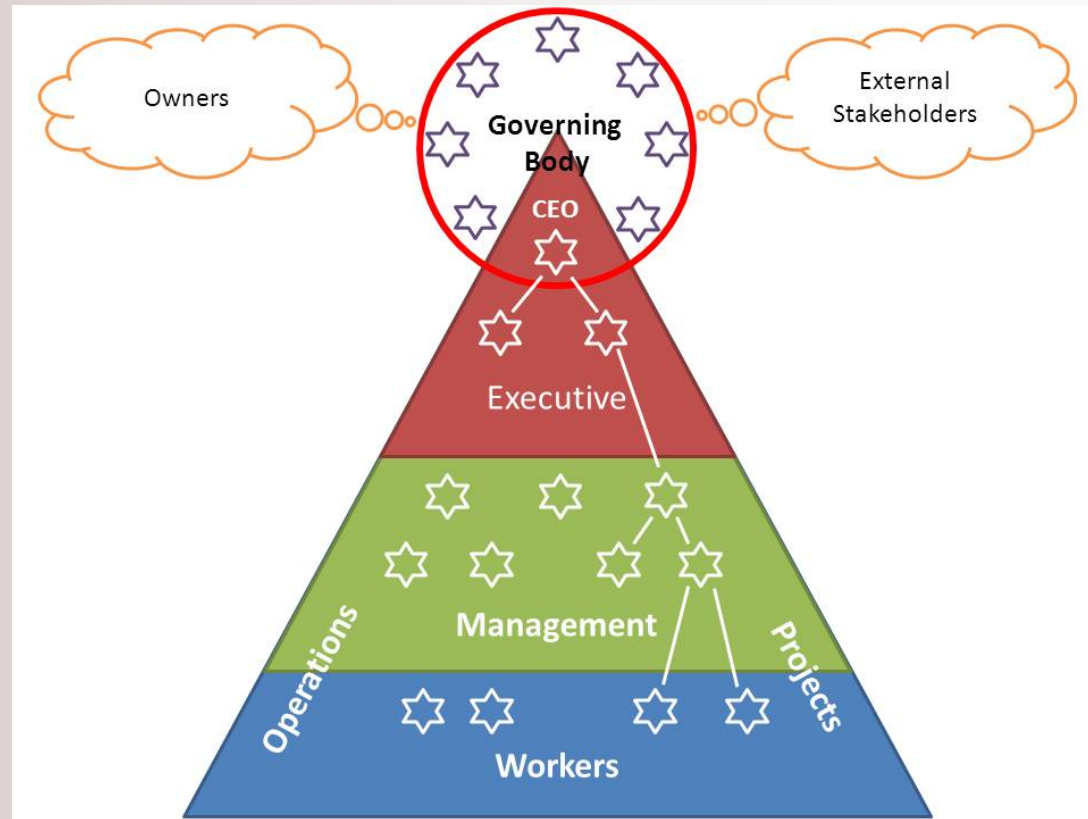
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Presentation Outline

- What is the difference between management and governance

- How does governance and controls interact

- How ISO 21505 and the GAO *Schedule Assessment Guide* will help

- Conclusion

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Governance -v- Management

- **Governance and Management are different functions**

- Governance sets the rules and objectives for the organisation

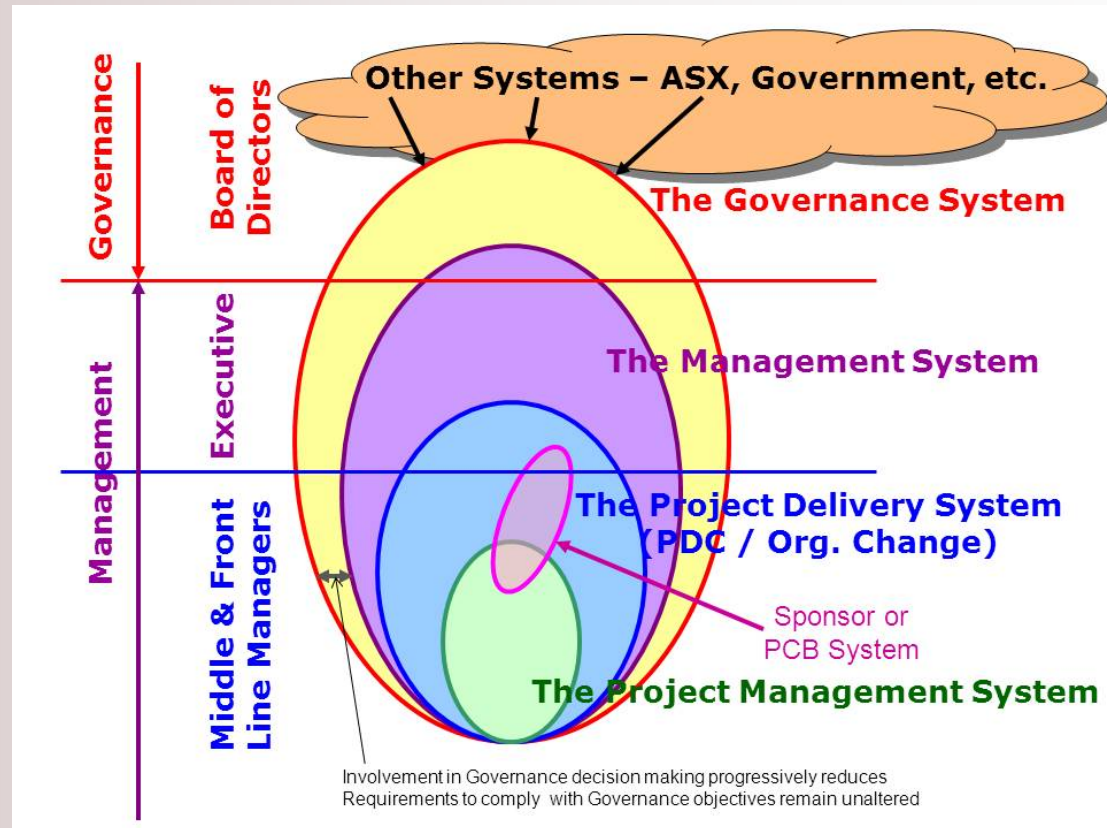- Management works within the rules to achieve the objectives

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Governance -v- Management

- The governing body is responsible for governing the organisation to achieve **Conformance** and **Performance**

Governance -v- Management

- Some governance functions may be delegated to management

- The governing body remains accountable

- Delegations must be designed

See: http://www.mosaicprojects.com.au/WhitePapers/WP1084_Governance_Systems.pdf

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Functions of Management

- Henri Fayol (1841 – 1925) defined the five functions of management in *Administration Industrielle et Generale*
  - To forecast and plan
  - To organise
  - To command or direct subordinates
  - To coordinate
  - To control (*our type of control*)
- These functions are 100 years old!

See: http://www.mosaicprojects.com.au/WhitePapers/WP1094_Defining_Management.pdf

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Functions of Governance

- Dr. Lynda Bourne proposed six functions of governance in 2014
    - Determining the objectives of the organisation
    - Determining the ethics of the organisation
    - Creating the culture of the organisation
    - Designing and implementing the governance framework for the organisation
    - Ensuring accountability by management
    - Ensuring compliance by the organisation

See: http://www.mosaicprojects.com.au/WhitePapers/WP1096_Six_Functions_Governance.pdf

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Governance & Management

- Governance and management systems are dependent on each other
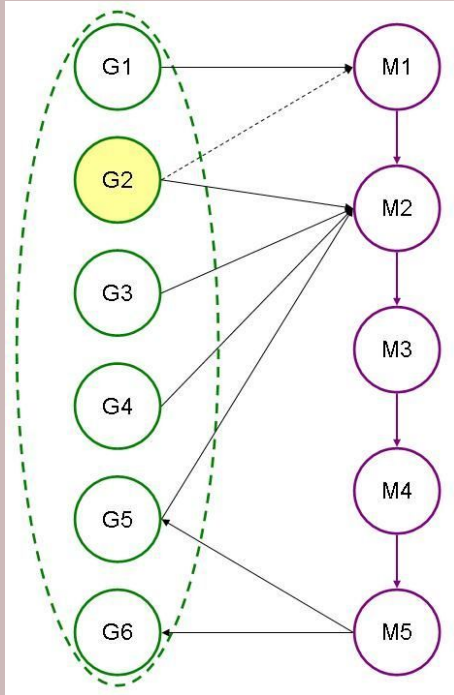
Governing to Create Value
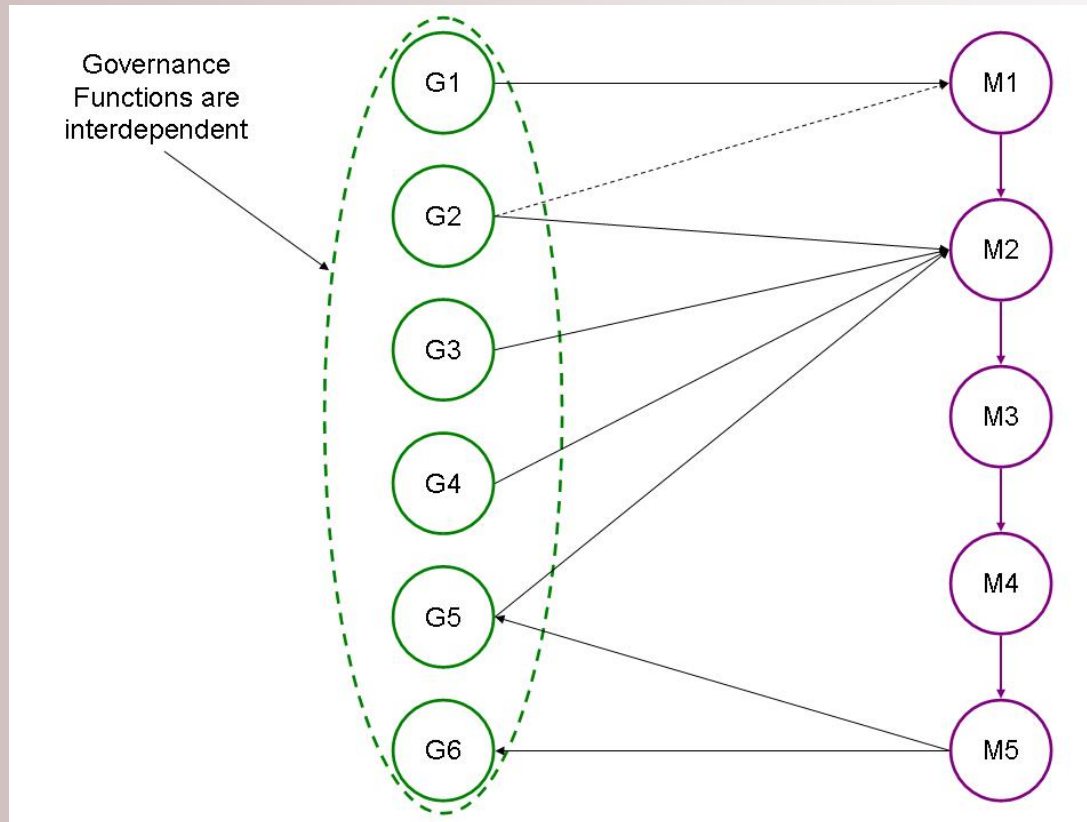
G1 – Set Objectives
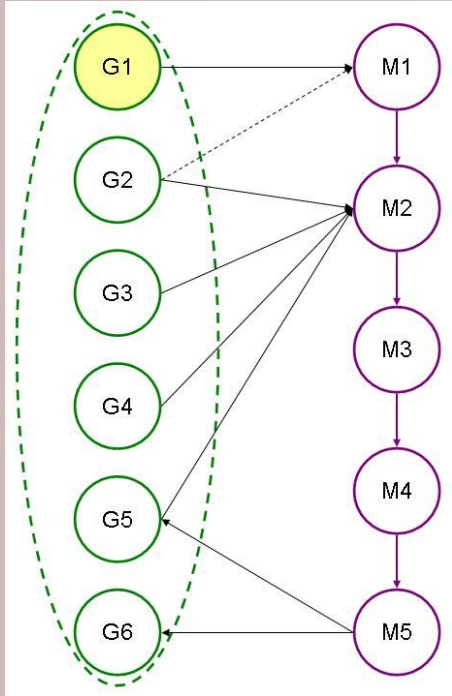
- The Governing Body determines the objectives of the organisation:
  - Vision and mission statements
  - Strategic objectives

G2 – Determine the ethics

- The Governing Body sets the ethical standards of the organisation by:
  - Policies and statements
  - 'Walking the walk'
  - Employing ethical people
  - Sanctioning unethical behaviour

- **Ethics start at the top**

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M1 – Forecasting & Planning
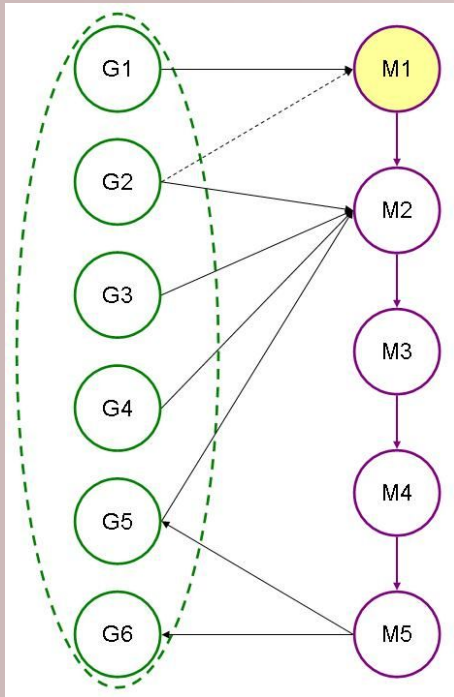
- Strategic planning (Joint responsibility)

- Tactical planning

- Operational planning

- **Portfolio management**

- **Project and program planning**

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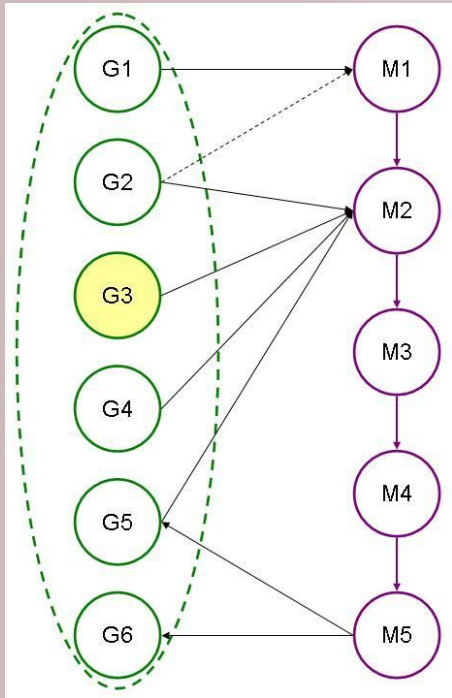
G3 – Culture

- Designing and developing the culture of the organisation
- The right people
- The right way of working
- The right approach to stakeholder engagement
- **Honest & truthful reporting**

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G4 – Governance Framework
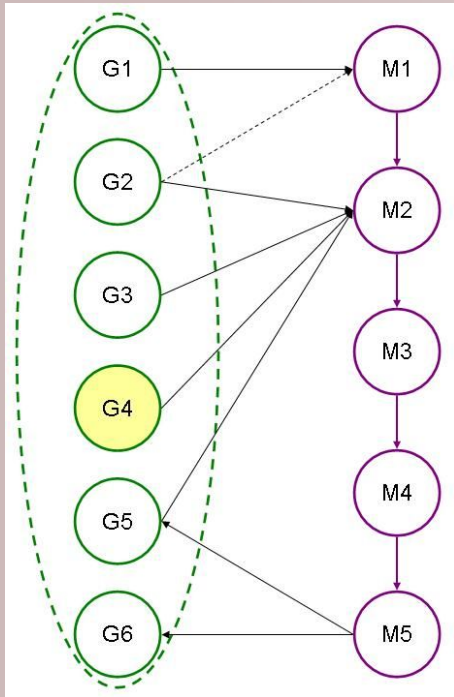
- Designing the organisation
- Accountabilities and responsibilities
  - For management and mangers
  - For delegated governance functions
  - For decision making
  - For reporting and escalation routes

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M2 – Organising
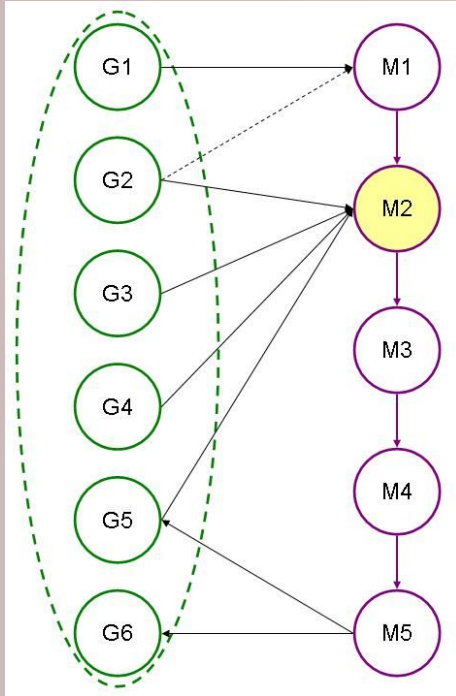
- Developing the organisation's structure based on governance requirements
- Maintaining the organisation
  - Ethics
  - Culture
  - Capabilities
- **PMOs and 'management of projects'**

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M3 – Directing the Work
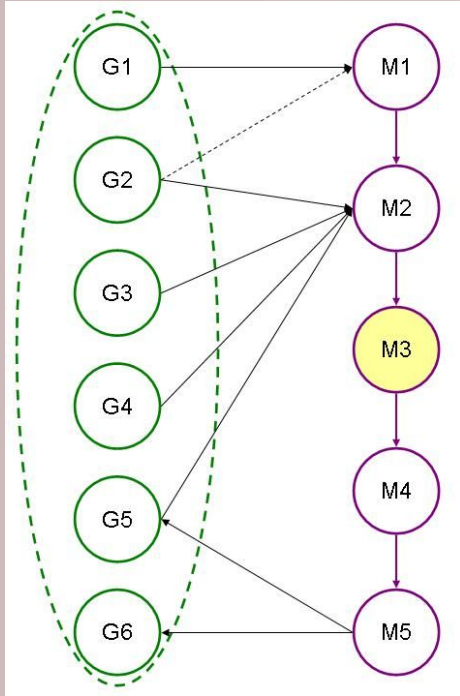
- Directing and leading lower level managers and workers
- Ensuring subordinates conform to standards
  - Ethics
  - Culture
- Decision making, risk and issues management
- Stakeholder engagement

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M4 – Coordination
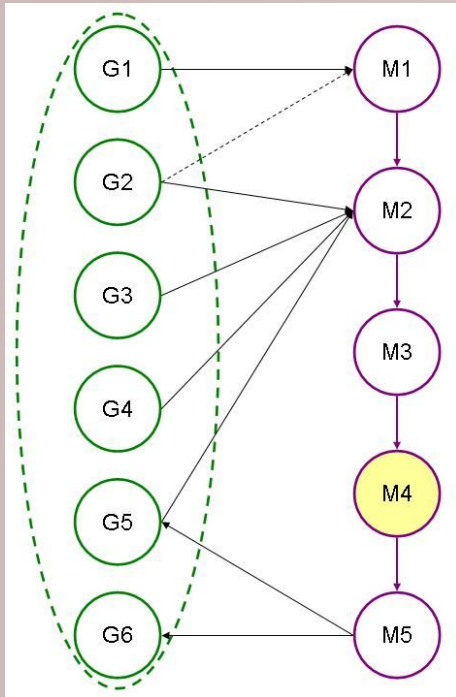
- Balancing competing needs and issues

- Ensuring the other 'functions of management' integrate and support each other

- Ensuring performance and conformance of the organisation and its people

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M5 – Controlling
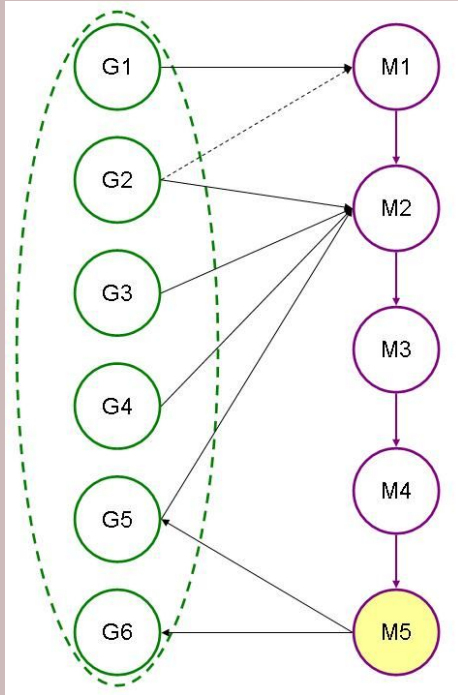
- Ensuring the 'right plans' are in place and in use
- Comparing actuals against the required standards at appropriate intervals
- Taking corrective and preventative actions
- **Reporting on performance and conformance**

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G5 – Accountability
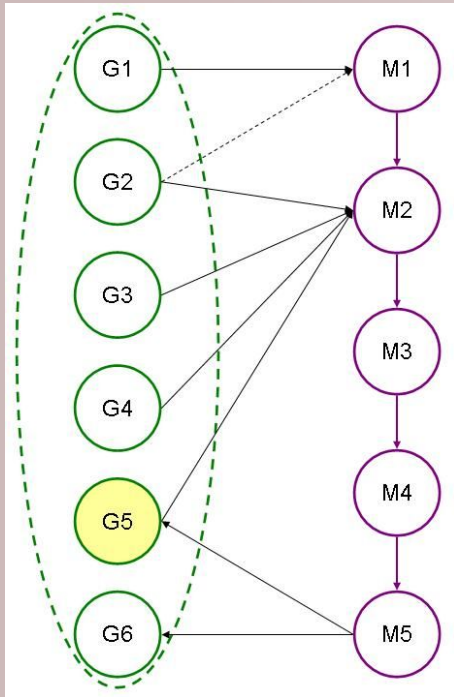
- Holding management to account

- Requiring improvements in the organisation (M2)

- Taking other corrective and preventative actions

- **Based on reports**

  – Ensuring the right information is available at the right time is a key governance issue

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G6 – Compliance
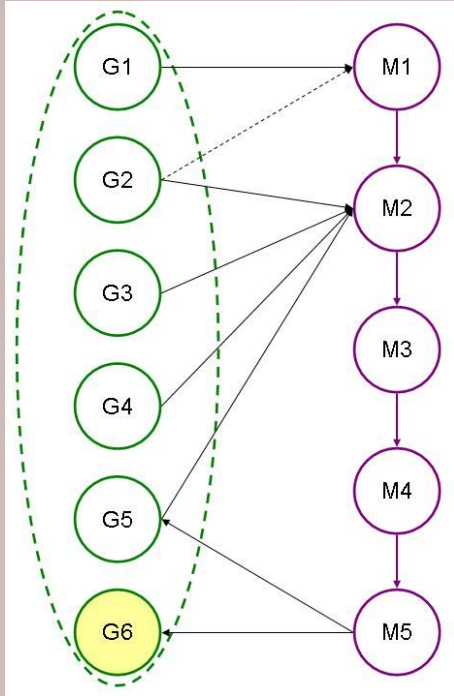
- Providing stakeholders with assurance on the organisation's
  - Conformance
  - Performance
  - Future directions
- Conforming to regulatory and other requirements
  - SOX, etc.
  - CSR, etc.

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Governance & Management
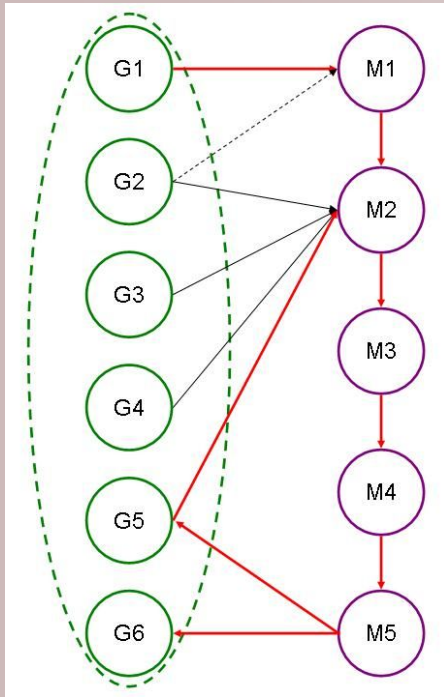
- If projects and programs are a significant element in the organisations activities…

- Project controls are a critical element in the overall cycle

- Both for management and for governance

- **But we need a well governed organisation to operate effectively!**

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Governance & Management

- Most project failures are caused by management failures (not PM failures)
  - The projects are set up to fail!
  - But the PM gets the blame
- Allowing bad management to exist in an organisation is a governance failure
  - Allowing inadequate, incomplete or dishonest planning and reporting
  - Allowing managers to ignore information

See: https://mosaicprojects.wordpress.com/2012/03/25/project-or-management-failures/

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Governance & Management

- Good management needs good information to support decision making

- Good governance needs good information to support decision making

- Good governance requires management to invest in obtaining good information
  - Skills and training
  - Adequate time to do the work properly
  - Proper support (particularly if the news is 'bad')

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Governance & Management

- Bad management is becoming increasingly untenable:
  - Legislation SOX, etc (world wide) require predictions based on supportable evidence
  - ISO 21505 defines 'PPP Governance
  - GAO *Schedule Assessment Guide* (Dec.2015)
  - PMI's *Guide on Governance*

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ISO 21505

- Project, programme and portfolio management - Guidance on governance

- Final international review in progress

- Publication late 2016 / early 2017

- **Provides guidance on the framework and principles for the governance of projects, programmes and portfolios from pre-project considerations to post-project evaluations**

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ISO 21505

- Governance Guidelines
  - Establish and maintain framework
  - Enable Performance
  - Support ethics and sustainability
  - Support information integrity, security and disclosure
  - Respect stakeholders
  - Establish and monitor management policies (risk, safety, etc.)

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ISO 21505

- Typical ISO standard
  - Describes 'what' is needed
  - Does not go into 'how' it is achieved
- The existence of an ISO standard will remove the option for management 'not to know'
  - Failure to conform will expose management to negligence claims / class actions

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ISO 21505

- 21505 also provides project controls professionals (PMO managers, etc) with a leaver to start organisations on a journey towards better information systems
  - The final DIS (draft international standard) will be released for comment soon
  - The final standard will be very similar
- 21505 = 'What', we also need 'How'

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Schedule Assessment Guide

- Published on 22nd December by U.S. Government Accountability Office (GAO)

- ***Schedule Assessment Guide: Best Practices for Project Schedules*** (GAO-16-89G)

- Companion to GAO *Cost Estimating and Assessment Guide (2009)*

Download (free) from: http://www.gao.gov/products/gao-16-89g
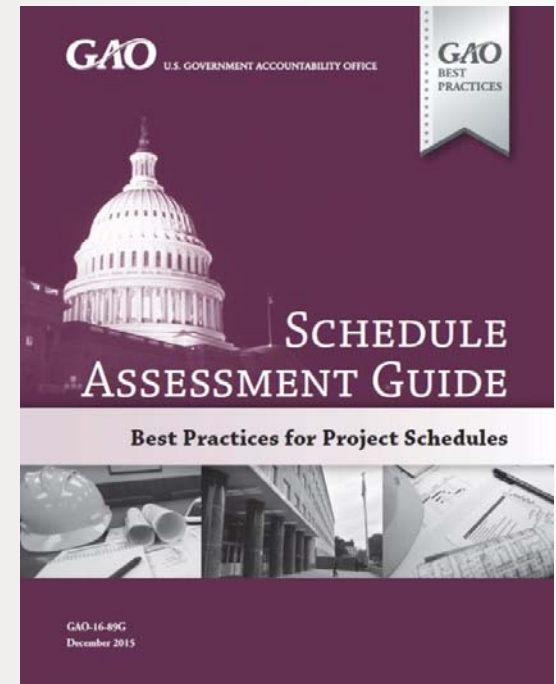
Schedule Assessment Guide

- Applies to civilian and defence projects managed by either government entities or private contractors in the USA

- Ten best practices + audit guidelines for each

- Consistent with ISO 21505

- Moves beyond technical conformance towards objectives

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Schedule Assessment Guide

- Best practices:
  - Capturing all activities
  - Sequencing all activities
  - Assigning resources to all activities (except summaries and milestones)
  - Establishing the duration of all activities
  - Verifying that the schedule can be traced horizontally and vertically

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Schedule Assessment Guide

- Best practices:
  - Confirming that the critical path is valid
  - Ensuring reasonable total float
  - Conducting a schedule risk analysis
  - Updating the schedule using actual progress and logic
  - Maintaining a baseline schedule
- This is not 'rocket science' but does represent good practice

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PMI's Governance Guide

- ***Practice Guide for the Governance of Portfolios, Programs, and Projects***

- Published 2 weeks ago

- Free download from www.pmi.org

- Focus on the implementation of the **management** of PPP (not governance)

- For my initial views see: https://mosaicprojects.wordpress.com (scroll down to locate)

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PMI's Governance Guide

- **Very confused document!**

- But does offer some useful guidance on the complex area of *'managing project management'*

- And does require good controls information to inform management decision making
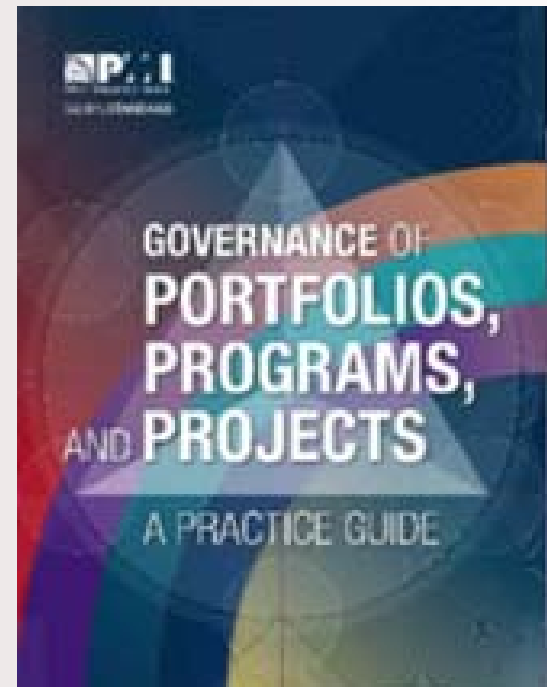
Conclusion

- The political landscape is changing
- **<u>Not</u>** having good project controls is becoming untenable – managers will be sued!
- Bad practices such as falsifying reports will become increasingly risky
  - As will failing to act on controls information

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Conclusion

- We can use this opportunity to enhance the status of project controls
  - Increase professionalism through training and certification
  - Become strategic as well as tactical
  - Chief 'project officer' in the 'C-suite'
  - Improved tools and techniques
- The next couple of years will be interesting!

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Questions Please

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Mosaic's Scheduling home Page
www.mosaicprojects.com.au/Planning.html

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