The only risk in project governance is not having it.
Introduction

Conduct a quick Google search on ‘why projects fail’ and you will receive six million hits. However, type in ‘why projects succeed’ and you will receive 38.4 million hits. So where do we best learn from? The answer is from both.

Documented reviews of failed projects have highlighted the financial waste and provided significant analysis on what went wrong. Issues identified include poor governance, lack of user involvement, scope creep, poor testing, complex technologies (in IT projects) and poor business requirements. Despite all the literature and evidence, the one thing which is clear is that organisations are not really learning from the previous lessons.

One reason is that there is no one overriding factor that causes project failure. The issues mentioned are all interlinked and are not really ‘technical’ issues, but rather ‘human’ issues that relate to management and training.

The factors of successful project management have been documented for years, they just need greater attention.

The VMIA’s Risk Management in Project Governance Roundtable set out to examine how an effective risk management approach to project governance can be used to ensure the maximum project benefit and potential.

The roundtable was facilitated by Maggie Andrews, a Director of Exner and involved senior Victorian Public Sector professionals and VMIA representatives:

- Andrew Greaves, Assistant Auditor-General, Performance Audit, Victorian Auditor-General’s Office (VAGO)
- Nick Pelham, Head of Gateway, Department of Treasury & Finance (DTF)
- Tony Ralph, Risk Manager, Projects, Transport Projects Division, Enterprise Risk Services, Department of Transport
- Ben Gelnay, Manager Policy and Procurement, Capital Works, Department of Health
- Dr Lynda Bourne, Stakeholder Engagement Consultant, Mosaic Project Services P/L
- Dr Len Gainsford, Director of Audit and Assurance, Department of Infrastructure
- Stephen Owen, Manager, Strategic Risk Management, VMIA
- Richard Ager, Risk Management Adviser, VMIA

This report summarised the discussion and outcomes of the roundtable.

We wish to thank those participants who have generously given their time, experience and intellect to this important topic.

The VMIA Roundtable

The VMIA runs a roundtable series based on priority risk areas, to identify and scope specific risk initiatives that the VMIA could consider.

The VMIA roundtables host a small group of key subject experts from across the public and private sectors to determine major industry-wide issues which could benefit from further investigation or project development under the VMIA Risk Management Partnership Program.

This program offers financial and management support to risk management projects undertaken by our clients that are designed to help improve the management of risk across the public sector. Previous roundtable topics have included risk management culture, social media, mental health and procurement risk management.
Risk Management in Project Governance

While the discipline of risk management has come of age, we continue to observe projects failing to deliver successfully against expected or desired outcomes. There is a growing body of evidence to suggest that project governance is one of the critical success factors for project success¹. The UK Government lists ‘decision making failures’ as one of the top five causes of project failure.

The Victorian experience has been similar. The Department of Treasury & Finance’s Gateway Unit’s research reveals that governance and stakeholder management issues are the second and third most common drivers of project failure².

The most common causes of project failure, as cited by the interviewees and in research, include:

- Lack of clear link with strategic priorities.
- Lack of clear senior management and, in the case of the VPS, ministerial or high level ownership and leadership (whatever is appropriate).
- Lack of effective stakeholder engagement.
- Lack of skills and proven approach to project and risk management.
- Lack of understanding of supply industry.
- Initial evaluation of project proposals or business case driven by price, rather than value for money.

- Too little attention to breaking down development and implementation into manageable steps.
- Insufficient resources in projects to ensure good governance capability and practice.
- Insufficient recognition of the importance of stakeholder representation and engagement.

The complex issues surrounding the governance and the use of effective risk management in projects have been described, surveyed and reported on at length by a range of authorities. Research indicates a number of common elements of effective project governance are:

- Informed decision making.
- An ability to provide appropriate direction.
- An appropriate and widely understood project management framework.
- Skills and capability (knowledge and experience) of the people exercising the governance function.
- Accountability.
- Transparency, the passage of information and communication.
- Common and clear understanding of desired outcomes.
- Stakeholder representation.

² Ross Galland. Developing a Project Governance Framework, viewed Aug 2011
Risk management, along with other important knowledge areas of project management, contributes to a decision maker’s ability to make informed decisions about many aspects of the project. While the relationship between risk management and project governance may appear self-evident, it seems pertinent to start with an understanding of the meaning and purpose of the concept of governance. The concept originates from the word ‘government’ or ‘to govern’.

In the context of the Victorian Public Service (VPS), just what is good project governance? What are its features and how is it best used within a risk management framework to achieve optimal project results? What are the common failures or potential risks in project governance practice?

In Victoria, every year, hundreds of projects worth billions of dollars are undertaken. The VPS employs a large number of project personnel across many disciplines to manage and run them. So, why does project governance not always work? What are the known and unknown risks of project governance in the public sector? What are the barriers to effective risk management in project governance?

The VMIA’s Risk Management in Project Governance Roundtable sought to answer these questions and discuss issues surrounding project governance as practiced in the VPS.

Some definitions:

“Governance is what governments do and in this sense it clearly includes representation of the people of a nation and the command is via the parliament and the ministers …So, governance in its broadest sense, is strategic, seeking to influence or control behaviour seeking truthfulness, fairness, transparency, probity or integrity in the way we achieve a stable and healthy society.”


“Governance involves a set of relationships between a company’s management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined.”

OECD Principles of Corporate Governance 2004, Organisation for Economic Co-operation and Development

“Project governance is defined as the extension of the principle of governance into the management of individual projects.”

The Association for Project Management, UK

“Governance of project management is a subset of the activities involved with corporate governance. It also means that most of the methodologies and activities involved with the day-to-day management of individual projects lie outside the direct concern of corporate governance.”

Directing Change: A guide to governance of project management 2007 Association for Project Management, Buckingham Shire, UK


4 Ibid
Q&A: Discussion Topics

Effective project governance has a major role in underpinning project success and it should result in efficient and timely decision making. And, while it can be examined as a discipline unto itself, project governance is, ultimately, a key component of overall professional project management.

Project governance not only provides a framework for the organisation of responsibilities and decision-making capabilities, it also ensures that the project implementation and execution will go smoothly. Before the project starts, it is determined who will make project-related decisions and how they will make them. Setting up project governance decreases the probability of poor controls during the life of the project.

The following discussion topics formed the basis of the discussion of the roundtable:

What are the components of good practice in project governance? Are these documented, understood and effectively applied across the VPS?

What are the ‘typical’ failures in project governance across the VPS?

The project governance framework is supported by three pillars: Structure, people and information/communication. What must be improved?

How important is it that project governance manages stakeholder expectations and what are the risks of not doing this right?

• Stakeholder management
  • Describe the proper flow of information regarding the project to all stakeholders.

• Project management effectiveness and efficiency
  • Disciplined governance arrangements, supported by methods and controls, which are applied throughout the project life cycle. Ensure the appropriate review of issues encountered within each project and that project management governance is exercised rigorously.

• Project accountabilities
  • All projects have an approved plan containing authorisation points at which the business case is reviewed and approved. Decisions made at authorisation points are recorded and communicated. Ensure that required approvals, accountabilities and direction for the project are obtained at each appropriate stage.

• Reporting and escalation
  • Clearly defined criteria are set for reporting project status and for the escalation of risks and issues required.

As far as these principles being understood or practiced across the wider VPS, the initial premise is that risk management is alive and well. But, it is understood that when the issue of project governance and its attendant risk management were raised, interviewees cited a range of maturities.

While most organisations have sophisticated levels of project governance, there is need for improvement across the VPS, especially in smaller agencies or in smaller projects.

When asked whether organisations consciously ‘work’ the project governance features listed above, or whether they were understood and practiced as a matter of course across the VPS’ project management function, the consensus was probably not.

“The only consistent thing about project governance across the VPS is its inconsistency”

Tony Ralph, Risk Manager, Projects, Transport Projects Division, Enterprise Risk Services, Department of Transport.
The group agreed that project governance is vitally important and that the nature of public sector project governance warrants special mention.

The VPS faces a heightened level of attention on project governance because these projects rely on public funding. Probity and governance, for this and other reasons, will only become more demanding and legally challenging in the years ahead. The VPS suffers from ‘short termism’ where projects can be [erroneously] linked to a political or election cycle.

While the basic tenet of public and private sector project governance does not vary widely, public sector executives operate in a different professional world to that of the private sector. Not only do they work under the extra glare of publicly-accountable financial and fiduciary responsibilities, they face other unique challenges such as changing policy and political sensitivities, extra layers of regulation, compliance and governance and the transparency/accountability demands of the media, industry, business and the general public. Risks and management of those risks, therefore, can compound.

“Poor planning can be dressed up as a project risk. Organisations go to the market to deliver an arbitrary result rather than a real outcome.”

Nick Pelham, Head of Gateway, Department of Treasury & Finance.

The ‘typical’ failures of project governance

The most common causes of project failure include:

- Lack of a clear link with strategic priorities. The risk nature of projects is tactical. If they are not designed through good project governance, to align with broader organisational strategy, they can be compromised, disconnected or unrealistic.

- Authority without accountability. Project teams or team members who can make decisions with no real responsibility or liability are a concern. It has been observed that senior people, who make decisions which override a project team, can defeat the purpose of project governance.

- Not being permitted to give the bad news or make the tough decisions.

- Lack of clearly-defined purpose. An organisation needs a consensus, a view that is shared by everybody about what they are trying to do at the start, throughout the project and in the long-term, say three to four years down the track.

- Lack of clear senior management and, in the case of the VPS, ministerial or high level ownership and leadership.

- Lack of effective stakeholder engagement.

- Lack of skills and proven approach to project and risk management.

- Lack of understanding of supply industry.

- Initial evaluation of project proposals or business case driven by price, rather than by value for money.
• Too little attention is paid to the realisation of benefits.
• Disconnect: As a governance group, risk management doesn’t always happen over the lifecycle of a project. Things become disjointed or disconnected over time.
• Motivation: Is doing the right thing enough?

“If you don’t have the right leadership from above, the right strategies to define the project, the right terms of reference or the right accountabilities, you don’t actually have project governance.”

Dr Lynda Bourne, Stakeholder Engagement Consultant, Mosaic Project Services Pty Ltd.

In the paper Linking PMI’s Standards to Project Governance, although “world best practices have been defined and several benchmarking and organisational maturity models (have been) developed ... projects continue to fail at an alarming rate.”

“The gap, is the ability of an organisation’s governing board to apply effective surveillance to the activities of the organisation’s managers (i.e., ‘ask the right questions’) to ensure appropriate best practices are applied and the portfolio of projects undertaken by the organisation are optimised to meet the strategic objectives of the organisation.”

“An organisation, right from the start, needs to have the right people and the right project board who clearly understand their roles, the right reporting framework and accountabilities to make the project happen. Otherwise, you don’t have effective project governance, which is a huge risk,” Mr Weaver explains.

Most project governance risks are about people. Organisations need to ensure that they have the people with the requisite knowledge and skills in the right positions to ensure risk management in project governance is effective. Risk management in project governance, can be compromised by many people factors. For example the wrong people in charge of a project, the wrong mix of people on a project team, the wrong or inappropriate levels of accountability, the wrong or inappropriate sponsor at board or senior management level and/or ineffective stakeholder engagement.

Project Governance Framework

A robust Project Governance Framework is supported by three pillars: People, structure and information.

People

The effectiveness of a project group is almost entirely dependent on the people who populate them. Team membership is determined by the nature of the project which, in turn, determines which organisational roles should be represented on the project team.

The ‘best’ project team has a wide cross section of disciplines represented and it is recommended that one member should be an independent, non-governmental member.
Insight on people issues:

- Good project managers are represented by people who understand and practice good project governance. While it can be taught, there is no substitute for experience.
- Most organisations don’t have the breadth of staff or the luxury of being able to train people in project governance.
- Good ‘people’ skills are helpful in governance and project management roles.
- Training is more about the individuals than the group’s intent. It is difficult though, because, how do you train for common sense?
- People issues tend to be the same across the larger workforce. It is important that organisations know how to deal with generational change, engage Generation Y and conduct succession planning.
- Time constraints of ‘attractive’ project people – Organisations are commonly faced with comments such as “I have the skills and the delegation but I’m on 20 Boards. I can’t do any more.”

The area of project governance and risk management is under resourced by skilled people. The public and private sector should invest in developing and retaining staff with skills to be expert and experienced in this area. In so doing, they promote a culture of governance and risk management.

Having said that, roundtable participants felt that more resourcing could be directed at formalised induction, education or training.

Workforce requirements mean that a variety of skills, competencies and qualifications are required for people involved in project management and project governance. Training and education are important enablers.

Structure

As well as there being a project board or project steering committee, the broader governance environment may include various stakeholder groups and perhaps user groups. Additionally, there may be a program board, governing a group of related projects, possibly some form of portfolio decision making group and an advisory board/group adjunct.

For structure to be improved, decision making rights of all these committees and how they relate, must be laid down in policy and procedural documentation. In this way, the project’s governance can be integrated within the wider governance arena.

Value for money measures should be used more effectively to drive project governance and resulting risk management. Value for money assessments can be used as a valuable decision making tool.

Information

This pillar is about informing decision makers. It consists of regular reports on the project, issues and risks that have been escalated by the project manager and certain key documents that describe the project.

“Information is a two-way street. A project team should be open to two-way communication. Not only should they provide information, they should ask questions to get the information they need to make decisions.”

Nick Pelham, Head of Gateway, Department of Treasury & Finance.
The content of project reports and updates should provide timely, relevant and reliable information that supports the project team’s objectives specifically and the organisation’s objectives more generally. Information must assist decision making processes without fostering a culture of micro-management
d. Information is best managed under a ‘stakeholder management’ approach.

**Stakeholder Management**

Effective stakeholder management is essential for the success of any project. It is incumbent on project managers, especially in the public sector, to engage with stakeholders at a level commensurate with their importance to the project’s delivery and in a manner which they understand and trust.

Supporting the needs of stakeholders requires communication channels to be established and reporting frameworks to be developed. Stakeholders must have an opportunity to have their views heard and their issues and concerns raised and addressed.

If an organisation does not understand what its stakeholders are saying or what they expect, then it is operating in an unhealthy vacuum. It’s important, by extension, to not only communicate with but to engage stakeholders. Outline the plan, the process, the methodology and the anticipated results - especially in the VPS.

“Expectation management means use the language, the concepts etc that are real and meaningful to your stakeholders.”

Dr Lynda Bourne, Stakeholder Engagement Consultant, Mosaic Project Services Pty Ltd.

The following criteria can be used to assess who stakeholders are and the level of influence they can have on a project:

- Who has power? (to stop the project, funding or resources).
- Who is close to the work of the project? (e.g., project team members/advisers).
- Who has no proximity to the project but power over it? (e.g., the CEO, Department Secretary).
- Who has an agenda and what are these? (e.g., moral crusaders, environmentalists, community/user groups).

Unfortunately, stakeholder management is not always factored in at the outset of a project and not always seen as a strategic imperative. Organisations tend to want to bolt on or tick the box that it has consulted various stakeholders or groups. Organisations sometimes regard stakeholders as ‘the enemy’. It is important to remember that 95 percent of risks are about people and unless an organisation recognises this, it won’t be able to effectively manage them.

Stakeholder consultation is mandatory to a project’s success – people want to understand the process rather than have a decision imposed on them. There are no areas where stakeholder involvement should be seen as ‘unwanted’, rather, it is an example of governmental duty of care in action.

Stakeholder engagement should be embedded in a project from the outset. The way to do it is to become genuinely and accurately informed about your stakeholders, get the best information you can, ask the “tough” questions, gather your information and remember, confirmation and consultation doesn’t have to mean consensus.

The desired outcomes of stakeholders need to be considered. It is important to understand that stakeholder expectation of projects may be politically different from that of project owners. The challenge of applying theory to project governance practice in broadening coverage and emphasis away from a traditional ‘shareholder-centric’ approach towards a more ‘stakeholder oriented’ approach.

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8 Ross Garland ibid
Conclusion

At the end of the roundtable, the group was asked what sort of risk management support could be offered to project governance practitioners in the Victorian Public Sector (VPS). They suggested that improvements in project governance are required at both the State and organisational levels. The following key areas of focus were identified:

At the State level:

• Develop a consistent method and approach to establishing and maintaining effective project governance for the Victorian Government.
• Development of effective project governance guidelines and toolkits for use across the VPS.
• Project governance practitioners should ensure enhanced knowledge transfer between departments and agencies to share lessons learned, to generate better outcomes.
• Build capability (knowledge, skill and resources) in the VPS with respect to project governance through training and governance toolkits.

At the organisational level:

• Project governance practitioners must allocate more time to the initial business case and ensure that robust analysis is undertaken prior to commencement of a project.
• Project management personnel should undertake risk-based education and training. Organisations should create a comprehensive Induction Pack for personnel who will be on project boards or teams.
• An effective project governance/project management toolkit or guidelines for the organisation should be developed.
• Development and use of an effective stakeholder engagement and management plan or template to be used throughout the project lifecycle.
• Consideration of human resource matters is critical to the success of project governance. This requires improved recruitment, retention, engagement and succession planning for practitioners. Organisations must drive the culture, behaviour and values of its employees.
• Organisations should promote strong leadership that embodies good governance practices amongst project managers.
• Investigation of opportunities that recognise and reward project managers who demonstrate good project governance.

References

Ross Garland, Developing a Project Governance Framework
Patrick Weaver, Linking PMI’s Standards to Project Governance 2007

How can you be involved?

The VMIA's Risk Management Partnership Program supports risk management projects undertaken by our clients that are designed to reduce the State's total cost of risk. We provide financial and project management assistance to projects which have potential to be implemented across Victoria.

For further information or to see if your project qualifies, email pmo@vmia.vic.gov.au or visit www.vmia.vic.gov.au/riskpartnershipprogram
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