



White Paper 2018-01

How Project Governance Can Make or Break a Project

Through our numerous interventions we often find that Project Governance is decisive factor for Large, Complex Projects success or failure. Whatever the talent or level of effort of the project team, poor governance will often break a project. In this White Paper we detail what are the key success factor for project governance. In a second White Paper we will investigate more precisely specific governance issues in Owner organizations.

What is Project Governance for?

Project governance addresses those issues that cannot be tackled by the Project Manager:

- Engaging stakeholders and more generally, shaping the project environment. This includes internal and external stakeholders
 - External stakeholders are local, national and possibly international political bodies; financing bodies (lenders and others), Joint-Venture partners, export agencies etc.,
 - Internal stakeholders are the Board of Directors and resource providers to the Project from within the wider organization,
- Mobilizing all the necessary internal resources and resources from the wider organization network,
- Managing those risks that cannot be addressed by the project itself,
- Driving strategy alignment (in particular as this strategy may vary during the timespan of a large project),
- Taking the decisions at the key Project Decision Points such as the Final Investment Decision (for Owners) or the acceptance of Contractual Conditions (for Contractors); this includes also the approval of possible major changes to the project during its execution,
- Owning and deciding the possible release of Management Reserve fund or otherwise approving significant changes to the Project Budget.

The impact of poor Project governance on project success is such that this area must be given sufficient thought upfront to make sure that it will enable the Project to be a success.

Failure modes of Project Governance

The absence of proper governance even in the case of a sound project will almost always lead to substantial failures. The only exceptions are often where the seniority and the leadership capability of the Project Manager or Project Director allows him or her to step in and compensate. Those failure modes are typically some of the following:

- Project successfully completed does not align any more with the organization's strategy,
- Breakdown of stakeholder management jeopardizing actual execution, local acceptance or financing,

- Poor participation by future operators leading to a facility that cannot be operated as expected,
- Project launched with improper definition leading to substantial delays and excess costs, or more generally not fulfilling the business case,
- Substantial risks materializing often at the interface between organizations
- Etc.

Four essential success factors of Project Governance

Our research shows that Project Governance success factors can be grouped in four main success factors:

- Sufficient understanding of Project Management specifics needs to exist within the organization,
- The organization of Project Governance needs to be effective,
- The decision-making framework for governance needs to be effective and timely,
- The information reported from the Project needs to be accurate and relevant for proper decision-making.

Sufficient understanding of Project Management

Specifically, in Owner organizations which business is mainly operation- or manufacturing-driven, understanding of Project Management in executive circles is often extremely limited. The few people in charge of (sometimes few and far between) Capital Expenditure projects are often brought in from outside. Project Management obeys a very different approach and logic compared to continuous operations. Some of the most common pitfalls in governance in those organizations with limited project execution experience include:

- No Project governance put in place,
- Underestimation of the required Project Management Team – the benchmark of a Project Management cost of 6 to 8% of the Capex value needs to be reinforced,
- Full delegation of the project to an EPCm contractor that has incentives poorly aligned with the Owner's interest,
- Insufficient investment in Project Control tools and infrastructure at project startup (e.g. such as Document Control, scheduling, cost control),
- Inadequate schedule at the start of the project (unrealistic in duration and resource utilization),
- Lack of integration of the Project Team with its different functions, with a Project Manager physically isolated,

- Lack of deployment of the Project Team close to the project site during execution,
- Too delayed involvement of future operations personnel,
- Etc.

Effective governance organization

Often a governance is put in place that is not effective in supporting Project success. It might be because it is similar to a manufacturing governance or simply due to a bureaucratic approach to project governance. Often it is linked to an insufficient level of representation of the organization's executive management. Some success factors include:

- Be clear about the scope of Project governance vs Project Management: Project Governance needs to be present and the same time avoid being intrusive in the day-to-day leadership of the project. In that respect, the setup of a governance charter is a good practice,
- Decisions are taken clearly and effectively, and they are not reversed unless a notable change in the project conditions. A good practice is to set up a Decision Register and paying particular attention at non-regression by looking at the decision history,
- Have a single voice communicate with the Project Manager. A good practice is to nominate a single key representative of the governance committee that will liaise operationally with the Project Manager and will make sure to manage directly any debate within the governance committee,
- Ensure alignment with the organization's strategy by adequate level of executive management representation,
- Provide a real avenue for difficult, deep, frank conversations to really address key project issues, if necessary by being mobilized for specific meetings and workshops,
- Provide an effective avenue for resolving conflicts with stakeholders by providing the sufficient level of authority in the organization.

One specific issue for large, complex projects is their duration. This will often create substantial turnover at the Project governance level and even at the Project Management level. This turnover needs to be managed carefully to avoid a lack-of-ownership effect that is observed in particular in organizations that rotate executives frequently. Stability is essential in Project Governance.

What is too often describe as a project execution issue is in fact a project governance problem

Adequate decision-making framework

Timeliness, speed and relevance of decisions is a must to protect the dynamics of Project execution. To help, structured gate-based approaches appear to be a satisfactory practice. At the same time, availability in case of unexpected events is also a must. Sufficient delegation to the Project Manager is also a pre-requisite to focus governance on the proper decision level and avoid creating bottlenecks.

Gate-based governance frameworks must be put in place in advance with relevant checks being conducted prior to passing gates. These checks can be performed in a useful manner by external or peer reviews for some key project steps.

One area of specific attention needs to be the approval of large procurement and service contracts. Once the instruction of these awards has proceeded, approval should be expedited to protect the project schedule. The risk to project schedule should be considered as a major selection criteria, and not necessarily the lower cost of the proposal received.

Relevant information from the Project

The last success factor comes back to the implementation of proper Project Controls. The Project Manager or the Project governance cannot be expected to take proper decisions if the information on the project progress is not relevant, accurate and timely. It also needs to be reported in

a manner that enables decision-making.

Success in this area is often linked to sufficient investment upfront in Project Control personnel and tools. Information also needs to be provided in some degree independently of the Project Manager to ensure that what is being reported is truthful, in particular when the project execution happens very remotely.

Conclusion: Project Governance setup needs to be given as much though as Project Management organization

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We are often called for issues related to Project execution only to discover that the Project governance needs to be fixed first. It is often related to levels of delegation, reporting lines into the organization, or plain lack of understanding of the specifics of Project Management by the highest levels of executive management.

Project governance is important. Give it the proper attention.



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Executing Large, Complex projects.**

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