The Role of Governance in Project Success

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Introduction

Over the past 15 years or so, the project management profession, through such initiatives as the collation and publication of bodies of knowledge (PMI's PMBoK, the APM BoK, etc) and the creation of standard project and program management methods (most notably OGC's PRINCE2 and MSP), project success rates have been moving in the right direction. But we still hear of major ICT-centric projects failing spectacularly. And even successful projects can be regarded by business as failures from a business viewpoint. How can this be?

In a recent conversation with the facilitator of capability improvement in an organisation with over 300 project managers, her major concern, surprisingly, wasn't the 'cat-herding' required to move these professionals in a common direction. It was her observation that many senior managers in the organisation didn't appreciate the connection between effective governance and improved project success rates, nor their accountability for providing effective governance (1).

Governance of ICT has been increasing in prominence over the past few years. The Australian Standard for Corporate Governance of ICT (AS8015) was released in early 2005 (2), and a new version of the Control Objectives for Information and Related Technologies (COBIT4) was released in 2006 (3).

This article presents a series of mini case studies, arising out of recent consulting engagements, where I believe the root cause of the problems identified was a failure of governance.

Case 1: It's not about IT it's about Business

The Situation

A central IT Group within a major State Government Department supports Departmental information systems and IT infrastructure. The Group's clients are the Department's internal Divisions and a large number of external Agencies. These client organisations are all independently funded, and each has its own ideas about what constitutes a 'strategic project' and the priority that should be attached to its service requests. These clients often commission business projects without informing the IT Group of the possible need for its involvement, or at least involving the Group at an early stage to permit it to make its own assessments. In fact, clients frequently raise urgent service requests late in their business projects without prior warning. The IT Group has had no guidance from the Departmental Executive as to how it should prioritise allocation of its resources within this operational program.

Resource allocations are reassessed on a weekly basis; which means that the squeaky wheel gets the most attention. Technical staff frequently find themselves being reassigned between projects mid-task. The Group's Manager finds himself regularly asking for increased funding to support the Group's workload. The Group's clients believe that the Group is a bottleneck, and inefficient. And the Department's Secretary is beginning to question the value being delivered by the Group.

Analysis

A reactive view of this situation might be that the Group is poorly managed. A more considered view I believe is that the Group is poorly governed by the Departmental Executive. Most senior managers understand that most business processes require ICT support, and that skilled ICT staff are in relatively short supply and hence are expensive. Which makes management of ICT resources critical to the overall success rates of business change initiatives.

AS8015 requires an organisation to 'Establish clearly understood responsibilities for ICT', and in particular to establish clear responsibilities for monitoring, evaluating and directing. In this Case, the Departmental Executive clearly regard the IT Group as a stand-alone functional unit that should be managed like any other of the Department's business units.

Take Aways

The Departmental Executive should regard the IT Group as a critical organisational resource, and appreciate that it is their responsibility to control access to it in such a way as to maximise the value delivered by the Group to the Department's stakeholders as a whole. AS8015 clearly states that the responsibilities of Senior Officers (the Departmental Executive) should not be delegated to managers at lower levels (the IT Group manager).

Case 2: Who's Money Is It?

The Situation

This Case is purely fictitious. But I've certainly seen too many projects which were not 'initiated validly' in the terminology of AS8015.

In this Case, a Business Unit and an IT Group jointly develop a Business Case for an ICT-centric change initiative. In many cases, the Business Unit will ask the IT Group to take the lead in developing and promoting the proposal; they probably regard the IT-centric project as an IT project not a business project with IT content. The change is justified using various stratagems: understating costs, overstating financial benefits, overweighting intangible benefits, predicting that business-as-usual will collapse without this change, or claiming 'alignment' with some aspect of organisational strategy. Or the proposers haven't rigorously explored alternatives: approaches, procurement methods, and so on. Or the Business Case is based on an incorrect view of the organisation's business model, so that the proposed solution would not only fail to satisfy the original need, but might not be able to deliver its promised benefits.

Analysis

It could be said that those sponsoring investment proposals in such a way are putting organisational financial resources at risk unnecessarily. The overlap between corporate governance and risk management then becomes apparent. The bottom line of governance is simply – 'who's money is it'? It's not the project manager's, and in most organisations it's not the sponsor's. Both are acting in a position of trust for someone else: the CEO, shareholders, taxpayers, and so on. So how can this trust be discharged?

AS8015 requires that ICT assets should be acquired validly, meaning that ICT-related investments should generate tangible value at justifiable cost. The governance responsibility of the organisation's Executive is to evaluate major proposals to ensure that they are realistic and achievable, and to subsequently monitor approved change initiatives to ensure that their claimed benefits are realised in full. This implies that the Executive need to assure themselves independently of the sponsor and the project manager that the investment of organisational capital and resources will be worthwhile. Another part of the role of governance is to ensure that assumptions are surfaced and challenged, and the unasked questions asked.

As an aside: the CFO of one major State Government Department has an effective approach to ensuring benefits are realised. If a proposed change initiative isn't justified primarily on tangible financial benefits that outweigh the project's costs, it is rejected. If the proposal does claim it will deliver tangible financial benefits, then the CFO reduces the forward operating budgets of the sponsoring business units by the benefits claimed in each year.

Take Aways

The CEOs and CFOs of many organisations are realising the value of program management in general, and the benefits realisation stream of the internationally recognised MSP (4) program management method in particular, as critical to ensuring effective governance of major change initiatives, and the realisation of benefits in the long term.

Another emerging trend is for program offices to morph into value management offices, meaning that they have an ongoing operational role in ensuring benefits are maintained or improved over the operational life of the assets and capabilities acquired through the original investment in a project.

Case 3: Accountability

The Situation

Back to reality. In this Case, an ICT project had to procure a piece of middleware. The two short-listed candidates were diametrically different. One had an established EDI heritage and the other came from the Web-enabled world. The latter was chosen because the vendor claimed that its product was able to do everything the other product could do, and provide a raft of additional functional advantages. Contracts were signed, development was commenced, but when push came to shove, the product's transaction throughput was so low that its functional candy and many core functions had to be turned off to get satisfactory throughput for a single transaction type.

The project was not cancelled, and the middleware was implemented into the production environment.

Analysis

I would say that an obvious risk was not managed, and while the project's approach could be questioned, at the end of the day, failing to ensure that an obvious risk is addressed is a failure of governance.

One role of governance is to be accountable for major decisions: buy or not buy, proceed or terminate the project to conserve organisational resources. In fact AS8015 says a responsibility of governance is to 'ensure ICT is of the required quality', that it's fit for its full intended purpose. Clearly, there was a failure of governance in this Case.

Take Aways

Governance adage: if you're accountable and you don't KNOW something, or your uncomfortable about something and it matters, pay someone to find out. Rely on your people, and the protection of contracts, but take out insurance.

Conclusion

Governance is about ensuring that the right things are done, then ensuring that they're done right. One benefit of effective governance is that project success, as rated by business, should increase. There is now more than enough guidance and support available to improve the quality of governance.

Raymond Young of Macquarie University, who played a key role in the establishment of AS8015, and wrote an associated Handbook, is currently participating in an ISO Working Group which could combine AS8015 (principles) with COBIT (detail) to form an ISO standard on Governance of ICT. An ISO standard and associated certification requirements would certainly have an influence on every ICT project, particularly if the ISO standard was mandated under improved corporate governance initiatives.

So it might be wise to buy a copy of AS8015, download a copy of COBIT 4 while its still free, and google MSP now.

References

(1) Rankins G, *Effective Governance of ICT Projects*, PMOz 2006 Project Management Conference, Melbourne, August 2006

(2) AS8015 Australian Standard for Corporate Governance of ICT, Standards Australia, 2005 www.saiglobal.com.au

(3) Control Objectives for Information and Related Technologies version 4 (COBIT4), Information Systems Audit and Control Association and the IT Governance Institute, 2006 www.itgi.org

(4) Office of Government Commerce, *Managing Successful Programmes* (MSP), The Stationery Office, 2003. www.ogc.gov.uk

Author Bio

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