NINE STEPS TO GOOD GOVERNANCE

Graham Oakes (pictured) explains the factors to be considered in setting up the right management structures for your projects.

Project governance. A decade ago, most of us had never heard of this term. We planned our projects. We defined roles and responsibilities. We tracked risks and escalated issues. We managed our projects rather than governed them.

Then events like Enron came along. Governance became sexy. The technology vendors got onto the bandwagon and started to rebadge their tools. To many people 'governance' has become the new word for 'management'. That's sad, because clear thinking about governance can add a lot of value.

Organisations manage projects poorly for a variety of reasons – unclear objectives, mismatched priorities, insufficient resources, inconsistent processes, etc. Many of these problems stem from one root cause: people making conflicting decisions about what to prioritise and where to allocate their resources.

These decisions fragment our efforts and divert resources from the most important issues. They create gaps and overlaps between projects, leading in turn to duplication and rework, and ultimately to poor quality outputs.

Resolving the conflict inherent to much decision making is the realm of governance. Good governance defines the decision-making process upfront. It defines clear roles and responsibilities. People are then free to focus on understanding the issues, identifying options and choosing good solutions.

Without that upfront work, people must spend time defining a bespoke decision-making process for every decision. They get caught up arguing about who to involve and how to involve them. They get focused on the process, detracting attention from the decision itself. At worst, decision making degenerates into politicking and infighting.

Here are nine factors to consider when you set up governance structures for your projects:

1. Governance is political.

Governance addresses concerns such as:

- Who is empowered to make which decision?
- Who must they consult when they make those decisions?
- What process must they use to make and record each decision?
- How will outcomes be monitored?
- How will effectiveness of the decision-making process be monitored?

These are political questions. They affect the way that power is exercised within your organisation. People may have power because they control key resources, or because of their expertise, or through their position within the hierarchy. Some of this power is formal and some is informal. Good governance structures ensure that the right mix of power is brought to bear, both to make the decision and to make it stick.

2. Governance is not management.

Governance and management are distinct. Governance defines who is responsible for making decisions and what process they must use for decisions to be legitimate. Management is then about actually making the decisions. Managers identify options, balance trade-offs, communicate outcomes and so on. When governance encroaches too heavily on management it tends to:

- Lose sight of overall priorities.
- Encroach on people's professional judgement.
- Make decisions without full appreciation of operational context.

Governance sets the boundaries within which people operate. If it goes further, trying to replace their skills and judgement, then it's probably going to fail.

3. Engage stakeholders at all levels.

Many decisions affect project success – setting overall objectives and priorities, allocating resources, choosing technologies, agreeing standards, etc. You need to identify which stakeholders have an interest in each decision. You then need to understand their perspectives and gain their buy in. So you need to consider questions such as:

- Which executives need to be involved in setting priorities across the project portfolio?
- Who controls key resources (people, systems, information, etc)?
- What expertise is needed to make effective decisions?
- What are the main co-ordination points between different projects, systems, organisational units, etc?
- Which downstream units will be affected by the results of decisions?
- Which external standards and regulations apply?

4. Establish clear roles and responsibilities.

Once you understand the stakeholders, you can map out accountabilities and decision rights. This is typically done via RACI models. These identify who is:

- Responsible for the decision. Who does the work – gathers data, identifies options, makes recommendations, etc?
- Accountable for the decision. Who approves it? Who pays for it?
- Consulted about the decision. They provide information and express preferences during the decision-making process.
- Informed about the decision once it has been made.

5. Establish oversight bodies.

There will be points where it makes sense to apply organisational policies and standards – eg, for process definitions and supporting assets (templates, checklists, guidelines, etc). You will probably need to establish bodies to maintain these standards. Consider:

- Who will define standards?
- Who will approve them?
- Who will enforce them?
- Who will implement them?

There is no simple, one-size-fits-all answer to these questions. Factors such as size, culture and regulatory environment will determine how oversight is best handled within your organisation.

One key consideration is likely to be the trade-off between central and devolved oversight. Centralising makes it easier to apply standards consistently. It can also be easier to manage scarce, specialist skills from a central pool. On the other hand, devolution means that decisions are made closer to the coalface, where local circumstances are better understood. It can also lead to a greater sense of ownership.

6. Focus on what's important.

Project teams make dozens of decisions every day. Let them. There's a term for governance bodies that focus on minutiae rather than attending to the big picture: bureaucracy. The most effective governance focuses on the small set of decisions that have the biggest impact on overall performance.

7. The devil is in the detail.

Although the big picture is crucial, you also need to make sure the details are covered. You may want to separate overall vision and strategy from the details of standards and execution, but you need to make sure there's clear ownership of all elements.

8. Address conflict.

Conflict is a natural state in most organisations. Units have different goals. Resources are limited. Different perspectives lead naturally to different opinions. Don't try to ignore conflict – it will eventually surface. Think about where conflicts might arise and define mechanisms to address them.

Who makes the final call on priorities? What are the bounds on permissible trade-offs? If this is set out in advance, the conflict is less likely to get destructive.

9. Create feedback loops.

You won't get it all right. Even if you do, circumstances will change. Build in feedback so you can learn from experience and improve over time.

This feedback should happen at two levels. First, for individual decisions – are they working as expected, or do they need refinement? Second, for the decision-making process – is it operating effectively? How can it be improved?

Conclusion

Well-defined governance ensures that you know:

- Which decisions have most impact on your objectives.
- Who needs to be involved in making those decisions.
- What decision-making process to apply.
- How to monitor outcomes.

When you know this, you're more likely to make good decisions. Organisations that avoid governance ultimately spend a lot of time on it. They address it every time they make a decision, arguing endlessly about roles and accountabilities and due process. They end up with no time or energy for the decision itself. So they make poor decisions.

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