

3 Governance

It is vital to establish the management structure for the project that identifies the specific players, their responsibilities, accountabilities and the interaction between them for the life of the project. Ultimate responsibility and accountability for the project must be clearly defined and accepted at an appropriately high-level within the organisation.

This section of the *Tasmanian Government Project Management Guidelines* includes:

- The objectives of project governance
- Project roles - of each position in a project governance structure example
- Steering Committee roles and functions
- Project Management governance models - generic for small to medium, and large and/or complex projects
- Program of interlinked projects (Program Management)
- Project Portfolio Management

3.1 Objectives of Project Governance

The objective of project governance is to plan and manage the project throughout its life. This process involves the realisation of project outcomes/benefits, with high levels of productivity and quality, and with manageable levels of uncertainty (risk).

Key to effective governance:

- Governance, including roles and responsibilities, is clearly defined, agreed to and signed-off by the Steering Committee, as detailed in the *Project Business Plan*
- A 'Steering, not Rowing' Committee representative of the Project Business Owner(s), and Key Stakeholders, as appropriate
- Status reporting of the project's progress is against the milestones, as outlined in the *Project Business Plan*, as well as identified risks and issues for the project

In developing a governance structure for a project, and the roles used within it, there is enormous flexibility. There are also, however, some general principles that should be applied.

The ultimate responsibility and accountability for the project must be defined clearly and accepted at an appropriately high-level within the organisation. The appropriate level is the managerial level that has discretionary control over the bulk of the resources that will be expended in the project process. For a large and/or complex project, it will generally be a member of the senior executive. For small projects, a Line Manager may fill this role. For the purposes of these Guidelines, this role is called the Project Sponsor.

It is highly recommended to include representatives from each major Business Unit that will have responsibility for managing the project outputs on an ongoing basis (the

Business Owner(s)) on the project's Steering Committee. A Steering Committee member from outside the organisation, to provide a 'reality check' and represent broader Government interests, is also recommended.

Project governance structures within and across Agencies are management structures developed specifically for the project, and not necessarily a reflection of operational line management structures. These different management structures have been known to cause some conflict with regard to accountability and reporting. It should be very clear to all concerned how the project governance structure will operate within the general management structures of the Agency.

Project activities are managed through the project governance structures; ongoing operational or transactional activities are managed through the existing line management structures. They may be one and the same thing, with the same players, but the distinction between the two types of activities, project and normal business activities, should be conveyed clearly. This distinction assists with defining the accountability and reporting arrangements that form the basis of any sound governance model.

One final point to note is that where projects are **Commonwealth Funded**, there is usually a funding agreement that includes processes for decision-making, reporting and accountabilities. The Project Sponsor/Steering Committee should be apprised fully of the terms of any funding agreement, as there may be important implications for the project governance processes.

Selecting the right Project Manager

The Project Manager is the key person around which the project will ultimately revolve, and appropriate selection of the Project Manager and Team, resourcing of the Team and delegation of authority is critical.

For large and/or complex projects, project management knowledge and experience are at least as important as knowledge of the business area(s) in which the project is being run. However, Project Managers should have, or seek to obtain, knowledge of the business area, in order to be able to communicate effectively with Project Team members and project clients to ensure that business issues and concerns are addressed.

The Project Team should include at least one person with an intimate knowledge of the business area, and preferably more. It may also be an advantage if one or more Project Team members are novices or inexperienced in the business area, so that fundamental issues are not overlooked, or simply taken for granted. Many issues can be uncovered through the process of explaining a project to those participants with little background in the area. Finding the right combination of people with project management, technical and business area skills, let alone people who are able to function effectively as a team, can be quite a balancing act for those people involved in projects.

3.2 Project Roles

The following list of project roles gives an indication of the type of accountabilities, responsibilities and tasks generally allocated to those people involved in a project.

As projects vary, including in size and complexity, the roles required, and even the tasks and responsibilities within those roles, will vary.

The information below provides a starting point, which should be discussed with the appropriate groups or persons nominated to fill positions in a project's governance structure, with the agreed breakdown of accountabilities and responsibilities documented for large and/or complex projects. The most crucial issue is to have clearly assigned roles and transparency of the project governance structure.

However, all projects **must** have, as a minimum, the roles of **Project Sponsor**, **Business Owner(s)** and **Project Manager** within the governance structure (though not necessarily different persons). That is:

- A person responsible and accountable for the project and securing of its Target Outcomes (Project Sponsor)
- A person(s) who will manage the project outputs after project closure, and is accountable for realisation of the Target Outcomes (Business Owner(s))
- A person who will manage the project and deliver the outputs (Project Manager)

Corporate Client In a large, complex or politically driven project, the Corporate Client is the champion of the project and has ultimate authority. They promote the benefits of the project to the community, and may be viewed as the 'public face' of the project. For example, the Corporate Client may be the Premier, Minister of the State or Head of Agency. In a small, less complex project, the Project Sponsor would fulfil the role of the project champion. The Corporate Client may also be the funder of the project (Project Funder).

Project Sponsor The Project Sponsor has ultimate accountability and responsibility for the project and is a member of the Steering Committee, usually the Committee Chair (sometimes referred to as Project Owner).

The Sponsor oversees the business management and project management issues that arise outside the formal business of the Steering Committee. The Sponsor also lends support, by advocacy, at senior levels, and ensures that the necessary resources (both financial and human) are available to the project.

The Corporate Client and Project Sponsor may be the same person for some projects. The Project Sponsor is ultimately responsible for ensuring that project Target Outcomes are secured before formally closing the project. This responsibility might be delegated to senior management where the Business Owner(s) is not within the same Agency.

The Project Sponsor may also be the Business Owner for the project and can also be the funder, but it varies within Government, depending on the budgetary arrangements and decisions about who will be managing the outputs after the project closes. In the case of large whole-of-government projects, the project funds may be managed by one Agency on behalf of the Government, but there may be several Business Owners.

The Project Sponsor **must be identified** for all projects, no matter what the size or complexity.

- Steering Committee** The Steering Committee is responsible for policy and resourcing decisions essential to delivery of project outputs and the attainment of project Target Outcomes. It is also responsible for ensuring appropriate management of the project components outlined in the *Project Business Plan*, including ultimate accountability for ensuring appropriate risk management processes are applied.
(Refer to *Appendix 2: Steering Not Rowing: A Charter for Project Steering Committees and their Members*)
- Business Owner** The Business Owner(s) is responsible for managing the project outputs for utilisation by the Project Customers. There may be one or more Business Owners, at a number of managerial levels, depending on the size of the project. The Business Owner(s) must be satisfied that the project includes all of the outputs necessary for outcome/benefits realisation. Each output must be specified and delivered fit-for-purpose. Usually the Business Owner(s) is accountable to the Project Sponsor or their delegate(s), who may be Senior Management in the Agency, for the realisation of project Target Outcomes. One or more Business Owners are usually Steering Committee members.
During the development of the project outputs, the Business Owner(s) also may be required to contribute resources to the project, in order to ensure that the outputs are being developed satisfactorily. This involvement is continuous from the early conceptual stages through to reviewing and/or testing the completed products.
The Business Owner(s) **must be identified** for all projects, no matter what the size or complexity, even if they are the same entity as the Project Sponsor, or indeed the Project Manager.
- Business Customers** There may be other Government Agencies or Business Units that will utilise the project outputs, but do not have management responsibility for their ongoing maintenance or accountability for the realisation of outcomes/benefits. These are known as the Business Customers. Sometimes the Project Observer or the Project Business Owner(s) represents the interests of the Business Customer(s).
- Project Customers** The person or entities that will utilise the project outputs to generate the outcomes/benefits. For example, the Tasmanian public who transact business with *Service Tasmania*.
- Project Observer** In a large, complex or politically driven project, possibly involving whole-of-government or more than one Agency, the Project Observer is usually present at Steering Committee meetings or Project Team meetings to act as an information channel to the Agency they are representing. The Agency may not necessarily be represented on the Steering Committee if they are not Business Owners, but may wish to capture the learnings for possible related projects in the future.
The Project Observer cannot participate in decision-making while attending meetings, but may raise issues for discussion on the understanding that those issues may or may not be addressed or resolved as part of the meetings. The issues may be considered outside of the formal meeting structure.

The Project Observer has accountability to the Agency they are representing. If issues arise that may have implications for the Agency, they have a responsibility to report these issues back to their Agency. The Agency may then wish to raise these issues formally with the Project Sponsor.

The Project Sponsor/Steering Committee Chair should agree to the role of the Project Observer before that role is implemented.

Quality Consultants

Large projects generally engage one or more quality consultants to undertake formal quality reviews of the project's processes or outputs. These consultants work independently of the Project Team, and are often contracted from outside the organisation.

There are two distinct classes of Quality Review:

- One class focusing on the project as a whole in terms of structure, processes and progress toward outputs
- One class focusing on the quality of products or services (outputs) being produced within a project in a technical field (eg law, IT, construction)

(Refer to *Appendix 3: A Charter for Quality Advisory Consultants* and *Appendix 4: A Charter for Quality Review Consultants*)

Project Manager

The Project Manager is contracted, by the Project Sponsor and Steering Committee (or in small projects, the Project Sponsor), to deliver the defined project outputs. They are responsible for organising the project into one or more sub-projects, managing the day-to-day aspects of the project, developing the *Project Execution Plan(s)*, resolving planning and implementation issues, and monitoring progress and budget. The Project Manager will:

- Develop and maintain a *Project Execution Plan(s)*
- Manage and monitor the project activity through detailed plans and schedules
- Report to the Project Sponsor and Steering Committee at regular intervals
- Manage (client/provider/stakeholder) expectations through formal specification and agreement of goals, objectives, scope, outputs, resources required, budget, schedule, project structure, roles and responsibilities

It is essential that the Project Manager has demonstrated high-level project management skills. A Project Manager cannot lead effectively unless they have credibility. For most projects, it means the Project Manager must have knowledge of how the outputs will be created and how they will achieve the outcomes/benefits described in the *Outcome/Benefits Realisation Plan*.

The Project Manager **must be identified** for all projects, no matter what the size or complexity.

- Project Team** The Project Team is led by the Project Manager, working for the successful delivery of the project outputs, as outlined in the *Project Execution Plan(s)*. It is desirable that the Project Team includes representatives from the Business Unit(s) affected by the project. The composition of the Team may change as the project moves through its various phases. The assessment and selection of people with the requisite skills required for each phase of a project is critical to its overall success. The skills should be explicitly identified as a part of the project planning process. The Project Team is responsible for completing tasks and activities required for delivering project outputs.
- Reference Groups** Reference groups provide forums to achieve consensus among groups of stakeholders. The group may already exist, have an indefinite life span or may continue for the life of the project. One such group might be a general reference group delegated by the Steering Committee to monitor or modify the *Project Business Plan* for approval by the Steering Committee. The group also may consist of collection of people with like skills to address a particular set of issues. An information technology reference group is an example.
- Working Groups** Working groups consist of small specialist work groups, each dedicated to producing a well-defined output within a specific timeframe. A working group has no life beyond the delivery of that output. Working groups probably involve one or more members of a Project Team to support activity.
- Consultants** Consultants are employed from outside the organisation to provide specialist or other expertise unavailable from internal resources. The consultants may report directly to the Chair of the Steering Committee (or perhaps the Chair of a general Reference Group). Typically Project Consultants may include:
- Information technology specialists who define and manage the technological aspects of the project
 - Representatives employed by stakeholders to ensure their interests are represented and managed
 - Legal advisers who assist in the development and review of the contractual documentation
 - Auditors who ensure compliance with internal and external audit requirements
- Contractors** Contractors also may be engaged to work as part of the Project Team. Contractors are employed, external to the business area, to provide a specified service in relation to the development of project outputs. Examples include:
- Prepare and deliver training to staff in the business area
 - Develop and deliver marketing programs
 - Develop guides and/or manuals
 - Develop business application software

3.3 Steering Committee Roles and Functions

For a larger project, an effective Steering Committee is crucial for the project's success. *Steering Not Rowing: A Charter for Project Steering Committees and their Members* is included as *Appendix 2* of these Guidelines. This Charter emphasises the important role that Steering Committee members play in a project, both individually and collectively, and was created as a guide for Steering Committee members.

The primary function of a Steering Committee is to take responsibility for the business issues associated with a project, including ultimate responsibility for ensuring appropriate risk management processes are applied. Members of a Steering Committee ensure these issues are being adequately addressed and the project remains under control. In practice, these responsibilities involve five main functions:

- Approval of changes to the project and its supporting documentation
- Monitoring and review of the project
- Assistance to the project when required
- Resolution of project conflicts
- Formal acceptance of project deliverables

3.3.1 Approval of changes to the project and its supporting documentation

The Steering Committee is responsible for approving major project documentation. Specifically, the Steering Committee approves:

- Prioritisation of project objectives and outcomes/benefits
- Budget
- Outputs or deliverables
- Schedule and budget constraints
- Risk minimisation strategies
- Project management and quality assurance methodologies

The Steering Committee is also responsible for any major changes to the project. It should be provided with the following information in support of a proposed change:

- Nature and reason for the variation
- Effect of the change
- Revised *Project Business Plan*, if appropriate
- Suggested actions for the Steering Committee to consider

Changing or emergent issues may require the project scope to be adapted so the project meets the original or modified outcomes/benefits. The Steering Committee is responsible for approving or rejecting these changes to the project and for ensuring that additional resources are provided for incorporating these changes, if required.

3.3.2 Monitoring and review of the project

The Steering Committee reviews the status of the project at least at the end of each phase and determines whether the Project Team should progress to the next phase.

The review focuses on major project documentation and any variations in the key components, such as outcomes/benefits, risk, costs, returns and output quality.

3.3.3 Assistance to the project when required

The Steering Committee assists the Business Owner(s) and Project Manager in completing the project by ensuring the project is adequately resourced and has the backing of people with authority.

Steering Committee members should be active advocates for the project's outcomes/benefits and help facilitate broad support for it.

If Steering Committee members represent the interests of some or all stakeholder groups, they should facilitate the communication of these interests. They may also help illustrate to stakeholders how the project serves these interests.

At times, outside of Steering Committee meetings, the Project Team may also seek the particular knowledge or experience of individual Steering Committee members.

3.3.4 Resolution of project conflicts

Project conflicts can arise from conflicts in resource allocation, output quality and the level of commitment of project stakeholders and related projects.

The Project Manager is generally the first reference point for the resolution of problems and can solve most internal project problems.

Problems arising, which are outside the control of the Project Manager, are referred to the Project Sponsor or Business Owner(s) for resolution, but there may be occasions when the Steering Committee is asked to help resolve such disputes.

3.3.5 Formal acceptance of project deliverables

Following review and/or acceptance by the Business Owner(s), the Steering Committee formally reviews and accepts project outputs. Once these deliverables have been accepted by the Steering Committee, any changes must be formally approved.

To achieve this function effectively, Steering Committee members must have a broad understanding of project management concepts and the specific approach adopted by the Project Team.

3.3.6 Steering Committee Membership

For Steering Committees to work effectively, the right people must be involved. Steering Committee membership should be based on individual skills and attributes, rather than on their formal roles, and members should maintain membership of a Steering Committee even if their role within the organisation changes. However, representatives of important stakeholder groups also should be included. One way of ensuring that the Steering Committee takes responsibility for whole-of-government

issues is to include someone from outside the Agency/organisation on the committee.

3.3.7 Steering Committee Meetings

A Steering Committee meets regularly throughout the course of a project to keep track of issues and the progress of the project. The Project Manager should attend these meetings to be a source of information for Steering Committee members and to be kept informed of Steering Committee decisions. Ideally, the Project Sponsor should chair the Steering Committee meetings. A Steering Committee meeting may cover the following agenda:

- Introductory items, such as:
 - Apologies
 - Minutes from last meeting
 - Matters arising from minutes
- Project Business Plan issues - amendments, revisions or arising related issues
- Project management issues, including progress reports and consultants' reports
- Important issues at the time of the meeting, such as a budget committee submission, proposed tendering arrangements, sign-off of functional requirements, related projects and so forth
- Review of actions arising from previous Steering Committee meetings - may be useful to keep a formal list of these actions, in order to track them effectively
- Plans for the next meeting

The Steering Committee has responsibility for the project until the project's outcomes/benefits are secured. These outcomes/benefits may not be secured until after the Project Manager and Team have completed their involvement.

(Refer to the *Steering Committee Resource Kit*)

Project Management Governance Models

Figure 5a presents a generic project governance model and is used as an **example** only. It includes all of the entities that might exist. Not all projects will include all of the entities listed. The model can be modified to allow for diverse corporate cultures and project constraints. For example, for some projects it may be appropriate to collapse or combine some of the entities, as depicted in the example at Figure 5b, into a single function, person or document.

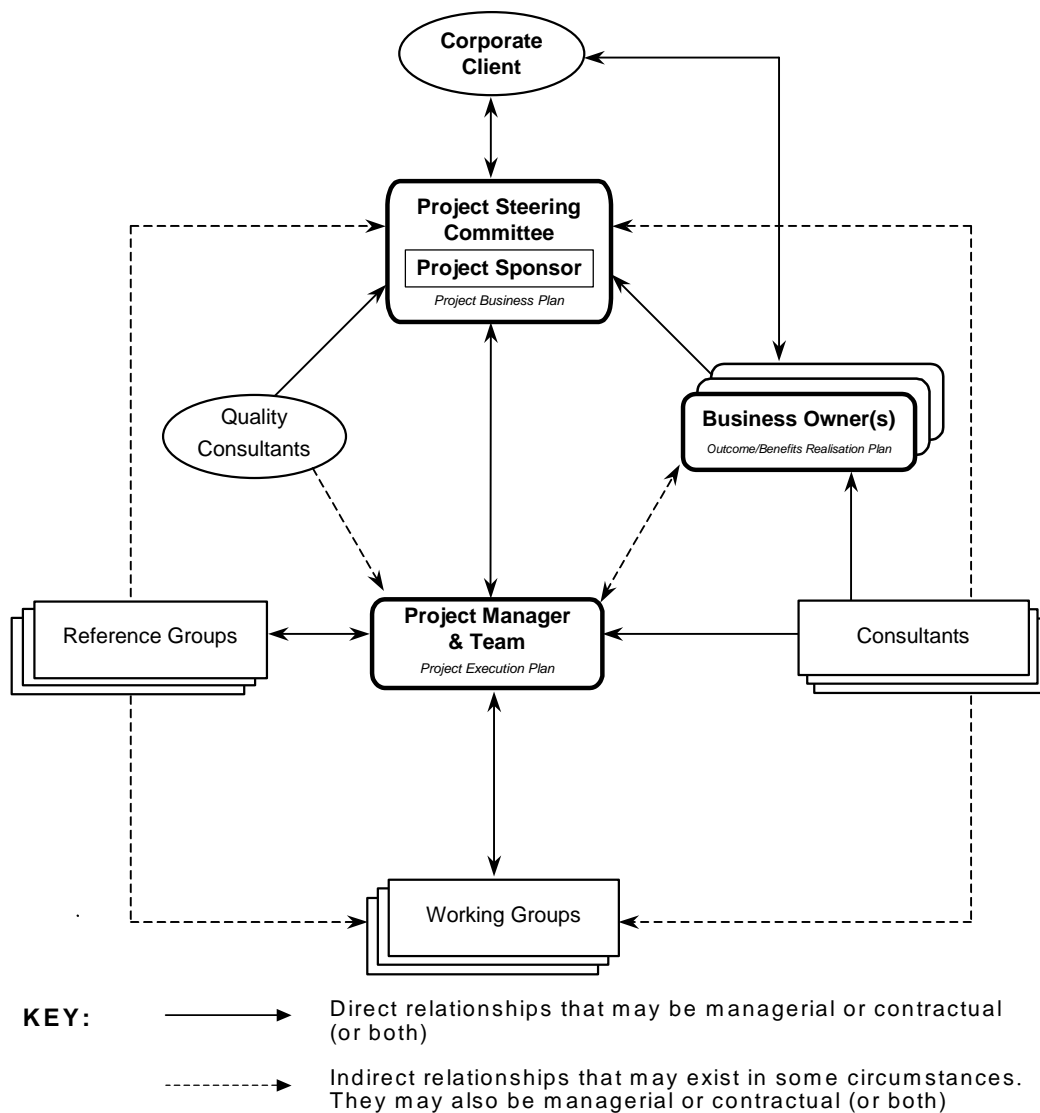


Figure 5a: A Generic Project Governance Model for larger, more complex projects

The governance model above indicates most of the possible stakeholders that might be incorporated in a project governance structure, as well as an indication of some of the ways in which they would be most likely to interact. In the case of a program of projects, a cascading model is used sometimes to show the complex governance arrangements. As projects evolve, their model of governance may change. For example, Project Team members, Working Groups and/or Reference Groups may move in and out of the immediate governance sphere of the project, as the nature of the

project tasks change.

Obviously, for smaller projects such a complex structure would be unnecessarily unwieldy and duplicative. *Figure 5b* provides an alternative example.

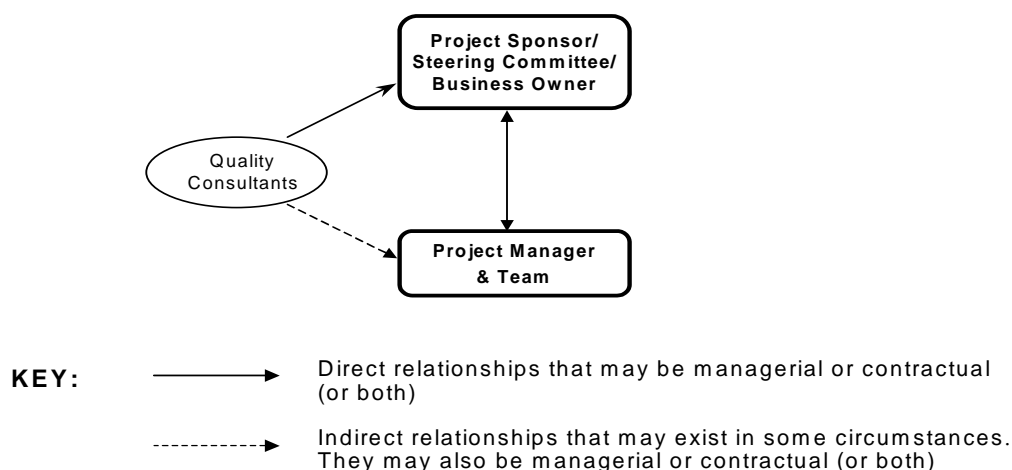


Figure 5b: An example Project Governance Model for small to medium sized projects

For example, on a smaller to medium-sized project, with stakeholders primarily within a single Business Unit, an appropriate governance structure might be:

- Project Sponsor - Divisional Director responsible for Business Unit
- Business Owner - Manager of Business Unit
- Project Manager and Team - nominated staff from Business Unit
- Independent Quality Review - employee from a related Business Unit

On a small project, within a single Business Unit (usually managed as part of a number of small projects), the governance structure may only involve the Project Sponsor/Line Manager, who is also the Business Owner and the Project Manager.

Program of Interlinked Projects

For multiple related projects or program of projects, a single governance structure may be employed. A core Steering Committee with responsibility for overall outcomes is recommended. The governance structure may largely be stable for all of these projects (for example, same Steering Committee members, single Reference Group, same Quality Review Consultant - across all sub-projects) or be quite different for each sub-project. The set-up in these cases will be dependant largely on stakeholder diversity among sub-projects, project size, and the differences or similarities in the nature of the sub-projects.

When drawing a project governance model, the temptation exists to attempt to include project relationships as well (for example, sub-project breakdown). While it is useful to document these relationships diagrammatically, they should be recorded in a separate diagram, or a cascading model might be employed.

The main requirement is to ensure that the governance models for programs of projects, and the projects within them, are clearly defined in the high-level *Project/Program Business Plan*, including clear delineation of the roles, responsibilities, accountabilities and reporting requirements.

(Refer to the *Project Management Knowledge Base* for examples of large *Project/Program Business Plans*)

Project Portfolio Management (PPM)

Project Portfolio Management is the management of prioritised projects within the Agency, Business Unit, across government or organisation. It is a dynamic process requiring re-prioritisation, as necessary, to meet changing business requirements or emerging opportunities. The term is derived from the business world of managing a portfolio of financial investments (investment portfolio). PPM usually refers to the management of a portfolio of projects with a large investment in IT. The focus is on effective planning processes to achieve value from business/IT alignment. While the discipline of project management remains focused on delivering individual projects successfully, PPM focuses on delivering programs of projects successfully.

gantthead.com³ suggests that best practice in this area involves the Agency/organisation establishing mechanisms to manage both the approval/prioritisation of projects, and the coordination of project delivery. The Agency/organisation adopts a formal process for tracking project processes from inception to completion or cancellation. Several Tasmanian Government Agencies are moving towards this model, particularly with regard to projects with a major ICT component. Project Portfolio Management tools are available to support this process. However, the governance processes that the Agency/organisation employs to manage its projects must be examined, and potentially reengineered, before any tools are investigated. The key to effective portfolio management is governance.

(Refer to the *Project Management Fact Sheet: Project Portfolio Management*)

Within the Tasmanian Government, the Inter Agency Steering Committee (IASC) has been established, comprising Agency Deputy Secretaries. The purpose of the IASC is to support, at a high level, the efficient use of Government resources, and reduce duplication in activities related to eGovernment, particularly where cross-Agency and whole-of-government projects and issues are involved. Its role can be likened to the role of a Project Board in managing a portfolio of projects across government, each with their own dedicated governance structures. This role does not prevent members of the IASC from forming Steering Committees for large cross-Agency or whole-of-government projects. In that case, now the role is one of Project Steering Committee member, as opposed to member of the Project Board with responsibility for high-level oversight of the Tasmanian Government Portfolio of Business and ICT projects.

³ *Benchmarking and Best Practices primer*

www.gantthead.com/Gantthead/content/whitePapers/Benchmarking_and_Best_Practices_Primer.doc
(Accessed 10 Feb 2005)