

Governing to Create Value

- UTILITY RELOCATION S.W. to West
- STORM SEWER
- EB FROM ROAD
- SH/33 EB/WB MAIN LANES
- 36" RCP Line "T"
- 36" & 24" RCP Line "O" & "T"
- MSE#33 42" Drill Shafts
- MSE#33 CIR Wall
- EB ML Rdwy Embk. Ty C/B-EB (205-243)
- MSE#33 Screen Wall
- MSE#32 Leveling Pad
- EB ML 6" L.T.S.
- MSE#32 Set Panels
- EB ML 12" Flex Base (205-243)
- EB ML 6" Ty A ACP (205-243)
- EB ML 11" CRCP (205-243)
- WB ML (205-243) Guard Rail

Construction CPM Conference
February 1 - 3, 2016
New Orleans
Patrick Weaver PMP, PMI-SP

Governing to Create Value: the vital connection between controls and governance

1. It is impossible to govern or manage effectively without accurate controls data
2. Good governance is needed to **allow** the creation of accurate controls data



Presentation Outline

- What is the difference between management and governance
- How does governance and controls interact
- How ISO 21505 and the GAO *Schedule Assessment Guide* will help
- Conclusion

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Governance -v- Management

- **Governance and Management are different functions**
- Governance sets the rules and objectives for the organisation
- Management works within the rules to achieve the objectives

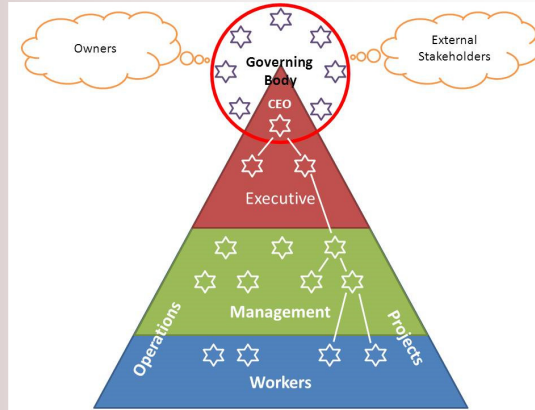
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Governance -v- Management

- The governing body is responsible for governing the organisation to achieve **Conformance** and **Performance**



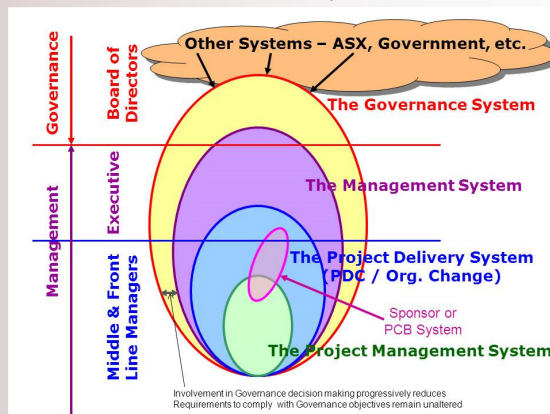
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Governance -v- Management

- Some governance functions may be delegated to management
- The governing body remains accountable
- Delegations must be designed



See: https://www.mosaicprojects.com.au/WhitePapers/WP1084_Governance_Systems.pdf

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Functions of Management

- Henri Fayol (1841 – 1925) defined the five functions of management in *Administration Industrielle et Generale*
 - To forecast and plan
 - To organise
 - To command or direct subordinates
 - To coordinate
 - To control (*our type of control*)
- These functions are 100 years old!

See: https://www.mosaicprojects.com.au/WhitePapers/WP1094_Defining_Management.pdf

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Functions of Governance

- Dr. Lynda Bourne proposed six functions of governance in 2014
 - Determining the objectives of the organisation
 - Determining the ethics of the organisation
 - Creating the culture of the organisation
 - Designing and implementing the governance framework for the organisation
 - Ensuring accountability by management
 - Ensuring compliance by the organisation

See: https://www.mosaicprojects.com.au/WhitePapers/WP1096_Six_Functions_Governance.pdf

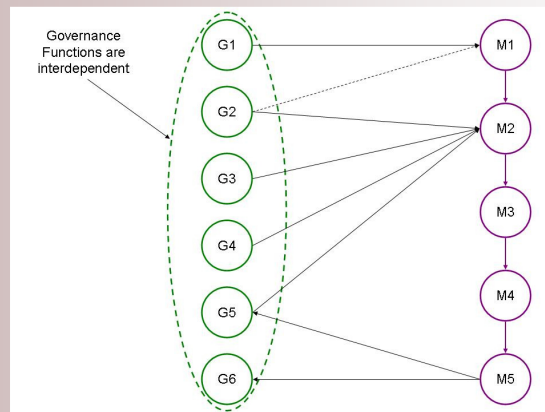
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Governance & Management

- Governance and management systems are dependent on each other

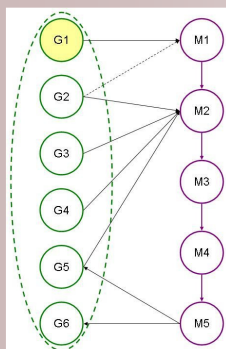


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G1 – Set Objectives



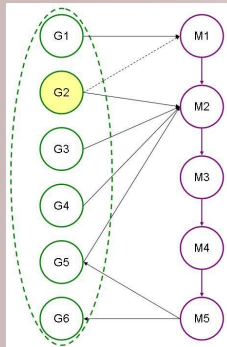
- The Governing Body determines the objectives of the organisation:
 - Vision and mission statements
 - Strategic objectives

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G2 – Determine the ethics



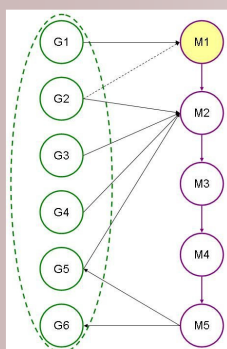
- The Governing Body sets the ethical standards of the organisation by:
 - Policies and statements
 - ‘Walking the walk’
 - Employing ethical people
 - Sanctioning unethical behaviour
- **Ethics start at the top**

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M1 – Forecasting & Planning



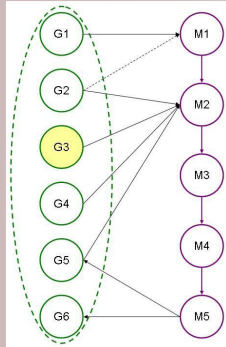
- Strategic planning (Joint responsibility)
- Tactical planning
- Operational planning
- **Portfolio management**
- **Project and program planning**

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G3 – Culture



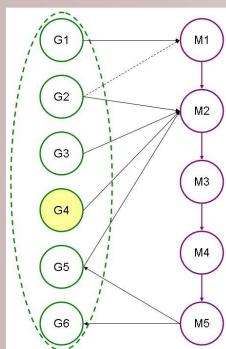
- Designing and developing the culture of the organisation
- The right people
- The right way of working
- The right approach to stakeholder engagement
- **Honest & truthful reporting**

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G4 – Governance Framework



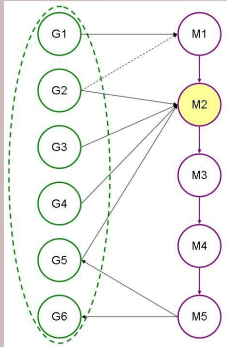
- Designing the organisation
- Accountabilities and responsibilities
 - For management and managers
 - For delegated governance functions
 - For decision making
 - For reporting and escalation routes

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M2 – Organising



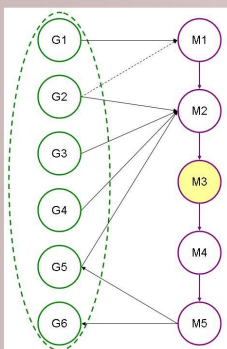
- Developing the organisation's structure based on governance requirements
- Maintaining the organisation
 - Ethics
 - Culture
 - Capabilities
- **PMOs and 'management of projects'**

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M3 – Directing the Work



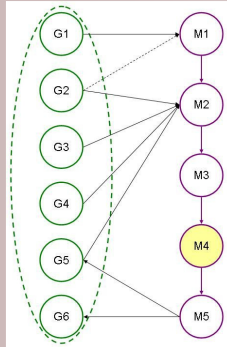
- Directing and leading lower level managers and workers
- Ensuring subordinates conform to standards
 - Ethics
 - Culture
- Decision making, risk and issues management
- Stakeholder engagement

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M4 – Coordination



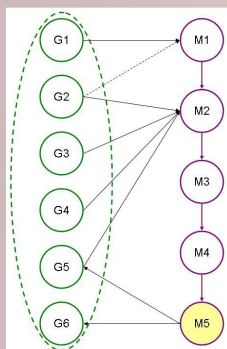
- Balancing competing needs and issues
- Ensuring the other 'functions of management' integrate and support each other
- Ensuring performance and conformance of the organisation and its people

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M5 – Controlling



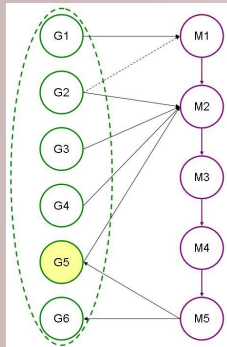
- Ensuring the 'right plans' are in place and in use
- Comparing actuals against the required standards at appropriate intervals
- Taking corrective and preventative actions
- **Reporting on performance and conformance**

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G5 – Accountability



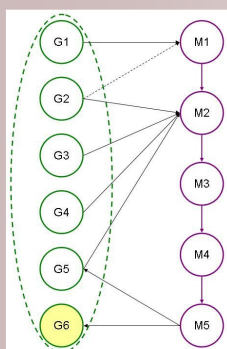
- Holding management to account
- Requiring improvements in the organisation (M2)
- Taking other corrective and preventative actions
- **Based on reports**
 - Ensuring the right information is available at the right time is a key governance issue

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G6 – Compliance



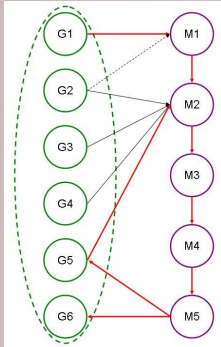
- Providing stakeholders with assurance on the organisation's
 - Conformance
 - Performance
 - Future directions
- Conforming to regulatory and other requirements
 - SOX, etc.
 - CSR, etc.

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Governance & Management



- If projects and programs are a significant element in the organisations activities...
- Project controls are a critical element in the overall cycle
- Both for management and for governance
- **But we need a well governed organisation to operate effectively!**

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Governance & Management

- Most project failures are caused by management failures (not PM failures)
 - The projects are set up to fail!
 - But the PM gets the blame
- Allowing bad management to exist in an organisation is a governance failure
 - Allowing inadequate, incomplete or dishonest planning and reporting
 - Allowing managers to ignore information

See: <https://mosaicprojects.wordpress.com/2012/03/25/project-or-management-failures/>

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Governance & Management

- Good management needs good information to support decision making
- Good governance needs good information to support decision making
- Good governance requires management to invest in obtaining good information
 - Skills and training
 - Adequate time to do the work properly
 - Proper support (particularly if the news is 'bad')

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Governance & Management

- Bad management is becoming increasingly untenable:
 - Legislation SOX, etc (world wide) require predictions based on supportable evidence
 - ISO 21505 defines 'PPP Governance
 - GAO *Schedule Assessment Guide* (Dec.2015)
 - PMI's *Guide on Governance*

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ISO 21505

- Project, programme and portfolio management - Guidance on governance
- Final international review in progress
- Publication late 2016 / early 2017
- **Provides guidance on the framework and principles for the governance of projects, programmes and portfolios from pre-project considerations to post-project evaluations**

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ISO 21505

- Governance Guidelines
 - Establish and maintain framework
 - Enable Performance
 - Support ethics and sustainability
 - Support information integrity, security and disclosure
 - Respect stakeholders
 - Establish and monitor management policies (risk, safety, etc.)

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ISO 21505

- Typical ISO standard
 - Describes ‘what’ is needed
 - Does not go into ‘how’ it is achieved
- The existence of an ISO standard will remove the option for management ‘not to know’
 - Failure to conform will expose management to negligence claims / class actions

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ISO 21505

- 21505 also provides project controls professionals (PMO managers, etc) with a lever to start organisations on a journey towards better information systems
 - The final DIS (draft international standard) will be released for comment soon
 - The final standard will be very similar
- 21505 = ‘What’, we also need ‘How’

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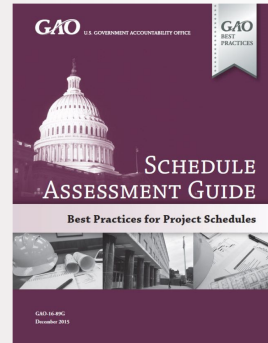
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Schedule Assessment Guide

- Published on 22nd December by U.S. Government Accountability Office (GAO)
- ***Schedule Assessment Guide: Best Practices for Project Schedules*** (GAO-16-89G)
- Companion to GAO *Cost Estimating and Assessment Guide (2009)*

Download (free) from: <http://www.gao.gov/products/gao-16-89g>



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Schedule Assessment Guide

- Applies to civilian and defence projects managed by either government entities or private contractors in the USA
- Ten best practices + audit guidelines for each
- Consistent with ISO 21505
- Moves beyond technical conformance towards objectives

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Schedule Assessment Guide

- Best practices:
 - Capturing all activities
 - Sequencing all activities
 - Assigning resources to all activities (except summaries and milestones)
 - Establishing the duration of all activities
 - Verifying that the schedule can be traced horizontally and vertically

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Schedule Assessment Guide

- Best practices:
 - Confirming that the critical path is valid
 - Ensuring reasonable total float
 - Conducting a schedule risk analysis
 - Updating the schedule using actual progress and logic
 - Maintaining a baseline schedule
- This is not 'rocket science' but does represent good practice

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PMI's Governance Guide

- ***Practice Guide for the Governance of Portfolios, Programs, and Projects***
- Published 2 weeks ago
- Free download from www.pmi.org
- Focus on the implementation of the **management** of PPP (not governance)
- For my initial views see:
<https://mosaicprojects.wordpress.com>
(scroll down to locate)

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PMI's Governance Guide

- **Very confused document!**
- But does offer some useful guidance on the complex area of ***'managing project management'***
- And does require good controls information to inform management decision making



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Conclusion

- The political landscape is changing
- **Not** having good project controls is becoming untenable – managers will be sued!
- Bad practices such as falsifying reports will become increasingly risky
 - As will failing to act on controls information

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Conclusion

- We can use this opportunity to enhance the status of project controls
 - Increase professionalism through training and certification
 - Become strategic as well as tactical
 - Chief 'project officer' in the 'C-suite'
 - Improved tools and techniques
- The next couple of years will be interesting!

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Questions Please

Patrick Weaver PMP
Email: patw@mosaicprojects.com.au
Tel: 03 9696 8684
Web: www.mosaicprojects.com.au

Mosaic's Governance Home Page
<https://mosaicprojects.com.au/PMKI-ORG.php>

Pat Weaver Governing to Create Value 