PMGlobal Project Governance & Controls Symposium
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A Case for Professional Project Governance and Project Controls

Presenter:
Raphael M. Düa FAICD, FAPE, FGPC(PC),MACS(Snr), PCP, CP, Grad DISC
CEO & Owner
Micro Planning International Pty Ltd

email **raf@microplanning.com.au**

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Good Project Management Governance

This presentation contains information provided from

The Corporate Governance Charter™
Bridging the Theory and Practice of Good Directorship
By

Geoffrey Kiel & Gavin Nicholson

Under an agreement given by Professor Geoffrey Kiel

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According to Professor Geoffrey Kiel

Today, many directors are posing the following question:
"We know the theory of good governance - the issue is how we can apply many of these concepts to our particular board. In short, we want to link the theory to the practice of good governance."

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The Need for a Corporate Governance Charter

Stan Wallis – Financial Services Review 1997

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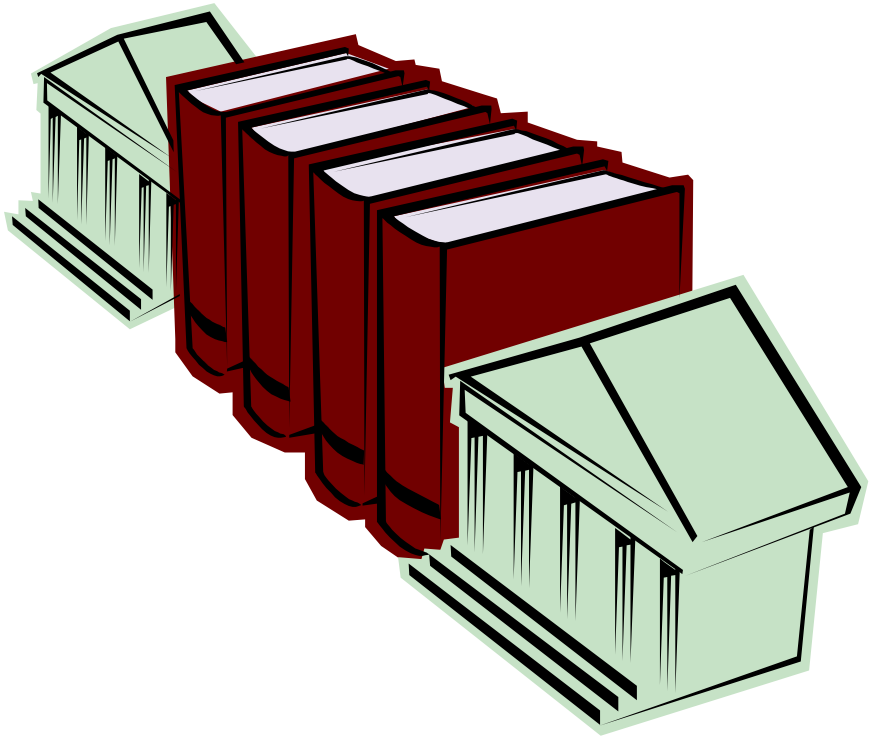
What is a Corporate Governance Charter ?



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The point that is emphasised throughout is that both the content and the process of your Corporate Governance Charter that is important. Compiling such a resource has valuable content outcomes such as:

- *Setting a system in place for board processes*
- *Clearly signalling to the business community the emphasis your organisation places on corporate governance*
- *Providing a useful reference guide for areas of ambiguity; and*
- *Providing a handy tool when inducting new directors*

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The second major benefit of a Corporate Governance Charter is :-

the process required to compile and draft it. Many of the major problems faced by directors can be avoided or mitigated by anticipating possible problems and holding frank discussions about possible solutions before the pressure of a true crisis arises.

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Professor Kiel's definition from his The Corporate Governance Charter ™ **Bridging the Theory and Practice of Good Directorship** book, in which he states that:-

Corporate governance itself can be defined as "the relationship among various participants in determining the direction and performance of corporations" or an "umbrella term that includes specific issues arising from interactions among senior management, shareholders, boards of directors, and other corporate stakeholders

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What is a Corporate Governance Charter?(1)

Once again turning to Professor Kiel for a definition of corporate governance, who says,

There is no doubt that there is an increasing burden of duties and obligations being placed on the modern director, leading many in the business community to examine their corporate governance practices. As well as the significant rise in directorial education there is also a noticeable increase in the formal governance responsibilities of company officers.

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What is a Corporate Governance Charter?(2)

For instance, the Australian Institute of Governance highlights the growing trend for corporate solicitors to undertake the company secretary role.

- *Similarly, there has also been a significant formalisation of the board committee system across the Australian business landscape.*
- *For instance, while an Audit committee has long been a feature of corporate life, there are a growing number of alternative committees including Remuneration, Environment, Occupational Health and Safety to name just a few.*
- *Clearly, business leaders are seeking ways to ensure their governance practices are effective and efficient*

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What is a Corporate Governance Charter?(3)

Notice that there is no mention of a Project Management Committee, and yet when a client may build; say for example "a sports stadium" it leaves most of the responsibility, for say commissioning, to the contractor. The project values are in the 100's of million dollars, when the project fails the ensuing litigation costs run into millions, but the client says they do not have the money for proper project governance.

Clearly not a good outcome!

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According to the Governance Institute of Australia there are a number of useful practitioner documents which make up the Governance Charter and amongst them are:-

- Audit and Compliance Committee Charter
- Audit and Risk Committee Terms of Reference
- Audit and Risk Management Committee Charter
- Audit Committee Charter
- Audit Committee Terms of Reference
- Board and Chairman Evaluation Questionnaire
- Board Charter
- Corporate Governance Policy

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Typical Board Level Governance Elements (1)

Governance: Ensure corporate alignment of strategy, execution and results meets Corporate Law 2001, Section 674

Resource Management: Make sure resource requests and labour processes are supported both top-down and bottom-up and simplified for project and resource managers to communicate their requirements and decisions throughout a project's lifecycle until contract completion.

Communication and Collaboration: Rapidly record, access, and review elements (use of time-lapse photography) to determine the successful consequences of project performance.

Reporting and Analytics: Collect all actual project information on a regular basis (e.g. weekly, fortnightly or monthly) and deliver it in a timely way for the information to be analysed for accurate decision making by using Earned Value Performance Management techniques

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Typical Board Level Governance Elements (2)

Cost Management: All costs should be rolled up to a central cost spreadsheet normalised by a robust cost code structure, where project cost information is available for drilldown by work package or for the entire project. Develop S-Curves from baselines and statused on a regular basis

Cash Flow Management: Reliably forecast project final costs by taking into account actuals to date, changes, trends, approved variations and risks throughout the project duration.

Funds Management: Develop a funds management capability that is fully integrated with the cost sheet, ensuring visibility of funding against project budgets, actual spend, and forecasted spend to ensure compliance with Continuous Financial Disclosure requirements

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Typical Board Level Governance Elements (3)

Document Management: Using systems such as Aconex or SharePoint to centralise all the project management documents ensures that all project staff are always working on the most-current versions, for storage of attachments, file control access, e-mail alerts, and version control.

Contract Management: All of the project contracts regardless of type must be managed and kept up-to-date to reflect all changes, variations and original omissions, from basic material procurement to complex construction contracts and so capture all relevant contract details.

Liquidated Damages: Attention must be made to all contractual delivery dates and the potential impact to corporate profits and margins as well as the negative effects of liquidated damages

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Typical Board Level Governance Elements (4)

Change Management: All project transactions leading up to and resulting in a schedule or cost change must be managed using corporate approval workflows

- Changes to original work understandings which have been agreed to and detailed within the original contract must be documented if the changes may lead to a claim for extension of time or variation to costs.
-
- Failure to document such changes and inform the client in a timely manner have often led to the claim to fail, which may well be detrimental to corporate profits and share value.

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According to James Beck of Executive Governance - directors in order to fulfil their fiduciary duties should have appropriate answers to the following questions about their board packs. If they don't, they need to make sure changes are made immediately:-

- Can the data be trusted?
- Does it cover the critical issues?
- Is it sufficiently up-to-date?
- Is it presented in such a way that it can be digested quickly?
- Is the information purely historic or does it assess future risks?
- Is only summarised information or data?

More often than not corporate executives forget that the directors may not always have the same depth of knowledge on any particular project or corporate function as themselves.

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Professional Project Controls (1)

Definition of Project Controls :According to Pat Weaver

Managing Director, Mosaic Project Services Pty Ltd – expertise in Project Time Management and PMI credential training says:-

Project controls are the data gathering, management and analytical processes used to predict, understand and constructively influence the time and cost outcomes of a project or program…..

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Professional Project Controls (2)

Having defined Project Controls as a management action; which can then either be:-

•Pre-planned to achieve the desired result or
•taken as a corrective measure prompted by the monitoring process will be implemented within the Corporate Project Management strategy under the influence of the Governance Charter.
•Project controls is specifically concerned with project metrics, such as scope time, cost, quantities, and resources; in addition project revenues and cash flow will be an important element of the project metrics under project control.

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Professional Project Controls (3)

Thus, an effective Project Controls process can be applied in a collaboration of its various sub-disciplines which have been defined in the PMIBOK, such as:

1) Planning, Scheduling & Project Reporting
- Scope management;
- Project deliverables:
- Work breakdown / Cost breakdown structures;
- Schedule management;
- Status measurement / reporting;
- Status Analysis & Calculation;
- Schedule forecasting;
- Corrective action;

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Professional Project Controls (4)

2) Earned Value Analysis & Management
   - Baseline Scheduling
   - S-Curves
3) Cost Engineering & Estimating
   - Estimating;
   - Cost management;
   - Cost control;
   - Cost forecasting

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Professional Project Controls (4)

4) Change Management & Controls
   - Change order control;
   - Trend Analysis;

5) Risk and Delay Claims
   - Risk Assessment & management;
   - Delay Claims Quantification
   - Forensic Schedule Analysis

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Empirical evidence has proved over time and again that Project performance can be improved when dedicated Project Controls systems are a major part of Project Governance that has been put in place. Critical Success factors are based on good Project Governance and Project Control practices, which result in good cost and schedule outcomes.

" To put Project Controls into perspective, it is known that a major project failing could wipe out put a corporate's entire annual profits" Just ask the shareholders of Newcrest Gold Mine

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- Project Charter
- Project Scope & Objectives
- The Estimating Process
- Quality Management Approach

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Project Charter

Introduction

Executive Summary

Scope and Objectives

Project Context
Project Objectives
Deliverables
Financial/Resource Scope
Time Frame
Logical Scope
Rick Assessment

Project Organisation and Management

Project Organisation
Issue Management
Change/Scope Management
Quality Management
Special Processes

Related Projects and Training

Related Projects
Training

Appendices

Work Breakdown Structure

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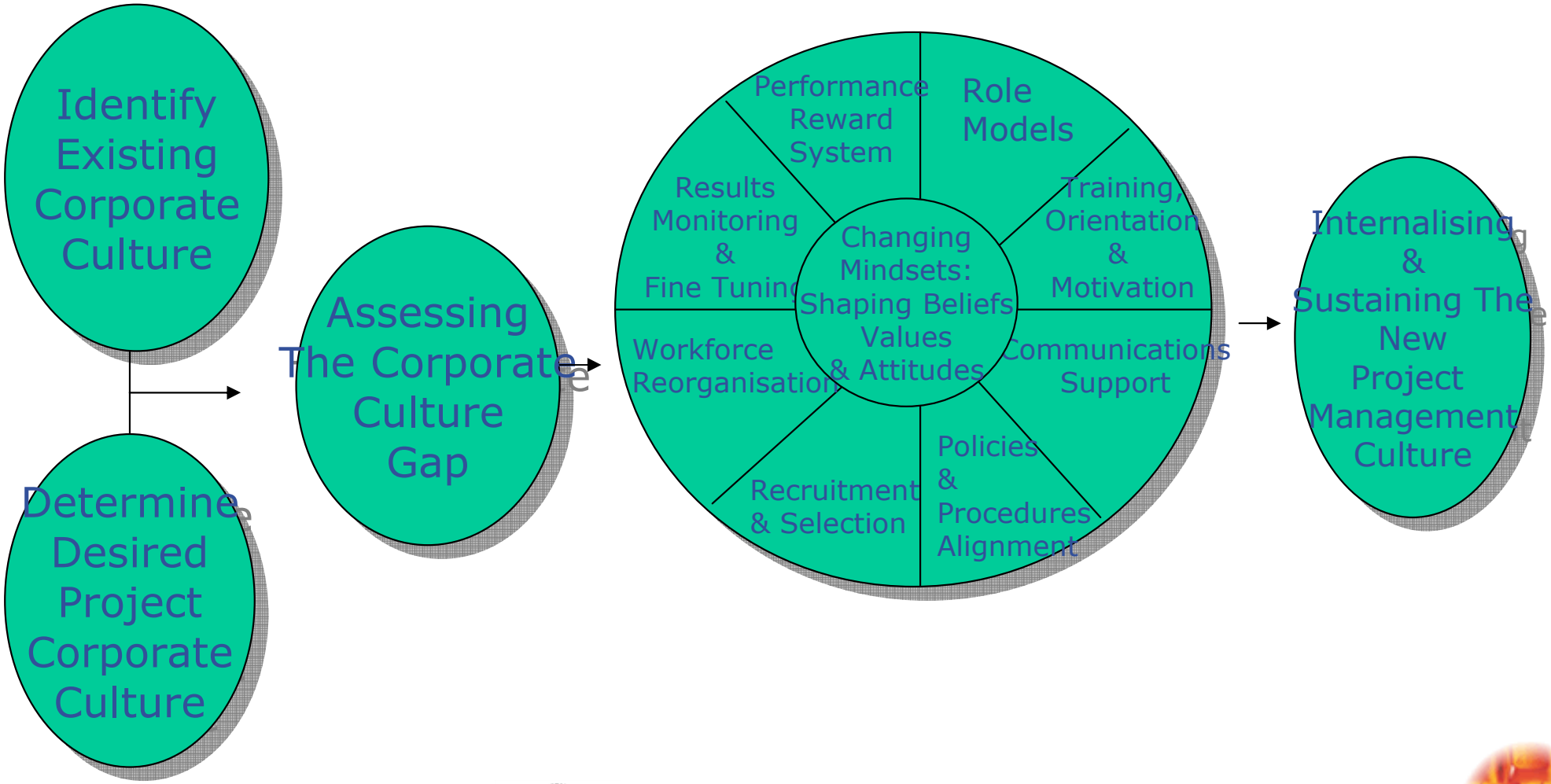
Changing Existing Culture to Desired Project Management Governance



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Is this your! Governance Committee

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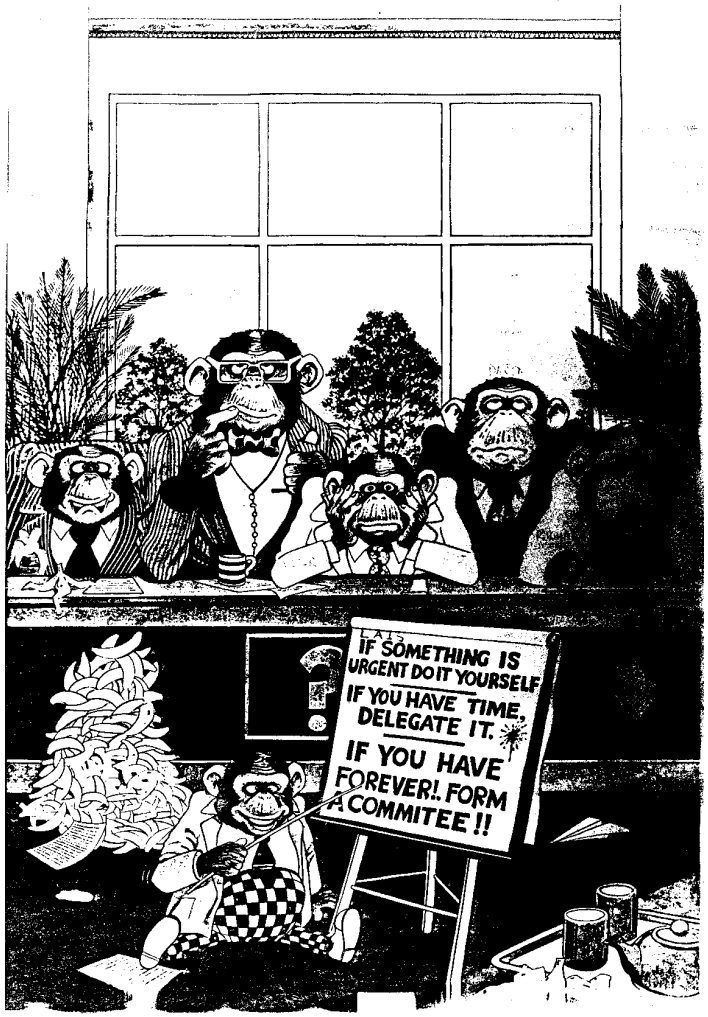

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Conclusion

It is fairly obvious that if shareholders want better returns on their capital and want the company to be a success, then they are going to have to demand that the board introduces Project Corporate Governance.

The main drawback is that most companies do not have a culture, which allows for the easy implementation of such new ideas. Change in introducing Project Controls is an anathema to most people and as we all get older it gets worse not better.

So it rests with the project management profession to ensure that these new tools are implemented as part of their contribution to the success of the project and improved Project Governance

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