Governance and Controls

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Objective

- To define the interaction between
  - Governance and
  - Control systems
- And their role in the creation of value from the organisation's investments in projects and programs.

Definition of Governance

- Governance and the governing body:
  - Governance is the act of governing
  - ***Governance*** is what a ***Governing Body*** does
  - In an organisation the *Governing Body* is the very top level of the hierarchy, typically the Board of Directors or their equivalent

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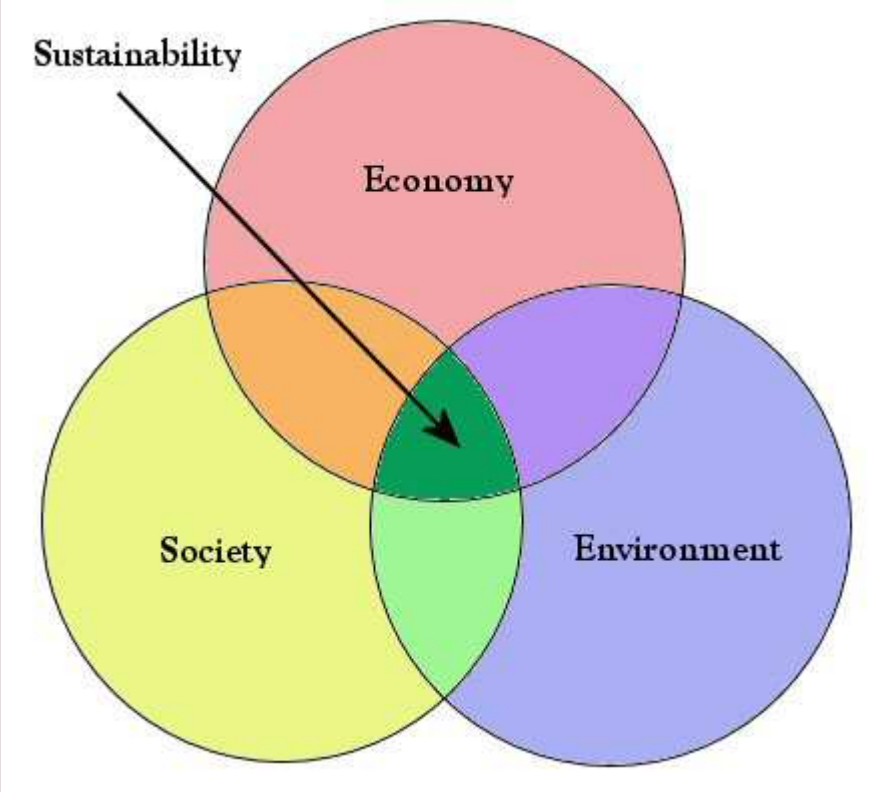
Definition of Governance

- Organisations exist to serve the interests of their stakeholders in a sustainable way!
- Stakeholders include:
  - Owners / shareholders
  - Employees, suppliers, customers
  - Society at large
- Governance determines the appropriate balance

Definition of Governance

- A broad measure of value is essential for effective governance
- Sustainability
- Short, Medium & Long term
- Stakeholder:
  - Expectations
  - Needs and Desires



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Differentiating Management from Governance

- **Directors or their equivalent govern, Managers manage**
- Henri Fayol's definition of Management:
  - to forecast and plan,
  - to organize
  - to command or direct
  - to coordinate
  - to control (French: contrôller: in the sense that a manager must receive feedback about a process in order to make necessary adjustments and must analyse the deviations)

Differentiating Management from Governance

- Governance is a management oversight process that provides:
  - Direction to management:
    - Vision, Mission and Strategy
    - Ethics and framework
  - Oversight of management:
    - Managers operating ethically within the framework
    - Requires assurance resources are being used optimally to achieve the strategy

Differentiating Management from Governance

- Governance is a management oversight process that provides:
  - Assurance to stakeholders that the organisation is operating:
    - Ethically and accountably
    - Achieving a sustainable delivery of value
- A key governance role is to ensure both the Governance system and Management system are working effectively

The role of Project, Program and Portfolio Management

- Every organisation must change and adapt to survive
- Sustainable organisations adapt to meet the needs and expectations of their stakeholders (customers)
- Projects are the key ‘change agent’ in organisations

The role of Project, Program and Portfolio Management

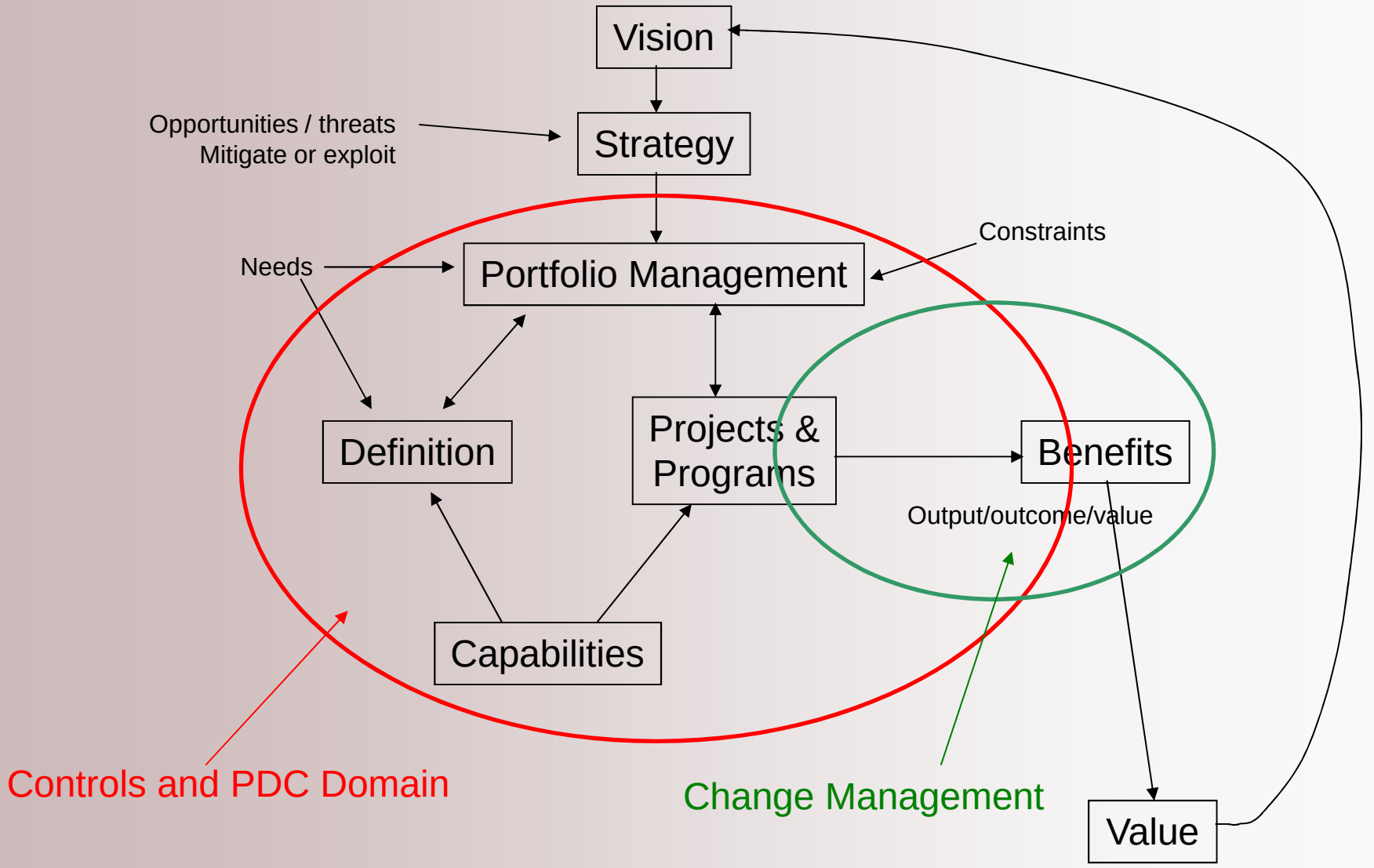
- Creating the changes necessary to generate future value for the organisations stakeholders
  - Portfolio Management
    - Investment decisions to best achieve the strategy
  - Program and Project Management
    - Creating the outputs and outcomes needed to allow the change to occur

The role of Project, Program and Portfolio Management

- Implementing the changes necessary to generate future value for the organisations stakeholders
  - Organisational management
    - Change management to embed the new capability created by PPP management
    - Benefits realisation to generate value
- Innovation
  - The ‘front end’ new ideas to achieve a sustainable organisation

The role of ‘Controls Professionals’

- Project Controls Professionals can contribute at each stage in the value generation chain
  - Costing / estimating skills
  - Time management / planning skills
  - Risk, quality, procurement skills
- Unfortunately they are a rarely used resource!


Vision
Opportunities / threats
Mitigate or exploit
Strategy
Constraints
Needs
Portfolio Management
Definition
Projects &
Programs
Benefits
Output/outcome/value
Capabilities
Controls and PDC Domain
Change Management
Value

The role of ‘Controls Professionals’

- Innovation and strategy
  - Strategic planning needs time and cost skills to be realistic
  - Assessing innovative ideas can be a project
- Portfolio management
  - Accurate business cases (time/cost/risk)
  - Accurate assessment of current status of live projects (PMOs)

The role of ‘Controls Professionals’

- The management of project and programs
  - Classic project and program management support roles
  - PMOs and information communication
  - Support for the ‘Enterprise Project Management’ functions of the organisation (Sponsor, control Boards, etc)

The role of ‘Controls Professionals’

- The management of change
  - Implementing organisational change requires planning, budgeting and many PM ‘soft skills’ to support the change manager
- The realisation of benefits
  - Controls skills help the ‘benefits manager’ to:
    - Define value during the business case
    - Maintain value through the project
    - Ensure realisation is achieved after the project

The role of ‘Controls Professionals’

- The measurement of value creation
  - If the realised benefits contribute to the organisations strategic objectives value is realised
  - Controls skills help measure the value actually realised

Conclusion

- Governance is responsible for defining what ‘value’ is desirable for the organisation to work to achieve
- Management is responsible for managing the creation of value
- The control of both processes requires
  - Forward planning
  - Measurement of actual progress
  - Managing variances

Conclusion

- Controls systems and controls professionals provide the information needed to
  - Develop a realistic and achievable plan
  - Measure actual performance
  - Scope changes and variance
  - Test the viability of alternatives
- Reliable timely and accurate information is central to success

Discussion

- Questions please
- Contact details:
  - Free planning and scheduling resources:

    http://www.mosaicprojects.com.au/Planning.html
  - Email: patw@mosaicprojects.com.au

Useful control systems are useful because they are used!