Michael Knapp

Enterprise Portfolio Governance

How Organisations Optimise Value From Their Project Portfolios

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From Their Project Portfolios

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Prologue

This book emerges from more than 40 years of work as a portfolio, program and project (often shortened to PPP or '3P') governance and management professional, trainer, consultant and educator. I have worked on over 60 projects—of which I managed 25, ranging in size from several hundred thousand dollars up to over five hundred million dollars—and worked in, or consulted to, more than 30 organisations in Australia, Asia, the USA and the Middle East. I have conducted more than 300 workshops in many aspects of information technology and 3P management and leadership, working with more than 3000 professionals who have shared their stories and experiences and who were both delighted and appalled at what organisations do with (and to!) their portfolios, programs, projects and people.

This book deals with portfolios (and programs and projects) which organisations run internally, to design and build products, improve operational efficiencies, restructure and even re-engineer their organisations and implement information systems and communications technologies. The project model is used to better execute strategies and plans, meaning this approach sees the project as almost utilitarian – a useful tool to achieve a desired outcome – and the less problem the tool presents, the better the tool. Organisational projects, having roots in information technology, are often called 'IT projects', and those managing them are called 'IT project managers', but in my discussion throughout the book, this labelling is incorrect. Commencing in the late 1970s, I, along with a network of like-minded professionals, started to view organisational projects not as IT projects but as IT-enabled business projects. Leveraging methods such as business process re-engineering, we encouraged our clients to focus on the business drivers and strategy and insisted that all projects must have a valid business case. Yet organisations persisted with funding projects out of the IT budget and appointing the CIO as the most senior stakeholder. It seemed that there were few in the CxO suite who wanted to take ownership of projects even though the success of their business plans was substantially dependent on project success. This 'hands off' approach proved highly problematic.

I began conducting workshops in information systems and information technology in 1986 and project management in 1990, as well as other associated workshops, such as risk management and estimation. One session which always proved

popular was 'What causes projects to fail?', where I asked attendees to rate a number of 'factors causing project failure' and to suggest additional factors if my list seemed incomplete. Consistently and unambiguously, people identified several factors, above all others, one of which is a senior manager walking away from his commitments and accountabilities. 'Losing interest' and 'Taking notice of the project only when it was in trouble' were how it was often put. The point of frustration for so many of these project professionals was that senior management's failure to meet their accountabilities saw them, that is senior management, as the cause of the problem they were complaining about. I asked what the biggest problem on their project was, and it was quite disturbing how a lot of times 'My sponsor' was answered.

If project professionals saw their own management as their biggest problem, what did their management think?

On many occasions, I would be called in to discuss the 'problems we have with projects' with the executive management of large financial services and insurance and telecommunications companies (amongst a range of industries I worked with). Their frustration was that despite investing substantially in training programs, their projects were not performing as expected and project failure was a continual possibility if not probability. What could be done? I would sometimes run a maturity assessment to identify their strengths and weaknesses, and the major problem I would identify every time was with project governance. Steering committees were acting inconsistently, senior managers were unclear about their roles as sponsors and steering committee members, and there was broad ignorance of project dynamics and even how to read and interpret a project status report. I would make a range of recommendations for improvement, but, almost without exception, the recommendation regarding building governance competence would be glossed over, downplayed, de-valued or simply ignored. The enthusiastic response would be for me to work with their project managers to 'put some steel in their spines' so they could 'take control of their projects'. Was I speaking Swahili? Why wasn't the message getting through? It was obvious that senior managers were not interested in understanding project management, as if that was 'beneath' them. They had reached a position of senior manager without knowing project management, so communicating anything to them which was wrapped in 'project speak' simply did not register. Further, they were simply too busy to pay attention to how they needed to change their behaviours.

Over these 40 years, I have noted the professional bodies were often slow to respond to realities on the ground. The bodies of knowledge (BoK) largely see projects in a mechanistic sense, structured hierarchically and dominated by a command and control culture. I first implemented a portfolio and program structure within an organisation in 1991, so from my own experience, I know 3P has been actively employed for over 37 years, yet it was only recently that the PMI published any standards in these areas. This, in part, is due to historical factors, dominated as it is by the 'hard hat' industries, such as engineering, construction and manufacturing. Organisations working across these industries often run projects as their business; employ strict rules around controlling budgets, scope and schedules; and engage

with many subcontractors who work on a fixed-term basis. These projects and the project management are very different from those run by, say, a bank implementing a new customer management system. Everything is different, including the roles, the technology employed and, most importantly, those who take on governance roles. In the 'hard hat' industries, those who sit on steering committees are often project professionals; they understand the business, and they know what makes a project successful. A bank (or insurance company, retailer, telecommunications company, media company, consumer goods distributor, healthcare provider, etc.) may well appoint someone with little project experience as a sponsor to a project, or even projects. Is anyone surprised when things don't work out the way everyone expects (or hopes!)? For too long the project industry has focused on where attention is least required—where the professionals work and perfect their trade—and left alone, if not ignored, those seen as 'part-timers', even though they play such incredibly important roles in delivering project success. In a small way I seek to redress this imbalance by writing a book for those who sit outside the profession but control the financing, direction, scope, sequencing and resourcing of portfolios, programs and projects and who, at the end of the day, tell the professionals what success really means.

I have appropriately made references to relevant research, not that I think anyone will follow up the cited works, but rather to show that there are some very deep thinkers out there, publishing some real pearls of wisdom which can be applied in practice to make a difference. With this book, I hope to make a difference, albeit small, in speaking to those who make all the big calls and those who have influence and power well beyond their own understanding of dynamics of portfolios, programs and projects. Change may occur, and with that change may come improvement, greater satisfaction and many, many more successful programs and projects.

Bundeena, NSW, Australia   Michael Knapp

Confidentiality

The organisations who contributed to this book did so on the basis of confidentiality. In return they provided access to highly confidential materials which, for many reasons, should never be made public or divulged to a third party without their express written permission. For these reasons, all attempts have been made to ensure that the identity of these organisations remains confidential without, in any way, distorting the reported facts or data.

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1.1 Introduction

"The problem", said the CFO of a large financial services organisation, "is that we're spending a billion dollars a year on projects and I don't know if we're getting value for money". This was something I had heard many times before. He continued, "and I'm not even sure we're spending it on the right projects".

Looking at this problem another way, if you had $1B to invest where would you put your money? How certain would you want to be there was an adequate risk: reward ratio, and what sort of return on investment would you be looking for? If you could not satisfactorily answer these questions but went ahead and invested the money anyway, how would your actions be viewed? Ignorant? Reckless? Incompetent? Yet this is the scenario many organisations are faced with, and the facts on project outcomes, such as success and failure, bear out that this scenario is common.

Consider the following:

- On average, large IT projects run 45% over budget and 7% over time, while delivering 56% less value than predicted (McKinsey & Co).
- Where organisations fix project budgets and schedules, opting to manipulating scope instead, over 60% of projects do not achieve their business case, with at least half the projects being considered 'non-financial' (that is, they never achieved break-even).
- Up to 75% of business and IT executives anticipate their software projects could fail (Geneca).
- KPMG reports that 60% of companies studied fail to measure return on their project investment.
- Fewer than 35% of all projects fully realise their business case (Forrester).

In what is probably the largest annual global survey of projects, the Project Management Institute's (PMI) 'Pulse of the profession' (Project Management Institute 2016) survey in 2016 found that for every $1B invested in projects, $122 M is essentially 'wasted', that is, it generated zero return on investment. Other headline findings from that same survey included:

- Just 59% of projects have an active sponsor.
- Less than half of organisations ensure their project spend is aligned to strategic priorities.
- Fewer than 17% of organisations actively track benefits.

Things must change and they are changing. Organisational projects, and project governance and management, are at a major inflection point, whereby the rules which have largely shaped this industry over the past 50 years are giving way to a new reality, new ways to execute projects, where portfolios will become the predominant project investment model, and governance behaviours will emerge as a the most critical set of practices which will largely direct project success and failure. The reason for this is simple: organisations recognise that success rates up until now are simply unacceptable, and senior management are sick and tired in investing their shareholders' funds in programs and projects which do not live up to expectations – or promises.

1.2   The Projects Within Scope of This Book

The focus of this is book is the *governance* of an enterprise's *portfolio* of programs and projects. An 'enterprise' is the end-to-end organisation which has a board of directors as its principal governance entity and which delivers products and services to customers and other stakeholder groups. An enterprise may have public or private ownership, and it could operate as a government or quasi-autonomous entity, or be a commercial entity. Typically, an *enterprise portfolio* is structured to broadly map to an organisation's structure, as shown in Fig. 1.1:
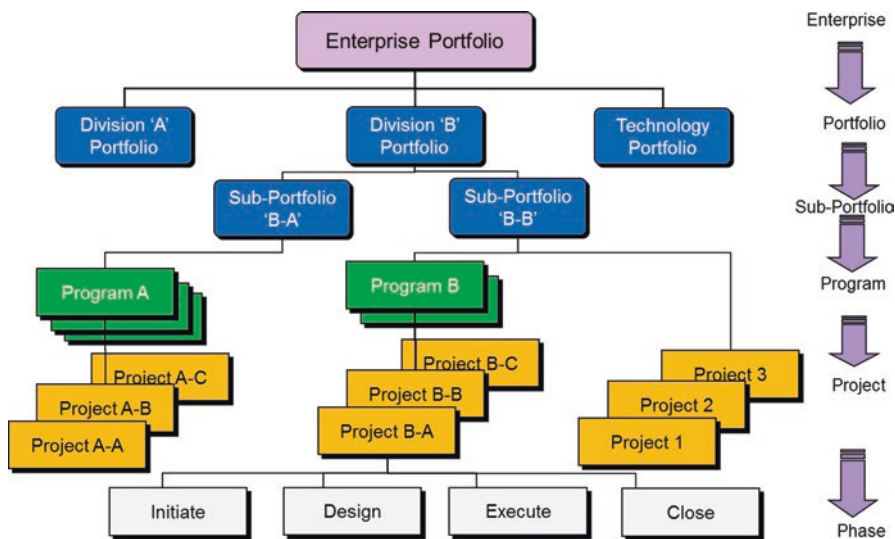
Fig. 1.1 A typical enterprise portfolio made up of divisional portfolios, programs and projects

I make a clear distinction between governance and management as it relates to portfolios, programs and projects. Management describes those roles (plus practices, processes and deliverables) which are 'hands-on', charged with managing day to day the portfolio of projects. Governance are those roles which exhibit ownership, stewardship if you like, of that portfolio. They are the sponsors, owners, steering committee and board members who make the critical decisions, set strategy and direction, provide guidance and approvals which management relies on to successfully deliver the portfolio.

Just about all organisations run projects, whether these are new product development and marketing projects, possibly to change or even re-locate the organisation, merge with another business or expand the business into new markets. Many, if not most of these projects are enabled by information technology. Organisations also run programs, very large 'projects' which run for multiple years and have a number of releases. Projects are ubiquitous and project management is seen as a core competency, something which is owned in-house. Even though projects are temporary, having a start and an end, projects appear to be here to stay, although this can no longer be accepted as a truism, for as well see later on the project model is under scrutiny with radical changes inevitable.

The concept of delivering an organisation's strategies through a portfolio of programs and projects has been around for at least 20 years, probably longer. I was engaged by Australia's largest telco, Telstra, in 1994 to assist in the establishment of the Corporate Program Office where one of our responsibilities was to define the enterprise portfolio, and the make-up of each divisional portfolio. However, each project was required to have a valid business case yet there were few formal procedures and almost no system support to enable the explicit mapping of goals and

objectives to the myriad projects expected to realise those goals. In other words, it was a new and somewhat immature implementation of portfolio management. In 1998 the PMI termed the delivery of strategies through projects as 'Organizational Project Management' (OPM), with the latest standard on OPM released in 2013 (Project Management Institute 2013).

However, the data tell us running projects is problematic, with poor success rates realising dubious value for money. There is something not quite right with organisation projects, something which is persistent and resistant to solutions. Something which needs to be resolved. Urgently.

1.2.1   Organisation Projects

O*rganisation projects*, such as shown in Fig. 1.2, are the programs and projects run internally by an organisation and differ from capital works and construction projects, major engineering and manufacturing projects, or projects an organisation may run as prime contractor for an external client. Typically organisation programs and projects require substantial information technology spend, making up 60–70% of the total investment in the enterprise portfolio, which is why they are sometimes (erroneously) referred to as 'IT projects'. As organisation projects are expected to deliver benefits and value to the organisation they may be called 'business projects'.
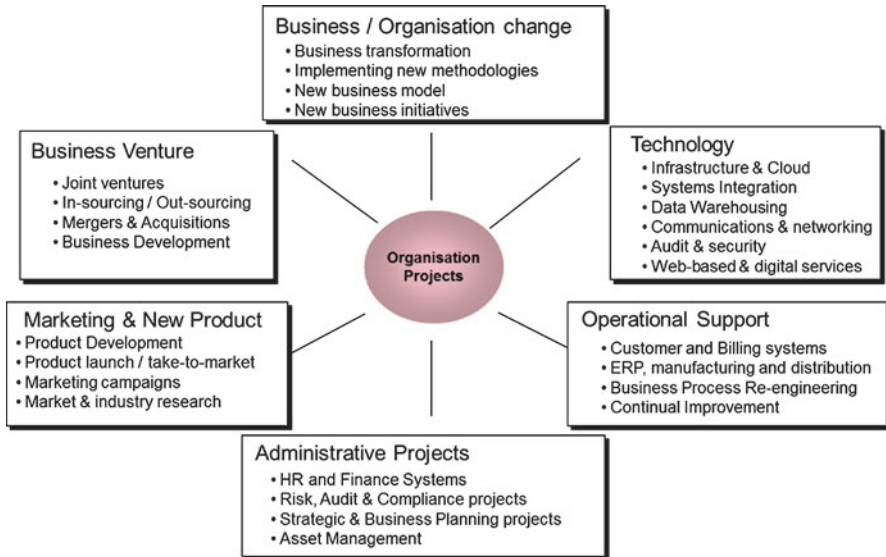
Fig. 1.2 The type of projects which typically make up an organisation's portfolio of projects

Organisations have formally run programs and projects for at least 50 years, with an initial focus on implementing computers to automate core operational systems, such as order processing and tracking, invoicing and billing, warehouse management ('pick, pack and ship'), accounts receivable and accounts payable and asset management.

In 1975 organisation projects were very much about technology (initially termed 'data processing'), with all the standards derived from electrical and electronic engineering and the development methods were even called 'software engineering' methods. Projects followed simple life cycle models, again borrowed from engineering, and they ran for as long as was necessary to finish writing and testing the code. Projects were large, slow, internally focused, expensive and they delivered to a user community who were increasingly annoyed that the systems they were fundamentally dependent on to support their business simply did not perform, or at least did not perform as they needed them to, they were cumbersome to change and expensive to maintain. Dissatisfaction with organisation projects set in quickly and it has been with us ever since.

The emphasis remained on information technology (IT) mainly because that was where the majority of cost was expended, where project managers and teams resided, where execution methods and application life cycle methods were defined, owned and implemented. They also set the pace for how quickly these projects could progress, so IT was seen both as the enabler and the hand-brake, a reputation which, somewhat undeservedly, continues to this day. Around 1980 organisations realised that the end-to-end project was much more than just technology. As projects became larger and their scope of change also increased, those paying for projects began demanding they also controlled those same projects, so the saying 'all projects are business projects' emerged, and the IT project was seen as a sub-project of the end-to-end project. This view of organisation projects has prevailed to this day, with those who pay for projects and receive the bulk of the realised benefits also sponsoring the project. Business units hire their own project managers to run them and sponsors chair steering committees. Increasingly the business demands value for money and they expect success and, as we'll see later in this chapter, that success remains elusive.

By the early 1990s some projects had become very large. To provide some perspective, in 1991 Telstra (Australia's largest telecommunications company) commenced their customer billing project around the same time they purchased land in Melbourne to construct their headquarters. Both their headquarters and their customer billing system were completed around the same time in 1994, but their 43 level headquarters cost less than their IT system. With very large projects came the idea of running programs. There did not appear to be any one standard definition of a program, however whenever funding for a project crossed multiple financial years, and it had multiple releases and concurrent execution streams, then it would often be called a program. In 2006 the Project Management Institute (PMI) published their *Standard for Program Management* (Project Management Institute 2014) which went some way towards standardising what a program was compared to a project, but to this day many people, senior managers and practitioners alike, often

interchange 'project' with 'program', not recognising the significance difference between them.

1.2.2 Where Organisations Invest in Projects

In 2017 Australian companies[1] spent variously between 5 and 15% of their total revenue on their portfolios of projects and programs. This meant (about) AUD120B[2] (USD100B) was spent on organisation programs and projects in Australia annually. For instance, the 'big four' Australian banks (CBA, ANZ, NAB and Westpac) spent more than $5B on programs and projects in 2016, against total revenues of $82B, which is 6% of total revenue. This portfolio spend could be viewed as an *internal investment portfolio*, which generates a year-on-year return to the organisation. In theory a company spending $100 m on its internal investment portfolio should be generating a return on investment of 5% or more, yet the reality is that less than 40% of that spend will generate a return close to 5%. *Indeed, close to half of all the project spend does not even break even.*

Where organisations invest their project dollars varies substantially across market sectors, and across economic and industry cycles for individual organisations. Between 2005–2016 I looked at the results of projects running at 30 organisations (including large divisions within the same organisation) across five industry sectors (financial services, telecommunications, insurance, higher education and 'fast moving consumer goods' (FMCG) distribution) and globally dispersed. Table 1.1 shows where each sector invests by project type (as defined in Fig. 1.2):

	Org Change	IT	Ops Support	Admin	New Product	Business Venture
Fin Services	25%	25%	10%	5%	30%	5%
Telcos	10%	28%	20%	7%	25%	10%
Insurance	15%	38%	30%	10%	5%	2%
Higher Ed	18%	37%	21%	23%	1%	0%
Distribution	10%	15%	45%	8%	20%	2%

Table 1.1 The proportion of the total project spend by project type across five industry sectors

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[1] Australian companies are referenced as these formed the basis for the research under-pinning this book, however organisations and projects in Asia, Europe and North America were also studied, with few differences found between the nature and execution of projects across any region.

[2] I will use Australian dollars (AUD), '$' from this point forward.

By no means is this an exhaustive study of industries, and one should not draw too many conclusions regarding any perceived variances between sectors. The purpose of this is to demonstrate that organisations spend across a range of project types. It is interesting to note that industries have varying investment mixes. Analysis of the organisations identified the following factors at play:

- Each industry sector responded differently in translating strategic drivers and industry changes into the portfolio mix. That is, they had very different ways to translate strategy into an execution plan.
- A critical issue is that the spending mix changes over time, often mapping to the economic cycle and in response to what their competitors are doing. For example, where the economic cycle dictates economic contraction then the focus is on funding projects which enable cost reduction, and correspondingly portfolio investment will focus on business efficiency, reduced operational spend and lower cost IT. This makes sense if one views the portfolio as an organisation's strategy to implement goals and objectives.
- Organisations are often opportunistic, undertaking innovation projects, for instance, to take advantage of new technology, or in response to disruptors. For example, as disruptors become real threats, then we see the 'New Product' and 'Business Venture' project spends increase.
- As core information systems reach the end of their useful life (typically in the vicinity of 25 years old) we see 'IT' and 'Organisation Change' programs come on stream as organisations will often take advantage of core system replacement programs to drive business transformation and implement updated business models.

It was broadly true that where organisations choose to invest across their portfolios reflected their business, technology and innovation strategies. None of this should be new or surprising, although very few organisations build their portfolios in a top-down manner, using business goals and broad strategies to structure their portfolios. Too often the distribution of investment dollars is in response to demands from divisions to fund their favoured projects (a case of responding to whichever wheel is squeaking the loudest).

1.3   How Projects Perform

As we will see in Chap. 2, portfolio governance practices are relatively immature, so we see portfolio performance being measured as the performance of the programs and projects making up the portfolios.

The Project Management Institute (PMI), the largest global professional association of project managers (and allied professionals) publishes its 'Pulse of the Profession' report annually. Figure 1.3 shows project performance over the period 2012–2016 against six key indicators, the top three defining success, and the bottom three defining failure.
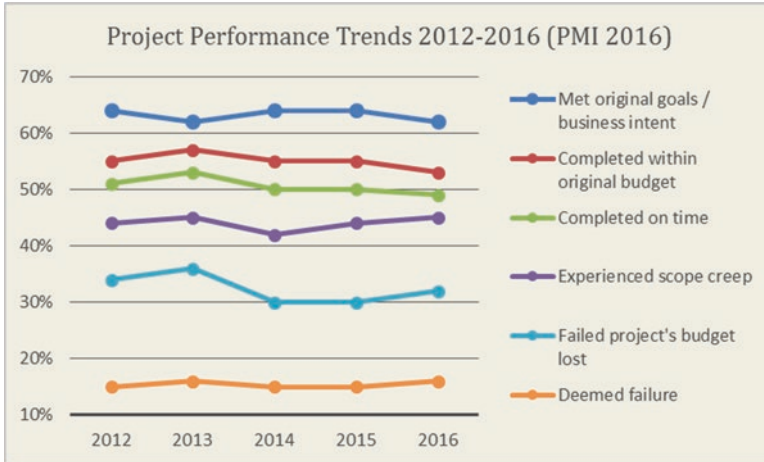
Fig. 1.3 Project performance and outcomes trends 2012–2016 (PMI 2016)

It is disturbing that the success indicators are trending down, while failure indicators are trending up. However, no one criterion, taken by itself, conclusively defines either success or failure, and no data are presented which groups criteria and shows the impact of such criteria on success and failure. For instance, we do not know what proportion of those projects which 'met original goals/business intent' actually ran over time and budget. The fact a project may experience 'scope creep', by itself, does not represent sub-optimal performance, in particular if contingency is set aside to accommodate changes to scope. Still, this downward trend in project performance is supported by other studies:

- KPMG conduct regular global surveys looking at project performance across a large number of organisations and industries, in the Asia-Pacific region, Europe, the Americas and Africa (KPMG International 2017). They reported that globally 57% of organisations surveyed had experienced at least one project failure. Of those reporting such failures, 59% could not quantify the impact such failures had on their organisations. Further, just 33% of organisations run projects which achieve original goals and objectives. Of the four key project performance indicators covering budget, schedule, benefits and stakeholder satisfaction, two are declining, one is improving and one is remaining flat (compared to previous surveys).
- Pricewaterhouse Coopers have published a number of reports on organisational project performance, and in their 2012 global survey of over 200 companies, they report that fewer than 2.5% of all 10,640 projects being run on an annual basis deliver all anticipated benefits (PricewaterhouseCoopers 2004, PwC 2012).
- Other commercial research organisations have similar findings, with Gartner reporting in 2012 that 30% of all government IT projects in the US will be cancelled, due largely to the projects failing (Gartner Inc. 2012).

This is just a small sample of the myriad studies and research projects which consistently point to an industry with poor performance.

There is the real possibility that the situation is actually worse than what is being reported. No one wants a failed project on their record, whether as a sponsor or as a project manager. In 32% of the projects I studied between 2010–2015 scope was manipulated so that the metrics being captured and reported (and on which definitions of success largely rested) met the expected, planned or agreed result. This practice is now standard in many organisations: hold cost and time as fixed and then manipulate scope, often (unintentionally) undermining quality, undermining realised benefits and increasing stakeholder dissatisfaction. Compounding this situation was the fact that of all the *Post Implementation Reviews* I studied none (that is, 0%) included 'benefits realisation' as a review attribute, on the basis this would examined in a separate review called the *Benefits Realisation Review*. Unfortunately just 10% of projects had a benefits realisation review conducted, and in each case the results were not satisfactory. This situation, termed 'under-sampling of failure', is often seen in researching the firm, in particular how organisations perform when analysing factors causing success and failure (Denrell 2003).

What is going on here? Project success rates are not improving and this has been the case for at least the last quarter century. It is inconceivable that any other profession-industry would allow such a situation to continue and, indeed, there have been myriad attempts to address poor project performance and outcomes, often relying on the 'silver bullet'[3] approach to remedying failure. Over the past 40 years there have been many attempts at formulating one simple, universally applicable and applied 'formula' for project success, ranging from building organisational capabilities in project management, implementing life cycle methods, implementing project management software, outsourcing to specialist project management organisations and consultancies, implementing portfolio and program management and outsourcing those parts of the business that proved problematic in running projects. Whereas each of these initiatives had impacts on project performance and outcomes, none, either individually, or collectively, has assured consistent project success. In many cases these attempts at improvement only exacerbated the problem.

Considering what the data is telling us, poor success rates appear to be tolerated. Imagine the outcry if just 60% of airline trips were considered a success? Or that 60% of surgeries were successful? Where does the problem lie that both this situation is allowed to occur, and that not enough is being done to remedy it? It may be that Project Management topples Economics for the label of the 'dismal science'. The fundamental issue remains: *organisations simply do not achieve their claimed business cases*. As an investment vehicle, the project model is a bit of a dud.

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[3] The term 'silver bullet' has been used with projects from at least 1979, and it was popularised by Fred Brooks in his paper "No Silver Bullet – Essence and Accident in Software Engineering" published in 1986. It refers to seeking one, all-encompassing solution to what we now refer to as 'wicked problems'.

So why do projects perform sub-optimally? Historically organisations have looked for causes of poor performance from the bottom up, that is they have focused on the mechanics of how projects operate, such as toolsets, methods, techniques and procedures, and at the competence of those charged with managing projects. This had led to 'solutions' embracing change programs designed to implement project operational support systems, scheduling, tracking, control and reporting tools, and project manager training and certification regimes. Certainly having management and execution frameworks created disciplines previously absent, and this at least meant key people knew what they were expected to do. As widespread as these initiatives were they did not have the desired outcome in that project success rates improved marginally rather than substantially. The reality was and remains that *projects fail because they are set up to fail*. Organisation projects are not like engineering projects. They do not exist within well-defined and stable scope, that the business case, once approved becomes less relevant over time. Senior management, expecting certainty, want to see the project terms fixed such that the project delivers expected scope for a fixed time and cost. This expectation is simply unrealistic and largely unachievable. There is inadequate alignment between project directions, priorities and outcomes and the organisation's strategic direction, goals and key performance indicators.

1.3.1   What Is Meant by Project Success and Failure

Historically our understanding of projects and project success is tied to the mechanistic 'hard hat' industries, such as engineering, construction, infrastructure and manufacturing (Davis 2014). Positivist, mechanistic and scientific principles drive how projects are planned and executed, with scope being structured around well understood design methods and clearly defined outcomes. For example, if the scope of the project is to deliver a ten story building, comprising 3000 m^2 of floor space using steel and glass construction, then plans and blueprints are used as a mechanism to not just define scope, but also to ensure all stakeholders are on the same page. As there is a long and well understood history of constructing buildings, then the level of uncertainty (that is, risk) should be low and in many, if not most, cases, construction projects are delivered against specification and within time and budget targets. For such projects, success can be measured, but this is not always the case.

Success Is Largely Interpretive, Isn't It?
"Success is whatever people think it is", opined a seasoned program director. "If you get enough people saying your project was a success then that becomes the reality".

This comment masks a critical reality of all projects, which is 'success' very much aligns to expectations, or desires – what people want to see delivered by a project which in some cases is actually the avoidance of potential, unwanted consequences. A recent PwC report states "stakeholder satisfaction, timely delivery and staying within budget top the list of measures that indicate a project's success". (PwC 2012).

As illustrated in Fig. 1.4 success (like beauty) remains in the 'eye of the beholder'.

Fig. 1.4 Project success is aligned to a stakeholder's expectations of outcomes

Even with construction projects, success is not always easy to define. Take the case of the construction of the Sydney Opera House, which started out in 1957 as a 7 year, $7 m project but which ended up as a 17 year, $102 m project. So much about this project was novel, such as the design, architecture, materials used, and engineering. There was continual tension between the sponsor (the NSW Government), and the architect Jorn Utzon. From a risk profile perspective this project was off the scale. One may argue that as the project blew its original budget by 1500% it should be seen as a failure, but to see the building, walk around it and attend a concert there leaves one with the overwhelming sense of a major success. Success is not so simplistic a concept.

Most organisation projects will satisfy multiple objectives, or at least will be driven by multiple objectives, with multiple key stakeholders, many of whom consider their particular objectives to be mandatory, and in some cases, contradictory.

Still, success lies 'in the eyes of the beholder'. But is project and program success really as interpretive as that? As a mature industry shouldn't we be able to measure success? If that is true then first of all we need to be able to define success, and that, in practice at least, is problematic.

The point is, defining success and failure is problematic.

1.3.2 Definitions of Project Success

How we define success is very much tied to how we define a project[4]. The original definition of a project revolved around the 'iron triangle' of delivering a set of objectives (its scope) against an agreed definition of quality and a pre-determined time frame for a set budget and resource usage, as shown at right.
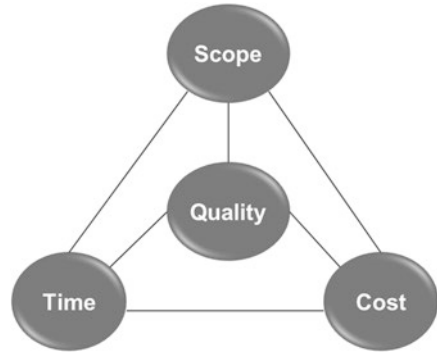
One reason for this definition of success is that for many years organisation projects have been referred to as 'IT projects', not least because IT costs were the largest project cost category by a very wide margin (typically of the order of 60–70% of captured project costs). Likewise the IT project manager was seen as the project manager, who often used engineering standards in managing the project. For example, projects would often use IEEE standards for requirements definition, quality assurance and testing, running the organisation project as if it were a highly technical computer software engineering project. Organisations continued along this technical paradigm by naming their project execution standards 'software engineering life cycles' (SELC), or 'software development life cycles' (SDLC). Projects were run along very strict quality management lines, using standards such as AS3563 or ISO9001, which invariably followed a 'waterfall' execution approach, which each phase having strict entry and exit criteria. The assumption was the 'client' should know precisely what they wanted, which would be specified often using esoteric modelling techniques which made sense to the modeller, but not to too many others. These specifications formed the project scope, which would be locked down before the IT designers, builders and testers got to work, behind closed doors, locked away for months on end only to emerge with the completed system which may, or may not, have been what the business actually needed.

Those paying for the project would have a fixed budget and mandated deadlines, while the IT team had fixed specifications which were all registered in a repository and configured under a quality management system. Everything about projects was fixed, inflexible and each stakeholder had their own understanding of what constituted success, which, amazingly, continues to this day.

Therefore, the traditional definition of project success is meeting each of the pre-defined attributes of scope, time and cost. This definition of success does not take into account customer and stakeholder satisfaction, risk, benefits, changes and value. It ignores the reality of change while executing the project, forgetting to cater for the simple fact people change their minds, and the outside world changes as well.

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[4] I will focus on projects and project success here, and in Chap. 3 expand on how success can be defined for programs and portfolios.

This also meant that if the definition of a project was problematic then achieving success was equally vexed. Missing a deadline by one day, or over-spending by $1 meant that the success criteria were missed. Changing scope because the client wanted the change and was happy spending more meant we had a happy client but a 'failed' project.

1.3.3   Success and Trade-Offs

Over time the concept of negotiating terms emerged, so that the project owner was requested to 'pick any two, negotiate the others', as shown in Fig. 1.5:
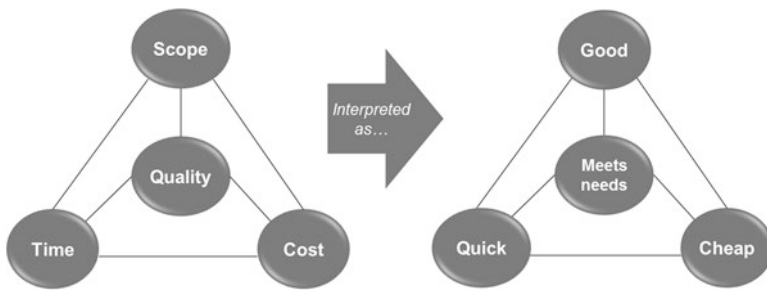
Fig. 1.5   The reality is a project owner picks any two or three and negotiates the others

To adopt the vernacular, the owner or sponsor can:

- have it fast and good (that is, all scope is delivered), but it won't be cheap and it may be unreliable.
- it can be fast and cheap but you won't get all scope delivered and it may not work as expected, or
- everything will be delivered at a low cost, but it may take a while.

This concept of trade-offs was introduced to organisation projects in the early 1980s and grudgingly accepted by those funding the projects, who reasonably (or unreasonably?) 'wanted it all'. However the negotiations on trade-offs resulted in the project terms still being fixed, which did not really change the underlying dynamic of how success was defined or judged. Increasingly, and often due to the control the finance function had on ensuring projects did not over-spend, the 'cost' attribute was fixed while adjusting quality, scope and time. When senior management also demanded projects deliver when they said they would, then the only levers left to the project manager to fiddle with were scope and quality, which would result in features and functions being removed, or quality being undermined, and sub-optimal solutions delivered to the business. The 'pick any two negotiate the others' approach to defining a project and success invariably ended up as 'cheap and

quick' over 'scope and quality'. There were many variants of the 'iron triangle', with each version taking into account additional project attributes, such as resources, compliance, risk and organisational capabilities. The focus remained very much on project performance and meeting known, and somewhat agreed, project terms.

The Myth of Trade-Offs

The idea of trade-offs looks good on paper, and may even work if everyone 'plays nice'. But who, amongst the stakeholders depicted in Fig. 1.4, is prepared to have their outcomes devalued at the expense of another group getting everything they wanted? Further, do trade-offs result in optimal outcomes for the business, as a whole? Are we assured of maximising value from our project investment by going down the trade-offs path? If trade-offs were the only way to set reasonable project terms then is there something wrong with the project model? Enough organisations realised that this was not the right way to go that increasingly trade-offs were done away with as organisations sought and found a much more efficient way to structure their project investments, which is the portfolio model.

The Persistence of the Change Dynamic

Rudolph Claudius could explain a thing or two to project managers. He was the scientist who, in 1850, coined the term 'entropy' to describe the 'lost energy' which slips beyond the system boundary in any irreversible process. To interpret the consequences this for projects, and assuming a project is indeed a closed system, then energy (work, services provided, but those attributes where we expend our budget) is dissipated both as useful work (that is, planned and budgeted) and through unplanned work and 'wastage'. Over time the level of entropy within a project increases and becomes increasingly difficult to predict or manage. In some cases it rises to such a level the project goes 'out of control' and the mercy rule is applied – that is, the project is stopped or cancelled.

   This glaring deficiency in the Iron Triangle model is the absence of the 'change dynamic'. As the British Prime Minister Harold McMillan, when asked what could throw into disarray his plans and makes his job very difficult, replied "Events, dear boy, events". Stuff happens. Unplanned stuff happens all the time yet projects are meant to ignore 'events' and sail on imagining the sea to be as still as a shiny pane of glass. Of course this is nonsense, and we are meant to cater for unplanned changes and 'events' through the careful allocation and management of contingency. There is possibly no more contentious project issue as contingency, as some see it as little more than 'fat', set aside as compensation for poor project management, while others see it as a necessary tool every project manager should carry in the kit bag. (Of the 30 organisations I have studied in depth over 25 years, just three actively used contingency to help better manage the consequence of risk, and to cater for likely changes to scope). The fact we even need contingency demonstrates the fundamental deficiency with the project model.

   The rigidity in the 'Iron Triangle' flies in the face of the change dynamic, pretending that it can be adequately catered for within the project plan. It is a hallmark of the eternal optimism of the project manager that they think that on this project, the plan will be realised as it was defined.

In the same PMI 'Pulse of The Profession' report referenced above (see Sect. 14.1.1), respondents to a global survey are asked to nominate major causes of project failure. The top two factors deal with shifting organisational priorities and changing the project's goals. Considering the persistence of change, is there something about the project model which means it is unprepared to embrace such changes? Adding support to this contention is data from global surveys conducted by PwC, and as documented in the same Sect. 14.1.1, comparing surveys taken 10 years apart (2004 and 2014). In both surveys scope change is reported as the predominant factor causing failure. The reality is, for organisational projects at least, scope will change. *There is a fundamental problem with the project model which means it simply does not facilitate, easily, changes to strategy, priorities, objectives or changes.*

Is 'Success' Just a Game of Semantics?
Project success and failure should not be seen as esoteric. The success of the overall project portfolio is determined by the outcomes of those projects making up the portfolio, and considering the purpose of the portfolio is to realise the organisation's strategic and business plans, then defining, controlling, monitoring and ultimately assessing project performance and outcomes is akin to viewing the organisation's chances of thriving and succeeding. Running projects is how organisations create change and deliver increased shareholder value –yet project success appears illusive.

It's useful to understand the attributes of the problem of poor project outcomes, especially if we plan to solve the problem. In the past attempts at solutions often focused on the wrong problem, or attempted solutions targeting symptoms of the problem, or being way too simplistic in applying a solution (such as 'send all our project managers on a training course'). Further, how do we know if we've actually solved the problem? If the desired outcome is guaranteed project success it would be useful to answer the question: 'What is project success?'.

Put simply, senior management need to know that they are running the right projects, right.

1.3.4   Factors Influencing Project Success and Failure

Who is responsible for project success? It is naïve (and wrong!) to simply state the project manager is responsible for project success. What about those who set the business case, own the strategy and set up and sit on steering committees, those broadly referred to as 'governance'?

As already mentioned, I make the clear distinction between governance roles and management roles, which I analyse in depth in Chap. 2. In short, a management role is 'hands on' focused on planning, doing and executing. These are the roles with 'manager' or 'director' in the title, such as program and project manager and portfolio director. Governance roles are concerned with making the right decisions, pro-

viding advice and guidance and ensuring the managers are achieving success. Typically governance roles come together on steering committees and program boards (and the like) and often will have 'sponsor' or 'owner' in the job title. Critically, those in a governance role will take on the role in addition to their 'real job', which is a cause of significant, monumental even, impact on portfolio, program and project success.

Between 1986–2010 I ran over 300 project management and leadership workshops, and governance workshops (such as 'Running Successful Steering Committees'). Over 3000 project professionals and senior managers involved in program and project governance roles attended these workshops. I gained their advice and opinions on what they considered impacted project outcomes, such as success and failure. Over time a core set of 10 factors emerged which were consistently nominated, and I asked the workshop attendees to rate each factor on a scale of 1–5 ('no influence' through to 'very strong influence'). I was then able to rank 1 through 10 the relative impact of each factor on project outcomes. The summarised results of two broad groups (project management professionals 'PM' and those in a governance role 'Gov') are presented in Table 1.2:

Factor influencing project success and failure	Gov	PM
1. Poor alignment with Strategies & Priorities	5	9
2. Risks, if every understood, were not well managed	1	4
3. Senior management showed less than optimal commitment	9	2
4. The organisation did not have the necessary capabilities	4	3
5. Benefits not defined or not realizable	2	8
6. Scope never defined or controlled	6	5
7. Quality never defined or controlled	3	7
8. Accountabilities are not met	8	1
9. The wrong people were involved with the project	10	6
10. The wrong practices & strategies were employed	7	10

Table 1.2 Factors influencing project outcomes, ranked by both Governance and Management

Unsurprisingly, senior management do not view they are a contributing factor in failure (Factor 3, above). They view poor risk management as the most critical factor, probably because their involvement peaks when they see a project in trouble, and invariably such trouble is associated with risk becoming a reality. This is viewed as a failure of project management. However, 'risks' is such a broad topic it probably reflects a lack of deeper thought and reflection. It immediately begs two questions: 'which risks?' and 'how was risk being managed?'. They also rate poor quality and unrealised benefits as being causes of failure as these factors are of

greatest, on-going consequence for them. For instance, it is the business which mainly deals with the consequences of poor quality, through increased operational costs, disrupted services and the like. They also view a project as failing when the claimed benefits don't materialise which has consequences when they are asked to account for the benefits they claimed would be delivered by a specific project.

Project managers see accountabilities not being met and lack of senior management support as primary causes of project failure (Factor 8). Qualitative analysis identified that individuals and groups failing to meet their accountabilities represented 'death by a thousand cuts'. The incidents of this were almost trivial in nature, such as people failing to turn up to meetings, not having a deliverable ready by an agreed date or withdrawing key people from the project, even if for just a few days. Collectively, project managers saw this as fundamentally undermining their chance for project success. One group is blaming the other, which is an unhealthy situation.

The fact that project managers ('PM') see things differently to those in governance ('Gov') is backed up by the PMI in their *2016 Pulse of the Profession* report where they report differing perceptions of success and strategic alignment. Figure 1.6 shows that governance have a more positive opinion of three attributes of running projects:

- that the organisation has designed the right portfolio execution strategy;
- that the organisation prioritises and runs the right projects;
- that the organisations successfully runs its projects to achieve the rights outcomes.

However, this is not how project managers see the situation.
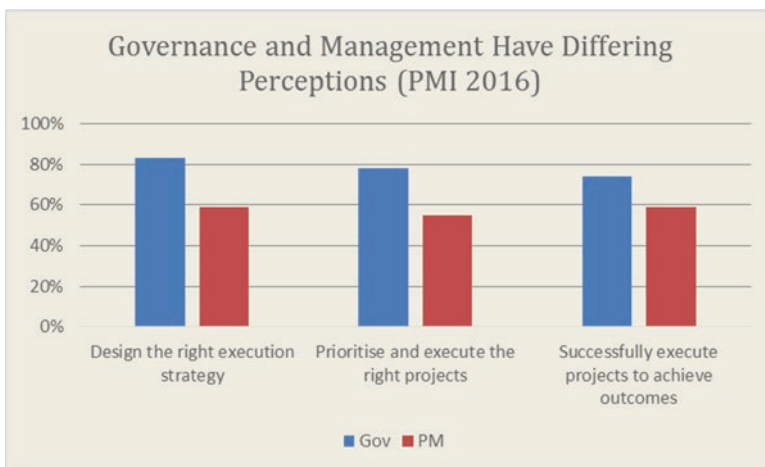
Fig. 1.6 Governance and management have differing perceptions of project success and strategic alignment

The old saying goes "if you want to know how a project is performing ask a team member", meaning those closest to the action tend to have a better knowledge of reality than those some distance from the action, which makes sense. This varying perception may be due to judgements made on different information, or how each group judges 'success' and 'prioritisation', or it is a bias based on aversion to self-incrimination. It is true that many of the root causes of project failure are not widely recognised by senior management, as discussed below.

1.3.5 Additional Causes of Project Failure

I also analysed the portfolios to of six organisations (see Appendix D) to uncover additional critical factors impacting on project outcomes:

- Architecture issues. Enterprise Architecture is broadly defined as Business Architecture and Technology Architecture. In many organisations both sets of architecture are poorly defined and a long way from alignment to industry standards such as TOGAF[5]. This situation creates challenges and often unforeseen problems which individual projects are left to deal with. Further, in large and complex organisations, information systems and applications appear more as a bowl of spaghetti, with some systems having well over 100 interfaces to other systems both within, and external to, the organisation. Dealing with such complexity places organisations on the 'edge of chaos', stretching their ability to effectively manage technology.
- Cross-organisation interdependencies. It is rare for an organisation project to run truly 'stand-alone'. Decisions do not 'sit within the project' requiring instead the engagement, cooperation and shared decision making of multiple stakeholders, some who may have divergent goals from the project.
- Over-committed knowledge resources. Project personnel, whether full-time, part-time, permanent staff, contractors or belonging to an outsourced group fall broadly in to two categories: *knowledge resources* are those who as the name suggests have good knowledge of the organisation, business, technology, operations or the type of project being run, and *commodity resources*, who are those people who can easily hired on, and off, the project for their specific skills, but who are not required to make project-specific decisions requiring knowledge of the organisation. It is the norm that knowledge resources are thin on the ground, over-stretched and most projects fail to adequately resource these people against what is in the resource plan. This leads to delayed, and often wrong, decision making, milestone delays, re-work and reduced productivity of team members. Quality, time frames, budgets and scope are all negatively impacted.

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[5] The Open Group Architecture Framework (TOGAF) is a set of frameworks covering a range of architecture components, such as Business, Data, Information, Network.

The reality is that the majority of organisation projects are impacted by these factors and those managing the projects are often left to deal with the consequences. Yet project managers and those in a governance role will not, and cannot, solve these problems by themselves. As we will see further down, the solutions sit outside the existing project model.

1.4   A Smarter Way of Defining Project Success and Failure

According to the PMI just 17% of organisations report substantial and on-going project success in realising claimed benefits. Benefits realisation is often hidden as very few organisations track benefits, whereas expenditure and schedule performance are usually tracked and reported (at least) monthly. Most people know (or at least strongly suspect) that projects under-deliver benefits, they just can't prove it. By adopting the 'Iron Triangle', organisations ensure that for some of those stakeholders (identified in Fig. 1.4), disappointment is guaranteed. For the long-suffering project manager it is often a matter of whom to disappoint least.

The fundamental principle of success is running the right projects, right. This implies success is a combination of outcomes success ('the right projects') and execution success ('run right'), as shown in Fig. 1.7.

Outcomes *success is :*

➲ Delighted clients

➲ Met stakeholder expectations

➲ Realised claimed benefits

➲ Optimised Strategic Alignment

Execution *success is :*

➲ Delivered the agreed objectives

➲ Delivered a quality product / system

➲ Met time, budget, resource terms

Running the right projects and programs

Running projects and programs right

Fig. 1.7 Differentiating outcomes success from execution success

The first step in differentiating *outcomes* success from *execution* success is to define the Critical Success Factors and the associated Key Performance Indicators and targets, as shown in Table 1.3. For each success criterion there are performance metrics which can be set, tracked, monitored, reported against and optimised.

Critical Success Factors	Key Performance Indicators (examples only)
Project Outcomes Success (this was the right project to run)	
Strategic alignment	Survey of key stakeholders, assessed on a scale of 1-5
Meet Business Case	• NPV or IRR (as a % of claimed) • Payback (as a % of claimed) • Expectations of realising full BC
Customer satisfaction	Survey of customers, plus assessment of Call Centre complaints
Operational efficiency	Reduction in procedure and transaction costs
Project Execution Success (how well we ran this project)	
Schedule performance	• % of Milestones met • Schedule performance = (actual – plan) / plan (as a percentage)
Budget performance	Budget performance = (actual – approved) / approved (as a percentage)
Scope	Key stakeholder assessment of: • Meet functional requirements • Meet quality requirements
Stakeholder satisfaction	Survey of key stakeholders, assessed on a scale of 1-5

Table 1.3 CSFs and associated KPIs defined for both Outcomes success and Execution success

There are a number of issues with the Table 1.3, and how it is applied in practice:

- 62% of organisations do not build and approve a verifiable business case before initiating projects, which then means evaluating *Outcomes Success* is not carried out (and it would be somewhat pointless if it were carried out).
- Of all the measures detailed above, Schedule and Budget performance are the two which are regularly tracked (in at least 68% of projects). Recognising the principle 'what you measure you optimise', means that project execution is controlled to meet cost and schedule targets, often at the expense of scope, quality and business outcomes.

It is possible to plot Execution Success against Outcomes (or Business Case) Success, as shown in Fig. 1.8:
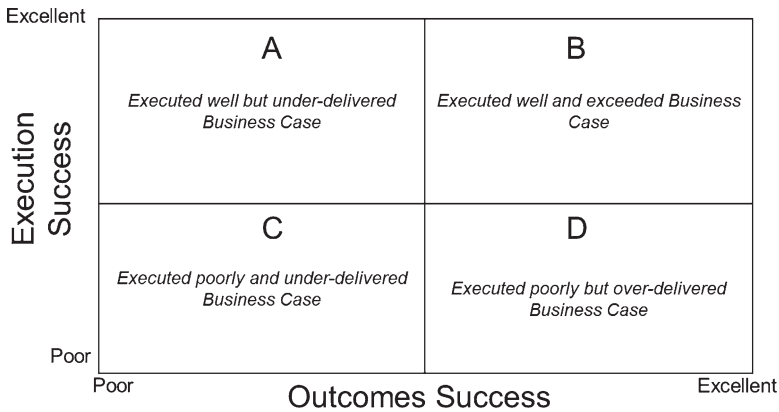
Fig. 1.8   A simple plot mapping execution success against outcomes success

In a study of six organisations, analysing project execution and outcomes success of more than 250 projects (see Appendix D, Sect. 14.4.1):, and taking an average across all projects initiated over a 5 year period, delivers the following (Fig. 1.9):
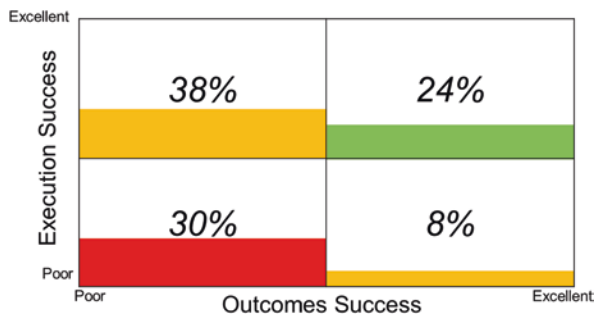
Fig. 1.9   Results of analysing 250 projects across six organisations

It is worrying that just 32% (that is, the 2 right hand quadrants) of projects realise claimed benefits and other key outcomes measures, while 62% (the top 2 quadrants) of projects execute satisfactorily.

This emergence of a more 'fit-for-purpose' definition of success broadly mapped to an increasing maturity in selecting and running the right projects well.

Over time, and as organisations mature in how they plan and execute their portfolios of projects, their definition and success also changes, as shown in Fig. 1.10.
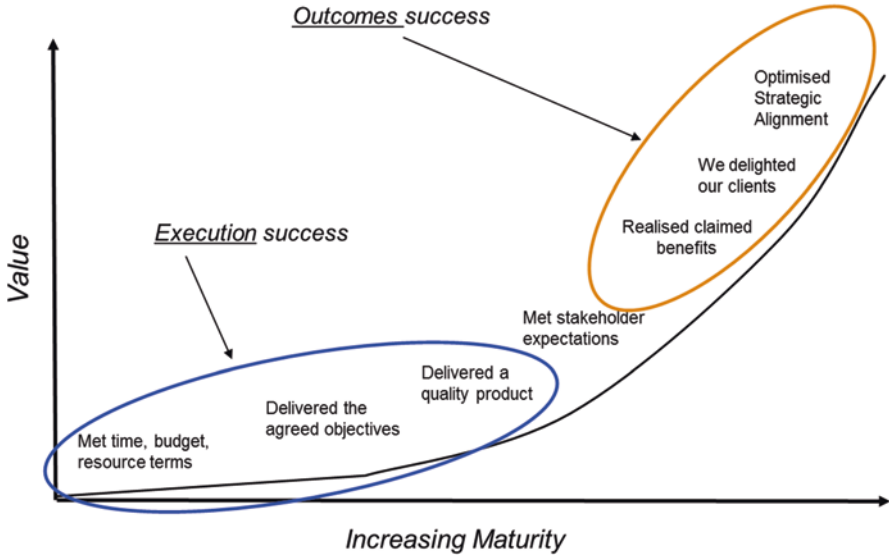
Fig. 1.10 As organisations mature their appreciation of what constitutes success also changes

Organisations increasingly view projects as value-creating vehicles, and they shift their focus to evaluating performance in terms of the degree to which value is being created or increased. The principle here is simple: effective performance monitoring will also predict outcomes. So, the diagram in Fig. 1.9 can be re-drawn to map performance, as shown (Fig. 1.11):
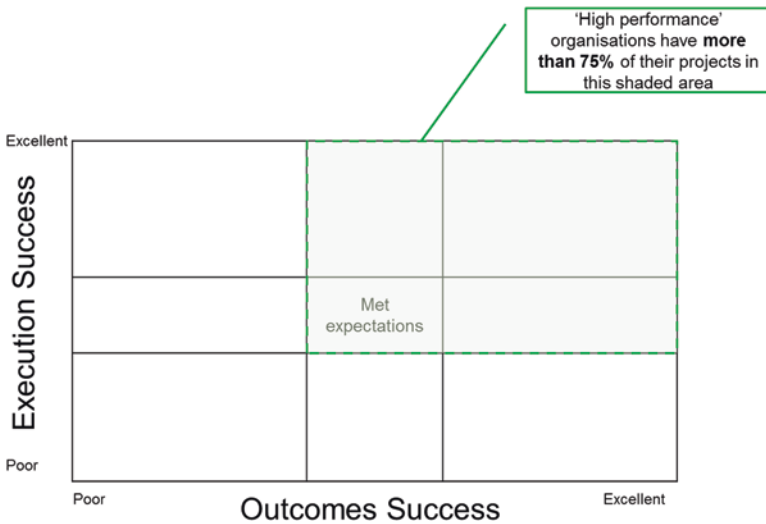
Fig. 1.11 Mapping execution performance against business case performance

The green shaded box is slightly larger than quadrant B in Fig. 1.9 as it allows for 'tolerance', which is an allowance some organisations build in to project plans, budgets and expected benefits, typically of the order of 5–10%. To be considered 'high performance', an organisation should aim to have at least 75% of all their projects sit in the green box. Studies indicate that less than 15% of organisations could be considered high performance.

1.4.1   What Undermines Business Outcomes Success?

Further analysis of the results of health checks, post implementation and benefit realisation reviews point to the reasons why many business cases fail to deliver. Whereas many of these factors were canvassed above, there are other, lesser understood, factors which often reflect cultural norms, or organisational 'blind spots':

- The Business Case (BC) was never valid. The assumptions underlining the BC, especially in regards to increasing revenue and cost management, were flawed. Sometimes little better than 'best guess', invalid assumptions were not highlighted as a substantial risk and so were never resolved. Whereas Steering Committees spent inordinate amounts on time poring over schedules, resource plans and costing spreadsheets, almost no time was dedicated to challenging and verifying the assumptions supporting the BC.
- The Business Case was set too low. If a project owner is told his budget will be cut by the same amount as the cost savings benefits contained in the BC, or his personal revenue target will be increased by the same amount as the revenue benefits in the BC, then there is a tendency to 'manipulate' the benefits profile to ensure what is probably achieved will exceed what is in the BC, while at the same time ensuring the benefits are not so low as to fail the hurdle rate.
- Organisations misunderstand the nature of risk and chase the wrong rabbit down holes. There is often a fundamental misunderstanding of risk, with many perceiving it to be 'potential problems'. This results in much time and cost being expended on removing known risks, often through unnecessary activities (see 'Managing the wrong risks').
- Optimism blinds judgment. Sometimes it is not politic to *not* 'get on-board' a strategy, or major initiative supported by senior executives. Decision making can be seriously undermined if people sitting around a table are reticent to speak up if it goes against what the boss is keen to do. This can develop into a herd mentality, or 'group think', and as long as the individual is not directly accountable, this thinking is accompanied by 'not my problem'. In too many cases the seeds of failure were present from the start, but no one was willing to call them out.
- 'We're the smartest guys in the room'. This is also known as 'hubris'. I often wonder why an organisation which is brilliant as designing, manufacturing, marketing and selling consumer goods would also think they are brilliant at, say,

software engineering, or running organisation change programs. Where in their track record, or corporate DNA, is the evidence to back up this confidence?

- Flawed governance. I cover this topic in detail in Chap. 5, however many of those taking on a governance role have little understanding of their accountabilities and, so, little chance of being effective in their roles.
- A further complicating factor in optimising the return on project investments is the impact of rigid, 'command-and-control' financial management processes and 'rules'. Many, if not all, organisations manage their finances – both expenditure and revenue – against a financial year cycle, setting budgets and targets by financial year. This budget cycle rigidity eschews more agile, adaptive broader management frameworks, and creates a clash of dynamics with how projects should be planned and executed to deliver optimal outcomes. In *Beyond Budgeting: How Managers Can Break Free from the Annual Performance Trap*, Hope and Fraser argue that to consistently and optimally create value for the organisation, managers must be freed from inflexible annual budgeting and target setting procedures, adopting adaptive and devolved management practices which operate over multiple time periods (Hope and Fraser 2003).

1.4.2   Who Has Accountability for Success and Failure?

If we look at Table 1.2 to decide which group, Governance ('Gov') or Management ('PM'), has prime accountability for controlling where accountability for success and failure results in the following (Table 1.4):

Factor influencing project success and failure	Gov	PM
1. Poor alignment with Strategies & Priorities	✓	
2. Risks, if ever understood, were not well managed	✓	✓
3. Senior management showed less than optimal commitment	✓	
4. The organisation did not have the necessary capabilities	✓	
5. Benefits not defined or not realizable	✓	
6. Scope never defined or controlled		✓
7. Quality never defined or controlled		✓
8. Accountabilities are not met	✓	✓
9. The wrong people were involved with the project	✓	✓
10. The wrong practices & strategies were employed		✓

Table 1.4 Factors causing project failure and where accountability sits

In some cases the accountability is shared depending on the detail. For example, accountability for dealing with Factor 2 – '*Risks, if ever understood, were not well managed'* has two parts: firstly identifying the risks and secondly ensuring they are being well managed. Whereas management takes on the job of identifying risks, governance must undertake effective oversight to ensure risks are being effectively managed. According to the PMI projects which have actively engaged governance are 76% more successful than projects with disengaged sponsors, yet just 60% of all projects have engaged sponsors.

Broadly, the Sponsor has accountability for outcomes (or, business case) success, and the Project Manager has accountability for execution success (Fig. 1.12):
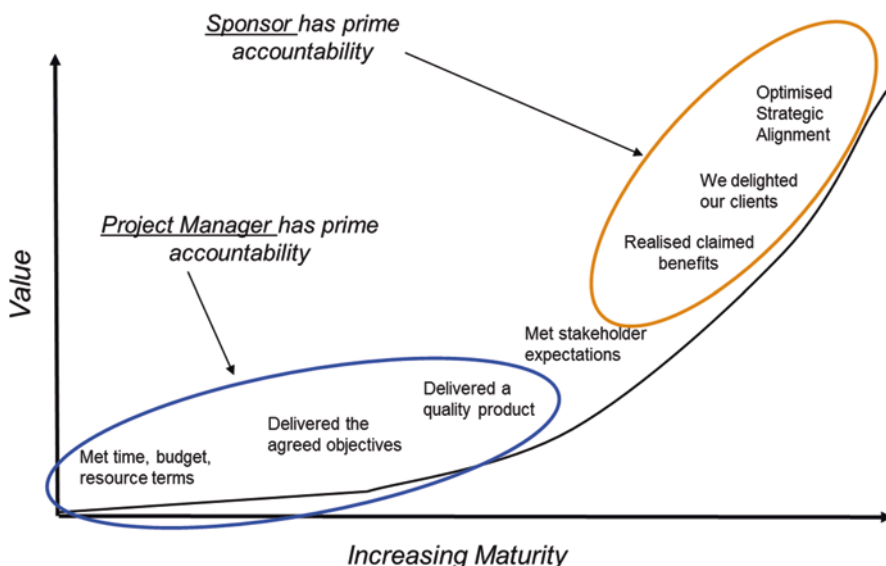
Fig. 1.12   The broad split between accountability for attributes of project success

What is clear is the absolutely critical role governance should take in ensuring those factors causing failure do not eventuate. If for no other reason, this is why governance matters.

1.4.3   By Being Over-Governed Projects Are Being Under-Governed

Project governance is enacted through the sponsor, owner and steering committee members. They meet to make decisions, enact oversight and generally ensure the project is headed in the right direction and it stays on track. This actually represents a substantial investment in senior managers' time, as a study I carried out

demonstrates (See Sect. 5.3.5 in Chap. 5). The bottom line from that study showed that time demands on people carrying out a governance role were twice as much as the time people had available for those roles. That is, no one had enough time to do the job justice, contributing to ineffective governance.

The outcomes from ineffective governance include decisions not being made, sign-offs not obtained, or issues resolved. When organisations run too many steering committees it creates a substantial governance overhead which is why I make the claim that due to being over-governed, projects are under-governed.

This is a largely unreported problem. People know there's a problem but it is not being addressed, yet ineffective governance is a major cause of project failure, and effective governance a substantial factor (if not THE factor) in delivering project success. One solution to this clearly unsustainable situation is to enact effective governance at the right level in the portfolio-program-project structure.

To illustrate how an efficient portfolio-program-project structure reduces the demand on senior managers' time, let's assume an organisation runs 100 projects a year, and each project has a steering committee. By implementing a portfolio-program-program structure results in:

• 1 Enterprise Portfolio Board
• 3 Divisional Portfolio Boards
• 10 Program Steering Committees
• 10 Project Steering Committees (for major projects)

We have gone from 100 project steering committees to 24 steering committees covering the portfolio-program-project layers. Field studies indicate such an arrangement reduces 'governance time' by 75%, which does result in more effective governance and increased success.

1.5   The Future of Portfolios, Programs and Projects

Much of this first chapter has looked at projects, analysing data from the field to understand matters of success and failure, and the role of governance in determining outcomes. One reason why projects have been discussed over programs and portfolios is because the industry is still mainly stuck in the project paradigm although the direction increasingly is to adopt the portfolio-program-project framework. Driving this change are three factors:

1. Organisational agility is changing not only how organisations are structured, but in how they think and act.
2. The need to be innovative, in both products and services delivered to a demanding customer base, and in how we design, build and deliver those products.
3. The need to optimise value, and the return from project investments.

For many years the project model has been used to realise innovation through better products and services. But innovation is much more than building a better mousetrap, it is also about how we think, plan, design and do. It is seen in smarter

execution methods that deliver greater efficiencies and value optimisation. For too long the project industry has stuck to the old frameworks, with not enough evidence of design thinking or challenging existing models. Many projects still run stand-alone, with their own steering committees whose membership is over-worked and often uninterested. In many ways it's a model which emerged from the industrial revolution over 150 years ago, and it has changed little.

The irony is, for an industry which exists only to bring about change, it is so resistant to change itself.

That assessment may appear a little pessimistic, but both research and practice inform us innovation does not get much of a look-in when it comes to portfolios, programs and projects. Where we are seeing innovation is with execution and delivery methods, with the rise and popularity of Agile (with IT projects) and design thinking (in product design and development). Bring those two sets of disciplines together sees *Organisational Agile* emerging. We are in need a mindset change (as summarised in Table 1.5), and not just a methodology change.

Current thinking		Future thinking
Conservative	⇨	Creative
Process-centric	⇨	Human-centric
Sclerotic	⇨	Agile
Monolithic	⇨	Iterative
Risk-averse	⇨	Risk-taking
Timid	⇨	fearless
Traditional	⇨	Disruptive
ROI	⇨	Value creation

Table 1.5   How our thinking about projects needs to change

This change in thinking could be seen as a cultural change for many organisations, striking at their core operating principles and practices. Such changes are evident in the stock market leaders (by capitalisation) such as the FANG stocks (Facebook, Apple, Netflix, Google), where innovation and agility barely rate a mention so ingrained are they in the culture – the 'soul' – of these organisations. As discussed below, such changes are driven both bottom-up and top-down, with clear, unambiguous leadership from the top.

1.5.1   Optimising Value from Project Investments

In both running projects better and optimising returns from portfolio investment at least three things need to change:

1. Shift to value management;
2. Structure an integrated and highly efficient portfolio-program-project operating model and
3. Build governance capabilities.

The time has come to advance the discussion beyond what constitutes 'project success' and take a more mature, value-centric and business-orientated approach to projects. The focus needs to move on from seeing projects as vehicles to realise scope to being value-creating vehicles, ensuring our portfolios of projects are aligned to a quantified specification of what constitutes value to those funding the portfolio of projects. Further, in understanding success we also need to be mindful of addressing the problems, as documented above, which have always plagued organisational projects. This shift can be characterised as being from the 'Iron Triangle' to the 'Golden Triangle' as shown in Fig. 1.13.
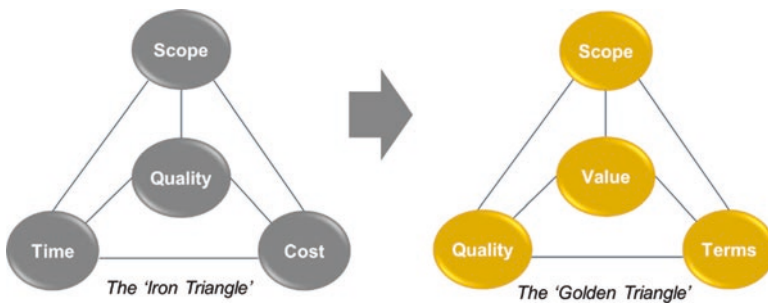
Fig. 1.13 We need to shift our focus from the 'Iron Triangle' to the 'Golden Triangle'

The 'Golden Triangle' makes recognition of the three key attributes which define projects as investment vehicles:

1. We need to be clear about **scope**, that is what we are meant to be delivering in terms of products, our markets and customers, the technology being used and which parts of the organisation are involved and where change is expected. Importantly, we need to have a good understanding about how scope will change over time (as it surely must!).
2. We recognise that there must be **terms** within which the program will operate, such as spend envelopes, timeframes and milestones, organisation capabilities, resources and constraints.
3. Critically, we need to be clear about the '**value** proposition', in other words, why are we spending this money? What are the value attributes, looking beyond what is the return on investment, to better understand what assumptions support our business case and what are the risks we will need to manage? In essence, how does this investment create value and a greater return to our customers, share-holders and key stakeholders?

This shifts the conversation regarding what constitutes success.

The fact a project may deliver all agreed scope within the contracted terms is no longer a satisfactory definition of project success, and that 'success' is now seen to be seen across portfolio, program and project success, as shown in Fig. 1.14. This model also provides insights into the purpose of each of the three 'P's', in that projects are focused on delivery, programs encapsulate everything required to fully realise a stand-alone business case, and a portfolio describes a broad strategy, and how value is to be created and captured.

Success Criteria (summary)

| Portfolio | • Strategic goals achieved
• Value optimised |

| Program | • Business Case realised |

| Project | • Scope achieved
• Terms met (schedule, budget etc) |

Fig. 1.14 Success criteria are aligned to the appropriate 3P level

Agility drives value optimisation, which is why we need to move beyond the traditional view of projects with the inherent structural rigidity, towards governance, management and execution models which place value at their centre.

1.5.2   The Future of Projects

In the future, projects may well disappear.

A fundamental shift is underway with the underlying project model changing and with the emergence of organisation agility and formal frameworks such as Scaled Agile (Software 2016) and Disciplined Agile Delivery (Framework 2017) we are witnessing the replacement of the project with a three tier Portfolio-Program-Project model. In execution frameworks like Scaled Agile the term 'project' disappears altogether and it is replaced by 'delivery', 'iteration' or 'release'. This model sees the top tier of portfolio encapsulating the strategy (that is, the realisation of the enterprise's plans), the program layer being where the business case is set and the project layer being where value and change are delivered. The portfolio runs as a perpetual model, year on year, for as long as the business chooses to run it, which may well be for as long as the business exists. It has a well understood and relatively stable resourcing and cost model, which may increase or decrease over time inter-

vals, but once set for that interval, it does not change. This creates certainty (that is, reduces risk) with those areas which had proved most problematic. No longer do we see wasteful resource ramp-up and ramp-down. Projects require 'governance-lite' as most key decisions requiring executive input occur at the program and portfolio layers. Indeed, the project steering committee may disappear altogether.

In this future steering committees will change in composition and operation. Gone will be the fortnightly or monthly round-table meeting. In its place will be regular (possibly daily) stand-ups, where execution artefacts (such as road-maps, customer journeys, business models, architectures, designs) are viewed, discussed, modified, agreed. This is real-time governance, focused on emersion, continual oversight and decision making.

Over time the portfolio-program-project model will become a '2P', comprised of Portfolios and Programs and an execution framework delivering new products and services, or changes to business models on a regular, repeatable, efficient basis with few surprises, and with maximum stakeholder satisfaction. The ultimate measure of investment success will be seen at the portfolio layer, where progress, performance and value realisation will be tracked. A measure of an organisation's success will be easily judged by portfolio performance and success.

Central to making this vision of the future a successful new world will be the engagement and capabilities of senior management. Indeed this requires preferencing a leadership model over a management model. Portfolio success will be contingent on devising the right plans, setting the right strategies, approving the right road maps, funding the right programs, engaging in efficient decision making and showing clear and unambiguous leadership. Being great at governance will be seen as a core competency, as important to an organisation's success as being customer-centric, innovative or people-centric.

At its core, a successful transformation to highly effective portfolio governance is a cultural change. Those with the accountability to fully realise an organisation's strategic and business plans will need to move portfolio management and execution to the centre of the organisation. This shift will see governance not as 'something else we do', but a fundamental set of processes and skills which all managers will develop and, ideally, excel at.

For those willing to do so, the future is theirs as they will create that future. For those organisations focused on solving yesterday's problems then they will fall further behind. To be a great organisation you need to be the best at portfolio governance.

1.5.3 The Future of Project Management

So if there is to be fewer projects in the future, what is the future of project management?

Traditionally project management is seen as an arm of operational management, undeserving of its own, unique position amongst management theory and practice.

For example, in some of the world's leading MBA programs – such as those taught at Harvard, London Business School and Wharton, there is no core or elective subject which deals with portfolio, program or project management. Indeed, where portfolios are referred to it is the sense of investment portfolios as managed by wealth and investment management firms, or as individual investors may manage. Projects, and project management are viewed from a very traditional perspective, correlating project success with the 'Iron Triangle'. The contemporary and emergent view which sees portfolios as a vehicle to achieve an organisation's strategic goals has not evolved out of operational management.

As portfolios and programs emerge as the central model for innovation, change and value optimisation, then there will be less and less demand for project managers. For example in an organisational agile execution framework, project managers still have a role but it is being replaced by release managers and scrum managers. Considering that in these environments schedules and budgets are fixed, then so much of what a project managers does today will not be needed. There will not be the need to continually manipulate a schedule, for instance, or constrain scope to fit within an execution envelope. The project manager role will be more focused on managing change and stakeholder management - aligning all key players and involved groups to meet agreed accountabilities and time frames.

There will an increased need for portfolio and program managers, but the skillset required for these roles may well be different to that required of the traditional project manager. Organisations sometimes make the mistake of seeing the program as a 'very large project', whereas the nature, purpose and dynamics of programs differs substantially to that of projects. It may well be organisations source their senior program and portfolio managers from the business ranks rather than from a pool of project managers.

1.5.4   The Future of Portfolio Governance

Right now portfolio governance is an undeveloped and inconsistently executed set of practices. To many organisations it is also an intrigue, a subject open to interpretation at best. Despite there being formal standards in portfolio governance it is the least mature of all practice areas across portfolios, programs and projects. The reason portfolio governance is so important is it is the conjunction of the two keys to overall project success, that being the emergence and eminence of the portfolio as the principal vehicle to optimise value creation and capture, and the role of governance as the most importance factor which determines portfolio success. For this reason alone portfolio governance will become one of the most important, indeed pressing, issues organisations face over the immediate to long term, and those organisations which master this subject will create a clear and substantial competitive advantage.

All of this may be passed off as unbridled hyperbole, but as I explain in subsequent chapters the track record already being laid down gives credence to those who

suspect the above claim has merit. Senior and executive management will take on their governance roles not only mindful of their accountabilities, but also armed with appropriate skills and knowledge to effectively carry out those roles. Recognising that organisations began to adopt project management as a core organisational competency (about) 30 years ago, we will see portfolio governance elevated to the same level of critical importance in achieving organisational success.

1.5.5   Looking Beyond the Organisation – Global Value Chains

The focus of this book is very much on the enterprise's portfolio of programs and projects. Increasingly however, global value chains dictate that there is a need to look beyond the boundaries of the organisation and across geographic regions and national boundaries to better understand governance arrangements in multi-organisation projects and programs. This introduces a suite of dynamics which dwarf those issues faced in running internal programs, with many of these dynamics challenging cultural norms, legal and jurisdictional conflicts, taxation arrangements favouring certain countries over others, language differences and conflicting design, measurement and production standards and certifications.

Global Value Chains (GVC) define all the steps involved in sourcing materials and produce from anywhere in the world, through the design, production, distribution and sales of marketing of the finished good or service to the end consumer.

Gary Gerrefi defines GVC governance as "authority and power relationships that determine how financial, material and human resources are allocated and flow within a chain" (Gereffi et al. 2005). Gerrefi and his team at Duke University have defined a number of governance structures commonly found with GVC's.

Globalisation of the innovation, design, production and distribution of goods and services has seen a massive shake-up in how countries operate their industries, and the consequential changes in labour forces, political systems, economies and social structures. It is a major shift which generates winners and losers, with whole nations being variously exposed to exploitation, enjoying rapid increases in economic wealth, resultant social disruptions through education and the emergence of rapidly growing middle classes and major inequities between the 'haves' and 'have nots'. Elections are fought on the basis of supporting or opposing globalisation, and together with multi-lateral trade deals, the forces unleashed by GVCs are transforming the globe on an unprecedented scale and rate of change.

The governance of GVCs is deserving of its own book and I am happy to leave it outside the scope of this book. Clearly, the problems organisations may experience in running their own internal steering committees when finance doesn't get along with IT are insignificant when a global enterprise may seat together representatives of organisations from countries which may be in armed conflict with each other. Effective governance arrangements of such situations will involve careful negotiations with, and agreements from, representatives of governments, trade associations, international industry associations, law firms, financiers, transport associations,

non-government organisations (and the list goes on), all with their own agendas and desire to be winners at the table. The matter of 'winners and losers' and the conflicts which emerge from it never go away. We see developed nations and enterprises often playing 'hard ball' looking to squeeze the lowest cost / highest quality / maximised throughput from off-shore manufactures and primary producers, which often results in push-back from the low cost manufactures, along with ethical push-back from the end consumer. Possibly one of the biggest issues to emerge from GVCs is taxation, and it threatens to substantially hit at the business model inherent in a GVC. Transfer pricing (amongst many issues) is a festering sore which some governments are placing under the microscope. The days of shifting profits to low tax havens may be numbered, and how that will affect GVCs is open to loud and often heated debate.

The management and more importantly, governance of GVCs is substantially challenging and one which the portfolio-program-project professional community needs to address as global projects and programs will often operate under a GVC.

1.6 Conclusion

The state of contemporary projects and project management is not good, which has been the case for many years, and it appears it is not really improving. The extant project model, while acceptable for 'mechanistic' projects, such as building a house or a bridge, does not support how organisations either see or wish to run their projects. The inherent inflexibility of the project model, characterised by the 'Iron Triangle' needs to be replaced by a flexible and efficient execution model. A holistic, whole-of-organisation model which embraces all programs and projects planned and running across the organisation, which has strong and effective governance and management is emerging and will become the dominant operating model. The age of portfolio governance is here.

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Chapter 2
Portfolios and Governance

2.1 Introduction

In Chap. 1 I discussed why the current project model is broken, and that the over-emphasis on projects and project management is not helping deliver great outcomes for organisations. In this chapter we'll look at portfolios and governance and, portfolio governance, with a focus on the its importance and role in assuring investment success.

Traditionally portfolios, programs and projects have been defined from both a bottom-up, and inside-out perspective: that is, project professionals (portfolio managers, project managers, program managers, team leaders and

the like) have had carriage of the agenda, influencing the creation and direction of industry and professional bodies such as the Project Management Institute (PMI), Association for Project Management (APM) and the International Project Management Association (IPMA), specifying standards (ANSI and ISO), methods, techniques and tools which relate very much to the operational view of projects. It was not until 2006 that the PMI recognised the strategic value of projects by publishing their Standard on Portfolio Management, and it was in 2016 that they published a practice guide on governance.

The consequence for organisations is that the preferred model to deliver change (and new products, information technology and business models) remains the project model. In 2016 there are over 700,000 certified Project Management Professionals (the PMI's certification), there are 1600 Program Management Professions (PgMP Certification) and just 300 Portfolio Management Professionals (PfMP Certification). Clearly, whereas projects are well embedded as regards professional certification, formal program and portfolio management certifications have yet to take off reflecting the level of maturity (or immaturity) and adoption by organisations.

Still, 50% of organisations claim to have a portfolio structure in place, although it is not clear how complete these processes are, or how well followed they are. In the majority of organisations this 'portfolio process' is largely a reporting one, with very patchy portfolio governance, management, optimisation and execution. As organisations adopt a more integrated Portfolio-Program-Project ('3P') framework it will be increasingly important to understand how it all fits together, especially from a governance perspective.

2.2 Governance Overview

In the opening paragraph to their 2005 book "Governance Theory and Practice", Chhotray and Stoker state:

> *"Twenty years ago nobody would have written this book. Governance has moved in the last two decades from the status of a lost word of the English language to a fashionable and challenging concept in a range of disciplines and research programs."* (Chhotray and Stoker 2008, page 1)

Demonstrating the rising interest in governance, in 2008 the Australian Government drew together over 1000 of the 'best thinkers' to their '2020' conference to consider the future and the major challenges facing Australia. Of the ten discussion streams, one was simply termed 'Governance'. The reason governance matters is that if governance is wrong or fails, then the organisation in question will undoubtedly fail (Arcot and Bruno 2006; Becht et al. 2005; Standards Australia 2003). Good corporate governance leads to good outcomes (Gompers et al. 2003), so it is in the interest of all stakeholders that we get governance right. In understanding portfolio governance it is useful to understand portfolios and governance, and having reviewed the nature of portfolios in the previous chapter it is useful to understand the nature of governance.

2.2.1 What Is Governance?

There is substantial confusion as to what constitutes governance, at least in how it pertains to portfolios, programs and projects. Of the organisations I have studied, more than half either make no distinction between governance and management, or freely inter-change the two terms. Indeed, most 'governance structures' I have studied have represented both governance and management roles and fora. This imprecise definition leads to more than simply esoteric definitional issues. It can fundamentally undermine accountabilities, decision making and, ultimately, success.

Some definitions:

'Governance' – 'the action of manner of governing' (Oxford English Dictionary).
'Governing' – 'Controlling, directing or regulating influence; control sway mastery'
    (Oxford English Dictionary).

Governance has its roots in the Greek work 'kybernan' and the Latin 'gubernare'
which means 'to steer'. Governance is enacted at many levels, starting with the state
(Federal, State and municipal governments), with corporations ('Corporate
Governance'), non-profit and public organisations ('Public Administration
Governance'), and through to clubs and societies (Becht et al. 2005). Generally,
governance describes those arrangements by which a body is to be established,
controlled and managed in such a way that 'checks and balances' ensure the body
acts in the best interests of its stakeholders, and according to the rules of charter or
establishment.

Chhotray and Stoker define governance as:

> *"Governance is about the rules of collective decision-making in settings
> where there are a plurality of actors or organisations and where no formal
> control system can dictate the terms of the relationship between these actors
> and organisations."* (Chhotray and Stoker 2008)

It is interesting that this definition has the primary function of governance as col-
lective decision-making, which of course implies some sort of structural arrange-
ment to manage collectivism, but without formal rules of organisational control.
The process of governance is enacted through structures of government, which may
exist at the state level (and this is the way the term is most commonly used), but also
within institutions and organisations. Indeed, some see governments as organisa-
tions, and organisations as governments (Long 1962). Foucault saw government as
the 'conduct of conducts', essentially an over-seeing role which he applied to the
government of society, government of family and government of self (Lemke 2002).
In contemporary use there is governance of public administration, institutional
governance, governance of socio-legal studies, environmental governance and of
course corporate governance (Chhotray and Stoker 2008).

2.2.2   Corporate Governance

Corporate governance often comes to the fore following spectacular corporate scan-
dals and collapses. After the disappearance of Robert Maxwell in the UK in 1990
(along with some GBP 440 millions) and the subsequent insolvency of Maxwell
Communications, followed by the collapse of BCCI, the UK government instigated
a major review of corporate governance resulting in the Cadbury Report, which

recommended substantial changes to corporations law and governance regulations (Arcot and Bruno 2006). Likewise in the US, after the Enron, Arthur Andersen and Worldcom fiascos, the Federal Government enacted the Sarbanes-Oxley act in 2002 which is designed to ensure corporations implement effective corporate governance accountability. Similar laws have been put in place in South Africa (King Report) and Australia (CLERP9). In each case a corporate regulator was established, or the existing regulator's powers were made significantly stronger.

Corporate Governance has been promoted through such groups as Coso (The Committee of Sponsoring Organizations of the Treadway Commission) and initiatives driven by the Sarbanes Oxley Act in the US. These and other initiatives have attempted to create a prescriptive approach for defining, implementing and improving corporate governance, with particular attention on financial governance and Enterprise Risk Management. Considering the perspective of portfolios as organisations (albeit, temporary ones), then the principles encapsulated in corporate governance are important in defining the governance of Portfolios, Programs and Projects ('3P governance').

In his inaugural editorial for the journal *Corporate Governance*, Bob Tricker defined the scope of corporate governance as shown in Fig. 2.1 (Tricker 1993).
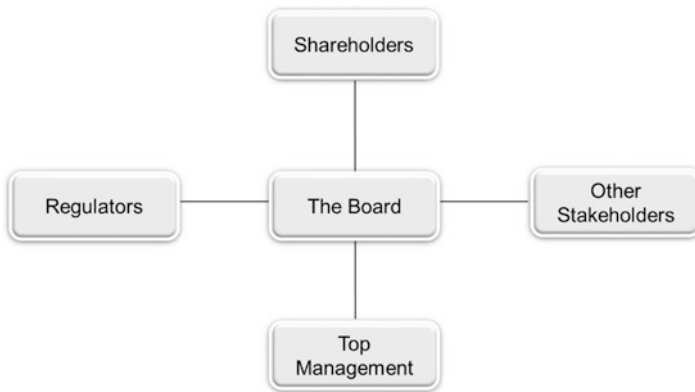
Fig. 2.1 The key relationships which exist in corporate governance

The central focus is on the board of directors ('The Board'), with its conduit to the organisation through 'Top Management', with oversight through reporting, formal disclosure and a series of fora with specific accountabilities, such Risk and Compliance, Audit and Compensation. There is little in the way of defining other functional governance groups, such as ICT or project, program and portfolio governance. In better understanding the nature of governance structures and relationships, a number of theories on corporate governance have emerged.

Standards Australia has published a number of standards on governance, such as 'Good Governance Principles' (Standards Australia 2003), which defines governance as '*The system by which entities are directed and controlled'*.

The standard also notes that:

"Corporate governance addresses the issues arising from the interrelationships between boards of directors, such as interaction with senior management, and relationships with the owners and others interested in the affairs of the entity, including regulators, auditors, creditors, debt financiers and analysts." (Standards Australia 2003, p. 3)

The OECD defines corporate governance thus:

"Corporate governance generally refers to the processes by which organizations are directed, controlled and held to account. It encompasses authority, accountability, stewardship, leadership, direction and control exercised in the organization." (OECD 2017)

The UK's Office of Government Commerce (OGC) defines governance as:

"The way in which organisations are directed and controlled: providing the means of setting and achieving corporate objectives, determining rules and procedures, monitoring performance, and making decisions on corporate affairs defining the distribution of responsibilities amongst the board, managers, and other stakeholders." (OGC 2004).

The consideration is most references to 'governance' really mean 'corporate governance'.

Within organisations, corporate governance is enacted by functional governance and the governance of portfolios, programs and projects ('3P') (Association for Project Management 2014), as shown in Fig. 2.2, which indicates there are areas of overlap between functional governance and 3P governance.
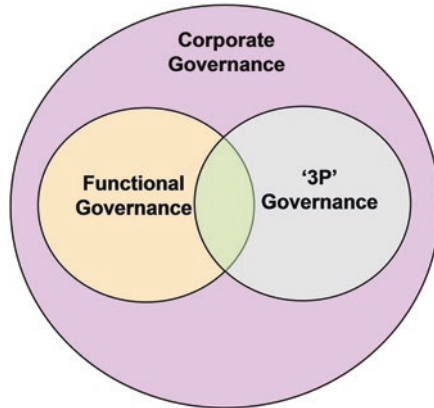
Fig. 2.2 The relationship between corporate governance, functional governance and 3P governance

Examples of functional governance include IT governance, risk and compliance governance and financial governance. This extension of corporate governance within and across the organisation is termed 'organisational governance'.

Organisational governance is comprised of three major governance groups:

- Corporate governance
- Functional governance
- Portfolio, program and project governance

In 2016 the PMI published their standard on portfolio, program and project governance, in which they defined governance as:

> *"Governance is an enabler of good portfolio, program, and project management and also an important element for successful portfolios, programs and projects. Governance typically focuses on who makes the decisions (decision rights and authority structures), how the decisions are made (processes/ procedures), and collaboration enablers (trust, flexibility, and behavioural controls), thereby defining the governance framework within which decisions are made and decision makers are held accountable."* (Project Management Institute 2006, p. 8)

Whereas this definition is somewhat circular in nature, it does point to a number of attributes of organisational governance which are presented diagrammatically in Fig. 2.3.

Source: 'Governance of Portfolios, Programs, and Projects: A Practice Guide', PMI 2016, page 5

Fig. 2.3 The PMI's perspective of 3P governance

The four groups of governance elements describe portfolio-program-project (3P) governance operating through governance bodies which are set up to have specific roles and responsibilities in carrying out a set of activities.

The UK's Association for Project Management's *Special Interest Group on the Governance of Project Management* publish their standard on project governance titled 'Directing Change: A Guide to Governance of Project Management' (Association for Project Management 2014). This 'standard' does not go into any detail as to governance structures, processes or procedures, stating instead a set of principles and guidelines (see Sect. 2.3). Principally, governance is seen as an oversight function and the publication defines the governance of project[1] management as:

>   *"The governance of project management concerns those areas of corporate governance that are specifically related to project activities. Effective governance of project management ensures that an organisation's project portfolio is aligned to the organisation's objectives, is delivered efficiently and is sustainable. Governance of project management also supports the means by which the board, and other major project stakeholders, are provided with timely, relevant and reliable information."* (Association for Project Management 2014, page 4)

Here we see the governance of project management ('GoPM') as the intersection Corporate Governance and Project Management (Fig. 2.4):

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[1] For brevity, the APM uses the term 'project' to include portfolio and program.
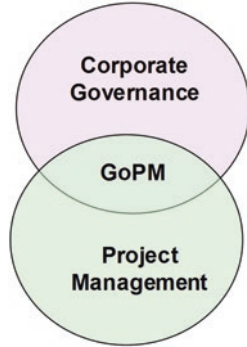
Fig. 2.4 The Governance of Project Management (GoPM) is where corporate governance intersects with project management (Source: Association for Project Management 2011, p. 4)

The four functions of GoPM are:

1. Portfolio Direction
2. Project Sponsorship
3. Project Effectiveness
4. Disclosure and reporting

This guide makes the distinction between (1) ensuring the portfolio of projects was correctly aligned with the organisation's business goals and priorities, and (2) that projects were run efficiently (Association for Project Management 2014). This could be interpreted as the difference between the 'governance of projects' (or, 'governance which ensures the right projects are being run') and the 'governance of project management' (or, 'governance which ensures projects are run right'), as shown in Fig. 2.5:
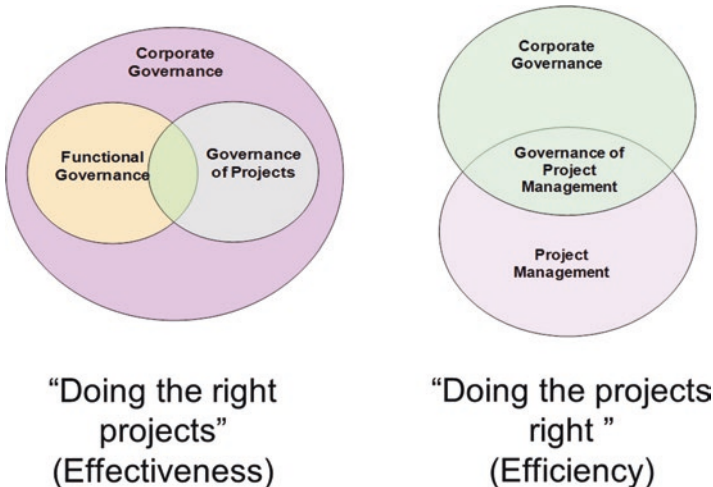
Fig. 2.5 Representing the two domains of project governance

What this means is governance should be seen as distinct from management, which in turn is distinct from project activities enacted by teams, service providers and vendors, represented by the three 'role' layers shown at right.

The governance layer defines roles as Project Sponsor, Business Owner, Executive Sponsor, Vendor Executive, Prime Contractor Executive, Steering Committee member etc.
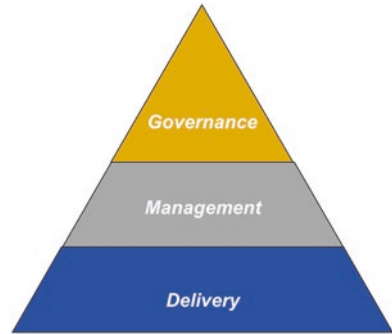
2.2.3   Principles of Project Governance

UK's APM's guide to project governance defines 11 principles of good project governance:

1. The board has overall responsibility for governance of projects.
2. The roles, responsibilities and performance criteria for the governance of project management are clearly defined.
3. Disciplined governance arrangements, supported by appropriate methods and controls, are applied throughout the project life cycle.
4. A coherent and supportive relationship is demonstrated between the overall business strategy and the project portfolio.
5. All projects have an approved plan containing authorisation points at which the business case is reviewed and approved. Decisions made at authorisation points are recorded and communicated.
6. Members of delegated authorisation bodies have sufficient representation competence, authority and resources to enable them to make appropriate decisions.
7. The project business case is supported by relevant and realistic information that provides a reliable basis for making authorisation decisions.
8. The board or its delegated agents decide when independent scrutiny of projects and project management systems is required, and implement such scrutiny accordingly.
9. There are clearly defined criteria for reporting project status and for the escalation of risks and issues to the levels required by the organisation.
10. The organisation fosters a culture of improvement and of frank internal disclosure of project information.
11. Project stakeholders are engaged at a level that is commensurate with their importance to the organisation and in a manner that fosters trust.

From this list of principles it is possible to interpret a number of key roles and responsibilities for those carrying out a governance role, and these roles and respon-

sibilities will be defined in detail in Chap. 5. There are many parallels between these principles and those often defined for corporate governance, which is discussed in Chap. 4.

2.3   Understanding Portfolios, Programs and Projects ('3P')

What's the difference between a portfolio, program and project? Most organisations are somewhat loose and inconsistent in how they use these three terms. Just about all organisations define a project as,

> *"A project is a temporary organisation to which resources are assigned to undertake a unique, novel and transient endeavour managing the inherent uncertainty and need for integration in order to deliver beneficial objectives of change."* (Turner and Muller 2003, p. 1)

This definition highlights that projects are organisations (albeit temporary ones) which must necessarily integrate with other organisations (that is, other programs, projects and business and operational units) and they are inherently involved in risk, either through the impacts of uncertainty or the effort in managing such impacts.

Programs are,

> *"A group of related projects, subprograms, and program activities that are managed in a coordinated way to obtain benefits not available from managing them individually."*

This definition is of interest not for what is says but what is not said. This definition by itself challenges organisations to correctly define what a program is (or should be). The PMI also defines portfolios as,

> *"A portfolio refers to a collection of projects, programs, sub-portfolios, and operations grouped together in order to facilitate the effective management of that work to meet strategic business objectives."*

A useful approach to understanding the integrated portfolio-program-project model is by evaluating each of the 'Ps' in 3P, as shown in Table 2.1. In summary, the defining attributes are:

- Portfolios are aligned to organisational goals and strategies, they're long term in nature (indeed, they could be considered 'perpetual') and they are governed at the highest level.
- Programs are substantial undertakings which are characterised by a stand-alone business case. Whereas they may run for long periods of time, they are finite in duration and will typically be comprised of one or more projects.
- Projects are designed to optimise delivery, applying the most appropriate execution method. The focus with projects is on efficiency and controlled risk, ensuring as much predictability and certainty as possible.

Whereas definitions have their place, in practice they are not that useful. Many organisations struggle to define, precisely, what is contained in a portfolio, relying on aligning a sub-portfolio to a business unit, or major functional unit (such as the 'Information Technology Portfolio') as shown in Fig. 2.6.
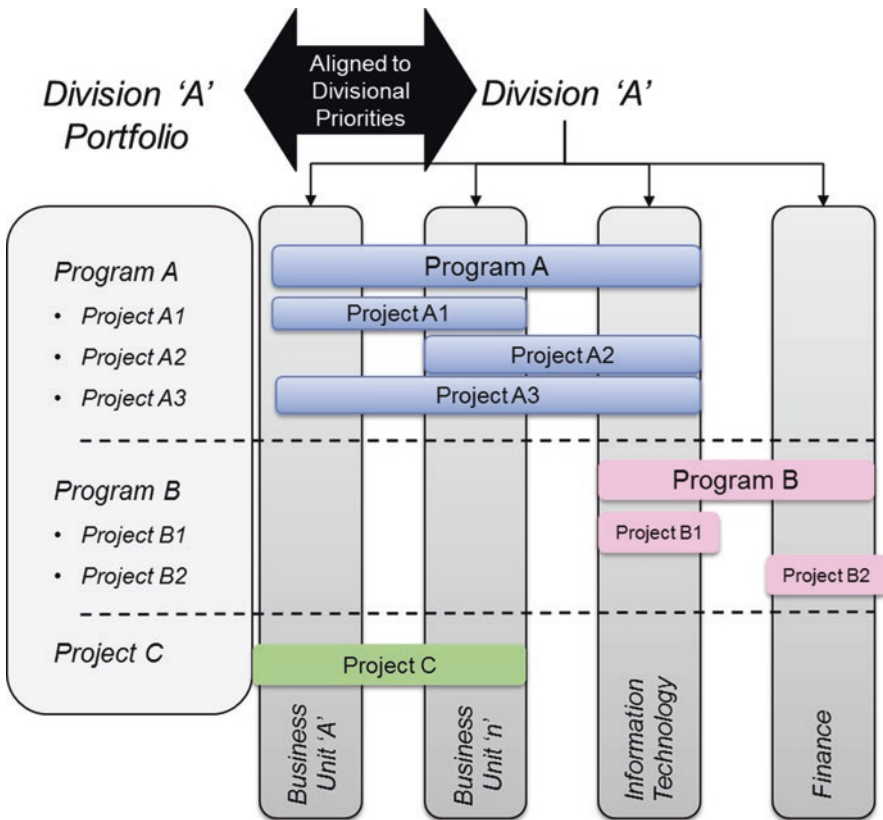
Fig. 2.6 How programs and projects are often structured within organisations

Table 2.1   Defining attributes for portfolios, programs and projects

	Alignment	Composition	Intent	Benefits	Duration	Funding
Portfolio	Aligned to an Enterprise strategic theme or organisation unit, such as a Division or Business Unit	Made up of programs and projects. May be decomposed into sub-portfolios	Structured so as to deliver all (or most) strategic goals and objectives for the Enterprise, Division or Organisation Unit	Substantial, and long term, benefits defined by multiple benefit types	In principle, Portfolios do not have an end date, although portfolios are subject to modifications, re-structuring and re-naming	On-going portfolios are seen as being funded on an on-going basis, often with an 18 month – 3 year funding horizon
Program	Usually sits within a single Portfolio (or Sub-portfolio)	Made up of multiple projects, or releases, which are managed as projects	Structured to optimise value realisation	Benefits aligned to objectives, capabilities and outcomes, which can be packaged as a single Business case	Typically multi-year, but not necessarily. However, programs are not open ended and will have a completion date	Funding is for the life of the program, which is reviewed and adjusted on a regular basis. Funding is based on the merits of the Business Case
Project	Can be stand alone, but typically sits within a program	Focused on delivery, and may be aligned to a release	Defined by a clear Statement of Scope, or set of deliverables	Benefits well defined and a Business Case can be structured for a stand-alone project	Typically, will run for less than 12 months, and usually for 6 months or less	Funding based on a clear statement of scope, execution strategy and method, resource plan and schedule

There are a number of attributes of the structure shown in Fig. 2.6:

- Organisational layers. Organisations often exhibit layers such as Operational (responsible for day-to-day operations of the organisation – 'business-as-usual'), a 'Business' or 'Tactical' layer responsible for overall control, planning, execution, and an executive responsible for Strategy, long-term planning and directly answerable to the Board.
- Loose matrix arrangements. Organisations typically have functional 'silos' (examples are New Product Development, Information Technology, Finance, Human Resources, Legal, Marketing and a number of Business Units), and running both within and across these units are any number of projects, programs and portfolios. This could be seen as operating somewhere between bureaucratic / hierarchically structured, and post-modern, or 'new form' organisations.
- A mix of projects and programs operate throughout the organisation. Typically, stand-alone projects are driven by operational needs (such as reducing transactional costs, implementing straight-through-processing and technology-enabled functions, such as web-services). Programs may be structured to align with strategic goals and will often involve change at all levels of the organisation, and across organisational units.
- The organisation as a whole, and each major organisational unit, may view the collection of programs and projects running out of, and being sponsored by it, as a Portfolio. There is often strong mapping between the portfolio and the strategic and business plans, and reporting against the portfolio is seen as an effective mechanism to monitor the realisation of such plans.

This overview is necessarily simple at this point (although a much more detailed analysis of organisational structures are undertaken in subsequent chapters), however it serves to illustrate the nature of portfolios of programs and projects within organisations.

2.3.1   Portfolio Types

Figure 2.7 shows a simplified and idealised view of the portfolio-program and program structure, hierarchical in nature and where every project and program has a 'home'. As is usually the case, reality tends to be a little more complex. There are as many variations to this structure as there are organisations adopting the 3P framework. One emerging practice is the creation of the 'virtual portfolio', essentially an overlay model with the virtual portfolio matrixed across the 'real' portfolios, as shown by illustration in Fig. 2.8.

In this example the enterprise has decided that innovation is of such strategic value that senior management need to see how innovation is being realised through the divisional portfolios. Such portfolios may not have separate funding, or even any resources, as it could be administered through the Enterprise PMO, or the Strategy and Planning Division. The purpose of these type of portfolios is to facilitate col-

laboration, to ensure there is little overlap across the divisional portfolios, and most importantly to verify that the organisation's innovation goals are being realised.
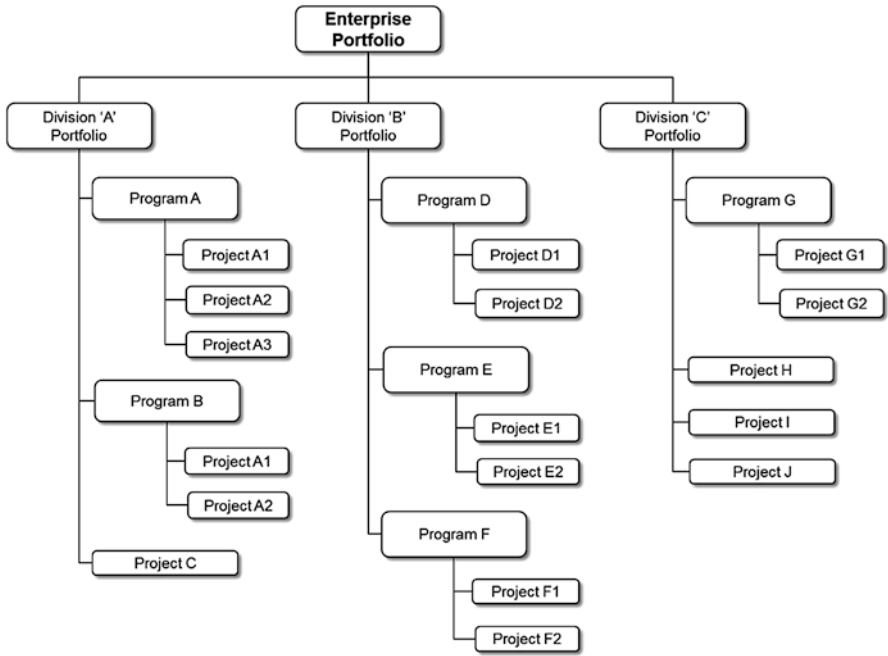
Fig. 2.7 An example of an Enterprise Portfolio comprised of three Divisional Portfolios running a combination of programs and projects
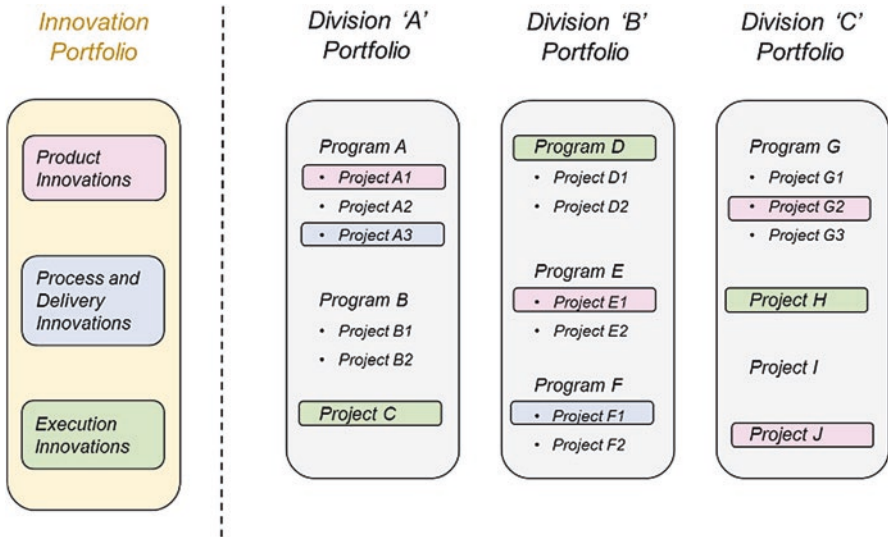
Fig. 2.8 A 'virtual portfolio' (the Innovation Portfolio) is matrixed over the Enterprise Portfolio

Other examples of 'virtual portfolios' may be for Digital Transformation, Information Technology, Regulatory and Compliance and Customer Experience. There is a tendency, sometimes, to make virtual portfolio 'real' portfolios, but this should be avoided. Having separate funding, resourcing, ownership and control being transferred to one of these portfolios ends up duplicating effort, control mechanisms, ownership rights and, quite often, creates chaos and conflict.

2.3.2   The Emergence of Portfolios

In 1998 the PMI termed the approach to managing an organisation's complement of portfolios, programs and projects as *Organizational Project Management*. Around this time the Program Management Office (PMO) appeared in organisations to address many of the complexities with overseeing the full set of portfolios operating across the organisation.

In 2016 the PMI released *Governance of Portfolios, Programs and Projects: A Practice Guide*, its standard on portfolio-program-project (3P) governance, some 25 years after it released its standard on project management. In its foreword the PMI states:

> *This practice guide is intended to support those organisations that are creating an environment to accelerate the implementation of strategy and achievement of organisational objectives while establishing transparency and confidence in decision making and clarity of roles and responsibilities.*

Unpacking that sentence is instructive, for which organisation would admit to not doing this? Is it not the key goal of all those in a senior management role to ensure 'the implementation of strategy and achievement of organisational objectives'? The implication is the governance of 3P, as a clearly articulated and implemented set of practices, should be valid for all organisations. While the importance of 3P governance may not be universally appreciated, it can be argued it should be appreciated, and moreover, practiced as a core competency.

It was mixture of both success and failure of technology-driven organisation change programs which led senior management to realise programs of such size and critical importance could not be left to technologists (Barrett et al. 2006; Willcocks and Sykes 2000). Project success rates over the past 30 years have improved, but are still unsatisfactory and it was realised that those who fund and sponsor such large projects should not be technologists (such as the CIO), rather they should be those who have the greatest stake in the outcomes, principally the realisation or otherwise of the business case (Willcocks and Sykes 2000).

Thus, as projects emerged from being largely IT-based and moved towards the centre of the organisation in their relevance to the business, so too did the control and governance of such projects (and programs) emerge from technologists to business management and then on to senior management, as shown in Fig. 2.9.
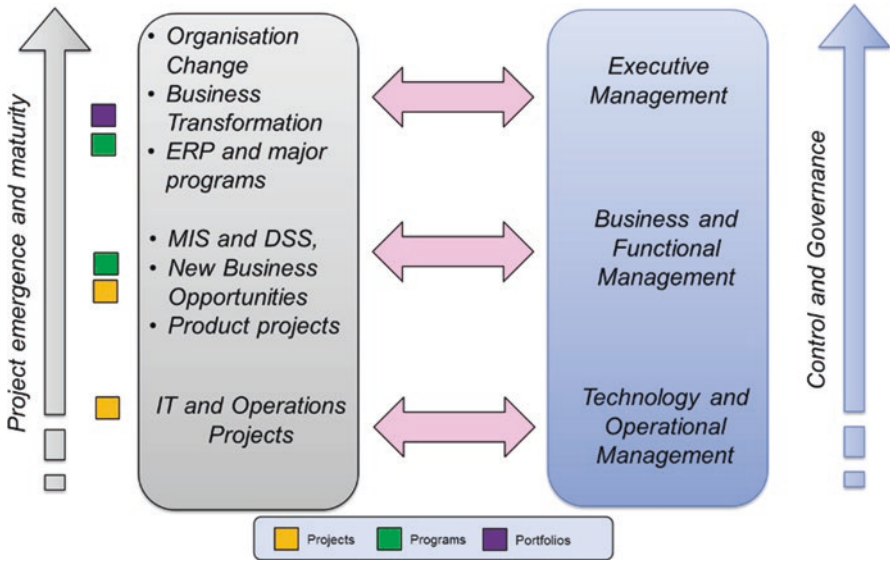
Fig. 2.9 Mapping the emergence of organisational 3P to the level of control and governance

At least, this is the way control and governance should have shifted over time. But as the originator or projects and their management and governance, IT has maintained a very strong hand on the control and governance tiller. The reality is that the majority of organisation projects are business-driven in nature and so the governance and control should predominantly reside in the business.

One feature of organisational (business) projects is, whereas these projects range in size from several hundred thousand dollars in cost to many hundreds of millions of dollars, they are always complex in nature. They often have a significant number of disparate stakeholders, many with competing agendas, who often control critical success factors. Further, the organisations in which they operate are subject to great uncertainty and change dynamics, which influence how projects are structured and how they operate. Combine this with management conducting project governance roles with dubious knowledge of such roles, enacting strategies and decisions on projects which sometimes defy rationalisation, then we have the two critical conditions necessary for what Terry Williams describes as 'complex' projects: complex structures coupled with high risk (that is, great uncertainty) (Williams 1998).

In many observed cases technology architecture often precedes business architecture, which means when organisations finally get around to designing what their 'future business' may look like, it has already been largely designed by what technology architecture looks like, which may result in a constraint-centric model rather than a design-centric model. This has major implications for decision making, as many key decisions properly the domain of executive management are presented not as options, rather they are seen as 'fait accompli', with those in a governance role resorting to making 'least undesirable' decisions. The consideration is that technology does not create opportunities, rather it makes technical choices and decisions well ahead of consideration of the impact to business or strategic outcomes. As the saying goes "Our milestones become our millstones".

This somewhat simplified view of the changing nature of organisational projects serves to demonstrate the changing involvement in governance roles by varying levels of management. Moving from projects with an operational focus through to projects and programs designed to support management in their control and decision-making and then up to strategic projects and portfolios saw governance move from technology sponsorship through to sponsors being drawn from the ranks of 'middle management' and then finally to sponsorship and executive sponsorship residing at the 'CxO' level. Whereas this all makes sense in theory, and considering the success rates for projects have not improved dramatically over the past 10–15 years, then how effective have all these groups been in taking on their governance roles?

It is in this environment portfolios have emerged not by invitation, but as a necessary way of organising programs and projects to avert what for many organisations presents as an existential crisis. To remain competitive and achieve their strategic goals, organisations must adopt the portfolio model.

2.3.3   The Need for Enterprise Portfolios

Portfolios did not emerge within organisations as an intellectual, theoretical exercise. Portfolios emerged in response to real problems, with senior managers exclaiming (often in frustration) "There has to be a better way!". It was not until senior management wanted effective solutions to persistent project performance problems did portfolios emerge, as without their explicit buy-in and active support implementing the portfolio-program-project framework is simply not possible. There are two main reasons portfolios are being increasingly employed:

1. They work to resolve many of the problems associated with the stand-alone project model, as discussed in Chap. 1 and further expanded on below.
2. They facilitate a clear focus on value and optimisation of the business case (this is something we will look at in detail in Chap. 6).

2.3.4 Portfolios Work to Resolve the Cause of Poor Project Performance

As discussed in Chap. 1, the focus on projects and the dismal performance of projects is mainly due to dubious project business cases and the unrealistic expectations of execution performance as dictated by the 'iron triangle'. Expecting an individual project to carry and deliver a business case within a complex organisation is folly. Further, the overheads in running stand-alone projects places undue demands on executive's already stretched time, leading to the projects being somewhat over-governed by senior managers without enough time to effectively carry out their governance roles.

Compounding these problems with the extant project model are additional problems:

1. There is a substantial cost to the individual project in burdensome and overly-bureaucratic funding approvals and stage-gating.
2. Measuring realised benefits for projects is problematic, if, indeed, it is even attempted.
3. Tying project funding models to the budget / financial year cycles creates significant inefficiencies.
4. Continually initiating, executing an closing projects creates substantial waste through resource ramp-up and ramp-down.
5. Decision making by project governance is highly inefficient.

   I will look at each of these issues in more detail.

Overly-Bureaucratic Funding Approvals
It is entirely appropriate for senior management to be satisfied the right financial and project controls are in place. However, when these controls are applied at just the project level, unintended consequences emerge, especially with large projects. To illustrate this, the following case study demonstrates the substantial overheads in running stand-alone projects.

The organisation, a very successful and large insurance company, decided to transform their retail (consumer) insurance business (such as for motor vehicles, home, contents and the like). The aim was to send all their processing to the cloud in a very large core system replacement project, while re-designing a suite of products which were to be entirely configurable (and also priced) by the customer.

The project was to run for 3 years and cost over $350 m (the details are less important than the governance processes). The organisation re-shaped their enterprise portfolio annually, in line with financial year planning, and all projects which were to carry over into the new financial year were required to re-submit their business cases and plans for evaluation, modification and approval. Further, each release to production was to be treated as a stand-alone project for funding purposes, with its own business case. The procedure dictated that the project request 'Business Case Funding (BCF)' to prepare the business case, which was produced

from Project Initiation and reviewed and approved at 'Business Case Approval (BCA)'. The organisation had no alternative funding pathway as it did not run formal programs or an effective portfolio management system (although in this case the project established a committee to oversee all releases, which it called the 'Program Control Board'). Everything was distilled to the project level for governance and funding purposes.

Figure 2.10 shows the timeline for funding submissions and funding drawdown:
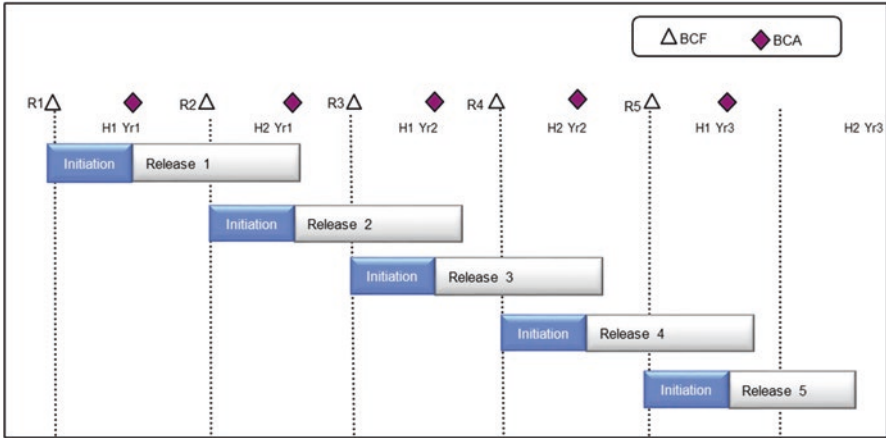
Fig. 2.10   Timeline for the five releases and when funding submissions were made

*Over a 3 year period the project **spent more than $5 m preparing, negotiating, submitting and seeking approvals for funding.** In some cases the submission had to do multiple passes of the approval hierarchy as higher up governance groups requested changes. The PMO needed to hire an additional 1.5 FTE to manage the submissions. Whereas the cost to the project were quantified, no one knew how much it was costing the organisation (in direct time) and missed opportunities in having so many executives tied up in these continual rounds of submissions and approvals.*

There is a substantial overhead in enacting governance and controls with the standalone project, and in particular for large projects which may should be properly considered programs. This problem is largely

There are 13 submissions and each submission needs to go through 4 levels of review and approval

This means a total of 52 submissions for a 5 Release Program over a 3 year period

Records show each submission costs, on average $100k to prepare, review, present and update

The program will spend over $5M on funding submissions over 3 years

The Board

Enterprise Investment Committee

Divisional Leadership Team

Program Control Board

Project Steering Committee

solved under a portfolio-program-project structure where controls are applied on a fitness-for-purpose basis at the portfolio and program levels.

Measuring Realised Benefits at the Project Level Is Problematic
In a study at three large organisations conducted between 2006 and 2010 (see 'Study 2' in Sect. 14.4.1 in Chap. 14), 250 individual projects were analysed to answer three key questions:

1. What proportion of all projects running, or which completed in the previous 12 months, had genuine stand-alone business cases?
2. What proportion of the claimed benefits were attributable entirely to the project?
3. What proportion of reported milestones were totally within the control of the project?

The results of the study were both illuminating and disturbing.

The answer to Q1 was just 25% of projects running were capable of delivering all their claimed benefits, with more than 30% of claimed benefits 'doubling up' across more than one project. That is, two or more projects were claiming the same benefits. Of the reported milestones, more than 50% were dependent on other projects or groups meeting prerequisites.

It Is Highly Inefficient Tying Project Life Cycles to Budget Cycles
Referencing the above study, further analysis was undertaken on when projects were started during the financial year. In all three organisations project funding was tied to financial year budgets, in that a project would not be funded across financial years, and if the project ran beyond the end of year it would require a separate funding submission for the following financial year. The results are shown in Fig. 2.11.
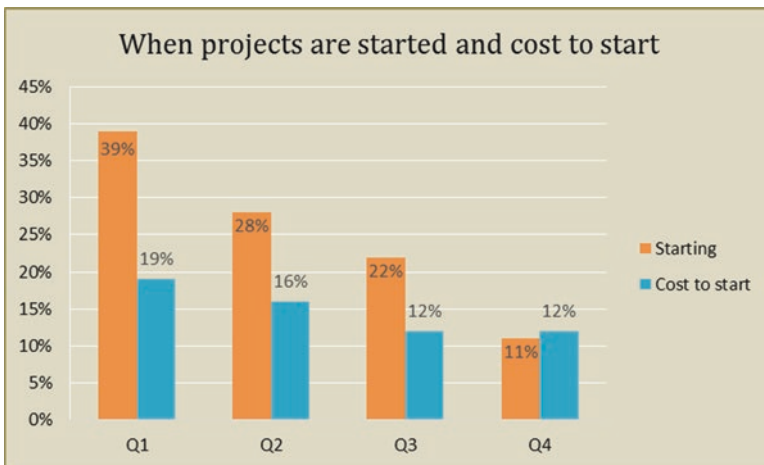
Fig. 2.11 The proportion of projects being commenced by quarter, and the cost to initiate

Some of the issues uncovered included:

- There was what is called the 'gold-rush phenomenon' where projects rushed to start as soon as funding was available, which accounts for 39% of projects starting in Q1. The corollary is that few projects wanted to start in Q4 as this would mean, invariably, having to put in a subsequent funding submission for the next financial year as the project would run past year end.
- The cost to initiate in Q1 was the highest as there were increased demands placed on scarce resources, such as subject matter experts, architects and solution designers and finance. It resembled the local delicatessen at times, with projects being told to 'take a number' and wait….and wait. This resulted in the elapsed time to initiate being greater than it should have been.
- To avoid running over year end projects would structure their execution methods to optimise elapsed time, with the target elapsed time being between 6 and 9 months (the overall average was 7.6 months). This required moving resources between projects and often between divisions, regardless of whether they were the right people for the job. This practice had negative impacts both on cost and benefits realisation. It was very hard to justify projects were delivering 'value for money'.

Initiating, Executing and Closing Projects Creates Substantial Waste through Resource Ramp-Up and Ramp-Down

One continual problem organisations running stand-alone projects faced was the waste associated with resource ramp-up and ramp-down. Projects starting would see an influx of team members, some familiar with the business while others were neophytes. This ramp-up process was costly, as 'coming up to speed' necessarily saw sub-optimal productivity, as teams went through their 'form-storm-norm-perform' cycles. At the other end of the life cycle there was the process of people leaving and moving on the next assignment, or 'sitting on the bench', waiting to be re-assigned. Ramp-up and ramp-down are expensive, creating resourcing overheads in terms of lost productivity of (about) 15% of total resource cost. The cost impact due to increased elapsed time frames are also of the order of 15%, meaning about 30% of the total project spend is wasted (Fig. 2.12).
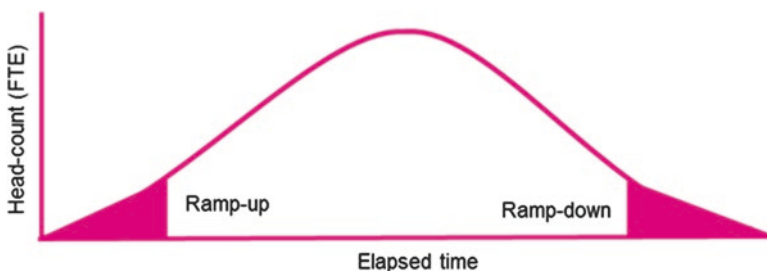
Fig. 2.12 A resourcing curve for a typical project showing ramp-up and ramp-down 'wastage'

Whereas these problems were costly enough, where organisations really lost out in running stand-alone projects was in unrealised benefits. This point was highlighted in Chap. 1 where it was calculated that at least 30% of claimed benefits were already being claimed by one or more other projects, a practice I called 'benefits double-dipping'. Analysis also identified:

- In order to meet time and cost targets projects regularly manipulated scope, either unilaterally or with governance approval. This resulted in reduced benefits and in many cases 'negative benefits', in that the result of de-scoping increased costs post-implementation. It seemed everyone knew about the impact of these practices but they were never brought to the fore due to the lack of hard data. Gathering realised benefit metrics is notoriously difficult (and being difficult, organisations simply did not try to do it). If you don't measure it you can't control it, so the problem continued (and continues to this day).
- Of all of the change requests analysed across the more than 250 projects, just five requests were driven by the 'admission' benefits would be less than what was in the business case. Certainly benefit impacts were included with change requests driven by scope changes, but very few projects would 'fess-up' to a change in likely realised benefits. I was astounded when I brought this fact to the attention of a senior Program Manager who told me "if we bring this to their attention they might cancel the project". Exactly! Why would we invest in a project which doesn't deliver the benefits? Too many felt that it took so much effort (and fighting) to obtain funding they were not going to do anything to place that funding in jeopardy. There is something fundamentally wrong with this model.
- In the all the discussions around changes to scope, time, cost, resources, benefits (etc.) it was extremely rare to hear anyone asking the question "are we doing the right thing by our shareholders?". Possibly it is not the project manager's job to even ask that question, but it is clearly a key accountability of governance. So many people were too keenly focused on ensuring the engine kept running smoothly no one was actually looking to see if the car was even headed in the right direction.

Decision Making by Governance at the Project Level Is Inefficient

The fact we run projects to generate a return on our investment seems to be lost to many working on the project, and also to those in a governance role. Value is typically equated to benefits encapsulated in the business case, but to those funding these initiatives, what they want to see is 'high quality widgets at the lowest possible price'. In achieving this projects need to be highly productive, continually optimising cost per unit of production. The focus should be on monitoring the business case, assessing how and by how much underlying assumptions have changed, assuring that this is the right project to be running.

But this is not what happens. In an analysis of over 50 projects steering committee reports and minutes from meetings, the time spent by senior management was broken down as follows:

- 25% on discussing issues, many to do with business rules, operational matters, training and implementation.
- 30% on changes, including change requests, and unintended changes to resourcing, budget and schedule.
- 12% was on discussing risks and how to manage them.
- 28% on how to bring the project back on track.
- just 5% of discussion time was spent on whether the business case would be achieved.

Is it any wonder that projects are so often viewed as being unsuccessful?

Clearly the above examples highlight the need to change as the stand-alone project model does not work for today's organisations, so it is indeed fortunate that appropriate implementation of the portfolio-program-project model goes a long way to solving most, if not all, of the problems associated with running stand-alone projects.

2.3.5   Portfolios Optimise Value Creation and Benefits Realisation

Evidence from the field tells us that organisations running stand-alone projects struggle to deliver an their strategic plans, and that executives are genuinely nervous when fronting their boards of directors and placing hands-on heart and answering the question 'can you assure the board we are spending our project investment dollars wisely?'. When you have ultimate accountability for how $100 M or $1000 M is being spent, you want to be sure you have the best structures (methods, people and technology) in place to optimise your return on that investment.

In a detailed analysis of 25 projects studied from six organisations between 2008 and 2010 ('Study 5' see Sect. 13.4) I looked at what project managers were reporting to their steering committees. I looked at how reporting of the project budget and the claimed benefits varied between the original business case and the final report before closing the project. The results were surprising, as shown in Fig. 2.13. The X-axis plots the % variation of final cost to the original budget, and the Y-axis plots benefits variances (realised to claimed).

24 of the 25 projects reported some budget variance (i.e. actual to plan) with the majority reporting an increase in the original budget. However, 20 of the 25 projects reported no variance to benefits. When asked how they thought they were performing with benefits realisation, one senior manager stated: "We know that benefits are not being realised as claimed, we just don't measure it or report it".

The reason why realised benefits are not being measured is that by the time benefits start to kick-in the project is well and truly closed, and the focus has shifted on to the next project. Quite often the PMO and the finance function attempt to measure

benefits, but it is very difficult to identify which project was solely responsible for delivering which benefits, as multiple projects may be claiming to have achieved similar benefits (such as revenue increase or cost reduction). It is almost impossible to unscramble the realised benefits omelette.
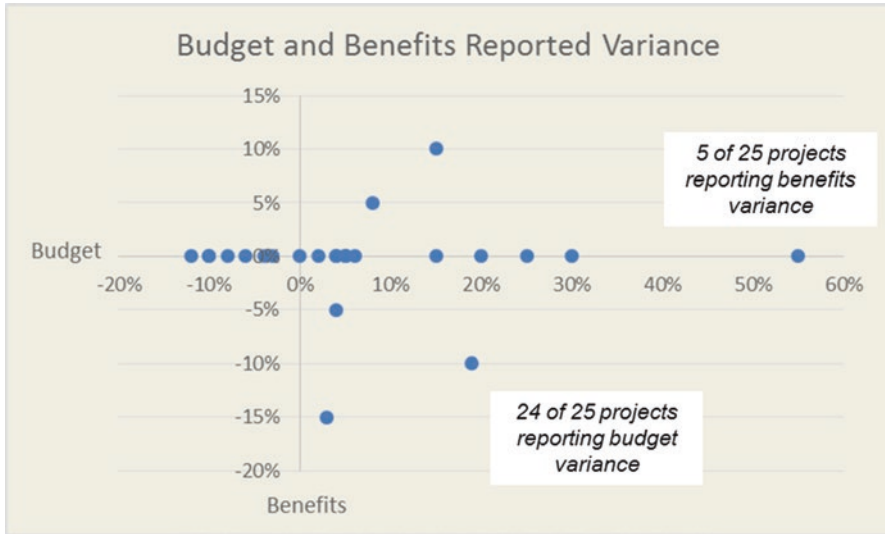
Fig. 2.13 Plotting the variances between what was reported at project close, to what was in the initial business case

Implementing an integrated portfolio-program-project model goes a long way to resolving this as the business case is set at the appropriate level such that the program owns the realisation of all like-benefits, and the program will still be running when realisation commences, meaning benefits capture and measurement becomes part of the standard life cycle.

Where an integrated portfolio-program-project (3P) framework has been implemented the results have been impressive, especially as regards realised benefits. Working with three organisations in the period 2010–2012 to implement full 3P, I tracked benefits realised over that period and compared the result to benefits realised under the stand-alone project model, as summarised in Fig. 2.14:
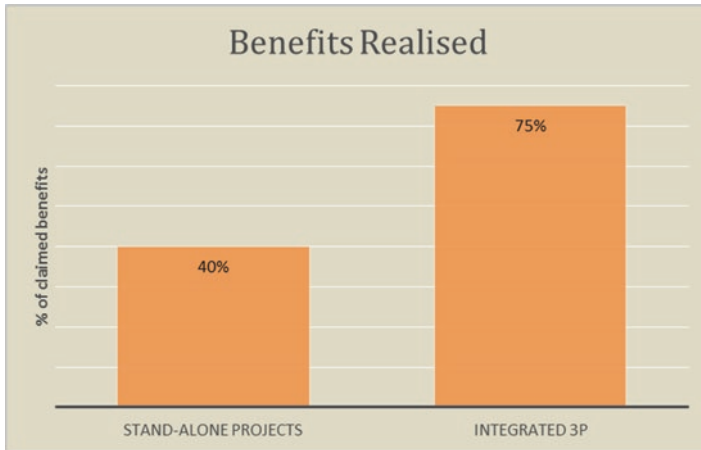
Fig. 2.14 Benefits realised as a % of claimed benefits: comparing stand-alone projects to integrated 3P

Two points immediately jump out of Fig. 2.14: there has been a substantial increase in realised benefits, but benefits performance is still not satisfactory. Why isn't it 100%? Why is it that business cases still under-deliver? For the studied organisations the answers to these questions included:

- Implementing integrated 3P is a process of continual improvement. There were still inefficiencies and some programs (and projects) were incorrectly scoped and misaligned. For example, a Data Governance program which would see the implementation of an updated customer data warehouse was late in delivering and a new product program which relied on having that warehouse in place to realise all its claimed benefits went live on the old version of the warehouse. Sequencing alignment continues to be major challenge, but the organisation in question is very much aware of this and is actively addressing it.
- Two of the studied organisations moved to implement Organisational Agile (one based their execution framework on Scaled Agile Frame (SAFe) while the other organisation used a bespoke approach borrowing heavily from Disciplined Agile. In each case alignment and sequencing was improved and realised benefits were closely approximating planned benefits.

Although this was an exploratory study, indications are clear that integrated 3P works to resolve many of the problems associated with stand-alone projects, and significantly improves benefits realisation.

2.3.6   Portfolios Are Able to Adapt to Face New Challenges

A key feature of classical organisational structure is stability and certainty (Turner and Keegan 2001; Handy 1993). Indeed, a major management movement growing out of industrial expansion following World War II was Total Quality Management, which was focused on the management of processes and products to minimise risk, increase certainty, predictability and repeatability, and in the process deliver products meeting stakeholder expectations of 'fitness-for-purpose' for an acceptable cost. In a world with controlled change, such organisation structures made sense, (and even more sense if one considered one's competitors operated precisely the same structures). Such organisational structures have a number of features:

- Structural rigidity and resistance to change. As all organisational units are combined top-down, with no or few lateral forces, all inertia is created by these vertical bindings, and effectively resist any attempts to modify let alone break down the structures.
- There is the tendency to create functional self-containment, so that each major functional unit provides its own administrative and support services, the development of the 'functional silo' structure.
- Those managing the functional silos are rewarded for optimising measured outputs against measured costs. Certainly there is no incentive to work to support someone else's silo, which creates a form of 'silo selfishness'.
- Cultural alignment easily transfers from the organisation as a whole to the silo. This is extended to activities outside the firm such as social activities.

If business proceeds along predictable and expected pathways then the functional organisation can exist quite happily. But the inherent danger comes about when change exceeds expectations and external pressures strike. Consider the following change dynamics challenging the traditional and stable organisation structure:

- Globalisation. The removal of trade barriers following initiatives such as the World Trade Organisation's (WTO's) various 'rounds' (the current one being 'post-Doha') have reduced tariffs and other barriers to freer trade between nations (World Trade Organisation 2008). The consequences for organisations is enormous as every component of their 'value chains' must now come under the spotlight.
- Coupled to the WTO, there are multi-lateral free trade agreements, such as free-trade agreements (FTA) one example being the US-Australia FTA and the Trans Pacific Partnership. Again, such agreements de-couple tightly bound value chains, forcing organisations to seek optimisation (especially cost optimisation) of inputs and labour in production processes and infrastructure (Levy 1997).
- Apart from international liberalisation and breaking down of trade constraints, organisations have 'unbundled' all parts of their value creation processes, to leverage outsourcing and insourcing. Certainly the rise of the call centre industries in countries like India and the Philippines are a direct result of organisations continually trying to reduce cost of inputs (Grossman and Helpman 2005).

- 'Disruptors', and in particular digital disruptors are challenging many extant business models. Emergent models predicated on the sharing economy are forcing established businesses to adopt one of the '3B's' strategies: 'beat them', 'buy them' or 'become them'. Regardless of the adopted strategies, established businesses are needing to exhibit flexibility, agility and innovation well beyond what their comfort zones, capabilities and track records.
- Labour market de-regulation within individual countries has seen the emergence of labour-for-hire and contracting companies, employing people on short-term contracts, which enable large corporations to reduce their labour costs and their permanent workforces (Esping-Andersen and Regini 2000).
- Ubiquitous and all-pervasive ICT sees process automation and delivery of point-of-sale actualisation to the end customer, further reducing labour costs and the need for permanent labour force (Iacono and Wigand 2005).
- De-regulation of industries, such as financial services and transport, has increased the number of players while cheap technology and 'e-business' has reduced financial barriers to entry for these new players (Geroski et al. 2001).
- Rapid environmental and sustainability changes will continue to accelerate, and the introduction of such mechanisms as carbon trading will place even greater pressure on the need to shift from the 'old' economies to the 'carbon-aware' economies (Mcevoy et al. 2000).
- Agility and innovation will move beyond buzz-words to integrated product design, development and delivery strategies. Increasingly 'agile-at-scale' strategies are being adopted, as organisations move towards continual (almost factory-like) models for production, delivery and support. Of all the challenges being faced this one will herald the decline of the traditional project model, possibly to the extent we can pronounce 'the death of project management'.

Of course the above list is non-exclusive and there are many more significant drivers for change working on the modern organisation. The portfolio is a highly resilient and pervasive structure which can operate to corral the collective response to all these forces of change, while providing the flexibility to re-structure the investment portfolio so as to continue to optimise value creation and capture. Whereas the organisation may lack such nimbleness in response to change, and projects and programs may be swamped by such changes, the portfolio could be seen the 'Goldilocks' response to most effectively managing, indeed leveraging, the forces of change.

2.4   Portfolio-Program-Project ('3P') Dynamics

In the more than 60 project reviews, health checks and audits I have undertaken I have made commentary about 'misunderstanding project dynamics' in more than 80% of cases. As in "there was fundamental misalignment of understandings of project dynamics across management". I realise this could be viewed as an esoteric muttering meaningful only to those who know what 'project dynamics' actually

means. After all, you don't know what you don't know, and when told you don't know it you probably answer 'So what?'. This answers the 'So what?'.

Considering that projects and programs sit within portfolios, 'project dynamics' can be viewed from a broader perspective – that of the portfolio. So understanding portfolio dynamics means understanding the following:

- Portfolios, programs and projects are systems so to understand them we need to apply 'systems thinking'.
- Portfolios are both the targets of, and manipulators of, change. Above all else, projects are creatures of change.
- Portfolios are immersed in risk and being risk averse is no answer.
- Portfolios deliver value, and should never self-serve.
- Portfolios are people-centric so they should be viewed as 'knowledge factories'.

Each of these dynamics is analysed below.

2.4.1 Portfolios, Programs and Projects Are Systems

In designing, implementing and operating a portfolio-program-project (3P) framework successfully, the organisation needs to have a good knowledge of '3P dynamics'. To better understand these dynamics we can view a portfolio as a system, containing program systems and project systems.

This perspective of 'organisational cybernetics' and 'systems thinking' probably originates with Stafford Beer (Beer 1959) and it is refreshing as it proposes an alternative view to the over-simplistic mechanistic view of projects, where all project-based activities can be explained through a detailed understanding of the Work Breakdown Structure (WBS).

Projects are probabilistic complex or exceedingly complex, systems, as shown in classification of systems proposed by Beer (Table 2.2):

	Simple	Complex	Exceedingly Complex
Deterministic	e.g. door lock	Computer	Airplane
Probabilistic	e.g. quality control	PROJECTS AND PROGRAMS	

Table 2.2 Systems categorisation model as proposed by Stafford Beer

'Deterministic' systems are those which follow well understood laws. The laws of motion, physics and mechanics determine how aircraft fly, how high and far they fly and their speed, although system failures may still result in a failed journey (i.e. 'a crash'). One can align 'deterministic' to low risk and 'probabilistic' to high risk –

or increasing risk. Which means projects are subject to risk, and from a systems thinking perspective, we need to build in risk management mechanisms such that risk is controlled and does not drive the project towards failure.

In summarising what was a detailed analysis of the systemic causes of project failure (characterised by 'extreme overruns'), the widely published and authoritative academic Terry Williams states:

> *"Thus, we have identified the three factors which come together to cause extreme overruns when projects are managed conventionally: structural complexity; uncertainty, and a tight time-constraint."* (Williams 2005, p. 503)

The basic building block of 3P is the project which has all the attributes of a system: inputs, outputs, processes and actors, as shown in Fig. 2.15. Of course this is a highly simplified model of a project, but to many on the outside looking in, projects appear impenetrable, as a 'black box'. To sponsors and owners it is quite simple, the project appears to suck in money, they use valuable resources, demand the time of busy executives and (hopefully) deliver something useful:
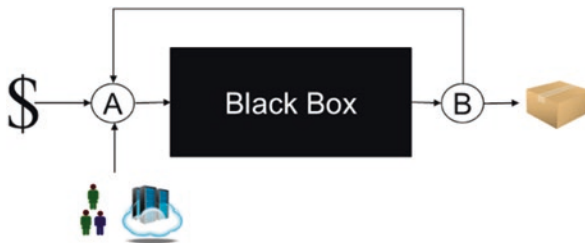
Fig. 2.15   The systems view of a project as a 'black box'

The two points 'A' and 'B' are of interest to us. Point 'A' is where inputs are accepted to the project, whether these be for funding, resources, plans, status. Point 'A' is some sort of decision point, for organisation and acceptance. 'B' is also a decision point, both for deciding whether to accept outputs from the project and what to feed-back as an input. This feedback loop works to provide information regarding how the project is performing, to make adjustments to inputs so as to do two things: to make improvements to processes to increase efficiency and productivity, and to the specification of what is being produced so as to improve product quality. To the sponsor they want to the project to do two basic things: produce the right outcomes at the right price. This is essentially a 'negative feedback loop' as it works to remove variances from the system (such as defects) leading to superior product passing through 'B'.

The application of feedback loops is important. Projects work best by continually applying changes to correct defects, address inefficiencies, to incorporate changes to scope, schedule and resources.

Systems modelling has also been used to explain why some projects may go out of control. Terry Williams, (Williams 2005) found that, in complex projects, the existence of 'loops within loops', often create positive feedback situations, lead to time and cost blow-outs, defying the attempts by managers to contain them.

When we open the black box we find systems within systems as shown in Fig. 2.16. There are systems for execution, such as systems development life cycles, and systems for testing and quality management. Systems for defining business requirements and systems for integrating applications and systems together. Each component system may interact with other component system to create major outputs. This model is adopted in explaining how portfolios-programs-projects (3P) work together as a complex system, in an integrated framework.
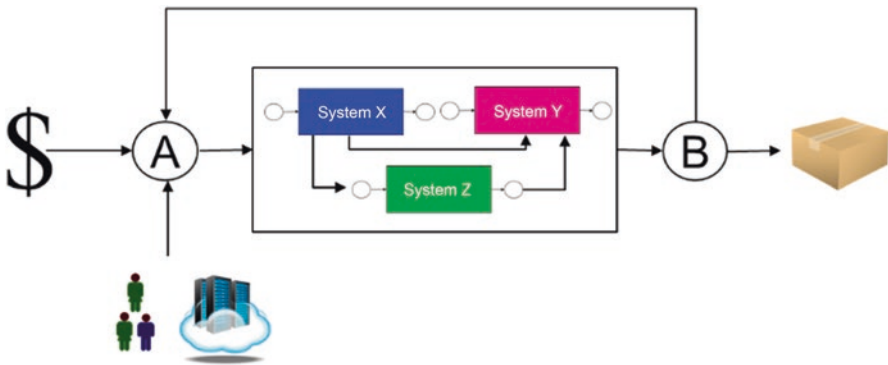
Fig. 2.16   Systems may be comprised of other systems, which is the case for 3P

This system model view of 3P is also valid when considering the governance of 3P.

2.4.2   Portfolios Deal in the Currency of Change

It must rank as one of the highest foibles of human nature to not understand change. Change is pervasive, perennial and persistent. It is all around us and within us. There has never been a project where the final 'tracking Gantt' (or current schedule) was the same as the original Gantt chart. Changes occur on projects daily, weekly and monthly. Changes can be small (microscopic) or very large (catastrophic).

Indeed, change is one of the constants of projects, programs and portfolios.

Some changes can be predicted (such as changes to requirements, personnel, scope) while others are a total surprise (e.g. funding cut in half). Still project managers assiduously attempt to stick to schedules and meet milestones against all odds. Change is resisted, denied, ignored and sometimes embraced. And it is embracing change where real value is derived.

The notion that the first time the project passes through 'A' in Fig. 2.16 everything is set in cement is folly. It's like lining up a wheel at the top of a hill and releasing it, expecting it to roll perfectly straight. It isn't going to happen. As discussed in Sect. 1.3.3 the second law of thermodynamics essentially states the amount of entropy in an given system increases, and will continue to increase unless external energy is brought to bear. Paraphrasing this means a project (the system) which lacks external controls will decay (i.e. go 'out of control'), as the level of disorganised energy (entropy) continues to increase. That is, without effective governance and management change is destructive.

Organisations do view projects as temporary organisations, but they take the 'temporary' too literally. They think that 'things will get back to normal when this project is finished'. They ignore the fact that running projects continually is the 'new normal', that 'losing' key people to projects is not something that will change, that one day they will return to their day jobs and never have those jobs interrupted by projects. Organisations still plan headcount based on a functional view of the organisation, not realising that any point in time about 30% of total organisation effort is tied up in projects. This does not mean that 30% of full-time employees are engaged in projects, as typically 40–50% of project resources are temporary, either contractors, employees on fixed-term arrangements, or employees of consultancies or other 'hire-in' organisations. This in turn causes major problems associated with the people-centric nature of projects (see below).

Projects deliver change, which in itself is problematic. For many organisations change is disruptive and annoying. It is not enthusiastically embraced as it interferes with 'business-as-usual' and often undermines operational units' ability to meet service levels and other performance targets. Continually taking people out of the line to attend training hits at customer service and operational cycle times. No one likes this, and the people who want the change are often too removed from the front line to understand the impacts of the changes projects bring. 'Not another (expletive) project' one hears the operational teams say, as projects mean their best people are being seconded to projects as subject matter experts (SMEs), resulting in too much unpaid overtime and post implementation defects, requiring work-arounds and increased operational complexity. Despite substantial improvements in how organisations manage change, the existing model still has projects running within the division, but not fully integrated to all units within the division. In many cases, projects are not even co-located with the division.

In many ways the unreality with which organisations view change is the greatest project risk.

2.4.3   Portfolios and Risk

Risk is possibly the most misunderstood of all aspects of portfolios-programs-projects (3P). So it is useful to understand what risk is, and according to the PMI:

> *"Risk is an uncertain event or condition that, if it occurs, has a positive or negative effect on a **project's** objectives."*

Risk is about uncertainty. It is not always about things going wrong, which is how it is often viewed. As we're dealing with a probabilistic system model (see above), we are dealing with uncertainty. However, seeing risk in a negative sense (that is, 'potential problem management'), means there is continual effort to remove risk. This aversion to risk flies in the face of organisations needing to continually innovate to create value. Organisations which have little appetite to take on risk will fall behind their competition and seal their own destiny. It is much better to build risk management as a core competency, embracing risk as a way to create competitive advantage.

In innovation the 70-20-10 rule is used to describe how much an organisation should invest in addressing totally new markets (10% of total investment), markets allied to where they already play (20%) and further developing existing markets (70%). Clearly most uncertainty resides in the 10% 'totally new products and markets' slice of the investment pie, which corresponds to high to very high risk. This represents a good guide for viewing the enterprise portfolio by assessing how much of the total investment aligns to risk profiles of High/Very High – High/Medium and Medium/Low. It may well the case the greatest benefits (and value) resides in the High Risk programs and projects, and there is a necessary balance between being too cavalier in taking on too much risk, and being overly risk averse. This balance is clearly shifted by organisations building their risk competency. Unfortunately this is a not the case for most organisations who spend most of their 'risk dollars' tracking risks and steering programs and projects away from high risks. It is so much easier to report on risk than build organisational competency in managing risk.

Of course risk is not static. It changes continually from high to low and back again. The greatest tool in managing risk is knowledge, as that is the antidote to uncertainty. Yet too many organisations choose to prepare for the eventually of a 'potential problem' actually occurring, rather than dispel the uncertainty by finding out. In an analysis of more than 120 project plans and risk registers, I specifically looked for tasks in the schedule designed to reduce uncertainty. In just nine plans were there any tasks grouped under 'risk management'. This is not to say the other

plans did not contain any tasks to better manage risk, but if so those tasks were not defined in the corresponding risk registers. Further analysis of the risk registers identified 72% of registered risks were actually issues as the risk contained no uncertainty. This is reminiscent of the 'drunk under the lamp post' cartoon, where it is so much easier to deal with what you already know and simply label that 'risk'.

In this drawing, asked by the policeman why he was on his hands and knees the drunk responds: "I'm looking for my car keys". "Did you lose them here?" asks the cop. "No, I lost them over there near my car." "Then why are looking here?". "Because this is where the light is"[2].

The problem is in too many cases managers and those in governance end up managing the wrong risks, and the real risks, those with greatest uncertainty, escape detection until it is too late, as described in the Mini-Case Study 2.1.

"I'm searching for my keys."

The role of governance in identifying and managing risk cannot be under-stated. A strong steering committee will be actively engaged in understanding what risk management tasks have been undertaken, to continually enquire about 'where do our uncertainties lie?' (I have witnessed on many occasions the tone and direction of the conversation changes once we stop talking about 'risks' and start talking about 'uncertainties'). Ask direct questions such 'What are we investing in leveraging risk?' may elicit a blank stare from the program manager, but it is critical for us to answer that question. A 'risk active' steering committee is very much on top of its game, overseeing what is usually a successful program or project.

One reason risk management with stand-alone projects is often ineffective is some risks, often of high and very high status, sit well outside the direct control of the project manager and steering committee. A clear benefit of the portfolio model when managing risk is that risk management carried out at the program and portfolio layers often addresses those risks impacting individual projects. This increases management efficiency as risk management is conducted at a single point rather than being replicated across multiple programs and projects.

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[2] I'm grateful to Jeff Calender for permission to reproduce the accompanying illustration.

Topic:	Managing the wrong risks
Details:	Risk is often perceived as 'potential problems', and risk management the things people do to remove risk. This is a fallacy, as risk is NOT about things going wrong, rather it is the uncertainty which exists both within the project, and are interdependent with it.
	For example, in a project I reviewed for a large telecommunications company, they were undertaking a business transformation project to implement a new operating model running a new suite of operational support systems. The systems were running in several other telcos in the US and Europe still they would require substantial modifications to meet local requirements. In undertaking this project the teams would be running a variant of Agile-at-scale, meaning quite a departure from their existing execution framework (based on Waterfall).
	The team identified the highest risk as technology, based on their limited knowledge of the new systems. Immediately after start up a dedicated team worked on implementation and running a 'Model Telco', testing it out for performance, reliability and extensibility. There was so much focus on this that when it started returning green lights there was widespread relief the project had nailed one of the biggest risks.
	Meanwhile, the rest of the project team was trying to come up to speed with running Agile, and they had a continuing set of problems, not the least of which was the absence of the key business people whose roles were Product Owners and Product Managers, Subject Matter Experts, Change and Implementation managers (etc.). Apparently no one had bothered to tell business, operational and functional groups of the high demand on their knowledge people. There were spinning wheels everywhere, with little or no progress on structuring backlogs, defining use cases and the like. It was not until 6 months into the project that the teams got anywhere near an operating rhythm. By the end of the first year most milestones had been missed and costs had blown out 30%.
	Everyone had over-estimated the system risks, being able to successfully implement and test the systems, and under-estimated business and execution risk. The real uncertainty lay with what they did not know, or have experience with, while where they had a fairly decent track record with technical success received all the attention, even though this was where they had lowest uncertainty – that is, lowest risk.
Lessons:	When looking at risk, start by asking yourself "what are we uncertain about? What do we NOT have a track record in?" If risk management looks like avoiding known problems, then you're not managing risk.

Mini-Case Study 2.1 Managing the wrong risks

2.4.4   Portfolios Are People-Centric

People make projects dynamic. Certainly the people working on projects have feelings and respond to what is done to, and for, them. This is often over-looked when people are viewed as inter-changeable pieces in a giant machine. They're not even referred to as people, instead being called 'resources'. There is a broad distinction between 'knowledge resources' – those people we value because they have knowledge which is not easily replaced or replicated, and 'commodity resources', people belonging to a pool which can be added to or subtracted from with no discernible impact to the project (or so it is assumed). In many cases this is viewed as 'permanent headcount' versus 'contractors', or 'our people' versus 'ring-ins'. These are crude references to those who make up our teams, who put in the hard work and deliver great outcomes.

In what will probably be seen as a watershed publication, a leading group of researchers in the project management field proposed a shift from the extant positivist / Newtonian-Cartesian paradigm obvious in so much project management research, towards the view that projects exhibit many non-linear characteristics, and failing to incorporate the human element in understanding the complexity of projects denies researchers (and, by extension, the whole industry) valuable insights and, potentially, new ontological dimensions (Cooke-Davies et al. 2007). They proposed a number of new research directions, such as exploring the complexity inherent in seeing projects not as rationalist systemic structures, rather as complex expressions of inter-personal relations, communications and power dynamics. This emphasis on the human condition as central to understanding projects means that all project roles are better understood by understanding the psycho-perspectives of those occupying those roles, focusing on behaviours as well as processes and seeing critical activities, such as decision-making, as being to do with emotional disposition as well as it being a prescribed procedure. These reflections have been adopted by broad organisational studies for many years, where organisations are seen as complex models driven by intricate and complex inter-relationships between key actors (Anderson et al. 1999). The fundamental thesis is that organisations perform and change not by the mechanistic operation of the vehicles of change (such as projects), but by the dynamics of the players and actors (such as a project's stakeholders).

There is a huge difference between projects which view people as 'resources', and those which treat team members with respect and the project's greatest asset, and not least where these differences are experienced is in productivity. The people who work on projects are, as Peter Drucker famously labelled them more than 50 years ago, 'knowledge workers'. These people are very difficult to replace, as one may a process worker in a factory. What they contain in their heads is difficult to codify, document, store away and retrieve. For organisations which adopt Agile

software development, then you will have an added issue and that is the almost absence of design and code documentation. As the respected academic and consultant Roger Martin says "…the developed economies will become ever more reliant on knowledge workers, whose productivity may therefore be the management challenge of our times'. (Martin 2013).

The movement of individuals across projects and programs which sit under a single portfolio is so much more efficient than shuffling people between projects and across the organisation. Having a clear understanding of everyone working across a portfolio supports efficient people (resource) management, and works to ensure optimal resource utilisation.

In designing the right portfolio-program-project (3P) framework (as we cover in Part B) we need to be mindful of the above set of dynamics, and not attempt to design and implement a system which flies in the face of what we now know to work. These design principles sit as the foundation of an efficient 3P execution framework.

2.4.5   Portfolio Governance Role Structures

Governance is carried out at five levels, as shown in Fig. 2.17.

The individual project is governed by the Project Sponsor chairing the Project Steering Committee (or Project Board) which reports into the Portfolio Board (chaired by the CEO or a senior executive) which then reports to 'Top Management' who report through to the Board. This is probably the simplest representation of how project governance is integrated with Corporate Governance. Labuschagne and Lechtman (Cooke-Davies et al. 2006) reported that the project sponsor's activities can be grouped along three dimensions:

1. Vertical-up relationships, integrating with executive management and corporate governance
2. Horizontal relationships, which are effected through the Steering Committee and
3. Vertical-down relationship, to the project manager and teams.

However, although conceptually very simple, the realisation of clear governance arrangements are often rarely found.

Fig. 2.17   The five levels of governance impacting on projects

The Middle Layer Problem

This 'Middle Layer Problem' is what appears to be a governance 'vacuum' which exists between corporate governance and the governance of projects, and it is characterised by:

- Gaps in systematic understanding of the 'system' or the project in context;
- Gaps in providing adequate over-sight or direction for the project or, in the opposite direction – micro-management;
- Cases of ethical randomness;
- Gaps in reflected and continuous management and monitoring of stakeholders;
- Gaps in risk management and audits.

That this problem exists, and failure by many organisations to satisfactorily address it, leads to project failure. If there is a problem with project governance it may well be present at, or even before, initiation.

One criticism of project governance is that those in a governance role (such as Project Sponsors, Project Owners, Steering Committee members) are not formally trained in those roles and, consequently, often struggle to meet the demands of the role. Studying the curricula of three leading business schools (the Harvard MBA, the MIT Sloan School of Management MBA program and the London Business

School's MBA program) does not mention project governance. A more in-depth analysis of each subject making up the programs identifies the closest the programs come to addressing project governance is project management which is covered as part of operational research.

It can be surmised from this brief analysis that the governance of projects is simply a subject which is not given much attention in these leading MBA programs. Whereas 'leadership' is included in all the courses, it mainly focuses on 'personal leadership' (such as leading teams and individuals), rather than 'applied leadership', as may be found in taking on a project governance role. This is not to say the subject is completely ignored, rather it appears to be given minor (possibly scant) attention.

It may be the case that those who take on a project governance role do so on the basis of their functional role experience and standing, rather than for demonstrable competence in project governance.

Considering the importance of project governance it would be reasonable to assume there has been quite a bit of research into the topic. Unfortunately this is not the case as we explore in the next section.

2.4.6   Governance Role Names

What's in a name?

There is a bewildering array of role titles used in portfolios, programs and projects. To the aficionado it can be confusing but navigable, but to those on the outside looking in it must be impenetrable. To illustrate I have produced two lists of 'governance names' and 'management names', as shown in Fig. 2.18. This is simply a selection from a sample of ten organisations. It seems no two organisations use exactly the same names and the role accountabilities are never equivalent between organisations. Maybe this is part of the 'not invented here' syndrome which permeates industry, but it requires quite a bit of effort and no little time to translate roles to a common taxonomy (which the 3P industry does not have). One could point to the professional associations as being the industry standard, but these industry standards are followed by fewer than a third of organisations.

Governance		Management	
Roles	*Forums*	**Roles**	**Forums**
• Executive Sponsor • Pull Executive • Senior Responsible Officer • Portfolio Sponsor • Portfolio Executive • Executive Director • Portfolio Owner • Program Sponsor • Program Owner • Project Sponsor • Project Owner • Product Owner • Member of …	• Capital Investment Committee • Project Investment Committee • Portfolio Board • Portfolio Oversight Group • Portfolio Control Group • Portfolio Steering Committee • Portfolio Governing Body • Portfolio Risk and Assurance Committee • Senior Leadership Team • Executive Leadership Team • Program Board • Program Steering Committee • Portfolio Governing Body • Program Risk and Assurance Committee • Portfolio Oversight Committee • Program Control Group • Project Board • Project Steering Committee • Portfolio Governing Body	• Portfolio Manager • Portfolio Director • Portfolio Leader • Program Director • Program Manager • Project Director • Project Manager (PLUS all the above names with 'Senior' at the start) There are numerous names associated with proprietary methodologies, such as *Release Train Engineer* in *Scaled Agile Framework* is the (approximate) equivalent of the Program Manager	• Portfolio Working Group • Portfolio Planning Committee • Portfolio Reporting Group • Portfolio Change Board • Program Working Group • Program Planning Committee • Project Change Board • Project Working Group • Project Management Committee • Project Planning Committee • Project Change Board

Fig. 2.18 A selection of the myriad names used for key governance and management roles and forums

In one organisation the wide variety in 3P forum names had got out of control, in total there were more than 150 names used with absolutely no consistency. I produced a taxonomy framework as show in Fig. 2.19.

The intention was to further simplify names by rationalising the 'structure type' by removing 'board', 'group' and 'authority', however there was widespread resistance due mainly to historical usage. Still, whenever one came across the name of a group it was possible to de-cypher what the group's role was, and where it sat in the organisation.

A Taxonomy for 3P Names: Name construct is 'A' + 'B' + 'C'
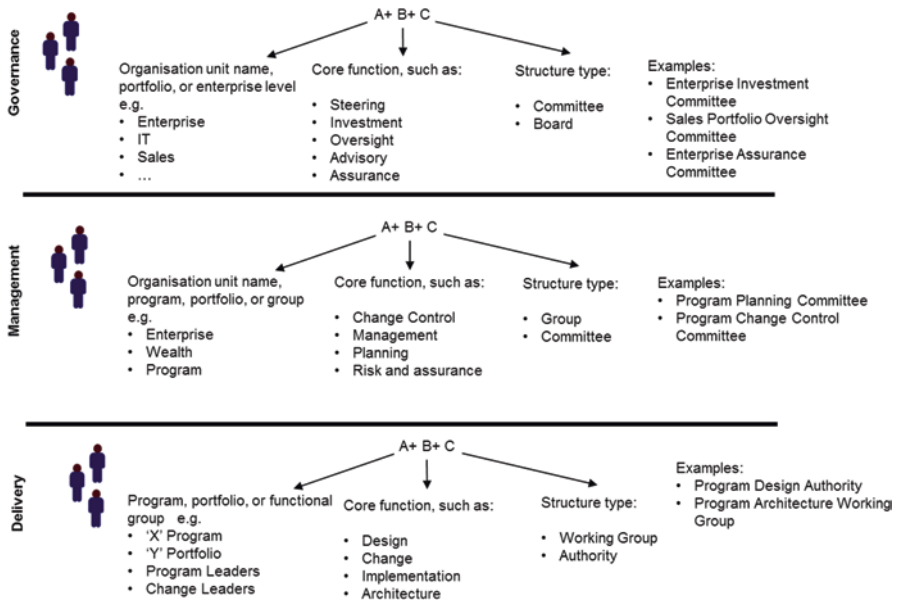
Fig. 2.19 Naming guidelines for all 3P forums

To simplify matters, increase comprehension and cut through the jargon I will use the generic structure of 3P governance and management roles as shown in Fig. 2.20.

One fundamental principle adopted as part of this framework is that *role account-abilities reside at a single point, and not with a group or committee*. So, prime accountability will always reside with an individual role (such as Program Sponsor), and each role is assisted in delivering those accountabilities by a governance forum – such as the Program Steering Committee. This does not mean members of a Program Steering Committee do not have accountabilities. Indeed, their prime accountability is to advise the chair of such a committee, and they have further accountabilities to ensure they create an environment which facilitates success (that is, ensure critical success factors are enabled). But it would be wrong to state "The Program Steering Committee is accountable for program success", as this would lead to 'group guilt' if the program failed, which in reality would mean no one would be held accountable.
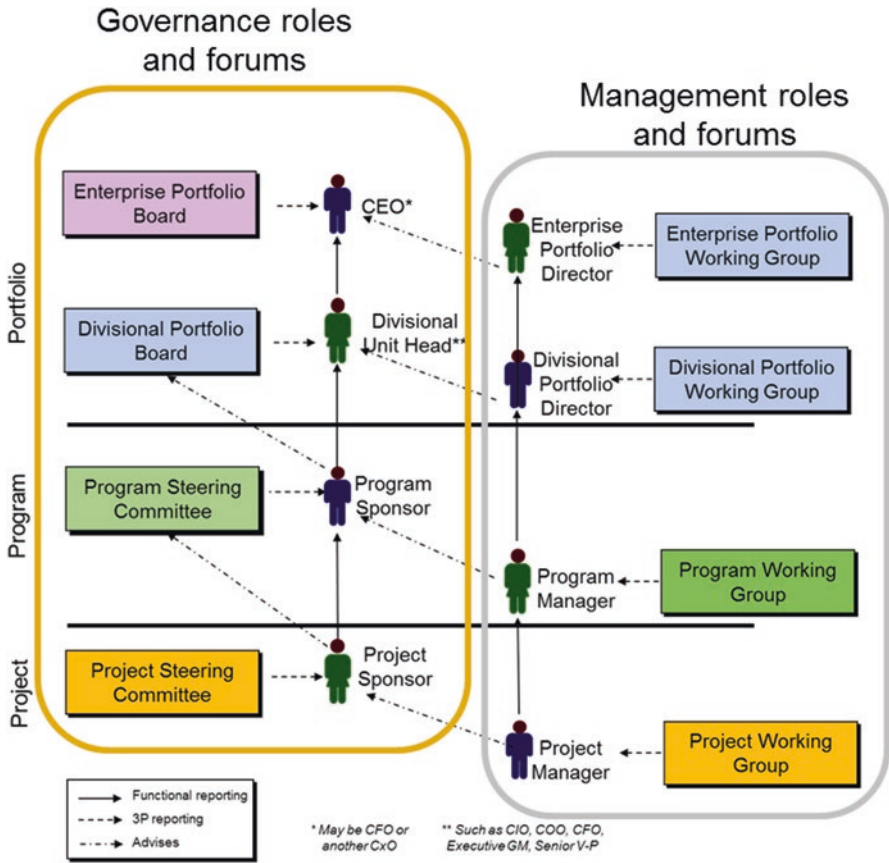
Fig. 2.20 We make clear distinction between governance and management roles and forums across the 3P

In some organisations a distinction is made between a 'sponsor' and an 'owner', often due to rules regarding delegated authorities and spend limits. The following model may help to distinguish and clarify such differences for a stand-alone project (Fig. 2.21):

The Sponsor → **The Owner** → **Project Manager**

"I am delegating to you the delivery of specific business benefits and outcomes via Project X. Here are the funds you need and delegated authority."

"I am engaging you to deliver the project for the agreed terms (time, cost, resources, quality). Tell me what else you need to get the job done"

Accountable for:
- Business outcomes and meeting shareholders' expectations
- Defining the business goals, objectives, plans etc
- Ensuring business strategies are being carried out and are successful
- Endorsing and monitoring the Portfolio
- (etc)

Accountable for:
- Delivering the agreed Business Case
- Engaging the Project Manager
- Approving all key deliverables
- Ensuring project performance
- Setting up and overseeing the Steering Committee
- Ensuring senior management are kept involved and informed
- (etc)

Accountable for:
- Meeting the agreed project objectives
- Running the project within the agreed terms (time, cost)
- Identifying and engaging the appropriate resources
- Ensuring all stakeholders are identified and their accountabilities to the project assured
- (etc)

Fig. 2.21 Key relationships between sponsor, owner and project manager

It is sometimes the case that 'Sponsor' and 'Owner' are used interchangeably, but as the above model indicates, the roles of Sponsor and Owner are quite different, with the Sponsor having accountability for the overall business strategy, and the Owner being responsible for the realisation of a specific initiative (as defined by a project Business Case, for instance). In some situations, the term 'Owner' is not used, and what is Owner in the above model is called Sponsor, and the Sponsor is known as the Executive Sponsor.

Of course, this discussion is one of more than terminology, and the important point to understand is how well the key governance accountabilities are defined and owned by the responsible senior managers. This is typically done in charters and role matrices, such as RAPID (Responsible-Agree-Perform-Input-Decide) as shown in Fig. 2.22, or a RACI (which stands for Responsible-Accountable-Consulted-Informed). An example of a RACI for 3P Governance is shown in Fig. 2.23.

Decisions	Portfolio			Program				Project		
	ESC	PCG	ET	Board	ESC	PCG	ET	ESC	PCG	ET
Business Case	R			D	R	A	D	R	A	D
Annual Funding	R		D		R	A	D	R	A	D
Contingency	R			D	R	D		R	D	
Operating Model	R	D			R	D		R	D	
Technology Design	R D	A			R	D		R	D	
Scope Baseline		R		D	R D	A	A	R D	A	A
Change Control								R D	A	A
Contracts	R P	D								
Productivity	R D		A		R D		A	P		
Launch Decision								R	A	
Change								R D		

R Recommend   A Agree   P Perform   I Input   D Decide

Fig. 2.22 A RAPID matrix showing who is accountable for key deliverables

RACI and Review and Sign-off points (example only)

	Step	Key Deliverables	Board	Senior Leadership Team	CFO	CIO	COO	Portfolio Director	Program Director	Business Lead	Technology Lead	COO	Head EPMO	Project Team	Steering Committee
Planning	Initiate Project	• Minute	A	R	I	I	C	I		I	I	I	I	I	I
Development	Produce Initiation Brief	• Program Brief	I	I	C	I	I	I	A	C	R	I	C	C	R
Development	Produce Strat BC	• Strategic BC	C	C	C	C	C	I	C	A	R	I	C	C	C
Development	Produce final BC	• Final BC	C	C	C	A	I	R		I	C	I	C	C	C
Delivery	Monitor Status	• Portfolio Status Report	C	C	I		C			C	C	A	I	C	C
Delivery	Approve scope changes	• Change Request • Change Register								C C	C C	I I	C A	A C	C C
Delivery	Monitor budget & schedule	• Portfolio Plans	C	C		C				C	C	I	C	C	
Operations	Handover														

R – Responsible   A – Accountable   C – Consulted   I - Informed

Fig. 2.23 A RACI matrix showing responsibilities across governance and management roles for key deliverables

The most important aspect of these accountability matrices is people understand what they are signing up to. I have seen numerous situations where senior managers are first genuinely surprised they were accountable for something (such as a key deliverable, or for signing off a strategy or design document), and then to argue that it wasn't their call. These 'discussions' can become very heated and end in acrimony, so best to get the role accountabilities sorted out up front as part of the Governance Charter.

2.5 Projects, Programs and Portfolios As Social Constructs

Portfolios, programs and projects are people-centric, and without people 3P goes nowhere. Being people-centric means one way to achieve insights into portfolios is by putting on one's sociologist hat. One can view portfolios as being comprised of programs and projects as temporary organisation structures within larger, or parent, organisations, often reflecting much of the organisational, financial, cultural and social aspects of the parenting organisation. Programs and projects may well be seen as social organizations, but they are fairly atypical ones.

Too little attention is paid to the basic needs people have when forming programs and projects, often ignoring programs and projects as social structures. Often we throw a disparate group of professionals together imagining they simply do what their training and experience dictates and everything will be OK. Unfortunately it doesn't work like that and, as Mini-Case Study 2.2 demonstrates, rapid ramp-up of different people coming together without taking the time to build a great team will have disastrous impacts on the project. It makes a lot of sense to understand the social dynamic in play on programs and projects.

In observing programs and projects there are pervasive rituals and social practices which seem to be conducted across organisations regardless of the industry. Possibly more so than any other part of the organisation is the myriad ways people come together on projects. To illustrate this I looked at three major divisional portfolios in three organisations and found the average team member would attend 20 social groupings *per week*. Such events as stand-ups, show cases, team meetings, project, program and portfolio meetings, workshops, working groups, 'town halls', guilds, tribes, communities of practice and various social events such as lunches and drinks would occur weekly. People are continually meeting and mixing with other people, and considering the temporary nature of so many of these organisation structures, bringing together a veritable United Nations of cultures and languages one could argue that understanding social structures is fundamental to understanding portfolios, programs and projects.

As stand-alone organisations, portfolios, programs and projects fly in the face of a number of attributes of the parent organisation in that they tend to be aligned to discrete strategies compared to the parent being multi-purposed. They have their own, often unique organisation structures with roles not found in the broader organisation, they require different funding and resourcing models and will set up their own functional groups, separate from the parenting organisation, such as for information technology, resource management and financial management. Invariably they will have their own processes, procedures and language.

Topic:	It was like a civil war
Details:	Large programs and projects need to bring onboard large numbers of people relatively quickly. Often it appears there isn't enough time to run through the 'storm-form-norm-perform' process of team building. Still, this process should never be ignored, avoided or simply left out. I was engaged to review a $30M, 18 month project (it was funded for 3 deliveries, and then no further funding was available, which was a problem in itself) which was seriously under-performing, as indicated by its very poor productivity and low morale. The team had grown from a handful to over 150 members in just 8 weeks, and there was a lot of 'burning rubber', heat, smoke and not much forward momentum. Worse still, the project had broken into camps, of IT vs business, permanents vs contractors and very distinct cultural and national groups. There was little 'we're all on the same team', and continual clashes between those who thought they knew the best way to do things, those who were determined to follow existing standards, and those who were clueless but insisted on having their voice heard. It was clearly a failure of leadership and management, with daily episodes of people storming out of meetings, and more people not even bothering to turn up. The air was toxic with blame and recriminations and senior management, getting a whiff of what was going on wanted the situation resolved – fast! I eschewed all opinions which laid blame with the contractors, vendors, 'foreign workers' (yes!), ignorant business people etc., etc. and I recommended just one thing - team building – because regardless of whatever else may be wrong on the project, nothing would be resolved without everyone coming together, airing and resolving grievances, getting to know fellow team mates, building trust and open communications, and generally creating an environment of 'psychological safety'. We were able to do this rapidly, and what we put in place was on-going – that is, team building became part of how they worked.
Lessons:	Always put people before process, practice and technology. It must be one of the first things to do when initiating a major piece of work, and nothing great will be achieved unless and until people come together in trust, good will, open communications and respect.

Mini-Case Study 2.2 It was like a civil war

Just as contingency theory has been applied to the parent organization (implying no one theory can be universally applied, or is universally correct), so it can be applied to the portfolio, recognising the contextual-based nature of the portfolio within the organisation, its composition and what constitutes success. However, it may be that portfolios, and their constituent programs and projects, are not all they seem, and the pervasive construction of portfolios as mechanistic structures, driven by the influence and application of the Bodies of Knowledge (BoKs), are not necessarily justified from a realist perspective. This approach of reflection and questioning existing paradigms is refreshing and useful certainly from a perspective of defining and optimising value. Viewing the portfolio as a social construct, then its

performance and achievement of outcomes are determined very much by team dynamics, personal interactions and the ability to operate as a learning organisation.

The 'social perspective' contrasts with a positivist view of projects, for example, by replacing over-reliance on a Gantt chart with greater recognition of the role played by personal relationships, power dynamics and political agendas. For anyone who has worked on an organisational project, influence and negotiation work more effectively than command and control. This concept encourages one to view portfolios, and their component programs and projects, from an understanding of the social sciences, to view portfolio structures, execution dynamics and likely outcomes as being primarily influenced by social dynamics.

Certainly there is ample evidence from research to include the methods and traditions of social science in understanding projects (Jackson 1991; Mingers 1980; 1992; Goles and Hirscheim 2000), (Turner and Muller 2003; Lundin and Soderholm 1995; Packendorff 1995), (Cicmil et al. 2006; Cooke-Davies et al. 2007; Winter et al. 2006). It is useful to reflect on some relevant developments in social theory and their application to organisations, with a view to see what insights can be drawn for the 'project world'.

2.5.1 Portfolios, Politics and Power

Jeffrey Pfeffer highlighted the relationship between organisations, governance and power when he wrote:

> *"Norton Long, a political scientist, wrote, "People will readily admit that governments are organizations. The converse – that organizations are governments – is equally true but rarely considered." But organizations, particularly large ones, are like governments in that they are fundamentally political entities."* (Pfeffer 1992)

If a key role of governance is directing those being governed to follow particular decisions, then the issue of power cannot be ignored. There are many perspectives on what power is within organisations, probably commencing with Weber's analysis of political, economic and ideological power (Weber 1922), whereas others see it as the ability to get things done (Mintzberg 1984; Pfeffer 1992). John Gardner reflected that many people shy away from power, seeing in it the negative connotations of manipulation and dubious ethics, but then went on to say that we cannot run away from power and pretend it does not exist as power is:

> *"...simply the capacity to bring about certain intended consequences in the behaviour of others."* (Gardner 1990, page 55)

The issue being raised by Gardner, Pfeffer and others (Bennis and Nanus 1985) is that the exercise of power should be seen as part of a leader's skill set, something which is necessary in undertaking their accountabilities. The issue of structure and agency is never far removed from understanding power in organisations, with some leading researchers seeing it as a structural phenomenon (Pfeffer 1981), others focus on the individual behavioural aspects of power with Thompson and Luthans commenting that "power is manifested through behavioural actions" (Thompson and Luthans 1983, page 75). Thus to understand power within governance structures, one must study governance behaviours. What is clear, however, is that power is exercised by the individual through structural factors as well as personal behaviours, such as assertiveness, ingratiation, rationality, exchange, upward appeal and coalition forming (Brass and Burkhardt 1993). Considering, also, the key governance function of decision making means investigating the power dynamic in how decisions are made, for:

> *"Power has to do with whatever decisions men make about the arrangements under which they live, and about the events which make up the history of their times."* (Mills 1958)

Thus, the power dynamic influencing how decisions are made challenges concepts such as instrumental rationality. Power, rationality and decision making can be analysed from the perspective of portfolio, program and project governance.

Early sociologists, such as Max Weber and Georg Simmel, saw power as based in inter-personal relations, with a continual balancing of power relations through reciprocity (Simmel 1908, pages 181–306). George Simmel wrote of the role of the 'stranger' in society, he who 'comes today and stays tomorrow'. Simmel saw this role as critical as a change agent, one who is allowed to challenge the norms (more so than established members of the group, or society) and so effect change. To be effective, then, the stranger can never be accepted as a fully fledged member of the group, even though he (or she) is afforded many of the privileges of the group. In the 3P environment, this role is often attributed to the program and project manager, who is often hired on contract for the purpose of managing the program or project, and may well leave the organisation following completion. The temporary employee role of the project professional has both advantages and disadvantages. They may introduce new and better methods, and seeing as they are employed for a short time, are often more prepared to challenge extant mindsets and norms. The downside is they are not necessarily aligned to cultural norms, and their voice may be ameliorated by the perception that they 'are not one of us'.

The bottom line for the project professional as temporary employee is they often end up being 'fitted up' with the blame for anything which goes wrong. Where organisations seek to apportion blame for failed programs and projects, targeting the contract project manager is too tempting to resist. This allows the organisation to 'close the book' on the failed project, and the real causes of failure go undetected,

or at least, unremedied. The contract program and project manager may have a role, a title, clear responsibilities but little power, which invariably leads to poor outcomes, for the project, the organisation and most regretfully, the project manager.

The post-modernist perspective on power and society is quite dark, and prominent amongst the post-modernists was Michel Foucault who saw power as a mechanism of control, so pervasive it existed not just at the institutional level, but also through self-discipline, such that he described society as 'the carceral archipelago' (Foucault 1977, page 297). It may be the case this darker view of power is seen in the 'oversight' function of the Steering Committee, with allusions to Foucault's 'panopticon', in which the guards (Steering Committee members) have at their means the power to continually observe the behaviour of the inmates (the project manager and teams). Thus, the Status Report is not used so much as a report on project performance, rather it is a report card on the project manager's performance. This is the view of governance as controller, rather than governance as guide, prompting the call for emancipation to those subjugated (the managers) from those with pervasive controls (project governance). In one sense this is an extreme, negative view of Agency Theory (see Sect. 4.2), where there is so much distrust between principal and agent that draconian controls are in place to ensure the agent's behaviour is both continually monitored and controlled.

The contrary position on power (and the one to which the post-modernists were reacting) was posed by the 'modernists', such as Jürgen Habermas, who saw Foucault's position as far too pessimistic and irrational. Habermas saw emancipation through discursive democracy (Habermas 1992), and, as democracy is a fundamental principle of representative governance (Chhotray and Stoker 2008), then power could be exercised through collectivism for the greater good. From a portfolio of projects perspective, such a view would see the Steering Committee (as a representative body) acting to ensure optimal outcomes for the organisation, and those making up the organisation (and by extension, its wider stakeholder community). This softened form of instrumental rationality relies on decisions being based on inclusive discourse and rational choice, ensuring all those involved work together for a common goal.

While working with more than 150 project managers between 2008 and 2012 I asked them to assess how they felt attending the steering committee meeting. Their responses are shown (Fig. 2.24):
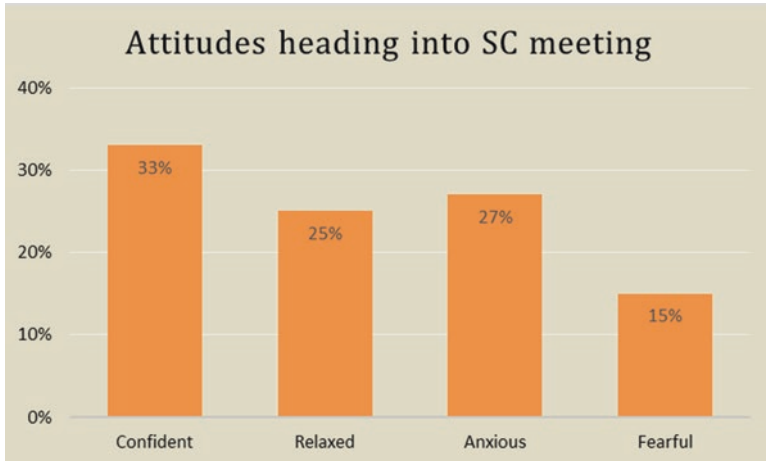
Fig. 2.24 The attitude of 150 project managers attending steering committee meetings

42% of PMs had negative feelings while just 33% felt confident. These feelings were converted to other negative reactions with more than 75% of managers reporting they felt stressed, or very stressed, at least once in the past month. An overwhelming response was one of feeling powerless in being able to effectively control their projects. Possibly this is an occupation al hazard, but surely it is not an acceptable situation.

Without active, explicit and visible governance support of the program and project manager, these roles often operate without power or authority, leading to feelings of helplessness for the project manager, moments of quite severe stress, frustration for steering committee members and very poor outcomes for the organisation.

2.5.2 Portfolios As Social Constructs, Some Final Thoughts

Viewing portfolios, programs and projects as social constructs is fundamental to understanding the personal relationships individuals have when taking on roles, and enacting the responsibilities of those roles, in particular governance and management roles. The history of organisation projects has seen a very strong power dynamic at play, with the sponsor seen as 'master' and project manager as 'servant'. In many cases there isn't the informal, casual relationship which employee and supervisor often develop, that the project manager has been seen, and continues to

be seen, as 'the stranger', means higher order relationships, such as the partnership model, never develops.

This situation as unfortunate as it is pervades industry and in resolving and correcting it, governance has a critical and leading role.

2.6   Conclusion

Portfolios are emerging as the natural investment vehicle organisations use to define, plan, execute and deliver their programs and projects because they enable effective oversight of the most efficient method to create and realise value. Without well structured those in a governance role will struggle to answer the fundamental question: "Are we running the right programs and optimising our return on investment?". As top management and boards demand certainty in this regard, then portfolio governance will be seen as the most important set of practices carried out by executives.

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Chapter 3
Governance and Organisation Project Maturity

3.1 Introduction

In my early days as a project management consultant I sat with a General Manager in Telstra explaining how a project management improvement program I was proposing would pull together a range of management methodologies across projects and programs, execution and quality. I was walking him through an A3-size model showing lines with lots of boxes, icons, stick figures and interfaces to external systems. Having looked at the model for a while the senior manager said "Michael, I just don't think we have the maturity to implement this." I realised two things immediately: don't confuse your audience with diagrams that are way too complex and defy comprehension, and understand the capability of the organisation and how far they are prepared to move to achieve well understood outcomes. It also had me thinking about what 'maturity' means for an organisation.

'Maturity' as a concept is closely related to capability and achieving desired outcomes, at least in theory. Maturity as it refers to organisations is often tied to a growth and life cycle, starting at 'Start-up', proceeding through 'Growth' to 'Maturity' where it may remain, or it may well move into 'Decline', a real option for many organisations. Therefore, maturity is something good to aspire to, and becoming more mature may well stave off decline. This chapter looks at organisation project maturity (also called 'project management maturity'), and its relationship to determining success and the role of governance in setting maturity and achieving success.

It makes a lot of sense to assume that if your organisation is more mature it will run more successful projects than less mature organisations. It seems the answer to this is not to assume, as it all depends on what one means by 'mature' as to whether the assumption is valid. There is little evidence to suggest that, say, adopting the Software Engineering Institute's (SEI's) Capability Maturity Model (CMM) then your business transformation program will be a success. It seems most maturity

models applied in the portfolio-program-project space place much emphasis on two broad areas of process improvement and information technology.

For many years I had been fascinated by the fact certain organisations, or divisions within those organisations, could run consistently successful programs and projects, while others struggled with all but the simplest project. Could one put it all down to the skill of the project manager, or superior methods, techniques and tools? Could one encapsulate all these attributes governing success and package that as a definition of 'maturity', and in doing so provide a framework for excellence? And if that were possible, what was the role of governance in making it all real?

This chapter seeks to answer these questions and in doing so, provide a roadmap for organisations to follow in optimising portfolio outcomes.

3.1.1   Background to Maturity Models

The most popular maturity model used on software projects is the Software Engineering Institute's (SEI) Capability Maturity Model (CMM), which defines a maturity model as 'an evolutionary improvement path from ad hoc, immature processes to disciplined, mature processes with improved quality and effectiveness' (CMMI Product Team 2002, page 617). The reason the CMM is so important is, as will be seen later, many maturity models used in project management have their genesis in this model, so understanding its background is useful.

The development of the CMM (and later, the CMM-I where 'I' stands for 'Integrated') was largely driven by Watts Humphrey following his move from IBM to the SEI where he defined a five level process capability model (Humphrey 1992), which was later adopted by the SEI into their Capability Maturity Model (CMMI Product Team 2002).

Having its roots so clearly in process maturity, however, means that project management maturity is tied to management process maturity.

The CMM-I standards uses a 6-level process maturity model, which is summarised in Table 3.1:

CMM-I Level	Description
Level 0: Incomplete	The process is either not performed, or partially performed
Level 1: Performed	A performed process is one which essentially meets the goals of its process area
Level 2: Managed	A managed process is a performed process with all the necessary controls to ensure the process executes successfully. This means planning and controlling process execution, and ensuring those involved have adequate capabilities to meet the demands of the process
Level 3: Defined	A defined process is one which is extracted from managed processes and standardised for the organisation as an optimal example of that process
Level 4: Quantitatively managed	Essentially this stage reflects the use of metrics to better control the process. Process performance and outputs are accurately predictable and repeatable.
Level 5: Optimizing	An optimising process is a quantitatively managed one which is adapted to meet the specific business and emerging priorities and demands

Table 3.1 A summary of the CMM-I process maturity levels. Source: CMMI Product Team (2002), Section 4

One particular aspect of the CMM-I model is the almost total absence of the 'people' aspects.[1] The implication is that processes are executed and through such execution the process goals will be achieved. Although the capability of the organisation's people is included in the model, those capabilities are defined in quite technical terms. Again, we are seeing an application of a positivist, constructionist perspective to processes which, in reality, are conducted by real people. It is important to be able to assess processes not just by the technical definition of the process, decomposed to its steps, activities and tasks, but by all the informal activities undertaken by the players, and the dominant attitudes and 'cultural norms' present in the organisation. The problem with the CMM-I when applied to governance processes is that it did not afford the necessary granularity to enable a 'fine-tune' assessment, and most processes ended up at either levels 0 or 1. Whereas governance processes could be assessed using this model, it failed the 'so what?' test – that is, the results did not really mean much. An alternative governance process maturity model is required.

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[1] The CMM has a 'people' maturity model, but it describes how an organisation builds and optimises the capabilities of its people through a process termed 'IDEAL'. The model does not define what specific capabilities are to be developed or optimised.

3.1.2   Beyond Process Maturity

However, not all uses of maturity refer to process maturity (Eickelmann 2004). Some commentators view maturity in the organizational sense as the ability of the organisation to act on its experiences, to learn, change and improve, essentially what is known as the 'learning organisation' (Senge 2006). This ability to learn is reflected in the organisation becoming more mature in how it accomplishes its goals, such as strategic planning (Kenny 2006). Maturity has also been used to define the stages of organisational development, such as Human Resources Development which sees three levels of maturity ranging from 'Training', to 'Human Resources Development' and finally to 'Strategic Human Resource Development' (McCracken and Wallace 2000). Other studies have linked the adoption of knowledge management to increasing organisation performance, describing five levels of knowledge management maturity (Robinson et al. 2006). Other studies describe knowledge management maturity as the ability of the organisation to apply knowledge management in technology innovation (Skilton and Dooley 2002). A research project in conjunction with Intel developed a Knowledge Management Maturity Model, which aligns favourably with the CMM (Kulkarni and St. Louis 2003).

Maturity mainly means capability and it has been used to describe the capability of a performance management system to assist in an organisation improving its overall performance (Van Aken et al. 2005), and for improving IT outsourcing arrangements (Gottschalk and Solli-Saeth 2006), where three maturity stages were defined ('Cost', 'Resource' and 'Partnership').

Applying the meaning of capability to maturity must mean looking beyond management process capability to broader organisational capability. This means the focus here is not on project management maturity, rather organisational maturity in running projects.

3.2   Project Management Maturity Models

Recognising that the concept of maturity models has been around for over 50 years, then how have these models been applied to portfolios, programs and projects? Here we will look at maturity as it specifically relates to projects and project management.

3.2.1   Basis for Most Models

Most models are influenced strongly by the principles supporting the CMM-I and the PMI's BoK (Jugdev and Thomas 2002), since management practice according to the PMI's BoK is defined by a set of management processes and knowledge areas

(Project Management Institute 2013a), so maturity can be associated with management practice assessment (Centre for Business Practices 2002). However, there are published models which do not refer to either the CMM-I or PMI's BoK, such as the (Andersen and Jessen 2003) model which sees maturity as being the integration of attitude, knowledge and action across the three levels of project management, program management and portfolio management.

3.2.2   PMI's OPM3

In 2003 the PMI released their *Organisational Project Management Maturity Model* (OPM3) and in 2013 they released their third edition. This model is designed to assist organisations better understand and improve their project management practices. It is comprised of three major components (Assessment, Knowledge and Improvement) which may be used individually or combined by the organisation in their move towards achieving better project outcomes. The model is applicable to the portfolio-program-project (3P) space, and in general once the organisation has completed a self-assessment, it will design improvement initiatives which should see it move through four maturity stages (Standardise, Measure, Control and Continuously Improve). The main building blocks of OPM3 are 'best practices', capabilities, outcomes and key performance indicators within specific domains and project management processes. The model is quite comprehensive and, in theory at least, it should work, but apart from several case study reports, there are no comprehensive research findings which indicate whether this is true.

An emerging problem for such systems as OPM3 (and CMM-I) is that an industry tends to rise up around them, replete with vendors, consultants and the like, ready to provide organisations with services, advice, tools and training programs in how to apply the OPM3. The danger in any such situation is that it becomes self-serving, rather than client, or project-outcomes, serving. Nevertheless, any attempt which elevates to key decision-makers the importance of improving project management maturity may be positive, assuming, of course, that such initiatives have the ears of senior executives.

3.2.3   OGC's P3M3

Considering the importance of the UK government's Office of Government Commerce (OGC) in establishing standards and good practice in project management (OGC 2008b), through such landmark deliverables as PRINCE2 (OGC 2008a) and their standards in project governance (OGC 2004), then a project management maturity model deserves close inspection. There are two models, one for portfolio, program and project management (P3M3) (Murray 2006) and a maturity model for use with PRINCE2 (Office of Government Commerce 2006). Both models focus on

process maturity, with P3M3 using a five level maturity ladder similar to the CMMI, with each level focusing on the development of particular process areas, of which there are 32. The implication is an organisation improves its maturity not by improving all attributes of maturity, but by adopting a form of 'crawl-walk-run' progression. P3M3 has similarities with OPM3 in that there is strong focus on improvement processes being built into the model, with the claim that improving maturity will lead to performance improvement and enhanced 3P outcomes.

3.2.4 Common Attributes of Most Models

There are some attributes which tend to be universally shared by project management maturity models:

- There are a finite number of stages into which an organisation broadly fits. Most models have adopted the CMMI stages in terms of the number (6 stages, ranging from Level 0 to Level 5) and the names of each stage. Invariably, where the model is related to process maturity the model adopts the CMMI stage model.
- Reflecting the 'continuous improvement' principle of quality management, those models closely tied to TQM or some other quality management framework will expect an organisation to target ever increasing levels of maturity. This may or may not be desirable, as there has been little research into quantifying whatever outcomes may be achieved through improving maturity, especially in terms of real value to the organisation (such as increased share price).
- By applying the model, an organisation's maturity may be assessed. Typically some measurement instrument is employed which is often a combination of quantitative measures and qualitative analyses. Where done well, such assessments will involve some independent and qualified assessor, who may conduct interviews, inspect artefacts and analyse metrics.

An improvement program may be designed to progress the organisation to a higher level of maturity (CMMI Product Team 2002), preferably with a senior sponsor, well-resourced and well-managed. OPM3 and P3M3 both employ this feature.

3.2.5 Benefits in Applying Models

Claims have been made regarding the benefits accrued by adopting a maturity model and systematically improving maturity (Crawford 2006; Ibbs and Kwak 2000; Mullaly 2006; Project Management Institute 2013b), although the exact benefits to be derived from such adoption are questionable (Jugdev and Thomas 2002). Ibbs et al. claimed that by improving project management maturity (as measured using their model), schedule and cost performance improved and there was a lower overall project management cost in delivering projects (Ibbs et al. 2004). No claims were

made about the relationship (if any) between maturity and achieving project success.

3.2.6 Key Issues Regarding Most Models

The feature in most project management maturity models of equating project management maturity with process maturity seems to go unchallenged, with most model authors seeming to think that if process improvement is a cornerstone of CMM-I, then it should also be a cornerstone of a project management maturity model. But is this necessarily the case? Does management maturity mean more than just defining and executing the right processes? What of dimensions such as leadership and individual behaviours? As many models have a 'continual improvement' component, how do these models relate to the vast body of knowledge which deals with 'the learning organisation'? (Senge 2006). It may be that process maturity by itself does not define project management maturity, and in regards to determining project outcomes there are many more factors in play which, collectively, constitute project management maturity.

A second major issue addressed to those models which imply a causal link between process maturity and project success is what about factors other than process performance which influence the way projects behave? In the following section this subject will be reviewed to determine what factors are known to influence how projects behave and succeed and fail. This issue will be re-visited following that discussion.

3.2.7 Maturity: The Missing Dimension in Project Success

The Roman Empire achieved great success with various infrastructure projects, such as road construction and aqueducts, yet as they matured and their expertise increased, they modified their definition of success to include a mandatory component of innovation (Greene 1990). This example is used to illustrate that definitions of project success do change over time in line with increases with the organisation's project capabilities and expectations of outcomes. Ray Anderson, the inspirational leader of Interface Inc., an organisation which places sustainability at the centre of its corporate ethos, states that a key to sustainability and, indeed, reaching its organisational goals, is innovation (Anderson 2008). Thus a key driver and measure of success on all their projects goes well beyond financial indicators.

However, it is an observation that what constitutes project success changes as an organisation matures, after all to the drunk lying in the gutter heaven is a can of beans. For example, an organisation which runs projects with few performance metrics, no formal method for initiating projects and no clear and universally agreed definition of success may well accept a successful project as one which is not can-

celled. At the other end of the maturity scale, an organisation may have a sophisticated definition of project success, taking into account the expectation of success by all key stakeholders, which is then tracked as the project proceeds and adjustments made to practice and scope such that success is optimised throughout the project life cycle, rather than simply being measured following project completion. In both cases the factors influencing how success is defined, measured and managed are:

- There are processes in place which define what success is and how it will be measured.
- Senior management and other key stakeholders have an understanding of success and how such understandings will be realised.
- The organisation knows how to measure success.
- Those metrics which enable the measurement of success are clearly defined, are captured and analysed.

The point which much research into project success seems to either ignore or gloss over is that of metrics. The issue of cause and effect is also one which is non-trivial. Whereas the aphorism 'what you measure you optimise' is well known, is it the fact an organisation captures and analyses metrics that drives improvements, or the need to improve which drives the definition, capture and analysis of metrics? One may argue both drivers co-exist, and what began as the need to avoid project failure drives an organisation towards improved processes, more and better metrics and increasingly more sophisticated understandings of what success actually means.

3.2.8   Maturity Models – Conclusion

In one of the more thoughtful analyses of the subject of project management maturity models, Terry Cooke-Davies found they are certainly part of the current project management landscape and therefore cannot be ignored, but he goes on to state:

> *"The real question that project management practitioners, consultants, and academics should be asking is this: 'Will they (maturity models) simply remain an interesting phenomenon of limited relevance and application, or will they provide the means of transforming the success rate of projects for which organizations are searching?'"* (Cooke-Davies 2004, page 1252)

The point Cooke-Davies is making is that, if maturity models are useful then surely that means they will assist organisations in achieving greater project success. It seems that some have started with the definition of a model from the wrong end, that is with the existing standards and borrowing existing frameworks from other disciplines and then deriving a model, rather than starting from the point of project success, analysing why projects succeed and fail and from that knowledge build a

model which may, given an understanding of certain variables, determine the likelihood of project success or failure. As many have already pointed out, project management is a field calling out for a solid theoretical base from which an epistemological foundation could support the development of a valid model. It may well be the case the successful project cart is stubbornly fixed in front of the PMM horse.

It was through analysing a wide range of projects I noticed recurring which factors which had significant impacts on project outcomes, which led to my initial design of an organisation project maturity model.

3.3 Organisation Project Maturity Model (OPMM)

Commencing in 1990 I was engaged as an independent consultant to run a 'Best Practice in Project Management' program at Australia's largest telecommunications provider, Telstra (market capitalisation over $65B, more than 33,000 employees). Following the completion of that program I managed a large core system integration program ($100M spend over 4 years) before being instrumental in establishing the Corporate Program Office, with oversight of all of Telstra's project and program spend. Between 1986 and 1995 I worked on, managed or analysed in depth over 50 projects of varying size (from $500k up to over $1B), both inside Telstra and with a number of other organisations. I was most interested in understanding why some projects struggled to perform while others were seen as highly successful. In conducting audits and reviews I documented a large number of factors which impacted on how projects were executed and how successful (or otherwise) they were. I then classified these factors under nine attributes, which became the maturity attributes (see Table 3.3). I developed a scoring template and began assessing project management maturity in a number of organisations across different industry sectors, refining the maturity model and seeking feedback on its usefulness and accuracy.

In 1993 I published the *Organisation Project Maturity Model* (OPMM). In the years since I have applied the model in over 30 organisations and divisions within very large organisations, gathering and analysing data and refining the model. Research I conducted between 2005 and 2008 uncovered substantial evidence which supported the following hypotheses:

• That project management maturity can be defined and measured.
• That there is a strong correlation between increasing maturity and superior project outcomes.
• That governance has a substantial impact on maturity.

The research project also identified the seven core functions of project governance, which I had derived from a study of corporate governance, but which I needed to validate by using critical incident analysis. I discuss this in detail in Sect. 4.4.

The central hypothesis behind the OPMM is that an organisation's ability to manage projects successfully can be assessed by analysing key attributes which define how well project management is being carried out.

As discussed above, most project management maturity models focus on *process* maturity. The model I developed differs substantially in that the OPMM has process maturity as just one maturity attribute ('Methods'). The reason there are four levels rather than five is that there appears to be no theoretical basis for five levels, it seems to be a matter of history and usage. As the OPMM was to be used to communicate maturity, I found most senior managers better understood a 4-level model rather than a five level ("what's the difference between level 2 and level 3 in the CMM-I?" I would often hear). The model had to be intuitively obvious in communicating both where an organisation sat, and where it needed to be.

When this model was applied to the governance processes in the studied organisations a problem emerged in that most of the conditions for 'Level 2: Managed' were not met simply because senior management would not allow the measurement and control activities required for process execution to achieve this level.

I also called the levels 'Stages', as I wanted people to appreciate that to get better at running and delivering projects meant passing from one stage to the next. It was very difficult for an organisation to jump from 'ad hoc' to 'best practice', rather it needed to be a journey.

Table 3.2 provides a description of each stage. In many cases, and upon first reading these descriptions, many people immediately identify the stage for their respective organisation.
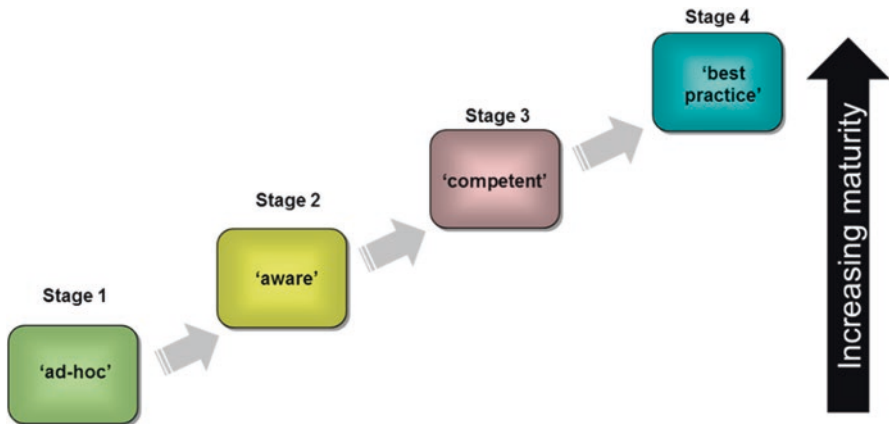
Fig. 3.1 The four stages of the organisation project maturity model

Maturity Stage	Description of the Maturity Stage
Stage 1: Ad-hoc	Projects happen. Organisations often find they have many more projects under way than officially recognised. Many projects do not have formal structures, endorsed plans, business cases or assigned resources. Milestones are often not set or reported against, and there is little in the way of performance measures or measures for success. Governance structures are weak with probably no steering committees. The main problem with this stage is that, when applied to small projects, 'ad-hoc' appears to work. In reality what works are the skills of individuals to make the project successful against all odds.
Stage 2: Aware	One of the consequences of failed projects in organisations in the 'Ad-hoc' stage is that blame is usually laid at the feet of the project manager. The panacea is often seen as being one of training – train the managers and projects will be successful. This concept is not only naïve, it is widespread and leads to undesirable outcomes. Improvement in project management is an organisational issue – as much to do with those in a position of project sponsorship as with project managers and leaders. The Aware stage is where formal project management methods are introduced into the organisation. Projects are now initiated with a formal document (such as an Initiation Report), and governance structures such as Steering Committees are set up. Some projects stakeholders see this move as a fad, and pay lip-service to the new practices, while others go overboard and see everything that moves as a project. The reality is that project management is not a central part of the organisation; it's still not part of the culture or seen as part of its core competencies. Common deficiencies encountered are poor resource management and accountabilities either not being adequately defined or honoured.
Stage 3: Competent	Organisations in the 'Competent' Stage have adopted project management as a core competency. Project managers are recognised as professionals in their own right and project management is seen as a full-time position. Most telling is that these organisations have a clear understanding of their capabilities in running projects and where they do not have the specific capabilities to meet the demands of particular projects, they may hire skilled service providers so as to assure capabilities. The benefits of good management practice are no longer debated, and management methods are well established, formal and carry the stamp of the particular organisation. Projects are not initiated unless there is a high level of confidence in the organisation's ability to be successful. Resources are well managed, but not necessarily dedicated to projects on a full-time basis. Accountabilities are clearly defined – but not always honoured. Scope is well contained and allowance for change and risk is always made when planning projects. It is generally the case that these organisations also have very effective methods in managing quality.
Stage 4: Best Practice	It is possible to get to 'best in class', but it isn't where all organisations should necessarily strive to be. The organisations where projects are their core business should be at this stage – and many are. Industries where the norm is running projects to create revenue ('projects are our business') often have well developed methods in project management. Surprisingly, however, where their project management methods are excellent in say, running their product development projects, their administrative, finance and IT projects are not necessarily at the same level. Several characteristic of best-in-class organisations are improvement programs and well developed Portfolio Management practices. Setting targets, measuring performance and identifying and implementing improvements is part of the culture. One other characteristic of excellent project management practices are excellent project governance practices. There are very few organisations exhibiting best practice when it comes to managing organisational projects.

Table 3.2 A description of each maturity stage in the OPMM

Where an organisation sits is determined by analysing nine maturity attributes, as shown in Table 3.3. Most of the attributes reflected 'whole-of-organisation' factors, looking well beyond the immediate project environment and operating model.

Maturity Attribute	Description
Methods	How well the organisation defines and applies its project, methods, processes and practices such as life cycle methods
Stakeholders	The degree to which project stakeholders are identified, their needs understood and their involvement assured
Governance	How well Project Governance is defined, structured and carried out
Capability	Whether the organisation has all the capabilities (human, technology, financial etc.) required to run its portfolio of projects
Organisation	How well the organisation is structured to facilitate projects, especially their cross-functional demands
Business	The degree to which the organisation plans its business, develops its strategies and structures its portfolio of initiatives (projects) which will deliver those strategies
Support and tools	How well the organisation provides support to projects and project managers, and the provisioning of useful and productive tools
Metrics	With a clear focus on quality management, the degree to which metrics are captured, analysed and used to measure project performance and benefits realisation
Resourcing	How well the organisation plans and provisions appropriate resources to all its projects

Table 3.3   The nine maturity attributes used to describe each stage in the OPMM

Each of the nine maturity attributes has a number of criteria, which are further defined as behaviours which could be aligned to a specific stage. Thus, in each of the cells under 'Maturity Stages' in Fig. 3.1 (and Table 3.2) are descriptions of behaviours which typify being at that particular stage for the corresponding maturity attribute. A scoring template between 0 and 8 allows the assessor to score each behaviour, with a granularity to 1 decimal point (e.g. a score of '1.8' would represent an organisation which had behaviours in the 'Ad-hoc' stage, but which was close to being in the 'Aware' stage).

It is a matter of the assessor's judgment and experience which enables this scoring to accurately reflect the true position of the organisation being assessed.

One important aspect of the model is that it is applied to reflect what is happening within the organisation, rather than what should be happening (as defined in the methods and standards), or what people think is happening, or what people think should be happening. Furthermore, outriders (that is, the very good and the very bad examples of practice) tend to be ignored so that the assessment represents the majority position (Fig. 3.2 and Table 3.4).
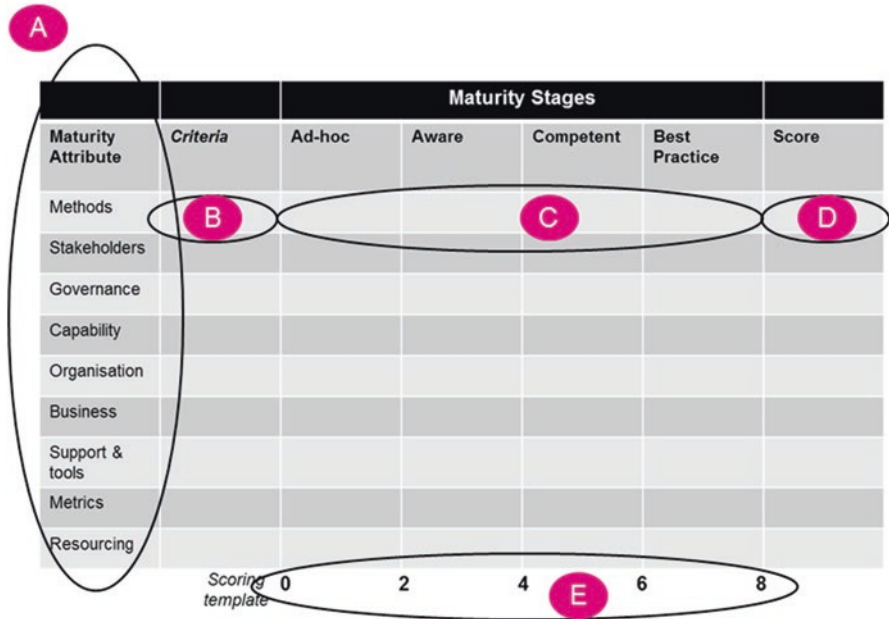
Fig. 3.2 The scoring template used to assess and score each maturity attribute

A	Each of the nine maturity attributes is to be scored separately
B	There are more than 160 criteria which describe each maturity attribute
C	A description of each criterion which corresponds to the appropriate maturity stage
D	The assessor determines which criterion description best fits the organisation and uses the scoring template ('E') to allocate a score which fits in the corresponding range
E	Each stage corresponds to a scoring range. The assessor allocated a score which best corresponds to the criterion assessment

Table 3.4 A description of the scoring template used to assess and score each maturity attribute

3.4 Measuring Project Outcomes

The topic of project success was discussed in Chaps. 1 and 2, where it was argued that there is no single, universally accepted definition of project success and perceptions of project success change as the maturity and expectations of the organisation change. Generally, as an organisation matures the technical definition of a successful project is taken as a given (on-time, on-budget), and of much more importance

is whether the business realised all its expected benefits, and whether the key stakeholders were satisfied or not.

Two definitions of project outcomes are used here, one to measure the relationship between organisational maturity and project performance, and the second to measure the outcomes for a given project.

3.4.1   Measuring Project Performance and Outcomes

The reality is few organisations capture sufficient metrics to evaluate more success criteria than simply time and cost performance. In evaluating project outcomes, project performance is the prime indicator of success and, therefore, the one adopted to determine 'project outcomes' (and, thus, project success or failure).

I defined the Project Performance Index as an indicator of project management success, a more technical and measurable definition of success, which is expressed as a single number termed the Project Performance Index.

3.4.1.1   Project Performance Index

To determine project performance, the following factors have been considered:

- Agreed baseline cost
- Agreed cost of approved change requests (changes to project scope)
- Agreed elapsed time schedule
- Agreed milestones

Using the principles of Earned Value Analysis (Fleming and Koppelman 2005), a Project Performance Index was defined:

Indicator	Description	Measured By
Project Performance Index	The product of schedule performance and financial performance, where schedule performance compares the actual performance against the baselined timeline as specified in the project plan, and financial performance compares the actual cost against the budget as stated in the project plan	= (Planned elapsed time / Actual elapsed time) * (Planned budget / Actual budget)

Table 3.5 The project performance index and how it was calculated

   This 'Project Performance Index' would typically move in a range of .2–1.5 although allowance is made in the model for this index to be as high as 2, which describes a project which delivers on time for half the cost, or delivers in half the time but costs what was planned. Of course it is possible to exceed 2, but this would clearly describe the exception, and if an organisation was consistently running projects where the Project Performance indicator exceeded 2 then it would most likely point to other issues, such as the project terms (time and cost) being inflated.

3.5   Results of 34 Maturity Assessments

Figure 3.3 plots the results of 34 maturity assessments (carried out in 26 organisations) against their Performance Index (as explained in Table 3.5). To re-iterate, a performance index of '1' corresponds to a project which delivers against its contracted terms (scope, time, cost), and scores less than 1 represent under-performance and greater than 1, better than expected. No organisation scored greater than 1, which makes a lot of sense otherwise one would need to query whether they were consistently over-estimating. As the index was an average, it was often the case to witness a spread of performance, still the average was considered a true reflection of overall organisation performance in running projects.
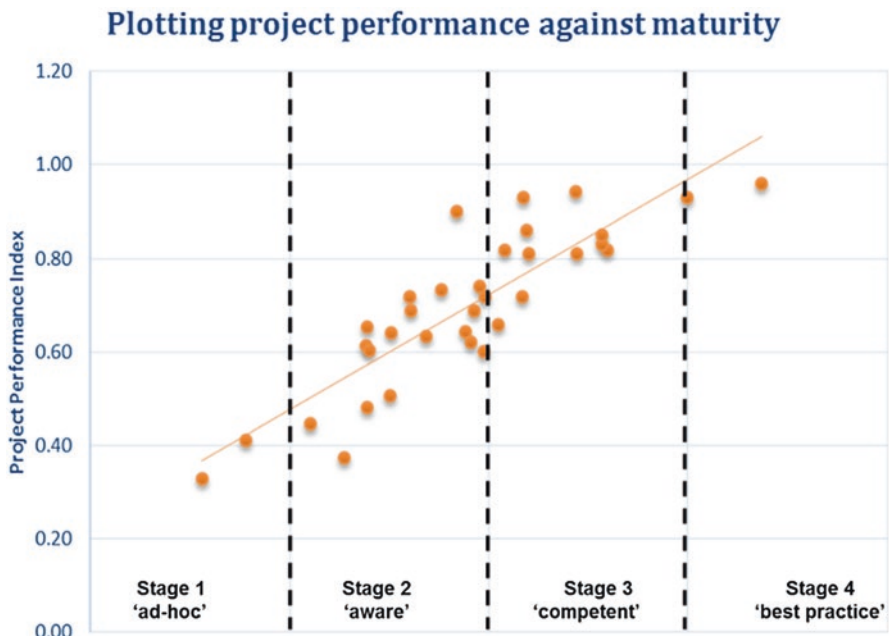
Fig. 3.3 The results of 34 maturity assessments plotted against each organisation's project performance indicator

There is a clear trend which shows that as an organisation displays greater maturity so too does its ability to execute against plan. It is interesting to note that just 2 of the studied organisations were assessed at Stage 4. There are many reasons for this, including:

- To reach 'best practice' organisations must have very well targeted, and funded, improvement programs. Most organisations (or, at least, those who control the purse strings in organisations) judge there are better things to spend their budgets on.
- 'Performance' is a relative concept. That is, we often perform comparatively to our competitors. This is re-enforced by personnel moving across industries, from one company to another. This tends to produce similar practices, and performance levels, across organisations in similar industries. It was not unusual in Australia to find project managers who have worked at three of the four major banks, for instance.
- Even if they wanted to, many organisations simply do not have the wherewithal to improve beyond a certain level. It is beyond their capability to get any better, without bringing in specialists.

When each maturity attribute was assessed for maturity it showed that, overall, attributes were fairly close and most sat within Stage 2, as shown in Fig. 3.4.
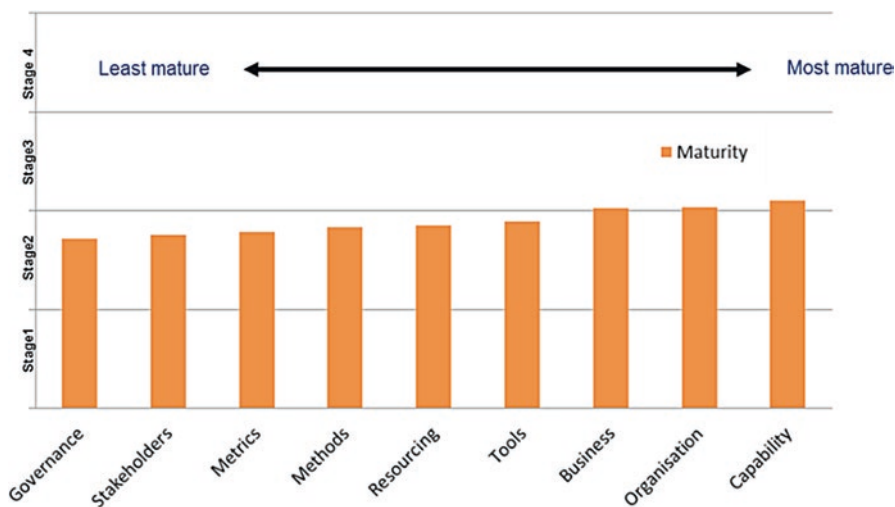
Fig. 3.4 The average score for each maturity attribute from 34 assessments

    The least mature attribute was *governance*, and the most mature was *capability*. Why should this be the case? Unsurprisingly, those carrying out a governance role are often senior managers, most with no hands-on experience of managing projects and programs. They often do not follow prescribed process, and tend to set 'rules' which suit them. They want their projects to be successful, but are not prepared, or simply do not have the bandwidth, to dedicate whatever is necessary to assure project success. After all, isn't this why we hire project managers? So, to counter this lack of consistent and effective practice, organisations need to build their capabilities in project execution to ensure they increase their chances of being successful. This partly explains why 'capability' scores the highest.

    Possibly the most interesting finding emerges when we run correlation analysis (using the statistical analysis tool *SPSS*). The appropriate statistical analysis method employed was 'Pearson's r', which determines the level of linear correlation between two variables, in this case maturity attributes and maturity level. Values range between +1 (for absolute, positive correlation) through to −1, absolute negative correlation. A value greater than .6 (or less than −.6) shows strong correlation. Figure 3.5 shows:

- Of all nine maturity attributes, governance has the strongest correlation to maturity. That is, movements in governance maturity has the greatest impact on overall maturity.
- Of all nine maturity attributes, governance is the least mature.

    The consequences of this analysis is far reaching. Those who (potentially) have most influence on improving maturity, and therefore improving project outcomes, sit outside project management. So, regardless of how much effort is put in to improving project management practices, without also improving governance practice and behaviours, then all such efforts may well come up short.
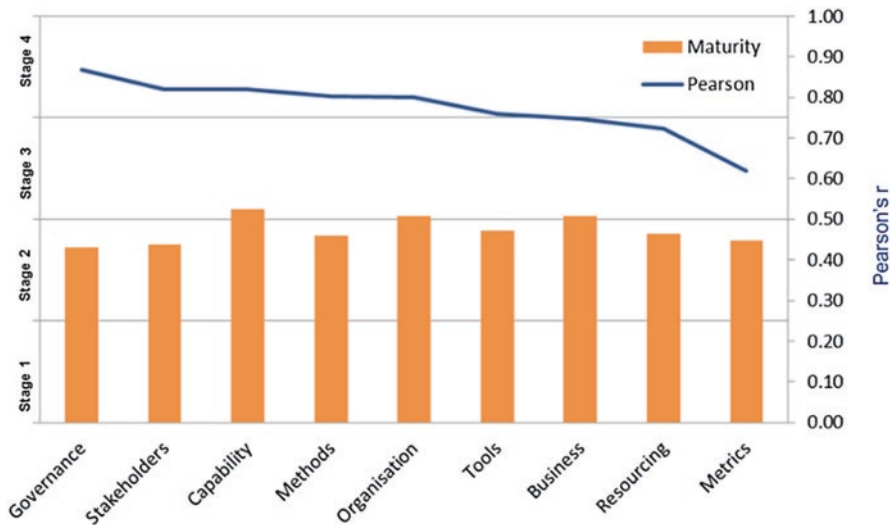
Fig. 3.5 Correlation analysis for the two variables of maturity attribute and maturity level

The importance of the sponsor has been recognised for some time, and their role as project 'champion' seen as a major factor impacting success or failure (Wright 1997; Hall et al. 2003; Nah et al. 2001; Procaccino et al. 2001), as well as being responsible for resourcing the project and key decision-making (Mulder 2002). Sponsors need to be influential and, preferably, be a senior executive, promoting the interests of the project and 'sponsoring' the project management in access to executives (Bashein 1994; Currie 1994). With organisation projects, top management support is seen as critical to project success, although it is unclear what practices, in particular, have the greatest impact:

> *"This research provides evidence that TMS is not simply one of many CSFs needed for project success, but is the most important CSF."* (Young and Jordan 2008, page 8).

There has been some research into the relationship between the project manager and executive sponsors (Kloppenborg et al. 2007), although compared to the extensive body of research into project management behaviours and practices, research into governance roles (such as sponsors), behaviours and practices has been thin (Helm and Remington 2005; Kloppenborg et al. 2007; Lechler and Cohen 2007). One clear, although concerning, finding was there is a disconnect between an understanding of the nature and value of project management amongst practitioners, and the understanding held by those in a governance role (Thomas et al. 2002).

The major take-out from this research project is that maturity does determine, to a certain extent, project outcomes, and of all factors which define maturity, governance has greatest the greatest correlation. The corollary is simple: if you want to improve project outcomes, focus on improving governance.

3.6   Improving Maturity

Governance improvement programs are discussed in Chap. 12, however if improving maturity should, in theory, improve project outcomes, does that actually happen? Between 2008 and 2012 I worked with three organisations to assess and raise their project maturity. These three organisations are profiled in Appendices (14.4.2), in summary (Table 3.6):

		Number of projects by size			Average Spend ($M)	
	Industry	Small	Medium	Large	Per project	Per annum
A	Insurance	25	50	5	$1.15	$92.0
B	Wealth Management	30	30	10	$1.75	$122.5
C	Telco	25	14	6	$2.10	$94.5

Table 3.6 Three case study organisations detailing the number and size of projects studied

The three organisations were assessed using the OPMM. Their project perfor-mance index (PPI) and maturity stages are detailed in Fig. 3.6 comparing before and after the improvement initiatives:
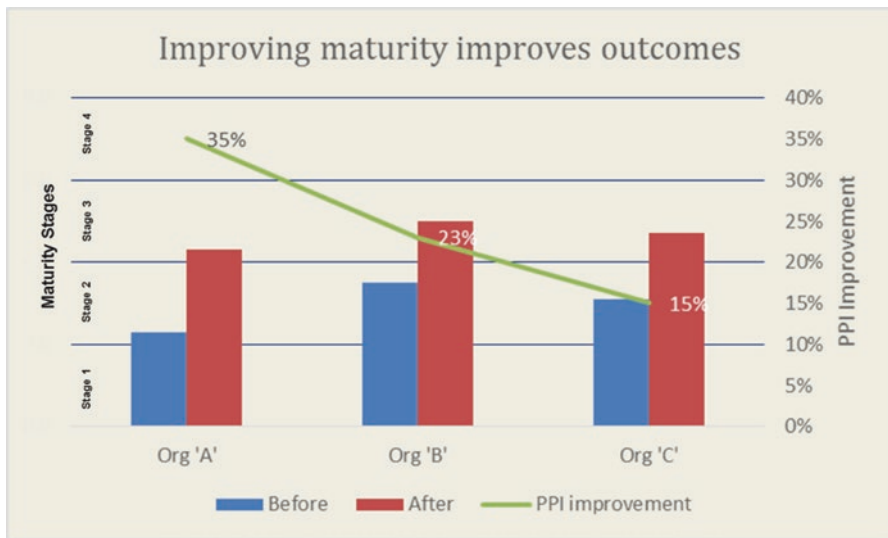
Fig. 3.6 Increasing maturity with three organisations also improves their project performance

In each organisation an improvement program was designed which was to run for 12 months, with regular 'drops' of improvement activities every 3 months.

Twelve months after the final improvement drop the project performance index was calculated for projects initiated after 6 months into the improvement initiative, so as to reflect whatever improvements were in place. The results show:

- Each organisation increased their maturity by a full stage, all moving from 'Aware' to 'Competent'.
- Each organisation achieved improvements in project performance. Organisation A achieved the greatest improvement (35%) which reflected their low starting base. Organisation C achieved the lowest, at 15%.

• This type of improvement in project execution efficiency needs to be seen in terms of the overall size of the portfolios. If an organisation is spending $100 m a year on projects and we see a 15% improvement in execution efficiency, that equates to effectively having an additional $15 m available to invest. Further, as the performance index reflected improved schedule performance, benefits were delivered to the business earlier than previous. These are real, material benefits.

3.7 Conclusion

Maturity matters. The more mature an organisation is in running its portfolio of programs and projects the more successful they will be.

Organisation project maturity is much more than just process maturity, and the Organisation Project Maturity Model (OPMM) developed and use extensively over the past 23 years has 9 attributes of maturity of which governance has the greatest influence on overall maturity. In understanding maturity it is clear that governance has a significant role to play. It follows, then, that raising governance capability above all other improvement initiatives will have the greatest impact on raising maturity, which in turn will result in increased project success.

In achieving more mature 3P governance, it is useful to understand what governance maturity looks like, and to see mature governance in action it is useful to look at corporate governance, a set of governance practices which have been around for at least 90 years.

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Chapter 4
What We Can Learn from Corporate Governance

4.1 Introduction

Portfolio, program and project (3P) Governance is an immature field of study, with fewer than 200 published research papers and the majority of these focused on project governance. Theory development is equally immature with available standards (such as published by the PMI) being called 'practice guides', which is useful enough, although the theories grounding such practices are either 'thin' or simply non-existent.

In contrast to 3P governance is corporate governance which has a rich history of research, theory development and practice and behavioural development and maturity. Contrasting to research into 3P governance, corporate governance has over 4000 published research papers dating back over 90 years. It is an area which has well defined principles and codification, to the extent many countries have incorporated it in company law.

3P governance can be viewed as a component of Organisation Governance, along with Corporate Governance and Function Governance. Considering that portfolios, programs and projects can be viewed as organisations within organisations, we can look towards Corporate Governance to see what aspects can be 'borrowed' and applied to 3P governance, to support theory development, role responsibilities and practices. Understanding corporate governance provides significant insights into how portfolio governance could, and should, be conducted.

4.2 Understanding Corporate Governance

As introduced in Chap. 2 there is a core relationship model describing corporate governance (Fig. 4.1):
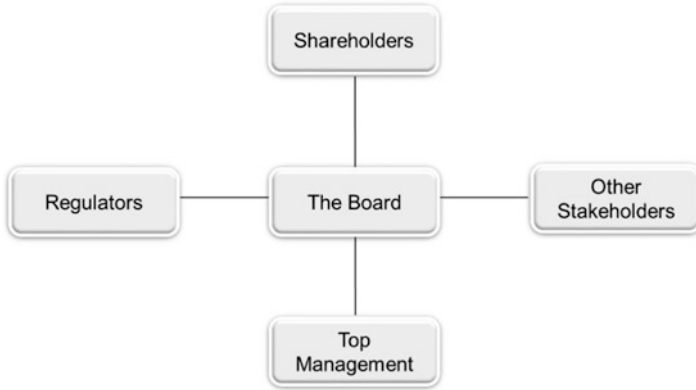
Fig. 4.1 The key relationships which exist in corporate governance

The central focus is on the board of directors ('The Board'), with its conduit to the organisation through 'Top Management', with oversight through reporting, formal disclosure and a series of fora with specific accountabilities, such Risk and Compliance, Audit and Compensation. There is little in the way of defining other functional governance groups, such as technology, new product development or project, program and portfolio governance. In better understanding the nature of governance structures and relationships, a number of theories on corporate governance have emerged.

The parallels between corporate governance and 3P governance appear once the central governance relationships are defined (Fig. 4.2):
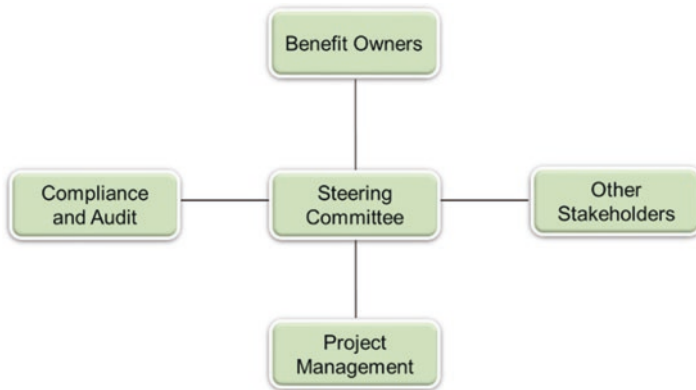
Fig. 4.2 The key governance relationships as applicable for a project

The two models correspond by (Table 4.1):

The Board	⇔	Steering Committee
Shareholders	⇔	Benefit Owners
Top Management	⇔	Project Management
Other Stakeholders	⇔	Other Stakeholders
Regulators	⇔	Compliance and Audit

Table 4.1 Drawing parallels between corporate governance relationships and project governance relationships

The parallels go much deeper than correlating the key relationships. Consider the prime accountability of the board is to optimise value creation of the organisation, and the prime accountability of 3P governance is to optimise return on the portfolio investment, then their raison d'etre is the same. There is much we can learn from corporate governance.

4.2.1   Organisational Theories and Corporate Governance

The basis for learning from corporate governance is to understand the theories underlying the discipline and seeing how these apply to 3P governance. Essentially there are three sets of theories regarding corporate governance (Huse 2005):

1. general theories;
2. board role theories and
3. process-related theories.

Each of these three views on governance will be looked at.

4.2.2   General Theories of Corporate Governance

The general theories are contingency theory and evolutionary theory, which essentially state there is no one best design for corporate governance, and all options are not equally good (or bad). The context in which governance is set up and operates is critical in designing an effective board, and various factors such as cultural and national issues, firm size, the industry sector, regulations, the maturity and age of the organisation and the competence of executive management all influence board design (Huse 2005). Other factors are the board members themselves (politics and agendas influence board operations).

(Huse 2005, p. S72) proposes there are six key roles effective boards perform:

1. Behavioural control of executive management;
2. Output control, which optimises returns to shareholders and other principals;

3. Strategic control, which focuses on setting and achieving strategic goals;
4. Advice and counsel, providing pastoral support for the executive management;
5. Networking, lobbying and communication, whereby board members use their external positions and contacts;
6. Strategic participation, whereby board members display explicit leadership attributes in exemplifying positive and benign behaviour.

Each of these key roles is related to specific organisational and board theories, as discussed in the following section.

Probably of all behaviours, none is more critical than how decisions are made (Roberts et al. 2005), and the factors which most influence good decision making include openness and generosity, preparedness and involvement, creativity and criticality. This function of decision-making is a recurring theme when discussing boards and emerges as a dominant, key function of good governance, which of course has immediate application w portfolio-program-project (3P) governance.

4.2.3   Board Theories and Governance

According to Hung, the main determinants in board operations are derived from two theoretical perspectives of *institutional* and *strategic choice* perspectives. The extrinsic influence perspective is most closely bound with contingency theory, whereby operational norms and structures are influenced by many factors, not least of which is the demand of the task at hand. The intrinsic perspective sees boards and governance arrangements conforming to organisational norms and expectations. The key roles Hung has identified are probably best illustrated in light of the influencing theories (Extrinsic and Intrinsic) he has identified.

4.2.3.1   Resource Dependency Theory

Resource Dependency Theory recognises that organisations are interdependent in their access to, and use of external resources, and so try to lock-up such resources through governance mechanisms, such as board members having close relationships with key suppliers. Whereas the benefits of such arrangements are obvious, there are downsides in that inter-organisation networking may end up as constraining 'interlocking directorates' (Pfeffer and Salancik 1978). The implication for project governance arrangements are obvious, as many Steering Committees will have as members those who control critical resources required by the project, such as ICT (CIO as Steering Committee member), financial resources (CFO as member) and Subject Matter Experts. In this way, key members of the Steering Committee create key linkages back into the organisation. At my first job at IBM in Australia, the Managing Director sat on the board of one of Australia's leading banks, Westpac.

The relationship between IBM as Westpac's prime supplier of computer technology was so strong that this arrangement made sense, although that arrangement was later terminated due to obvious conflicts of interest (and IBM was forming very deep relationships with Westpac's competitors).

This arrangement has other benefits. By their membership of steering committees (and other governance forums), senior managers can funnel all demands for their services and resources back to their own planning functions, and gather all such demands under a functional portfolio, such as the IT Portfolio or Finance Portfolio. As portfolio planning is concerned with the medium to long term, all service provider units can ensure demands on their services are well understood, planned and assured.

The problem many steering committees experience is not aligning membership with role accountabilities and decision rights. In too many cases the people sitting around the table do not have the necessary authority to make all the decisions being put to them. This highlights to need to ensure decision rights are clearly articulated and all steering committee members agree that their authority supports those rights.

4.2.3.2   Stakeholder Theory

Stakeholders, in the corporate governance sense, are "any group or individual who can affect, or is affected by, the achievement of a corporation's purpose". (Freeman 1984). Stakeholder Theory, then, adopts a pluralistic approach to corporate governance, recognising there are many more groups than simply shareholders, management, employees and clients who are legitimate stakeholders, and the corporation has a responsibility to recognise and accommodate where appropriate the concerns and needs of all stakeholders (Carroll 1999; Donaldson and Preston 1995; Friedman and Miles 2002; Jacobs and Getz 1995; Jawahar and McLaughlin 2001). This theory is behind the adoption by some organisations of 'triple bottom-line reporting', which takes into account the legitimate interests of a broad range of factors and stakeholders in setting and managing a corporation's strategic goals and performance (Elkington 1994).

In the 3P space, stakeholder interests are often coordinated through the Steering Committee, where those regarded as 'key stakeholders' are seen as having a mandatory voice at the table. This coordinating role may be expanded to include a communications role, as members of the Steering Committee communicate the activities and deliberations of the Steering Committee back to their respective constituencies (Kloppenborg et al. 2007).

This theory has further implications when one considers the shift over recent years from the focus on creating shareholder value to creating stakeholder value, a topic we explore in Chap. 6. A major criticism of stakeholder theory is that not all stakeholder's interests can be maximised, and that alignment to stakeholder's inter-

ests must increase long-term organisational value. For commercial organisations this value is measured in market value. As Michael Jensen states:

> *Enlightened stakeholder theory adds the simple specification that the objective function of the firm is to maximize total long-term firm market value. In short, changes in total long term market value of the firm is the scorecard by which success is measured.* (Jensen 2001)

Stakeholder theory has particular relevance for portfolio planning and optimisation, as many often competing interests vie for funding proposed programs and projects. Without a value lens then governance is denied a method to objectively decide between these interests. This is where a value scorecard proves very useful, as discussed in Chap. 6.

Thus, having key stakeholder representation on boards and steering committees works to ensure their interest are both recognised and that value creation as they define it is placed front and centre.

4.2.4 Agency Theory

Agency Theory probably has its genesis following the great depression when owners of corporations (the 'principals') recognised they needed to cede the day to day running of the corporation to professional managers (their 'agents') (Berle and Means 1932). Based on a detailed analysis of research undertaken into corporate governance between 1972 and 2007 Pugliese et al. found that Agency Theory is the dominant theory describing board structures, performance and behaviours (Pugliese et al. 2009). As it relates to organisational theory, Agency Theory is a way of resolving what appeared to be two key problems in a principal engaging an agent to act on his or her behalf: the first problem is how does the principal manage the relationship if the agent's desires conflict with the principal's and the cost to monitor the relationship becomes prohibitive and, second, how is risk shared equitably such that the agent is not expected to take on too much, or too little, risk without commensurate compensation or the authority to manage such risk (Eisenhardt 1989a). As Clegg et al. point out, if there weren't a clear separation in roles between ownership and control then there would be little need for Agency Theory (Clegg et al. 2017). Thus the relationship appears as shown in Fig. 4.3.
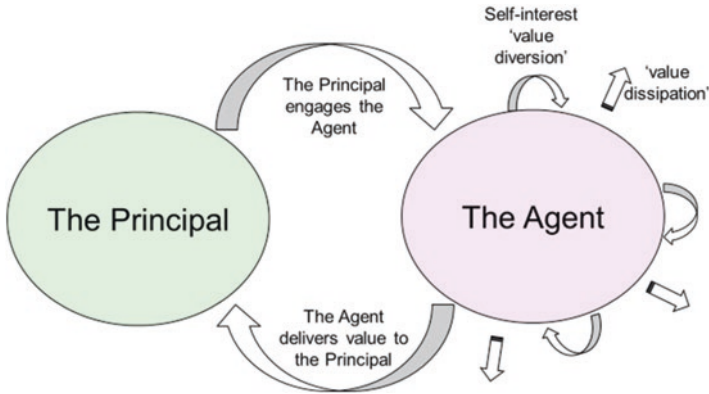
Fig. 4.3 The principal-agent mechanism

The Agency Theory problem is the agent acting out of self-interest diverts effort or attention away from optimising value return to the principal by self-interest 'value diversions', or through inefficiency, carelessness or incompetence in some way delivers sub-optimal value realisation ('value dissipation'). Eisenhardt identifies that the key artefact governing the relationship is the 'contract', so focus on how to best to structure the contract is a key mechanism to solving the 'agency problem'. Of several streams in Agency Theory, the positivist stream argued that governance arrangements could solve the agency problem, and that if the rewards of the principal and agent are aligned then the agent is more likely to act in the interests of the principal (Jensen 1983). Eisenhardt states that

> *"Overall, the domain of Agency Theory is relationships which mirror the basic agency structure of a principal and an agent who are engaged in cooperative behaviour, but have differing goals and differing attitudes towards risk."* (Eisenhardt 1989a, p. 69).

One feature of principal-agent research is it is concerned with any such relationship, such as employer-employee, customer-supplier, lawyer-client, builder-owner. Based on this, it is clear Agency Theory has application to the project space where the principal (sponsor) engages the agent (project manager) to deliver specific outcomes (Turner and Muller 2005). The conflict emerges in a number of areas, not the least is that the principal expects an optimal business case as the outcome, whereas the agent is focused on deliver against the plan (the 'contract').

Eisenhardt goes on to propose a number of attributes of Agency Theory, such as when the contract is outcome based, then the agent is more likely to behave in the interests of the principal, and when the principal has information regarding the behaviour of the agent then the agent is more likely to behave in the interests of the

principal. In the project context, the 'information' referred to may be the 'Steering Committee pack' which contains relevant information about the project distributed to Steering Committee members before each meeting. However, such information is valuable where the principal wishes to monitor the agent's behaviour but not so valuable where the contract is outcome based. Also, from a risk perspective, where the agent takes on risk there is a limit to how much risk can be managed in an outcomes based contract. One outcome from Eisenhardt's work interpreted in the project domain is high risk projects should see the principal-agent contract based on behaviour rather than outcomes, and where the agent is risk averse then encouragement to better share risk could be achieved by an outcomes based contract.

Two mechanisms are dominant in controlling the agent-principal relationships, the first is putting in place remuneration and reward schemes which align agents' and principals' interests, and the second is through governance arrangements which see regular reviews and audits ('checks and balances') conducted on managers' behaviours (Demsetz and Lehn 1985). In recognition of this second factor, Eisenhardt concludes that research focus on Agency Theory should be on the provision of information systems, outcomes and uncertainty and risk which all have particular resonance when considering the sponsor – project manager relationship. There are further indications of Agency Theory to the project space:

> *"Agency Theory is most relevant in situations in which contracting problems are difficult. These include situations where there is (a) substantial goal conflict between principals and agents, such that agent opportunism is likely…. (b) sufficient outcome uncertainty to trigger the risk implications of the theory…. (c) unprogrammed or team-oriented jobs in which evaluation of behaviours is difficult."* (Eisenhardt 1989b)

Although attractive in uncovering the nature of the sponsor – manager relationship, and therefore understanding governance, Agency Theory delivers excellent theoretical results when combined with complementary theories, such as Stewardship Theory and branches of economics theory, such a transaction cost economics (Argyres and Liebeskind 1999).

Clearly, in addressing control of the behaviour and performance of the executive management, Agency Theory proposes strong arguments (McDonald et al. 2008). In the project space this is seen as the Sponsor (as Principal) attempting to control the Project Manager (as Agent) through performance oversight and directives. It is probably the most dominant theory influencing the operation of governance boards (Hung 1998) and thus, by extension, on Steering Committees. This attempt at management control is further emphasised through the make-up of the project status report which is contained within the steering committee reporting pack. In analysing 45 steering committee packs from 6 organisations, the content of the 'average' pack is as follows (Fig. 4.4):
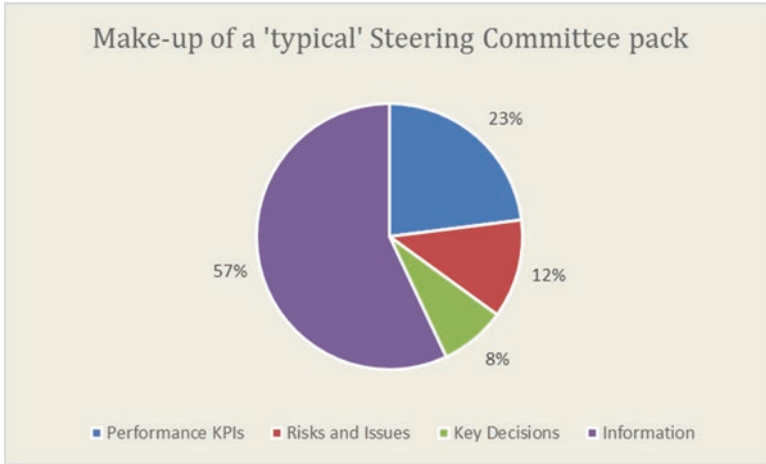
Fig. 4.4 The make-up of a steering committee reporting pack by page ratio

'Information' makes up most of the pack with performance data the second highest content. Key performance indicators typically describe benefits, time, cost, scope, risk, delivery (see below), which mainly define how well the project manager is performing. When steering committee behaviours are analysed, (i.e. "what Steering Committees actually do") then information sharing and discussions comes out on top, followed by monitoring performance (Fig. 4.5).
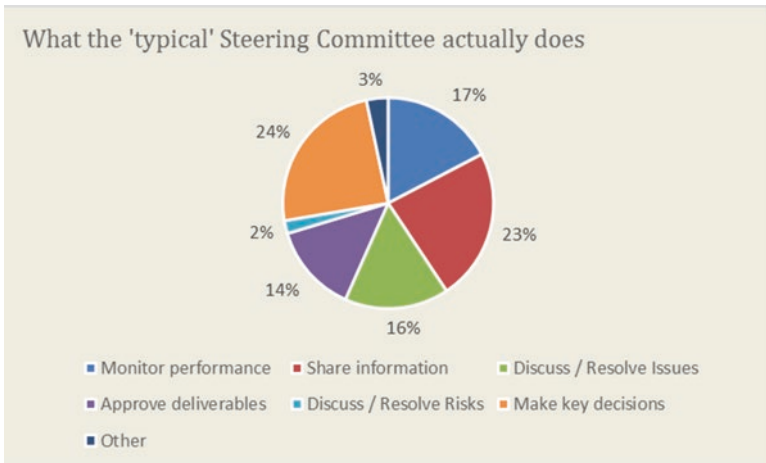
Fig. 4.5 How steering committees spend their time when meeting

'Monitor performance' is a key task steering committees undertake, however if one looks at the performance KPIs then 5 of the 6 are to do with project execution performance, and just 1 is associated with project outcomes (Table 4.2):

Key Performance Indicator	Performance dimension
Schedule	Execution
Budget	Execution
Delivery	Execution
Scope	Execution
Risk and Issues	Execution
Benefits	Outcomes

Table 4.2 Some common program and project performance KPI's and which performance dimension they correspond to

When it comes to monitoring project performance the steering committee is much more interested in how well the project manager is running the project rather than their achieving expected outcomes. This re-enforces the principal's inherent suspicion that the agent must always be watched to ensure he or she is doing a good job.

4.2.5   The Critical Power Relationship

The power relationship between board and CEO and how that relationship is kept in balance has been of great interest to researchers (Daily and Cannella 2003). It operates along a continuum from a 'hand-in-glove' partnership arrangement, where the roles become blurred and interests conflicted, to one of outright hostility. Central to understanding this relationship is understanding what 'separation of powers' means in a governance sense. With western democratic governments this separation is seen between the executive, legislative and judiciary. It is a slippery slope to chaos and either anarchy or dictatorship if the head of the executive (such as a president) starts to direct the judiciary, such as by demanding certain people be arrested, tried and jailed, regardless of their innocence or guilt. Nations' constitutions invariably codify how these powers are separated and exercised.

When it comes to organisations the codification and separation of governance powers can be a little more hazy. For example in Australia in 2007 a finance consortium (APA) made a takeover offer for Qantas. The offer was very attractive, especially for the board and senior executives who would all receive very attractive 'sign-on' bonuses, and the managing director (Geoff Dixon) was seen on more than one occasion with the Board Chair (Margaret Jackson) almost arm-in-arm as they encouraged shareholders to accept the offer. Shareholders didn't accept the offer and Jackson was forced to resign. Within a year Dixon had also resigned (Staff Reporter 2007). It was clearly reported at the time that management and governance acted in a manner which was not seen to the benefit of all shareholders, and that Dixon and Jackson had breached what is considered 'arms length propriety'.

Situations where the board chairman is also the chief executive are always problematic, and in many cases such arrangements are strongly objected to by shareholders who demand the chair be an independent authority. In 2016 this came to the fore in the case of Wells Fargo, and their totally discredited practice of forcing line staff to open accounts and credit cards for clients without their knowledge or approval (Morgenson 2016). Over 5000 staff were sacked, and just one senior executive was replaced. The CEO, John Stumpf, was also the chairman of the board, and the whole sorry episode is seen one of governance failure. As the New York Times reported:

> *"A corporate board has many duties, but three of the most crucial are the center of the Wells Fargo mess. One is to assess the risks inherent in the company's business and handle them before they develop into a crisis. Another is to dispense compensation that does not encourage bad behaviour. And finally, a board must monitor a company's culture, from top to bottom. The Wells Fargo board has disappointed in all three".*

This was a blatant conflict of interest for Stumpf. How could he effectively undertake independent oversight of himself? And why didn't other board members make this an issue? If the board seems powerless to challenge the wishes of the CEO then how effective can they be as a board? This is a totally inappropriate power relationship. Recognising how compromised and impossible his position was, John Stumpf resigned from Wells Fargo on 12th October 2016.

The opposite end of this continuum is where the power relationship between board and management is at odds. For example, Australia's largest telecommunications company, Telstra, which is also in the top 5 largest companies in Australia, has the Australian Government as its largest shareholder. In 2006 the government wished to appoint Geoffrey Cousins to the board, to be its eyes and ears. Both the board and senior management objected to the appointment and for a number of months there was an unsavoury stand-off, only resolved when the government finally had its way (McCrann 2006).

There is a fine balance to be walked between effective oversight and meddling in executive's business; staying at arm's length and not providing wise counsel; being removed from the detail of business strategy and devising that strategy; taking no interest in the well-being of employees and becoming intensely involved in staff hiring and firing; opening conduits to business networks and manipulating complex commercial decisions. (Daily and Cannella 2003).

We see this same dynamic at play with projects, where the sponsor takes too much control of the day-to-day execution of the project. The old saying "beware a manager with a screw-driver in his top pocket" is never more relevant when a sponsor comes in over the top of the project manager and starts directing staff. This is really poor form and not only undermines the authority of the PM, but judges his or her competency, which has a demoralising effect throughout the project.

4.2.6   Stewardship Theory

If Agency Theory is based upon the assumption of self-interest, risk and outcome conflicts, Stewardship Theory is concerned with more altruistic drivers in the relationships between owners (stockholders) and executive management in the organisation (Davis et al. 1997). This could be seen as the contrast between one theory rooted in economics and finance (Agency Theory) contrasted with one based on sociology and psychology (Stewardship Theory), which, although paradoxical in nature, provides opportunities to balance the relationship between board and executive (Sundaramurthy and Lewis 2003). Central to the theory is that collectivism (teamwork) achieves greater outcomes than individuals working independently. The reason for Stewardship Theory is obvious, for if an organisation were driven by the self-interest of its executives which were only kept in check by governance arrangements then how could the organisation successfully compete, let alone thrive, in a fiercely competitive world? (Walsh and Seward 1990).

Stewardship Theory sees managers making reasoned decisions amongst a mix of competing, and often contradictory forces, emanating from governance, suppliers, regulatory and other stakeholders which are for the greater good of the organisation (Davis et al. 1997). This situation is one a sponsor and project manager face on an almost daily basis, especially in discussions at Steering Committee meetings. It is a model which empowers and authorises rather than one which controls relationships, such as Agency Theory. Under Stewardship Theory, the project manager may chair the Steering Committee, reflecting the level of trust and authority invested by the sponsor. Whereas this may appear attractive on the surface, it leads to power distortions and conflicts of interest, as discussed above.

At its core, Stewardship Theory recognises the psychology of the individual significantly impacts relationships such as principal-agent, and self-actualisation, internal motivation, group identification, trust and loyalty are all fundamental shapers of the type of relationship which is productive, fulfilling and ultimately of significant value to the organisation (Davis et al. 1997). Further, the earlier the Board acts to develop the potential of the CEO, the better the firm will perform, which certainly has implications for the value in the Project Sponsor mentoring the Project Manager (Shen 2003). This is particularly reflected in organisational culture issues where an organisation which promotes team-work over individual entrepreneurship will favour stewardship over agency. In the project context this is seen as the working relationship the sponsor has with project manager, whether it be one of trust and mutual respect, or something not as positive. What are the behavioural and project outcome consequences of this relationship?

The major outcome from Stewardship Theory is that boards, freed of the close oversight and control role proposed by Agency Theory, can now focus on the more strategic purpose of the board, ensuring the organisation remains on track to optimise strategic outcomes, and to quickly address strategic opportunities as they arise. In the project context, this means the Steering Committee being primarily focused on the project remaining the *right* project, appropriately aligned with organisational goals and emergent and shifting priorities.

4.2.7   Institutional Theory

The driver behind institutional theory is that boards are shaped by external societal norms, conventions and 'what is acceptable'. Thus the organisation's behaviours are maintained within acceptable expectations. In the project space this sees the Steering Committee ensuring the project adopts appropriate organisational policies and procedures, work practices and other standards. The downside to this maintenance role is that the project may be constrained in its response to direct challenges and changing scope and priority (Drazin and Van de Ven 1985). Contrary to this theory is our understanding of autopoiesis, whereby the organisation, or institution, maintains its own identify regardless of the changes it may undergo (Robb 1989). Thus, the board selects members which reflect the culture of the board (that is, 'people like us').

For projects this means the steering committee reflects the culture of the dominant members of the committee. For example, across an organisation a steering committee operating within the risk and compliance function will have a very different culture to one running in a 'gung-ho' business unit, such as new product design and delivery. This conflict is seen in one committee being a stickler for the rules, whereas the other may take the 'whatever it takes' attitude. For the project manager, who no doubt will be trying to follow good practice, bending to align to the culture of governance can be more than a challenge, and some project managers simply do not know how to manage this situation. In many cases there is no one to guide, mentor or assist the project manager. This situation reinforces Simmel's 'the stranger' view of the project manager, who is set for failure and when failure comes, and being dispensable, is removed.

4.2.8   Managerial Hegemony

Hung proposes managerial hegemony not so much as a theory, rather as an observation that in the face of quite powerful senior executives, the board bows in deference to what is proposed to them, acting instead as a rubber stamp (Hung 1998). In this sense the board offers support to the organisation (as a quasi cheer squad), taking a hands-off role less they interfere with performance and targeted outcomes. Accordingly, boards only get involved with strategy setting, or organisational control, in times of crisis when inaction is unacceptable, but in general hands-off is the norm as, according to Drucker "the board of directors is an impotent ceremonial and legal fiction" (Drucker 1974).

This theory is, along with Agency Theory and Stewardship Theory, a dominant theory of board behaviour. A seminal text in this field strongly proposes that boards always act in a passive manner unless spurred into action by a crisis, and, furthermore, by being passive they do harm to the organisation (Mace 1971).

In the project space this may be interpreted as the Steering Committee doing anything but steer, taking a passive role and only becoming active when the project is seen to be in trouble.

The point Hung makes very strongly about his typology is that no theory explains all of a board's behaviour and, even collectively, all theories may come up short. However, it does act as a framework from which to draw organisational contextual interpretations, and although he does not explicitly refer to them, such a context may be projects as temporary organisations. Adopting the 'four blind men and an elephant' analogy, each commentator or academic scholar may select one of more theories to propose a perspective on board behaviours for, as Hung states, "corporate governance scholars adopt as well as modify these theories to suit their own purposes".

4.3   Understanding Governance Effectiveness

What do those taking on a governance role actually do, and how effective are they?

Investigating corporate governance behaviours can be achieved by analysing board behaviours. Board make-up and maturity has an impact on firm performance (Lynall et al. 2003) and in a landmark study, Lawler et al. investigated the roles, responsibilities, key behaviours of boards and their relationship with organisational performance (Lawler et al. 2002). The study found the following activities to consume the majority of board members' time (Table 4.3):

Major activity	Time focus (mean)
Advising the CEO	3.8
Making key decisions	3.8
Shaping long-term strategy	3.5
Identifying possible threats and opportunities	3.4
Monitoring and evaluating strategy implementation	3.4
Evaluating a rewarding executive management performance	3.1
Building external relationships which strengthen the company	2.8
Planning for management succession	2.8
Bolstering the company's image in the community	2.4
Responses: 1 = almost no time 5 = most of the time	

Table 4.3 The major activities of boards and how much time is spent on each
(Lawler et al. 2002)

The study also found that directors who spent considerable time on both an internal focus (such as shaping strategy) and external (such as promoting the company) were associated with superior performing organisations. The point is stressed that both dimensions must feature.

The study also looked at characteristics of boards and board effectiveness, as shown in Table 4.4. Boards rated their effectiveness based on 'High Use' of the characteristic, compared to 'Low Use':

	Board Effectiveness	
Board Characteristics and Practices	**High Use**	**Low Use**
Board controls the meeting agenda	3.85	3.46
Written guidelines on corporate governance	3.76	3.47
Formal process for evaluating CEO performance	3.74	3.42
Board has broad range of indicators for organizational effectiveness	4.03	3.09
Board benchmarks the firm against top performers in comparable industries	4.01	3.05
Board spends time analysing risks	4.21	3.11
Board spends time on long-term strategy	4.12	3.08
Effectiveness scale: 1 = very ineffective 5 = very effective		

Table 4.4   Board characteristics and practices and their effectiveness (Lawler et al. 2002)

In summary, the study found a number of key attributes of highly effective boards:

- Boards need the right information on a range of organisational effectiveness and performance;
- Access to critical benchmarking information comparing the firm's performance to that of the industry sector
- Allocation of enough time to devote to long-term strategy
- Focus on risk management
- Boards need to counter-balance top management power and influence
- Boards need rewards to motivate directors to perform effectively

Considering projects are temporary organisations, there are obvious parallels between boards and Steering Committees which are picked up in Chap. 5 where a model of governance behaviour is described.

4.4   Applying the Principles of Corporate Governance

Corporations law in many western countries plays a major role in focusing the mind of those in a governance role on their accountabilities, as severe penalties may apply for boards who fail to undertake their duties. Allowing a company to trade while insolvent, for example, attracts penalties ranging from hefty fines, through to custodial sentences. The law does not accept ignorance as an excuse for a board's failure to carry out its duties, which places the onus, both individually and collectively, on the board to ensure they are being informed accurately and timely.

The Australian Securities Exchange publishes a set of principles of corporate governance (Australian Stock Exchange 2016). On inspection these principles all look reasonable, and the ASX goes to some length to describe how the principles can be put into practice. This is relevant to 3P governance in that each principle can be interpreted to apply to portfolios, programs and projects (Table 4.5).

Principle of good Corporate Governance	Description
Principle 1: Lay solid foundations for management and oversight	A company should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated
Principle 2: Structure the board to add value	A company should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively
Principle 3: Act ethically and responsibly	A company should always act ethically and responsibly
Principle 4: Safeguard integrity in corporate reporting	A company should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting
Principle 5: Make timely and balanced disclosure	A company should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities
Principle 6: Respect the rights of security holders	A company should respect the rights of security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively
Principle 7: Recognise and manage risk	A company should establish a sound risk management framework and periodically review the effectiveness of that framework
Principle 8: Remunerate fairly and responsibly	A company should pay director remuneration sufficient to attract and retain high quality directors

Table 4.5 The 8 principles of corporate governance as published by the ASX

The above set of principles supports a set of 3P governance principles (see Table 4.6), which can form part of the portfolio, program or project charter, and need to be discussed with the steering committee, as each principle will drive processes, procedure and, most importantly, behaviours.

Principle of good project governance[a]	Description
Principle 1: Ensure all project governance roles and their accountabilities are clearly defined.	Ensure all Management and Governance roles and their accountabilities are clearly defined.
Principle 2: Ensure all key stakeholders have a 'voice at the table'	Ensure all members of the Governance committees actively contribute
Principle 3: Ensure decision-making is informed, timely and effective	Acting responsibly is reflected in all governance forum members doing their jobs, making decisions, respecting commitments and working towards the best outcomes for the portfolio
Principle 4: All governance reports should be concise, accurate and easily understood	All Governance reporting should be concise, accurate and easily understood
Principle 5: Act appropriately to ensure the project stays on track	Steering Committees must ensure the right processes are in place such they receive accurate, timely and comprehendible reports and information.
Principle 6: Optimise outcomes for the project	A company should respect the rights of security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively
Principle 7: Recognise and manage risk	Understand the true nature of risk and work to leverage risk to create better outcomes for the portfolio
Principle 8: Encourage and oversee enhanced performance	Ensure those managing our programs and projects are the right people for the job, have the necessary capabilities and track records.

[a]'Project governance' can be interpreted to cover both portfolio and program governance

Table 4.6 The 8 principles of 3P governance which form part of the Charter

It is a sign of increasing maturity that organisations treat principles seriously, and use them as a basis to derive their methods, often referring back to the principles when dealing with challenging situations.

4.4.1   Summary of Corporate Governance Functions

From the preceding governance theories it is possible to extract a number of key functions governance carries out:

- Provider of key resources;
- Alignment of key stakeholders;
- Overseer of the corporation's performance;
- Assure compliance to regulations, policies and key procedures;
- Advisor and counsellor;
- Assure Risk is understood and controlled.

These roles will be reflected on when analysing the role of project governance.

4.5   Governance and Leadership

If you want to see how an organisation exhibits its leadership qualities, sit in on program or project steering committee meetings. Often if appears organisations are weak in leadership development, as exemplified by steering committee behaviours.

I was asked to review a project for a financial service organisation, which had started life as an investment bank but then rapidly grew into a more traditional bank and wealth management organisation. It had a reputation as being fairly brutal with its people such that the strong and ruthless survived and thrived while the less aggressive failed to progress within the organisation, a perfect example of 'corporate Darwinism'. If you survived and thrived then you would be rewarded handsomely, but if you showed weakness or did not excel then there would be blood in the water and sharks would circle. The problem I was looking at was a failed project, probably the largest project the group had run and one which was cancelled due to massive cost and schedule over-runs, and not a single delivery. The project manager was unceremoniously hung out to dry, and all blame had been landed at her feet. Before she was shown the door I was asked to run a 'Post-project Review' (it couldn't be called a 'post-implementation review' as there was no implementation. Of course it could have been called a 'project post-mortem', fittingly). Just about everything about the project was wrong. Poor strategy, lack of vision, dysfunctional steering committee and an absentee sponsor. There was no track record in undertaking the project but, being an organisation not short on hubris, no outside help was sought. A brilliant case study in how not to run a project. I was not predisposed to join the angry mob and also blame the project manager, rather I allocated responsibility (I really eschew the concept of 'blame', it's a very immature and negative concept) where it lay, and largely at the feet of the sponsor and steering committee members. This was not acceptable and my report was never circulated.

   Having done work for him in the past, I requested a meeting with the managing director where I told him unequivocally he had a major problem with leadership, which really surprised him as he said the market (read 'stock market') judged them to be a 'darling' due in large part to their exemplary leadership skills. I said that was true when they were negotiating an initial public offering for a client, or acting as a deal leader in a merger and acquisition, but now they were in retail and private banking they required skills in bringing together a broad range of internal stakeholders to achieve outcomes. They were simply lacking those skills and it was not part of their DNA to act collaboratively. There is much in the truism 'what makes us strong ultimately makes us weak', and their strength had been built on 'dog-eat-dog' which was now undermining their chances for project success. I described what had happened on the failed project and he agreed to sponsor some leadership training, although I suggested a broader improvement initiative was required. Still, any attempt to improve leadership skills would be useful. A training program was duly designed and I ran 3 workshops. Not a single steering committee member bothered to attend, and I was asked a number of times by program and project managers attending "where's my boss?". Indeed. This initiative was somewhat successful but nowhere near as successful as it should have been and I learned many lessons from this which I elaborate on in Chap. 13. This was a failure in governance, leadership and business outcomes.

4.5.1   Leadership

How does governance relate to leadership? Why would governance be described as 'leadership in action', and is it the case that those who are exemplary leaders are also fantastic project sponsors? Whereas some organisations struggle in growing managers who are also great leaders, could a key to leadership be in focusing on developing exemplary steering committees? So, if the answers to all these questions is in the affirmative, then it would be useful to see how great leaders are also great at governance.

   Leadership as it applies to portfolio, program and project management has always been a core topic of interest, although it appears that such leadership refers to those characteristics taken on by the project manager. Indeed, the roles of project manager and project leader are often used interchangeably. This is not to say that other leadership roles are not important, as Cleland states,

   "A project's success or failure is the result of the leadership of the project's stakeholders". (Cleland 1995, page 85)

He then goes on to define project leadership as,

> *"Project leadership is defined as a presence and a process carried out within an organizational role that assumes responsibility for the needs and rights of those people who choose to follow the leader in accomplishing project results."* (Cleland 1995, page 86)

Cleland identifies four critical attributes of leadership:

1. The ability to enunciate and effectively communicate a vision for the project.
2. Take responsibility for defining and assembling all the necessary resources to achieve the stated outcome.
3. The conceptualisation and implementation of an organisational design suitable for aligning the project's resources and capabilities to achieve the stated project goals.
4. To align and gain the effective commitment of all the project's stakeholders in supporting the leader's efforts in achieving the project goals.

These all make sense, but how do they correlate to broader leadership theory and practice? Over the past 25 years I have focused on leadership over management, consulting and running training programs for organisations in project leadership. I have been inspired by a few of the great thinkers and writers on leadership, which I interpreted and applied to the project environment, which I elaborate on below.

The points Cleland was making (above) are not so dissimilar to the key attributes of leadership as defined by many leading authors on leadership. Without a doubt the one person who has influenced me more than any other when it comes to leadership is John Kotter. His article "What leaders really do" remains HBR's most requested re-print, where he identified the traits of effective leadership (Kotter 1990). Kotter makes the distinction between leadership and management:

1. **Set a direction**. As leadership is about directing change, it is critical to create a vision of where the organisation is heading, and ensure the vision recognises the needs, wants, desires of all stakeholder, ensuring no one group wins out at the expense of another. Without the vision and broad direction then planning becomes burdensome and ends up consuming too much energy as 'heat and noise'.
2. **Align people to shared goals**. Alignment differs from organisation in that it requires the individual to have a personal relationship with where the organisation is headed, to not only know their role but to be able to build on that through autonomous activities. We see this play out n organisations which promote innovation as a way of thinking and doing, where individuals are not only rewarded for 'thinking outside the square', but are allowed the time and space and respect to actually do it. Creating this environment is not a management task, rather it is an attribute of good leadership.

3. **Motivate people**. Motivation energises people to embrace change, enthusiastically and positively. It comes about by the individual seeing they have a stake in the outcome, that they are supported in achieving that stake, and they are prepared to go beyond whatever barriers may exist. It is a personal vision for achievement and success, and great leaders instil in their people a drive to embrace and leverage change.

4. **Create a culture of leadership**. Organisations too often reward people for being successful managers because that is how they set their performance targets. Meeting a sales target may result in promotion, and failing to hit cost reduction targets may lead to demotion, a side-ways move, or a move out the door. Where organisations also reward for leadership attributes and demonstrable behaviours, then those organisations and their people thrive. People know that leadership is important because they hear it spoken about, they see it in action and they are rewarded for being a good leader.

In many ways what Kotter was saying in 1990 is commonly found in organisations in 2017, although it is more spoken about than acted out. So how does leadership differ from management? John Kotter explained the difference as:

Management is….	Leadership is….
Coping with complexity	Coping with change
Planning and budgeting	Setting a direction
Organizing and staffing	Aligning people
Controlling and problem solving	Motivating people

Kotter goes on to state:

> *"…leadership and management are two distinctive and complementary systems of action. Each has its own function and characteristic activities. Both are necessary for success in an increasingly complex and volatile business environment."* (Kotter 1990, page 85)

Key attributes of great leadership were also espoused by Kouzes and Posner in their 1995 best seller 'The Leadership Challenge' (Kouzes and Posner 1995). The beauty of this book is its simplicity, and the clarity with which it can be applied to 3P. They propose there are five attributes of exemplary leadership:

1. **Challenge the process**, in that great leaders are never satisfied with 'near enough is good enough' and challenge their people to do better, to innovate, work smarter, be more productive and create better outcomes. This act is rarely seen with steering committees who are all too often satisfied to go with the existing methods when discussing new programs and projects. The challenge is not

thrown out to 'show me how we can do this better'. In too many cases, steering committees set aside no time to workshop execution methods and techniques, leaving it entirely to the program and project manager.

2. **Inspire a shared vision**. It is so simple and it happens so rarely: the sponsor calls together the troops and espouses his or her vision for the program or project and what they are going to achieve, individually and collectively. But as a shared vision it also means listening to what every team member has to say. Not only does this not happen, but in studies I've undertaken more than a third of project team members cannot name the sponsor, and just 10% can name who sits on the steering committee. It is without exception that where the sponsor and project leaders (i.e. the steering committee members) actively work to create and share the vision across all team members then the project is outstandingly successful.

3. **Enable others to act**. Organisations which had demonstrable excellence in innovation allow their people to be creative, to try new things, collaborate on prototyping ideas and experiment. They do not require five signatures on a piece of paper to think and act outside the square. One of the reasons agile-at-scale is taking off is it has built-in opportunities for creativity, and it is up to steering committees and those in governance to ensure space, time and resources are made available for innovation. It works!

4. **Model the way**. John Kotter (see below) made the observation that armies are never 'managed into battle' as opposed to being 'led into battle' (or more preferably, 'led into peace'). Visible leadership is active leadership and great governance is observed when we see governance actively engaged in 'doing' rather than 'sitting'. If we are taking on a new execution framework then the leaders need to be at the front, experimenting if need be, but showing a willingness to roll up the sleeves and engage with the troops.

5. **Encourage the heart**. Let's be honest, running successful organisation programs and projects is very difficult! It is a continual struggle for the project manager to 'line up the ducks' to obtain key resources, create buy-in across a range of (often) totally unengaged stakeholders, juggle and resolve issues, keep communication channels open and flowing with useful information. It is no accident that some projects end up labelled 'death-march projects' (a term coined for projects 50 years ago!). Project teams desperately need their leaders to provide active and meaningful support: physical and morale. To show the teams they are appreciated, that their good work is recognised and rewarded, that organisation success is fundamentally dependent on the great work they are doing. If only this happened! Yet, when governance actively 'encourage the heart' great deeds are achieved.

To be meaningful these attributes of great leadership must be seen in behaviours, and in doing that those in a governance role need to talk about it. Practically, leadership in governance is not absorbed through institutional osmosis: it is learned through practice.

What is immediately obvious is a strong correlation between Kotter's definitions of leadership attributes and those from Kouzes and Posner. To date it appears that most research on project governance has focused on the role and capabilities of the executive sponsor, and the influence of such roles on project outcomes, even if such

research is inconclusive. What appears to be missing is a broader analysis of the role of the sponsor and those making up governance for a, such as steering committees, especially in terms of key behaviours, and how such behaviours may relate to what is already understood by leadership roles and behaviours.

Are there correlations between leadership behaviours and sponsorship or governance behaviours?

Projects represent ideal environments in which to study leadership, as they are somewhat self-contained organisational units, bounded in time, which exhibit many attributes of the broader organisation in which they operate. There are a number of traditional leadership models which are particularly apt to the project space. Situational Leadership contends that the best leadership style is shaped to the nature and demands of the particular situation (Hershey and Blanchard 1982). This view was balanced somewhat by the contention that people were not so flexible as to change their leadership style so easily, and what they did instead was to mould the situation to fit with their preferred leadership style (Fiedler 1971). Another prominent leadership model was developed by Bass and Avolio which defines effective change leadership (Bass and Avolio 1990). This was seen to address the demands of modern organisations which were continually subjected to change, often disruptive in nature. Considering a fundamental purpose of projects is to deliver change, Transformational Leadership is a model which must be seriously considered to better understand project leadership.

Drawing on research into project sponsors, and comparing research findings to three leading researchers into leadership and leadership traits identified by leading researchers in this field. Kotter, (Avolio 1999) and (Kouzes and Posner 1995), can be summarised in Table 4.7.

Kotter	Avolio	Kouzes & Posner
Set a direction	▪ Display conviction Purpose ▪ Vision ▪ Stimulate new perspectives ▪ Question assumptions	▪ Vision ▪ Accept new challenges ▪ Goal setting ▪ Innovation ▪ Set the standard
Align people to shared goals		
Motivating people	▪ Provide encouragement ▪ Consider others ▪ Listen, advise, coach ▪ Develop others ▪ Empowerment	▪ Celebrate your achievements ▪ Develop others ▪ Empowerment
Creating a culture of leadership	▪ Trust ▪ Ethics	▪ Honesty ▪ Trust

Table 4.7 Comparing the attributes of three prominent leadership models

It is interesting that some of the key behavioural attributes of excellent leadership include influencing and decision-making. With decision-making, the key behaviours include clear and rational thinking, planning, delegating and problem-solving (Yukl 1989). Whereas delegating may seem both logical and attractive in theory, in practice managers often eschew empowerment for more control and command, as this is what they are most familiar with and do best (Argyris 1998).

In their 2002 book 'Execution: The Discipline of Getting Things Done', Bossidy and Charan identify the seven behaviours of good leadership:

1. Know your people and your business
2. Insist on realism
3. Set clear goals and priorities
4. Follow through
5. Reward the doers
6. Expand people's capabilities
7. Know yourself

Again we see recurring functions in setting vision, rewarding outcomes, knowing and growing people and follow through.

In their 2016 book 'The Strategic Leader's Roadmap', Singh and Useem argue that what has been missing from the effective manager's arsenal has been the right balance between strategy and leadership, that the over-emphasis on strategy and execution over the past 15 years has seen a de-emphasis on leadership (Singh and Useem 2016). That, in reality, to be truly effective a manager must focus on all three: strategy, execution and leadership. In the 3P world, we can view that as strategy, execution and governance.

In his highly influential book 'The Nature of Managerial Work', Mintzberg identified seven core functions of managerial work: conceiving, scheduling, controlling, linking, communicating, dealing and leading (Mintzberg 1973). It is interesting to note that 'leading' is identified as a function, supporting a conclusion that effective managers are also effective leaders.

Out of this analysis it is possible to make the distinction between management and leadership (Table 4.8):

Management Functions		Leadership Functions
Planning	⇔	Advising
Directing	⇔	Guiding
Managing good process	⇔	Endorsing good process
Conformance to standards	⇔	Endorsing standards
Doing things right	⇔	Doing the right things
Managing people	⇔	Leading people
Delivering outcomes	⇔	Prioritising outcomes
Controlling	⇔	Decision making
Optimising performance	⇔	Assessing performance

Table 4.8 Key functions of management and governance roles

These leadership functions established a starting point to undertake research to uncover whether these functions were applicable to project governance, and by extension, 3P governance.

4.6   Discovering Portfolio Governance Functions

Canvassing more than 350 project professionals and senior managers in 2005, Kloppenborg et al. identified eight major governance factors (which are essentially functions), defined by discrete sponsor behaviours, and determined their relationship with three major outcome areas (Future Benefits, Meeting Agreements of specifications and performance and Customer needs) and established that six of the eight factors had strong correlations to one or more of the outcome areas, and two factors had correlations with all three outcome areas (Kloppenborg et al. 2006). In a follow up study (or as part of the same study), the researchers investigated whether project managers and executive sponsors had differing perceptions of the appropriate behaviours of sponsors at project initiation (Kloppenborg et al. 2007). The research team identified there was just one area where differences existed, and that was the importance of the role of the sponsor in mentoring and assisting the project manager. It is important to understand that both these studies focused on perceptions – that is, what people perceive and think, rather than what people actually do. There was no finding that because project managers and sponsors had broadly aligned perceptions of the behaviours of the sponsor then such behaviours were actually carried out. Most importantly, the study did not determine what sponsors actually did (as distinct from what they should do).

In research undertaken between 2005–2008, and from 2010–2015, I looked at what those in a governance role actually do and to assess the impact such behaviours have on project outcomes. I studied three organisations in-depth, conducting more than 60 interviews with those in a governance role, along with a further 90 interviews with program and project managers and heads of PMOs. I used Critical Incident Analysis to discuss with a range of project stakeholders the circumstances surrounding specific incidents (such as missed milestones, realised risk or substantial change to scope) and to assess the impact on the project, whether such impacts were positive or negative. In doing this I uncovered both specific behaviours associated with a function (or functions), and therefore the relative impact of each function. I also inspected records to determine the extent of the impact (such as schedule, budget impacts, changes to scope which impacted on claimed and realised benefits). This gave three perspectives:

1. An assessment by those in a governance role of the critical incidents, the cause of such incidents, their, and their colleagues', actions in dealing with the incident.
2. Program and project managers' assessment of the incident and what they observed governance did in response to the incidents.
3. Independent analysis of project records to quantify the incident and impact of the governance functions on outcomes.

This enabled triangulation of the results of the analysis, and to remove any inherent bias those involved may have applied to their assessments ('deflecting blame' as some may call this).

Overall, I wanted to answer the question: "To be effective what should someone in a governance role really focus on doing?".

I did not uncover any more functions than those identified at the start of the field work, that is, those functions that others had already identified as being 'governance functions'.

The research undertaken also validated a set of governance functions and key behaviours. A model was derived from research (see Appendix 14.3), and these functions were compared to the corporate governance functions (see Chap. 4).

Research undertaken using Critical Incident Analysis uncovered a variation from the standard Corporate Governance functions (see Chap. 4). Seven functions were identified and their relative impact on project outcomes assessed, as shown in Table 4.9.

	Function	Description
1.	Commitment	The degree to which a governance stakeholder buys into the project, and having made a commitment, the degree to which they honour it
2.	Monitoring	How governance uses information to monitor a project, and the types of attributes they actually monitor
3.	Decision making	How effective governance is in making decisions
4.	Alignment	Whether specific steps are taken to ensure the project is aligned to enterprise and business priorities and directions, and how well a project maintains alignment
5.	Prioritisation	The processes enacted by governance to prioritise all programs and projects within the portfolio.
6.	Visible Leadership	'Visible leadership' exemplified by those taking on a governance role 'turning up', and being seen to be actively undertaking their role
7.	Mentoring	Whether those in a governance role take the time to mentor key 3P managers

Table 4.9 The functions associated with governance behaviours

Considering the above discussion on leadership, one can see all seven functions as being leadership functions.

The research also uncovered the relative impact of the functions on project outcomes (measured using Critical Incident Analysis) and using the specific behaviours to map through to the corresponding function. The results are shown in Fig. 4.6, which I expand on in Chap. 5. What this means for the studied organisations 'Commitment' had a tenfold impact on outcomes compared to 'Mentoring'. This does NOT mean commitment is ten times more important that Mentoring, as each project and each steering committee and sponsor will differ, and there are situations where mentoring may well be the most important function. What is important is that there were no discovered behaviours which aligned to any other functions apart from the seven identified.
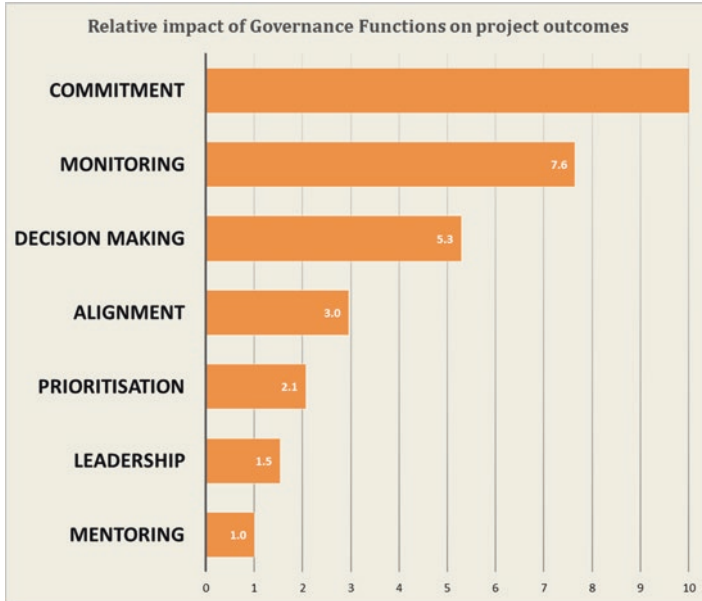
Fig. 4.6 The seven core governance functions and their relative impact on project outcomes

These relative impacts were somewhat surprising, as I thought 'decision making' would rank highest, as would 'visible leadership'. However, to those running projects, impacts were most clearly experienced when a senior manager's commitment was called into question, or was required to be demonstrated. Lack of commitment appeared as the major reason programs and projects failed.

One interesting observation is whereas management practice is widely taught in business schools, universities and as part of 'management development', for programs run within organisations, governance practice appears to be learned 'on the job', which is rather a high risk approach considering the level of investment governance roles are accountable for.

These functions and their associated behaviours are explored in detail in Chap. 5.

4.7   Conclusion

There are simply too many parallels between corporate governance and 3P governance to ignore the wisdom and great depth of knowledge of corporate governance from which we can draw many lessons. Over 90 years the theories of corporate governance have been developed, refined and applied in organisations, to improve governance effectiveness. Selectively applying these theories to 3P governance should see improve governance effectiveness, and with that, increased success rates.

Possibly the most important idea to emerge from studying corporate governance was good governance is leadership in action. Great sponsor are always great leaders, which may be self-evident, trite almost, but practice tells us it is rare.

So, until we are able to apply the lessons of corporate governance in on-the-job situations then all we have are good ideas, honourable intentions and theories. How great 3P governance looks in action is discussed in the next chapter.

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Chapter 5
Governance Behaviours

5.1 Introduction

Governance was discussed in Chap. 2 in understanding portfolio governance, and in Chap. 3 as part of understanding project management maturity and in Chap. 4 corporate governance was analysed to see what lessons can be gathered which are pertinent to portfolio, program and project (3P) governance. In this chapter we will look in detail at what good governance practice looks like, and the implications for portfolio success.

When governance fails the whole organisation fails, and with vigilant and engaged governance success has every chance, so how is good governance carried out?

5.2 Governance Functions

In Chap. 4 I proposed there were seven key functions of 3P governance. There could be valid arguments regarding whether this is a complete list, although substantial research and extensive field studies have not uncovered any more functions, which could not be satisfied through interpretation of the proposed seven functions.

Following the results of research (as documented in Chap. 4) Fig. 5.1 shows the seven key functions of governance and their relative impact on project performance, as measured using critical incident analysis.

These generic governance functions are further defined by a set of governance behaviours which are played out across each of the 3P life cycles as specific practices, processes and procedures (see Sect. 14.2.1). However, analysis of what actually happens within organisations shows that governance processes are often 'non-processes', or the consequence of not carrying out a desirable or even prescribed process. As the saying goes: 'Even a non-decision is a decision'. This

leads to a comparison between 'positive practices' and 'negative practices' as shown in Table 5.1. Failure to carry out a prescribed governance role creates a behavioural vacuum which can have negative impacts on 3P performance and outcomes.
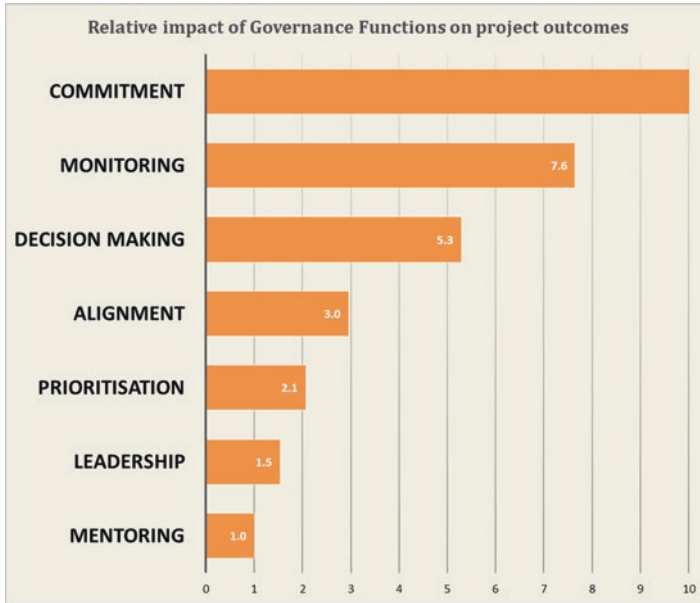
Fig. 5.1 The seven core governance functions and their relative impact on project outcomes

The following table summarises some of the positive and negative governance behaviours, which are defined for Project Governance, but which can be broadly applied to each of the 3P:

	Governance Function	Description	Positive Behaviours	Negative Behaviours
1.	Commitment	The degree to which a governance stakeholder buys into the project, and having made a commitment, the degree to which they honour it	✓ Commit funding to meet project budget demands ✓ Commit (that is, allocate) the right people to work on the project ✓ Assure that resources and services agreed to be allocated to the project are honoured	✗ Change funding commitments without understanding the impact on the project, or without first consulting the project manager ✗ Commit the wrong people to the project, or swap people in and out of projects
2.	Monitoring	How governance uses information to monitor a project, and the types of attributes they actually monitor	✓ Ensure alignment with organizational priorities ✓ Review and re-assign priority every 6 months (say)	✗ Make no attempt to correctly prioritise the project in the Portfolio, or set too many projects as high priority ✗ Fail to assure that there are sufficient resources (funds, technology etc.) to run the project in the expected time frame ✗ Continually change the priority of projects, such that resources are being moved across projects on a continuing basis
3.	Decision making	How effective governance is in making decisions	✓ Undertake stage gating activities in an efficient manner ✓ Address and resolve issues escalated for their action in a timely manner ✓ Ensure appropriate decision making processes are being followed at the project level ✓ Endorse (review and approve) all key deliverables in a timely and efficient manner ✓ In particular, endorse project budgets, resource plans, strategies and business case	✗ Fail to make decisions, delay decisions, or simply make the wrong decision ✗ Do not put in place decision making processes which will assure the right outcomes ✗ Too much focus on problem-solving, and not enough focus on selecting the 'best-case' option ✗ Be ignorant of which deliverables they are required to endorse ✗ Be unclear about what it is they are actually endorsing ✗ Be slack in carrying out their review and sign-off activities (continually miss agree review milestones)

Governance Function	Description	Positive Behaviours	Negative Behaviours
4. Alignment	Whether specific steps are taken to ensure the project is aligned to enterprise and business priorities and directions, and how well a project maintains alignment	✓ Ensure project objectives are correctly aligned with priorities ✓ Ensure people are aligned with organisation goals and priorities ✓ Make sure their people are committed to project strategies and outcomes	✗ Failure to ensure alignment of project objectives with organisational objectives and priorities ✗ Do not give explicit direction to their people to 'get on-board' the project OR (worse), encourage their people to not actively support the project
5. Prioritisation	The processes enacted by governance to prioritise all programs and projects within the portfolio.	✓ Ensure alignment with organizational priorities ✓ Review and re-assign priority every 6 months (say)	✗ Make no attempt to correctly prioritise the project in the Portfolio, or set too many projects as high priority ✗ Fail to assure that there are sufficient resources (funds, technology etc.) to run the project in the expected time frame ✗ Continually change the priority of projects, such that resources are being moved across projects on a continuing basis
6. Visible Leadership	'Visible leadership' exemplified by those taking on a governance role 'turning up', and being seen to be actively undertaking their role	✗ Make themselves known to all team members ✗ Be seen as a 'project champion' and 'friend of the project' ✗ Attend key project events, such as show cases, 'town hall' events and presentations	✗ Be 'invisible', by not making the time to attend key project events, or by not making themselves known, personally, to team members ✗ Not being seen as a project champion, or being seen as a 'fair weather' friend of the project
7. Mentoring	Whether those in a governance role take the time to mentor key 3P managers	✗ Provide advice to the project manager as requested, or to assist the PM to better manage the project ✗ Encourage the project manager to act as a 'governance adviser' ✗ Ensure appropriate coaching or mentoring programs are in place to ensure all those working on projects improve their job performance	✗ Do not provide timely and useful advice to the project manager, even though it is recognised such advice would be useful ✗ Reject (or at least) do not encourage the project manager to proffer advice ✗ Do not put coaching or mentoring programs in place, or do not commit to any such programs which may be in place

Table 5.1 The seven key governance functions and corresponding positive and negative behaviour

Each of the seven functions is described below.

5.2.1   *Commitment*

This function almost flew under the radar as it was assumed commitment must be there if one agreed to take on a sponsorship role or sit on a steering committee. It was pointless to ask people "Are you committed to this project?" as the answer was always "Yes, of course". It is so easy to say "yes", and in a study I did with 167 sponsors and steering committee members, 74% stated they were committed to every project where they have a governance role. But commitment is not delivered in words but in actions. Commitment can be prosaic in its nature and devastating when not realised. It is subtle and very often insidious. It ranks so highly mainly due to the negative impacts on the project when commitments are not met. Lack of commitment is seen in people not turning up the meetings or not being prepared for meetings leading to delays in decisions. It is seen when, having to appoint a subject matter expert (SME) to a project, the right person is substituted at the last minute with someone who is missing the 'E' part of SME. When not honoured, commitment delivers a death by a 1000 cuts to the project. When challenged, those who walk away from commitments often have logical, well reasoned arguments for unilaterally making the change. Priorities have shifted, for example, and now person X is required somewhere else. It is a source of continual frustration for project managers who have to battle on regardless, and they appear weak and ineffective if, when they miss a milestone, complain that work could not be completed because certain people were not available on the project. Steering Committees simply do not buy that as a valid excuse as, collectively, they know they too are more than likely to withdraw resources if circumstances dictated.

Commitment is also demonstrated on the big calls, such as committing to a strategy even when it would be so easy (and cheaper!) to simply walk away from it. Commitment means seeing things through to the end, showing determination and strength. Commitment seems to be the one thing everyone agrees on making, yet it is the first thing to be withdrawn when the pressure is on.

When commitments are met, however, projects sing. The right people turn up, decisions are made on time, deliverables are signed off as per the agreement, funding is honoured and people turn up to steering committee meetings informed and prepared to make decisions. It is project management heaven!

Some common examples of commitment in action include:

- Funding commitment. Having signed off a business case, essentially confirming to invest X dollars in program Y, senior management should stick with that commitment, unless it is agreed to re-define the strategy, re-scope the program and propose an updated business case. Programs simply cannot 'absorb' changes to funding commitments (see Mini-Case Study 5.1).

- SMEs committed. Subject Matter Experts are some of the most important 'knowledge workers' a program or project can have. They are indispensable for making decisions, signing off deliverables and having deep and wide networks back into the organisation. If you change the mix of SMEs, you will change the program and its performance.
- Meet milestone – sign off deliverables. In so many ways programs are dependent on people outside the program doing the right thing. It is a continual frustration to program and project managers
- Engaged Steering Committees. Attend SC meets, be prepared, be informed, make decisions!
- Change behaviour. Probably nothing says 'I'm committed' more than by changing your own behaviour to be more effective in your governance role. It is almost universally true (that is, it's true!) that when improvements are called for on a program or project the people calling for changes exclude themselves from the mix.

Topic:	If you commit to a strategy then commit to funding it
Details:	The Personal Risk division of a very large, multi-national insurance company had completed its strategic planning and was finalising the make-up of its portfolio, which represented a $150m investment over the next 3 years. Due to the under-performance of one its major overseas operations, the executive decided that the total investment in programs and projects would be cut across the board, meaning the Personal Risk portfolio was asked to reduce its forward spend by $20m in the next financial year. A substantial part of the portfolio spend was on a business transformation program, slated to run for 3 years and costing $40m a year (total investment $120m). It was decided to cut total program funding by $20m in the first year, and stretch the program by a further 12 months. No one took into account the full impact of this change, but it was substantial: • Delays to implementing new information systems: $17m • Extending the IT program by 12 months: $36m • Delaying new product roll-outs dependent on the new IT system: $35m in lost revenue • **Total additional costs: $53m** • **Total lost revenue: $35m** Simply by reducing investment by $20m it had a substantial impact on the bottom line which was not obvious at the time the decision to cut funding was made.
Lessons:	You must fund investment strategies. Changing the funding mix requires a complete re-think about strategy

Mini-Case Study 5.1   If you commit to a strategy then commit to funding it

It is no mystery that commitment sits higher than any other function in affecting program and project performance and outcomes. If one thing were to change then making commitments 100% a sure thing would be it.

5.2.2   Monitoring

Monitoring is not control. The role of governance is not to pull the levers, that's management's job. Governance's role is to effect oversight through regular and knowledgeable monitoring of portfolio, program and project performance and likely outcomes. They need to be looking down the track to understand probable outcomes if and when certain actions are taken – or not taken. This level of effective oversight is mandatory if projects are to avoid falling in to reactive mode, stumbling from one crisis to the next. So what's going on here? In too many cases there is a deficiency on meaningful and timely information being provided to governance. More worrying is governance does not even know what information is required so they do not ask for it. Project managers and PMOs do carry some of the blame here in that they often mask real project status with voluminous status reports, so full of numbers and data that meaning is totally hidden. How are steering committee members meant to read and comprehend a 50 page status report when they make available less than 5 min for the task? Moreover, much of the data presented is historical and very little is forward looking, and invariably it reflects the project manager's view of the project, detailing what is important to him or her. Appending very detailed Gantt charts defies comprehension. Who is going to read and interpret these? When highly skilled, qualified and certified project professionals struggle to understand a Gantt chart, often arguing amongst themselves what it all means, then what hope senior managers with no hands-on project management experience?

It reflects a lack of confidence in the project manager's ability to deal with the steering committee such that if worse comes to worse the project manager can claim "well I did tell them!". Indeed. Poor monitoring is, generally, not a matter of lack of will, rather it is an unacceptable level of ignorance by governance on what they are meant to be monitoring, and a failure to deliver an effective information and knowledge management system on the part of management. Suffice to say poorly monitored projects rapidly go off the rails. It is unsurprising the function rates so high.

Effective monitoring is wrapped in good communications and clarity of information and knowledge flows. As Mini-Case Study 5.2 shows project managers unreasonably place too much emphasis on the steering committee pack be the fountain of all governance information. However, the pack itself can be dense, confusing, incomprehensible and downright misleading.

Topic:	Tell it to me so I can understand it
Details:	In an episode of the US political satire 'Veep', Kent (the numbers guy) is explaining to President Selina Meyer some esoteric aspect of voting in Nevada when she cuts him off mid-sentence with "Kent! Know your audience!". This statement pertains perfectly to how program and project managers communicate with their steering committees. They continually tell a story which makes sense to them, but not to their audience. I was called in by a senior manager at a very large, multi-national bank to have a look at the steering committee reporting pack he had received. He could not make head-or-tail of what was being reported. I analysed the 50-page Power Point document and I uncovered: • It was impossible to understand whether the program was on track or behind schedule. The Gantt charts presented were so complex as to defy comprehension, although I did note that several major milestones were being reported in the future even though their target dates were in the past (?!?) • The spend burn-down charts showed the program was over-budget but the headline stated they were under-budget, and they had done this for 3 months in a row. • 35 of the 50 pages detailed highly complex technology issues, full of indecipherable terms and acronyms. • The decisions expected of the steering committee were documented in 12 different places and never as a summary. • Critical issues were reported with their 'drop-dead' dates in the past, with no call out of action plans. I could go on, there were so many aspects of the report which made it totally inappropriate as an effective communication medium. I discussed the report with the program manager who explained it had to be like that because the issues were complex and he didn't want to hide any information from governance. He also explained the reason the pack was so large was because he didn't know what topic the steering committee would want to discuss. I worked with the program manager to re-structure the pack, and then ran several, 15 minute sessions with the steering committee to 'advise' them on effective monitoring and how to read the reporting pack.
Lessons:	To support effective monitoring by governance, information must be presented in such a way as to be immediately comprehended. Status must be presented on a single page, and in such a manner as to be intuitively obvious.

Mini-Case Study 5.2 Tell it to me so I can understand it

Some common examples of where monitoring falls down include:

- Monitor the wrong things. I look at portfolio, program and project monitoring in detail in Chaps. 8, 9, 10 and 11, so in summary the problem is many steering committees (and portfolio boards etc.) look at the wrong things. For example there's little point a divisional portfolio board obsessing about project schedules, or discussing everything which is going well when problem areas are going undetected. In principle, at the portfolio level the emphasis must be on realising strategy, at the program level the focus is on optimising the business case, and at the project level the steering committee must monitor execution performance and delivery efficiency.
- Steering committees do not track the assumptions underlying the Business Case. If there is one major failing of program steering committees is how little analysis is applied to tracking probable benefits realisation. Yet this can be done so easily just by tracking the assumptions underlying the business case. How have these changed? Are they still valid? Are we missing opportunities? Such simple questions often are largely ignored.
- Have little idea about risk. I addressed confusions regarding risk in Chap. 2, but all governance forums need to focus on risk, as in *what are we uncertain about, and what are the consequences of that uncertainty?* I have yet to review a program or project where outcomes could not have been predicted by effective risk oversight and management. It is that important.
- Poor, misleading, out of date information. Steering Committees are over-fed on data and starved of information. In too many cases the information they require to monitor programs and projects, and to make the right decisions, simply does not exist, or it presented in such a format as to be incomprehensible.
- Steering Committees ask wrong questions. Whether this appears counter-intuitive or not, but many senior managers sitting on steering committees ask questions about subjects they know a lot about. Maybe this makes them look smart, but it often means issues requiring deep questioning are missed off the agenda.

When monitoring is effective decision making is also effective, programs and projects perform well and better outcomes are achieved.

5.2.3   Decision Making

I started my research project in 2005 fairly confident that the most important governance function would be decision making. After all, isn't what they spend the majority of their time doing? I was wrong on both counts. Certainly making decisions consumes much of governance time, or it should. It appears there is a reluctance on the part of the steering committee to make collective decisions, often unclear of the consequences (and repercussions!) of such decisions. But without making decisions programs and projects cannot proceed. They come to a dead stop

and teams end up idle. Most organisations I have worked with employ a form of stage or phase gating (see Chap. 7), whereby formal decision points enable each layer in the 3P to proceed to the next phase with governance having satisfactory confidence in both performance and claimed outcomes being achieved. Any delay to these decisions can be catastrophic, as I discuss in the following Mini-Case Study 5.3:

Topic:	The cost of delayed decision making
Details:	A major program to overhaul the back-off operations of a wealth management business was approaching implementation and the Steering Committee was required to approval the 'go live' date. There was uncertainty amongst several members that significant defects would not be repaired in time and they required additional information before signing off on the roll-out. The key decision would be delayed 1 week. This had a knock-on effect as the training program, commencement of user acceptance testing and several core system interfaces all had their timelines pushed out. When approval was finally obtained the following week the total cost of the knock-on effects exceeded $250k. No one informed the Steering Committee that this would be cost of the delayed decision.
Lessons:	Steering Committees must be prepared to make decisions as per the decision schedule. Each member is accountable for being well informed and confident in making the right decision. Program and Project Managers must advise the steering committee of the consequences of not making decisions as required.

Mini-Case Study 5.3 The cost of delayed decision making

Decisions either save or cost but they are never without consequence and not making a decision has as much, if not more, consequence as making a decision – even if it turns out to be the wrong decision.

5.2.4 Alignment

Aligning a portfolio (and its component programs and projects) to organisational strategies and goals would appear to be a critically important governance function, after all organisations need to know they are spending their money on the right things. However, for just about all the projects studied, once a decision is made to fund the project and it is initiated and a business case produced, matters of strategic alignment are rarely re-visited. Furthermore, when analysing steering committee decisions none seemed to have much relationship to strategic alignment, or at least that is how the decision register recorded them. Importantly, alignment is seen as a

portfolio governance function rather than a project governance function. However, in analysis conducted as part of Benefits Realisation Reviews it was seen that a major factor leading to realised benefits being less than claimed benefits was misalignment of the program or project to changed organisation goals and strategies, and to other (interdependent) programs and projects.

Alignment is also achieved through ensuring the program or project is harmonised, or working collaboratively, with other interdependent programs and organisational units. Those in governance need to be particularly mindful of these interdependencies as they can be useful in leveraging their own networks to create personal relationships which make this harmonisation work. Resource Dependency Theory recognises good networking connections as a key consideration when selecting steering committee members (Mini-Case Study 5.4).

Topic:	Ignore the rest of the organisation at your peril
Details:	The Retail Customer Portfolio of a large bank included 5 major programs made up of 45 projects to be run over 3 years. One program stream was focused on achieving top ranking in Nett Promoter Score (NPS), to be achieved by delivering excellent customer service, proactive management of customer accounts to recommend the right product mix which would reduce overall customer fees. Unfortunately for this stream, the industry regulator had reached agreement with the bank's executive that providing 'personal advice' was a dangerous practice as it could run foul of recently introduced government legislation. The executive reluctantly agreed to change how they proposed products to their customers, and those customer service procedures were at odds with what this program was about to roll-out. Wholesale changes were require to program scope and business strategy, and the number one NPS ranking target was pushed out a further 12 months. This major re-think to strategy could have been avoided if program scope had been correctly defined, and the bank's Risk and Compliance group brought into discussions of scope early on. The same could have been said about the Risk and Compliance group – why didn't they inform all the business groups that discussions with the regulator were planned? Even though nothing was agreed, the changes to how advice was to be provided to customers could be on the table. The net effect was a $2.5m increase to the program budget, and an indirect hit to revenue of more than $15m.
Lessons:	Those in a governance role must ensure that scope has been fully worked and that the Enterprise Portfolio Working Group actively, and continuously, analyses cross-portfolio interdependencies. Changes to scope must be anticipated rather than reacting to them after the fact.

Mini-Case Study 5.4   Ignore the rest of the organisation at your peril

5.2.5 *Prioritisation*

Prioritisation is a fundamental practice in structuring the enterprise and divisional portfolios. At the portfolio level nothing will be agreed or signed off without some form of program and project prioritisation. However, at the program and project layers prioritisation is a much personal, possibly selfish, practice. In many cases governance viewed their project's priority in terms of what it meant to them, in particular in how it supported (or not) their targets and, unsurprisingly, their personal scorecards. This created a self-centred view of projects and their relative priorities, rather than giving effect to what is important to the division, business unit and organisation.

   The other area where prioritisation is prominent is in sequencing: ensuring first things happen first. Nowhere is this seen more where projects, dependent on core system changes, make unrealistic expectations that they will be prioritised over the needs of other programs and projects. In some cases, where schedules are locked in and even small changes may have huge cost ramifications, these projects end up 'jumping the queue', often ahead of higher value programs, purely on the basis of avoiding costs, which should never have even been the case.

   Mini-Case Study 5.5 describes how dependence on some core systems distorts how organisations should be prioritising their portfolios.

Topic:	How long do we have to wait for these guys?
Details:	Many organisations struggle with overly-complex IT systems, built over many years through opportunism, constrained funding, unrealistic time demands and poor architecture and design. Even very small changes to core systems have major impacts in terms of time and cost. For example, changing just 1 line of code in a 'typical' legacy system is estimated at over $150k, taking into account quality assurance and full-event testing. In too many cases core systems are lag systems, meaning too many milestones which are dependent on core systems delivering capabilities blow out, requiring program teams to scramble to ensure their critical paths are not impacted. In many cases lead times for system changes sit at 6 months or more, meaning if changes are not delivered in time then programs are forced into 'work-around' territory, undermining solution integrity and the business case.
Lessons:	Core system owners must start managing their systems as portfolios, planning system changes out 18 months to 2 years. This will enable them to pool requirements across many client groups (and interfacing systems)

   Mini-Case Study 5.5 How long do we have to wait for these guys?

5.2.6 *Leadership*

It is unusual to have this as a separate function considering governance is 'leadership in action'. One can argue all the governance functions, collectively, describe leadership, so why have this as a stand-alone function? In one sense it is a catch-all for all those attributes of leadership not extracted as a separate function. But most importantly it describes 'visible leadership', where the sponsor – in particular – behaves such that no one is in any doubt who is leading the project (rather than managing the project). This is demonstrated in kick-off meetings, in championing the project, in actively chairing the steering committee (as sponsor), or actively engaging in useful discussions around the table (as a steering committee member) and in communicating the project to direct reports. Leadership for project governance is a transformational leadership role, and all the attributes of this style of leadership are in play. Indeed, it is one of the best examples of where you will see transformational leadership in action.

I propose throughout the book the value of those in a governance role mixing with the teams and get a first-hand experience of what is going on. Mini-Case Study 5.6 shows that if governance does this, calamities could be avoided.

Topic:	The cost of not getting close to the action
Details:	OneTel was an Australian telecommunications company formed in 1995 which went to IPO in 1997 valued at $208m and grew quickly having 1,500 employees and annual revenue of $120m in January 2001, at which point Macquarie Bank valued the company at $3.5B. By April 2001 the company was insolvent. What went wrong? There was a myriad of issues which brought One. Tel undone, including corporate malfeasance, failed operating support systems, going too hard on growth too quickly and dysfunctional management. If board members had taken the opportunity to visit the call centre in 2000 they would have noticed the complete mayhem arising from a totally disastrous billing system, whereby customers being presented with fictitious bills refused to pay! The company was being bled of revenue which eventually brought it undone. But no board members took that walk so the real reasons the company was failing were not presented to the board until it was too late.
Lessons:	There is no substitute for getting close to the action. All members of governance need to 'take the walk', and chat with program and project team members and gain, first hand, a real feel for what is going on.

Mini-Case Study 5.6 The cost of not getting close to the action

One clear demonstration of visible leadership is the frequency of sponsor visits to the project, whether this be for a 'enthuse the troops'-type talk, to front a project kick-off meeting, or a casual walk around the floor, stopping and chatting with team members. Figure 5.2 is the result of asking 45 project professionals about their sponsor behaviours on projects they had worked on in the previous 2 years. The results are

not encouraging, with over 70% of reported projects (sponsors) making an appearance with the project never or once or twice. In some cases the project team members were not even sure who their project sponsor was. Anecdotal evidence certainly supports the proposition that being a visible leader makes a big difference.
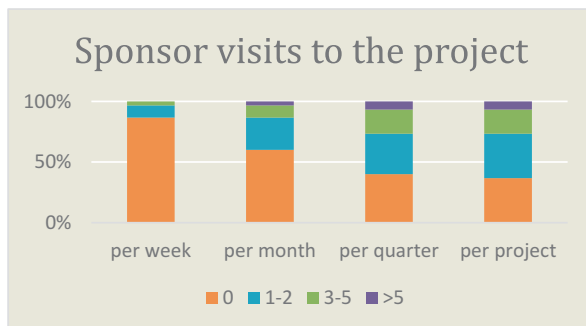
Fig. 5.2   The frequency of sponsor visits to a project

5.2.7   *Mentoring*

Mentoring and its closely related function, coaching, is often a cultural matter – that is, organisations do it as it's part of management and leadership development, or it is left up to the individual and so there are no consistent mentoring practices. From research it was found that when done, mentoring had a significant impact on project manager performance. But it is one of those functions that even if absent, projects can still perform quite well. It really depends on the maturity of the project manager, and certainly junior PMs benefited from 'words from the wise'.

Good sponsors and others in a governance role know that project success is so often contingent on a successful project manager, one who is knowledgeable, confident, personable and competent. Whereas few in governance could teach the PM anything about project management, they could pass on very useful advice about how to 'work a room', manage a steering committee and converse with senior management. An informal course in politics and power will never go astray, and the benefits of building such alliances and networks should never be under-estimated. Project managers fail largely on the basis of their poor soft skills (Mini-Case Study 5.7).

Topic:	Project Managers really appreciate friendly advice
Details:	One reason why many project managers would benefit from some friendly guidance and support is, historically, many project managers emerge from information technology, as for many years, 'organisation projects' were predominantly 'IT projects'. Between 1977-1991 I ran many project management and team building workshops, and as I was a certified assessor, I would conduct Myers-Briggs personality profiling where attendees would assess their preferences (Foundation, 2016). For those not familiar with this technique, Myers Briggs proposes four personality dimensions, and the predominant profile for those working in IT was the Introvert-Sensate-Thinking type (more than 60% of those working in IT fell into this profile). This Myers-Briggs type is not outgoing, prefers to work alone in a field which is dependent on rational analysis of facts and numbers. Think of the computer programmer, head-phones on working alone for long hours coding and de-bugging, and you have an accurate picture. From this cohort would emerge project managers, and in a true depiction of the Peter Principle, these PMs would not be the most out-going, finding it difficult to corral a disparate group of stakeholders around a table to negotiate good outcomes. Further, as they respected numbers and facts, they would often be bewildered when others could not recognise the good work they were doing. Not being natural 'self-promoters', many PMs lack the skills to finesse situations, to promote their projects and optimise stakeholder satisfaction, especially with their sponsors. When we couple this behaviour with the sociological perspective, then the PM can be seen as George Simmel's 'the stranger' (as I discussed in Chapter 4) or in modern parlance, the 'fall-guy' if anything goes wrong. Considering more than 60% of project managers work on a contract basis, then they are often not seen as 'family', meaning there is little inherent loyalty from others to them. In reality, the project manager can do with all the friends he or she can muster, if only they knew how to request that friendship.
Lessons:	Many project managers, having come up through the technology ranks, miss the finer points of effective communications, negotiations, persuasion and stakeholder management. Taking a little time to mentor these (otherwise) very fine professionals results in much better program and project outcomes

Mini-Case Study 5.7   Project Managers really appreciate friendly advice

5.3   Governance Behaviours in Action

We witness the 7 key governance functions in play through governance behaviours. In many cases a single behaviour may be exhibiting more than one governance function. In this section I look at governance in action, documenting the results of a number of field studies where I have worked with and observed those charged with a governance role.

There are three separate field studies looking at governance behaviours (see Chap. 14 for a detailed description of all research activities and field studies undertaken):

Attitude and practice analysis (Study 2 in Sect. 14.4). This study resulted from working closely with 3 organisations in the period 2006-2008 on improving their governance practices. Those in a governance role (115 senior managers) were asked to assessing their attitude towards how the organisation ran projects, and their involvement in this.

Portfolio Governance assessment (Study 3 in Sect. 14.4). This was an in-depth study of how one organisation managed its portfolio of programs and projects. It involved questionnaires and interviews with 50 senior managers and portfolio and program managers.

Steering Committee behaviours (Study 4 in Sect. 14.4). In this study I worked with 4 organisations between 2010 and 2015, and it involved 167 senior managers who took on governance roles as either sponsors or steering committee members.

Apart from these 3 studies, between 2008 and 2015 I conducted 15 Post Implementation Reviews, 'Set For Success' Reviews and Health Checks across 5 organisations. I interviewed 148 project managers, sponsors, steering committee members and key project stakeholders. Within scope of each review was 'Governance Effectiveness' which allowed me to discuss in detail the governance arrangements, roles and accountabilities, key behaviours and the impacts on projects of those behaviours. This created a rich qualitative basis to better understand 'governance in action'.

5.3.1   Attitude and Practice Analysis

The work undertaken was with three organisations in the period 2006–2008, as I was engaged to design and run a governance improvement program (termed 'capability uplift').

At the start of the consult, and at least 6 months following the end of all improvement initiatives, I conducted interviews and asked the senior managers involved to fill out a questionnaire, as detailed in Table 14.11 (in Appendices). The questionnaire covered seven areas:

1. Portfolio Optimisation – the organisation is running the right project.
2. Decision making processes – decisions are made efficiently
3. Information and communication – governance has access to timely and accurate information
4. Commitment – all steering committee members were committed to their projects
5. Learning – the organisation takes pride in being a 'learning organisation', rarely making the same mistake twice

6. Support – appropriate support is given to both governance and management
7. Methods and standards – project management and governance standards are in place and followed

   Figure 5.3 details the results of the improvement initiatives. The 'Before' and 'After' columns are the mean scores corresponding to the start and end of the improvement program respectively, and the 'Improvement' is the percentage improvement based on mean scores.

   Clearly there were reported improvements across seven assessed areas, with the portfolio area ('we run the right projects with the right priorities') and support for those in a governance role enjoying the greatest improvements. Still, not all areas could be considered strengths (i.e. a mean score < 3), with not being seen as a learning organisation remaining a problem area. This matter is often seen as being a core cultural issue, and one which pervades so many explicit and tacit practices. Steps were taken as part of the improvements to set up a "lessons learned' repository, but it was not kept up to date. Unless all senior executives take ownership of cultural change it probably (definitely?) will not happen.
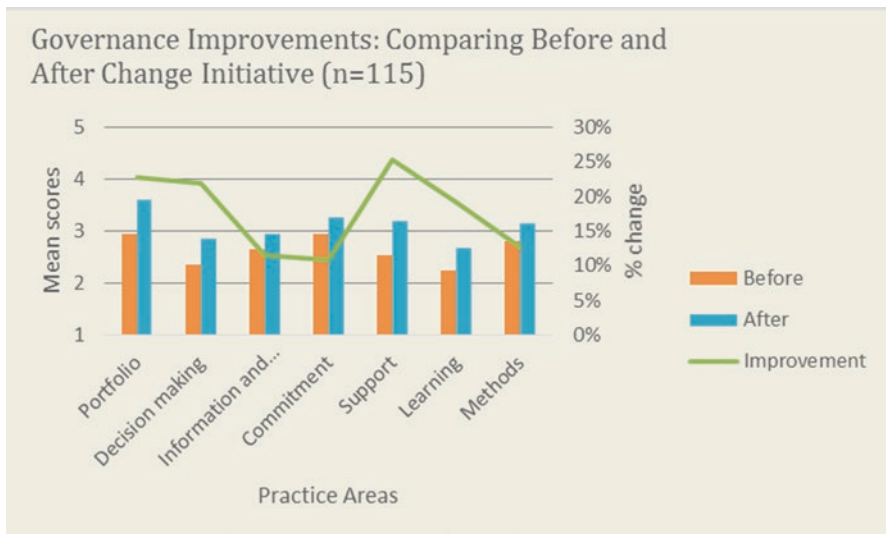
Fig. 5.3 Comparing 'before' and 'after' mean scores across the seven assessed areas

   When looking at areas respondents considered strengths, I group a '4' and '5' as 'Agree', and compared the before and after pictures (Fig. 5.4):
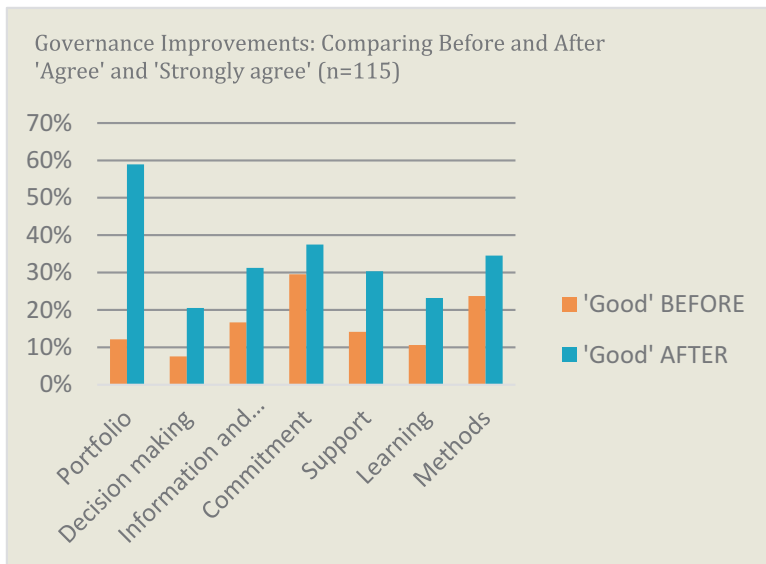
Fig. 5.4 Comparing 'before' and 'after' of those areas considered strengths

It was interesting to see that the majority of senior managers (58%) now viewed that the portfolio was correctly structured, compared to just 12% before the improvement initiatives. Apart from this area, however, no other area enjoyed majority support as being a strength.

Did These Changes Make a Real Difference?
In following up with each organisations 6 months following the improvement initiatives, I spent time with the PMOs analysing project performance. The overall impression was that things were much better, and that projects were running more smoothly with an increase in milestones met, and due to there now being an integrated portfolio, coordination across projects was greatly improved. The expectation was that they would see real increases in realised benefits.

Key Take-Outs
Overall governance practices are seen as weak, that's the starting point for many organisations, and when focused on, improvements can be made which make a real difference to both project execution and outcomes success. However, these programs need to be seen as on-going as it is too easy for senior managers to resort to their old practices.

5.3.2 Portfolio Governance Assessment

This assessment was designed to gain opinions on how senior managers viewed their portfolios, how well they were structured, their engagement in a governance role and the effectiveness of their roles.

The assessment looked was broken into six parts:

1. Portfolio Execution
2. Governance Forums
3. Your Governance Role
4. Your Governance Relationships
5. Decision making processes
6. Portfolio Oversight

Respondents were asked to assess 30 criteria against a 1–5 Likert scale (that is from 'Poor' through to 'Good'), as shown in Table 14.12 in Sect. 14.5.2 (in Appendices) (Table 5.2).

Portfolio Management
Portfolio Management processes
Portfolio definition, structuring and prioritsation
Alignment of the portfolio to the business and strategic plans
Capabilities in delivering the portfolio
Running the right number of projects
Governance Forums
Governance forums - effectiveness
Governance forums - accountability
The right number of SC
Right representation on SC
Commitment of SC members
SC effectiveness
Your Governance Role
Knowledge of governance accountabilities
Delivery of SC accountabilities
Enough time to do role justice
Working Together
Skill levels of PM's
Meetings with PM
Support for governance roles
Know where to seek assistance
Availability of the right information
Decision Making
Awareness of gating processes
Effectiveness of gating processes
Gating processes enabling control
Effectiveness of initiation processes
Effectivness of Issues Resolution
Portfolio Oversight
Project communications and status reporting
Risk management
Project health checks
Benefits Realisation Reviews

Table 5.2 The 30 Portfolio Governance criteria assessed by 50 senior managers in 1 organisation

Scores of 1–2 are ranked 'Poor', a 3 is 'OK' and a 4 or 5 is 'Good', and the results are documented below (Fig. 5.5):
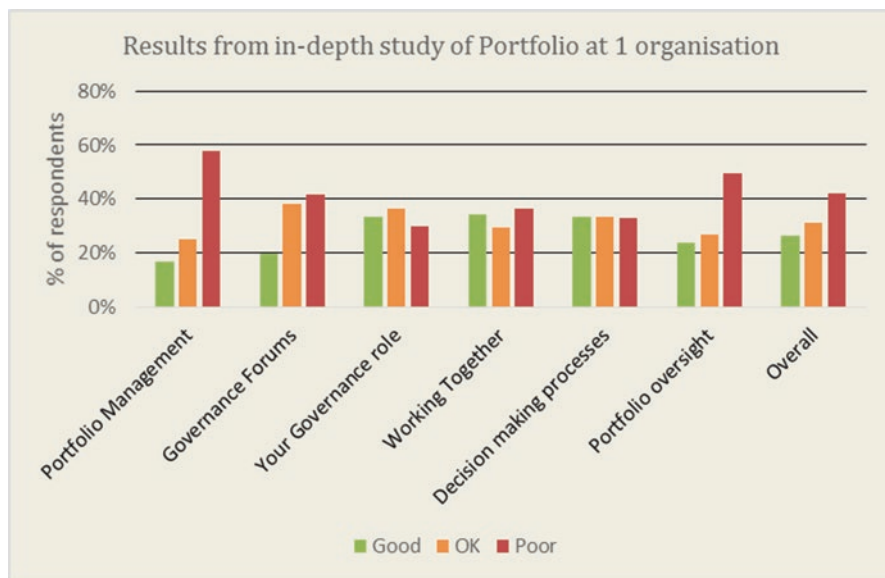
Fig. 5.5 The overall assessment of each of the six parts in the governance assessment

Portfolio Management was viewed poorly, due mainly to the organisations having incomplete, weak, inconsistently followed or simply ineffective portfolio governance, management and execution processes. Programs and projects were not prioritised correctly, and there was uncertainty regarding correct alignment to key strategies.

Governance Forums, while most respondents acknowledged boards and steering committees were set up, they were less than satisfied they operated efficiently, that their time was well spent, or that they had the right representation.

Your Governance Role had the second highest positive scores, which underlines that if problems exist, people tend to look other than themselves for the cause. Still, with 35% of respondents reporting 'Poor', there is little reason to see that improvements are not required here.

Working Together was one of the better performing areas, still there were more negative assessments than positive assessments, indicating that improvements were required. This is an important area as it covers how those in a governance role work with their peers, and with program and project managers.

Decision making processes had an even split across the 1–5 scores. However, when just a third of respondents saw these processes as efficient then there is a real problem.

Portfolio Oversight had the second poorest scores after portfolio execution, which
   is unsurprising as the two are related. However, the inability to monitor and
   control the portfolio spells major problems for organisations.

Overall with a Poor rating by more than 40% of respondents and just 23% reporting
   as OK means there are many and significant opportunities (actually, demands!)
   for improvement.

What happened next was interesting. I have done many maturity assessments and
whenever I presented the results which indicated the organisation's project managers
could do with some focused professional development (training, certification and
the like), senior managers were almost always unanimous in their approval to
proceed with such initiatives. In this case as the improvements sat firmly with them
there was an eerie silence when the results of the study were presented. No one was
keen to sponsor any initiative which required their peers to undergo 'improvements'.
Senior managers don't do improvements, and they certainly will not attend anything
which looks like training. One needs to think very carefully about what a gover-
nance improvement program should look like, which we tackle in Chap. 12.

However, not all improvements were up to the individual to achieve. Some
improvements were systemic in nature and required organisational change, as
discussed below.

5.3.3   Steering Committee Assessment

In this study 167 steering committee members engaged in working sessions to discuss
their governance roles and how they could be more effective. At the end of each ses-
sion several questionnaires were filled in by attendees. The first looked at their gover-
nance role in the overall portfolio of programs and projects 9'Portfolio Governance
Assessment'), and the second looked specifically at steering committee behaviours.

Through all the training, consulting and research activities I have carried out I
was fascinated in steering committees. These are strange beasts, comprised of
anything from 5 to 25 members, made up of a disparate group of individuals each
with their own agenda and set of preferred outcomes, many way too busy to give the
SC their full attention, they had great influence on how a project or program would
perform. Too often their collective behaviour would be dysfunctional, to such an
extent I termed the label 'the unteam' to describe such behaviour. Individuals
coming together to achieve individual outcomes, often with egos and rivalries
creating a heady mix which produced no good outcomes. Still, while there was a
Project Manager to lay all blame on, their collective guilt invariably emerged as
collective innocence.

In the period 1993–2015 I built up a repository of identified behaviours and from
that I derived 16 statements which summarised SC behaviours (or least those which
had a demonstrable impact on project performance). These statements formed the
basis of a questionnaire as documented in Table 5.3.

1	Every member of a Steering Committee (SC) is fully aware of their specific project accountabilities	
2	This organisation runs its Steering Commitees in a consistent manner	
3	I am engaged as a SC member in a useful and efficient manner	
4	The people who should attend a SC do so: there is little 'delegation without authority'	
5	I am informed of the purpose of each SC meeting I attend	
6	I consider I am given the right information to make critical decisions	
7	The project manager keeps me informed of what I need to know	
8	Generally, I'm not presented with too many surprises at SC meetings	
9	The discussions at SC meetings are always well-informed and useful	
10	I am satisfied we use the right performance metrics to measure project status	
11	I consider the SC meeting to be the right forum to resolve issues	
12	I'm satisfied we identify and manage risk very effectively	
13	The SC works cohesively to ensure projects stay on track	
14	I think people are prepared to leave their 'personal agendas' at the door when attending a SC meeting	
15	We are very good at making the right decisions in a timely manner	
16	Overall, the way we run Steering Committees is about right for us	

Table 5.3 The questionnaire 167 steering committee members completed

Questionnaires were completed during the workshops where we discussed SC practices in depth, identifying what constitutes 'good' and 'poor' practice. All responses were treated in confidence and respondents were encouraged to be totally honest, documenting the way things were, rather than the way they should be.

I have adopted the convention that scores greater than 3.5 being an area of strength (considering a '3' is 'Neither agree nor disagree'), and scores of 3 or less being areas of weakness. No attributes scored greater than 3.5 and just 2 attributes scored greater than 3, these being the Project Manager (PM) did not present the SC with too many surprises, and the SC was kept informed by the PM. It is interesting to note that the practices dependent on the PM were the only ones to score greater than 3.
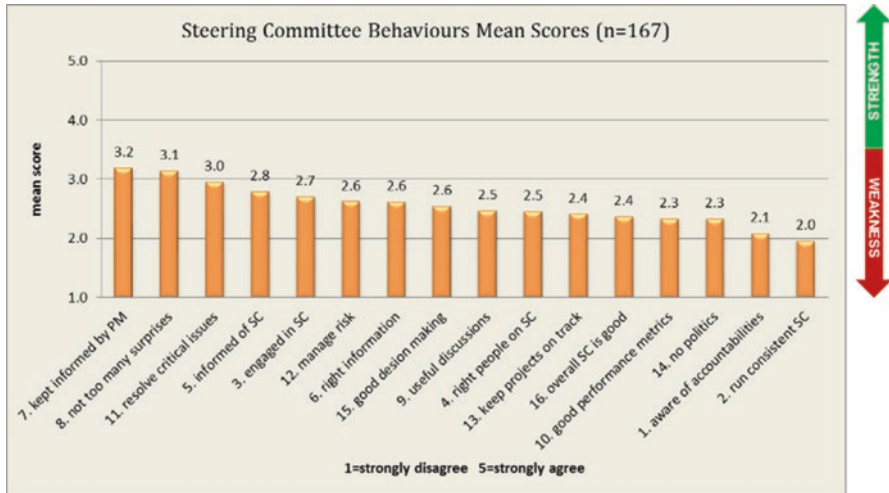
Fig. 5.6 Mean scores from questionnaire completed by 167 steering committee members

Different ways to view the results produce some interesting insights. Considering a score of '1' or '2' as 'Poor' practice, then Fig. 5.6 shows that 81% of respondents did NOT agree with the statement that their organisations ran consistent Steering Committees. 74% of respondents were not aware of their governance accountabilities. These are systemic issues, reflecting poor or even absent standards and agreed ways of working.
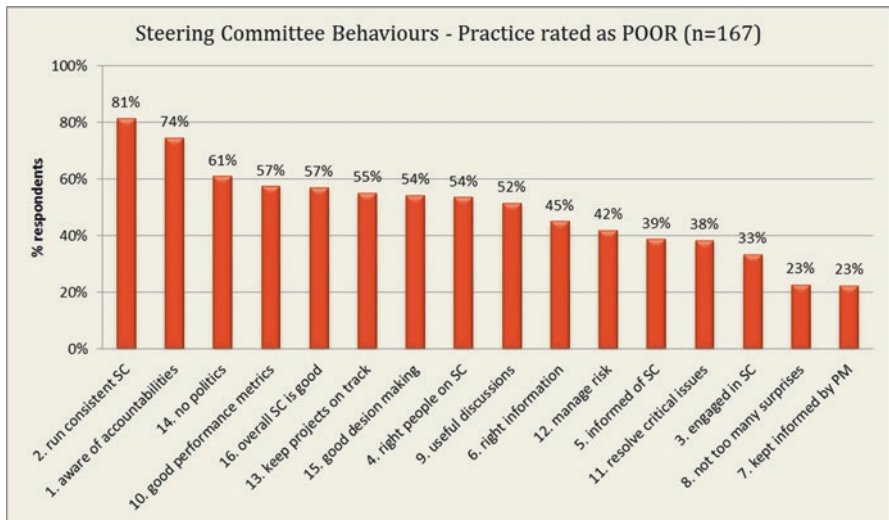
Fig. 5.7 Steering Committee practices as scored by 167 SC members ranked as 'Poor'
(a score of '1' or '2')

If we look for the positive attributes, then Fig. 5.7 ranks attributes by respondents scoring an attribute as '4' or '5' (which I've called 'Good'). No attribute enjoyed majority support as being 'Good', with the ability to resolve critical issues and being kept informed by the Project Manager scoring the highest.

It is difficult to avoid the conclusion that steering committee behaviours are immature, and considering the effect governance has on project outcomes, if you wanted to significantly and rapidly improve project performance then you would start with ensuring you ran effective SCs. However, this is not widely done, and the question left hanging is 'why not'? (Fig. 5.8).
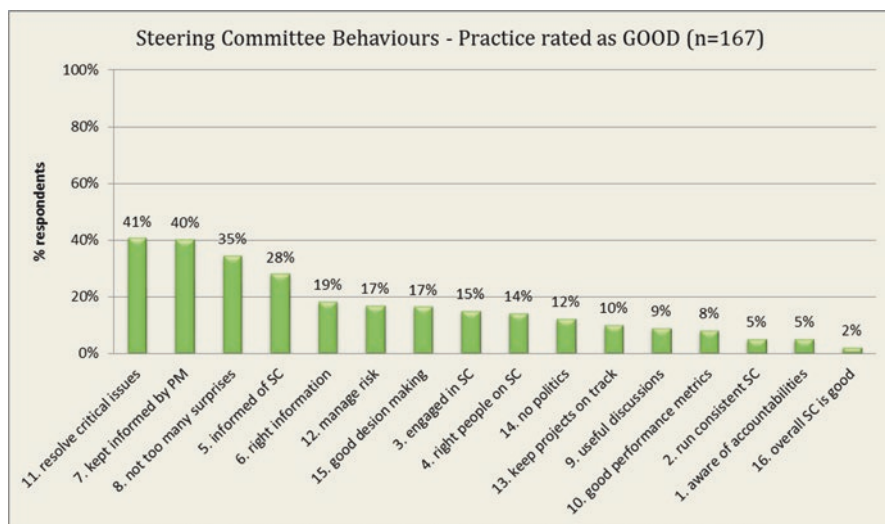
Fig. 5.8   Steering Committee practices as scored by 167 SC members ranked as 'Good' (a score of '4' or '5')

How Information Is Presented to Steering Committees

Many respondents complained that steering committee packs were too big, 'dense' and often incomprehensible. The lack of consistent format and content of packs was also a major issue. In many cases the response was "what is this guy trying to tell me?", referring to the program or project manager, although they did appreciate that the PM was making the effort to keep them informed (see Fig. 5.5). Most SC members received information regarding the project via the SC project status report, as shown in Fig. 5.9.
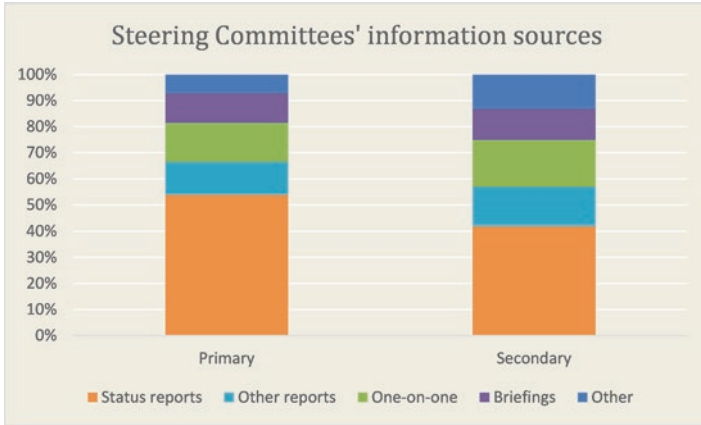
Fig. 5.9 The information sources used by Steering Committees

Almost 60% of respondents nominated the steering committee report as their primary source of information, and to the majority of those who did not nominate it as their primary source it was their secondary source. That is 96% of respondents ranked the SC report as a critical repository of information regarding the project. That being the case, how carefully do they read the SC reporting packs? (Fig. 5.10)
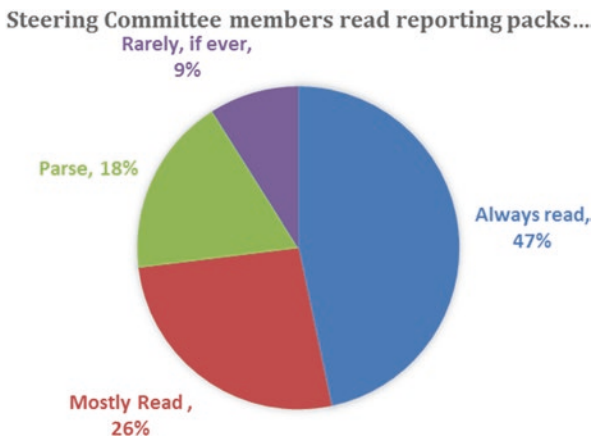
Fig. 5.10 How thoroughly Steering Committee members read the reporting packs

'Always read' means the report is read 'cover-to-cover', with just under half of the respondents claiming this. 'Mostly read' means that a majority of the report is always read, although what some people mean by 'majority' appeared generous. When pushed most people admitted that 'mostly read' meant reading in detail those

parts of the report which had relevance to them. 'Parsing' meant flipping through the report to see if they, or their group, had scored a mention. This could be described as a 'self-interest' scan. 'Rarely, if ever' sat at 9% which makes one wonder what was their role on the steering committee? Credit is given to their honesty.

Steering Committee pack sizes is a major issue for many organisations. To put it bluntly, they are too big and too hard to comprehend.

If fewer than half respondents actually read a Steering Committee pack, how useful are these packs? Were packs too big? Did they contain extraneous information? One way to gauge this is to view pack size by project size (measured spend / year), as shown in Fig. 5.11:
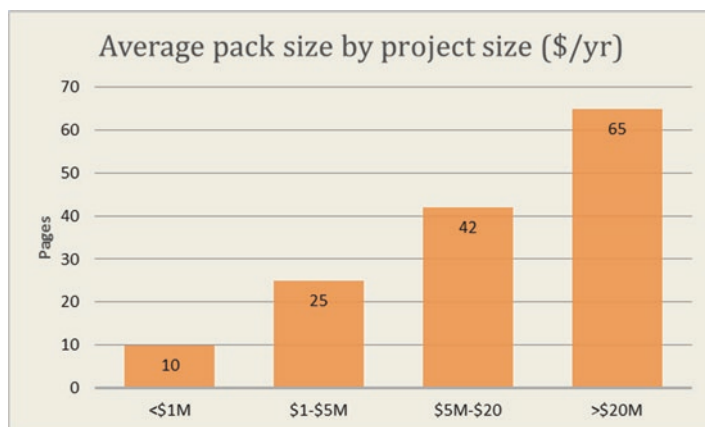
Fig. 5.11   Average size of the Steering Committee reports by size of project

Clearly, as the size of the project increased then the pack also increased. For some very large projects (which in many cases were actually programs comprised of multiple projects) the packs were unreasonably large, sometimes exceeding 100 pages. There is something completely unrealistic about a report so large that it is impossible to cover off in a 1 h meeting.

Herein lies the rub: project managers universally report that they err on the side of including too much information, just in case they are quizzed about a particular issue and they want to appear ready, which means many reporting packs contain multiple appendices. It's a case of classic information overload.

5.3.4   What Steering Committees Actually Do

Typically steering committees meet either fortnightly, or monthly. There were no occurrences of weekly meetings. Depending on the size of the project how steering committees split their time varied (Fig. 5.12):
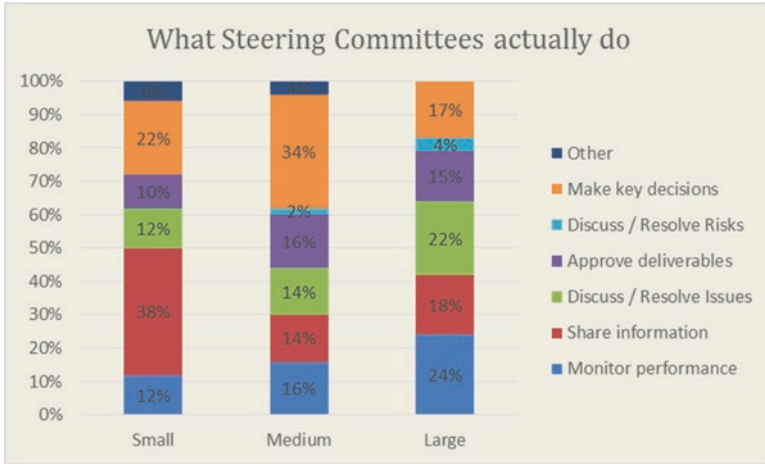
Fig. 5.12 The time spent on key activities at steering committee meetings, analysed by project size

For small projects, the main activity is sharing information often because the meeting was the main opportunity for a member to discuss the project. It appeared that with small projects, governance did not discuss the project outside the meeting as it was not a high enough priority to discuss the project as part of the 'day job'.

Even though spending time on decisions was a substantial part of each meeting, too many decisions are deferred (see Fig. 5.13). The reasons for this vary from people not being well informed, to not everyone agreeing about the correct decision to simply running out of time. That members felt uninformed was largely the result of the 'middle layer problem', which I discuss in Sect. 5.4.2. Large projects have the highest rate of deferred decisions, and on closer inspection it appeared that the complexity of the decision was the major issue. The larger the project the more stakeholders were involved, and with strategic projects and programs, there was an awareness that key decisions would have long-term effects, and no one wanted to make a decision which, in hindsight, was seen as wrong. Of course, deferring decisions had significant impacts on the project or program, a consideration which did not receive adequate ventilation. If impacts were more clearly understood then more effort may have been applied to making decisions.
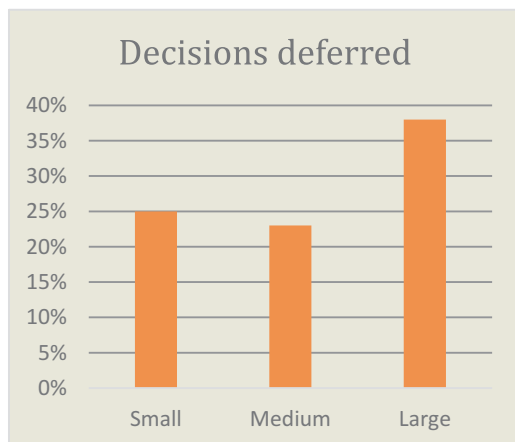
Fig. 5.13 The ratio of decisions presented at a steering committee which are deferred, split by project size

A further issue regarding decisions had prominence and that is many steering committee members felt that too many decisions did not require their ascent, and that those working on the project should have had the authority to make the decision. Too many technical decisions sat outside the expertise of the SC and were considered the domain of IT, so why burden the SC with the4se decisions? Certainly SC members appreciated being advised of decisions which had been made by the teams, but asking the SC the decide between, say, a systems interface which complied with ISO27002-1 or ISO27002-2 (as an example) was pointless. They would accept the recommendation of the architecture or enterprise security groups, and even discussing such decisions was a waste of time.

The opposite condition regarding decisions also was observed, which was discussing decisions where the business implications were masked, or not clearly stated. In such situations the relevant information was not in the reporting pack and the PM was requested to gather that information and distribute it to SC members so it could be discussed at the next meeting. In others words, we'll defer this decision until next month.

Of all the activities performed by the SC, none is more critical than efficient decision making, yet it is clearly one of the least efficient activities.

5.3.5   Time Demands on Governance

During the study of the four organisations data was gathered on how much time people spent on their governance roles. It is difficult to define time demands, so I chose three simple (but representative) metrics: (1) the average size of Steering

Committee reporting packs (see Fig. 5.10), (2) the number of decisions required at each Steering Committee meeting and (3) the number of meetings and project-related activities undertaken per week. Distinction was made between how much time people thought they should spend ('demand'), and how much time they actually spent. I have not made a distinction between the four organisations, providing a summary (Table 5.4):

Project Size	Pack size	Decisions	Demand hours*	Actual hours*	Variance*
small	12	3	1.5	0.5	-1.0
medium	42	5	3.0	1.5	-1.5
large	65	8	6.5	3.0	-3.5

ªhours per week

Table 5.4   Time demands on those taking on a governance role by project size

These numbers are per project per week, and most of the people interviewed had a governance role on more than one project, as shown in the following table (split by project size) (Table 5.5):

Organisation	Small		Medium		Large	
	Sp	SC	Sp	SC	Sp	SC
A	.7	2.2	.3	1.1	.1	.5
B	0.5	1.5	0.2	0.9	0.1	0.3
C	0.8	2.5	0.4	1.3	0.3	0.7
D	0.3	1.7	0.2	0.9	0.3	0.8
Average	0.6	2.0	0.3	1.1	0.2	0.6

Table 5.5   The average number of projects those taking on a governance role are involved with, either as the Sponsor (Sp) or steering committee member (SC)

Across all four organisations the 'demand' time was 13.3 h per person taking on a governance role per week, and the actual time spent was 5.8 h per week. More critically, the most important governance roles (sponsors of large and strategic projects) had the greatest time pressures with the least available time (Fig. 5.14).
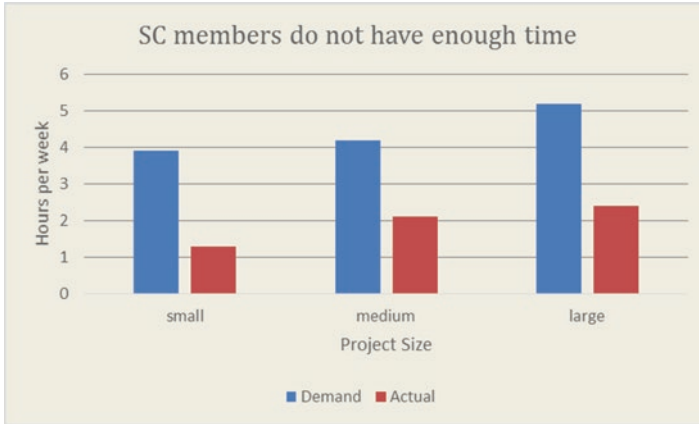
Fig. 5.14 Comparing the 'demand' time against actual time made available, for those taking on a governance role

It is reasonable to assume that demand on people's time cannot be correlated to time efficiency, in that all that time will be well spent. But with such a discrepancy it is also reasonable to assume that something will give, that there must be consequences. And there are consequences (see Fig. 5.5 for SC members opinions):

- Decisions are delayed. Just 19% of SC members considered they had the right information to make decisions, and 17% thought they were good at making decisions. Decisions were delayed because people were unsure or unclear about the right decision.
- Incorrect decisions are made. Under time pressure and demands to 'make a call' incorrect decisions are sometimes made.
- Too much time is spent on resolving issues. 41% of SC members considered the SC meeting the right forum in which to resolve issues but then admitted they spent too much time doing this, and in many cases the issues should have been resolved before reaching the SC.
- Attention is applied only when the project is perceived to be in trouble. 17% of respondents considered the organisation was good at managing risk, and that they spent a lot of time discussing and resolving the negative consequences of poor risk management.
- Meetings and other project events are postponed or cancelled.
- Teams are demoralised.
- Projects are cancelled or under-performed.

It is tempting to analyse surface behaviours and point to symptoms as problems ("my problem is my steering committee members are never prepared!"), but that masks what is really going on. It seems there just a few, common, but fundamental governance behaviours, characterised by what I hear from those in governance:

- 'I'm too busy'. Many in a governance role simply do not have enough time to carry out their governance duties, as analysed above. This may well be true, but the issue is 'if you don't have enough time to do the job justice, what are you doing about it?' This may seem a little harsh, but if no one does anything to address what is clearly an unacceptable situation, then will it ever change? The first step in resolving this is to understand the dimension of the problem, as I have done here. As we will see further down, there are solutions to this problem.
- 'I'm driven by self interest'. Actually, no one really confesses to this, but their behaviours reflects this as a driver. Many people attending steering committee meetings admit they read the steering committee reporting pack upon entering the meeting room, and they give the report a quick scan to see if they, or their group, scores a mention. The second scan they do is for red flags, which will probably be discussed at the meeting. The third pass through the report is looking for decisions they will be expected to make. They want to give the appearance, at least, that they are prepared.
- 'I'm not a project manager'. This attitude is quite common, and they're right! They are not project managers and no one should expect them to have the technical knowledge of projects and project management that their project managers have. This issue is actually one for the program and project managers (and their PMOs) to solve. It is very much tied up in the language used and how status, information and issues are being communicated.
- 'I don't understand what you're trying to tell me'. This comment is often associated with the previous point. Communications between the project manager and PMO, and those in governance is often structured from the point of view of the project manager. It makes sense to them so why should the steering committee have a problem?
- 'I need to check with my people'. This comment is often at the centre of poor decision making, in that decisions are not made because people are not prepared to make a call. We look at how to solve this problem in Sect. 5.4.

So many problems associated with governance, which can have devastating impacts on project performance and outcomes, are so easily solved, as we discuss below.

5.3.6 *Sponsor Types*

Sponsor behaviours can be analysed any number of ways, however using the base definition of competency being 'what people know' and 'how they apply that knowledge', then sponsors can be analysed by their understanding of what they think their role is ('role awareness'), and how well they carry out that role through their active participation on the project ('engagement'). This led to Fig. 5.15 showing that Sponsor behaviours can be grouped into one of four types (Table 5.6 and Fig. 5.16):
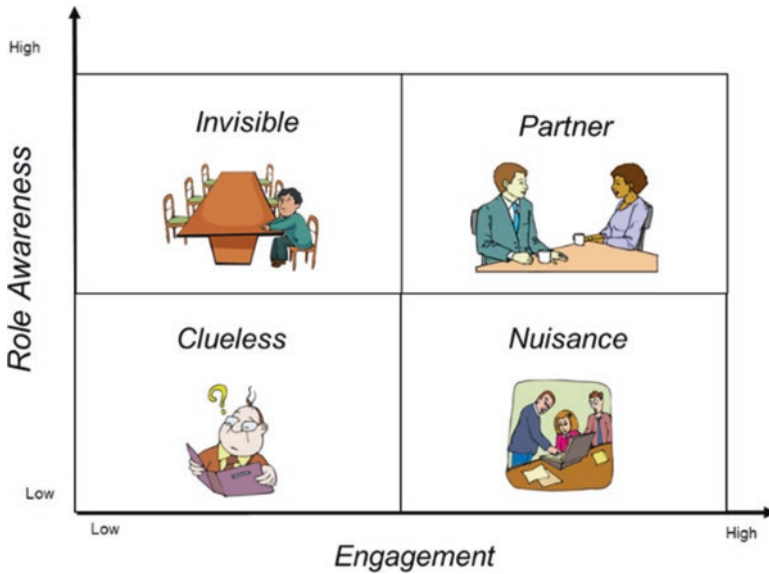
Fig. 5.15 The four types of sponsor analysed by role awareness and level of engagement

Sponsor Type	Description	Consequences
Clueless	They have little understanding of their role, and subsequently, they have little involvement with the project.	Projects meander, decisions are always deferred, the sponsor will typically delegate without authority so SC meetings are little more than information sharing and discussing issues without resolving anything.
Invisible	Much to the annoyance of the project manager is the sponsor who clearly understands their role but does not make the time to carry it out correctly	The sponsor delegates their attendance at SC meetings but understanding the consequences does delegate authority. Still certain decisions are often made after the fact, that is the sponsor will make the decision and inform other SC members by email. This often leads to disgruntled SC members annoyed that their input is not appreciated.
Nuisance	An enthusiastic sponsor who doesn't really know the role can take up valuable time and energy. Remember the saying "Beware the manager with a screw-driver in his top pocket".	The PM is required to cater for the demands of the sponsor who wants to get involved, sometimes taking on strange roles (like testing the system) while ignoring their governance duties, such as leading the SC and making timely and correct decisions. Sometimes the depth of engagement stems fro lack of trust in the PM, which is probably the worst relationship the sponsor and PM can have.
Partner	The sponsor who takes the time to work closely with the PM on a shared vision, goal and pathway, who understands it is the combination of good management and good leadership being the keys for success	The project will avoid so many of the pitfalls of poor governance such as lack of commitment, poor decision making and lack of support across key stakeholders.

Table 5.6 A description of the four types of sponsor

Across the 30 organisations studied (in the two studies run between 2005–2008 and 2010–2015), and the 80 sponsors whose behaviours were analysed in depth, the following is the distribution:
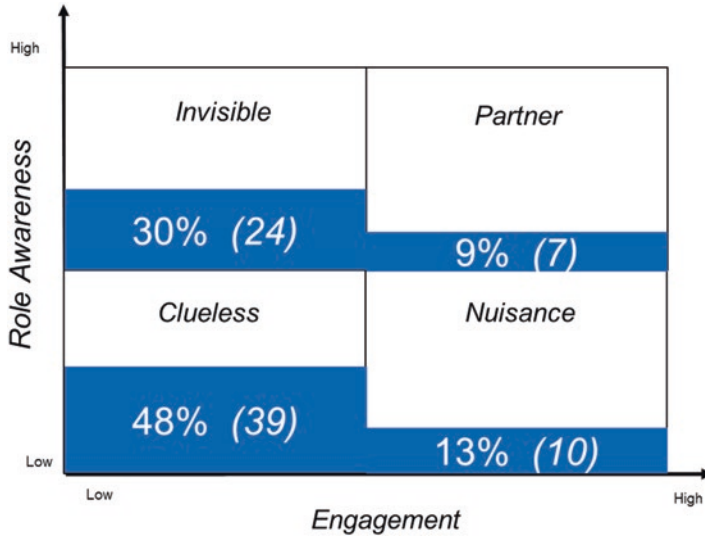
Fig. 5.16 Distribution of sponsor type across 30 studied organisations

It may be possible to correlate sponsor type to project success rates (see Sect. 1.6), and that certainly makes sense, considering the correlation of governance to maturity, and maturity to project outcomes. It is disturbing that there is such a high proportion of 'Clueless', and it makes one question 'what are they thinking?'. Why take on a role which has so much bearing on project outcomes if you don't understand the role? Indeed, poor role awareness sits at 61% of all sponsors. Poor engagement accounts for 78% of all sponsors, which implies that something is stopping senior managers carrying out their assigned roles. Those questions were put and answers sought, which are discussed below.

5.4 Solving Governance Behaviour Problems

Moving beyond reporting symptoms of problems as the causes, following is a list of why steering committees under-perform:

- Absence of standards which define all 3P governance roles and accountabilities, and how SC should operate.
- Individuals are not aware of what their accountabilities are, or how to effectively execute them.
- Time demands are too great, which is actually due to running too many steering committees. Structuring 3P reduces the number of steering committees, and so the demand on people's time.

- Poor ways of disseminating information. Information needs to be structured from the perspective of the end-user. Designing 3P as an information system, and using design techniques such as customer journeys, would go a long way toward resolving this.
- Decision system too top heavy. Decision rights matrices clearly spell out who has the authority to make what type of decisions from the lowest level in the program to the top.
- Governance forum model too monolithic. Consideration needs to be given to getting people out of the meeting room and way from the table. There are some smart practices which could assist governance in how to better structure and operate their governance forums.
- Project Managers are too passive in dealing with their steering committees. PMs need to develop their skills in shaping and achieving the right outcomes.

Whereas it is easy to lay much of the blame for poor governance at the feet of those carrying out governance roles (and quite rightly!), project managers (and others in a 3P management role) are not blameless. There are too many program and project managers who have no idea how to manage their steering committees, but whinge incessantly when their governance misbehaves. 3P managers need to develop their 'soft' skills, such as negotiation, persuasion, effective communications and political nous to better manage their governance.

There are solutions to address the failure of governance, and rather than look at 100 different things organisations can do differently, we will look at just five things, if put in place, will fundamentally and substantially change governance effectiveness and with it, project, program and portfolio success.

The five key steps in improving governance effectiveness are:

1. Implement an integrated 3P structure.
2. Create an effective 'middle layer'.
3. Re-structure decision making.
4. Implement an efficient 3P information system, which we will look at in Chap. 7.
5. Adopt a mindset change.

5.4.1 Implement an Integrated 3P Structure

Time demands on over-worked executives are substantially reduced by implementing a fully integrated Portfolio-Program-Project (3P) structure.

To illustrate this I worked with an Australian telco in 2012 to re-structure its portfolio execution structures and methods. They had an annual project spend of $200 m, which resulted in them running 100 projects per year, with an average elapsed time of 7.6 months and project budget of $2 m (with a range of $200 k – $10 m). This is shown in Fig. 5.17. This was a centralised model, with the Enterprise Investment Committee approving all project 'stage-gates' (essentially, approval for a project to move to the next phase and receive the next tranche of funding). Each

divisions (there were 3) exercised some oversight for all projects running within the division through the Divisional Leadership Team, however this group had many oversight and management responsibilities and project oversight appeared as just one item on the agenda once a month. The rule was every project had to have its own steering committee. With 100 projects running per year, at any time there were 60 projects running which meant 60 steering committees meeting every 2 weeks.
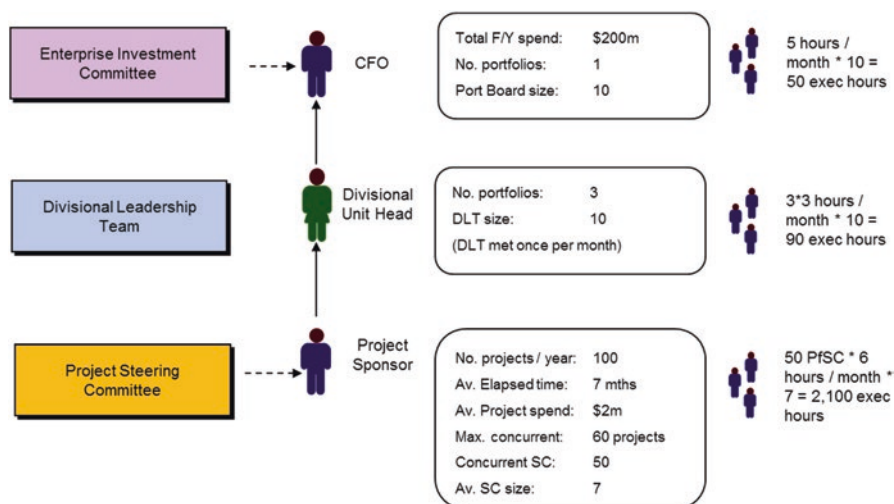
Fig. 5.17   Portfolio structure before being re-designed into an integrated 3P structure

I have used a fairly crude metrics called 'executive hours' to demonstrate the time demands on running this model. In total there were 2240 executive hours with the bulk of that being expended on project governance. Some very busy managers found themselves on five or more steering committees concurrently which resulted in close-to half their week being consumed by steering committee meetings (along with reading time, other meetings, briefings etc.). The situation was clearly unsustainable.

In devising the solution we needed to ensure there was the right balance between devolution and effective oversight. The senior executives did not want to lose the view of everything going on across the organisation, but neither did they want their time 'wasted' overseeing small, lower priority projects. The following changes were proposed and adopted:

- Each division would be accountable for their program and project expenditure.
- Each division would form a specific Portfolio Board whose role it was to oversee all programs and projects running in the division. This was separate to the Senior Leadership Team.

- A re-design of the portfolio identified ten major programs running, and their associated projects were grouped under the program with each program being reviewed and structured.
- Portfolio funding would be committed out 18 months with a regular review and re-set of portfolio investments every 6 months. That is, funding to align to the financial year was dropped.

The re-structured portfolio structure is shown in Fig. 5.18. The biggest change was at the project level with a reduction in project steering committees from 60 concurrent to just 10. The other 50 projects now sat within a program and oversight was enacted through the Program Steering Committee.
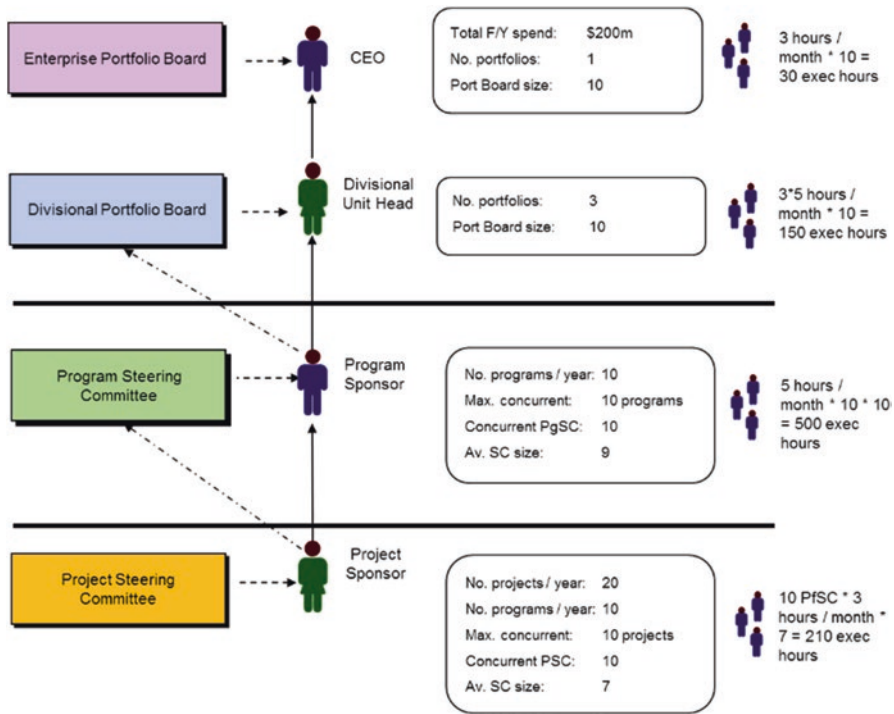
Fig. 5.18   The re-structured 3P governance structure

Overall there was a reduction in executive hours from 2240 to 860 per month. Caution is advised at this point as not all hours are equivalent, and creating new governance committees (Division Portfolio Boards and Program Steering Committees) did increase time demands on some executives, but these were a very small minority. The reduction in demands for many functional 'heads of' was substantial.

As part of this re-structure we also re-designed the steering committee operating model, ran 'executive briefings in contemporary steering committee practices',

re-designed the status reports and introduced browser-based information extraction, replacing a lot of reports and improving information distribution efficiency. There was a substantial improvement in overall project performance, supported by very few deferred decisions and substantial reduction in critical issues. The changes were warmly embraced and the changes, while substantial and impacting all divisions in the organisation, were seen as very successful. (please see Chap. 12 for more information on designing a governance improvement program).

Behavioural improvements:

- Performance metrics enabled a 'dashboard', with a Tableau interface.
- SC meetings were focused on making decisions, which were never deferred.
- The middle-layer was solved (see next section).

5.4.2   Solving the Middle Layer Problem

One issue which emerged continually was people turning up to Steering Committee meetings incorrectly briefed. Project managers would assiduously document status, performance, issues and risks along with decisions and yet steering committees appeared stubbornly unprepared to make decisions. This point was covered above in discussing governance functions and it was pointed out that from a systems viewing, 3P is enacted as a very poor information system. Formal information flows were often in place, but informal flows were weak, or often non-existent. To demonstrate this I have shown 3P information flows and functional information flows as a matrix structure (Fig. 5.19):
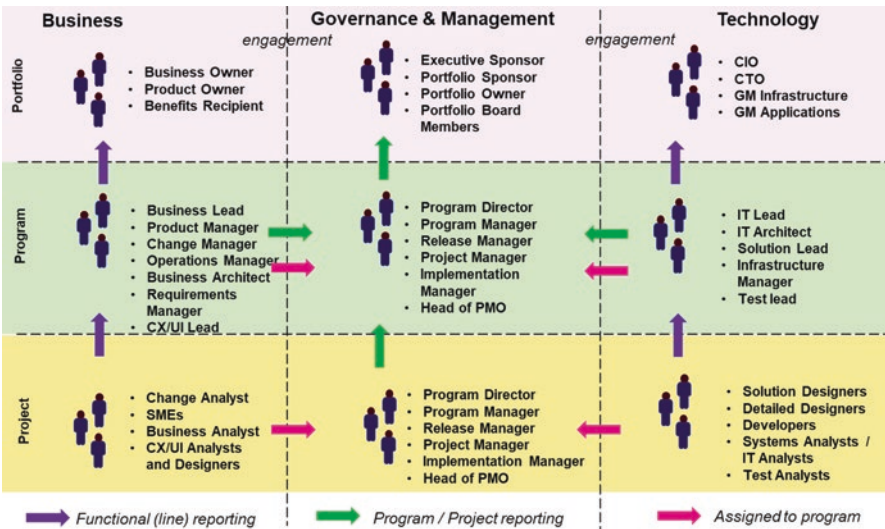
Fig. 5.19 The information flows which should support those in a governance role

The problem for many in a governance role is they are not receiving this critical information in a timely manner, or not at all. Or the information is in such a format as to be incomprehensible to all but the highly skilled, or the 'so what' information is simply missing. This leaves governance ill-informed and not prepared to make decisions, or their interpretation is such they end up making the wrong decision. Nowhere is this more evident than in how governance tracks assumptions underlying the business case. It is rare at the project level to revisit the business case once it has gained approval, and a key reason for this is no one on the steering committee asks for that information, and that happens because no one is informing the steering committee member that fundamental criteria which determine the business case have shifted. This then means corrective action is never applied to re-align the program or project.

One approach to ensure the Steering Committee acts decisively and efficiently is to ensure all members are correctly briefed and know the decisions which are required – and they are prepared to make the decision? This means setting up a model where the corresponding Working Group does a lot of the 'leg work' in nutting out the issues and arriving at an agreed position on the options and the preferred decision. For example, Fig. 5.20 highlights the Divisional Portfolio layer. There are two key forums, the Divisional Working Group and the Divisional Portfolio Board.
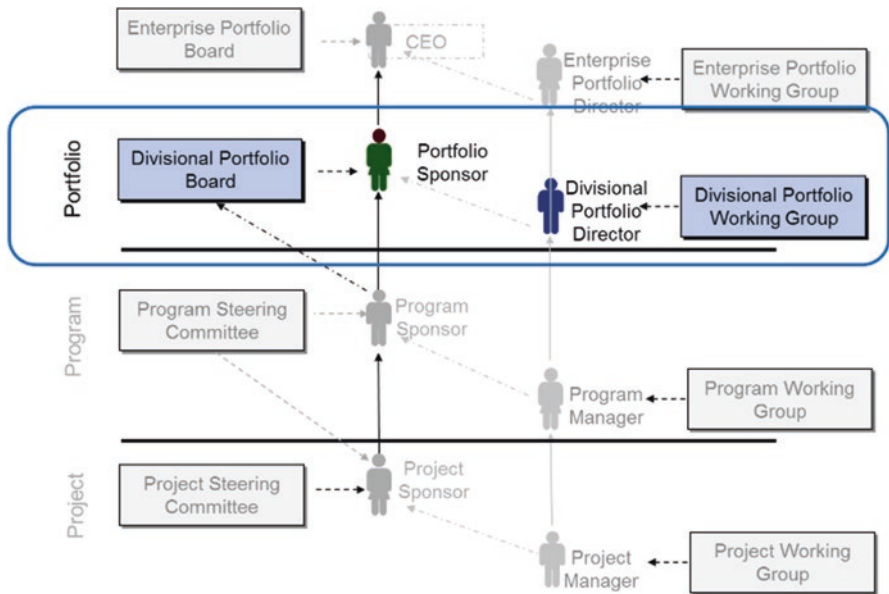
Fig. 5.20 The standard 3P reporting structure highlighting the Divisional Portfolio layer

We align the membership in the two forums thus (Fig. 5.21):
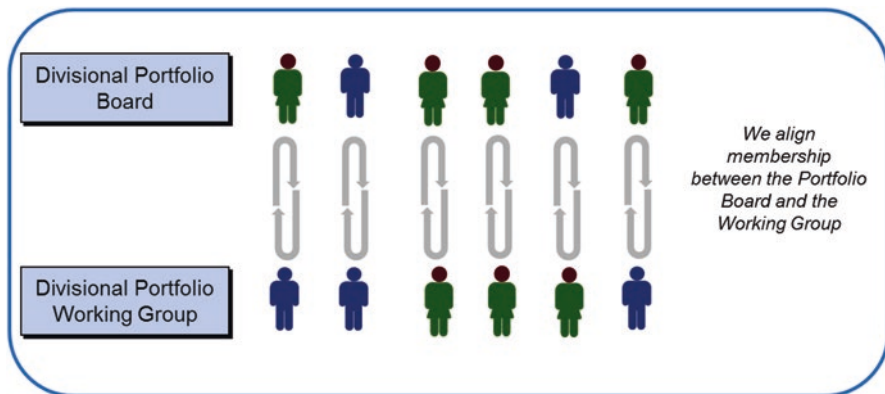
Fig. 5.21 Align membership between the Governance and Management forums

In most cases the relationship between the individuals at the Governance and Management layers will be as direct report. They should meet 1-on-1 as part of their regular catch-up, or they may set aside time for a focused portfolio meeting, possibly with other involved parties. The purpose of these meetings is to bring the Portfolio Board member 'up to speed', to advise them on decisions required and issues, and to discuss what had already been discussed and (hopefully) decided by the Working Group. It is also a mechanism for the senior manager to send information, issues and directions back to the Working Group for discussion and actioning. This then creates an information loop between governance and management which works towards ensuring what is covered at the Portfolio Board meeting is well targeted, that decisions are made efficiently, that sign-offs are achieved smoothly, and that the Board dedicates the majority of its time to focused, value-add discussions around performance, direction and value optimisation.

5.4.3 Implementing Efficient Decision Making

Solving the middle-layer problem goes a long way towards ensuring informed decisions are made in a timely manner. However, there are other measures which can also work towards efficient decision making:

• Align role authority to decision rights.
• Ensure decisions are made at the lowest level.
• Create a key decisions schedule.
• Implement smart decision making (see Sect. 5.5.1).

Mini-Case Study 5.8 shows designing decision making as a system, with well defined processes and ensuring all the actors had clearly defined decision rights ensuring that only the decisions requiring governance attention are sent to the steering committee. The principle is decisions are made at the lowest possible level.

Topic:	Implementing efficient decision making
Details:	I was engaged to sort out poor performance on a large program being run for a telecommunications company in 2010. The problem appeared to be missed milestones, and the finger was being pointed at IT for taking too long to design and build a solution. At least, this is how it looked. On deeper analysis it became obvious the reason IT was behind in their work was due to delayed decisions by the steering committee, which forced the IT teams to predict what the SC would decide and move forward based on that assumption. In most cases they guessed right, but with one decision they had assumed they could run a batch interface with an existing, core system, which turned out to be the wrong call. When senior management decided the interface needed to be real time the IT teams had to undo several months' work, update existing designs and move forward with the revised solution. The problem was one of poor decision making. I worked closely with the program manager and her team to devise ways to improve decision making, which included producing a schedule of likely decisions required by the SC, introducing the middle-layer advisor model and introducing deep-dives on critical architecture and design matters, well ahead of when decisions would be required. Within a month decision making had substantially improved and the program did not experience any further adverse impacts.
Lessons:	Good decision making starts with understanding it is a process and not an event. Steering Committees and others in a governance role are more than prepared to make a call when they feel prepared, and ensuring people are prepared needs to be a strategy of program and project managers.

Mini-Case Study 5.8   Implementing efficient decision making

5.5   A Mindset Change

In Chap. 1 we looked at what is wrong with projects, summarised in Fig. 5.22:

Fig. 5.22 The problems exhibited by projects

Cultural change always starts with governance and senior management. How people see the organisation is very much dependent on how the organisation sees itself. There are two broad views for viewing an organisation, one having its genesis in the Renaissance, where science, art and philosophy led society from ignorance and superstition into the enlightenment. This gave rise to how the universe was viewed as a 'giant clock', as espoused by Isaac Newton. Every effect had one of more causes, all of which could be explained by well understood, immutable laws, such as the laws of physics. These explained how the planets moved in the sky, guided by the two forces of centrifugal and gravity. This thinking is foundational in how the structured, hierarchical organisation came into being:

The organization is seen as a complex clock....

With the right processes, check and balances, everything is predictable and can be controlled

...and organized as hierarchical structures

With clearly defined business and operational plans, and everyone doing the right thing, we'll work together efficiently to achieve the expected outcomes

There are many problems with this depiction of the organisation, the must critical being the laws of motion and gravity are not defined by people or society, whereas the laws of economics and organisations are shaped by people, subject to change and consensus.

There are many problems with a hierarchical organisation structure, predicated on a command-and-control mindset. It is highly inefficient as decision making tends to be centralised, which causes massive organisational inertia. They are slow to react, slow to change, slow to evolve and therefore exposed to being picked off by more agile competitors. A better organisation model is one which reflects the nature of those who make the organisation real – its people. This 'organic' structure is based on a network of relationships and efficient communications, where the atomic level is the individual operating in a team, which is the key organisational building block. Decision making is devolved to the lowest level possible, which means accountability is also devolved. With individuals and teams taking ownership of what they produce and the value they create and deliver, we have a structure which is agile, responsive, accountable and productive.
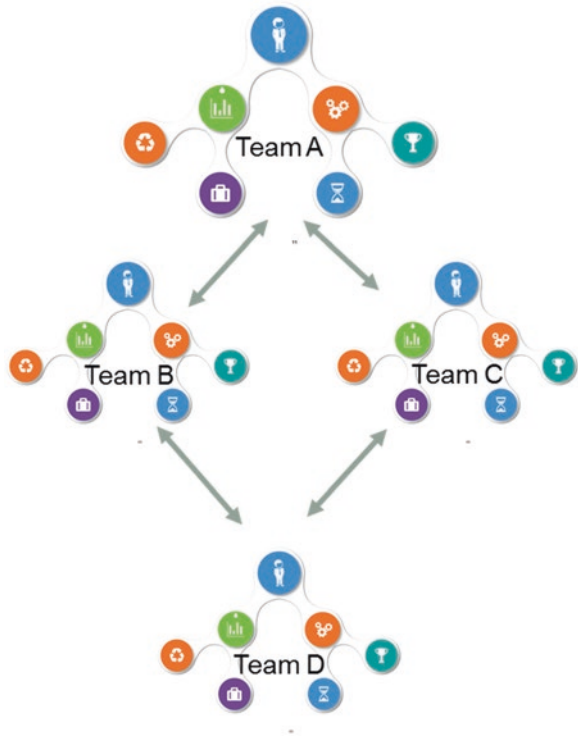
The mindset change required to achieve this is summarised in Table 5.7:

Organisation as 'Giant Clock'		Organisation as an adaptive system
Focus on understanding discrete parts	⇨	Behaviour understood by sum of parts
Performance predictable	⇨	Performance recognises continual change
Future looks a lot like the past	⇨	Goal is to adapt and thrive over time
Driven by centralised planning	⇨	Self-organising and self-directed
Targets are fixed, with fixed constraints	⇨	Optimise means to optimise the outcomes
Reactive, project-centric	⇨	Leverage change through broad programs

Table 5.7 Comparing the attributes of the organisation viewed as a 'giant clock' against seeing the organisation as an adaptive system

In adopting this mindset we focus on becoming more 'agile'. This is not a new concept, indeed in their influential 1994 book "Agile Competitors and Virtual Organizations", Goldman et al. define agility as.

> "…a comprehensive response to the business challenges of profiting from rapidly changing, continually fragmenting, global markets for high-quality, high-performance, customer-configured goods and services." (Goldman, 1994)

This makes 2016 look a lot like 1994, but many organisations are slow to adopt agility as a cultural ethos, satisfied instead with it being applied at the project level, and within some innovation groups. As with so many core organisational practices, if they are not driven both top down and bottom up, we end with up 'organisational dissonance'.

Organisational Agility is comprised of three main sets of practices, as show in Fig. 5.23.
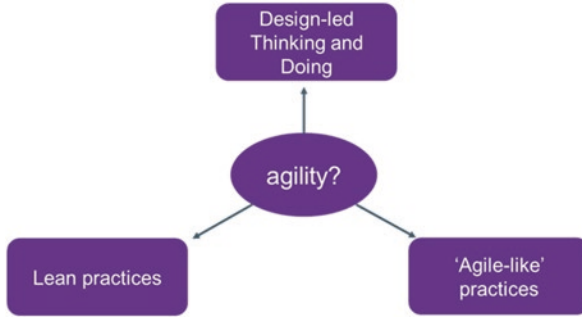
Fig. 5.23 Agility is the ability for an organization to rapidly respond to competitor, market and environmental challenges and changes so as to create or increase stakeholder value

- Agility is as much to do with a mindset change, as it is to do with process and practice change
- Agility requires a new and smarter way of working, focused on early engagement and collaboration across key stakeholders
- Agility requires all levels of the organization to embrace changes to thinking, behaviours, processes and methods (Table 5.8 and Table 5.9).

Technique	Applied like this….
Design-led Thinking *Use visualisation and what represents value to our customer to guide thinking*	• Apply Customer (User) Centred Design techniques • Define and lead with Customer Journeys • Bring people together and use visualization techniques, such as 'walking the wall' • Ensure decisions are made continually, and in 'real time'
Agile-like practices *Borrow from both adaptive-iterative methods, and the 'Toyota Production System'*	• Apply Scrum practices, such as sprints and daily stand-ups • Time-box work and avoid 'waterfalls' • Be clear about what you're producing and what represents 'done' • Engage senior stakeholders regularly, using techniques such as 'showcases'
Lean practices *"Everything is to be as simple as possible – but no simpler"*	• Adopt high visibility work tracking techniques, such as Kanban • All deliverables need to contain only what is required for verification, and as input to downstream processes • Use traceability matrices to ensure what is being produced is truly useful • Avoid repetition and 'boiler plate'. Define information in one place, rather than replicate

Table 5.8   Three key practices which support organisations acting more agile

Agility embraces all aspects of an Adaptive System

	Giant Clock	Adaptive System
Division (Portfolio)	• Locked in strategy • Commit to a plan • Resist change to stay on track	Lean Startup • MVP • Fast-fail leads to quick wins • Scaled Agile
Projects	• Prescriptive Methods • Gantt Charts • Prince2 • Waterfall	• Agile • Scrum • Xp This is 'agility'
BAU	• Procedurally bound • Product-centric	• Customer-centric Design • Design-led thinking • Lean • Kanban • Timeboxing

Table 5.9 Organisation agility enables an organisation to behave as an adaptive system

Many organisations adopt adaptive system practices and techniques. Witness the rise in popularity of Agile software development and design thinking. However if one looks at where these practices are being adopted it is always bottom-up, working from the operational to the strategic, and from teams to governance (Fig. 5.24):
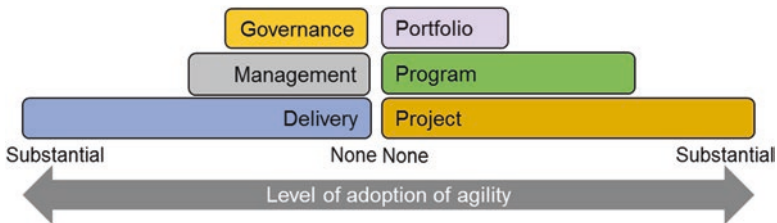
Fig. 5.24 Typically, agility is adopted more by practitioners at the project level, and less by senior management at the portfolio level

This model is being generous to Governance, as there is scant evidence that senior management adopt agility.

However, some of these practices are very useful when applied at the governance layer, creating efficiencies and superior outcomes. For those people who complain of being 'too busy' anything which saves time and improves productivity has to be worth considering.

5.5.1   *Some Useful Practices*

Behavioural change really means applying different techniques to achieve better outcomes. It is not enough to want to change, practical steps must be applied in achieving change. That is, what you'll be doing tomorrow will be different to what you're currently doing. In achieving such change here some practical techniques to apply.

Practice 1: Smart Decision-Making

Organisations often make decisions based on viewing their company through the read-view mirror. There is an over-reliance on historical data, and often that is the predominant data.

Whatever gets measured gets optimised – and used, regardless of whether the data are 'fit for purpose'.

Making decisions about portfolio make-up, priority, alignment and levels of committed funding are notoriously difficult. It requires executive to make tough calls, knowing there will be perceived 'winners and losers', and that politics and Machiavellian shenanigans will be rife. Some people, desperate for their pet project to be given the nod, will argue qualitatively, eschewing quantitative analysis as being inaccurate, incomplete and spurious. Decision making is such a balancing act, but it is possible to ensure the act has the right safety nets.

Many decisions required expert judgement, as the options may not be of the right / wrong (binary) type. In many cases we're looking at one thing over another, rather than one thing instead of another.

In arriving at the right decision some simple questions need to answered:

- Are we clear about what we are meant to be deciding? What does a successful decision look like?
- What's the time frame in which this decision is to be made? What's the risk in going too early, or delaying?
- Do we have a decision making pathway? Are all the pre-requisite decisions been / will be made?
- Do we have all the data?

For Portfolio Governance there are many decisions which are cyclical in nature, occurring against the Portfolio Execution Framework at specific points. Clearly Phase Gates are formal decision points, but during each phase those in a governance role will be confronted with a myriad decisions, some strategic (do we transform the business model to increase digital penetration?) through to the prosaic (do we sign off on the strategic risk plan?).

Practice 2: High Performance Teaming

It is uncommon to think of the Steering Committee as a team, made up as they are of individuals with often disparate agendas. They have all the technical attributes of a team but few of the practices, and I have never seen any evidence that well established team norms are ever applied, such as the 'Form-Storm-Norm-Perform'

perform. Whenever I have included a recommendation in a report that steering committees should engage in team-building exercises the recommendation has been paid lip-service, or simply ignored. Yet the symptoms of poor teaming, such as lack of trust, guarded sharing, lack of openness, no alignment to a common goal or vision and demonstrable lack of engagement and buy-in pervade how steering committees behave. If high performance teaming is critical to all other teams working on projects and programs, then why not for what is probably the most critical team?

Charles Duhigg in his book 'Smarter, Faster, Better: The Secrets To Being More Productive in Life and Business' describes the results from Google's Project Aristotle's analysis of teams and how they work together and perform. The concept of 'psychological safety', or 'social sensitivity', was singled out as a fundamental matter which all teams must address to be high performance. By psychological safety Google meant the condition where people feel 'safe' to speak up, knowing they will not be interrupted, that opinions will be respected and treated seriously, and that the team culture is one of trust, openness, acceptance, empathy and trust. This does not describe the typical steering committee, but it should.

Practice 3: Enabling 'Thinking Time'

The new CEO was walking the floor with his head of HR just getting a feel for his new company, when he passed a guy leaning back in his chair and just staring out the window. He thought nothing of this but on his way back to his office this fellow was in the exact same position, leaning back and just staring out the window. The next day the CEO's curiosity led him to walk past the same spot and – sure enough – there was this person leaning back and just staring. On the third day and, true to form, the employee was spotted y the CEO still staring out the window, the CEO rang head of HR and demanded "What is that guy on level 3 do? He just sits there staring out the window. I want something done about this!", to which the head of HR responded "But, John, that's Bob Glasser, he's the guy who invented the triple by-pass globulator which just made us over a million dollars!", to which the CEO replied "That's exactly what I mean about doing something – get someone up there right away to clean his windows!". Sometimes thinking, and deep uninterrupted thinking, pays off.

I worked with a professor of economics who was looking for a research assistant, albeit one with deep industry experience as opposed to one with extensive research background. He advertised via LinkedIn and was surprised to find a number of applications from quite senior managers from the banking sector. Why would someone give up a $500 k a year job to take on a research assistant role offering less than $70 k a year? "It's because this job allows, actually expects, me to think and think deeply about problems. My current job only allows me enough time to act, but never think and ruminate on a problem", replied one of the applicants. Modern work, enabled by digital, ubiquitous and 'always-on' apps have turned us into surface thinkers:

In his book 'Deep Work', Cal Newport runs through some strategies for what he calls 'deep work', that level of concentration required to be highly productive, to

think creatively and clearly, to do your 'best work'. He documents the nature of much modern work being 'surface work', characterised by continual interruptions from work colleagues, email, 'enterprise social network' tools (such as Yammer,), web surfing and flipping from one task to the next. Attempts to address these issues and create a more efficient and productive workplace has seen tools like Slack have spectacular sales growth, yet there's been no corresponding reduction in either face-to-face meetings or emails. The more emails a person receives, the fewer they actually respond to, the length of each email is reduced (Review 2015). Email has not dropped off with the introduction of these team collaboration tools, rising from an average of 105 emails per day in 2011 to over 120 in 2016 (Review 2016). Where tools like Slack and Hipchat work effectively is in creating a synchronised message interface across platforms, and providing functions to kill off e-mail chains, surely the most inefficient and lazy approach to gathering information, opinions and moving an issue towards (hopefully) a resolution. But with these tools comes the millennial divide, with younger users mastering this new technology while older users struggle and tend to rely on 'old fashioned' approaches, including email and (music from 'Jaws', please) meetings! Meetings are a bit like fire in that it can cook your food or burn your house down. They are often a substitute for making a decision, buying more time before making a call. They can be used for information sharing and, hopefully, making decisions. They start late and run late, they are attended by either too many people or too few, they are almost always accompanied by 'a pack' (and was Power Point ever devised for this purpose?), and way too many trees have died in vain supporting what are too often useless meetings. Most importantly, meetings take up what could be used for 'deep work' time.

Compounding the fact that busy executives struggle to find the time for 'deep thinking' is the poor state of their collective 'thinking health'. Scientists agree that the three criteria required for health are adequate sleep, good diet and physical fitness. In informal studies (I asked steering committees for a show of hands), fewer than 50% of those in a governance role claim to have enough sleep, or exercise enough and too many complain about skipping lunch and grabbing 'breakfast of the go', so good diet may also be lacking. Physically they are not up to deep thought. We now understand that rapid eye movement (REM) sleep is required to create memories, so disturbed sleep may have direct impacts on our ability to recall, which is fundamental for effective decision making. We live with these deficiencies, rather than address them directly and in so doing create a fundamental competitive advantage.

The Finnish education system has garnered recent attention due to its stellar performance in the OECD's PISA rankings (OECD 2016). Much commends the Finnish system but one fact stands out: they place significant influence on physical activity, of being fit and healthy and in action learning. At least 25% of each school day is dedicated to play and physical activity. Organisations could possibly learn from this, building into each work day time for physical fitness activities apart from the time some employees dedicate to exercise instead of lunch. This would require providing facilities on-site to enable such activities, but why not if the benefits led to heightened organisation success? The alternative is continued impaired decision making, dysfunctional steering committees and sub-par portfolio performance.

Practice 4: Design-Led Thinking and Doing

Design thinking is much more than a group of bearded young men and women (women sans beards) sitting around white boards with Styrofoam cups of coffee in hand placing post-it notes on walls and mapping out customer journeys. Although design thinking pervades new product development groups, it is not its sole domain, as almost any problem-solving task, or a task with a clear goal or desired outcome can be facilitated using design thinking.

In design thinking we consider what constitutes the Minimal Viable Product (MVP). The thinking goes that time to market is a fundamental determinant of product success, and that creating market presence and also market share is getting the balance right between what the customer wants/needs (the product's 'desirability'), against its right fit for the organisation (we should be in this business) and business 'feasibility' (we will increase our value) and whether we can design, build and take it to market ('its 'viability'). It leverages some innate human attributes combining story telling, experiential learning, active physical and intellectual engagement and inclusion. Importantly it addresses many of the anti-productivity attributes of 'the meeting'.

So, how is this applied as a governance practice?

There are two broad areas of application:

1. In devising governance standards and practices.
2. In how governance forums behave.

In Devising Governance Standards and Practices

This point is expanded on in Chap. 12, but briefly it is an approach used by PMOs (or those charged with establishing portfolio governance and management standards) whereby governance members are regarded as their customers, and standard approaches in customer experience (CX) and customer journey mapping are used. Invariably this uses visualisation techniques to communicate design and to spell out the problems being solved. This is a standard approach in information systems development, and considering portfolio governance is a system it is entirely appropriate. From this process emerges well thought-out processes, actor behaviours and where systems support will facilitate great outcomes.
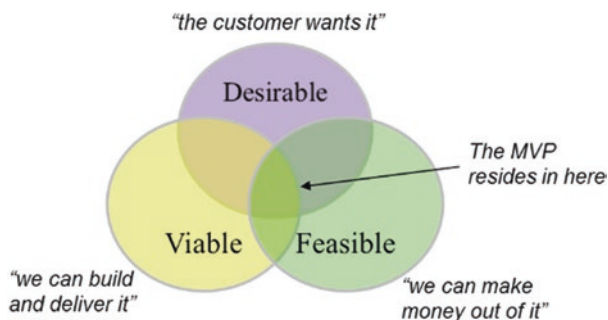
In How Governance Forums Behave

Design thinking requires participants in the process to immerse themselves – to varying degrees – in an unfolding narrative. This is achieved through mapping out the narrative on a wall (for instance), where participants can see a story. Story-telling is fundamental to good design practice, as Rudyard Kipling said "If history were taught in the form of stories, it would never be forgotten."

That story could describe how scope is to be defined, or a valid business case is defined. By pointing, moving content about, bringing attributes in or out of scope, raising risks and prioritising them, all in a very visual manner, the story emerges, is debated, re-shaped and ultimately agreed to. And because of this visualisation the story is never forgotten, and people will always return to the design event to re-fresh their memories of what was discussed and agreed. Each forum member has the opportunity to provide input, make collective decisions, and produce work of real value all in real-time. And not a Power Point pack in sight!

Interestingly, as Organisation Agile grows in popularity and use then senior managers will be increasingly familiar with design-led practices and will not find applying these to their forums a natural extension of what they (hopefully) see as useful practices.

Practice 5: Scrum

Scrum describes a set of practices structured around iteration and incremental steps towards achieving a goal. It is usually associated with Agile software development, but its application is much broader. It emerged from research undertaken by two Japanese academics Takeuchi and Nonaka and as described in their 1986 HBR article 'The New New Product Development Game'(Takeuchi and Nonka 1986). Here they described a new way creative teams could operate, running a series of iterations as they incrementally developed a solution (such as new product). They likened this non-procedural and somewhat 'messy' set of activities to a scrum in Rugby, as in a group of players locked together working their way towards the goal line. (In fact this structure in Rugby is called a 'maul', but it is unclear if a team working model called 'maul' would have taken off in the same way as 'scrum').

Scrum is mainly seen applied in software development projects, as part of Agile, but there is nothing about the technique which says it should be applied to software development solely. Any goal-setting activity requiring creative and intellectual thinking (as opposed to following a repeatable, finely tuned process) can be made more efficient by using scrum. Whether we are designing a new product, re-imagining a new way to build customer loyalty, building high quality software, producing a strategic plan or, indeed, designing and optimising a portfolio, scrum is a very useful technique. Further, we shouldn't expect our teams to do something we are not prepared to do ourselves (Fig. 5.25).
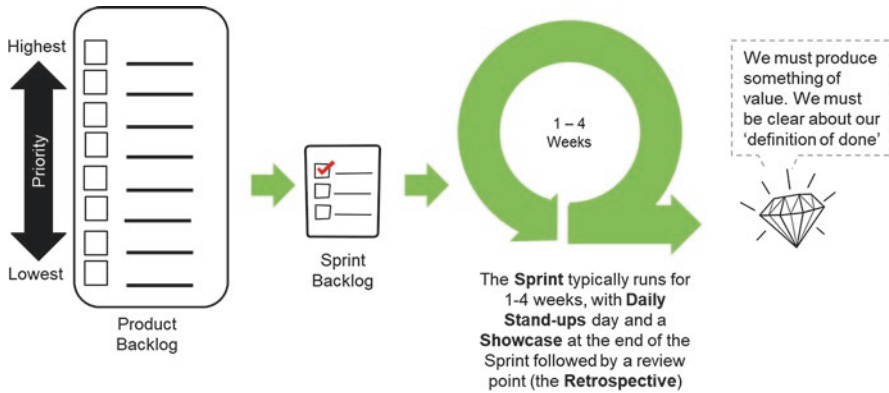
Fig. 5.25 Representation of Scrum working from a prioritised 'backlog' running 1–4 week 'sprints'

The approach with scrum is deceptively simple, but it leverages some of the strengths and foibles of the human condition, along with design thinking and systems thinking. What drives scrum are outcomes we intend to achieve. We always start with the 'product backlog', which is a prioritised list of outcomes, things we hope to achieve. This reinforces the concept that we are producing a 'product', something of value we can package and ship to the 'customer'. This could be seen as a task list, but we are focused on outcomes rather than a step-wise recipe. In theory the backlog is perpetual, as we can keep adding to it and re-prioritising, and in many ways this makes sense as the world is continually changing, although in practice the backlog is probably aligned to a discrete release of the product.

The central work structure is the 'sprint', which can be a challenging concept for those of us used to strolling. This is a form of the 'time-box', which is a fixed period of time which sits comfortably within our frame of time reference, typically between 1 and 4 weeks. This is important as time horizons which are too large create unrealistic expectations of what can be achieved. For many years a technique in project planning and control has been to package small-ish parcels of work into a 'work package' which an individual or team take on and commit to achieving in a fixed time frame. You will note that contemporary project work practices recognise that we cannot control time, it is constant, immutable and will always win in a struggle between people and time. So we fix time (more correctly time periods) and focus on practice, productivity, creativity and doing the right things, right.

The work package for a sprint is called the 'sprint backlog', a subset of the product backlog. It always contains an element of 'stretch', challenging teams to go beyond their comfort zone – what they know they can easily achieve. The team works out the best way to produce the outcomes, which invariably will be a combination of workshops, individual work, meetings and 'show-cases', where progress is demonstrated to key stakeholders, and where issues are resolved, directions given and decisions made. Visualisation is an important component of

scrum, both to track progress using techniques such as Kanban, and to display the solution from the aspect of each key stakeholder, principally the customer, but just as importantly, governance.

It will probably take more than one sprint to produce the finished product, so at the end of each sprint the team will run a 'retrospective', where they consider how well they performed, what needs to be improved, how they can improve their productivity, whether the visualisation techniques are working etc., etc. This is the point in a negative feedback loop where adjustments are made to inputs and process to incrementally move towards 'perfection'.

Scrum works for a range of reasons, but probably the most important is the way it requires our key stakeholders to get involved continually, ensuring what is being produced meets both needs and expectations. This dynamic, by itself, will reduce both elapsed time and cost in whatever it is you are producing by at least 50% over traditional techniques, such as 'Waterfall' (Mini-Case Study 5.9).

Topic:	Scrum really is for everyone
Details:	Most senior executives don't like trying new things if it means they need to change their own behaviours. They're very happy for their people to change behaviours if it means greater efficiency, but when it comes to their changing what may appear to be a life-long habit, then they're not so keen. So when I suggested we run Scrum when initiating a large program, which would mean involving senior management in defining scope and the business case, I had to be very careful in how I described what I was proposing. First of all I didn't call it 'Scrum', I called it 'Accelerated iterative planning' (AIP) which was designed to minimise the amount of time required from them – that is: "the reason we're doing this is all about optimising your involvement". I ran this as three 2-week sprints, using design thinking and visualisation techniques, defining both scope and the business case across a large wall. The day-to-day analysis and design activities involved people who reported to the senior management along with senior managers on the program (program managers, business architects, IT lead et al). Twice a week we ran a stand-up which involved the executives 'walking the wall' to ensure we had broad agreement, to resolve issues and answer key questions, and to describe what the next steps would be (we were running off a prioritised back-log). At the end of the 6 week process we had both the Business Case and Statement of Scope in close-to-completion. When we presented these deliverables to the Steering Committee for sign off the process went very smoothly, as the executive all knew where the documents had come from, and there was a genuine sense of shared ownership.
Lessons:	Scrum works! Design techniques work as well - even for people who don't like to change their ways. Involve senior managers every step of the way and it increases the overall level of knowledge, promotes ownership and buy-in.

Mini-Case Study 5.9 Scrum really is for everyone

To be successful an organisation's ability to change internally must equal or exceed the rate of change on the outside, and for that change to be lasting it must be incremental and continuous. Changing behaviour is probably the most difficult of all changes to achieve as it so often smacks at culture, and changing culture is nothing for the feint-hearted. Where incremental changes, whether they be in adopting Scrum, or how we access information moving from hard-copy to on-demand access on tablets, are taken on-board and become the norm then who we are as an organisation also starts to change, which becomes infectious. Still, changing governance behaviours means changing the behaviours of the most senior people in an organisation, and typically that will not happen unless the CEO and the senior leadership team all agree to that change, and then carry through.

5.6 Conclusion

Governance behaviours are responsible for so much of what goes on in portfolios, programs and projects, and these behaviours fundamentally determine their outcomes. Good governance is great, and poor governance is distressing. Yet good governance behaviours are all very simple and easy to achieve, and most importantly, those who should be changing their behaviours are dependent on themselves to make the decision to change: they need seek permission from anyone else. They don't need to submit a proposal to themselves for approval, rather they simply need to agree amongst themselves that change is both necessary and achievable to set the ball rolling. And from that great things will emerge, not least of which will be the realisation of their strategic, business and technology plans, as we will see in the next chapter.

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Chapter 6
Portfolios, Innovation and Value Creation

6.1 Introduction

The principal reason organisations run portfolios is to better manage strategy formulation and realisation, so as to optimise value creation and capture. Critically, an organisation's ability to both survive and thrive is through value creation which is fundamentally dependent on innovation.

This chapter looks at the relationships between value, innovation and portfolios, and I propose that being excellent at portfolio execution, management and, most importantly, governance, is fundamental to organisation, and not just Portfolio, Program and Project (3P), success.

6.2 Was I Distracted When the Future Arrived?

We live in uncertain times, just ask those pundits who make (made?) a living predicting the outcomes from the US Presidential election and Britain remaining in the European Union. Uncertain times and rapid change makes an interesting brew. The rate of change of business models is truly staggering, and many of the forces driving change are not well understood, being novel and difficult to predict. What we are seeing today are whole industries being transformed through digital capabilities, globalisation, trade liberalisation, technological advancements, social drivers and emerging economic models. It is a revolutionary transformation of business eco-systems.

In 2005 the top corporations in the US by market capitalisation were GE, Exxon, Microsoft, Gazprom and Citigroup, a mix of corporations across four quite different industry sectors. In 2017 the top five are Apple, Alphabet, Amazon, Microsoft and Facebook. All but one (Amazon) are high technology companies, and one could

argue so too is Amazon. This shift has been so quick, and it is fundamentally based on innovation.

Fifty years ago the largest corporation in the US was Standard Oil (predecessor of Exxon Mobil) and over these five decades we have a seen a shift from corporations with wealth based on physical assets (oil and gas) to manufacturing in the 19070s and 80s (GE), to financial services (such as Citigroup) in the 1990s and to intellectual and digital capital (today's top five). This has seen a shift in valuations based on physical assets fall from 85% of market value to just 15% in 2016.

In a July 2016 article, The Fast Company nominated their top 50 innovative companies of 2016. An analysis of those companies indicated the industry sectors (Table 6.1):

Industry sector	Number	Percentage
Banking	4	8%
Transportation	1	2%
Technology	12	24%
Entertainment and media	10	20%
Health	7	14%
Consumer	6	12%
Sharing / Social awareness	4	8%
Travel	6	12%

Table 6.1 The spread of industry for the fast company's 'Top 50' innovative companies 2016

The most innovative companies (12) were in Technology, unsurprisingly, with the second highest being in Entertainment and media. Where were manufacturing, engineering, construction and defence, traditionally the largest industries?

Consider:

- The massive shift in media consumption habits from print and television to digital and social-networked media such as Facebook, BuzzFeed and The Daily Beast, which is how the millennials obtain their news. It was judged that in 2012 Facebook became the primary channel for obtaining and sharing news, and as Fig. 6.1 attests, the preferred platform to receive this news are hand-held devices: ubiquitous, pervasively connected, always switched on. Of great concern to the traditional media, these platforms distribute the news without any censoring, editing or veracity. Media rules have well and truly changed.

- The shake-up in the taxi industry driven by companies such as Uber. In Sydney, Australia, in 2011 a set of Taxi plates cost $425k, and in less than 5 years that price has dropped 30% to $300k. Despite furious backlash and resistance from the taxi industry, ride-sharing is here to stay and in recognition of that the New South Wales government has set up a taxi compensation board.
- Airbnb started in San Francisco in 2007, and by 2014 it was valued at $10B. By 2016 that valuation sat at $30B. This business started as a classic accommodation industry disruptor, targeting the lower, bargain end of the market, and not being seen as a major challenger to established hotel chains. That opinion does not stack up in 2016 where Airbnb is seen as a major threat, forcing hotel chains to reconsider their business models.
- Blockchain is set to do to the financial transfer and payments industry what Airbnb has done to short term accommodation. Financial transactions still exist in the dark ages, as anyone who has bought or sold shares will attest, or requested a transfer of funds from one institution to another. Waiting 3 days for a share transaction to be completed, or up to 7 days for a funds transfer between two institutions is simply unacceptable. Over the next 5 years, blockchain promises to revolutionise financial services.
- Following the previous point, a shake-up is happening in the securities exchange industry, as witnessed by IEX.
- In 2016 it was predicted robotics and artificial intelligence will challenge up to 40% of all jobs within 15 years.
- Renewables and energy storage. Peabody Energy, a global giant in coal production could not service its debt created through mine expansion activities (in particular, in Australia). Falling coal prices and challenges from gas saw its stock price fall by 874% (from $73 to $7.70) between 2011 and 2015 when it filed for bankruptcy. Other players in this market have seen similar dilution of value as slowing demand, alternative energy sources and a greater awareness of the need to bring online renewable energy sources have had a profound impact on traditional resources companies.
- Intel and GE re-invent themselves as an Internet-of-things company, branching out from manufacturing 'things', to networking 'things'.

Even if you consider your organisation operates in a fairly stable environment, not dictated by the pace of change and dictates of innovation, then consider that whomever you deal with, your customers, partners, suppliers, may well be undergoing rapid change, as the following graph illustrates:
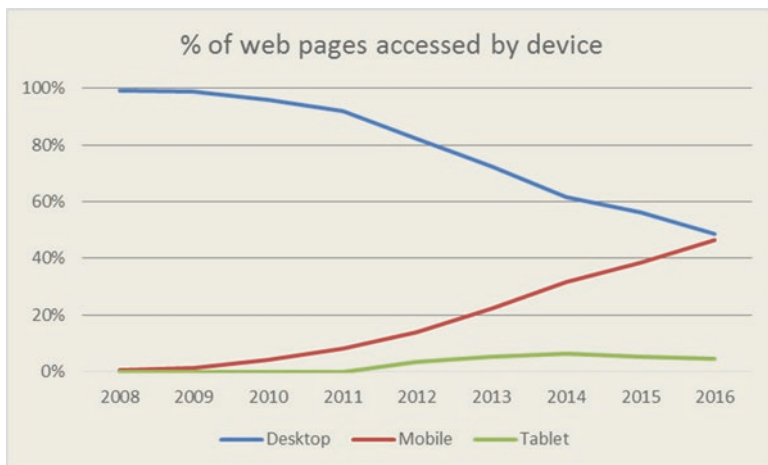
Fig. 6.1 The ratio of web pages accessed by device type: desktop, mobile and tablet

In 2016 the majority of web pages accessed were done on mobile devices. The dominance of the desktop is waning and such a change may well have a major impact on how organisations deal with the outside world.

What worked in the past may no longer work for many firms. Without innovation, rapid response to existential threats and the ability to grasp opportunities before the competition are all core competencies. Change is the new currency of business, and the vehicle for creating, managing and delivering change, is the portfolio.

The challenge for organisations, as it always has been, is to create, capture and grow value.

6.3   What Is Value?

"Price is what you pay, value is what you get" is a well known Warren Buffett saying, and one to which most people nod and smile. Like they get what he's saying. A bit like Mark Twain's "Climate is what you expect, weather is what you get". It frames a truism, and also a folly, that prices defines value, and climate determines whether you need to open your umbrella. In our rush to have just one simple metric to define an organisation's value the markets use stock price, earnings per share or market capitalisation. But what if the organisation is not a commercial entity, or it is private hands? Other metrics may be used such as price/earning ratios, or capitalisation being multiples of revenue, but each of these metrics so often comes up short in defining value. Start-ups are notoriously difficult to price so how does one define their value? The level of innovation? Tim Cook, having overseen Apple's capitalisation increase from $65B to over $200B still states the real value of Apple – its soul – are its people. In his words,

> *"Yes, we have IP. Yes, we have some real estate, but at the end of the day people can rip that off. People are the soul of the place."*

When asked if he considered Apple's real value lay in its technology, Tim Cook responded:

> *"I've always thought that Apple's primary role is to delight its customers, whether we had a few thousand of them, or a million of them, or now, when we have well over a billion active devices out there. Regardless of what the number is, we've always focused on taking care of them. That's meant making great products, innovating, and surprising them…"*

Being truly customer-centric is Apple's central ethos, so whatever they do to delight the customer is valuable.

So, what is meant by 'value'?

There does not appear to be one, universally applied or agreed definition of 'value'. And similar to quality, it very much depends on who is using the term and the context of its use. In purely economic terms value is the price of a good or service. But it has much broader application, in some usage it is aligned to principles and ethics, but more often it is a measure of 'what is good'. In the world of projects, it is very much aligned to benefits, whereby realising claimed benefits will increase value to the organisation.

'Value management' as a discipline emerged immediately after the second world war, when General Electric devised methods to increase product functionality while reducing cost, essentially optimising the use and application of scarce resources. Earned Value is a concept used in project management which tracks delivered 'value' against planned cost of production and speed of delivery. It is a very useful technique which is rarely used, which reflects level project management maturity.

'Value' has been used with projects for many years, with Earned Value Management (EVM) being used to set and track how well projects are delivering 'value' for what it has cost them.

The PMI has a standard in earned value management, which they define as:

> *…a methodology for integrating scope, schedule and resources for objectively measuring project performance and progress and for forecasting outcomes. (Institute 2011)*

The method is quite useful for planning, tracking, control and reporting when there is a well understood definition of scope, the cost of production and productivity metrics are well known, and there are consistently followed management and control processes. Generally, it is a useful technique for external (i.e. non-organisation) projects. The 'value' in EVM refers to whether the client is receiving value for money: are we getting satisfactory and expected through for what this is costing us? The reality for most organisations running their own projects is they do not have the necessary maturity to effectively use EVM.

Whereas these definitions of value are valid, the usage here describes 'Business Value'. For many firms the ultimate value being created is *shareholder* value, reflected in stock price, increases in prices and returns to shareholders by way of dividends. Markets factor in future earnings growth when setting stock prices, broadly equating the increase in capitalisation to the increase in value.

In framing a business case we will state the 'value proposition', which essentially defines how, and by how much, this initiative will increase value to the organisation. The metrics which support this often lead to two base numbers: how much we will increase revenue and how much we will reduce costs. In reaching these two numbers, however, other metrics may be used such as increase in market share, increase in customers, greater customer satisfaction, products taken to market and product sales, increase in straight-through-processing, systems rationalised, headcount reductions, real estate rationalisations etc., etc. These are easy metrics to use as people are familiar with them. But how do you define those other attributes which ultimately impact on value, such as culture, diversification, innovation and regulatory alignment?

For many years, the predominant perspective for how to maximise shareholder value was return on shareholder investment through stock price increases and dividends. Senior executives would have meeting stock price targets built into their remuneration agreements and performance scorecards. This led to some unfortunate situations, where major changes were made to organisations through drastic cost-cutting and asset sell-offs so as to improve the bottom line and, in the short term at least, increase the stock price. This strategy of 'short-termism' did not lead to value maximisation, in fact the opposite was achieved, as Michael Jensen warned:

> …(organisations need to) resist the temptation to maximize the short-term financial performance (usually profits, or sometimes even more silly, earnings per share) of the organization. Such short-term profit maximization is a sure way to destroy value.

To create long-term value senior management may need to cut costs and re-direct investment and organisational capabilities at innovation, even witnessing the stock price decrease while wealth and value generating strategies are given time to work.

Savvy investors like Warren Buffett invest on the basis the market could close for 5 years and he wouldn't worry. He's in it for the long haul.

Over the past 15–20 years there has been a shift from creating (just) shareholder value to *stakeholder* value. Organisations focused on selling products and services to an end customer need to be cognisant of relationship value, and how the portfolio structure is used to optimise value (Voss and Kock 2013).

That is, organisations need to take into account the needs and expectations of a range of stakeholder groups (shown in Fig. 6.2), both internal and external to the organisation.

Fig. 6.2   The eight key groups who have a stake in what value means to them

The fundamental choice organisations make regarding value is to ensure 'better over worse'. There is the need to balance often competing priorities across a range of 'value sets', that is, the view of value each stakeholder brings to the table, as summarised in Table 6.2:

Stakeholder	How they see value
Customers	• Products that work, meet fitness-for-purpose • Value-for-money • Service which meets their needs • Not being ignored!
Organisation	• Alignment to goals and strategies • Meet targets, typically for revenue growth and cost reductions • Cross-organisational integration and collaboration • Ensure people are aligned with organisation goals and priorities • Make sure their people are committed to project strategies and outcomes
Shareholders / Owners	• Ensure project objectives are correctly aligned with priorities • Stock price increases • Capitalisation increase beating competitors
Our people	• Professional satisfaction • Healthy, supportive work environment • Achievement of person and professional development goals
Partners	• Endorse (review and approve) all key deliverables in a timely and efficient manner • In particular, endorse project budgets, resource plans, strategies and business case
Suppliers	• Efficient engagement in the value / supplier chain • Fair contracts well managed • Appropriate risk sharing and remuneration for risk carried
Regulators	Dealing with organisations who • Act within the spirit and letter of the law • Act ethically, honestly in disclosure
Society	• See the organisation as a 'good corporate citizen' • That the organisation acts for the greater good, is ethical, fair, honest and trustworthy

Table 6.2   Stakeholder groups and how they view value

It may be the case that what constitutes value to one group may undermine value to another. For example, where the regulator places certain trading conditions on a company may be seen as working against revenue and maximum sales, at least in the short term. The way organisations balance what can be competing interests is to create value attributes derived from an analysis of what constitutes stakeholder value, and use a scoring mechanism to then rank all interests from highest to lowest.

6.4   Innovation and Value

In a recent article in Harvard Business Review, Nagji and Tuff stated:

Management knows it and so does Wall Street: The year-to-year viability of a company depends on its ability to innovate (Nagji and Tuff 2012)

For most of my life (actually 97.6% of it) I had been peeling bananas a particular way. Peeling from the end which had attached the banana to its tree. This was always known as 'peeling from the top', which is logical, why would you even bother thinking about peeling from the 'bottom'? So, when a friend suggested peeling from the bottom was, in fact, the 'right' way to do it I immediately rejected the concept. I had a fixed idea which had never been challenged and through sheer force of habit (and never considering the alternative), my way was the only way. Based on evidence, including observing how other primates peeled bananas, peeling from the bottom is superior. It removes the 'strings' on the skin which saves you having to rid the banana of these before consuming. It also means you leave the blackened end rather than having to remove it before eating. I now peel a banana this 'new' way, accepting all the evidence supports this method. This simple lesson taught me something critical about innovation, and that is our pride in being so smart and sure is innovation's greatest enemy. And a little humility doesn't go astray, either.

Finding a new way to peel a banana, however, is not new. In that innovation is not new, although it has gained prominence through the (apparent) success of start-ups. Many organisations take the view that the ethos inherent in a start up (embracing the new, fearlessness, the courage to try, fail, and try again) should be core competencies for all organisations. When asked if she thought it was necessary for organisations to re-invent themselves every few years as competitive advantage is fleeting, Indra Nooyi, CEO of PepsiCo responded:

No question about it. It's been a long time since you could talk about sustainable competitive advantage. The cycles are shortened. The rule used to be that you'd reinvent yourself once every seven to 10 years. Now it's every two to three years. There's constant reinvention: how you do business, how you deal with the customer.

Think of innovation as the dynamic behind value creation. Walking is a process of the body being continually thrown off-balance and a leg, placed judiciously, stopping you from falling flat on your face. The greater the momentum, the faster you

move, but also the greater the chance that, if something goes wrong, then a fall is inevitable. There is no greater thrill on the football field than to see one player break free and sprint down field. More spectacular, however, is the ankle-tap and, despite it sometimes appearing that the slightest touch is made to the runner's foot by the diving tackler, the runner comes crashing down. Momentum is a wonderful thing, not enough and you go nowhere, but too much and the slightest force can throw you off balance.

Innovation creates an organisation's momentum, and all organisations need innovation to create value, but too much innovation and disaster is but an ankle tap away. At each point in an organisation's growth and maturity the innovation/business-as-usual balance will differ. In early start-up phase the focus is entirely on innovation, but at some point revenue becomes important – really important. This first inflection point is often missed, as witnessed by Evernote, which failed to focus early enough on generating sales. When you're dependent on your venture capitalists for the next tranche of funding, missing revenue targets is not a good idea. It can be an existential mistake.

Uber is a good example of the dangers inherent in rapid increase in valuation as a start-up. Uber burst on to the scene in 2009 and in January 2013 following a round of capital raising it was valued at $2.5B (based on revenues of $150M).

There were spectacular increases in valuation as revenue increased and capital raising rounds were successfully completed. In early 2016 the valuation was variously estimated at somewhere north of $60B, however by late 2016 that figure had halved, due to a number of factors, including exiting what could be seen as one of its greatest growth markets (China – although 'exit' here means selling out to Didi Chuxing, Uber's biggest rival in China). Still the challenge remains for how to convert massive revenues in to profits, as Uber's costs are substantial. This is a common problem for an entrant determined to shake up a market (which are sometimes called 'disruptor', and incorrectly so as Uber is not a disruptor): cherry picking those parts of the value chain which sees rapid increase in market share can come up against a brick wall. Furthermore, the capitalist system based on the laws of supply and demand dictate that if demand is so great such that firms like Uber grow rapidly then it will in turn attract competitors (such as Alphabet, Amazon, Tesla), and these competitors may have very deep pockets. It is knowing when to shift the emphasis from value creation to value capture, as if the tipping point is missed then the company can become unviable and open to take-over, or demise.
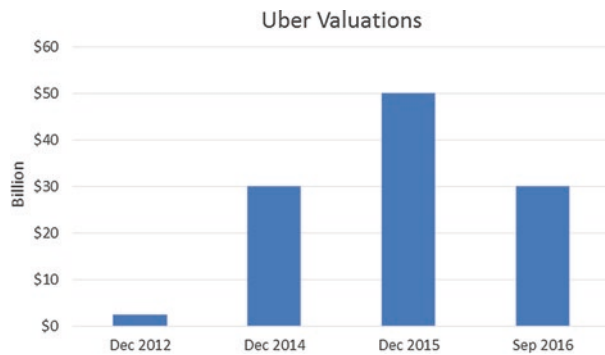
Many argue that the only long-term approach to increasing value is through innovation. Certainly this is true for value derived from new, better or more profitable products.

It is widely agreed that to increase the value of an organisation then the organisation must innovate. Gary Pisano argues that innovation must be tied to strategy. He proposes a four step approach:

1. Answer the question: How will innovation help us create value for customers and our company?
2. Create a plan for how to allocate resources (and capital) to each type of innovation.
3. Manage trade-offs: not every innovation is the highest priority.
4. Understand that an innovation will evolve. Ensure you have a framework which supports experimentation, learning and adaptation.

Pisano also suggests a strategy can be broadly positioned in one of four quadrants as shown in Fig. 6.3.

	DISRUPTIVE	ARCHITECTURAL
Requires **new** Business Model	*Releasing existing products into a new market*	*New suite of products delivered through new technology*
Leverages **existing** Business Model	ROUTINE *Product upgrades with more efficient channels*	RADICAL *Hand-held banking*
	Leverages **existing** Technical competencies	Requires **new** Technical competencies

Source: "You Need An Innovation Strategy", Gary Pisano, HBR June 2015

Fig. 6.3 Gary Pisano proposes a strategy can be positioned in one of four quadrants

Starting with a clear understanding of the outcomes from innovation makes sense. In many organisations an innovation centre is set up, disconnected from those it is meant to be serving, and in many cases serving no one but itself.

6.5 Organising Innovation Within Organisations

If innovation is fundamental to creating value which is fundamental to organisation success, how do organisations act and *be* innovative? How do they corral innovation such that it is useful?

"Fail fast, fail cheap and fail early" becomes "Learn fast, learn cheap and learn early".

Market Innovation: Product Innovation Analysis
One of the most influential thinkers regarding strategic planning was Igor Ansoff who in 1957 published his 'Ansoff Matrix', a 2-dimensional matrix which helped explain how organisations can drive into new markers by extending their product offerings. The beauty of the model is its simplicity and how it focuses analysis and discussion on the two broad dimensions of market segmentation and product development.

In 2012 Nagii and Tuff re-worked the Ansoff Matrix in applying it to innovation, both in terms of analysing new markets and new products, as shown in Fig. 6.4. Their thinking is that management should consider what proportion of their product portfolios should sit within each of the 9 cells in their 3-by-3 matrix, such that they invest the right amount in new products in new markets, against existing product sin existing markets (for instance).
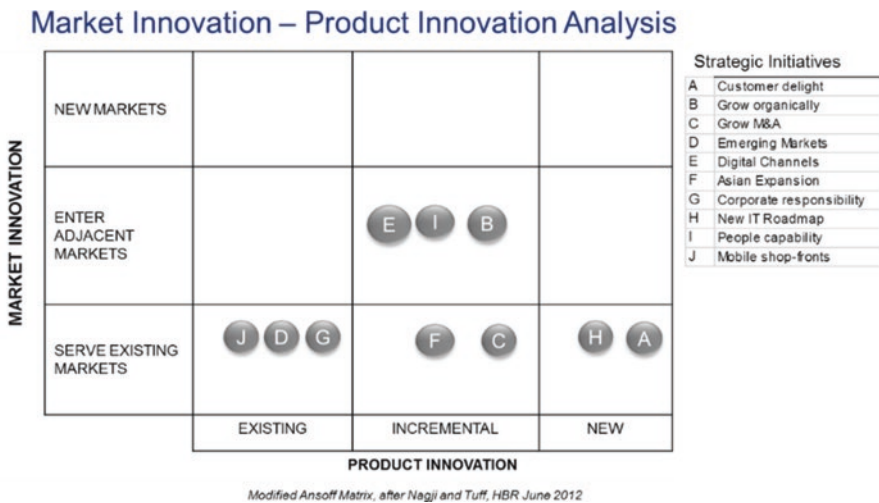
Fig. 6.4 Modified Ansoff Matrix as proposed by Nagii and Tuff to demonstrate where organisations need to invest

This analysis looks at a sub-set of the program portfolio, that being just those components which deal with products and markets, meaning portfolio investment concerned with IT refresh, compliance, HR – that is, all non-product programs – are

excluded form the analysis. It also means that a program could cover multiple cells, whereby a program is executing strategy which rolls out existing products into new markers, or enhancing existing products in existing markets.

Nagii and Tuff suggest a 70:20:10 ratio between investing in existing markets: adjacent markets: new markets, although this ratio is open to rigorous analysis and debate. What should emerge, however, is whether enough is being spent on new products and new markets, and if not, then why not? Similarly, is too much being spent on new products without maintaining existing products, or upgrading those products to meet market demands and expectations.

For example, Nokia's demise in 2013 from the giddy heights of a leader in the mobile phone market is a text book case study in failed innovation, but not in the sense they did not innovate, rather it was due to some very poor strategic decisions and a dysfunctional organisation structure which stifled innovation, pouring weed-killer on the 1000 flowers which never bloomed. Referencing the above matrix, the level of investment in the 'New Markets'-'New Product' cell was almost non-existent.

Contrasting Nokia's experience is Dyson, which seems to be doing quite revolu-tionary things with all things moving air, sucking or blowing, hot or cold. Their philosophy is to fully immerse in the innovation experience, taking just one great idea and then through detailed design, prototyping and testing, before releasing to the market (the original vacuum cleaner went through more than 5100 prototypes). This intensive product design and development process is actually their 'value add', and customers are more than prepared to pay for that perceived value. In many ways their approach to product development, introducing new products to new markets, and continually improving existing products can be mapped to the Ansoff Matrix, an almost text-book case study in creating value through product innovation.

This raises a broader issue of what is the level of investment required in each cell? How much lead time is required so as to synchronise product strategy with external business and economic cycles? One would not want to be launching a pre-mium priced product when a recession is looming, for example. We tackle this crucial issue later in the chapter as, unsurprisingly, the quantity of value to be cre-ated by this innovation should and does shape thinking about appropriate invest-ment levels.

Product Innovation: Process Innovation
Whereas the historical view of innovation pertains principally to products, process innovation cannot be ignored as efficiency of the value chain is fundamentally con-tingent on process innovation. The 'value chain' was first proposed by Michael Porter in 1985 taking a systems view of the organisation Porter identified the major processes required to create and deliver a product or service to market. This is part of a broader value system, and through trade liberalisation we now discuss global value chains (Fig. 6.5).
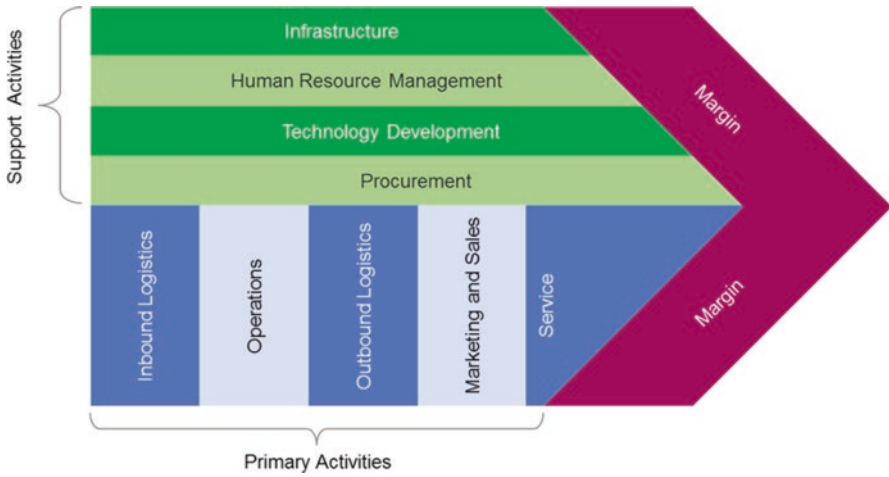
Fig. 6.5   The Value Chain as proposed by Michael Porter

The Value Chain is a process matrix writ large, which mirrors the way many organisations structure their divisions. It doesn't take much imagination or observation to see how organisations can adopt a global view of operations, with design and IP-creation happening in one location, manufacturing and produc-

tion in the lowest cost location and distribution being outsourced to a carrier with low cost of transaction achieved through large economy of scale. This, then, is the Global Value Chain (Fig. 6.6).
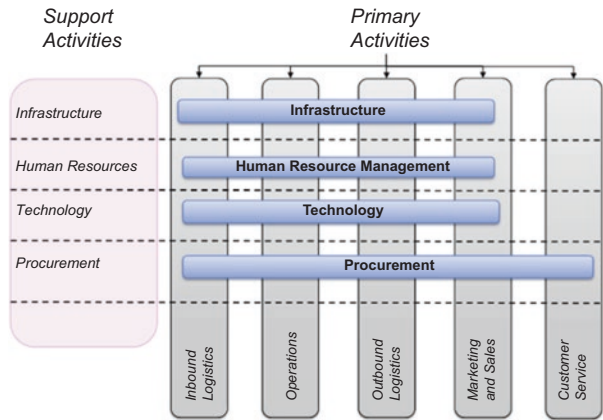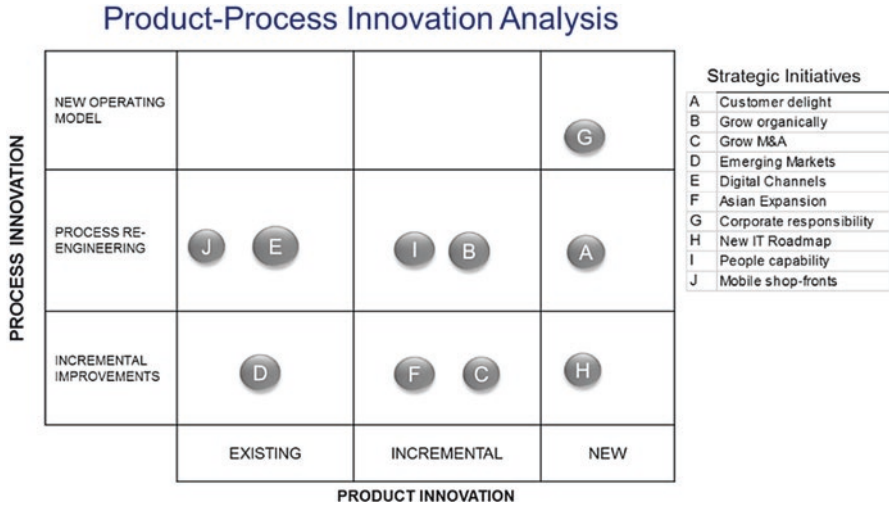
Fig. 6.6 Product versus Process innovation: getting the balance right

In most cases when organisations talk about innovation they mean product innovation, although this doesn't mean process innovation, such as Lean and Agile, are ignored. What appears to be the case is that most business cases rarely target the benefits that might accrue from new processes, procedures and execution methods.

Topic:	Not invented here
Details:	When organisations undertake major strategic business transformation and core system replacement programs they often build the program structures from the ground up. Rarely is there a 'fast-start' team drawn from across the organisation ready to be mobilised, and using external expertise, to rapidly bring the new program up to speed. This is a missed opportunity as program ramp up is a very expensive exercise, possibly seeing up to 50% of the spend in the first 6 months consumed by 'noise and friction'. In one major organisation I was consulting to in 2012, there were 3 concurrent strategic programs running, and as each program was initiated it operated as if it were the first program to kick off, borrowing nothing and learning nothing from the programs which went before. In particular, this applied to the execution methods, where each program adopted a form of Agile-at-scale, but using different consulting support and so different methodologies. One reason I was engaged was to sort out what was a very weak central PMO which had neither the capability or influence to define a standard operating model for strategic programs. I quickly analysed what was going on and calculated the lack of collaboration and sharing methods and lessons cost the organisation between \$25M-\$35M over an 18 month period (possibly more). It also ensured the 2nd and 3rd programs to initiate were at least 6-12 months behind where they could have been, impacting on the benefits realisation schedule, which was not calculated. What was concerning was this pervasive attitude of 'not invented here' being a good enough reason to not adopt what another group was doing. Ego and hubris are very costly attitudes.
Lessons:	Process innovation becomes real once it is shared, as through collaboration we rapidly improve processes and execution methods. All organisations need to agree on their execution standards and ensure consistency of practice.

Mini-Case Study 6.1 Not invented here works to undermine the value from process innovation

Organisations need to explicitly structure to:

- Focus on product and markets innovation
- Create execution frameworks which are in themselves innovative

Many organisations set up their version of Microsoft's 'The Garage', in some cases even calling the same name. This unit acts as an incubator, where individuals and teams pitch an idea which may be guided through the 'innovation funnel'.

- Innovation by design. Integrating innovation into everything we do, how we plan,
- Don't run a funnel, infuse innovation into behaviours. "Experimentation as a service"
- Institutionalising innovation, making it part of the DNA, awarding people for thinking and acting innovatively

Innovation is not a panacea, is not one-size-fits-all, is not an excuse for tackling problems, for fixing what is broken with something shiny and new if the underlying malaise lingers.

6.5.1   Harvesting Innovation

Many organisations run innovation silos, either broadly aligned to what they do (such as product innovation), or how they do it (such as process and execution innovation). The major problem with this approach is it creates an innovation funnel, as shown in Fig. 6.7.
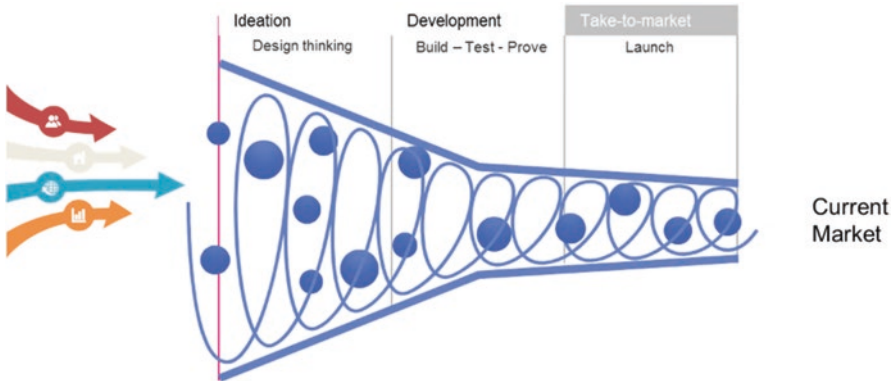
Fig. 6.7 The 'innovation funnel' is adopted by many organisations but often proves inefficient

The funnel acts to source many potential ideas which are passed through the funnel to, eventually, a new or enhanced product is delivered to market. Some studies indicate that the conversation ratio of idea-to-product may be as high as 3000:1 (Stevens and Burley 1997). That is, 2999 ideas are never delivered to market. The situation is not as dire as it may appear, as many ideas act with others in a synergistic fashion to enhance one or the other, to create a third idea which is subsequently productised. There is something almost Darwinian with this model, that the ultimate survival of the fittest will create the best products.

Most organisations which run the funnel use analysis and selection techniques such as 'Real-Win-Worth It' (R-W-W), Lean Model Canvas or Experience Canvas and a scoring matrix which enables senior managers to choose between proposed innovations. Still, the funnel model is highly inefficient, and there are better approaches to percolating innovation from the organisation and through to value creation.

One approach is to create informal networks of 'special interest groups', where individuals come together both physically and virtually, to discuss ideas, develop prototypes, test out theories, challenge one another, create linkages to external entities, bring in external experts, workshop and drive innovation. Tools such as Slack and Yammer are used to support communication and collaboration. Spotify call these networks 'guilds', after the traditional groups of individuals with a common but specialised set of skills.Google adopts a 70:20:10 model of work, where 70% of an individual's time is spent on their assigned work, 20% is spent on work-specific projects and 10% is spent on projects which are clearly innovative in nature. To support this deliberate approach to innovation, Google applies six principles of workforce management:

1. Adaptable capabilities: the ability to deploy resources to meet demands, both internal and external.
2. Organise to anticipate challenges, as opposed to reacting to change.
3. Allow people to be creative, to innovate, to challenge, change and deliver real value.
4. Leverage bi-model operating models, balancing the need for repeatability and optimal efficiency, while opening the doors to innovation. And knowing when each mode should operate.
5. Learn from your surroundings, encouraging an inter-change of ideas and information bothy across the organisation and with the outside world.
6. Apply systems thinking, seeing the organisation not just as a network of individuals and teams, but as systems within systems, leveraging negative feedback loops.

Each of these principles supports innovation. In this regard Google's success is no accident, and innovation is central to that success.

Where organisations have adopted design thinking then Minimal Viable Product (MVP) analysis techniques enable the specification of what can be taken to market early, which will both capture acceptable market share while laying a product development or evolution pathway. Without formalised and useful analysis and selection techniques then the funnel process appears misdirected and a huge waste of effort and cost.

There are three broad models organisations use for innovation:

1. Innovation functional groups.
2. Innovation Portfolios.
3. Integrated within Divisional Portfolios.

Innovation Functional Groups
The 'innovation centre' model is usually aligned to product innovation or process innovation and may be a centralised unit set up to serve the whole organisation. They tend to be co-located rather than virtual, and teams from across the organisation put in 'bids' to be selected to be incubated. This means teams travelling from wherever they are within the organisation and moving to where the innovation unit operates. These groups are seen as being selective (obviously) and to be selected a team…

Innovation Portfolios
This is a group dedicated to running the 'funnel', possibly all the way to delivery. This means each division would run its own innovation portfolio, considering that divisions are very protective of their own products, markets and customers. But this leaves out all other initiatives the organisation may choose to run which have little to do with product innovation, such as process re-design, applications and systems integration, data management etc. Further it does little to resolve competition across divisions for scarce project dollars.

Integrated Within Divisional Portfolios
A federated arrangement with both a strong 'centre-of-excellence' working closely with an innovation team within Divisional Portfolios.

This model is predicated on the mathematical distributive law where $ab + ac = a(b + c)$, whereby 'a' are common functions (processes, procedures, techniques) used right across an organisation, and 'b' and 'c' are those functions and specialised knowledge pertaining to just one division. The 'a' functions tend to run out of, or are provided by, a centre of excellence, which works closely with the divisional portfolio. Probably the most powerful reason for adopting this arrangement is it assumes innovation is part of what organisations do, and not something which sits off to the side attracting 'special cases'.

6.5.2   Portfolios and Execution Innovation

As discussed above, innovation works along two dimensions: product and service innovation and process and execution innovation. Most innovation activities within organisations focuses on product and service innovation. Whereas process and operational efficiencies are seen important drivers of cost reduction, rarely do organisations look to productise execution innovation, whether for internal consumption or as a commercial offering. Whereas organisations at least attempt to quantify their return on product innovation (through increased market share, revenue, product

sales / customer etc.), there are almost no measures for return on execution innovation, even though there are examples of successes in most organisations.

Portfolios can be very useful at both creating and capturing execution innovation. However, the best vehicle for this is the program as programs have unique attributes.

The 'innovation centre' (often called 'the garage', probably following Microsoft's initiative, or in recognition of Apple's humble origins) works across portfolios, immersing themselves with teams to understand the initiatives planned and underway (i.e. the programs) and where innovation can be leveraged. This is called the 'innovation opportunity', and it is the role of the Innovation Centre to help teams realise as much of this as possible ('innovation realised') (Fig. 6.8).

Fig. 6.8 Innovation centres work in a matrix arrangements across portfolios to turn opportunities into realities

The problem for most organisations is this does not happen. As mentioned above, most innovation centres act passively, waiting for teams, programs, groups to come to them, and often due to demand, many ideas and groups are turned away.

A better model is to replicate the function of the innovation centre across all portfolios, and link them all together as a community (Fig. 6.9):
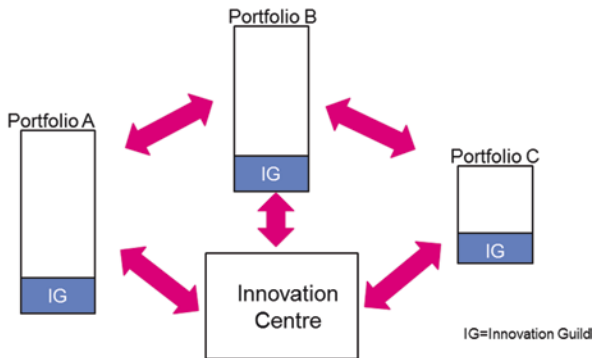
Fig. 6.9 Organisations can set up informal 'guilds' to leverage innovation ideas, techniques and tools

The purpose of this arrangement is to optimise the innovation opportunities in each portfolio, through pooling needs, sharing lessons, models, tools, resources and specialists. Modern portfolio team organisations models support this type of arrangement by the formation and promotion of 'special interest groups', sometimes called 'guilds', where individuals with an interest in specific topics meet, share ideas, look at their ideas in action, promote professional and competency development and create linkages both internally and externally (I have identified the 'IG' – Innovation Guild – in each portfolio). The Innovation Centre acts as a knowledge broker, providing information and valuable resources to teams such as online learning modules, and linking needs with solutions, whether from across the organisation or externally.

The Innovation Centre will organise events which promote innovation, such as shown in the following event calendar (Table 6.3):

Event	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Innovation Council	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆
Expo			▲						▲			▲
Conference						★						
Webinvar	💻	💻		💻	💻		💻	💻		💻	💻	

Innovation Council	The forum organised by the Innovation Centre which brings together representatives of the portfolio innovation guilds with the Innovation Centre, to share ideas, present achievements, challenges, external knowledge, plan events etc.
Expo	Expos (sometimes called 'stand-ups') are half-day events where ..
Conference	This is the annual conference where
Webinars	On a regular basis (could be daily, weekly, monthly), webinars are run to hook-up the organisation

Table 6.3 An innovation calendar showing the events running to promote innovation and idea sharing

It is absolutely critical to create and maintain engagement with execution innovation. Teams are very welcome to make mistakes in the name of approaching perfection, but there is no excuse to re-invent wheels. The excuse of 'not invented here' is an innovation killer and needs to be discouraged. Smart teams are experts at 'beg, borrow, steal' and look for all opportunities to be smarter, faster and better.

6.5.3   The Role of Governance in Execution Innovation

According to Deschamps and Nelson a significant proportion of organisations (43%) are dissatisfied with their innovation governance arrangements. This poor level of satisfaction "reflects insufficient or inconsistent and personal engagement by the CEO and his/her top management team" (Deschamps and Nelson 2014).

Governance must demand execution innovation is taken very seriously, that it is actively being carried out, and that the results are being measured, fully understood, communicated and shared. The Portfolio Board needs to be on top of this, and the Portfolio PMO should be reporting explicitly against innovation targets, needs and achievements.

One question those in a governance role should ask (and expect an answer for) is:

What is our return on innovation investment?

Presumably innovation costs, so what is the incremental increase in value due to being innovative?

One way to track the answer to this question is shown in Fig. 6.10, a Realised Innovation Value Map, which plots either programs, portfolios or sub-portfolios, with the size of each representing total investment:
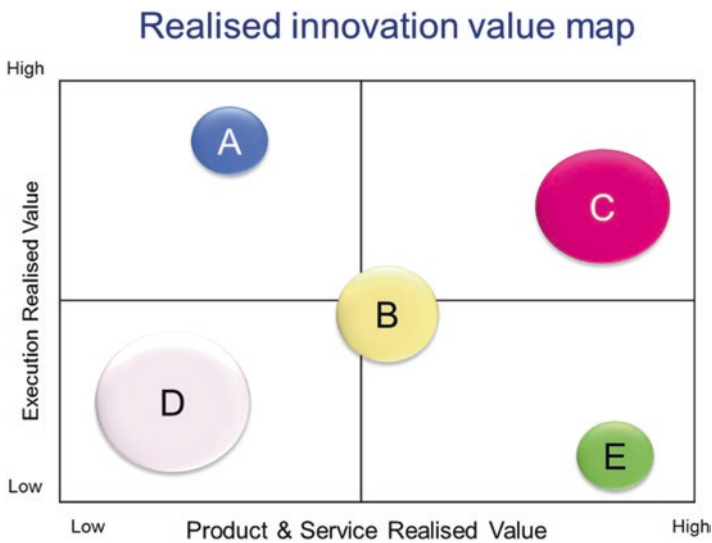
Fig. 6.10   Mapping product and process realised innovation by portfolio

The measures used for this type of map are interesting as we have a clear under-standing regarding product and service realised value measures (such as revenue uplift, increase in EPS, market share etc.), but what are the measures for execution innovation value?

Execution innovation is witnessed by the following:

- Methods which directly address the causes of project and program failure, such as uncontrolled scope change, poor estimation, unrealistic schedules, defect rates too high, dissatisfied stakeholders (etc.). An example of this is Agile-at-scale (such as Computer Associate's Scaled Agile Framework (SAFe) (Software 2016) and Disciplined Agile Delivery (Ambler 2016).
- A focus on increasing value by improving productivity, as witnessed by a reduc-tion in cost/unit of production.
- An increase in code development and testing, as witnessed by a highly efficient DevOps.

We would expect to see an incremental increase in realised value from execution innovation (Fig. 6.11):
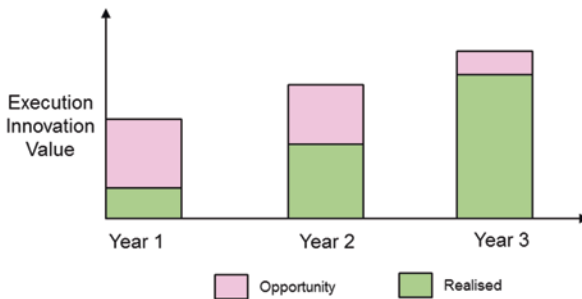
Fig. 6.11   Over time the benefits from process innovation should increase

There have been attempts to define an Innovation Maturity Model with most using the CMM-I as a framework for defining five levels of maturity (Enkel et al. 2011). What is interesting about defining innovation maturity is organisations who clearly are very good at innovation find it difficult to define what constitutes 'best practice'. Still, the Open Innovation Maturity Model defines maturity across three dimension of:

1. Capacity for partnership, meaning organisations cannot operate at a high level of innovation without forming good partnerships with specialists who will assist them in leveraging innovation.
2. Climate for innovation, which mainly refers to how the organisation sees and expects innovation, around leadership, rewards and communication.

3. Internal processes which most closely aligns to 'execution innovation', covering innovation facilities, knowledge management and coordination.

Recognising the difficulty in finding metrics to quantify each maturity dimension, the model uses qualitative assessments to position an organisation at the appropriate maturity level.

It is interesting to note that of the 21 attributes which collectively define innovation maturity, 14 are the direct accountability of those in a governance, or senior executive, role.

6.6   The Value of Portfolios

The contemporary understanding of project success is as being value-centric, as discussed in Chap. 1 and encapsulated in the 'Golden Triangle' of project success.

In this model we have 'value' placed at the centre for the simple reason this is the only reason why organisations run projects.

What is the difference between value and benefits?

Simply, value encompasses benefits, but value is perpetual and is whole-of-organisation. Consider 'benefit streams' which are associated with programs and therefore have an end, flowing into a 'value lake' which is permanent.

There are many activities which occur both within and outside the organisation

The 'Golden Triangle'

which impacts value. Benefits tend to be related to initiatives an organisation undertakes, which when realised may add to overall value. Program and project business cases define benefits, but more generically, they define how the initiative will create or realise value. Recognising the critical role language plays in communicating and understanding concepts, if an organisation prefers to use 'benefits' rather than 'value', then that's perfectly acceptable.

Programs and projects are delivery focused, bounded by the time (they all have a start and a finish) and are limited in optimising value. One dominant factor which continually clouds thinking regarding projects and portfolios is time. Most organisations still think about their portfolios in terms of spend per year, and how that must line up with budget constraints, such as staying within a maximum portfolio spend per financial year. But creating and realising value must be on-going, which is probably the major reason organisations run portfolios, as the structure is modelled such that we get the greatest return on our investment spend.
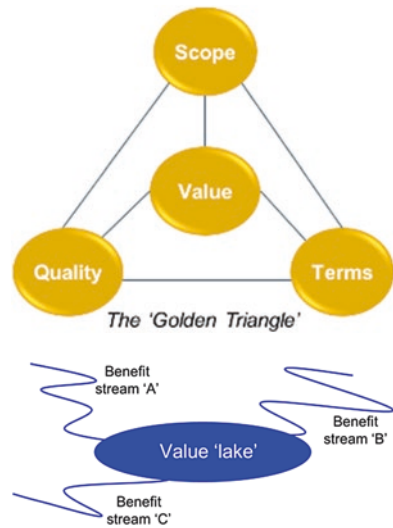
The benefits of running a strong portfolio model include:

- Portfolios enable organisations to respond rapidly to change;
- Portfolios optimise value;
- Portfolios package a strategy, ensuring there is no 'strategy-leakage';
- Portfolios enable the maximum benefits realisation;
- Portfolios support efficient resource management and utilisation;
- Portfolios enable the business to be responsive to change priorities, events and challenges.

Let's look at some of these benefits.

6.6.1   Portfolios Enable Organisations to Respond to Change

A 300,000 tonne super tanker takes up to 25 miles to stop dead in the water. A jet ski can go from top speed to fully stopped in under half a second. When it comes to the ability to change quickly, size matters. Organisations survive and thrive when their ability to change internally equals or betters the rate of external change. Put simply, the existing project model is very resistant to change and restricts an organisation's ability to respond to external changes.

We are seeing widespread adoption of lean/agile practices as a broad strategy to harness change, and that strategy includes how we run projects. All Agile-at-scale execution frameworks (such as Scaled Agile Framework and Disciplined Agile) are portfolio execution models, which enable great flexibility at the delivery level. They leverage negative feedback loops to continually monitor scope to ensure they are focused on the highest priority delivery sequence. This means they can respond to external events and forces of change rapidly without the need to mount new initiatives, and even though a portfolio may appear very large (at least from an investment and resourcing perspective), at the atomic level they are incredibly nimble. Compare this to the single project model, where significant initiatives are mounted as major projects, often slated to run for years with long periods between releases. Not only do they take a very long time to reach operating speed (typically 15–20% of total budget goes on building a business case), but reaction time to changes, such as demonstrated by processing a formal change request, can take many months.

We contrast the project model with a portfolio running programs. Each program is fully responsible for optimising its business case, and so governance is authorised to make decisions regarding scope, delivery sequence, product features (etc.) without the unnecessary overhead of firing up a new project to take advantage of new business opportunities. Decision making is decentralised to the point of actualisation (i.e. the teams), with senior management keeping a watchful eye without becoming part of a decision making bottle-neck. As change is expected portfolios are designed to both anticipate and leverage it, rather than fight against it. Portfolios both look into and fully engage with a rapidly change world.

6.6.2   Portfolios Optimise Value

Portfolios are structured around optimising value. Strategic and long-term planning will define these drivers.

The 70-30-10 balanced portfolio has transformational, major and core (incremental) innovations. The goal is to optimise value realisation against risk.

Portfolios play the 'long game'. Their purpose is to facilitate an organisation meeting its strategic and business goals over the medium to long term.

To better understand how portfolios optimise value creation, Fig. 6.12 depicts the 'value curve', as it is applied to the 3P structure. This shows that if an organisation runs projects as stand-alone entities (that is, not sitting with programs or portfolios) then the extracted, or delivered, value is minimal. As programs and then portfolios are introduced, then so too does the value increase.
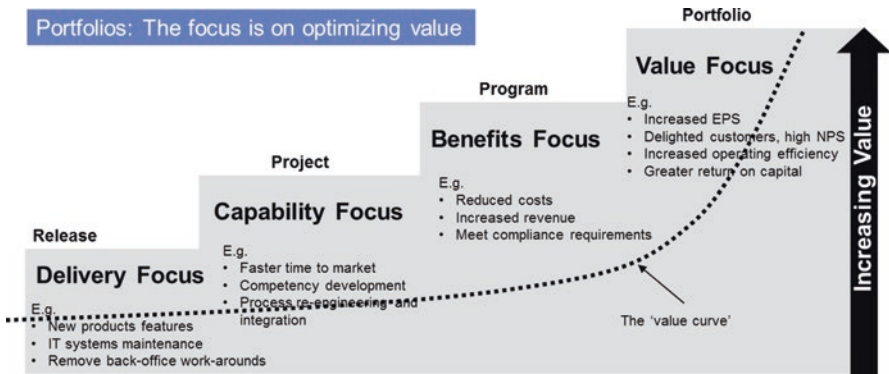
Fig. 6.12   As the focus shifts from projects to portfolios, organisations move up the 'value curve'

The 'value curve' increases because a more nuanced and complete understanding of value is implemented through the portfolio structure.

6.6.3   Portfolios Package a Strategy

All portfolios are ultimately judged on their ability to create, build, deliver and harvest value. There is a logical progression from defining goals, designing strategies, running programs and creating value, as shown in Fig. 6.13. Each program is justified on a the basis of a stand-alone business case which defines benefit streams which flow towards value capture. The analogy of streams flowing into a lake is apt, with value being the volume of the lake.

The major flaw with this model, as we will see in Chap. 8, is that organisations often do not start with where they want to be – that is, a clear definition of value actually is – and work backwards. In too many vases organisations forward plan hoping that where they end up will be acceptable.
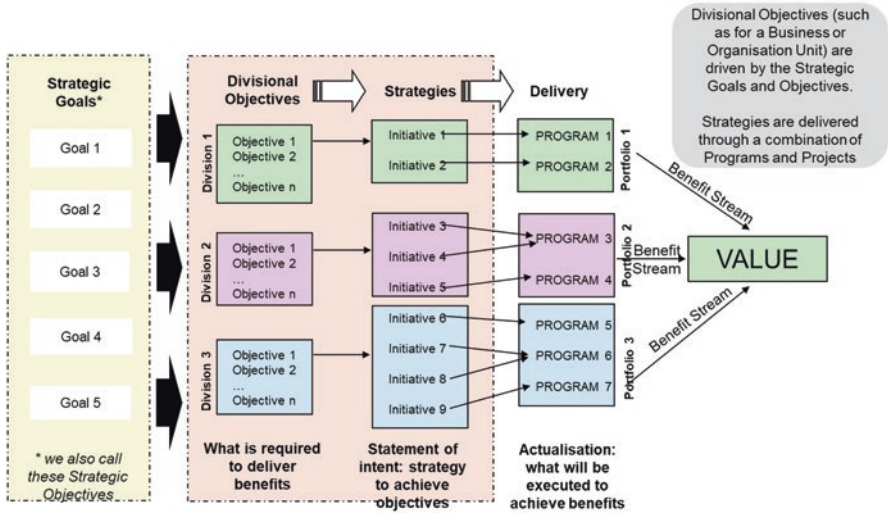
Fig. 6.13 Portfolios link strategic goals, business objectives through to strategies and which deliver value

In § 6.7 we look at how portfolios facilitate strategic thinking and planning.

6.6.4 Portfolios and Realised Benefits

We have known for many years that the program model is an appropriate execution model to implement major changes, realise strategies and achieve organisational goals (Fig. 6.14).
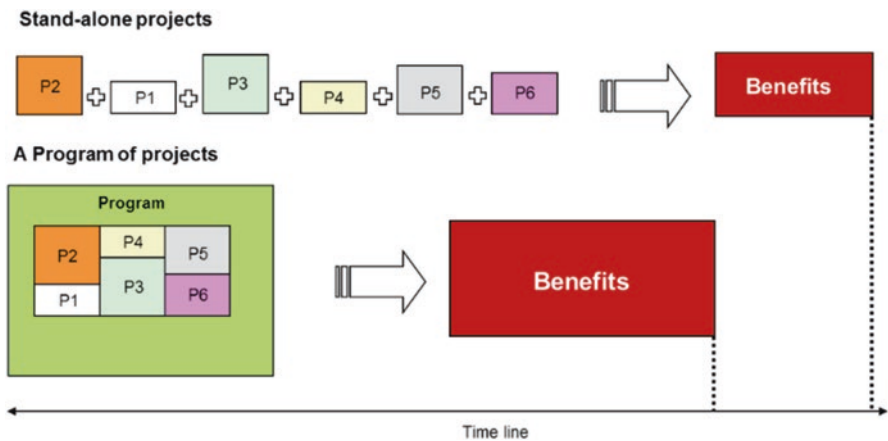
Fig. 6.14 The program model is an appropriate way to run tightly coupled projects so as to realise earlier, and greater, benefits

However, the evidence suggests that the majority of organisations do not adopt this value curve choosing instead to dwell in 'project land'. According to KPMG just 20% of organisations adopt portfolios as value creating structures. Furthermore, more than half of all organisations do not measure benefits realisation, and when they do it doesn't tell a good story. In a detailed study across six organisations between 2008 and 2015, more than 250 projects and programs were analysed to assess benefits realised 12 months post implementation (or program or project close), to compare these benefits against what was in the business case. Where the organisation (or division within the organisation) ran a formal portfolio model, then the benefits were analysed across the portfolio. Figure 6.15 shows that stand-alone projects realised on average just 40% of what was in the original business case. As we discussed in Chaps. 1 and 2, the reasons for this are well known, and the solution is to implement portfolio management and execution.
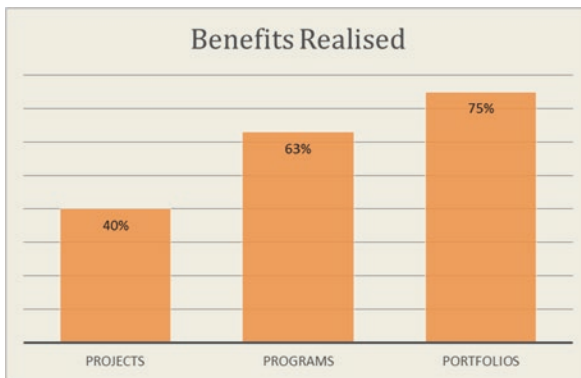
Fig. 6.15 The proportion of claimed benefits actually realised based on the model adopted

Portfolios clearly provide an advantage to organisations in realising benefits, however what advantages do they provide in looking more broadly at realising value? Considering that creating and increasing value is so dependent on innovation, then portfolios need to optimise how innovation is undertaken, how it integrates with portfolios.

6.6.5   Portfolios and Resource Optimisation

The project model is very inefficient for resource optimisation. Quite often a project has a resource curve as shown in Fig. 6.16:
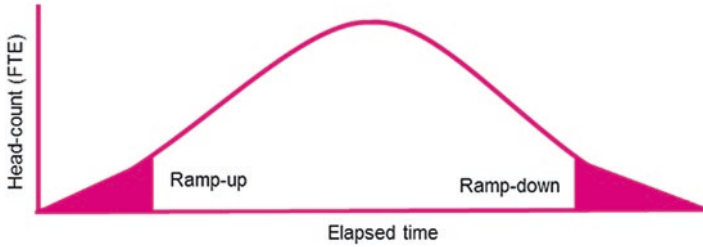
Fig. 6.16   The common project resource curve includes substantial ramp-up and ramp-down periods

Typically a project is initiated with some document (say, a Project Charter) which gives a brief overview of the project, why we should run it, how long, how much, how many people required (etc.). Once approved the project then starts to 'ramp-up', and continues this process of bringing on new people, or teams, until it reaches peak resourcing. This ramp-up process is inefficient, as it takes time for each new team member to reach full productivity, and in doing so they impact on existing team members, effectively reducing their full productivity. The opposite then happens towards the end of the project as we see 'ramp-down' occur. ('Ramp-up' and 'ramp-down' are known as the 'lead-feet' – as in the heavy metal – because it slows the project down, makes it inflexible and resistant to change). As organisations run multiple projects concurrently, then we multiply the above situation many times over, and if we map against that resource utilisation curves, in many organisations this never exceeds 85%, with a rolling average sitting around 75–80% (Fig. 6.17):
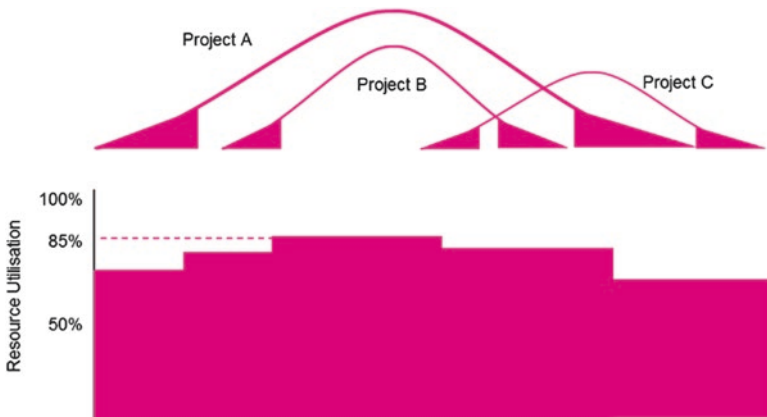
Fig. 6.17   Cumulative resource histogram shows how resource utilisation is uneven

Clearly this resource management is inefficient with poor resource utilisation costing organisations around 10% of their total resource cost (i.e. it's wasted), and the ramp-up and ramp-down dynamic working to extend timeframes longer than necessary (on average 15% longer). There is an opportunity cost associated with this which is difficult to calculate, however from a resource management perspective these extended time frames add another 15% to 'resource-wastage' costs. In total the cost to organisations may be of the order of 25% of their current resource spend.

How does the portfolio model avoid these resource wastage costs?

Directionally, the contemporary portfolio does away with projects. The portfolio is made up of programs which run release iterations (which could be called projects). Where a release differs from a project is there is no ramp-up or ramp-down and resourcing curves tend to be much flatter, as there is not the need to bring people on at the portfolio level once it has been established. This means that just about everyone working in a portfolio is operating at close to full productivity. Consider also that a release does not need a business case as that is defined at the program level which reduces effort by between 10% and 15%.

Most importantly, the portfolio is an execution framework and not just a collection of programs and projects. It resembles a factory in that it seeks to optimise production over input costs, and once its operations are running efficiently, the majority of the focus is on prioritising demand and delivering high quality outputs. This differs substantially to the project model where so much attention and management skill is required on tasks and activities, rather than production.

Overall the portfolio model removes much of the resource wastage seen with projects, and further removes a lot of the additional work required in project planning and business case development. This means what might have cost an organisation $100M in resource costs, now costs $80M. However, if you combine reduced costs with shorter project schedules then realised value has been increased by at least 25%, which means initiatives which may have been seen as marginal before now become real options.

6.6.6   Portfolios Enable Organisations to Respond to Change

It may seem counter-intuitive that something as large as a portfolio, at least in terms of the number of programs, projects and resources, are ideal vehicles to enable an organisation to act nimbly, to be agile and respond rapidly to the forces of change and opportunity. There are four examples of how portfolios are being used to enable organisation agility.

1. Agile-at-scale.
2. Deployment of resources
3. Control over the funding mix
4. Rapidly change sequencing and scope

Agile-At-Scale

The driving thought behind Agile in 2001, as contained in the Agile Manifesto, was the way to optimise value to the customer (that is, whoever is paying for the system) was to focus on the fastest and lowest cost way of delivering high quality software, while being responsive to changing scope and the needs of the customer (Manifesto 2001). This all makes sense even though what was being proposed had been around for at least 20 years, still no one should criticise self-promotion and good marketing. Agile worked best as a single project, single system model, but it struggled in more complex situations of multiple projects where systems integration was problematic, which describes the majority of organisation projects. To address this, Agile-at-scale, such as Rally's (now Computer Associates') *Scaled Agile Framework* (SAFe) gained a lot of attention as such execution frameworks support organisational agile, taking the thinking well beyond building high quality software. Today adoption of Agile-at-scale is widespread. SAFe is a portfolio execution framework, with three layers being Portfolio at the top made up of 'Release Trains' (similar to programs) with each release train running multiple releases, which replace projects (Manifesto 2001). As a portfolio model, SAFe ensures the highest priority portfolio objectives receive the right level of resources and sequencing, delivering against a planning model made up of 'value chains' (Scaled Agile Inc. 2016). It requires a high level of commitment from the business as it distributes decision making to the lowest allowable level, through product owners and product managers (where the 'product' is what is being delivered, in many cases this meaning delivered to market). SAFe is increasingly becoming a useful framework for large, complex enterprises as it is improved and enhanced through real-world usage.

In principle, agile-at-scale fixes two of the most problematic project dynamics of time and cost, as they run with fixed delivery dates (say, every quarter) and flat resourcing levels. This means at the delivery level (i.e. project) the only dynamic to negotiate is the scope of the current and planned releases (called the 'backlog'). The flexibility the model affords says if a feature (that is, a requirement or set of requirements) needs to be moved from one backlog to another it can happen rapidly, without the overhead of change control cycles.

The problem with Agile-at-scale is they work wonderfully well when they are sell-contained, but struggle when they need to work interdependently with non-agile groups. In such circumstances the 'theory of constraints' becomes the dominant set of dynamics with speed of throughput and delivery dictated by the slowest and most resistant to change link in the chain. To work best, Agile-at-scale needs to be a whole-of-organisation execution model: one in, all in.

Deployment of Resources

I discussed above why the portfolio is the most efficient model for resource management as it avoids costly resource ramp-up and ramp-down associated with project initiation and close. Portfolios also support the rapid deployment, and re-deployment of resources across programs and individual projects. As all resources sit within the portfolio it only requires portfolio management's approval to change the resourcing mix. While such changes should not be a regular occurrence it means

that when individuals and teams need to move on to the highest priority tasks then the necessary control exists. Couple this with portfolio planning being a continuous process then appropriate lead times exist to move resources ahead of when they are required, rather than as a reaction to events.

If the portfolio is running an agile-at-scale model it becomes a perpetual executing model, and as one backlog begins to exhaust it is replaced by a different backlog, possibly for another part of the division's business. This means resourcing remains flat and as throughput and cost of production metrics are clearly understood there is a lot of certainty regarding what will comprise each release. In this way portfolios remove so much of the risk associated with efficient resource management.

Control Over the Funding Mix
Many organisations justify project funding on the basis of a stand alone business case. As already discussed not only does this demand substantial management and governance overheads, it also leads to invalid business cases. Funding a portfolio, rather than individual projects, means there is substantial control over where the money is spent. Recognising that the business case sits at the program level, portfolio governance have the capability to respond rapidly to change and to take advantage of opportunities as they arise.

Rapidly Change Sequencing and Scope
It is frustrating for a program or project manager to be told after the fact that an interdependent program or project has changed their scope or milestones, especially when one of those milestones is sitting firmly on your critical path. Under a portfolio effective control can be applied across programs to ensure there are no unexpected surprises. Decisions regarding sequencing can be rapidly applied as well if and when it becomes necessary to change the sequence of delivery.

6.7   Strategic Management and Portfolios

Portfolios need to be built, prioritised and optimised and then delivered. It is the fundamental purpose of Strategic Planning and Portfolio Optimisation (at the Enterprise level), and Portfolio Planning (at the Divisional level). We cover this in detail in Chaps. 7 and 8.

Broadly speaking, portfolio planning is 'messy', often eschewing formal processes and adopting practices which are seen as inefficient and often not repeatable (Martinsuo 2013). In many organisations portfolio construction is little more than a series of meetings and 'horse-trading', where managers attempt to get their pet projects approved and funding secured. This is often viewed as a strength, as some sort of Darwinian attempt to ensure only those projects with the strongest backers will be approved. A 'survival of the fittest' approach. But as Darwin explained, it wasn't the strongest which necessarily survived, rather it was those best able to adapt, to be

agile, nimble and fast to respond to changing circumstances. That position is a long way away from 'the squeakiest wheel gets the most oil'.

Prioritising and aligning a portfolio is one the most important tasks governance will oversee, and one which is done poorly. The PMI found just 12% of organisations have a well developed portfolio planning process which is consistently followed (they also found that more than half of organisations surveyed had a portfolio management framework but this was not well executed).

Most commercial organisations distil value to growth in Earned Value per Share (EPS) (Graham and Harvey 2001). This is not necessarily wrong, however in arriving at a primary value measure organisations need to understand the cause/effect relationship and not incorrectly associate a performance indicator to a critical success factor. For example it is broadly agreed that increasing customer satisfaction leads to increasing market share, increasing customer sales and reduced customer churn. This may be true but the initiatives taken to achieve these outcomes cannot ignore the impact on the bottom line. For example increasing sales by attracting customers with loss-leading discounts may create the impression of market growth, which is unsustainable, and when the discounts are removed underlying customer dissatisfaction sees market share shrink.

There are myriad strategic management methods, covering formulation, planning and implementation and tracking methods, although the emphasis is very much on the up-front formulation, analysis and planning, with the implementation processes somewhat vague. The most widely used strategic planning techniques include scenario planning, Michael Porter's '5 Forces', SWOT analysis and what is probably the most widely used and adapted technique – that of the *Balanced Scorecard* as devised by Robert Kaplan and David Norton, as introduced in their HBR article 'Using the Balanced Scorecard as a Strategic Management System' (Kaplan and Norton 1992). Its strengths are its logical progression from vision, to mission statement, to setting goals and critical success factors associated with a set of performance indicators. This appears very straightforward. It is easy to understand, and encapsulates a number of fundamental concepts associated with strategic planning. The reality, however, is that all (most?) organisations will have their own approach to planning, such as Argenti ('Big Elephants') and a swag of methods from each of the major consulting firms, including McKinsey, BCG, Bain, PwC, E&Y, Deloittes and KPMG. Each has their particular strengths and weaknesses, and the issue is not promoting one method over another as it is a fitness-for-purpose model, with organisations determining the method which works best for them.

As part of strategic planning the organisation will have defined the goals, objectives, strategic dimensions (sometimes called 'pillars', 'themes', big rocks') and all associated targets (as shown graphically in Fig. 6.18). For example, an organisation may identify a number of *growth strategies*:

• New strategic partnerships
• Horizontal market expansion
• Vertical integration
• Product expansion and value adds
• Franchising

Supporting these strategies may be a set of *growth metrics*:

- Revenue and EBITDA
- Market share/customer numbers
- Employees
- Product line expansion

The metrics support both setting targets and tracking how well the portfolio is meeting those targets.

6.7.1   The Portfolio-Value Relationship Diagram

The Portfolio-Value Relationship Diagram (see Fig. 6.18) was developed in 1994 when I was consulting to Telstra and was instrumental in setting up the Corporate Program Office, and it serves as a useful referential model to understand many of the concepts and terms used when discussing portfolios and value. The model moves beyond the hierarchical associations (often presented as a pyramid) of many strategic planning models which move from mission and vision at the top of the pyramid, through a hierarchical breakdown structure to initiatives at the base of the pyramid. The Portfolio Value Relationship Diagram describes all the entities and relationships between them which are brought into play in defining 'value'.
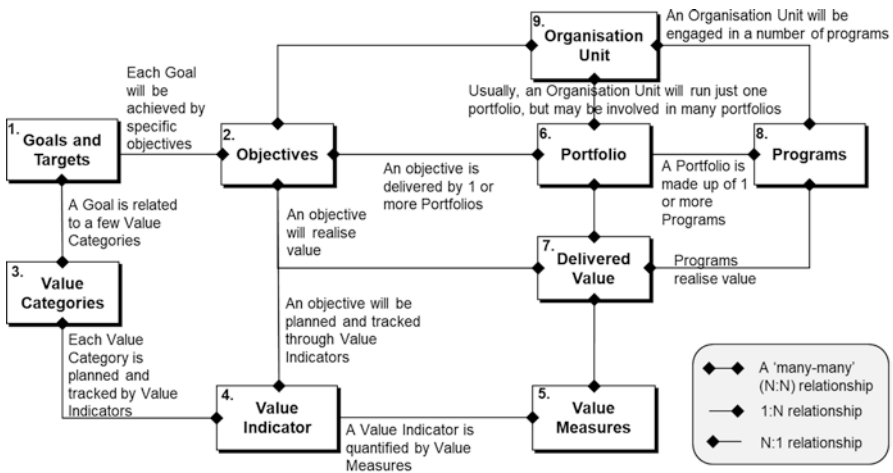
Fig. 6.18 The Portfolio-Value Relationship Map

The relationships between each object (box) in the diagram are seen as being either 'one-to-many' ('1:N'), which means that one instance of an object can be associated with many instances of the second object. For example, a Value Indicator (such as 'increase market share') is defined by a number of Value Measures, but

each Value Measure can only be associated with a single Value Indicator. The high prevalence of many-to-many relationships indicates the complexity of the reality the map seeks to represent. But then again, modern organisations are very complex. Each object is defined in the following Table 6.4:

Value Diagram Object	Description
1. Goals and targets	High level, whole-of-organisation goals, to be achieved over the long term. Typically these are called 'strategic goals'. Each goal will have one or several targets which, if obtained, will be seen to substantially create and realise value
2. Objectives	Goals are further defined by objectives which are owned by each division. Divisional objectives may be further defined which, when achieved, will enable other objectives. It is difficult to define completely stand-alone objectives.
3. Value Categories	These are similar to strategic 'dimensions', however they enable the specification and measurement of what constitutes value to the organisation.
4. Value Indicators	A value indicator defines a value category, and when associated with a measure is a very useful indicator for how well value is being realised
5. Value Measures	A value indicator may have one or more ways of being quantified, which are value measures.
6. Portfolio	The portfolio, typically the Divisional Portfolio.
7. Delivered Value	Delivered value is the total of all benefit streams
8. Programs	Groups of related and interdependent projects which collectively deliver a valid and stand alone business case
9. Organisation Unit	An organisation unit which sits within the portfolio, and which is involved in running programs and projects within that portfolio

Table 6.4 A description of the objects making up the Portfolio Value Relationship Map

Organisations are never as simple as methodologies describe, and any one initiative (program) may satisfy multiple objectives crossing multiple themes. It is important to realise that value profiling happens within a given portfolio, as the value attributes will differ from one portfolio to another. For example, what represents value to a business portfolio (such as increase market share, customer satisfaction, revenue uplift) may be quite different to a technology profile, where value is aligned to architecture, asset management, low maintenance costs, extensibility, performance, which in turn would be quite different to a Corporate Services Portfolio, where value is focused on lower operating costs or improved service to internal groups. To ensure that individual portfolios do not claim ownership of 'like' initia-

tives, it is useful to create a portfolio matrix, where 'service' portfolios are mapped across 'business' portfolios, as shown in the example in Fig. 6.19.
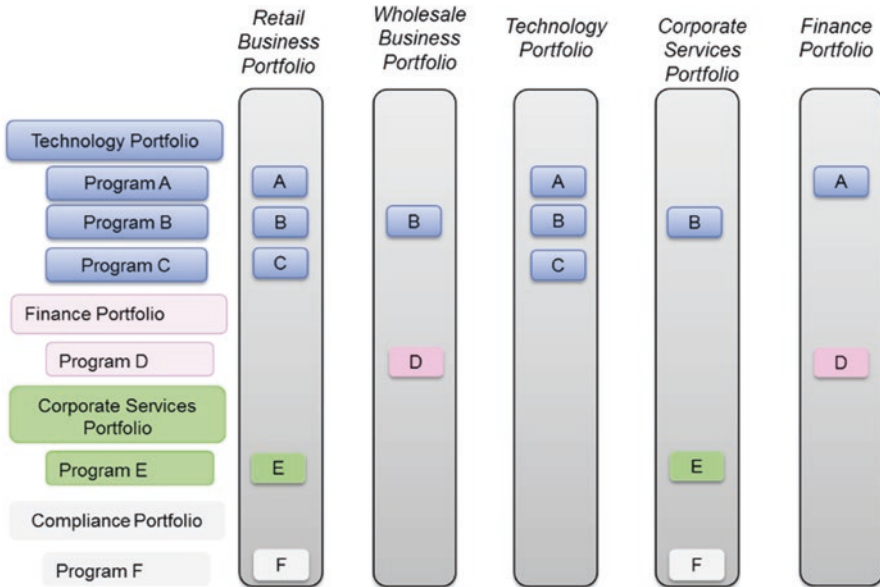
Fig. 6.19   Portfolios often adopt a matrix structure, where programs deliver benefits to other portfolios

Some portfolios are characterised by being 'service provider' portfolios, running programs which generate benefits for other divisions to enjoy. This reflects the value chain concept of the firm being comprised of 'primary activities' and 'support activities' (as discussed above). Clearly, service portfolios need to be shaped such that they optimise value creation and delivery for the business portfolios. This type of service provision thinking needs to direct how they do strategic and business planning, and the type of programs they design and execute.

The technology portfolio is special in that many organisations define many business initiatives in terms of IT initiatives. For example rolling out a new product to an existing market may see most program expenditure going to updating existing systems and enhancing customer interfaces. The costs associated with product design, take to market, finance, legal, operations and training are all bundled under the IT program, with the CIO being the program owner even though it is other divisions which enjoy the majority of benefits delivered by the program. This doesn't make a lot of sense, and probably continues due to historical factors, and the fact the majority of the budget sits with IT. IT tends to dictate the execution framework and control the critical path, and so is seen as being 'in charge'. However, from a portfolio perspective, IT is seen to be 'working inside' a business portfolio, as a key service provider. For example, it would not be possible for business portfolios to create and track meaningful value drivers (such as sales volume by product type and

market segment) without the substantial volume of data which needs to be crunched to pin-point value creation at the customer, product, channel and location levels. This portfolio approach allows IT the opportunity to view all the demands on their services (such as all the changes required to core systems), and devise a strategy for change which aligns to business priorities. One clear advantage of adopting the portfolio model is the ability to do effective long term planning – and to avoid the creation and accumulation of technical debt.

Those in a governance role must ensure that all architecture implications have been identified and analysed before confident that what is being proposed optimises value, as demonstrated in the below mini-case study.

Topic:	The advantages of being architecture led
Details:	The term 'architecture led' is thrown around a lot, and usually it refers to Enterprise Architecture, which typically comprised of Business Architecture and IT architecture. We understand that good design principles and structures are need to be appropriately funded, prioritised and never compromised. It is well understood that compromising scope late in the project life cycle has substantial negative consequences, including accumulating technical debt, but the size of such consequences is rarely, if ever, calculated. So turning this around, what are the benefits of being 'architecture led'? When undertaking portfolio planning with a major retail bank in 2015, I worked with a team which produced a 'Business Architecture Map' which viewed the interdependencies between major programs (both proposed and in-flight) and core, end-to-end business processes. We identified 4 instances where programs were attempting to achieve very similar outcomes in process re-engineering and automation. By gathering together 'like-requirements' we were able to identify a single IT solution, instead of four solutions which ended up saving over $4m over a 3 year period. Further analysis identified asset life-cycle costs to be at least 50% lower than what was originally proposed.
Lessons:	By ensuring both IT and business architecture analysis is included as part of portfolio planning, organisations will ensure they end up with the right solutions for a much lower cost

Mini-Case Study 6.2   The advantages of being architecture led

- As will be discussed in Chaps. 8 and 9, Portfolio Planning is a both a 'top-down' and 'bottom-up' process. Executive set the guidelines such as the enterprise goals and objectives and the target funding pool, and each division working at the portfolio, sub-portfolio and program levels undertake planning.

• The simplest approach to prioritising all investment opportunities in the portfolio is to create a value profile for each initiative (program or project), and then rank them all.

It is important everyone is on the same page when talking about portfolios and value creation, after all if there's confusion regarding this then optimising value creation will be a fool's errand.

6.8   Building a Portfolio

Where strategic planning struggles is translating strategies to action plans: that is, in how strategies are achieved through a set of initiatives. It makes sense to have initiatives defined within a portfolio, but this creates a different set of problems for organisations, that being how to prioritise initiatives, and where (limited) funding and resources should be allocated across all the divisional portfolios. The reality is there will always more initiatives proposed than funding and organisational capabilities available to deliver them all. 'Many are called by few are chosen' is indeed an appropriate saying for strategic planning.

There are many commercially available portfolio planning (building and analysis) tools, and most organisations will have some sort of home-grown (mainly Excel-based) tools as well. Regardless of their sophistication or quality, no tool will replace the need for management to 'make calls', to decide from a range of options probably none of which is optimal. It is often a case of 'A over B' rather than 'A is clearly the best option' and there is little point avoiding the fact there will be winners and losers. This is where governance exhibits exemplary leadership as building the right portfolio may well call for more than a modicum of courage.

> *One word of caution. It is possible to over-complicate this whole process. The purpose of any tool is to not replace expert judgement, rather it is to provide insights and capture critical information in such a way as to facilitate decision making. If what is being presented looks like it came out of an academic research paper then you will lose the audience.*

6.8.1   Example: Building a Portfolio

To explain how value profiling and portfolio building works it is useful to use an example.[1]

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[1] I am using an Excel-based Portfolio Planning tool I developed in 2000 and have applied at many organisations.

To illustrate the key principles in portfolio building I have simplified the portfolio, leaving out many of the complex details. The example is based on a real-life portfolio running in a commercial organisation.

The business has defined its strategic profile as follows:

Vision:	The be one of the great service companies in the world, providing great products and services to customers who love doing business with us
Goals:	➲ By 2018, we will be number one in customer satisfaction amongst all our competitors. By 2022 we will be the number one company for customer satisfaction in the world
	➲ Deliver products and services which are simple to use and understand, meet our customers needs and can be used wherever, whenever
	➲ Operate in a highly efficient manner, with low cost structures able to rapidly transform how, when and where we execute
	➲ Grow our revenue targets, exceeding our shareholder expectations year on year
	➲ Attract, grow and retain the best people who are proud to be members of a great company
Strategic Initiatives:	We will run the following programs to achieve our goals: 1. Customer delight 2. Grow Organically 3. Grow Mergers & Acquisitions 4. Emerging Markets 5. Digital Channels 6. Asian Expansion 7. Corporate Responsibility 8. New IT Roadmap 9. People Capability 10. Mobile shop-fronts

Table 6.5 Strategic profile for the case study organisation

In this example we will create value profiles for the strategies where senior management has approved four value categories:

- Customer. Just about all business portfolios would have this as a value category, which is further defined by a set of Value Indicators, in the example these are Customer Acquisition, Customer Experience and Establishing Deeper Relationships. Of course there could be many more value indicators often derived from detailed data analysis (see below for a description).
- Financial. This category is the basis for justifying most business cases. These are often referred to as 'hard' benefits, and typically use indicators such as NPV, IRR and Pay-back.

- Innovation. Not all business portfolios have innovation as a Value Category, but they should as value creation (as distinct from value capture) is fundamentally dependent on innovation.
- People. If, as just about all organisations claim, 'people are our greatest asset', then it makes sense to see how value can be created through the people.

For each Value Category there are a number of Value Indicators not all of which are used for a portfolio. It all depends on the goals and targets being achieved by the portfolio. Figure 6.20 shows all the value indicators the organisation typically uses, with those underlined being applicable to the goals.

Customer	Financial	Innovation	People
NPS	*Revenue growth rate*	Capacity utilisation rate	Employee advocacy score
Customer profitability score	Earnings per share (EPS)	Portfolio performance metrics	Employee engagement level
Customer retention rate	Net profit		
	Cost reduction rate	Order fulfilment cycle time	Absenteeism Bradford factor
Conversion rate	Net interest margin	Delivery in full, on time rate	Human capital value added
Relative market share	Gross profit margin		
	Operating profit margin	Quality index	360-degree feedback score
Products per customer	ROI / ROE	Process downtime level	
	Cash conversion cycle		
	Head-count reduction (FTE)		

Fig. 6.20 A set of Value Indicators. Those underlined are pertinent to this example

The Portfolio is constructed of ten programs (also called Strategic Initiatives – see Table 6.5), with each program running between 1 and 3 years, and made up of a number of projects, which are all tied to a delivery schedule. In total 75 projects will be run over a 3 year period, with the portfolio being updated every 6 months to create a rolling 3-year horizon. Some of the programs are already underway (referred to as 'in-flight').

It is important to understand that any analysis of the portfolio must take into account the time period being analysed. Many organisations fall into the trap of analysing their portfolios over the forward budget period (such as the financial year), rather than the full period each program will run. This aligns with the fundamental purpose of the portfolio being an investment vehicle rather than a budgeting tool.

Prioritising a portfolio by value is really the only way to know whether you are spending your money where it is most needed, or where you will extract most value. To rank all initiatives against a set of value indicators we use a scoring template (Table 6.6). The scoring template is useful for assessing each program with a value score, supporting prioritisation (Table 6.7).

In order to score each initiative the claimed benefits need to be quantified.

Prioritisation Value Drivers

Cat ID	Value Category	Category Weight	Value Indicator	Weight	Measure	Value Score Detail				Enterprise Targets
						4	3	2	1	
1	Customer	42%	Customer	21	Measurable	Critical to either increasing, or avoid the reduction of, the number of customers	Significant	Important	Limited contribution	+500k new customers #1 NPS 3.5 products per customer
			Customer Acquisition	9	% of new customers	>10%	6%-10%	1-5%	<1%	+500k new cust
			Customer Experience	7	NPS	#1NPS	-	-	Any other NPS	#1 NPS
			Deeper Relationships	5	# products per customer	4.1 or more	3.6 to 4.0	3.1 to 3.5	3.0 or fewer	4 products / cust
2	Financial	21%	Payback Period	7	Payback Period (Years)	<=1	>1 to <2.5	2.5 to <3	>=3	
			Profitability (IRR) - Revenue	7	IRR (%)	>25%	20% to 25%	15% to 20%	<15%	20% reduction cost-to-income ratio
			Profitability (IRR) - Expense	7	IRR (%)	>20%	15% to 20%	10% to 15%	<10%	
3	Innovation	24%	Product and Process Innovation	12	Measurable	Breakthrough products / processes	Significant enhancements	Important improvement	Limited improvements	
			Product Innovation	7	Sales of New Product	10% or more	8 to 9%	6 to 7%	5% or less	#1 for innovation
			Product Simplification	3	Product reduction	Reduced by >10%	6% to 10%	3% to 5%	<3%	15% rationalisation
			Process Simplification	2	Cost per transaction	Reduced by >15%	10% to 15%	5% to 10%	<5%	20% cost reduction
4	People	12%	People	6	Measurable	Substantial improvement to staff performance	Significant	Important	Limited contribution	
			Culture	2	Employee opinion	95% or more	91 to 94%	82 to 89%	81% or less	
			Talent	2	#1 Employee	#1 EA	-	-	Other EA rank	
			Capability Uplift	2	PDU	Exceed total PDU by 10%	Equal target PDU	Approach target PDU	Limited PDU	

Table 6.6 The Value Driver table used to score programs so as to prioritise all the planned initiatives within a portfolio

Prioritisation Value Drivers

Cat ID	Value Category	Category Weight	Value Indicator	Weight	Measure	Value Score Detail				Enterprise Targets
						4	3	2	1	
1	Customer	42%	Customer	21	Measurable	Critical to either increasing, or avoid the reduction of, the number of customers	Significant	Important	Limited contribution	+500k new customers #1 NPS 3.5 products per customer
			Customer Acquisition	9	% of new customers	>10%	6%-10%	1-5%	<1%	+500k new cust
			Customer Experience	7	NPS	#1NPS	-	-	Any other NPS	#1 NPS
			Deeper Relationships	5	# products per customer	4.1 or more	3.6 to 4.0	3.1 to 3.5	3.0 or fewer	4 products / cust
2	Financial	21%	Payback Period	7	Payback Period (Years)	<=1	>1 to <2.5	2.5 to <3	>=3	
			Profitability (IRR) - Revenue	7	IRR (%)	>25%	20% to 25%	15% to 20%	<15%	20% reduction cost-to-income ratio
			Profitability (IRR) - Expense	7	IRR (%)	>20%	15% to 20%	10% to 15%	<10%	
3	Innovation	24%	Product and Process innovation	12	Measurable	Breakthrough products / processes	Significant enhancements	Important improvements	Limited improvements	
			Product Innovation	7	Sales of New Product	10% or more	8 to 9%	6 to 7%	5% or less	#1 for innovation
			Product Simplification	3	Product reduction	Reduced by >10%	6% to 10%	3% to 5%	<3%	15% rationalisation
			Process Simplification	2	Cost per transaction	Reduced by >15%	10% to 15%	5% to 10%	<5%	20% cost reduction
4	People	12%	People	6	Measurable	Substantial improvement to staff performance	Significant	Important	Limited contribution	
			Culture	2	Employee opinion	95% or more	91 to 94%	82 to 89%	81% or less	
			Talent	2	#1 Employee	#1 EA	-	-	Other EA rank	
			Capability Uplift	2	PDU	Exceed total PDU by 10%	Equal target PDU	Approach target PDU	Limited PDU	

1	Value is defined across a number of 'dimensions', in this case there are four dimensions, which are tied to how the organisation defines and measures value
2	Value categories are weighted to align to organisation priorities
3	Value indicators. These are similar to critical success factors
4	Each program shows how it is performing against each measure, which is similar to a key performance indictor
5	Each program's performance with each KPI shows the percentage of the total target the program is achieving
6	Scoring template used to assess each program's score per value indicator
7	The Enterprise target for each Measure.

Table 6.7 Explanation of the make-up of the Prioritisation Value Table

For example, the ten programs may be scored as shown in Table 6.8. Note that the total score per program is calibrated such that the highest scoring program fits within the plot.

Program	Value Profile				
	Customer	Financial	Innovation	People	TOTAL
Customer delight	1	2	1	2	58
Grow organically	2	2	2	5	22
Grow M&A	3	3	2	3	80
Emerging Markets	2	1	1	5	82
Digital Channels	1	3	5	5	75
Asian Expansion	2	5	1	5	55
Corporate responsibility	2	1	1	4	40
New IT Roadmap	3	4	4	4	90
People capability	3	2	2	4	50

Table 6.8   The value scores of the ten programs making up the Enterprise Portfolio

Organisations also need to understand their ability to deliver programs, and not stretch their capabilities such that success is threatened. The measure of this 'do-ability' is calculated using the template in Table 6.9 (the term 'do-ability' is used over 'capability' as many organisations consider some programs deliver 'capabilities', whether these refer to products or organisational processes and functions.

Prioritisation Do-ability Drivers

Ind ID	Do-ability Indicator	Weight	Do-ability Score Detail			
			4	3	2	1
1	Technology	4	Well within existing capabilities	Predominantly within existing capabilities	Major system changes, or enhancements, required	Substantial capabilities such as a major systems replacement of upgrade.
2	Data	3	No new data generated	Requires some new data	Generate significant new data	Substantial changes to enterprise data
3	Resources	2	Resource demands well within ability to provision	Resource demand will be significant, but within capabilities	Significant demands on resources and stretch on capability to deliver	Substantial demands potentially beyond capabilities
4	Customer/Operations/Business Impact	2	Within operational capacity	Some involvement required from involved units	Significant involvement required from involved units	Major changes or impacts
5	Vendor & Services	2	No changes to contractual agreements	Minor adjustment to existing third party contractual agreements	Key changes to existing third party contractual arrangements or extension	New contract required. May result in outsourcing
6	Track record	6	Well established and successful track record	Some experience, but not end-to-end	Limited experience, and limited knowledge of this type of program	No experience / Never done it before
7	Change complexity	5	Not complex or low level complexity	Some complexity and dependencies	Complex, number of key dependencies	Highly complex, substantial dependencies
8	Clarity of scope and requirements	5	Clearly articulated, agreed and signed off scope and requirements	Reasonable confidence in scope and/or requirements	Low level of uncertainty and/or ambiguity in scope and requirements	High level of uncertainty and/or ambiguity in scope and requirements

Table 6.9 The set of attributes which, collectively, define the organisation's ability to successfully undertake a program

Each program is also scored for the 'do-ability' index, as defined in Table 6.9 and explained below (Tables 6.10 and 6.11):

Once the value and do-ability profiles are produced, and the benefits have been quantified, the Benefits Dashboard can be produced which is a very useful tool to gain an understanding of the relative value of each program. This is shown in Fig. 6.21 and its layout is explained below (Table 6.12):

			Prioritisation Do-ability Drivers			
Ind ID	Do-ability Indicator	Weight	Do-ability Score Detail			
			4	3	2	1
1	Technology	4	Well within exisitng capabilities	Predominantly within existing capabilities	Major system changes, or enhancements,required	Substantial capabilities such as a major systems replacement of upgrade.
2	Data	3	No new data generated	Requires some new data	Generate signficiant new data	Substantial changes to enterprise data
3	Resources	2	Resource demands well within ability to provision	Resource demand will be significant, but within capabilities	Significant demands on resources and stretch on capability to deliver	Substantial demands potentially beyond capabilities
4	Customer/ Operations/ Business Impact	2	Within operational capacity	Some involvement required from involved units	Significant involvement required from involved units	Major changes or impacts
5	Vendor & Services	2	No changes to contractual agreements	Minor adjustment to existing third party contractual agreements	Key changes to existing third party contractual arrangements or extension	New contract required. May result in outsourcing
6	Track record	6	Well established and successful rack record	Some experience, but not end-to-end	Limited experience, and limited knowledge of this type of program	No experience / Never done it before
7	Change complexity	5	Not complex or low level complexity	Some complexity and dependencies	Complex, number of key dependencies	Highly complex, substantial dependencies
8	Clarity of scope and requirements	5	Clearly articulated, agreed and signed off scope and requirements	Reasonable confidence in scope and/or requirements	Low level of uncertainty and/or ambiguity in scope and requirements	High level of uncertainty and/or ambiguity in scope and requirements

1	A 'do-ability indicator' is an attribute which defines the organisation's ability to successfully take on the program. These indicators will vary from organisation to organisation, and over time for the same organisation. They are reviewed and updated based on how programs actually perform.
2	The weighting factor is set depending on the relative impact of each indicator on performance and outcomes
3	Scoring template used to assess each program's score per do-ability indicator

Table 6.10 Explanation of the make-up of the Do-ability Table

Program	Do-ability Profile								
	Technology	Data	Resources	Impacts	Track	Vendors	Change	Scope	TOTAL
Customer delight	3	2	2	4	2	1	1	1	22
Grow organically	1	1	1	1	1	1	2	1	19
Grow M&A	4	4	4	4	3	3	4	3	90
Emerging Markets	1	2	2	1	2	1	1	2	15
Digital Channels	1	2	2	2	1	2	2	1	20
Asian Expansion	1	2	1	1	3	3	2	3	45
Corporate responsibility	2	1	1	1	1	3	3	2	35
New IT Roadmap	3	3	5	3	3	4	3	4	55
People capability	4	3	4	3	4	3	4	4	90

Table 6.11 The Do-ability scores for the ten strategic programs
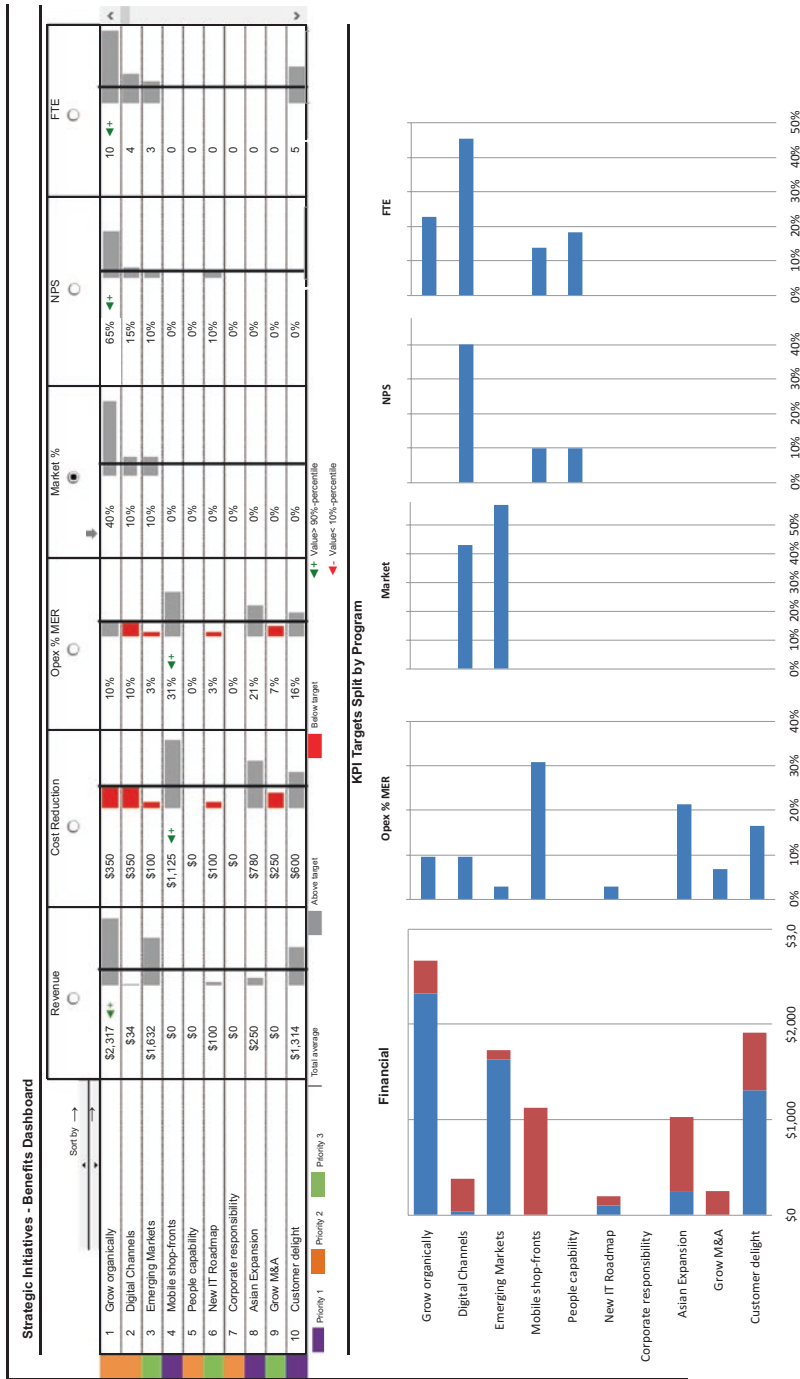
Fig. 6.21 The Benefits Dashboard used in Portfolio Planning to assess the relative contribution of all major programs

Table 6.12 The Benefits Dashboard layout explained
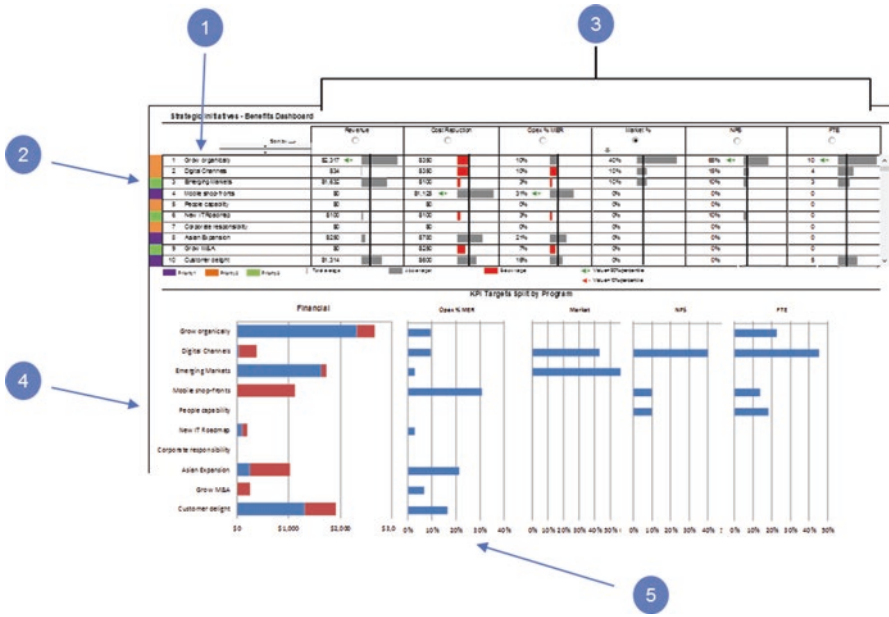
1	There are 10 'Strategic Initiatives' which are all run as programs, comprised of individual projects. The Business Case is made at the program level
2	Programs are ranked based on their value profile scores
3	There are 6 value drivers, which act as Key Performance Indicators to track program performance against plan
4	Each program shows how it is performing against each KPI
5	Each program's performance with each KPI shows the percentage of the total target the program is achieving

Detailed analysis of the portfolio is now undertaken, as described in the following sections. This analysis is supported by a number of views:

(a) Value-Do-ability Map
(b) Criticality-Alignment View
(c) Value-Value lens. This is a set of views comparing one value driver against another value driver. These views are very useful in deciding 'Program A over Program B', depending on which driver may take priority over other drivers.
(d) Interdependency Maps
(e) Change Heat Maps
(f) Master Schedule

To re-iterate: we are looking at an iterative process of running analysis, requesting more information, looking at alternative solutions, changing value driver weighting facts etc. Much of the leg work is carried out by teams within divisions and the Portfolio Working Groups, but the most important discussions, analysis and decisions are made by those in a governance role.

6.8.2   Value: Doability 'Lens'

The Portfolio Value Map is initially focused on creating value rather than capturing value, so the question must be asked 'can we do this, and how much will it cost?'.

We create the Value versus Do-ability plot, where we can choose what the size of each bubble represents, such as the level of investment (or 'spend'), over a 1, 2 or 3 year period, or the average level of resourcing (in 'full-time-equivalents' FTE) (Fig. 6.22).
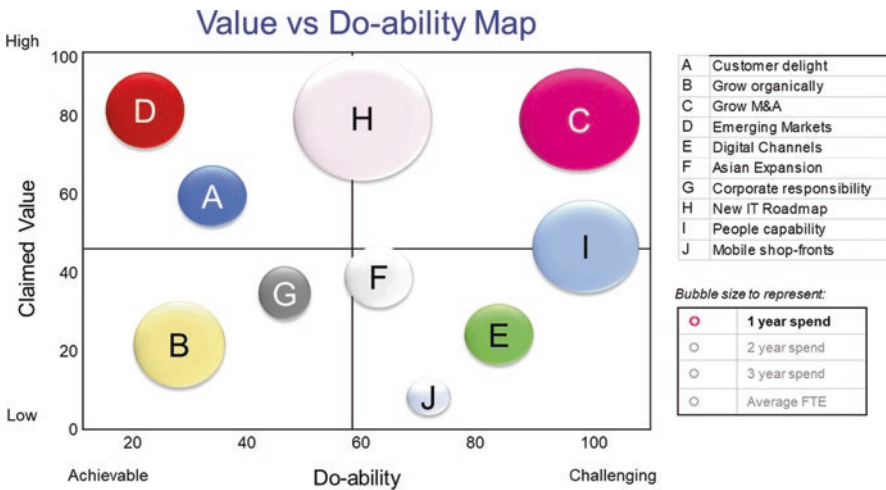
Fig. 6.22   The Value versus Do-ability map, positioning programs in terms of their claimed value and the organisation's ability to successfully deliver

The main use for this type of plot is to assist in answering these questions:

- Which initiatives can we immediately eliminate due to low value/high difficulty to deliver?
- With high value initiatives, what can we do to increase our chance of execution success?
- By changing our spending mix, can we increase overall delivered value without taking on too much risk?
- Have we looked, creatively, at our solution mix? What options still need to be examined and costed?

It is important to look at multiple solutions when designing programs. The tendency is to look at the 'Rolls Royce' solution, especially when IT leads the thinking. This is not as self-centred as many people suspect, as IT has learned from much experience the down-stream cost of cutting corners when it comes to IT solutions. The aggregation of 'technical debt' eventually requires being re-paid, and it is never

cheap. This debt accumulates often through the most insidious decisions, often associated with cutting project scope to achieve time and cost targets. IT's thinking must be 'architecture-led', which means thinking about solutions in terms of architecture best-fit. Too often architecture is a casual observer, and the rules which are broken in search of a 'quick-and-dirty' solution will have significant – even existential – consequences downstream.

6.8.3   Criticality: Alignment Lens

Just as IT should be 'architecture-led', so too should business. There needs to be a clear articulation of the target business operating model (BOM), with worked out pathways. In too many cases BOMs are opportunistic, and not enough time is taken to get the architecture right. This 'urgency to act' takes precedence over architecture alignment with major re-organisation often required as the fundamental operating dynamics break down. To better understand architecture, it is useful to see the relationship between how urgent the organisation views a program (i.e. 'can this wait?') and how well it is aligned to architecture as shown in Fig. 6.23.
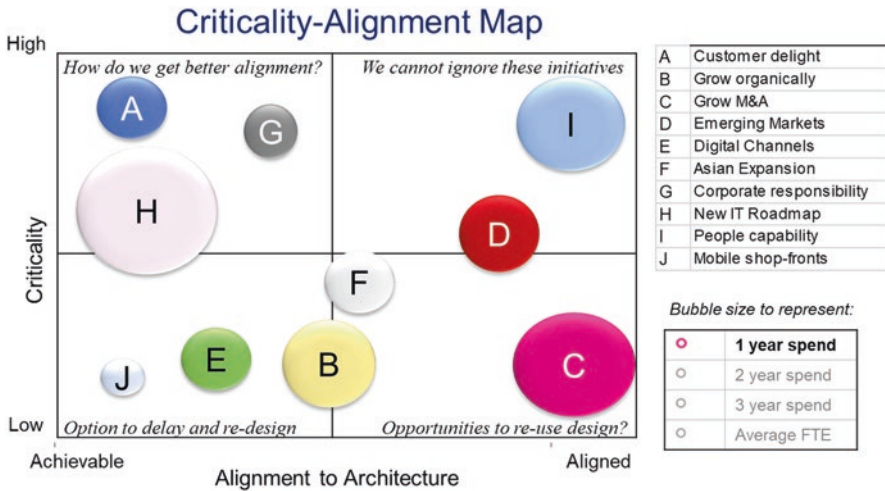
Fig. 6.23 The Criticality versus Alignment map shows the relationship between how urgent the program is against its alignment to architecture

This plot both encourages and helps answer the following questions:

- What are the consequences if we delay program 'X'?
- What needs to be done, and what are the consequences, in obtaining better architectural alignment for program 'Y'?
- If architectural alignment is not possible, would take too long, cost too much or outstrip our capabilities, then what are the consequences?
- In obtaining better architectural alignment, are there opportunities for re-use, or in leveraging other benefits?

Governance needs to be fully informed of matters such as technical debt in going with sub-optimal architectural solutions, as any immediate savings may have major cost impacts down the track.

6.8.4   Financial Analysis Lens

It is very useful to see how programs appear comparing value indicators. We can looking at:

- Cost reduction vs Revenue uplift
- Innovation vs Strength
- Customer vs Financial
- Innovation

Cost Reduction vs Revenue Uplift
In better understanding financial benefits it is useful to see how programs are claiming revenue benefits, cost savings or both (Fig. 6.24):
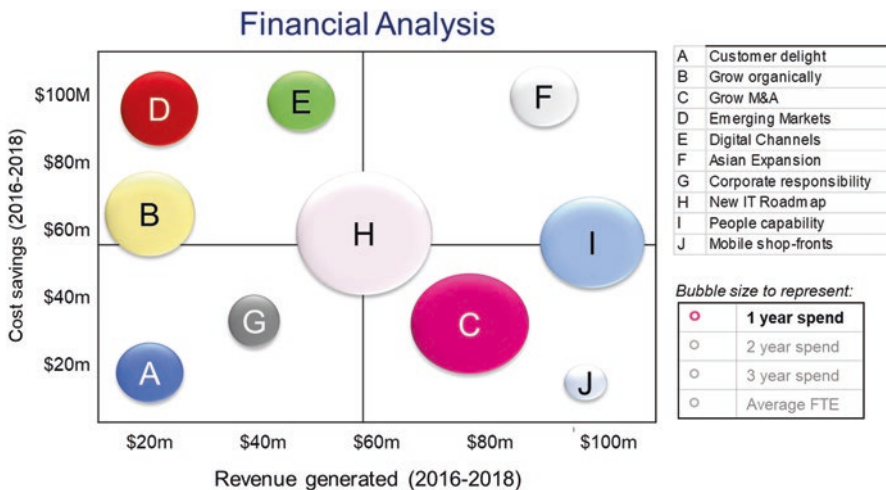
Fig. 6.24 Viewing programs in terms of their claimed financial benefits

Clearly, as organisations react to external events and economic cycles then the type of financial benefits being claimed become important. Typically, substantial revenue benefits are important in the up-cycle (strong economic growth) and cost benefits are important when it's time to 'batten down the hatches'. Questions may also need to be asked where programs claim substantial benefits (such as Program F) for relatively small spend. Is this too good to be true? Linking financial benefits to cycles must take into account lead times, such as when the benefits will kick in. It is too late to react to external events as program lead times are often too long. Governance must anticipate external events so as to get the timing right.

Management may well request individual programs to go back to the drawing board and re-think strategy to ensure they have optimised the right drivers. For example Program A immediately comes under the microscope: why, precisely, should we be running this program?

Financial Returns vs Do-ability

Programs can be assessed by their financial returns against do-ability. This is essentially isolating the Financial Value driver to judge expectations the program will be delivered and benefits realised (Fig. 6.25).
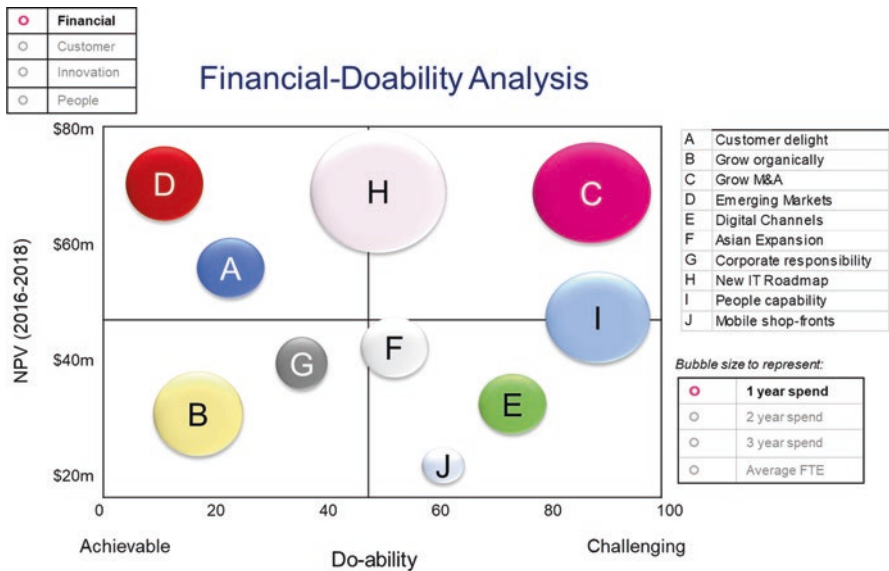
Fig. 6.25 Comparing programs in terms of their financial returns against do-ability

This plot both encourages and helps answer the following questions:

- If financial returns are our main driver then we should be investing in those programs with high NPV which are easily achievable. Is the market demanding we show exceptional financial management?

- What can be done to reduce the execution risk of high return programs such as 'C'? Will strategies to increase 'Do-ability' impact on financial return?
- We should be questioning programs with little return which also challenge our ability to execute, such as 'J'. Can this program be delayed? What are the consequences?

This type of questioning generates robust questioning and places the onus on the Portfolio Working Groups to do the analysis, and provide governance with useful information to support their decision making.

6.8.5 Innovation Analysis

Possibly the greatest insights are afforded through innovation analysis, yet this type of analysis is often absent from portfolio planning.

Financial vs Innovation
The 'Innovation Score' (see Table 6.8) analyses both product and process (execution) innovation. One outcomes from this analysis is for governance to challenge management to lift their innovation score (Fig. 6.26).
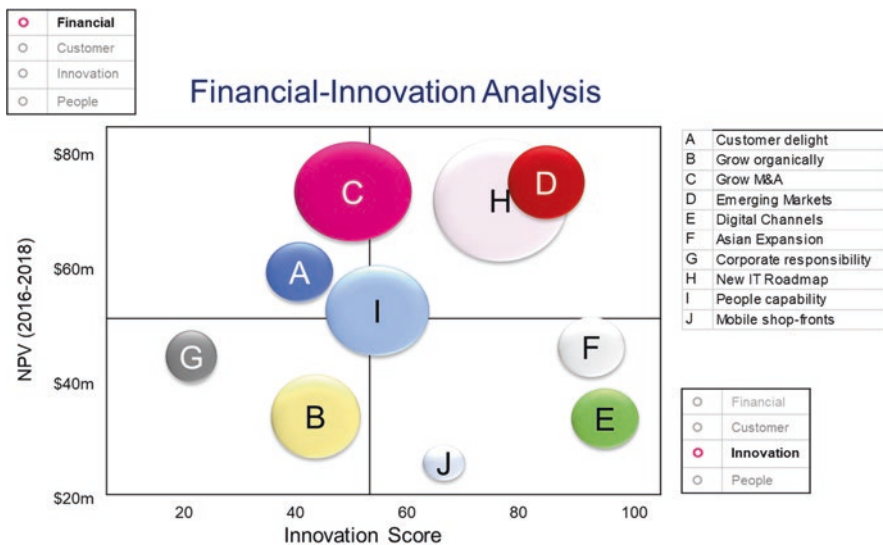
Fig. 6.26 Financial-innovation analysis

Customer vs Innovation

Does innovation drive increased customer satisfaction? To what degree should this be the case? Do enhanced product features appeal to customers over shorter call centre wait times. Are we spending our money on the right initiatives if our goal is to have more satisfied customer? (Fig. 6.27)
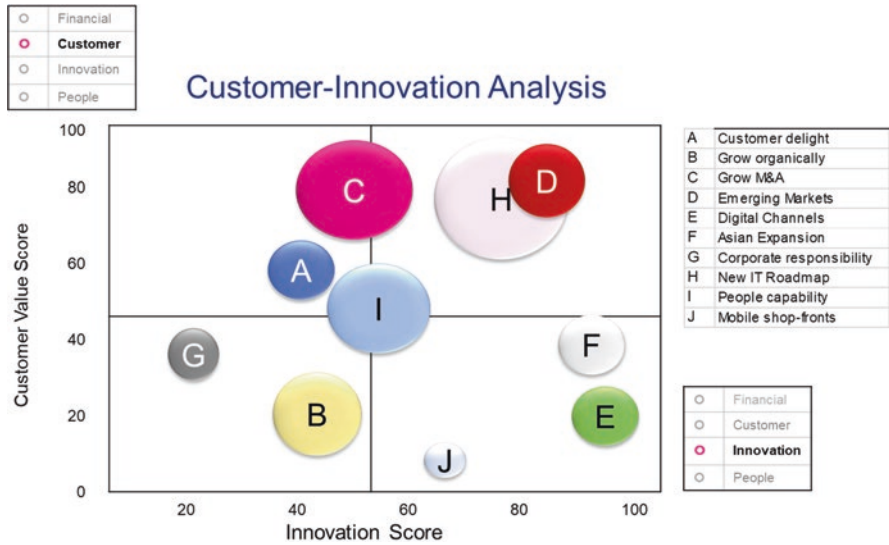
Fig. 6.27   Customer-Innovation Analysis

6.8.6   The Time Perspective

Most views of the portfolio are a snap-shot in time. Many programs not yet started request funding on the basis of a promise – that is claimed but not yet realised benefits. Other programs will be seeking on-going funding and for them they can point to a track record of execution performance and realised benefits (as we discussed in Chap. 1 when looking at the new way of judging success). Other programs early into their execution may have spent a substantial amount and delivered few benefits, exhibiting a classic 'J' curve. To the casual observer these programs may appear unattractive, but consideration must be given to when the bulk of the benefits kick in, as demonstrated in the following case study:
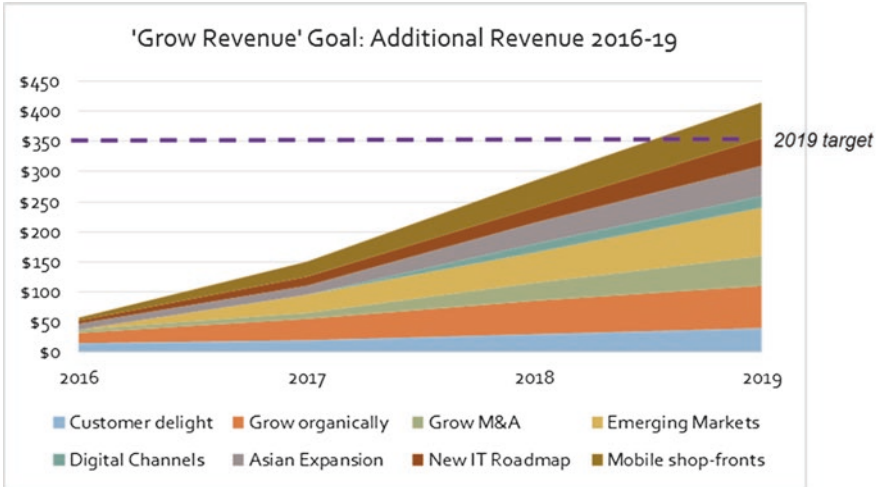
Fig. 6.28 Tracking an organisational goal to increase revenue, delivered by the programs making up the portfolio

Clearly, if a program is under-performing should it obtain continuing funding? Where a division has a poor track record in running programs should it obtain funding? De-funding performing, in-flight programs is highly undesirable, but sometimes de-funding under-performing programs is the right thing to do, even if it may appear as a tough call. So, we need some views to support analysis of in-flight programs:

Claimed Benefits vs Realised Benefits
Many, if not most, organisations are both concerned and very unsure about realised benefits meeting or exceeding claimed benefits. It is important to track how well delivered benefits compare to what was in the business case, even though in practice this is difficult to achieve. In Chap. 1 we looked at the reasons why projects are inappropriate vehicles to carry a business case due in large part to the dependencies projects with other projects in making the business case 'real'. Contemporary practice sees programs as the natural vehicle for a business case, which is why we map programs on the Claimed versus Realised Benefits map, as shown in Fig. 6.28.

Due to the fact financial benefits are often the biggest drivers of programs, these plots usually map financial benefits (increase in revenue or cost reductions) as the primary benefits.
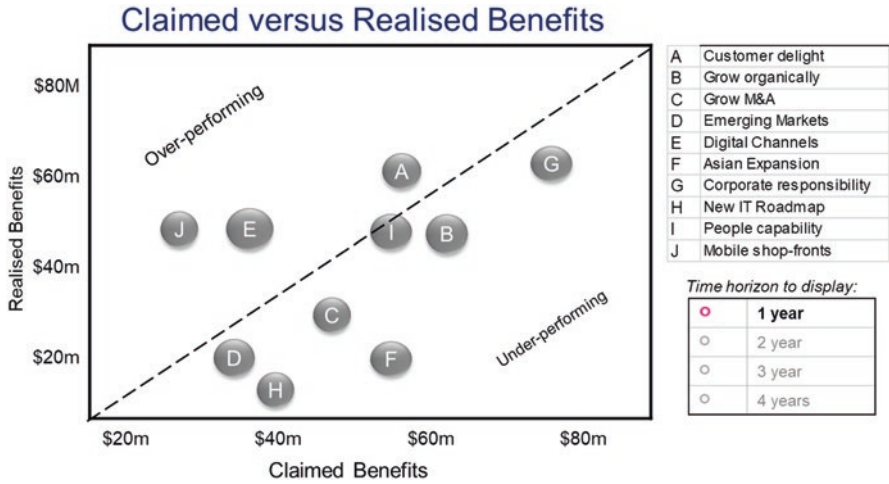
Fig. 6.29 Plotting claimed benefits as contained in the business case compared to realised benefits

The time element is critical here, as some programs move through a 'J-curve' with few benefits being realised initially, with an expected ramp-up in benefits over time. Still, as the 'Claimed Benefits' would be extracted from the Benefits Management Plan (contained in the Program Business Case), all programs could be expected to sit on, or be above, the dotted diagonal line. What this map shows up is where there have been unreasonable, or unrealisable, assumptions in the business case, a not altogether unusual situation.

6.8.7   Portfolio Master Schedule

In the example, there are ten programs making up the portfolio, each with its own timeline and delivery strategy, as shown in Figs. 6.29 and 6.30. This summary time-line view is often referred to as the Master Schedule, and there are multiple views of this schedule, such as the delivery milestone view shown in Fig. 6.30.

Fig. 6.30 Timeline view of the ten programs making up the portfolio

Each program can be further defined by the individual projects making up each program, for example 'Customer Delight' program is broken into four project streams (Fig. 6.31):
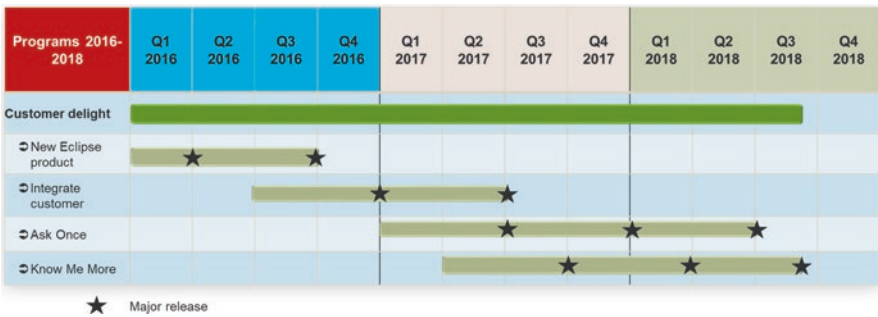
Fig. 6.31 The four projects making up 'Customer Delight' program

Organisations may choose to run an 'Agile-at-scale' execution methodology, such as Scaled Agile Framework (SAFe) or Disciplined Agile Delivery or a bespoke methodology, in which case a program may run a repeatable delivery strategy rather than run stand-alone projects. The principles of portfolio execution, in general, differs little regardless of the execution method employed

Other views include:

- Risk Profile. In this view we show where risk events may occur
- Planned spend view. This is a standard view to show 'burn rates'
- Interdependency maps and 'heat maps'.

Risk Profile

A timeline view of risk is very useful to understand what is being done to manage risk, and whether contingencies are in place. Risk profiles can be viewed at all levels, from portfolio through to delivery.

Fig. 6.32 Plotting high risk events on the portfolio schedule supports teams planning risk management activities

Risk events are further defined in the Risk Management Plan, which should be summarised and provided to the Steering Committee (Fig. 6.32).

6.8.8 Interdependency Maps and Heat Maps

Both within the Divisional Portfolios, and across the Enterprise, a number of views enables deeper understanding of the implications of how portfolios are constructed:

- Interdependency Maps
- Change Heat Maps
- Architecture Maps
- Benefits Plans

These views will be produced by either Enterprise Portfolio Services, or the Portfolio Working Groups.

Interdependency Maps

Portfolios often experience unforeseen problems from unchecked and poorly managed interdependencies between programs in the same portfolio, and across portfolios. The purpose of these maps is not so those in a governance role take a hands-on role in managing such linkages, rather they need to ask questions about whether they are being how, how they are being managed, if the dependencies will be highlighted in risk plans and what the escalation rules are.

Where there are substantial interdependencies then the question needs to be asked: "why don't we combine these 2 initiatives under a common program?". There may be many good reasons for not combining programs, including ownership conflicts, totally separate business cases and incompatible execution frameworks, but it is really useful to ask this question to ensure potential synergies are not identified and leveraged (Fig. 6.33).

	Customer delight	Grow organically	Grow M&A	Emerging Markets	Digital Channels	Asian Growth	Sustainable Compliance	New IT Roadmap	People Capability	Mobile shop-fronts
Customer delight										
Grow organically	C I S M									
Grow M&A								T R		
Emerging Markets						T				
Digital Channels										
Asian Expansion			T		T			T		
Corporate responsibility										
New IT Roadmap										
People capability					T		T			
Mobile shop-fronts								T		

High Risk   C Change   T IT   S Customer   M Milestones   R Resources

Fig. 6.33 This matrix shows where programs have interdependencies with other programs running in the same portfolio

Change Heat Maps

All programs deliver change and substantial effort is spent on managing change, and a lot of that effort is inefficient and often wasted. In three organisations studied change management was done very differently. In one organisation the change function as taken out of the divisions and centralised, becoming a stand-alone group within Corporate Services. However, each program also had their own change function, and many operational groups also ran low level, procedural change activities. Change had become an industry, and there were as many change managers as project managers. It was a clear case of over-management. A second organisation

having been through the centralised change function had distributed all change back to the divisions, doing away with any centralised function. This caused a different set of problems of each division totally focused on managing change solely within their division. Unfortunately customers don't really care about organisations manage themselves internally, but they do get annoyed when they are contacted by different divisions (such as a product division and a compliance division). The third organisation ran a 'federated' model, with a small but 'all seeing' central group which worked closely with, and across divisional change groups. Programs had maybe 1 or 2 change managers (regardless of the program size) who worked closely with the central group and divisional change groups. The driver here was to minimise the cost of change while optimising effectiveness.

To help understand where change will occur and the degree of that change, the Change Heat Map in Fig. 6.34:
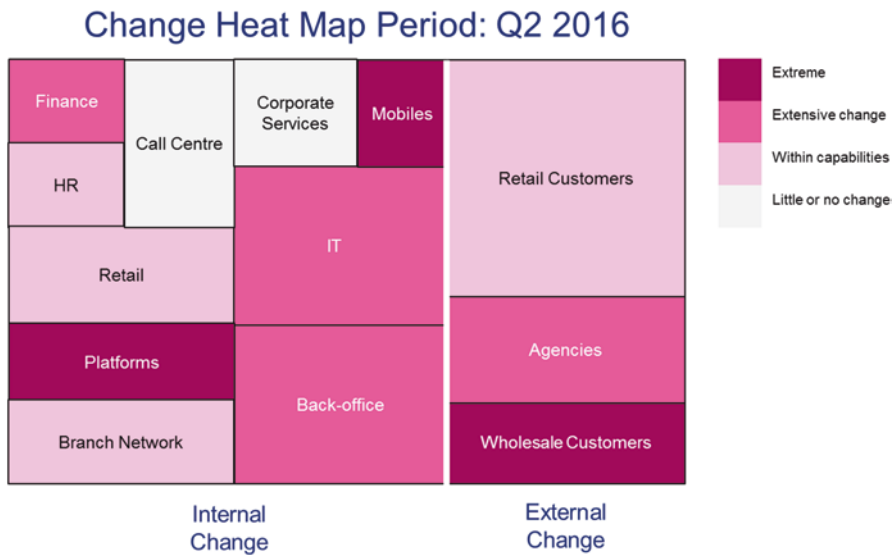
Fig. 6.34 A Change Heat Map showing where change is anticipated and the degree of that change

One issue about change is that it is a process which changes over time (it makes sense that change changes, right?). To see how this will happen one can produce a time-sequenced change map, as shown in Fig. 6.35:
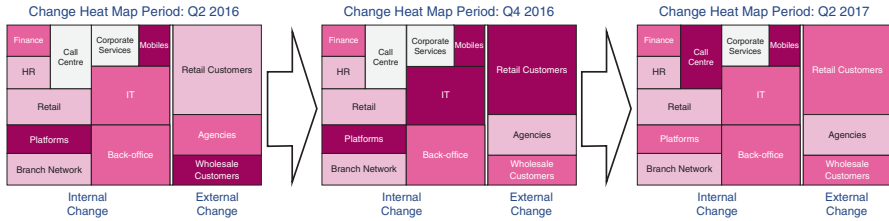
Fig. 6.35 A time-sequenced change map showing how change impacts will change by quarter

Change is a critical issue for those in a governance role as unmanaged change is disastrous, and competent change planning and control is fundamental for program success, as discussed in the following case study.

Topic:	You're not getting my people!
Details:	In 1995 I was managing a large program for Telstra. We were gearing up for the first release which involved rolling out a new back-office system to over 2,300 customer sales representatives in 20 locations nationally. The pilot release had gone quite well and there was a heightened expectation that the national roll-out would be manageable. Until the day the Chief Operating Officer stormed into the PMO 'war room' announcing that he had just be been briefed on the training plan and he was here to tell us we could not have his front-line staff for 5 days of training over such a short period of time. His reasoning was simple: he would not be able to maintain his service levels with so many people absent and there was no time to hire-in and train up temporary staff. "Go back to the drawing board" was his unambiguous message. We (actually me!) had failed on a number of levels, not least being effective stakeholder management, poor risk assessment and totally naïve change management. It was a mistake I never repeated, and it took substantial replanning and juggling timelines to make the training happen within our delivery window.
Lessons:	Change must be planned from day 1 and communicated effectively to decision makers. Change must be an integrated and highly efficient execution process which places people, whether they be customers or our own people, at the centre.

Mini-Case Study 6.3 You're not getting my people!

6.8.9   The People Perspective

It is sometimes down played, and it seems trite, but portfolios work because of the people working on them. In so many cases the difference between program success and failure is the quality of the program manager and sponsor. So it is important to gain the people perspective when viewing the portfolio. Unfortunately, we often distil people to 'resources', treating them as inter-changeable pieces in a jigsaw puzzle, so in looking at resource demands we need to be mindful of the people behind the numbers.

Typically, organisations over-commit key people, which has impacts on schedules and increases costs. Careful and realistic planning works to obviate over-commitment, however resourcing is not a 'numbers game'. It is not a matter at looking at the sum of 'full time equivalents' (FTE) over time, asking the simple question 'do we have, or can we get, the right number of people?'. In understanding resourcing we need to be able to differentiate between:

- People who cannot be easily replaced, called 'knowledge resources', compared to people who can be hired-in on a short term basis, to do specific and often quite technical tasks, what we call 'commodity resources'.
- Which tasks, sub-projects, teams can be out-sourced, and which can be contracted to a supplier or contractor.
- Resourcing. This provides useful information on resource utilisation and demands to better understand whether the organisations has all necessary capabilities.

EPMS tools are very useful for resource management, and in some cases organisations implement these systems for just that purpose and none others. During portfolio planning resource demands for each program included in the portfolio are defined and entered into the planning tool (which could be Excel). It is important to have a good idea of not just resource demands, but also resource availability and sourcing.

Understand that at this point individual programs will have done quite a bit of work on resourcing, so there should be a high level of confidence each program can manage their own resource needs. The purpose of portfolio planning is to ensure that across the business total resource demands can be met.
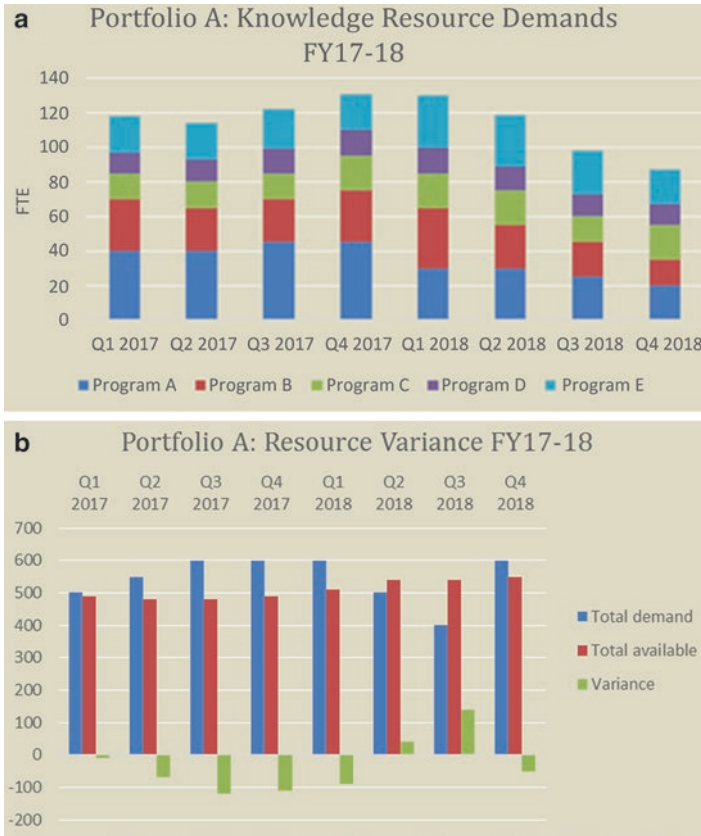
Fig. 6.36 Examples of resource graphs for a portfolio running over 2 years

Figure 6.36a shows the demand on knowledge resources across the portfolio. These are the people who cannot be easily replaced, who work as designers, subject matter experts, architects, engineers, product owners and managers, IT leads and key program and project managers. The main indicator of a problem is uneven resource utilisation. As already discussed, resource ramp-up and ramp-down is a very inefficient use of people, and it creates a significant level of wastage (typically 8–15%). On a $100M portfolio you could be wasting up to $15M through poor resource management, which is evidenced through reduced throughput, increased cost of production (e.g. the cost to design an average screen may increase by 20%) and lost benefits through schedule extension.

Figure 6.36b shows how well availability meets resource demand. Availability will take into account new hires, contractors and outsourcing, still this graph shows a number of problems, in particular in Q3 and Q4 2017. How can this situation happen, where demand outstrips supply even taking into account new hires? Simply, programs are not talking with one another, or with the organisation units where they hope to source key people. For example, three programs may

expect to have access to the same IT resources, but they have not covered off these resource demands with IT. This is often the case with shared service units such as Architecture. In early stages of planning, programs often do not put names to roles, often using generic labels such 'Analyst 1' and 'Designer A'. It is not until programs start to ramp up and seek to appoint people to roles do problems emerge. One could say this is poor planning, which is not without justification, however when there is an elapsed time of up to 3 years between scoping out a program and actually starting it, then the situation is understandable, and possibly unavoidable (see § 7.4.2 for a discussion on long lead times).

Figure 6.37 is possibly the most important resourcing graph, as it focuses on knowledge resources, who are very hard to replace and new hires always take a long time to come up to speed as knowledge resources.
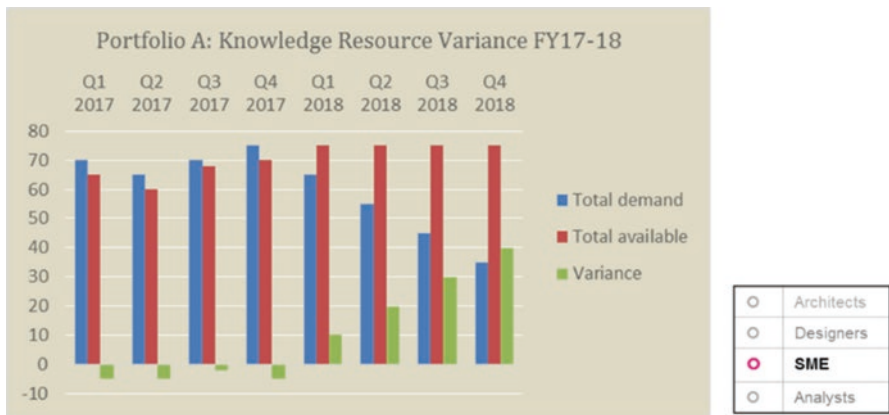
Fig. 6.37 Resource demand and utilisation graph for a key knowledge resource, in this example SMEs

In this example we are looking at subject matter experts (SME), and initially we are under-resourced, but by Q1 2018 we will have more than enough, or so it seems. The problem here is that knowledge resources dictate the critical paths of projects, and being under-resourced always means milestones will come under threat. Considering resource utilisation sees a lot of people not allocated to programs in 2018 challenges why the new hire program ran in 2017. The portfolio is not balanced and program sequencing would probably need to be addressed to move activities to better balance resource utilisation.

One of the most important advantages of Agile-at-scale is resourcing tends to be flat over a long period of time, with no peaks or troughs, which then optimises resource utilisation. That is, resource demand always equals resource availability, especially for our key, knowledge resources.

Does that mean we can allow peaks and troughs for those resources we can easily buy-in, or outsource to? Not necessarily, as the following example illustrates:

Topic:	Resourcing is not just a numbers game
Details:	In their drive to reduce resource costs on their total portfolio spend, a large retail bank contracted a large Indian-based IT company to provide resources for their suite of projects, both on-shore and off-shore. The key driver for this was cost savings, as the average daily rate for a local sourced programmer was $800 a day, and the Indian company could provide programmers for $300 a day. A bit of a 'no-brainer', or so it seemed. The problems emerged around 4 main issues: 1. Communications. Teams were often made up of local, co-located people with other members spread across different geographic locations, which created a challenge for effective communications and team meetings. 2. Productivity. A high performance local team of (say) 5 programmers would easily out-perform up to 15 outsourced programmers. As well, a team of 15 programmers required 3 times more management overhead. 3. Subject-matter knowledge. The off-shore team had no idea about the applications being built and required their specifications to a level of detail much greater than required for the local team. This meant hiring more analysts and taking much longer to specify requirements. 4. Quality. The local teams turned out much higher quality software, often due to the product owner being close by and being able to answer questions and check on what was being produced.
Lessons:	Whereas on paper it appeared by outsourcing resource needs it was possible to substantially reduce costs, when issues such as team synergies, productivity, quality and cost-per-unit-of-production were taken into account, the outsourcing option ended up costing 50% MORE than the local, co-located team model.

Mini-Case Study 6.4   Resourcing is not just a numbers game

It is the role of governance to ensure that resourcing is efficient, adequate and realistic. Questions must be asked about peaks and troughs, efficient resource utilisation rates, how contractors and outsourcing will operate and how ramp-up and ramp-down is being optimised. Until resourcing looks both do-able and efficient then the portfolio is incomplete.

6.9 Conclusion

The portfolio model is the ideal approach to creating and capturing value. Further, as organisations become more and more serious about leveraging innovation in creating value, then portfolios will also encapsulate how organisations manage both product and process innovation.

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Part II
3P Governance Frameworks

Chapter 7
A Framework for Integrating Portfolios, Programs and Projects: The '3P Cube'

7.1 Introduction to the '3P Cube'

A very useful way to view and understand portfolios, programs and projects (3P) and the difference between governance and management is through a multi-dimensional model termed the '3P Cube'.

Three dimensions describe the 3P framework, which is a referential model, rather than a normative model. Those dimensions (analogous to spatial dimensions), can be described by the x, y and z axes of space:
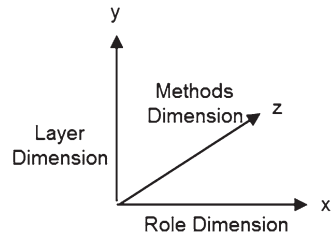
The three dimensions are (Table 7.1):

Role dimension *(x axis)*	There are 3 core sets of roles broadly aligned to accountabilities: • **Governance Roles** • **Management Roles** • **Professional Roles**
Layer dimension *(y axis)*	There are 3 layers (the '3P'): • **Portfolio Layer** • **Program Layer** • **Project Layer**
Methods dimension *(z dimension)*	The components which describe each component methodology comprising the framework are: • **Process** • **People (job roles and responsibilities)** • **Product (such as key deliverables)**

Table 7.1 The three dimensions of the '3P Cube' and the make-up of each dimension

This can be represented as a cube (Fig. 7.1):
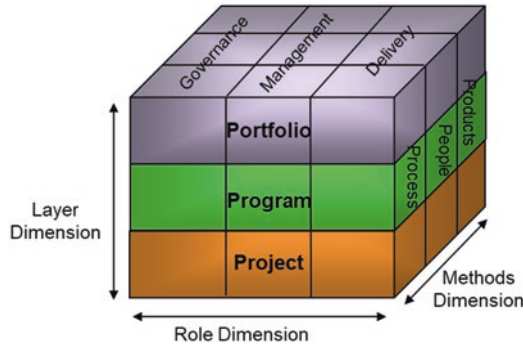
Fig. 7.1 The three dimensions which collectively describe the '3P' space

If you imagine the cube being rotated right, then it's possible to also view the Governance-Management-Delivery view, as shown below (Fig. 7.2):
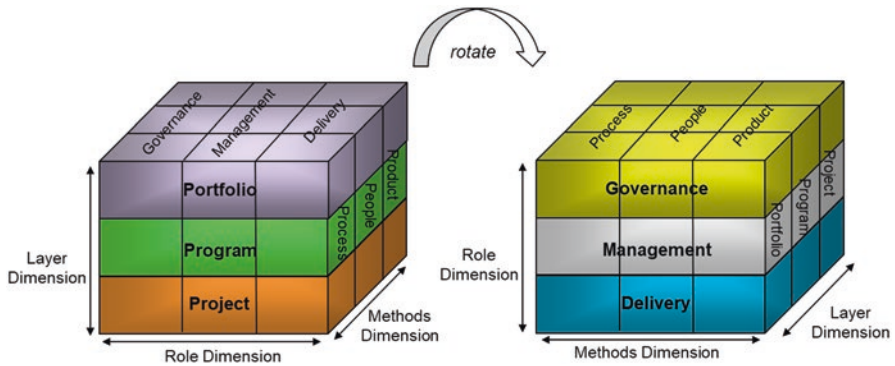
Fig. 7.2 By rotating the 3P Cube it is possible to view the role dimension as the primary view (the colour coding as shown here will be used throughout the book, so as to easily distinguish between Portfolio-Program-Project and Governance-Management-Delivery).

The Layer Dimension (that is, the portfolio-program-project view) can be realised through three key frameworks, one for each of Portfolio, Program and Project. These frameworks are in reality information systems which can be defined much as we would for any business or operational system. Indeed, a whole industry exists to provide organisations with Enterprise Portfolio Management Systems (EPMS) (Capterra 2016). (I am not promoting any of these systems over any other.

It all depends on your requirements and expected outcomes). These EPMS should not be viewed any differently from any other business system in that they need to be fit-for-purpose. In too many instances packaged EPMS become 'shelfware' – great in concept but failures in application.

Each of these dimensions ('x', 'y', 'z') is discussed in more detail. We need to always be careful we're not over-engineering a solution, and experience tells us simplicity is the key.

7.1.1   Role Dimension (X Axis)

The Role dimension is comprised of three role layers:

Governance Roles
The standard governance roles include all sponsor, owner, 'senior responsible officer' and governance committee roles, such as Project Sponsor, Business Owner, Executive Sponsor, Vendor Executive, Prime Contractor Executive, Steering Committee member etc.

Management Roles
Organisations are much more familiar with management roles and practices than they are with governance roles. Management roles are those concerned with planning, controlling, delegating, executing, communicating and measuring. Management roles are 'hands-on', concerned with controlling the execution of portfolios, programs and projects against agreed terms, and the roles include Portfolio Manager, Program Manager, Program Director, Project Manager, Project Director, Change Manager, IT Manager amongst many management roles.

Delivery Roles
'Delivery roles' describe the various people who make up the teams or who provide agreed services portfolios, programs and projects. In many ways, it's the 'Delivery' layer who do all the work.

Figure 7.3 shows an example of how the three role layers are structured, and the types of roles which occupy each layer.

3P Roles (examples)

Governance
- Portfolio Sponsors
- Portfolio Board Members
- Program Sponsors
- Program Board Members
- Project Sponsors
- Steering Committee Members

Management
- Portfolio Managers
- Program Managers
- Project Managers
- Stream Leads
- Team Leaders
- IT Managers
- Org Change Managers

Delivery
- Designers
- Digital Analysts
- Developers
- SME's
- Testers
- Trainers

Fig. 7.3 The typical job roles associated with each Role Layer

The roles at each layer are known by different names depending on whether one is referencing the PMI's or APM's Body of Knowledge (BoK), a commercially available methodology such as PRINCE2, or a bespoke methodology. The point here is that discrete roles (Governance, Management and Delivery) exist at each of the 3P layers.

7.1.2   Layer Dimension (Y Axis)

Portfolio, Program and Project are the three layers.

Portfolio
As discussed above, a Portfolio defines the various programs, projects and other initiatives which, collectively, will deliver an organisation's business goals, objectives and strategies. But perspectives of the Portfolio will vary depending on who is

viewing it. To senior management, the Portfolio acts to bridge business plans and priorities (the organisation's goals and objectives) with the strategies to achieve those goals (its programs, projects and other initiatives). To those charged with the realisation of those business goals and objectives, the Portfolio serves as a road map – a collection of all the initiatives an organisation is running, or plans to run, which collectively deliver the business, technology and strategic plans. To groups across the organisation who will be involved in the delivery of the Portfolio, or who will be impacted by what the Portfolio delivers, understand the Portfolio in terms of managing organisation change, measuring and predicting the impacts on resources, funding, technology, clients and employees. A Portfolio may be set up for a business or organisational unit, and typically for the whole organisation (which may be viewed as an aggregation of all sub-portfolios).

Program

Programs are designed to deliver goals and objectives of a strategic nature, which may run for long periods of time (often multi-year), and are subject to regular review, appraisal and re-structuring. Typically, programs are subjected to substantial changes as the organisation revises and resets its strategies, and responds to shifting priorities both within and outside the organisation. Programs are delivered largely by running a series of projects, sequentially and concurrently. Programs differ critically from Portfolios in that Portfolios are perpetual in nature (they may never end), while Programs ALWAYS have a start and finish.

Project

Projects are time-based initiatives designed to deliver discrete and quite specific deliverables. Projects may run stand-alone or, increasingly, are run as part of broader Programs.

From an organisational perspective there is an inherent relationship between portfolios, programs and projects, and drawing on the PMI's standard in Portfolio Management, the portfolio-program-project structure is essentially a hierarchical representation (Project Management Institute 2006, p. 5).

7.1.3 Methods Dimension (Z Axis)

Methods (or methodologies) describe how things happen – or are meant to happen, and form the basis of the execution frameworks. The PMI BoK defines methodologies as:

"A system of practices, techniques, procedures, and rules used by those who work in a discipline". (Project Management Institute 2013, p. 243)

Max Wideman in his glossary of PM terms defines methodology as:

> *"A documented process for management of projects that contains procedures, definitions and roles and responsibilities". (Wideman 2008)*

Many texts in project management refer to a methodology without ever defining what a methodology is, so synthesising the above two definitions it is reasonable to surmise a methodology (that is, a collection of methods) is comprised of:

- Processes – which define how desired outcomes are to be achieved. (in this sense a 'process' is a more generic term encapsulating phases, stages, activities, procedures, tasks, steps and the like).
- People – defines the specific responsibilities attributed to each role, or actor executing or involved in the process.
- Products – which define what is to be produced from the prescribed processes. These are also called *work products* and *deliverables*.

The methods dimension allows us to view 3P and Governance, Management and Delivery as 3*3 table, with each cell in the table representing the appropriate method:

	Governance	Management	Delivery
Portfolio	· People · Processes · Products		
Program			
Project			

Table 7.2 The Methods Dimension allows a simple view of 3P and the Roles dimensions

Each cell in Table 7.2 can be described in terms of the people (and their roles and responsibilities), processes and work products – that is, the methods. For example, the Portfolio Governance cell describes all the processes senior management (and sponsors and steering committee members) undertake to ensure portfolios execute successfully, along with all associated work products.

Each row (that is, portfolios, programs and projects) can be split off to provide three views aligned to each of governance, management and delivery roles. This is important as everyone involved in 3P needs to be able see their particular view of their involvement, whether that be a senior executive taking on a portfolio sponsorship role, or a program or project manager, or, indeed, a project team member. Fundamentally people want to know what they are meant to be *doing*, so this methods view is critical.

7.2   Portfolio, Program and Project Execution Frameworks

We usually refer to the *methods view* of the 3P Cube as *execution frameworks*, which are essentially life cycle views of each 3P, as shown in Fig. 7.4.

Portfolio				
Strategic Planning	**Portfolio Optimisation**	**Portfolio Execution**	**Portfolio Review**	
Business planning undertaken, goals, targets major initiatives identified	*Enterprise Portfolio and component sub-portfolios are designed and assessed against value drivers and capabilities*	*Programs and projects are initiated and their performance monitored, in particular value and benefits realisation*	*On a regular basis (say, every 6 months) the Enterprise Portfolio (and sub-portfolios) are reviewed and updated*	
Business Planning	**Portfolio Planning**	**Execute the Portfolio**	**Portfolio Review**	
• Set vision, goals, outcomes • Set value parameters • Define targets • Develop business and operational plans	• Evaluate Portfolio • Approve Portfolio	• Approve Program / Project Initiation • Monitor Portfolio Performance • Resolve Issues / Approve Changes	• Initiate Portfolio Review & Update	

Program					
Program Initiation	**Program Set-up and Design**	**Program Delivery**	**Benefits Realisation**	**Program Appraisal**	**Program Close and Review**
Programs are started and a high level assessment is made of viability, desirability and feasibility	*Program is designed, scoped and the business case developed and approved*	*All executable components (sub-programs, projects etc) are run and delivery controlled*	*Work is undertaken post-delivery to optimize benefits to equal, or better, claimed benefits*	*On a regular basis (say, every year) the program is formally and independently reviewed and updated*	*Once the program has completed it is formally and independently reviewed and improvements proposed*

Project			
Project Initiation	**Planning and Design**	**Execution**	**Project Close and Review**
Start the project with scoping and high level design. Ensure its viability, desirability and feasibility	*Define detailed scope, execution plan and business case*	*Run the project using an appropriate execution method, such as Agile*	*Once the project has completed it is formally and independently reviewed and improvements proposed*

Fig. 7.4 The life cycle view for portfolio, program and project execution frameworks

The life cycle view is necessarily a simple view at this point, so as to convey the structure of the framework. Using the terms in Table 7.1, I have shown the processes for each layer, but I have not shown the three views of Governance, Management and Delivery. Nor have I shown the linkages between each layer, and the information flows (such as work products or deliverables) which flow between the layers.

However, as discussed in Chap. 1, the world of projects is changing with projects being increasingly executed as part of a program. In such cases the project life cycle changes as 'Project Initiation' is undertaken at the program level (part of 'Program Delivery'), and 'Project Close' is often done very quickly, and within the program. Also, when a project sits within a program it will not usually have its own business case, its claimed benefits being registered with the program. Where organisations run an iterative delivery model (such as Scaled Agile) the term 'project' is disappearing, replaced with 'release' or similar. This has led some to comment that the 'future of project management is diminishing' (if not 'dead').

Each execution framework (or life cycle) can be further split into Governance, Management and Delivery (the 'role dimension'), ostensibly the 'view' – or 'lens' – each group has of the life cycle, as shown in Fig. 7.5:
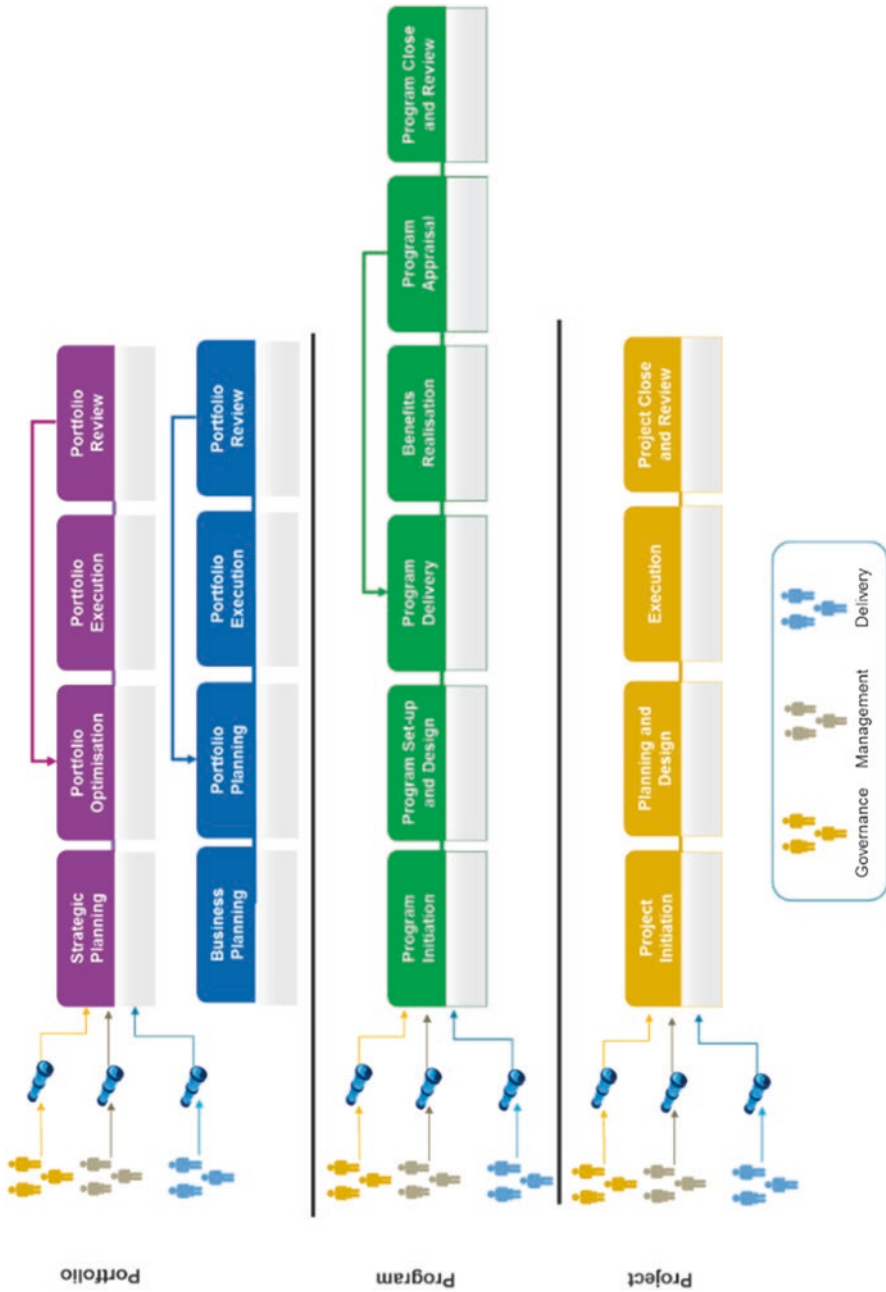
Fig. 7.5 The 3P life cycles can be viewed with a specific, 'roles lens'

This also means each role, whether it is Governance, Management or Delivery, can have their own specific view of 3P, such as the Governance Layer, which is the top layer in the 3P Cube, as shown in Fig. 7.6:
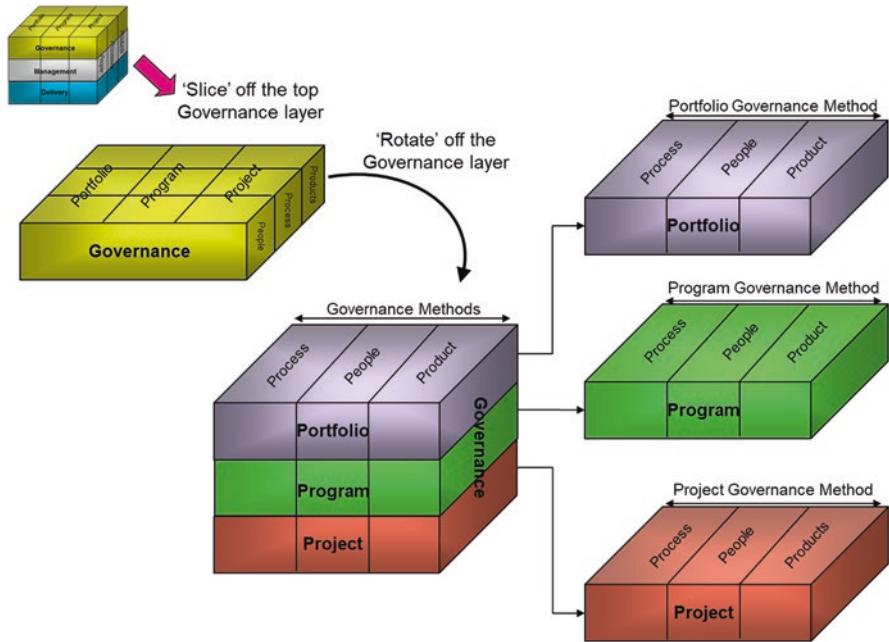
Fig. 7.6 We can extract the Governance layer, rotate it to view governance methods for Portfolios, Programs and Projects

The Governance layer is the top layer of the 'Role Dimension', and describes the roles, responsibilities, processes, practices, behaviours and deliverables associated with the governance of portfolios, programs and projects. Putting it another way, it enables someone in a governance role to gain a clear understanding of the nature of that role for 3P.

So, it is useful to outline exactly what these governance methods are, and how they relate to each level in the 3P space. Let's look at the Governance Methods Dimension (People, Process, Product).

7.2.1 3P Governance: People

Portfolio, program and project (3P) governance is given some focus in industry standards, as well as some 3P management methodologies. According to PwC the most widely used methodology is bespoke, developed in house at 39% of organisations studied, while 11% use Prince2 and 27% use the PMI's *A Guide To The Project Management Body of Knowledge* (PwC 2012).

Consideration is given to what is a widely used set of references on the governance and management of projects and programs, the UK's Office of Government Commerce (OGC) and their 'Gateway' process and associated materials (OGC 2004, 2008b). In their Gateway documentation they define governance roles, but their practice is to include governance, management and team leadership roles under the title 'governance'. Similarly, in their formal project management methodology, 'Projects in Controlled Environments', or PRINCE2 (OGC 2008a), they describe the 'four-level' project structure. Whereas this model looks reasonable on first inspection, it contains a number of issues:

- The governance layer resides exclusively at Level 1;
- The Project Board is seen as the top management tier, rather than a governance tier;
- There is no attempt to separate individual roles from group roles, and therefore, accountabilities are assigned to both individuals and groups.

The following key roles are defined in PRINCE2:

- **Corporate or Programme Management** has overall governance of the project.
- A **Project Board** is the overall authority for the project and is normally appointed by Corporate or Programme management, essentially to take overall responsibility for the project. The Board has a number of key roles:
- **Executive**, who represents the interests of the customer and has ultimate responsibility for the project. This role is similar to that of the Sponsor.
- **Senior User**, who represents the users of what the project is to deliver.
- **Senior Supplier**, who represents those providing resources and services to the project.

The prime accountability of the Board is <u>Project Assurance</u>.

The **Project Manager** is responsible for the day-to-day management of the project, taking direction from the Project Board, and reporting to, and escalating issues to, the Board.

The **Team Manager** may be appointed to manage a major deliverable or product.

So the Project Board is charged with 'directing' the project, which raises interesting issues regarding the effective separation of governance and management activities. How many project managers would feel comfortable being 'directed' by a board on which sits the supplier's representative?

Whereas the above may make sense, and PRINCE2 is effectively applied on many projects within many organisations, it does little to increase knowledge of the roles and accountabilities of governance. Corporate or Programme Management having overall governance of the project' does little to explain what governance is. Furthermore, PRINCE2 implies that the four level model of project organisation is

a governance structure, which further clouds understanding precisely what governance is. If understanding governance lacks precision with what is probably the most widely used project management methodology, then does the PMI treat it?

PMI's *Governance of Portfolios, Programs and Projects: A Practice Guide* identifies several governance roles, Portfolio Governing Body, Portfolio Sponsor, Program Governing Body, Program Sponsor, Project Governing Body, Project Sponsor.

The APM BoK identifies the following governance roles:

- The **Project Sponsor** is the owner of the project business case. He/she represents the funder's interests.
- A **Programme Manager** is generally responsible for the overall development of a product in its broadest sense. This may include in-service operation as well as related projects and tasks needed to ensure satisfactory development and delivery of the program.
- The **Project Manager** is responsible for delivering the project in the agreed schedule, to the correct technical specification (defined to meet user requirements), and within the approved budget and other specified criteria (Key Performance Indicators).

Other roles which appear frequently include that of the **Project Board** (called in some circumstances the **Project Steering Committee**).

7.2.2   3P Governance: Process

Referring to Fig. 7.1, if one were to extract the 3P view pertaining just to *governance* roles (that is, the top layer in the right hand diagram) it looks like Fig. 7.2. Put simply, each step in the life cycle shows what those in governance roles are meant to be doing (Fig. 7.7):

7.2.3   3P Governance – Products

Products, or Work Products, or Deliverables, define the flow of data and information which move between processes and layers, often used for control purposes, to trigger events and are inputs to decision making events. The focus when defining these products is minimisation: 'less is more', or at least, 'less is better'. Organisations can make an industry out of creating documents which go nowhere but simply exist to justify roles which maybe don't need to exist (and PMOs are often very good at creating 'paper chases'; too much paper not enough value. But this is being a little unfair on PMOs which by-and-large do great work) (Fig. 7.8).

Strategic Planning
- Set vision, goals, outcomes
- Set value parameters
- Define targets
- Review business and operational plans

Portfolio Optimisation
- Evaluate Portfolio
- Approve Portfolio

Monitor the Portfolio
- Approve Program / Project initiation
- Monitor Portfolio Performance
- Resolve Issues / Approve Changes

Portfolio Review
- Initiate Portfolio Review & Update

Business Planning
- Set vision, goals, outcomes
- Set value parameters
- Define targets
- Develop business and operational plans

Portfolio Planning
- Evaluate Portfolio
- Approve Portfolio

Execute the Portfolio
- Approve Program / Project initiation
- Monitor Portfolio Performance
- Resolve Issues / Approve Changes

Portfolio Review
- Initiate Portfolio Review & Update

Program Initiation
- Approve Program Brief

Program Set-up and Design
Approve:
- Program Mgmt Plan
- Stmt of Scope
- Business Case

Program Delivery
- Approve Project Initiation
- Monitor Program Performance
- Approve Program Changes

Benefits Realisation
- Monitor benefits realisation
- Adjust Business Case, Scope and Plan

Program Appraisal
- Initiate Program Appraisal
- Approve changes to program

Program Close and Review
- Initiate Program Review
- Approve improvement initiatives

Project Initiation
- Approve Project Brief

Planning & Design
Approve
- Project Mgmt Plan
- Stmt of Scope
- Business Case
- Architectures

Execution
- Monitor Project Performance
- Approve Project Changes
- Monitor risks
- Resolve Issues

Project Close and Review
- Initiate Project Review
- Approve improvement initiatives

Fig. 7.7 The Governance view of the 3P framework
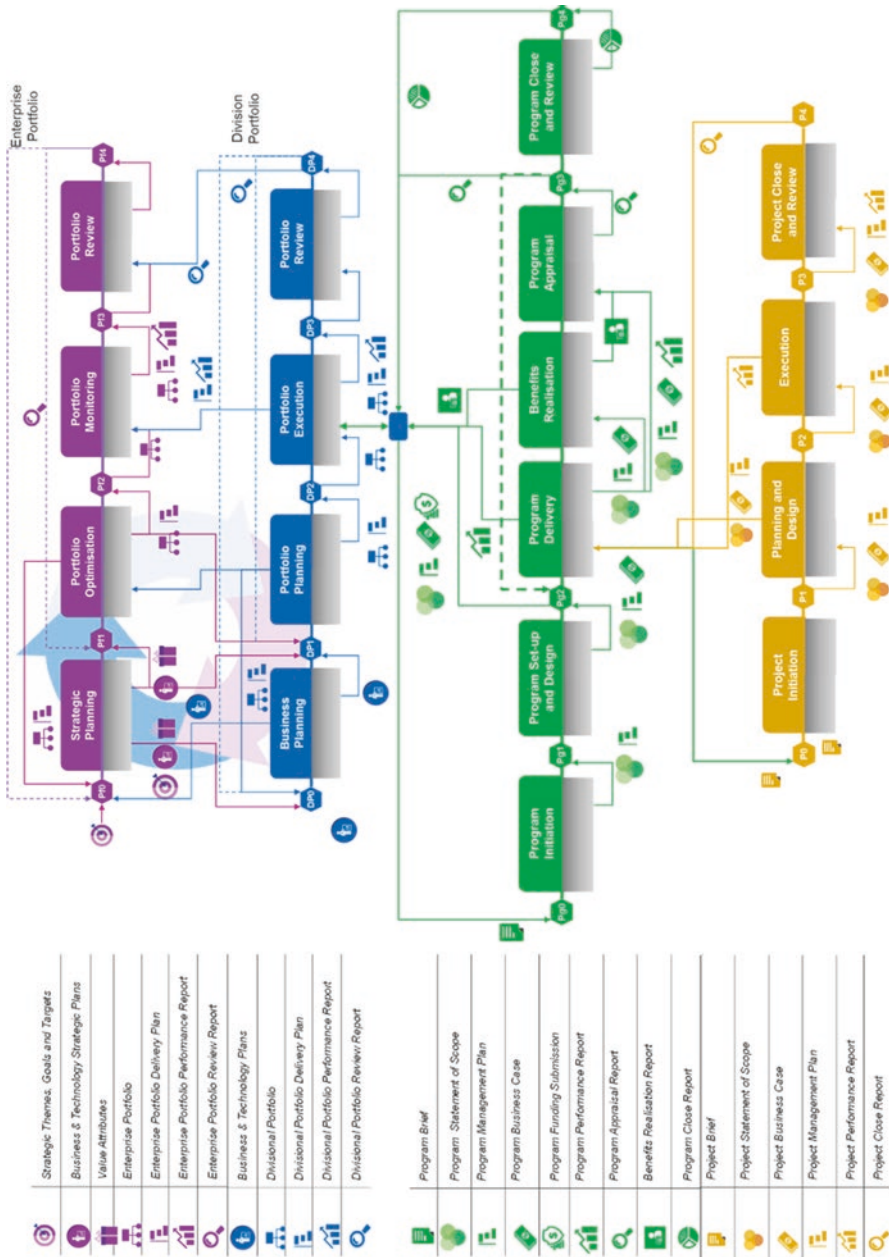
Fig. 7.8 The key Governance work products

Strategic Themes, Goals and Targets
Business & Technology Strategic Plans
Value Attributes
Enterprise Portfolio
Enterprise Portfolio Delivery Plan
Enterprise Portfolio Performance Report
Enterprise Portfolio Review Report
Business & Technology Plans
Divisional Portfolio
Divisional Portfolio Delivery Plan
Divisional Portfolio Performance Report
Divisional Portfolio Review Report

Program Brief
Program Statement of Scope
Program Management Plan
Program Business Case
Program Funding Submission
Program Performance Report
Program Appraisal Report
Benefits Realisation Report
Program Close Report
Project Brief
Project Statement of Scope
Project Business Case
Project Management Plan
Project Performance Report
Project Close Report

7.3   Phase Gating

Nobody wants to 'bet the farm' on an investment with such high risk that returns are substantially in doubt. The formal way to structure 'go/no go' points in a 3P life cycle is phase-gating (also called 'stage-gating'), as shown in Fig. 2.33 (Fig. 7.9).

Phase-gating is also known simply as 'gating'.

Phase-gates are decision points, where governance is required to assess a number of criteria and, based on this assessment, decide whether to allow the project (or program or portfolio) to pass through the gate to the next phase, whether to address particular issues and updated key deliverables being presented for assessment and approval, or to be rejected.
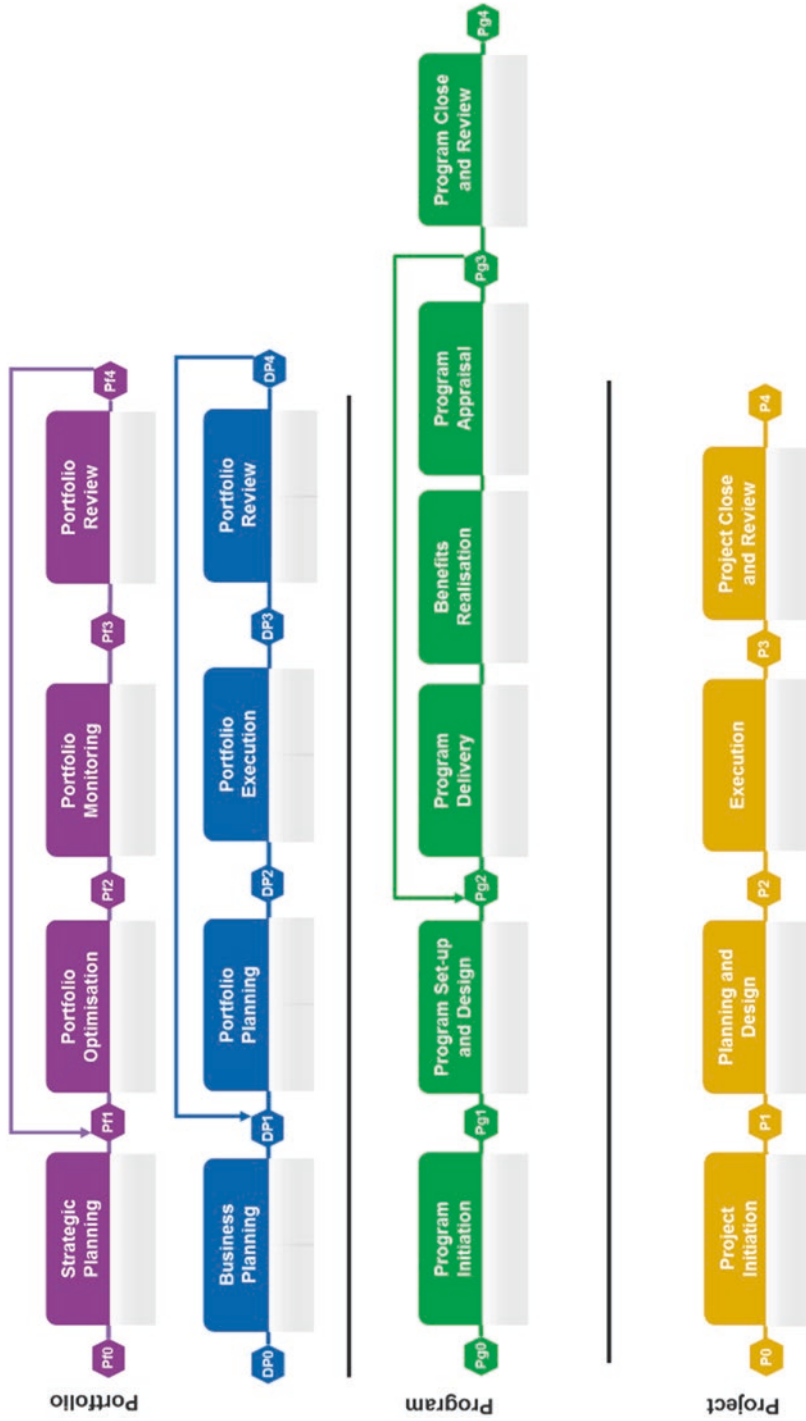
Fig. 7.9 Phase gates at each level in the 3P

One major problem in using phase-gates is the typical mindset is one of the 'gate keeper', often demanding to be shown why the gate should be opened. This is a poor governance practice, and instead those in a governance role should be working amongst themselves and with management to ensure progress is as assured as possible. This does not mean allowing through investments which are unwise, rather it should operate such that undesirable investments are weeded-out as early as possible in the life cycle, and those investments which represent the greatest returns are accelerated through the gates.

We will look at phase-gating in greater detail in Part B, when we examine each of the governance frameworks.

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Chapter 8
Enterprise Portfolio Governance Framework

8.1 Introduction

The Enterprise Portfolio contains all the initiatives an organisation needs to run to achieve its strategic and business goals. As we have already seen portfolios contain programs and projects, and no program or project an organisation executes should sit outside a portfolio.

The purpose of this chapter is to provide a framework which, when executed, will enable governance to ensure their Enterprise Portfolio is the right one to run, it is well balanced, structured to deliver the strategic plan while ensuring that value is optimised.

The actual practices to be carried out will leverage many of the 'good behaviours' documented in Chap. 5. In Chap. 6 we looked at how a portfolio is constructed and prioritised, so it is suggested to reference both these chapters while reading this chapter.

Not all organisations run both an Enterprise and Divisional Portfolio model, and in many organisations the enterprise portfolio is called the 'IT Portfolio', and it is the only formal portfolio operating. One problem with the IT portfolio being the enterprise portfolio is the drivers and outcomes can be slanted to IT drivers (goals, objectives, targets) and outcomes (delivery, benefits). Where is the business left in all this? It can be problematic for business to feel they have direct ownership of their programs and projects when they sit within IT, which may cause tension and sometimes outright conflict. It may be better to see IT as the 'prime supplier' to the business and structure portfolios on that basis, but this a decision each organisation faces and resolves. Broadly, more mature organisations adopt the Enterprise-Divisional Portfolio structure.

Much of what is contained in this chapter is pertinent to Divisional Portfolios, covered in Chap. 9, and it will not be repeated there.

As with all frameworks, there is great flexibility built in to modify any of the components making up the framework, to ensure it is truly fit-for-purpose.

8.2   Enterprise Portfolios – What Could Possibly Go Wrong?

The Enterprise Portfolio is the rolled-up collection of all Divisional Portfolios (where an organisation chooses to run Divisional Portfolios) aligned to strategic goals and outcomes, and prioritised against a set of value attributes. Divisional Portfolios tend to be aligned to major organisational units, or long term strategic initiatives. Some are perpetual in nature (such as the IT Portfolio), while others change over time and may even be closed once their drivers or strategic goals are achieved, such as a major technology re-fresh portfolio. In other circumstances a divisional portfolio may emerge over time. For example, a Business Transformation program (designed to re-shape a business unit to a new business and technology architecture) may change over time into a permanent business portfolio as it begins to deliver and shape the new business unit. So what are the issues regarding Enterprise Portfolios governance should be mindful of?

- **Portfolios appear to be perpetually under-funded**. Divisional Portfolios typi-cally contain programs which define the 'best possible' solution for maximum scope. It is likely program sponsors will ask for more than they know they will receive in proposing a 'Rolls Royce' solution, so as to enable them some room to negotiate funding for what may well be an acceptable solution. Those charged with ensuring total spend sits within the envelope set by the Senior Leadership Team will forever be working with a red pen, in some cases unilaterally reducing divisional portfolio spend, expecting the divisions to work how best they meet the spend targets. This tendency to always ask for more than what is available gives the impression, at least, that funding is inadequate. Of course, if everyone received what they requested then execution would become as nightmare as demands would exceed the organisation's people, technology, change and risk capabilities. A case of too much funding leading to failure.
- **Difficult to understand the full consequences of funding decisions**. Most organisations struggle to draw a line from portfolio funding levels through to bottom line impacts. For example, if the enterprise funding pool needs to reduced by $50 m over the next 2 years, what is the best strategy to achieve this outcome while minimising impacts to revenue targets? Further, if a Divisional Portfolio is to have its funding cut are allowances subsequently made to the division's reve-nue and cost targets? (and also to the personal performance scorecards of execu-tives?) It is vitally important senior managers are armed with a range of analysis tools which support various scenarios, otherwise decision making becomes even harder than it already is.
- **They do not contain all critical initiatives**. In theory, the rolled up divisional portfolios as the enterprise portfolio should contain all initiatives required to execute to achieve the strategic plans. It does not work this way in practice, as many initiatives (read, projects) are funded outside the enterprise investment pool, often through nefarious activities such as souring funding out of 'hollow logs'.

- **Lack visibility across the whole portfolio**. Whereas it makes sense to view all programs and projects through the enterprise lens, it is much harder to see what is actually going on, where interdependencies exist, where high risk is and when initiatives will start to deliver changes and realise benefits. Yet all of these views are critical to understanding the full portfolio. Many organisations simply lack the tools to support these views, or create what are incredibly complex views, defying comprehension. The Enterprise PMO, or Enterprise Portfolio Services (emerging as the contemporary name of the EPMO) is responsible for managing the enterprise portfolio data and creating the appropriate views, but the emphasis must be on displaying meaning, rather than simply representing data.
- **Reluctant to make the hard calls**. Analysing the Enterprise Portfolio throws up what some may view as truly intractable problems. Moving beyond such questions as 'do we fund A over B?', it will require the wisdom of Solomon to understand how 'we fund both A and B' while generating desirable outcomes and not stretching organisation capabilities. Many in a senior management are very sensitive to making calls which may be seen to disadvantage other senior managers, and people sometimes argue their case for funding with more than a little passion. It is attractive to say 'yes' to everyone – attractive and wrong. There are few situations where executives deserve their remunerations more than in making calls on what is in, and not in, the portfolio.
- **Behave as if no one else exists**. Referencing the previous point, portfolio sponsors often do not care who else is lined up to receive funding, until they realise other portfolios seem to be allocated 'more than they deserve'. The role of enterprise portfolio governance is to make decisions for the good of the whole organisation.
- **Decision making can be highly complex**. It appears there are no easy decisions to be made when it comes to the enterprise portfolio. Almost every decision will result in winners and losers, and many decisions require a level of intellectual acuity which challenge many. It is critical the Enterprise Portfolio Services group provides useful information in a comprehendible form, and that the decision making processes are well defined and agreed (see Chap. 5 for more detail on structuring effective decision making processes).
- **Everyone is too busy**. Who has the time to structure the Enterprise Portfolio? We looked at how time demands on governance typically is greater than the time senior managers make available for these roles. The situation for Enterprise Portfolio governance is similar in that the CEO and his or her director reports have significant time demands and often do not have the necessary bandwidth to immerse themselves in the enterprise portfolio. This makes it even more important to ensure the enterprise portfolio execution framework is designed to work as efficiently as possible.

8.3   Enterprise Portfolio Governance Methods Overview

Using the 3P Cube, we can extract the Governance Methods view as shown in Fig. 8.1.
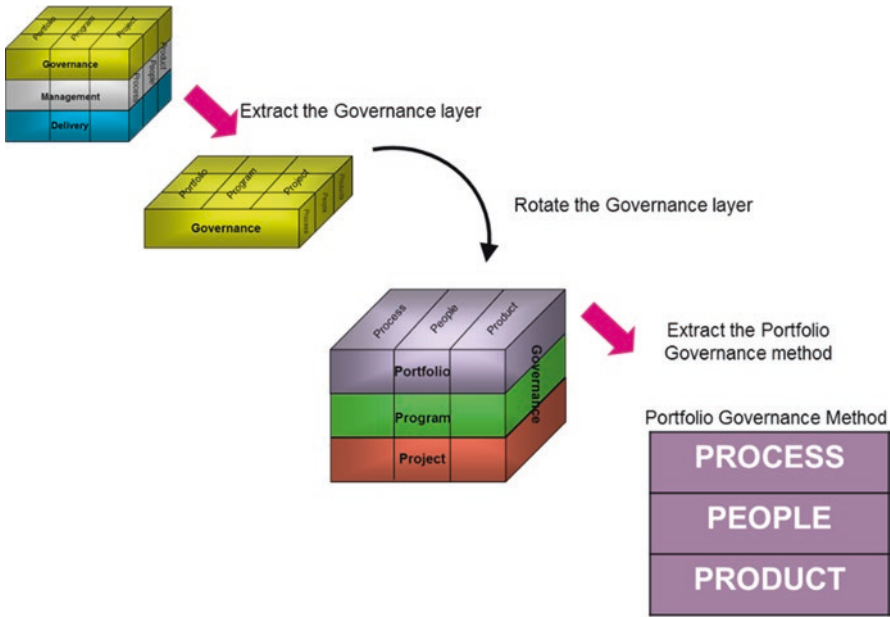
Fig. 8.1 We can use the 3P Cube to extract the governance methods view from which we can easily see the portfolio governance method view

The Portfolio Governance Method defines the processes (activities, steps, tasks) which are carried out by those taking on a governance role (i.e. 'People'), and the information they require to do their jobs effectively and the deliverables produced ('Products').

The simplest way to represent Portfolio Governance Methods is to relate them to the Portfolio Life Cycle (that is, the 'Process' view).

8.4   Enterprise Portfolio Governance – Process

The Portfolio Life Cycle was introduced in Chap. 7, as part of the 3P Execution Framework. We are interested in the Governance view of the Enterprise Portfolio Life Cycle, as shown in Fig. 8.2.
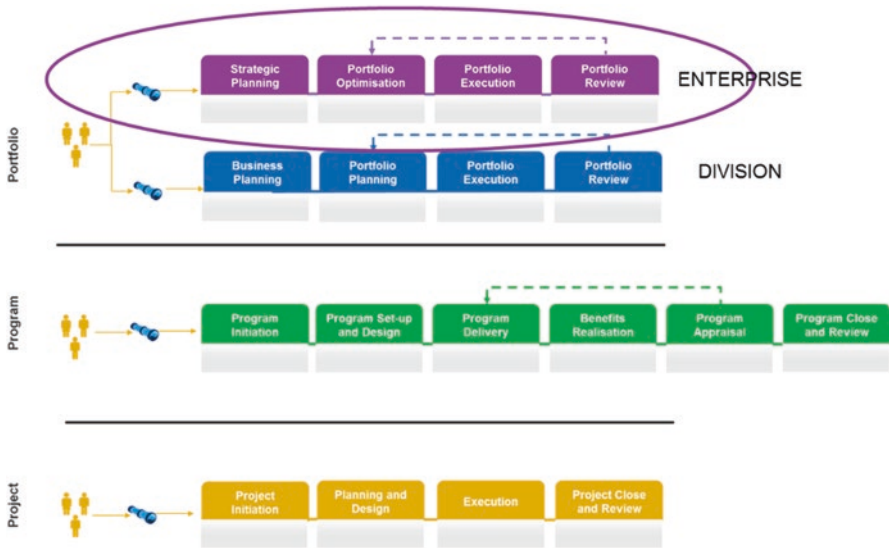
Fig. 8.2 The enterprise portfolio execution life cycle sits with the 3P execution framework

8.4.1   Enterprise Portfolio Phase Gates

Gating is used to set the major decision points for the Portfolio Board, as described in Table 8.1 (Fig. 8.3).
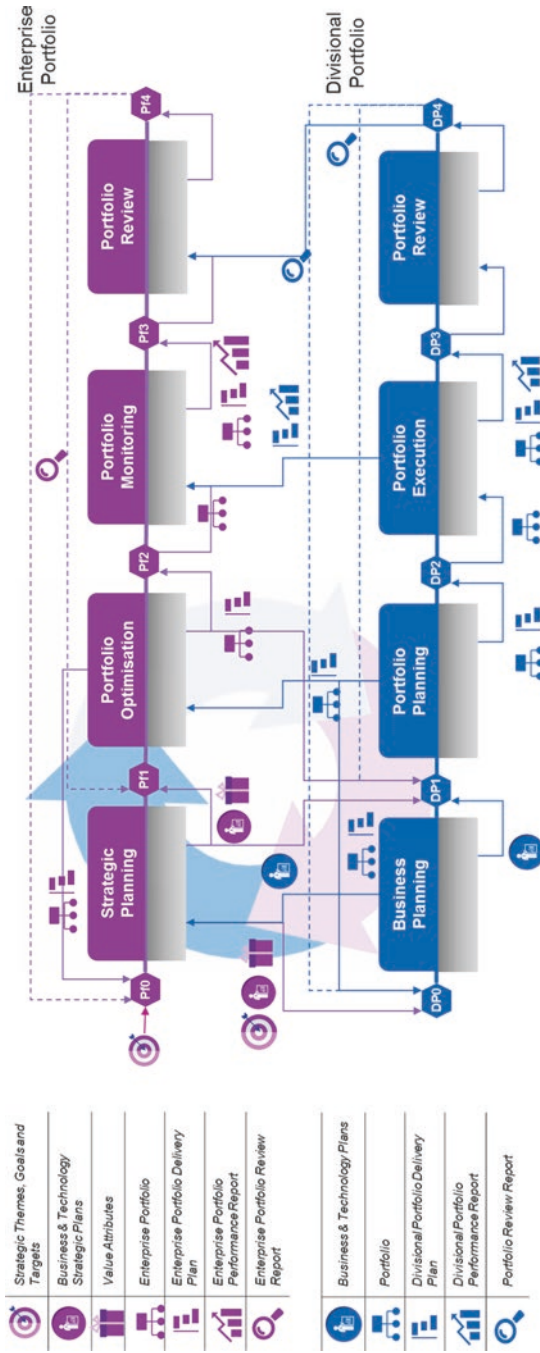
Fig. 8.3 The enterprise portfolio execution framework is integrated with the divisional portfolio execution framework

Phase Gate name →	Validate the Drivers	Approve Strategic Plans	Enterprise Portfolio Approved	Initiate Portfolio Review	Update the Portfolio
Purpose	The strategic themes, value drivers and targets as set by the executive are reviewed for consistency and to resolve any outstanding issues.	Approve Strategic Plans, agree on value drivers, key targets and initiatives to achieve those plans.	Review and validate the Enterprise Portfolio, and the Divisional Portfolios making up the Enterprise Portfolio Review and approve the Enterprise Portfolio Delivery Plan	Undertake an assessment of the enterprise portfolio, to assess performance of Divisional Portfolios. Understand where changes and improvements are required	To gain agreement the Review process is complete and the review report has been signed off and can be distributed
When this Gate is executed	Strategic Planning is an iterative rather than an ad-hoc process, which should follow a planning calendar. This phase will be executed (typically) twice a year	Strategic Planning is an iterative rather than an ad-hoc process, which should follow a planning calendar. This phase will be executed (typically) twice a year	There are 2 entry pathways: • Following Strategic Planning and • Following Enterprise Portfolio Review	Enterprise Portfolio Review is undertaken on a regular basis, probably every 6 months and no less frequently than annually.	Following the successful completion of the Enterprise Portfolio Review
Gate Inputs	Strategic themes, goals, targets	• Business and Technology strategic plans • Value attributes, measures and targets • Value Maps, or Value Chains • Enterprise Portfolio Review Report	• Enterprise Portfolio • Enterprise Portfolio Delivery Plan	• Enterprise Portfolio • Enterprise Portfolio Delivery Plan • Enterprise Portfolio Performance Reports • Divisional Portfolio Review Report	Enterprise Portfolio Review Report
Decisions (as made by Enterprise Portfolio Board)	All drivers and themes are consistent and achievable The priority settings are correct Broad strategies are correct	Strategic plans will achieve goals and meet targets	Enterprise Portfolio is well structured to deliver strategic plans and achieve targets The organisation has the capabilities to deliver Portfolio Plans	Commence the Portfolio Review	Sign-off on all recommendations for changes and improvements Approve Enterprise Portfolio Performance Report
Gate outputs	Validated Strategic themes, goals, targets	Approved: • Strategic Plans and targets • Value Drivers	Approved: • Enterprise Portfolio • Enterprise Portfolio Plan		Approved: Enterprise Portfolio Performance Report

Table 8.1 Enterprise portfolio phase gates and how each gate is processed and the role of governance in making gating effective

8.4.2   *Strategic Planning*

This process could also be called Enterprise Portfolio Planning, but it is so tightly integrated with Strategic Planning I will use that label. Purists may argue that they are separate and different processes which is technically correct, however I want to draw out some critical issues regarding Strategic Planning which impact on building the Enterprise Portfolio. In too many cases strategic planning is separated from portfolio planning such that a disconnect causes inconsistencies between strategy and delivery. Considering the enterprise portfolio must represent how strategies are executed then it makes sense to tightly integrate strategic planning with enterprise portfolio planning.
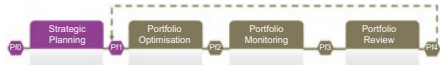
Chapter 6 covered many of the issues, processes and techniques associated with Strategic Planning, so these will not be repeated here. It is recommended that chapter be read before proceeding.

Probably all organisations do some form of business and strategic planning and they have some idea of where the organisation is heading and how they may get there. Where there is a weakness is the gap between 'know where we are going' and 'how to get there'. Some studies indicate just 60% of targets defined during strategic planning are realised (Mankins, 2005). Correctly structuring strategy is the realm of Enterprise Portfolio Planning and it is carried out poorly when it is indeed carried out. According to the PMI just 12% of organisations have an effective portfolio planning process. Experience dictates that the simpler the strategic planning process the more likely it will produce something useful.

In many organisations strategic planning is done so haphazardly it resembles sausage-making: neither should be viewed up close if one wants to appreciate the end product. There are a number of issues which need to be addressed to ensure strategic planning is effective.

Strategic Planning Should Be a Continuous Process
As discussed above, tying strategic planning to a budget cycle is not a good idea. To demonstrate one of the main problems with this approach, Fig. 8.4 shows a strategic planning event calendar:

Event	Q3 '17	Q4 '17	Q1 '18	Q2 '18	Q3 '18	Q4 '18	Q1 '19	Q2 '19	Q3 '19	Q4 '19
Commence Business Planning	◆									
Draft Business Plans		◆								
Commence Strategic Planning			▲							
Draft Enterprise Portfolio					▲					
Final Enterprise Portfolio						▲				
Board Approval						★				
Start Program A										✓

Fig. 8.4 A sample strategic planning event calendar – how NOT to do strategic planning!

Many organisations work back from the 'Board Approval' date to schedule when to commence business and strategic planning. In this example board approval is sought at the end of the financial year for the next financial year. So, working backwards the executive require all strategic, business and technology plans to be completed by the end of Q1 2018 so that the draft Enterprise Portfolio is in shape by the end of Q2 2018 and finalised by the end of Q3 2018, in time for socialisation, finishing touches and distribution before board approval is gained at the end of Q4 2018. To achieve this date business units will commence their planning at the start of Q3 2017 for programs which will commence in 2019, which means there are a minimum of 18 months between planning and execution. Of course not all programs commence in Q1, and as shown, Program A may be slated to start in Q4 2019, which is 30 months after it was planned.

30 months represents a substantial lag between identifying a great opportunity and starting a program to reap the benefits from that opportunity. How many businesses have such a good crystal ball as to know that programs will still be valid 30 months into the future? What we know for sure is that the original scope will be quite different to the scope of the program which is kicked off, and what had been approved back in Q2 2018 may be very different to what is finally initiated in Q4 2019, 18 months down the track. However, most divisions will want to start their programs as soon as funds are available, which means there is a substantial demand on key resources in Q1 as programs fire up. This leads to programs slowing down while costs rise. It is not a smart way to run a portfolio.

Clearly we need to turn around our thinking and rather than execution fit in with when strategic planning is carried out, decide our timing for strategic planning based on when we expect to achieve outcomes. We achieve this by unbundling strategic planning from the budget cycle and tie it to the enterprise portfolio execution framework. We run Strategic Planning as a series of iterations against a planning event calendar. To say that it has a start and an end is unrealistic, as plans once developed are continually monitored and updated. Planning horizons are set, monitored and updated. This means using a technique such as 'three horizons' to set goals, outcomes, targets.

Strategic Planning Is an Iterative Process

I have included the complete view of the Enterprise and Divisional Portfolio Execution Frameworks (Fig. 8.5) to show how closely they are integrated with the 4 key processes of Strategic Planning -> Portfolio Optimisation -> Business Planning -> Portfolio Planning being conducted as a series of iterations. From a systems perspective we adopt a negative feedback loop at point Pf0, whereby Strategic Planning looks at a number of inputs including the current Strategic Themes, goals, targets along with the current Enterprise Portfolio and Divisional Business Plans. Adjustments are made to goals and targets, value drivers and weighting factors, the funding pool and divisional portfolio funds. This dynamic is important as it represents a top-down / bottom-up flow with guidance being provided by executive and portfolio make-up and issues being sent back up to the executive. It is impossible to over-state the importance of this dynamic.

Tying Strategic Planning to the Budget Cycle Is a Mistake

Most organisations tie strategic planning to the budget cycle, typically financial year planning. That is year-on-year the 'investment pool' is set and funds doled out to worthy recipients. This somehow assumes that projects and programs should run against a financial year calendar, starting in month 1 and ending in month 12, although no one in their right mind would implement such a model. Whereas projects probably have elapsed timeframes of much less than 12 months, larger programs will be multi-year and portfolios will be perpetual.

Balance the Investment Pool

The reality is almost 70% of the investment pool to be spent over the next planning period may be non-discretionary. This is the case due to:

- On-going funding of strategic initiatives (i.e. 'in-flight' programs).
- Mandatory spend to 'keep the lights on'. This is often the case with technology capital replacement investments, possibly in response to 'burning platform' issues.
- Compliance costs, and mandatory undertakings as directed by regulators.
- One issue requiring illumination is that, whereas the initiative may be considered mandatory, how much is required to be invested in the initiatives must be open to discuss and analysis. It is not smart to accept the first solution proposed (such as "it will cost $2M, take it or leave it").
- So how should the remainder of the pool be allocated? In Chap. 5 we looked at portfolios as value creation vehicles, and how the 70-20-10 rule can be applied. This is a good starting point, but it should be used in conjunction with value profiling (also covered in Chap. 5). This results in a top-down and bottom-up approach to deliver the right result.

You Don't Need to Feed All the Hungry Children
Some planning processes operate as if the CEO and leadership team need to ensure all divisions, groups, operations (etc.) get something out of the funding pool. This is not a good idea. Initiatives should be funded on the basis of their value profile, and not to silence the squeaky wheel.

Don't Allocate all the Funds
It is tempting, and due to significant demands from the divisions, to allocate the full investment pool. This is a mistake. If all funds are allocated then there is no contingency to fund new and high value opportunities, or to respond to threats and realised risk. The reality is that contingency is always used, but it also means it can be used where it is needed. This obviates de-funding programs already allocated funds, or having to go over budget.

Resist Changing Strategic Funding Streams
'Strategic funding streams' are those funds we invest in our strategic programs and sub-portfolios, which are just about always multi-year. Large programs are similar to super tankers in how they respond to change. They take a long time to initiate and ramp-up resources, and once operational will probably run will flat resource curves, to even out monthly spend burn-rates.

Once a portfolio is established and operating efficiently, great care needs to be taken to not radically change resourcing, as the following mini-case demonstrates.

Topic:	Changing the funding levels of in-flight programs can be very expensive
Details:	Mounting a major program can be a very expensive exercise. Establishment costs, resource ramp-up, hiring costs (etc.) can cost millions, so once a program has reached its 'cruising altitude', whereby it has established an execution cadence of regular releases every 3 or 4 months, it has a flat resource curve (that is, not shedding resources or hiring new people), then it is highly beneficial to maintain a consistent level of funding (assuming the business case remains solid). In this example a telecommunications company planned a major overhaul of its customer management system, which required the implementation of a new Customer Management System (CMS) and major upgrades to its product and data warehouse systems. The program was to run for 3 years with a total investment of $200M. The program adopted a modified version of Scaled Agile Framework, and very quickly the business unit realised that this was a portfolio framework and not just a program framework, so it was decided to move forward with a revamped portfolio execution framework incorporating Scaled Agile. The program ramped up quite quickly and hit its 'cruising altitude' and operating cadence within 6 months. The planned spend in year 1 was $60M, year 2 $70M and year 3 $70M Towards the end of year 1 senior management decided the planned total investment for the next year had to be reduced by $80M and to ensure the cuts were seen as fair it was decided to reduce the funding of all in-flight programs, along with delaying initiating planned projects. Therefore year 2 program funding was cut by $20M (from $70M to $50M). The only way this reduction could be accommodated was to reduce head-count by 20% (from 250FTE to 200FTE) which meant shedding some highly experienced and knowledgeable people. This also meant a total re-think to execution and delivery strategy, and because so many other programs were dependent on the new CMS, they also had to re-plan and change their execution and delivery strategies. This then had an impact on the benefits realisation plan. When funding was subsequently restored 12 months down the track, the program had to increase headcount which had a major impact on operating efficiency and delivery rates. Over a 2 year period, reducing funding by $20m and then restoring that funding effectively increased costs $45m across a number of programs, and delayed benefits realisation by more than 12 months.
Lessons:	Unless it is totally unavoidable do not change the funding levels of in-flight programs. Reducing and then reinstating funding is never a zero-sum game.

Mini-Case Study 8.1 Changing the funding levels of in-flight programs can be very expensive

Clearly, funding cuts in some circumstances are unavoidable, especially in response to a major external event (GFC, cataclysmic natural disaster, sudden threat from a disruptor etc.), still it is often much smarter not starting a program or project rather than cutting the funding of an in-flight program. If such a cut is unavoidable then the smart approach is to ask the program to re-think their execution strategy and business case and provide executive with all relevant information before making a decision. When people the impact of certain decisions they may well have a reconsideration.

Consideration must also be given to all the interdependent programs and projects, and the full scope of effect must be assessed when considering funding changes. In some cases a chain reaction is set off when a major program changes course, and the full implications of changes may not even be realised until well down the track. The bottom-line? Be very, very careful when considering changes to major programs.

8.4.3   Enterprise Portfolio Optimisation

The purpose of this process is to balance the rolled up divisional portfolios and create a whole-of-organisation view of all initiatives running. It is important to realise that there are very few (none?) projects and programs which run out of the enterprise portfolio which are not part of a divisional portfolio. The CEO may have some 'pet initiatives' running, but usually these are not large and require relatively small teams. But in most cases all spend sits within the divisional portfolios.

The Enterprise Portfolio Working Group will probably be made up of members of the Enterprise Portfolio Services (also called the Enterprise PMO), Strategy and Planning, Divisional Portfolio Directors plus other subject matter experts (say, from Finance). It is their job to run detailed analysis on the enterprise portfolio to provide useful information to the …

Checklist
Use the following as a checklist to ensure the portfolio is valid, balanced and optimised:

- Ensure assumptions core to the Divisional Portfolios are valid
- That the portfolio, as structured, will deliver the strategic plans and meet targets
- That we will optimise value creation and value capture
- That efficiencies have been identified, no double-counting etc.
- That the funding mix is correct
- That low value initiatives are not included
- Interdependencies have all been identified and will be managed
- That governance arrangements are in place and appropriate

8.4.4   Enterprise Portfolio Monitoring

The problem with a lot of monitoring is those doing the monitoring look at the wrong data and have access to little useful information. It seems those providing information to enterprise portfolio governance are treating the portfolio like a giant project and present information about schedules, resources and costs (such as burn rates). This is not the data those monitoring the enterprise portfolio need. Further, much of portfolio monitoring is carried out at the Management layer, through activities involving the Divisional Portfolio Managers and the associated divisional and enterprise working groups. It is not the role of governance to effect control, as control is a management function, rather their clear accountability is to ensure the enterprise portfolio – as structured – will continue to deliver optimal value to the organisation. They must always resist the urge to grab the steering wheel thus making their managers redundant.
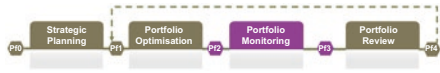
   Still, executives must get close to the action, to gain first-hand knowledge what is happening within divisional portfolios and major, strategic programs. They can do this through three activities:

1. Deep dives
2. Stand ups
3. Show Cases

Deep Dives
These are workshops where (usually) major programs walk executives through aspects of their programs to provide insights into how the program is executing, the major risks involved and how those risks are being managed, key decisions to be made by the executive and, more broadly, provide senior management the opportunity to ask questions, challenge thinking and become satisfied they understand all the issues and how success will be achieved. Program teams need to resist the urge to present a sanitised view of their program, rather they should use these opportunities to explain the high risks, and seek support from their executive. Having been involved in many of these, I always encourage the teams to not paper over problem areas, respecting that most senior managers are very smart and resent being fooled. Rather they respect teams for being open, forthright and in the vast majority of cases, they very much appreciate the opportunity to be helpful and provide useful input and assistance.

Stand Ups
'Stand ups' are a regular feature on projects running Agile, occurring every 2–4 weeks, where teams walk-thru how the project (or program) is performing, discussing issues, how to remove road-blocks, what they see coming up over the next few 'sprints', and open discussion on a range of topics. These events are run

regularly and are not put on especially for senior managers. However, it is a good practice for senior managers to 'drop in' and listen to what is being discussed, to gain a good feeling for the program and how it is performing. After all, if a project or program is failing then the first people to know this are team members. It also demonstrates to the teams that senior managers really care about the work they are doing, and have the necessary humility to listen and understand. Portfolio Board members should make a point of attending stand ups at least twice a month (if not more frequently).

Show Cases

Programs love to celebrate successes, and show cases are the perfect opportunity to demonstrate what has been achieved, usually as a demonstration of a system, presenting the results of pilots and field trials, and other major (and minor) achievements and 'wins'. These sessions are often followed by a social function, such as drinks or a meal where senior managers get the chance to mingle and chat with team members. These sessions build morale and instil in team members pride and appreciation that their hard work is being recognised. Show cases should be run regularly, say every 4–6 weeks, and senior managers must attend.

Portfolio Board Meetings

The standard enterprise portfolio monitoring activity is undertaken at the Enterprise Portfolio Board meeting. Let's understand what is happening here: some of the most senior executives in the organisation have gathered to assess overall portfolio performance, make critical decisions and provide guidance on how to ensure optimal value will be extracted from the portfolio. Remembering the portfolio describes how the organisation is to achieve its strategic goals, the importance of this meeting cannot be over-stated. Decisions made and decisions delayed will tell the tale of organisation success, or failure.

Monitoring requires the oversight of four main areas:

1. Value Creation and Capture (meet targets and KPIs)
2. Performance Monitoring (delivery, financial, resource, technology)
3. Cross-portfolio integration
4. Risk

Each of these is expanded on below.

Value Creation and Capture

Assess the likelihood the portfolios will deliver against plan. Identify where new opportunities may exist, or are emerging, and how portfolios may need to change to capture these opportunities.

Performance Monitoring

The following should be monitored from the enterprise (whole-of-organisation) perspective:

	10 Key Questions Governance Needs To Answer	YES	NO
1	Is each portfolio likely to realise their value profiles and targets?	🟩	
2	Will the portfolio, as structured, still enable us to achieve our strategic goals?		🟥
3	Is the organisation prepared for, and effectively managing, the changes being delivered?		🟥
4	How is all this change looking from our customers' perspective? Is there a logical, unitary, enjoyable experience of change?	🟩	
5	How are portfolios responding to external forces of change? Are we anticipating these changes effectively, riding the changes or being swamped by them?	🟩	
6	Are interdependencies across portfolios being well managed?		🟥
7	Are portfolios sharing innovation? Are there opportunities to leverage 'smart's' across the portfolios?		🟥
8	Is each portfolio effectively managing risk? Are there emergent risks which are not being handled?		🟥
9	Do we have the right resources and capabilities to run our portfolios?	🟩	
10	Do we need to step in and provide assistance and guidance?	🟩	

The Enterprise Portfolio Working Group in conjunction with the Enterprise Portfolio Services (or Enterprise PMO) will prepare relevant information and package it for on-demand access.

One approach is to create a performance index, representing an overall indicator of how well a divisional portfolio is performing. This index is the product of execution performance and value realisation (calibrated such that 100 represents as per portfolio plan):

Value performance index = (Actual value indictor/Plan value indicator) * 100
Execution performance index = (Actual execution performance/Planned execution performance) * 100
Portfolio performance index = (Value performance index + Execution performance index)/2

Typically, performance index greater than 80 is seen as satisfactory, although an index equal to 100 should be the target.
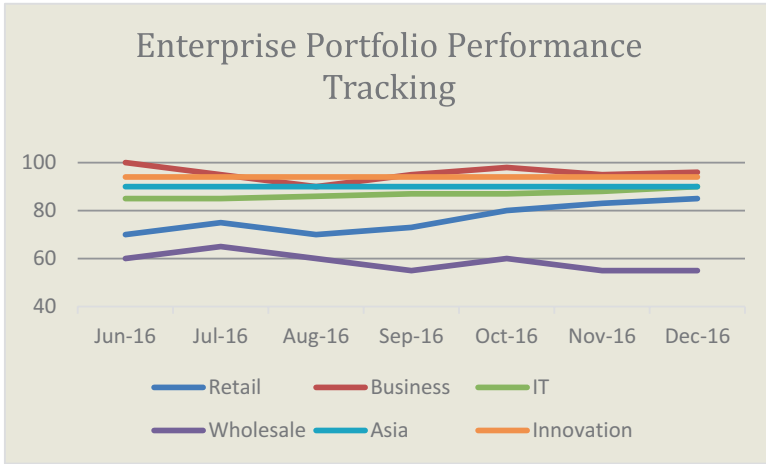
Fig. 8.5 An example of an enterprise tracking report showing how each divisional portfolio is performing

In Fig. 8.5 the Wholesale Portfolio is in dire straights and urgent intervention is required. Actually intervention was required back in June 2016 and whatever is being done to bring it back on track is not working. The Enterprise Portfolio Board would need to be actively engaged in resolving whatever issues are causing such poor performance. The Retail Portfolio was performing poorly in August 2016 but it appears to be back on track. The remainder of the portfolios are trending positively.

The performance and value indices can be viewed individually, as shown in Fig. 8.6:

Fig. 8.6 Plotting value performance against execution performance

This plot makes it easier to spot poor performing portfolios quickly, although it shows per monthly and does not provide the trend over time as shown in Fig. 8.5.

Cross-Portfolio Integration
To operate as efficiently as possible, all cross-portfolio interdependencies must be monitored to ensure appropriate priorities are maintained and sequencing aligned. For example, if a program running in Portfolio A (Program A1) changes its delivery schedule which changes a milestone on which Program B1 running in Portfolio B is dependent on, then appropriate action must be taken to keep appropriate alignment. Of course this situation should never be allowed to happen as Portfolio A management would already know all key interdependencies and never allow this situation to happen. But theory does not always play out so well in practice.

Risk
As discussed previously, risk management is generally done poorly in organisations. The broad consideration is risk represents potential problem management, which is viewing the downside of risk. But senior management need to be smarter than this and also see risk in terms of opportunity. Risk needs to be actively grasped, discussed, argued and strategies devised to both manage risk and leverage it to create value.

Key Decision Schedule
It is useful to know when key decisions are planned, to aid preparation.

8.4.5   Enterprise Portfolio Review

It is highly beneficial to run a formal review of the portfolio on a regular basis, say every 6 months. Such a

review should identify where changes are required, ideally of a minor, 'fine-tuning', nature. Radical changes to the portfolio should be avoided, unless it is in response to a major external event, with the Global Financial Crisis of 2008 being a prominent example. Portfolios are never 'set and forget' structures, and the opportunity to re-examine the value drivers and priorities provides the executive with the opportunity to apply corrections. Feeding into this process are the results from formal reviews conducted on each Divisional Portfolio, and any proposed changes at the divisional level will be contingent on successfully completing the review at the enterprise level. Senior management need to be satisfied that any lower level changes are harmonised at the enterprise level.

Precursor to next round of planning
In conducting a formal review, the following questions should be answered:

- Has portfolio performance to date been acceptable? What remedial actions are required?
- How have assumptions changes? Do these changes impact the business case?
- Have the value drivers and weighting factors changed?
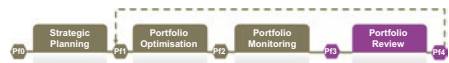
8.5   Enterprise Portfolio Governance – People

The people involved in Enterprise Portfolio Governance include the most senior people in the organisation, typically the CEO, direct reports and their direct reports. In one sense it is simply exhibiting ownership over the strategies designed to deliver the organisation's strategic and business plans, technology plans and other plans, and so it is entirely appropriate that senior management act in Portfolio governance roles (Fig. 8.7).
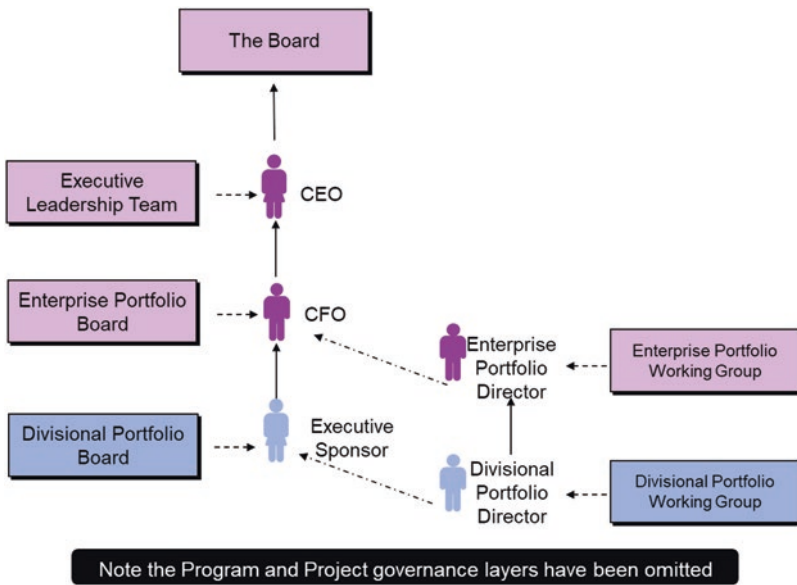
Fig. 8.7 The governance structure as appropriate for the enterprise portfolio

As discussed previously governance structures operate across 3P and functional areas, such as information technology, finance, risk and compliance, along with statutory roles the organisation may have taken on, with external boards and the like. The model above is a simple representation of portfolio governance, operating at the Enterprise and Divisional levels. I have adopted a four level model (see Fig. 8.3) comprised of:

1. The Board (of directors) is the topmost level, having overall accountability for organisation success and investment spend.

2. The CEO and the Executive Leadership Team (or Senior Leadership Team) has responsibility for setting overall direction, strategy, setting goals, objectives and targets. They need to be assured that the Enterprise Portfolio is correctly structured and executes against plan.
3. The Enterprise Portfolio Board may be the Executive Leadership Team, but often it is a separate entity charged with building the Enterprise Portfolio by integrating the Divisional Portfolios and ensuring they are aligned to achieving the strategic outcomes. This is sometimes called the Enterprise (or Corporate) Investment Committee, and it may be chaired by the CFO.
4. The Divisional Portfolio Board ensures the Divisional Portfolio is structured to support the delivery of the Divisional Business Plan, while integrating with the Enterprise Portfolio. It is chaired by the appropriate group executive, probably the head of the organisation unit the portfolio supports.

There is no particular right or wrong model, as long as accountabilities align to authorities. The 4 level model (as shown) shows the working groups where a lot of the 'leg-work' is undertaken in portfolio planning and execution (Tables 8.2 and 8.3).

Enterprise Portfolio Board - Charter

Purpose

The Enterprise Portfolio Board is the senior governance board with direct oversight of all divisional portfolios, and other investment initiatives, running across the enterprise.

Membership

The Enterprise Portfolio Board is chaired by the CFO (or CEO), with membership comprised of the Divisional Portfolio Sponsors who come together to work effectively to ensure all divisional portfolios will, collectively, achieve the strategic plans and meet enterprise targets.

Operation

- The Enterprise Portfolio Board should meet monthly, or as required.
- Enterprise Portfolio Services will act as secretariat and prepare the agenda at least one week before meeting.
- Members will be provided with an information pack at least 3 days prior to meeting.

Responsibilities of the Enterprise Portfolio Board	
Approval and sign-off	**Review and sign-off:** • **Divisional Portfolio** • **Portfolio Master Schedule**
Monitor Business Case and Benefits Realisation	• Review and approve the Program Business Case (PBC) • Monitor and approve any changes to the PBC • Ensure a Benefits Realisation Plan is defined and in operation • Monitor benefits and ensure all steps are taken to optimise benefits
Monitor and approve significant changes to portfolio scope	• Business Operating Model • Architectural capability model and blueprint • Monitor scope control and contingency • Approve changes and contingency release
Cross-portfolio Issues resolution	• Work to resolve issues escalated to them for action
Monitor Risk & Assurance	• Sign off the Program Quality Management Plan • Sign off the Program Risk Management Plan • Signoff the Integrated Assurance Plan (IAP) • Initiate Health Checks (Audits and Major Reviews) • Monitor recommendations arising from Health Checks
Business Plans and Architecture	• Review and approve the major Program business and IT designs
Performance	Monitor Portfolio performance

Table 8.2 A sample enterprise portfolio charter

Role	Who may take on the role	Typical Responsibilities
Chair, Executive Leadership Team	CEO	• Ensure each Portfolio is set up and run to deliver the strategic objectives and benefits designed for that portfolio. • Ensure the portfolio is correctly aligned with business plans and strategies. • Monitor Portfolio performance, approving variations to the portfolio as requested by the Portfolio Manager and as advised by the Portfolio Advisory Group
Chair, Enterprise Portfolio Board	Business Unit head, or Functional Unit head (such as the CIO)	• Ensure each Portfolio is set up and run to deliver the strategic objectives and benefits designed for that portfolio. • Ensure the portfolio is correctly aligned with business plans and strategies. • Monitor Portfolio performance, approving variations to the portfolio as requested by the Portfolio Manager and as advised by the Portfolio Advisory Group
Portfolio Board member	Senior Managers, typically direct reports to Chair, Portfolio Board	• Ensure strategic and business alignment of the Portfolio • Commit to funding requests sought by the PfMgr to deliver the Portfolio • Ensure the relative priorities of the programs and projects making up the Portfolio are correct • Consider Portfolio Status Reports which the PfMgr presents to the executive, and ensure the Portfolio is on track • Approve changes to the Portfolio as proposed by the PfMgr • Advise the Portfolio Manager on an on-going basis • Work as a team to ensure all issues are resolved efficiently and effectively • Ensure resources are committed to the Portfolio

Table 8.3   The portfolio governance roles and responsibilities

The broad split in responsibilities between the Enterprise Portfolio Board and Divisional Portfolio Board is shown in Table 8.4:

		Enterprise Portfolio Chaired by CFO	Divisional Portfolio Chaired by GM
1	Ensure the Portfolio reflects the strategic objectives and will realise expected benefits for the organisation	✓	
2	Ensure the Portfolio reflects the business objectives and will realise expected benefits for the business (or functional) unit		✓
3	Prioritise all programs and programs making up the portfolio	✓	✓
4	Be satisfied the organisation has the necessary capabilities to deliver the Portfolio	✓	✓
5	Act to resolve issues between groups vying for resources (funding, technology, people etc.).	✓	
6	Monitor Portfolio performance, approving variations to the portfolio as advised by board members	✓	✓
7	Commit appropriate resources to all programs making up the Portfolio		✓
8	Appoint the Project Owners for all programs making up the portfolio.		✓
9	Work closely with Project Owners to ensure programs remain on track		✓
10	Approve all changes to the Portfolio	✓	✓
11	On a regular basis, review and update the Portfolio, re-prioritising the programs making up the Portfolio	✓	✓

Table 8.4   The broad split in responsibilities between the Enterprise Portfolio Board and Divisional Portfolio Board

8.5.1   Who Should Sit on the Enterprise Portfolio Board?

Following the corporate governance guidelines of stakeholder theory, it is possible to identify the right people to sit on a Portfolio Board by analysing who has ownership of the programs and projects making up the portfolio, ensuring all key stakeholders have representation. (A key stakeholder is one who, if they withdrew their the support, the portfolio would fail).

On very large programs it may not be possible to dedicate sufficient time to specific topics, while getting across the level of detail required to make appropriate decisions. In such situations it makes sense to consider the 'committee of the board' model, discussed in Chap. 4.

The example in Fig. 8.8 shows 3 sub-committees, one for each of assurance, compliance and technology integration, however these are simply examples, and if this model is adopted it is on a 'must have' rather than 'nice to have' basis. Note that these are advisory sub-committees and they should make recommendations to the steering committee, rather than make decisions unilaterally.
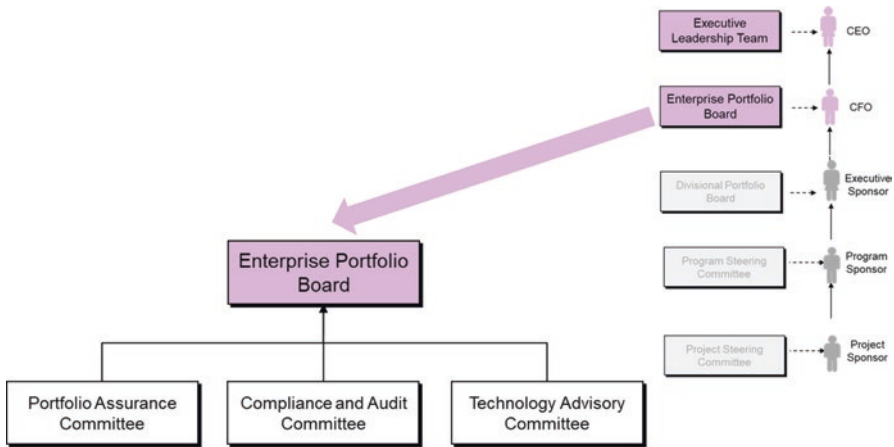
Fig. 8.8 The 'sub-committee of the board' model applied at the Enterprise Portfolio

Membership of the sub-committees will usually include representatives who do not sit on the main Portfolio Board, as long as there is appropriate membership overlap.

In many cases an enterprise functional governance group may already exist so there is no point in duplicating a committee. However, the broader issue is how efficient linkages are made between functional governance and 3P governance, as discussed in Chap. 4. For example, in Fig. 8.4 the Technology Advisory Committee may be the most senior technology governance group, which has oversight of all matters to do with technology, including where IT investments are to be made. In this case it would not be seen as a sub-committee of the Enterprise Portfolio Board, rather it would have very close linkages with common membership across both forums. Clearly, great care must be taken in chartering both committees to avoid accountability mis-alignment.

8.6 Enterprise Portfolio Governance – Product

The Portfolio Execution framework is an information system, so all the work products associated with the framework are information products, as one would extract from an on-line information systems and hand-held apps. Many of the key portfolio management deliverables are also governance deliverables.

Portfolio Governance Method
PROCESS
PEOPLE
PRODUCT

To simplify understanding all the information required by portfolio governance I have grouped information flows as work products, or deliverables as shown in Fig. 8.5, which shows the major deliverables and where they move between the Enterprise Portfolio phases, and the Divisional Portfolio phases.

These are the deliverables governance requires to do their job. It is the information in these products which is important for those in a governance role to use to make decisions and approve the program to move through the various gates.

In most cases these information flows are contained in hard-copy documents, however this is not necessarily true. All the required information should sit in a database, which is the case with Enterprise Portfolio Management Systems (EPMS) such as CA's Clarity and Microsoft's EPMS. In many cases organisations may implement an information extraction and display tool (such as Tableau) to sit between the information database and the information recipient. This means the traditional way of viewing information, such as what is contained within a report, is giving way to highly customisable information extraction, analysis and display systems and toolsets.

8.6.1 Guidelines for Information Management

Most organisations still package and distribute the information flows as reports, often as a Power Point pack. This practice really should be phased out as it is very labour intensive, can result in voluminous packs which cleverly mask critical information, may contain out of date data and they are time consuming for the reader. Information distribution should follow these guidelines:

- Immediate and on demand
- Concise, accurate and timely
- Easy comprehendible
- Useful, in particular as it facilitates decision making

Immediate and on Demand
We should support the following scenario: the CFO has a brainwave at 3 am and wants to know what would happen to the overall portfolio if program X were cancelled and the resultant funding distributed to programs A and B. Would this have

an impact on cost reduction targets at the expense of revenue growth? He or she should be able to open their tablet and run a couple of 'what-if' scenarios.

A paper based report will not support that scenario. The underlying information needs to be available and accessed via an interface enabling fast response to immediate demands 'to know'.

Governance may well require to be 'pushed' appropriate information and alerts. They should be able to request to be 'nudged' when a certain performance metric is reached, or breeched. Or when an issue turns 'Critical'. Or if a key milestone turns red. The information system should have alert features which can turned on and off, as some decisions cannot wait until the next steering committee meeting.

Concise, Accurate and Timely

The CFO of a major Australian bank told me "It's like driving your car in reverse looking through your read-vision mirror." He was describing the frustration in dealing with the portfolio reports he received on a monthly basis, which described in excruciating detail everything which had happened over the past 3 months and almost nothing meaningful about what is meant to be happening, or will happen over the next several months. There were mountains of data and molehills of information. Clearly this is unacceptable. In too many cases senior executives look at reports and ask (either to themselves or out loud to their peers) "So what? What is this telling me?".

The information being presented needs to address the following:

• It must support decision making
• It must clearly convey performance, and where corrective actions are required.
• It must be forward looking, identifying potential speed-bumps on the roadmap.
• (more)

Easily Comprehendible

"If history were taught in the form of stories, it would never be forgotten" (Rudyard Kipling).

People are narrative beings. We understand best through stories rather than discrete bits of data. When presenting information it is always best when wrapped in a narrative. For example, performance reports must always cover:

where we've been – where we're at right now – where we're headed.

And preferably, do it on one page/screen shot. It is difficult to start a story and end it, as some reports do. The reader is left thinking "Wait! What is this guy trying to tell me? I've forgotten how it started." The reality is with governance information the reader will probably have seen over 200 pieces of information per day and this report may simply be number 201. The attention of the audience must be immediately captured and information conveyed. And it all has to happen within 15 s.

8.6.2   The Big Problem

All the above may seem well-and-good, but it is rarely seen in practice for one simple reason: organisations do not capture the right data. In too many cases project-program-portfolio data is captured and used for cost accounting purposes (often charge-back purposes!), with a strong focus on cost, schedule and resource utilisation. Remembering that what gets measured gets optimised then there is a over-emphasis on tracking cost, time and resources, with much less visibility on value capture and benefits realisation. To illustrate this problem, a study I conducted of 3 enterprise portfolio boards (with 3 completely different names) analysed what these boards spent most their time discussing (see Fig. 8.4). In one case this board was responsible for approving all project budgets, and there were more than 150 projects approved in 1 year, that is, more than 12 approvals per meeting (on average). In all cases project approvals had been obtained at the Divisional Portfolio Board levels (Fig. 8.9).
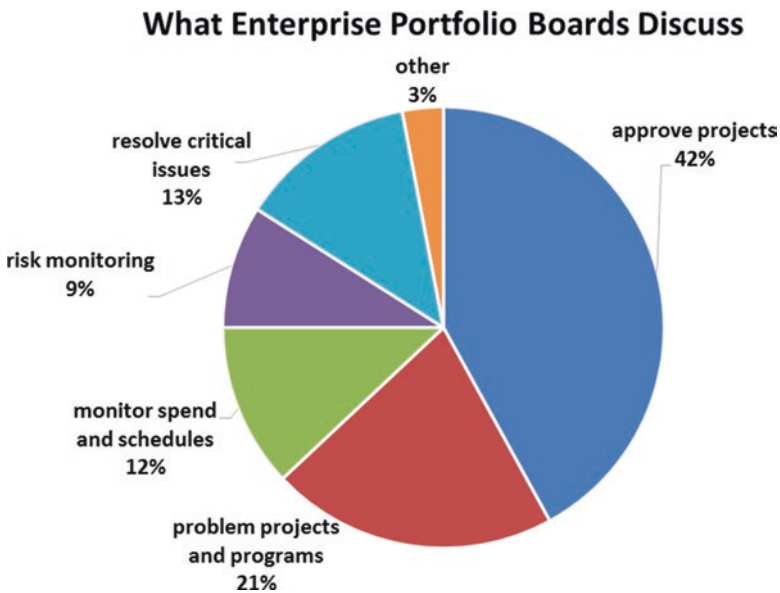
Fig. 8.9   What Enterprise Portfolio Boards spend their time discussing

A lot of time was also spent discussing matters which were more properly the domain of management, or matters which had been discussed extensively at other governance forums. There was evidence of discussing benefits realisation with large programs, but this represented such little time it was captured under 'other'. In some cases meetings were consumed with discussing just one or two programs, and only when those programs were seen as being in deep trouble. Several organisations used the 'deep dive' approach to analyse specific programs in depth, but due to time demands, these type of special meetings would only occur once or twice a year (Table 8.5).

Deliverable	Purpose	Produced at	Updated at	Content
Strategic Themes, Goals and Targets	Enterprise (Strategic) Goals and objectives and targets are set so as to define how value is to be created and captured, and for business and other organisation units to align their specific objectives and targets.	Often developed at off-sites by the Executive Leadership Team, and then refined and updated during Strategic Planning. Initially as input to phase-gate Pf0.	Reviewed and updated at regular intervals, typically every 6 months or as events dictate	An initial definition of: • Strategic Goals and objective • Associated CSFs and KPIs • Targets and timeframes to meet the targets
Business and Technology Strategic Plans	These are the standard plans all organisations produce and update on a regular basis. Clearly these deliverables spelling out strategies, which in turn describe initiatives which will be delivered as programs and projects.	Strategic Planning	These plans will be formally updated every 6 months (say)	• Strategic Intent • Specific Goals and Objectives • Benefits Model • Cost Analysis and Sensitivity Analysis • Organisation Impact and Change
Value Attributes	Value attributes collectively define how value is defined for the organisation. Along with their weighting factors they are used to evaluate and prioritise programs (see Chapter 6 for a detailed discussion)	Strategic Planning	Value attributes tend to be fairly stable for an organisation, unless it has a major, strategic make-over.	Value attribute
Enterprise Portfolio	The Enterprise Portfolio is the rolled up Divisional Portfolios. The Divisional Portfolios will provide all the details for Initiative Profiles, and for programs continuing over the next planning period. The Enterprise Portfolio is made up a number of 'views' (see Chapter 6 for the details), which collectively define the Enterprise Portfolio	Portfolio Optimisation	Portfolio Optimisation Portfolio Monitoring	Divisional Portfolios rolled-up: • Business process and functions • Products and offers • Markets, channels • Organisation and business units • Systems, integration and technology • Time frames and milestones

Deliverable	Purpose	Produced at	Updated at	Content
Enterprise Portfolio Delivery Plan	The delivery plan is primarily defined by the Master Schedule	Portfolio Optimisation	Portfolio Optimisation Portfolio Monitoring	The report will document findings and recommendations against a detailed terms of reference
Enterprise Portfolio Performance Report	This report (which should be provided on-demand, digitised and accessible-anywhere) provides senior executive with concise, meaningful and useful information on the overall performance of the divisional portfolios, so as to provide guidance on key decisions.	Portfolio Monitoring	Performance information is available continuously, and formally as per a particular date (say, month end)	Performance is provided for each portfolio: • Performance Tracking Index (summary of all portfolios) • Delivery, spend • Value creation and capture • Major risks and issues • Change heat maps
Enterprise Portfolio Review Report	In preparation for a formal update of the Enterprise Portfolio, a detailed analysis is undertaken and reported to governance	Produced at the completion of the Portfolio Review phase	This report is not updated. Rather a new report is produced each time Portfolio Review is carried out	

Table 8.5 The key management and governance deliverables used in the program execution framework

8.7   Conclusion

Enterprise Portfolio Governance defines a set of practices to be conducted by executive management on a regular, iterative basis. The quality of execution will directly influence the quality of the enterprise portfolio, and so through to how well strategic plans are executed. Its importance cannot be over-stated, meaning the more thought is put into how this framework is defined and implemented will deliver substantial dividends.

Reference

Mankins, M. C., & Steele, R. (2005). *Turning great strategy into great performance*. Harvard Business Review. HBR.

Chapter 9
Divisional Portfolio Governance Framework

9.1 Introduction

Divisional Portfolios contain all the initiatives a division needs to run to achieve its technology and business goals. Much of the approach to Enterprise Portfolio governance applies equally to Divisional Portfolio governance. In theory at least, portfolios contain all the programs and projects running within the division, and no program or project a division executes sits outside a portfolio.

Not all organisations run both an Enterprise and Divisional Portfolio model, and in many organisations the enterprise portfolio is called the 'IT Portfolio'. One issue with the IT portfolio being the enterprise is the drivers and outcomes can be slanted to *IT* drivers (goals, objectives, targets) and outcomes (delivery, benefits). Where is the business left in all this? It can be problematic for business to feel they have direct ownership of their programs and projects when they sit within IT, which may cause tension and sometimes outright conflict. It may be better to see IT as the 'prime supplier' to the business and structure portfolios on that basis, but this a decision each organisation faces and resolves. Broadly, more mature organisations adopt the Enterprise-Divisional Portfolio structure.

Many of the issues to do with the Enterprise Portfolio are applicable for Divisional Portfolios, and so these have not been repeated from Chap. 8. It is recommended to read that chapter before proceeding.

9.2 Divisional Portfolios: What Could Possibly Go Wrong?

Divisional Portfolios tend to be aligned to major organisational units, or long term strategic initiatives. Some are perpetual in nature (such as the IT Portfolio), while others change over time. For example, a Business Transformation program (designed to re-shape a business unit to a new business and technology architecture) may

change over time into a permanent business portfolio as it begins to deliver and shape the new business unit. So what can (and often does) go wrong?

Organisations need to tackle the following:

- **Portfolios are perpetually under-funded**. Sponsors of initiatives vying for scarce funding always ask for more than what is available, or so it seems. Divisional Portfolios typically contain programs which define the 'best possible' solution for maximum scope. It is likely program sponsors will ask for more than they know they will receive in proposing a 'Rolls Royce' solution, so as to enable them some room to negotiate funding for what may well be an acceptable solution. Those charged with ensuring total spend sits within the envelope set by the Senior Leadership Team will forever be working with a red pen, in some cases unilaterally reducing divisional portfolio spend, expecting the divisions to work how best they meet the spend targets. This tendency to always ask for more than what is available gives the impression, at least, that funding is inadequate. Of course, if everyone received what they requested then execution would become as nightmare as demands would exceed the organisation's people, technology, change and risk capabilities. A case of too much funding leading to failure.
- **They do not contain all initiatives which deliver change**. Many organisations run small, 'continual improvement' tasks which are too small to be run as stand-alone projects. In some cases they are collectively managed under a single project (often called 'Continuous Improvement'), but in many cases these tasks fly under the radar. However, they do deliver change, and sometimes that change is quite substantial. For example, mailing every customer to inform them of a change to stand terms and conditions may require just a few people working part-time for several months, but that one communication can elicit substantial increases in work for call centre staff, which if not managed, can result in increases in wait times and subsequent reductions in customer satisfaction. Organisations need to be aware of all activities which are not classified as 'business-as-usual' and ensure they have visibility of these activities in the portfolio.
- **They tend to be too inward focused**. Divisions behave sometimes as if no one else in the organisation exists, or matters that much. They see what is happening within their portfolio as the full universe of programs and projects. This inward focus means they miss linkages and interdependencies with other portfolios, and so only manage these linkages reactively, and only when there's a problem.
- **Reluctant to make the hard calls**. Typically they are multi-year in duration. By itself this is not a problem, but an aura around large programs emerge, characterised by comments such as "Are they still running that?", "When will it finish?", "When will get back my key people?". More critically, however, is the funding commitment required will not sit comfortably with executives who are tied to budget cycles, usually the financial year cycle.
- **Behave as if no one else exists**. Continuing the previous point, in their excellent book "Beyond Budgeting", Jeremy Hope and Robin Fraser eloquently argue that the annual budgeting process, designed by accountants serves no-one more than accountants, and for many senior managers in the organisation, setting and meeting financial year budgets works against innovation, efficiency and effectively managing change (Hope and Fraser 2003).

The following two points were covered in Chap. 8:

- Decision making can be highly complex;
- Everyone is too busy.

Topic:	Ignore the rest of the organisation at your peril
Details:	The Retail Customer Portfolio of a large bank included 5 major programs made up of 45 projects to be run 3 years in to the future. One program stream was focused on achieving top ranking in Nett Promoter Score, to be achieved by delivering excellent customer service, proactive management of customer accounts to recommend the right product mix which would reduce overall customer fees. Unfortunately for this stream, the industry regulator had reached agreement with the bank's executive that providing 'personal advice' was a dangerous practice as it could run foul of recently introduced government legislation. The executive reluctantly agreed to change how they proposed products to their customers, and those customer service procedures were at odds with what this program was about to roll-out. Wholesale changes were require to program scope and business strategy, and the number one NPS ranking target was pushed out a further 12 months. This major re-think to strategy could have been avoided if program scope had been correctly defined, and the bank's Risk and Compliance group brought into scope early on. The same could have been said about the Risk and Compliance group – why didn't they inform all the business groups that discussions with the regulator were planned? Even though nothing was agreed, the changes to how advice was to be provided to customers could be on the table. The net effect was a $2.5m increase to the program budget, and an indirect hit to revenue of more than $15m.
Lessons:	Those in a governance role must ensure that scope has been fully worked and that the Enterprise Portfolio Working Group actively, and continuously, analyses cross-portfolio interdependencies Changes to scope must be anticipated rather than reacting to them after the fact.

Mini-Case Study 9.1 Ignore the rest of the organisation at your peril

9.3   Divisional Portfolio Governance Methods Overview

Using the 3P Cube, we can extract the Governance Methods view as shown in Fig. 9.1.
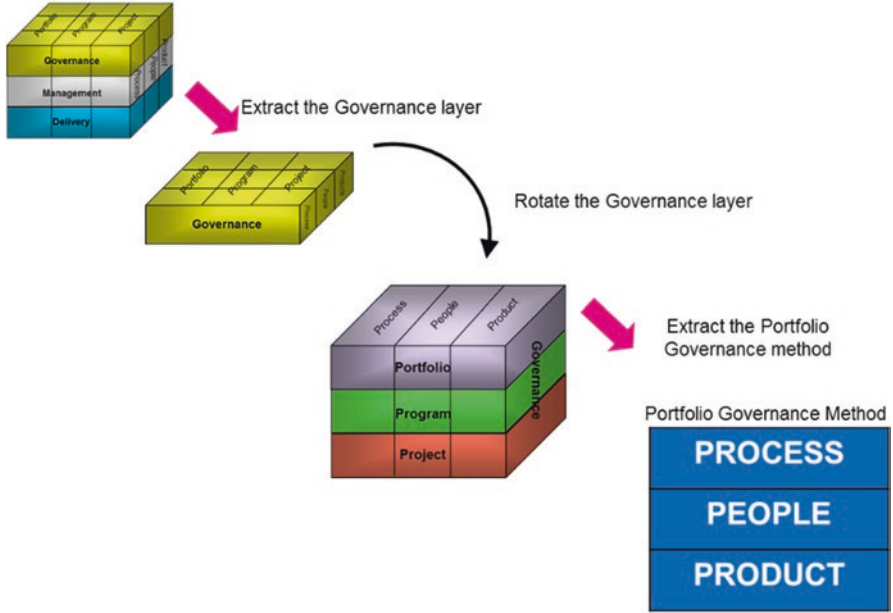
Fig. 9.1   We can use the 3P Cube to extract the Governance Methods view from which we can easily see the Divisional Portfolio Governance Method view

The Portfolio Governance Method define the processes (activities, steps, tasks) which are carried out by those taking on a governance role (i.e. 'People'), and the information they require to do their jobs effectively ('Products').

The simplest way to represent Portfolio Governance Methods is to relate them to the Portfolio Life Cycle (that is, the 'Process' view).

9.4   Divisional Portfolio Governance: Process

The Divisional Portfolio Life Cycle was introduced in Chap. 7, as part of the 3P Execution Framework. We are interested in the Governance view of the Portfolio Life Cycle, as shown in Fig. 9.2.
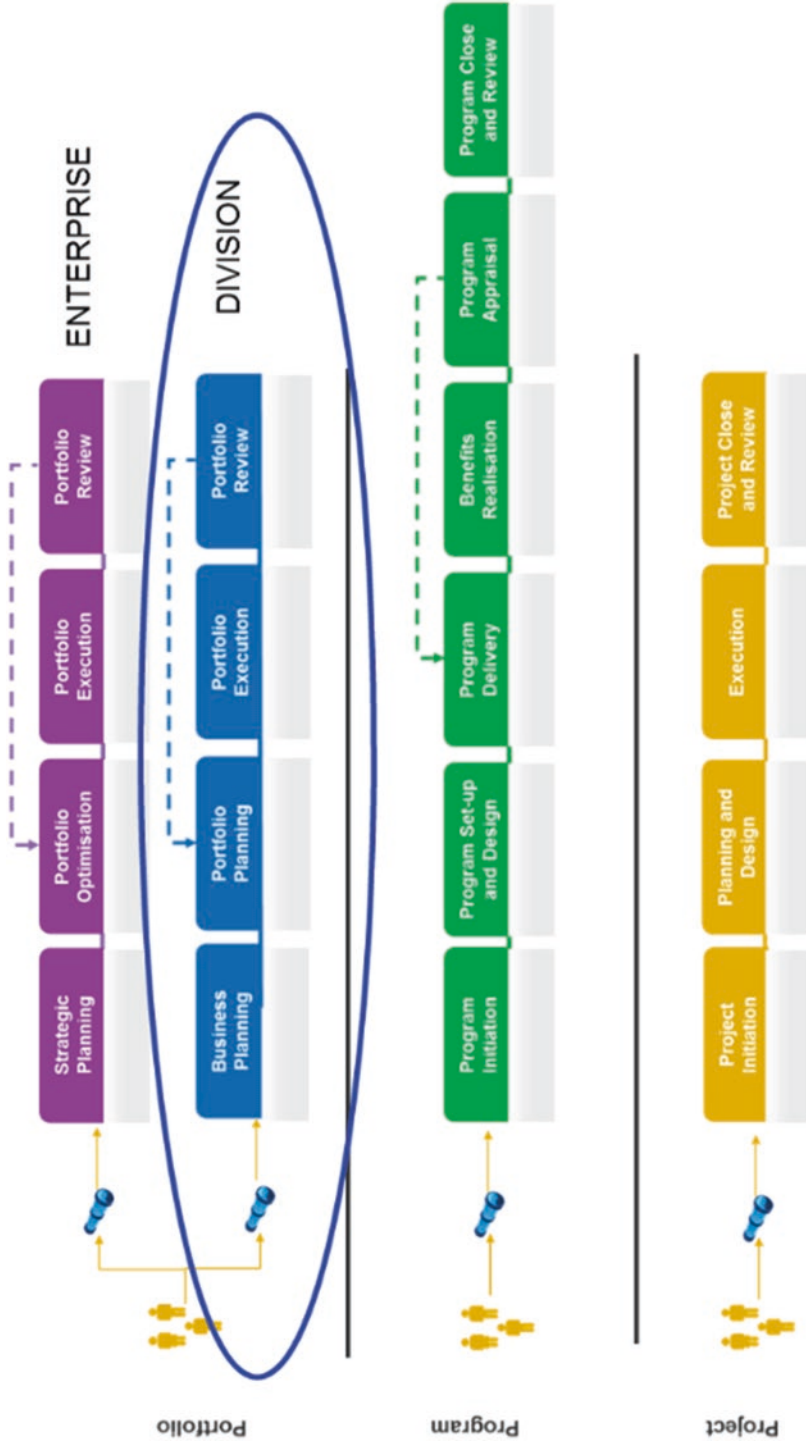
Fig. 9.2 The Divisional Portfolio Execution Life Cycle sits with the 3P Execution Framework

9.4.1   Divisional Portfolio Phase Gates

Gating is used to set the major decision points for the Divisional Portfolio Board, as described in Table 9.1.

These key decisions points will involve everyone in a governance role, along with key managers. The purpose of gating is to create an environment which facilitates decision making, to resolve any outstanding issues and ensure all necessary information and analysis is provided in such a way as to smooth out the decision making process. This is an important point: decision making is not an event rather it is a process made up a number of tasks and employing techniques as described in Chap. 5 (Fig. 9.3).
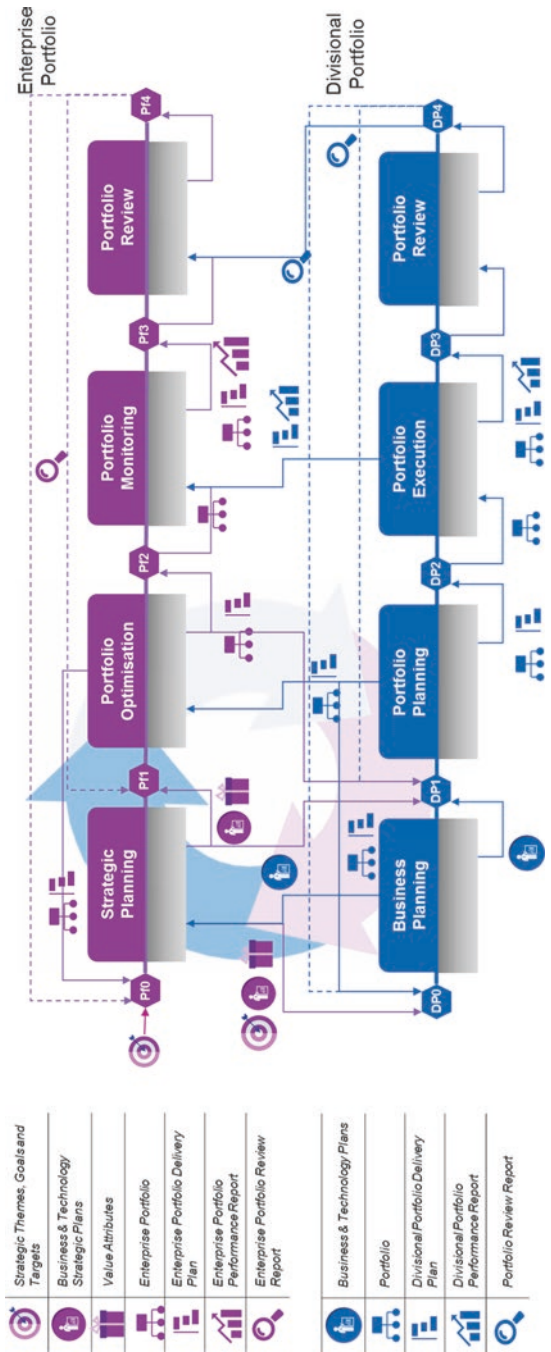
Fig. 9.3 The key management and governance work products, showing how they move between the Enterprise and Divisional Portfolio execution framework

Phase Gate name →	Validate the Drivers	Approve Business and Technology Plans	Portfolio Approved	Initiate Portfolio Review	Update the Portfolio
Purpose	The strategic themes, value drivers and targets as set by the executive are reviewed for consistency and to resolve any outstanding issues.	Approve Business and Technology Plans, agree on value drivers, key targets and initiatives to achieve those plans.	• Review and validate the Divisional Portfolio • Review and approve the Divisional Portfolio Delivery Plan	Undertake an assessment of the divisional portfolio, to assess performance of all programs and projects running. Understand where changes and improvements are required	To gain agreement the Review process is complete and the review report has been signed off and can be distributed
When this Gate is executed	Strategic Planning is an iterative rather than an ad-hoc process, which should follow a planning calendar. This phase will be executed (typically) twice a year	Business Planning is an iterative rather than an ad-hoc process, which should follow a planning calendar, and synchronised with Strategic Planning	There are 2 entry pathways: • Following Business Planning and • Following Divisional Portfolio Review	Divisional Portfolio Review is undertaken on a regular basis, probably every 6 months and no less frequently than annually. It will be synchronised with the Enterprise Portfolio Review	Following the successful completion of the Divisional Portfolio Review
Gate Inputs	Strategic themes, goals, targets	• Business and Technology strategic plans • Value attributes, measures and targets • Value Maps, or Value Chains • Divisional Portfolio Review Report	• Divisional Portfolio • Divisional Portfolio Delivery Plan	• Divisional Portfolio • Divisional Portfolio Delivery Plan • Divisional Portfolio Performance Reports	Divisional Portfolio Review Report
Decisions (as made by Divisional Portfolio Board)	• All drivers and themes are consistent and achievable • The priority settings are correct • Broad strategies are correct	Business and technology plans will achieve goals and meet targets	Divisional Portfolio is well structured to deliver business and technology plans and achieve targets The division has the capabilities to deliver Portfolio Plans	Commence the Portfolio Review	Sign-off on all recommendations for changes and improvements Approve Divisional Portfolio Performance Report
Gate outputs	Validated Strategic themes, goals, targets	Approved: Business and Technology Plans and targets	Approved: • Divisional Portfolio • Divisional Portfolio Plan		Approved: Divisional Portfolio Performance Report

Table 9.1 Divisional Portfolio Phase Gates and how each gate is processed and the role of governance in making gating effective

9.4.2   Business Planning

This process is more correctly called 'Business, Technology and Organisation Unit Planning', which all divisions within an organisation undertake.

In Chap. 6 we looked at how portfolios are built to align to value drivers so as to achieve targets. In essence this is the process undertaken, working as it does iteratively with Strategic Planning, which sets specific targets divisions are required to meet.

Business Planning Is a Continuous Process
Business Planning runs as a series of iterations against a planning event calendar. To say that it has a start and an end is unrealistic, as plans once developed are continually monitored and updated. Planning horizons are set, monitored and updated. This means using a technique such as 'three horizons' to set goals, outcomes, targets.

Business Planning Is an Iterative Process
I have included the complete view of the Enterprise and Divisional Portfolio Execution Frameworks (Fig. 9.1) to show how closely they are integrated with the four key processes at the Enterprise Portfolio level of Strategic Planning -> Portfolio Optimisation -> Business Planning -> Portfolio Planning, with these processes being conducted as a series of iterations. From a systems perspective we adopt a negative feedback loop at point DP0, whereby Business Planning looks at a number of inputs including the current Strategic Themes, goals, targets along with the current Enterprise Portfolio and Divisional Business Plans. Adjustments are made to goals and targets, value drivers and weighting factors, the funding pool and divisional portfolio funds. This dynamic is important as it represents a top-down/bottom-up flow with guidance being provided by executive and portfolio make-up and issues being sent back up to the executive. It is impossible to over-state the importance of this dynamic.

Not Everyone Gets What They Want
Some planning processes operate as if the divisional leadership team need to ensure all units, groups, operations (etc.) get something out of the funding pool. This is not a good idea. Initiatives should be funded on the basis of their value profile, and not to silence the squeaky wheel.

Don't Allocate All the Funds
It is tempting, and due to significant demands from groups within the division, to allocate the full divisional investment pool. This is a mistake. If all funds are allocated then there is no contingency to fund new and high value opportunities, or to respond to threats and realised risk. The reality is that contingency is always used, but it also means it can be used where it is needed. This obviates de-funding

programs already allocated funds, or having to go over budget. The main issue with this approach is the enterprise, looking to ensure no 'wastage' may see a divisional contingency fund as a 'hollow log' with spare cash can be stored. This is a very immature attitude and one which needs to be explicitly confronted and resolved. A more mature organisation would require an extensive and transparent contingency management system, after all, contingency management saves much more than it costs.

Topic:	How contingency saves much more than it costs
Details:	I can never understand why contingency is such a dirty word for so many organisations. It seems some organisations view contingency as an excuse for poor estimating, with many referring to it as 'fat'. Yet, where it is used in a mature and disciplined manner it works to keep programs on track, and avoids substantial cost increases.
	On a large program I was consulting to, they had just finished their first year and things were not going well. The budget of $80M for the year had been exhausted but they were well behind their schedule. The main reason for this was a major change to scope about 6 months in, which senior management saw as necessary to respond to competition. The problem was they had to 'rob Peter to pay Paul' by shifting resources from one program stream onto another stream to cater for the expanded scope. The bottom line was the changes had increased their overall spend by more than $10M/ My immediate recommendation was to set aside a minimum 10% of the assigned budget for the next financial year as contingency – to not allocate any of it to the planned streams (my other recommendation was to implement Agile-at-scale as this would address the inevitable changes to scope, without the need to increase the overall budget).
	At the end of the next budget period the contingency had been exhausted, through a disciplined change control process. The program was on track and remained on track.
Lessons:	Allocating contingency to cater for the impact from realised risk, unforeseen events and changes to scope is an efficient way to manage all these events without increasing the overall budget. Conservatively, for every $1 in contingency, the program will save $2 where there is no contingency.

Mini-Case Study 9.2   How contingency saves much more than it costs

Resist Changing Funding In-Flight Programs

'Strategic funding streams' are those funds we invest in our strategic programs and sub-portfolios, which are just about always multi-year. Large programs are similar to super tankers in how they respond to change. They take a long time to initiate and ramp-up resources, and once operational will probably run will flat resource curves, to even out monthly spend burn-rates.

9.4.3   Portfolio Planning

The purpose of this process is to build a
divisional portfolio based on realising
maximum value against an agreed
funding pool, and with the resources available to the division.
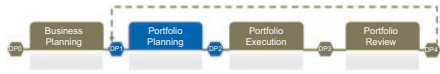
In Chap. 6 we looked at how to build a portfolio, which is essentially Portfolio
Planning. The organisation may already have in place a set of Demand Management
procedures, which is often employed by information technology, or any division
where a large proportion of their work is project-based.

The Divisional Portfolio Working Group will probably be made up of representatives of all groups who either have ownership of benefits to be realised through the
portfolio, or who are service providers to the projects making up the portfolio. It is
their job to run detailed analysis on the divisional portfolio to provide useful information to the Divisional Portfolio Board. As this process has been covered in detail
it is not replicated here.

Checklist

The Divisional Portfolio Working Group and the Divisional Portfolio Board will
ensure the following have all been carried out and are satisfactory:

- Undertake value profiling of all proposed initiatives (programs and projects).
- That the portfolio, as structured, will deliver the business plans and meet
  targets.
- That we will optimise value creation and value capture.
- That efficiencies have been identified, no double-counting etc.
- That the funding mix is correct.
- That low value initiatives are not included.
- Interdependencies have all been identified and will be managed.
- That governance arrangements are in place and appropriate.

9.4.4   Portfolio Execution

The portfolio is executed by running
the programs and projects approved for
that portfolio. In Chap. 6 we looked at
the Master Schedule showing all programs running over a 3 year period (Fig. 9.4):

Programs 2016-2018	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Customer delight												
Grow organically												
Grow M&A												
Emerging Markets												
Digital Channels												
Asian Expansion												
Corporate responsibility												
New IT Roadmap												
People capability												
Mobile shop-fronts												

Continuing program   New program
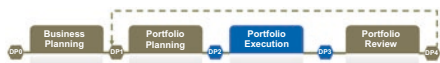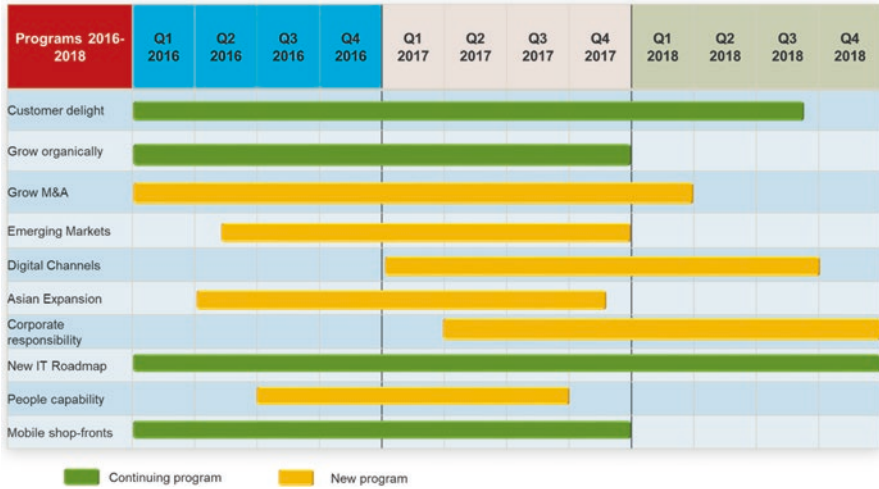
Fig. 9.4 Master Schedule showing all the programs running under the Divisional Portfolio

Each program within the portfolio will have detailed plans for executing all projects within the program. From a governance perspective there is no need to replicate program governance activities (see Chap. 10), meaning most of the governance tasks are focused on monitoring the portfolio and ensuring it remains on track to realise all the claimed benefits, and ensuring each program is being run capably.

The problem with a lot of monitoring is those doing the monitoring look at the wrong data and almost no information. It seems those providing information to divisional portfolio governance are treating the portfolio like a giant project and present information about schedules, resources and costs (such as burn rates). This is not the data those monitoring the portfolio need. Further, much of portfolio monitoring is carried out at the Management layer, through activities involving the Divisional Portfolio Manager and Program Managers and the associated working groups. It is not the role of governance to effect control, as control is a management function. Rather their clear accountability is to ensure the divisional portfolio – as structured – will continue to deliver optimal value to the organisation. They must always resist the urge to grab the steering wheel thus making their managers redundant.

The standard divisional portfolio monitoring activity is encapsulated in the Divisional Portfolio Board meeting. Let's understand what is happening here: some of the most senior managers in the division have gathered to assess overall portfolio performance, make critical decisions and provide guidance on how to ensure optimal value will be extracted from the portfolio. Remembering the portfolio describes how the division is to achieve its goals and business plans, the importance of this meeting cannot be over-stated. Decisions made and decisions delayed will tell the tale of organisation success, or failure.

Monitoring requires the oversight of four main areas:

- Performance (business case, execution, financial, resource, technology)
- Change Management
- Cross-program Interdependency
- Risk

Performance Monitoring

The Divisional Portfolio Working Group working with Enterprise Portfolio Services (or EPMO), or the Divisional PMO will prepare relevant information and package it for on-demand access.

The following should be monitored from the divisional perspective (Table 9.2):

	10 Key Questions Governance Needs To Answer	YES	NO
1	Is each program likely to realise their business case?	🟩	
2	Will the portfolio, as structured, still enable us to achieve our business and technology goals?		🟥
3	Is the division prepared for, and effectively managing, the changes being delivered?		🟥
4	How is all this change looking from our customers' perspective? Is there a logical, unitary, enjoyable experience of change?	🟩	
5	How are programs responding to changes?	🟩	
6	Are interdependencies across programs being well managed?		🟥
7	Are programs sharing innovation? Are there opportunities to leverage execution innovation?		🟥
8	Is each program effectively managing risk? Are there emergent risks which are not being handled?		🟥
9	Do we have the right resources and capabilities to run the portfolio?	🟩	
10	Do we need to step in and provide assistance and guidance for any program?	🟩	

Table 9.2 The ten questions the Divisional Portfolio Board should ask when monitoring the portfolio

As was discussed for the Enterprise Portfolio, one approach is to create a performance index, representing an overall indicator of how well each program is performing. This index is the product of execution performance and business case performance (calibrated such that 100 represents as per portfolio plan):

Business Case performance index = (Actual realised benefits/Claimed benefits) *
    100
Execution performance index = (Actual execution performance/Planned execution
    performance) * 100
Portfolio performance index = (Business Case performance index + Execution per-
    formance index)/2

Typically, performance index greater than 80 is seen as satisfactory, although an
index equal to 100 should be the target.
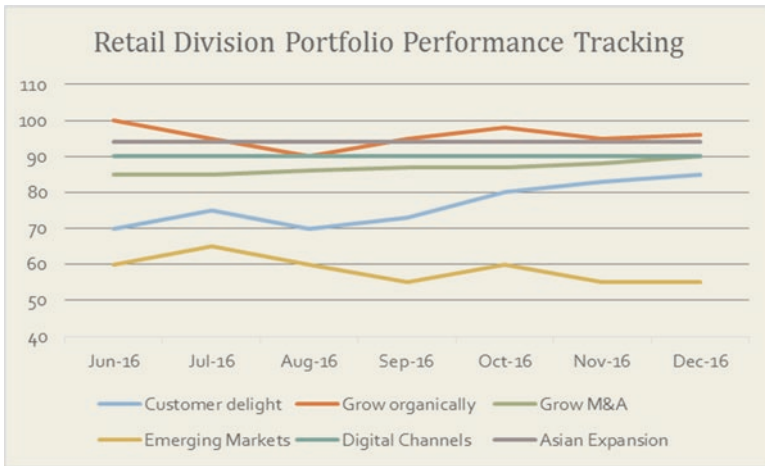
Fig. 9.5 Tracking performance using a Portfolio Performance Index for each program running in
the portfolio

In Fig. 9.5 the Emerging Markets program is in trouble and urgent intervention
is required. Actually intervention was required back in June 2016 and whatever is
being done to bring it back on track is not working. The Enterprise Portfolio Board
would need to be actively engaged in resolving whatever issues are causing such
poor performance. The Customer Delight program was performing poorly in August
2016 but it appears to be back on track. The remainder of the programs are trending
positively.

The performance indices can be viewed individually, as shown in Fig. 9.6:
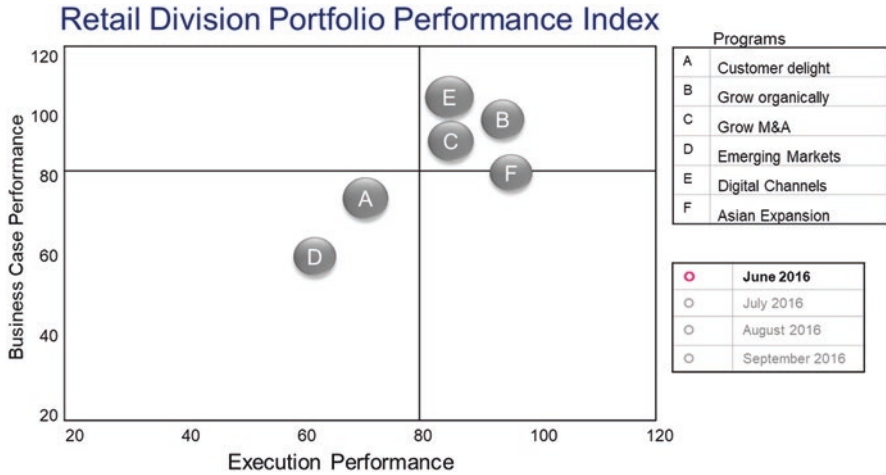
Fig. 9.6 Plotting the Business Case and Execution Performance indices for the Retail Portfolio

Execution Performance

Each program's execution performance can be viewed by including the summary program performance dashboard (see Sect. 9.4.4). The purpose of the Portfolio Board is not to carry out program oversight, so issues regarding programs are viewed on an exception basis.

Cross-Program Interdependencies

To operate as efficiently as possible, all cross-program interdependencies must be monitored to ensure appropriate priorities are maintained and sequencing aligned. For example, if a program changes its delivery schedule which changes a milestone on which another program is dependent on, then appropriate action must be taken to keep appropriate alignment. Of course this situation should never be allowed to happen as the Divisional Portfolio Working Group, having membership comprised of all program managers, would already know all key interdependencies and never allow this situation to happen. But theory does not always play out so well in practice.

	Customer delight	Grow organically	Grow M&A	Emerging Markets	Digital Channels	Asian Growth	Division B Portfolio	Division C Portfolio	Division D Portfolio	Division E Portfolio
Customer delight			T	T R		R				
Grow organically	C I S M			T	T R					
Grow M&A				R			T	T R		
Emerging Markets		C I S M				T				
Digital Channels				S				S		
Asian Growth			T		T			T		

High Risk   C Change   T IT   S Customer   M Milestones   R Resources
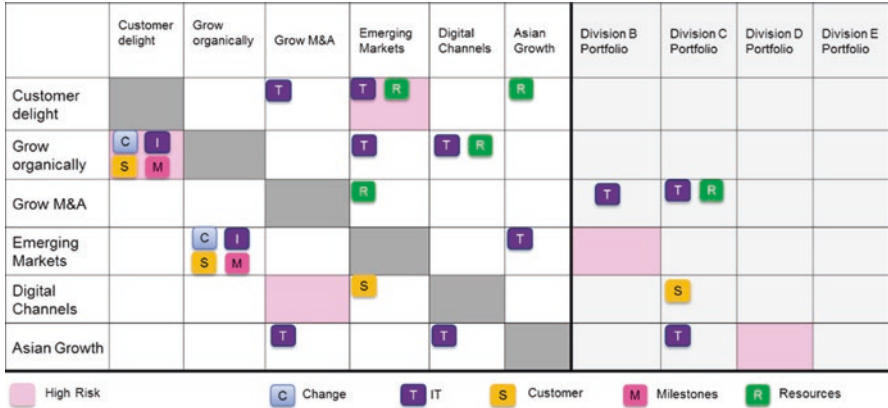
Fig. 9.7 The portfolio interdependency map shows how programs share dependencies with each other, and the other divisional portfolios

The map in Fig. 9.7 is useful for identifying where interdependencies exist between programs within the division, and between programs and other divisional portfolios.

Resource Monitoring
We looked at some useful resource management views in Chap. 6, and it is worthwhile covering them again here, as resource dependencies and contentions often arise within a portfolio.
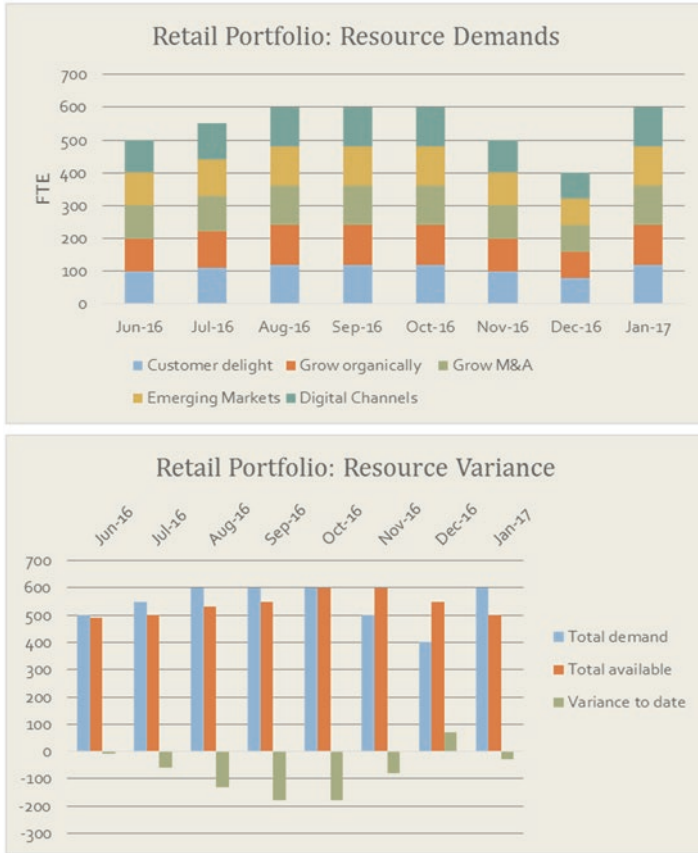
Fig. 9.8   Total resource demand by program for a Divisional Portfolio

When resourcing was discussed in Chap. 6 a critical issue raised was the need to keep resourcing relatively flat across the portfolio, so as to avoid the inefficiencies associated with ramp-up and ramp-down. The situation in Fig. 9.8 would need to be remedied as there are only 3 months (August–October 2016) when resource demand is flat. However the graph on the right showing variance gives greater insights as variance is negative from June to November 2016, and then magically becomes positive in December. This situation is unrealistic as for each month variance is negative there would be schedule impacts and milestones would slip, or scope would be severely curtailed.

The situation is even more dire when knowledge resources are analysed. These are the people we cannot easily replaced, such as architects, solution designers, subject matter experts, product managers and the like. When we have a negative variance with them then the program may come to a grinding halt.
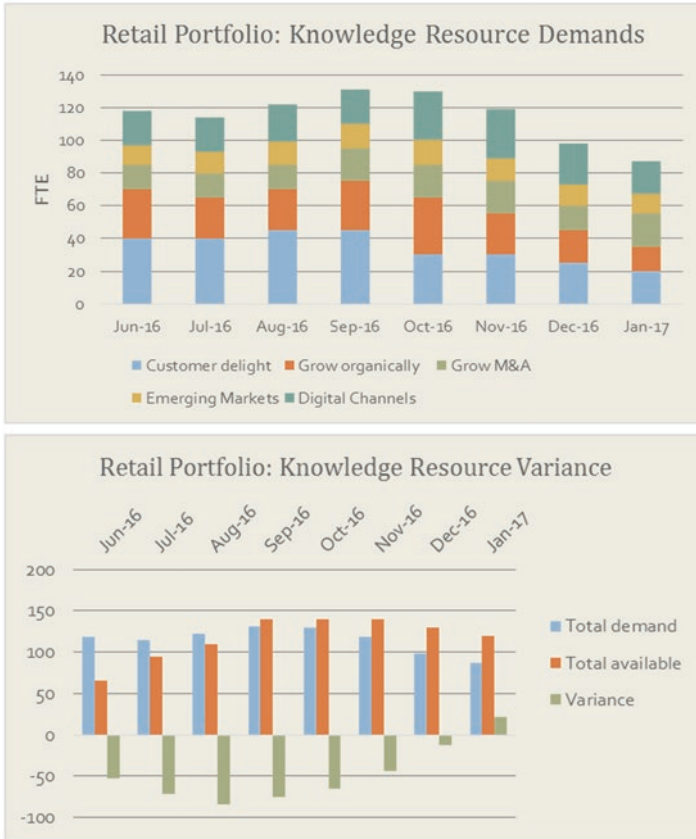
Fig. 9.9 Knowledge resource demand by program for a Divisional Portfolio

In Fig. 9.9 we see a similar pattern in that the demand is not flat across the year, and the variance graph shows that in the period June–December 2016 availability does not meet demand. Further analysis would be required to understand which type of roles are in most demand, and for which programs, and the Working Group and Divisional PMO should be working hard to remedy this situation. The questions for governance are:

- What is being done to resolve resourcing?
- What are the unavoidable impacts on our in-flight programs?
- What can we do to help?

To re-iterate: this resourcing scenario would never be allowed to occur and it would have been picked up as part of Portfolio Planning and remedied at that point. This is what should happen, however there are numerous examples which demonstrate organisations do end up in these impossible resourcing situations, often due to simply not knowing. Which is never a valid excuse. The golden rule is always: "If you don't know, then find out!"

Change

Programs deliver change, and a portfolio of programs would be expected to deliver significant change. In Chap. 6 we looked at heat maps, and these would be reviewed during portfolio monitoring (Fig. 9.10).
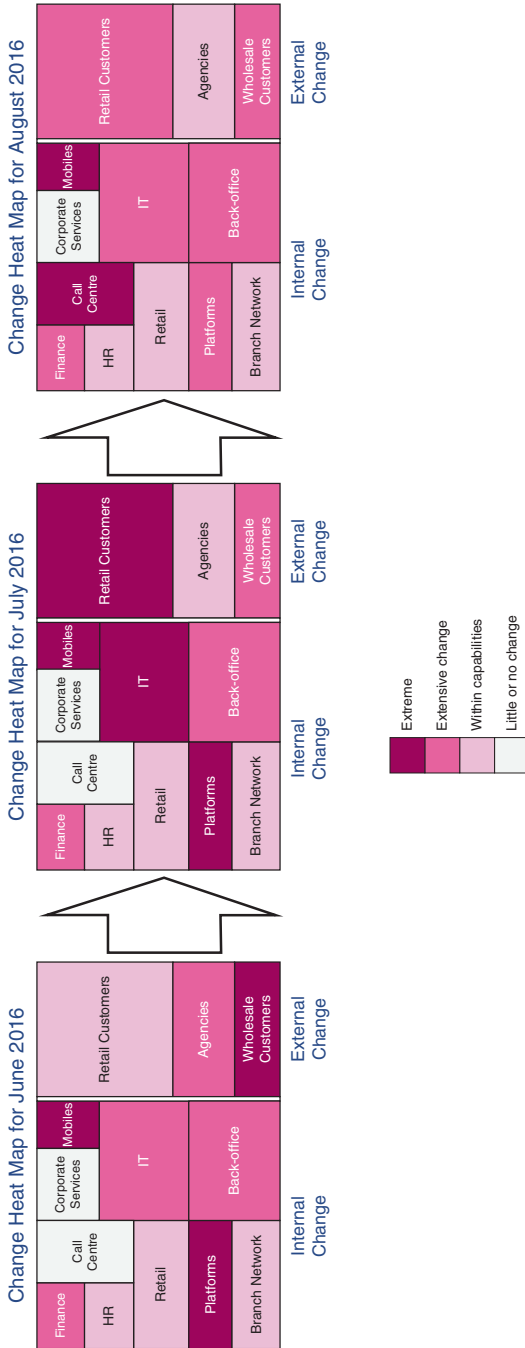
Fig. 9.10 Change heat map for the Retail Portfolio

One major issue with heat maps is they may not be capturing all the change activities underway. This is particularly true for internal groups where activities organised as part of 'business-as-usual' may not be on anyone's radar, and with external groups being targeted by other portfolios. Where change is originating from another portfolio then the Enterprise PMO should have a view of this, and a change managers' forum may be running which would pick up change initiatives emanating from groups outside the portfolio.

Risk
Risk is often not viewed at the portfolio level, as it is expected risk will be managed within the programs. Still there are portfolio risks which no one program may manage.

9.4.5   Portfolio Review

It is highly beneficial to run a formal review of the portfolio on a regular basis, say every 6 months. Such a review should elicit changes, ideally of a minor 'fine-tuning' nature. Radical changes to the portfolio should be avoided, unless it is in response to a major external event, the Global Financial Crisis of 2008 being a prominent example. Portfolios are never 'set and forget' structures, and the opportunity to re-examine the value drivers and priorities provides the executive with the opportunity to apply corrections. Feeding into this process are the results from formal reviews conducted on each program running in the portfolio, and the results from this process feed into the Enterprise Portfolio Review process. Senior management need to be satisfied that any lower level changes are harmonised at the divisional and enterprise levels.
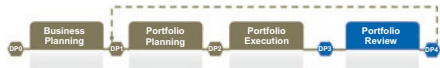
This topic was covered was covered extensively in Chap. 8 so it is not repeated here.

9.5   Divisional Portfolio Governance: People

The people involved in Portfolio Governance include the divisional senior leadership team, who may well act as the Divisional Portfolio Board. In one sense it is simply exhibiting ownership over the strategies designed to deliver the business unit's business and technology plans, and so it is entirely appropriate that senior management act in Portfolio governance roles (Fig. 9.11).
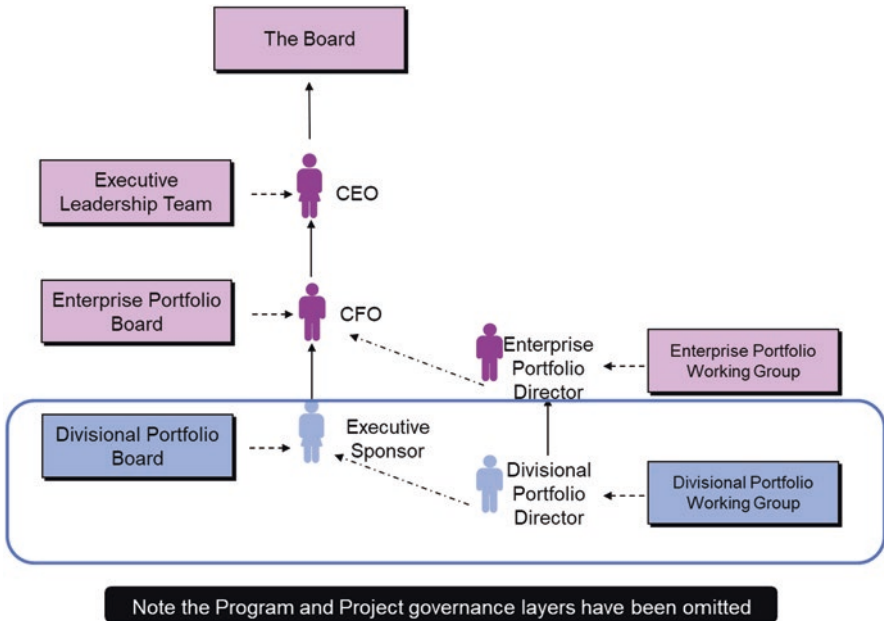
Fig. 9.11 The 4-level portfolio governance structure highlighting Divisional Portfolio Governance

The top three layers in this governance structure (Board, Executive Leadership Team, Enterprise Portfolio Board) were covered in Chap. 8.

The Divisional Portfolio Board ensures the Divisional Portfolio is structured to support the delivery of the Divisional Business Plan, while integrating with the Enterprise Portfolio. Thus, if the 'division' is an organisation unit, the Divisional Portfolio Board may be the IT Governance Committee, Corporate Service Portfolio Board (which may include finance and human services), Retail Markets Portfolio Board (etc.). The 'division' may be cross-organisational, such as an Innovation Portfolio Board, covering all innovation activities.

There is no particular right or wrong model, as long as accountabilities align to authorities. This issue requires further analysis, and the board accountabilities are often defined in a board charter.

Divisional Portfolio Board Charter

Typically a charter defines the purpose, role, accountabilities and operating model of the board. The charter is discussed and agreed to by all board members, and time may be spent working through scenarios the board may well confront, and gain agreement regarding board behaviours. The charter will cover (Fig. 9.12, Table 9.3):

Divisional Portfolio Board - *Charter*

Purpose

The Divisional Portfolio Board is the senior governance board with direct oversight of all programs and projects running across the division.

Membership

The Divisional Portfolio Board is chaired by the Executive General Manager of the Division, with membership comprised of the eight Executive Directors who come together to work effectively to ensure all programs are run efficiently against time, cost, scope and to optimise their Business Cases.

Operation

- The Divisional Portfolio Board should meet monthly, or as required.

- The Divisional PMO will act as secretariat and prepare the agenda at least one week before meeting.

- Members will be provided with an information pack at least 3 days prior to meeting.

Responsibilities of the Divisional Portfolio Board

Approval and sign-off	**Review and sign-off:** • **Divisional Portfolio** • **Portfolio Master Schedule**
Monitor Business Case and Benefits Realisation	• Review and approve the Program Business Case (PBC) • Monitor and approve any changes to the PBC • Ensure a Benefits Realisation Plan is defined and in operation • Monitor benefits and ensure all steps are taken to optimise benefits
Monitor and approve significant changes to portfolio scope	• Business Operating Model • Architectural capability model and blueprint • Monitor scope control and contingency • Approve changes and contingency release
Cross-portfolio Issues resolution	• Work to resolve issues escalated to them for action
Monitor Risk & Assurance	• Sign off the Program Quality Management Plan • Sign off the Program Risk Management Plan • Signoff the Integrated Assurance Plan (IAP) • Initiate Health Checks (Audits and Major Reviews) • Monitor recommendations arising from Health Checks
Business Plans and Architecture	• Review and approve the major Program business and IT designs
Performance	Monitor Portfolio performance

Fig. 9.12 Sample Divisional Portfolio Board charter

Role	Who may take on the role	Typical Responsibilities
Chair, Divisional Portfolio Board	Business Unit head, or Functional Unit head (such as the CIO)	• Ensure each Portfolio is set up and run to deliver the strategic objectives and benefits designed for that portfolio. • Ensure the portfolio is correctly aligned with business plans and strategies. • Monitor Portfolio performance, approving variations to the portfolio as requested by the Portfolio Manager and as advised by the Portfolio Advisory Group
Divisional Portfolio Board member	Senior Managers, typically direct reports to Chair, Portfolio Board	• Ensure strategic and business alignment of the Portfolio • Commit to funding requests sought by the PfMgr to deliver the Portfolio • Ensure the relative priorities of the programs and projects making up the Portfolio are correct • Consider Portfolio Status Reports which the PfMgr presents to the executive, and ensure the Portfolio is on track • Approve changes to the Portfolio as proposed by the PfMgr • Advise the Portfolio Manager on an on-going basis • Work as a team to ensure all issues are resolved efficiently and effectively • Ensure resources are committed to the Portfolio

Table 9.3 Typical make-up of the Divisional Portfolio Board and associated role responsibilities

On very large programs it may not be possible to dedicate sufficient time to specific topics, while getting across the level of detail required to make appropriate decisions. In such situations it makes sense to consider the 'committee of the board' model, discussed in Chap. 4.

Just as for Enterprise Portfolio Board, it may make sense to set up a sub-committees of the board model (similar to that shown in Fig. 7.6). Note that these are advisory sub-committees and they should make recommendations to the steering committee, rather than make decisions unilaterally.

Membership of the sub-committees will usually include representatives who do not sit on the main Portfolio Board, as long as there is appropriate membership overlap.

9.6   Divisional Portfolio Governance: Product

Many of the key portfolio management deliverables are also governance deliverables.

Portfolio Governance Method

PROCESS

PEOPLE

PRODUCT

Figure 9.6 shows the major deliverables and where they move between the Enterprise and Divisional levels. It is the information in these products which is important for those in a governance role to use to make decisions and approve the program to move through the various gates.

In most cases these information flows are contained in hard-copy documents, however this is not necessarily true. Considering the portfolio execution framework as an information system then all the required information could sit in a database, which is the case with EPMS such as CA's Clarity and Microsoft's EPMS. In many cases organisations may implement an information extraction and display tool (such as Tableau) to sit between the information base and the information recipient. This means the traditional way of viewing information, which is contained within a report, is giving way to highly customisable information extraction, analysis and display systems and toolsets (Table 9.4).

For the purpose of describing this framework, I will continue to describe the information flows as contained within reports, as it is easily understood, and probably represents the most common method distributing information.

The Portfolio Execution framework is an information system, so all the work products associated with the framework are information products, such as reports, on-line information systems and hand-held apps.

Most organisations still package and distribution the information flows as reports, often as a Power Point pack. This practice really should be phased out as it is very labour intensive, can result in voluminous packs which cleverly mask critical information, may contain out of date data and are time consuming for the reader. Information distribution should follow these guidelines:

• Immediate and on demand
• Concise, accurate and timely
• Easy comprehendible

Immediate and on Demand
We should support the following scenario: the CFO has a brainwave at 3 am and wants to know what would happen to the overall portfolio if program X were cancelled and the resultant funding distributed to programs A and B. Would this have an impact on cost reduction targets at the expense of revenue growth? He or she should be able to open their tablet and run a couple of 'what-if' scenarios.

A paper based report will not support that scenario. The underlying information needs to be available and accessed via an interface enabling fast response to immediate demands 'to know'.

Governance may well require to be 'pushed' appropriate information and alerts. They should be able to request to be 'nudged' when a certain performance metric is reached, or breeched. Or when an issue turns 'Critical'. Or if a key milestone turns red. The information system should have alert features which can turned on and off, as some decisions cannot wait until the next steering committee meeting.

Concise, Accurate and Timely

The CFO of a major Australian bank told me "It's like driving your car in reverse looking through your read-vision mirror." He was describing the frustration in dealing with the portfolio reports he received on a monthly basis, which described in excruciating detail everything which had happened over the past 3 months and almost nothing meaningful about what is meant to be happening, or will happen over the next several months. There were mountains of data and molehills of information. Clearly this is unacceptable. In too many cases senior executives look at reports and ask (either to themselves or out loud to their peers) "So what? What is this telling me?".

The information being presented needs to address the following:

• It must support decision making
• It must clearly convey performance, and where corrective actions are required.
• It must be forward looking, identifying potential speed-bumps on the roadmap.
• (more)

Easily Comprehendible

"If history were taught in the form of stories, it would never be forgotten" (Rudyard Kipling).

People are narrative beings. We understand best through stories rather than discrete bits of data. When presenting information it is always best when wrapped in a narrative. For example, performance reports must always cover:

where we've been – where we're at right now – where we're headed.

And preferably, do it on one page/screen shot. It is difficult to start a story and 15 pages end it, as some reports do. The reader is left thinking "Wait! What is this guy trying to tell me? I've forgotten how it started." The reality is with governance information the reader will probably have seen over 200 pieces of information per day and this report may simply be number 201. The attention of the audience must be immediately captured and information conveyed. And it all has to happen within 15 s.

Deliverable	Purpose	Produced at	Updated at	Content
Business and Technology Plans	These are the standard plans all organisations produce and update on a regular basis. Clearly these deliverables spelling out strategies, which in turn describe initiatives which will be delivered as programs and projects.	Business Planning	These plans will be formally updated every 6 months (say)	• Strategic Intent • Specific Goals and Objectives • Benefits Model • Cost Analysis and Sensitivity Analysis • Organisation Impact and Change
Divisional Portfolio	The Divisional Portfolio defines all the details for Initiative Profiles, and for programs continuing over the next planning period. The Divisional Portfolio is made up a number of 'views' (see Chapter 6 for the details), which collectively define the Divisional Portfolio	Portfolio Planning	Portfolio Optimisation Portfolio Monitoring	• Business process and functions • Products and offers • Markets, channels • Organisation and business units • Systems, integration and technology • Time frames and milestones
Divisional Portfolio Delivery Plan	The delivery plan is primarily defined by the Master Schedule	Portfolio Planning	Portfolio Execution	The report will document findings and recommendations against a detailed terms of reference
Divisional Portfolio Performance Report	This report (which should be provided on-demand, digitised and accessible-anywhere) provides senior executive with concise, meaningful and useful information on the overall performance of the divisional portfolio, so as to provide guidance on key decisions.	Portfolio Execution	Performance information is available continuously, and formally as per a particular date (say, month end)	• Program summaries for all programs making up the portfolio • Performance measures at the portfolio level: ○ Program alignment to strategy ○ Delivery against time ○ Organisation change ○ Budget ○ Benefit projections ○ Major risks and issues Resourcing and technology
Divisional Portfolio Review Report	In preparation for a formal update of the Divisional Portfolio, a detailed analysis is undertaken and reported to governance	Produced at the completion of the Portfolio Review phase	This report is not updated. Rather a new report is produced each time Portfolio Review is carried out	

Table 9.4 The key management and governance deliverables used in the portfolio execution framework

9.7   Conclusion

The Divisional Portfolio is a highly efficient structure to optimise the execution of programs and projects running within a portfolio. Some organisations will not run divisional portfolios electing to run the Enterprise Portfolio. However, where divisional portfolios are in play then careful consideration is required to get right the scope of these portfolios. The governance of these portfolios is critical considering how tightly bound they are to business and technology goals and plans, and how they need to integrate at the enterprise level. It is very important that decision making (and the assigned decision rights) are appropriate to ensure the portfolio is structured correctly and executes efficiently. In many ways, the seeds of organisation and success and failure germinate with portfolio governance, so it pays off to make it as good as possible.

Reference

Hope, J., & Fraser, R. (2003). *Beyond budgeting: How you can break free from the annual performance trap*. Boston: Harvard Business School.

Chapter 10
Program Governance Framework

10.1 Introduction

Programs are increasingly seen as the vehicle for delivery of strategic goals. But they are more than that. As organisations move away from running stand-alone projects, and set their business cases at the program level, then programs become the standard model for creating value and delivering change. It will also be the level at which organisations run most of their steering committees, and so it is the level at which most people carrying out a governance role will gather.

All programs are not equivalent. Some programs will be high-profile, high priority, very large with significant risks. In Chap. 6 we looked at portfolios as value creating structures and how we can categorise and prioritise programs. The three criteria we use are:

1. Value profile and score. Programs with a category 1 value score are our most valuable programs, requiring the attention and active engagement of senior executives.
2. Size. We size programs by spend and elapsed time.
3. Risk. High risk programs are those carrying the greatest uncertainty, where close attention will be required to ensure risk is being well managed and reduced, and opportunities to leverage opportunities are recognised and acted on.

The following Table 10.1 is useful in coming up with a 3-character program profile:

	A	B	C
Value	1	2	3
Size	>$50M per year	> $10M and <$50M per year	<$10M per year
Risk	Extreme	High-Very high	Medium-High

Table 10.1 An example showing how programs can be categorised based on value, size and risk

We can now refer to programs a 'triple A' (our most valuable, largest and highest risk), AAB, AAC etc.

An alternative is to use just two categories, whereby we combine size and risk as a single category. This is similar to the method looked at in Chap. 6, where we plotted programs against Value and Capability (Table 10.2):

	A	B	C
Value score	>100	Between 50 and 100	< 50
Capability score	>100	Between 50 and 100	< 50

Table 10.2 An alternative approach to categorising programs

The highest value and most challenging programs are AA. Those which are high value but for which we are confident we have the capability to deliver we designate AC programs. Clearly we should not be focusing on CA programs as they are the most challenging creating the least value.

Programs categorised AA through to BB are seen as an organisation's highest priority programs. Typically running over multiple years, these programs require a high level of commitment in terms of funding, resources and staying the course with strategy. Of course we must also recognise the need to re-shape the program as befits changes to business drivers and changing external circumstances, to respond to risks and leverage opportunities as they arise. So, responding to internal and external drivers of change means that programs will experience substantial change over the life cycle, and those in a governance role must both appreciate the need for such changes, and be skilled at anticipating and implementing the change within the program.

Considering their strategic nature, risk and level of investment of these programs means those taking on a program governance role are senior executives, often with very little time to dedicate to their roles. These executives come with set agendas and priorities, which are not always compatible with their peers. For example, the program sponsor may have very clear priorities in new product development and

delivery to market, which may run counter to the CIO's stated goal to design and possibly retro-fit systems to a new target technology architecture. Power struggles and politics may emerge from this which do the program – and program manager – any favours.

Effective program governance is a multi-faceted, non-trivial topic which is never simple, and often presents as close-to impossible. Designing, implementing and refining an efficient program governance framework is as difficult as it is mandatory, but with adherence to some well understood principles and practices, it is eminently do-able.

10.2   Programs: What Could Possibly Go Wrong?

Programs challenge organisations in many ways, and it's easy to see why the project model, as an alternative to running programs, has persisted so long, despite its dubious track record. Here's a conundrum: if organisations struggle in running projects what hope do they have in running programs? If an organisation has never run a $100M program with a 2 year duration then they have almost no chance of being successful. It is often a reflection of organisational hubris they think they can be successful, but considering the strategic nature of many programs, do they really have an option? Because of their strategic nature, programs are considered 'mission critical', possibly even existential in nature. So what can (and often does) go wrong?

Organisations need to tackle the following:

- **Programs suck in scarce resources**. Not all programs are viewed with the same priority, but for those which are seen as strategic, are expected to generate significant value, or are very high risk, then they suck in many of an organisation's scarce resources and often will not release them for long periods.

- Further, programs take a long time to ramp-up and reach their operating rhythm, sometimes 6 months or longer. As discussed elsewhere, this is an inefficient use of people.
- **Unresponsive to change**. Due to their size and the disparate groups and stake-holders involved, they operate with substantial inertia to change. They are not perceived as nimble. Programs may take a long time to initiate and develop a business case, and have difficulty defining all attributes, especially scope boundaries (that is, what's in and what's out of scope).
- One of the principal reasons execution methods like Agile-at-scale are gaining popularity is their ability to rapidly respond to changing priorities. The execution cadence may see releases every 3 months, and the continual management and prioritisation of the epic and feature backlog means that changes to business and technology priorities and sequencing can be quickly responded to.
- **Bring about disruptive change**. While sometimes being resistant to change, the changes brought about by programs can be substantial and significantly disruptive. The program model is often adopted for organisational change,

business transformation and major technology programs. When not managed well they end up being feared, much as one would a trans-Atlantic berth on the Titanic.

- **Run for long periods**. Typically they are multi-year in duration. By itself this is not a problem, but an aura around large programs emerge, characterised by comments such as "Are they still running that?", "When will it finish?", "When will get back my key people?". More critically, however, is the funding commitment required will not sit comfortably with executives who are tied to budget cycles, usually the financial year cycle.
- **Take a long time to gain business case approval**. In a study of 6 major programs, the average time to produce a business case was 6 months, and it took a further 3 months to gain all approvals and sign-offs. That is, a program may run for 9 months before the execution phase commences and teams are delivering. Of course this doesn't have to be the case, and by adopting design techniques, lean processes and agile techniques the business case can be produced rapidly (as discussed in Chap. 6).

Continuing the previous point, in their excellent book "Beyond Budgeting", Jeremy Hope and Robin Fraser eloquently argue that the annual budgeting process, designed by accountants serves no-one more than accountants, and for many senior managers in the organisation, setting and meeting financial year budgets works against innovation, efficiency and effectively managing change (Hope and Fraser 2003).

None of the above challenges is not without solutions. Indeed mature organisations are quite capable of taking on and succeeding with large, complex, high risk programs.

10.3   Program Governance Methods Overview

Using the 3P Cube, we can extract the Governance Methods view as shown in Fig. 10.1.

The Program Governance Method define the processes (activities, steps, tasks) which are carried out by those taking on a governance role (i.e. 'People'), and the information they require to do their jobs effectively ('Products').

The simplest way to represent Program Governance Methods is to relate them to the Portfolio Life Cycle (that is, the 'Process' view).
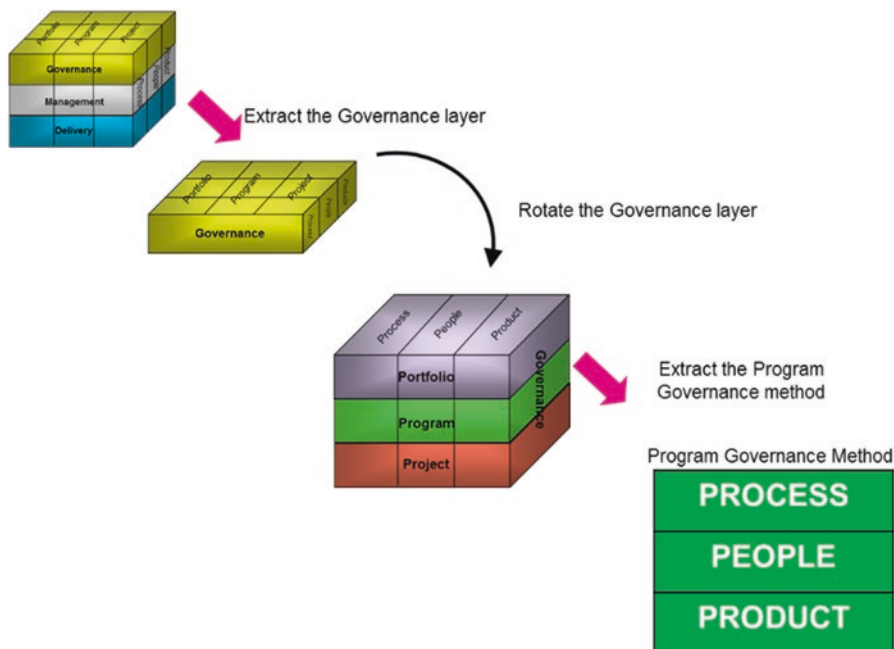
Fig. 10.1   We can use the 3P Cube to extract the Governance Methods view from which we can easily see the Program Governance methods view

10.4   Program Governance: Process

The Program Execution Life Cycle was introduced in Chap. 7, as part of the 3P Execution Framework. We are interested in the Governance view of the Program Life Cycle, as shown in Fig. 10.2.

Programs sit within the portfolio and they 'own' projects. It's where a lot of the hard thinking occurs, in particular plan-ning, devising and refining execution strategies and optimising the business case. The major challenge for the program is to rapidly reach cruising altitude with a rela-tively flat resourcing curve. Once they have reached their operating rhythm, or 'cadence', programs should be delivering against a regular schedule, with delivery at least every 3 months, however, due to the nature of systems complexities and environmental contentions, organisations find it both logistically challenging and prohibitively expensive to deliver any more regularly than quarterly.

10.4.1   Program Governance Phase Gates

Table 10.3 details the five phase gates used in executing a program (Fig. 10.3).
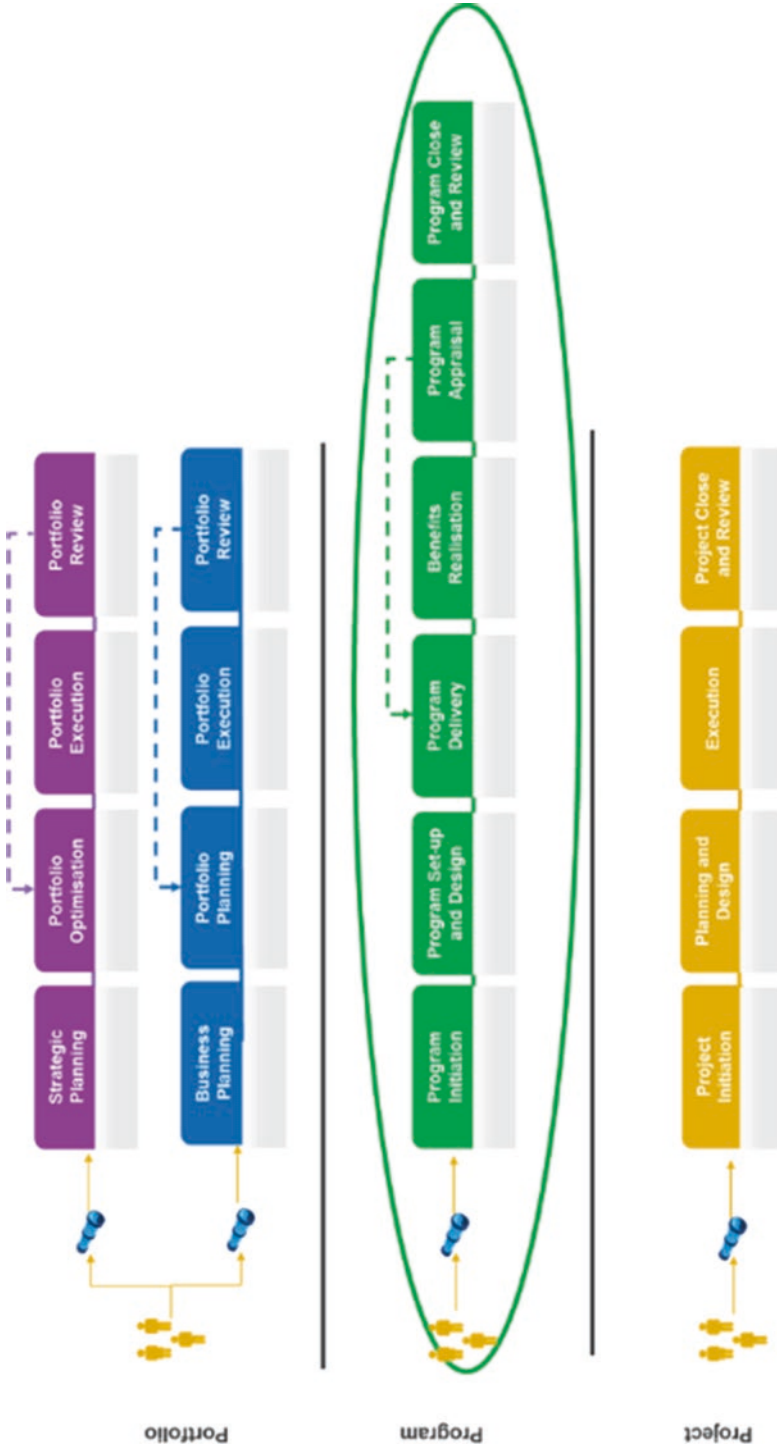
Fig. 10.2 The Program Execution Life Cycle sits with the 3P Execution Framework

Phase Gate name→	Pg0: Start the Program	Pg1: Business Case Approved	Pg2: Program Funding Approved	Pg3: Proceed With Program	Pg4: Close the Program
Purpose	Approve the Program Brief and commence Program Initiation. Approving the Program Brief will trigger the release of seed funding.	Approve the Business Case, Statement of Scope and Program Management Plan	• Review and validate the Program Business Case, Estimates, Program Management Plan etc. • Program funding schedule defined for next period (often a financial year). • Approve funding draw-down schedule		Program Closed
					Seek approval to close the Program. Validate all capabilities and deliverables successfully transitioned from the Program to the business
When this Gate is executed	Timing to initiate a program should be decided as part of portfolio planning.	At the end of Program Initiation.	There are 2 entry pathways: • Following Program Set-up and • Following Program Appraisal		
Gate Inputs	Program Brief (the Program Brief is produced in the Portfolio Management phase of the Portfolio Execution Framework)	• Program Business Case • Program Statement of Scope and • Program Management Plan	• Program Business Case Update, • Program Statement of Scope (updated) • Program Management Plan (updated) • Program Funding Submission (and drawdown schedule)	Program Appraisal Report updated: • Pg Management Plan • Program Statement of Scope • Program Business Case	Signed-off Program Close Report

Phase Gate name→	Pg0: Start the Program	Pg1: Business Case Approved	Pg2: Program Funding Approved	Pg3: Proceed With Program	Pg4: Close the Program
Decisions (as made by Divisional Portfolio Board)	• This is the right program to initiate • The program is aligned to divisional and enterprise strategic goals, objectives and priorities • The initial definition of program scope, execution timeframe, benefits profile are all satisfactory	• Business Case is valid, with realistic assumptions supporting an attractive investment opportunity • Program is appropriately aligned to strategy • Risk Management Plan is valid with appropriate contingency • Scope is well understood and documented • The program has a realistic and achievable plan	• All baseline deliverables have appropriate sign-offs • Execution strategy	• Sign-off on all recommendations for improvement • Approve Program to proceed with Program Funding Submission OR • Decide to stop / close the program	• Accept close report • Approve recommendations for changes and improvements • Approve (and assign) accountabilities to implement changes and improvements
Gate outputs	• Program Brief approved • Plan to reach Business Case approved	Approved: • Program Business Case • Program Statement of Scope and • Program Mgmt Plan	Approved: • PgMP • Program Statement of Scope • Pg Business Case • Approved Pg Funding Submission	Approved: • Program Appraisal Report • Recommendations for improvement • Program Funding Submission	Sign-off Program Close Report

Table 10.3 Program Phase Gates and how each gate is processed and the role of governance in making gating effective
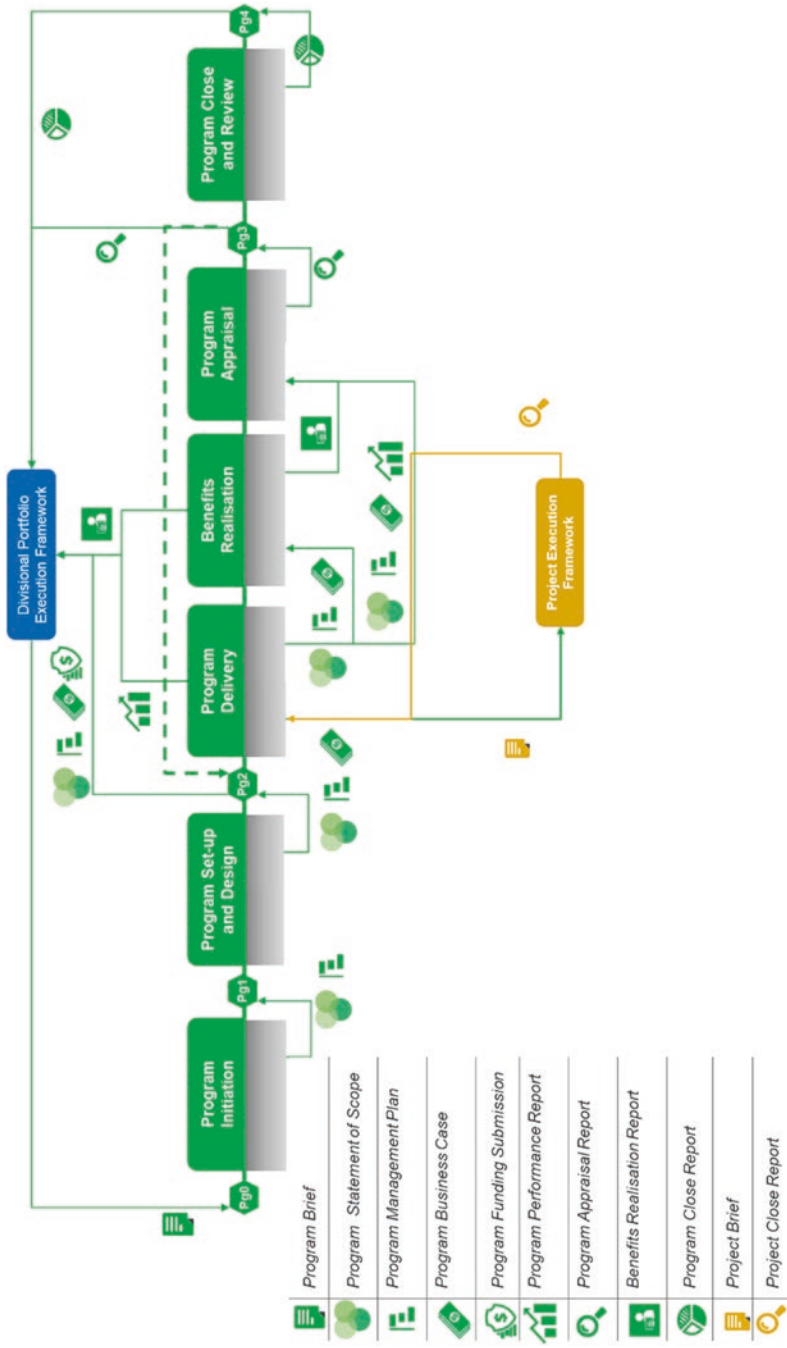
Fig. 10.3 The key management and governance work products, showing how they move between the program execution framework phases

10.4.2   Program Initiation

Starting a program requires substantial engagement from governance. Considering the major output from this phase is the Program Business Case, the need to get things right is never higher. This is an ideal opportunity to apply some of the 'smart practices' as outlined in Chap. 5.

This phase will deliver the three fundamental deliverables which, collectively, define the program (Fig. 10.4).
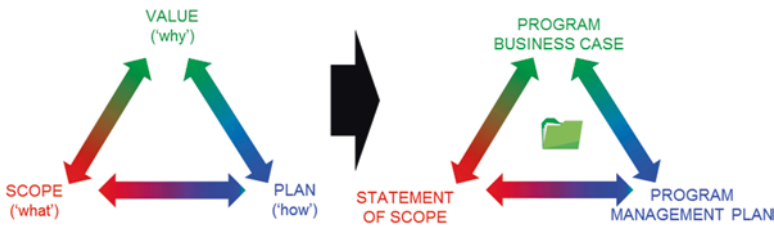
Fig. 10.4 The three fundamental deliverables produced during Program Initiation

The Program Business Case is owned by the Program Sponsor, and his / her involvement requires more than a passing interest. The Program Manager will drive this process, and it is an ideal opportunity to apply both design thinking and agile-practices which work to increase productivity, and optimise the time demands on otherwise very busy executives.

It is difficult to over-emphasise the importance of this phase, and how engagement by key stakeholders is absolutely mandatory for successfully passing through Phase-gate Pg1. The Business Case and Statement of Scope must be agreed before proceeding to Program Delivery, and without agreement then major problems will arise, as evidenced by the following mini-case:

Topic:	When you're unsure about where you're going, go faster!
Details:	I was asked to run an independent health check on a compliance program running for a major Australian bank based in Melbourne in 2015. The program was meant to implement changes in the business to ensure compliance with the Australian Government's 'Future of Financial Advice' (FoFA) legislation, which was brought in to increase consumer protections against 'dubious' practices of financial planners and advisers. Banks had aggressively employed practices to sell financial products to consumers which resulted in customers signing up for products with conditions which provided hefty payments and commissions to the adviser or planner without necessarily disclosing these payments to the customer. Many customers complained they ended up with dodgy products, and even products they had no idea they were purchasing. In response to the legislation, banks, insurance companies and other financial services institutions were required to clean up their act or face substantial fines and other penalties. So, the bank in question had dedicated a large proportion of the portfolio spend (30% of the portfolio equating to some $300m in the 2015 financial year) in running 'compliance' programs, and the program I was asked to review was one. However, not letting an opportunity to spend money turn into a chance to also raise revenue, the program was bundled up with the design, build and implementation of enhanced sales systems and processes designed to increase customer enquiries and subsequent sales. When I looked at the program it had been running for 12 months and the in-branch enhanced sales system was under development, with a team of over 100 developers rapidly building and testing a system which no one in the business was even sure they wanted. Of greatest concern was there was no signed off business case or statement of scope. The original budget of $5M had increased over 12 months to $30M and the program was burning $400k a week. And all without a business case or agreement on what the program was meant to be delivering. My initial reaction was to recommend stopping the program but that was seen as politically unacceptable, so I recommended an immediate and rapid process to nail down the business case and scope, which required bringing together many different and some even totally opposing views on the purpose of the program. Compromise was required by a number of senior managers which was obtained, and the business case and statement of scope were rapidly built and signed-off, but not without a not inconsiderable amount of angst.
Lessons:	So many lessons emerged from this program! Poor governance, lack of engagement by the sponsor, a steering committee with poor disciplines and lack of understanding of accountabilities and an IT group totally focused on building a system without adequate business engagement or acceptance. When I first looked at the program there were decisions which had been in abeyance for almost 12 months, just sitting there with no-one taking ownership for having them resolved. It remains a very good case study in what must be in place to run a successful program.

Mini-Case Study 10.1   When you're unsure about where you're going, go faster!

Checklist

Ensure all the following have been defined and agreed:

- The Program Director/Program Manager has been appointed, and that this is the right person for the job. Validate their track record, level of business knowledge and overall competence.
- Enterprise architecture has been mapped out. Programs need to be 'architecture led'. What does this mean? The foundations for efficient business operations supported by the right technology are Business Architecture and Technology Architecture, designed, built and integrated. Each architecture advises the other, although Business Architecture should take the lead. Without these architectures in place the program scope, execution strategy and business case cannot be assured.
- Scope – MVP. The first pass of scope is to design the 'minimal viable product' (MVP).
- Plan. The Program Management Plan is the program's roadmap and it must articulate a credible, efficient and risk aware to move from initiation to successful completion.
- Business Case. The program is justified on the basis of a valid business case.
- Define the Program SC charter, appoint members, agree on roles and responsibilities and hold the first Program Steering Committee meeting.

Start as You Mean to Proceed

The program culture will be established at initiation, and it is the most important opportunity for governance to exhibit 'visible leadership'. How the rest of the organisation sees the program very much dictates how they will respond to the program, and if the program appears as a highly professional outfit, being well led with skilled managers and competent teams, then the organisation will respond positively, respectfully, and are much more likely to support the program when requests for assistance and engagement are made.

The sponsor and program manager should organise a formal 'kick-off' meeting with the program team to really set the scene, and to espouse the program's values and operating ethos. Doors should be opened and remain open, and all team members be given free access to anyone on the program, whether they be governance, management or fellow team members.

Topic:	This is leadership in action
Details:	The best and most successful program I have worked on was for a new customer management system for a major Australian bank. There are numerous reasons why this was the most successful program, not least the fact the business case exceeded its claimed benefits and everyone said it was a very successful program ('beauty is in the eye of the beholder'). Yet it was the best program because everyone working on the program had such great attitudes. They loved the work they were doing, willingly taking on the challenges and dealing with the frustrations competently, professionally and in good humour. It was a great example of 'espirit de corps'. And it started at the top. The sponsor was an inspirational leader, indeed he embraced servant-leadership, being seen to lead the program and champion it at the highest levels in the organisation, while having a humility and the 'common touch', such that anyone and everyone felt they could approach him. He regularly ran 'town hall' sessions where he would gather the troops and share with them their successes, advise them of events happening across the organisation which may impact on the program, address issues, take questions and requests for action. He would follow up! Individuals and teams were called out for praise and rewards, indeed everyone shared in the rewards. He was seen on the floor regularly, stopping and chatting with team members and actively taking an interest in what they were doing and the issues and frustrations they had to deal with. In essence, he cared and he demonstrated that care.
	Still, he was very demanding and did not accept mediocre performance and would not allow poor quality or missed milestones. Incompetence was not acceptable and everyone knew this. This demand for excellence carried over into ensuring the program had efficient execution methods (we implemented Agile-at-scale) and teams had the best tools. We implemented a metrics capture and analysis system to ensure we met (indeed, beat!) productivity targets. He continually challenged everyone to do better, and take pride in being better than best.
	Throughout the program the sponsor never wandered into the domain of the program director, who was also excellent at his job. To the casual observer and those close to the action it appeared to be a great partnership, with just the right amount of 'creative tension'. I observed on more than one occasion the sponsor being challenged (albeit respectfully).
	In essence he created an environment where everyone felt they were allowed – encouraged – to do their best. The program was a major success because everyone on the program took ownership of that success. In the end they all said 'we did this', but of course the only reason they could say that was because the sponsor made it all possible.
	Great leadership is infectious, a joy to behold and a privilege to be included in the team being led.
Lessons:	This is a great example of governance as 'leadership in action' and a terrific template of an exemplary sponsor.

Mini-Case Study 10.2 Governance as leadership in action

10.4.3   Program Set-Up and Design

During this phase the Program Manager will be very busy establishing the program infrastructure, setting up the program operating model, hiring key resources, commencing negotiations with key vendors, creating a detailed delivery schedule, commencing organisation change activities and producing funding submissions. This is not to say governance can go missing in action, as their engagement will be required on just about all these tasks.

For organisations running Agile-at-scale, this phase can be achieved very rapidly as the program infrastructure will already be in place. For governance

Checklist
Ensure all the following have been defined and agreed:

- Program operating model in place.
- Execution, delivery and release strategy defined and approved.
- Scope well defined and contingency plans in place.
- Program resourcing strategy in place.

10.4.4   Program Delivery

The program enters a series of phases (Program Delivery -> Benefits Realisation -> Program Appraisal) which are iterated. The role of governance is to ensure the program is delivering against plan, that the assumptions underscoring the business case remain valid, that claimed benefits are being realised and that the program continues to be the right one to fund.

The Program Sponsor and Program Steering Committee are focused on the following:

- Monitoring program performance, business case realisation and quality;
- Ensuring their own, and others', commitments to the program are being honoured;
- Approve key deliverables, such as the Statement of Scope, Program Management Plan and Business Case;
- Make decisions regarding:

  – Changes to the business case;
  – approvals for key deliverables,
  – approve expenditure items;
  – approve vendor agreements and contracts

  – changes to scope
  – changes to execution strategy and delivery schedules
  – changes to key personnel and resourcing

- Ensure risks and issues are being effectively managed;
- Stepping up to assist the program director and team.

Each project within the program will have detailed execution plans with scheduled delivery points (see Fig. 10.5). From a governance perspective there is no need to replicate project governance activities (see Chap. 11), so much of the governance tasks are focused on monitoring the program and ensuring it remains on track to realise all the claimed benefits, and ensuring each project is being run capably.

Fig. 10.5 A program schedule showing the project schedules and major delivery points

Monitor Program Performance
Monitoring requires the oversight of four main areas:

1. Business case realisation
2. Performance (financial, resource, technology)
3. Quality
4. Risk and Issues

There are several ways to view program performance:

- Overall performance, viewing the program as a whole (see Fig. 10.6);
- By the performance of each project running (see Fig. 10.7).

Fig. 10.6 An example of the overall program performance dashboard, calling out overall status of each program, financials and resource usage
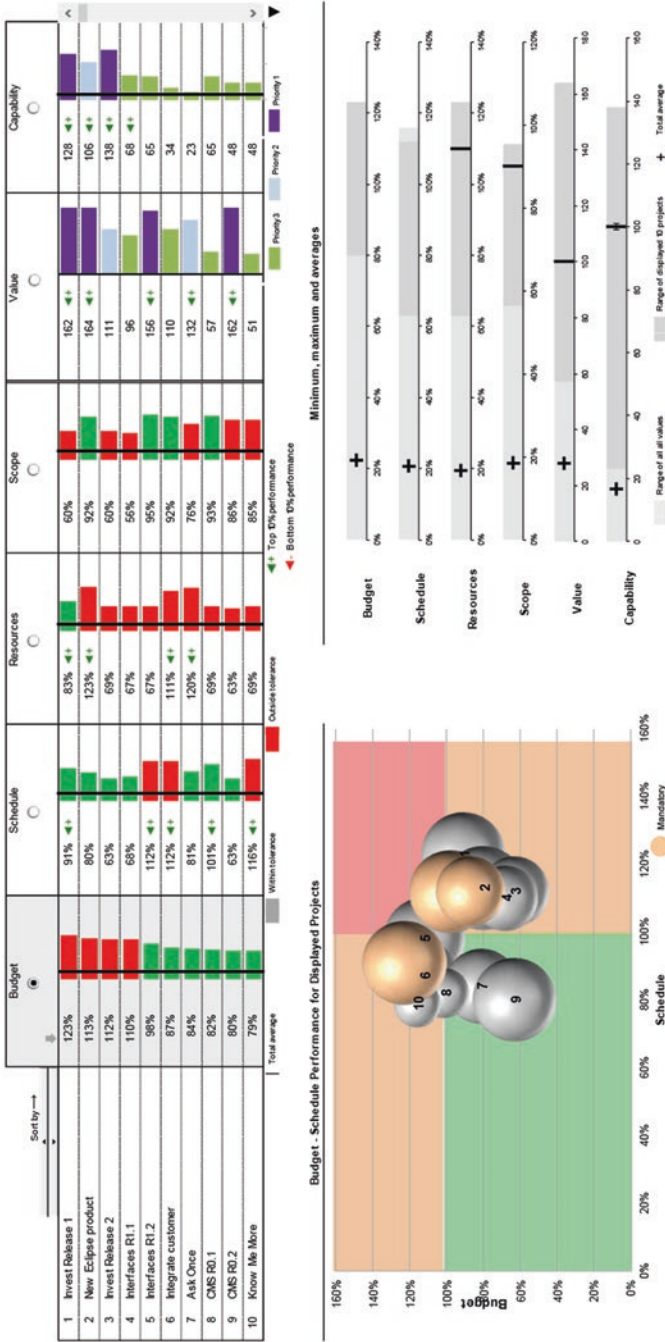
Fig. 10.7 Program Performance Dashboard, showing the performance of each project making up the program

Key Metrics

Performance monitoring without metrics is impossible, yet most programs run with the most basic of data available for analysis, with an overwhelming emphasis on spend and schedule. Whereas these are valuable metrics, they are part of a much broader set:

- Budget analysis;
- Schedule and milestone performance;
- Delivery rates for work products, such as designs, working code, test cases executed (etc.)
- Resource utilisation rates;
- Quality metrics, including defect rates and cost to repair;
- Productivity metrics, such as cost per unit of production (such as work products)
- (if appropriate) Agile metrics, such as sprint velocity.

10.4.5   Benefits Realisation

As the program delivers – that is, all the projects running under the program reach successful completion – and benefits begin to accrue then governance attend to ensuring the realised benefits meet or exceed the claimed benefits.

Benefits Realisation runs concurrently with Program Delivery rather than sequentially once Delivery has finished. As soon as the first project (or release) nears completion then benefits realisation activities kick in.

Tracking benefits is often undertaken outside of the program, that is with the group who receive the realised benefits. A Benefits Realisation Plan should already be in place, having been produced and signed off during Program Delivery.

- The Benefits Register is contained with the Benefits Realisation Report
- Change Program Steering Committee to include section on benefits realisation
- Lead and lag indicators
- Adjusting strategy based on how benefits are tracking
- Adjusting change strategy
- Feeding results of benefits tracking into program forward planning

10.4.6   *Program Appraisal*

On a regular basis, and often at the request of Portfolio Governance, a formal review is conducted into performance, delivery success and benefits realisation of the program.

Purpose
The appraisal will be used as an input to the Portfolio Performance Report, and for Portfolio Planning. It is used to identify where improvements are required, and who has accountability for implementing such improvements.

Most organisations run project and program reviews of varying types, such as Set For Success at the start of a project, Health Checks at key points, and sometimes as part of passing through a Stage Gate, and of course Post Implementation and Benefits Realisation Reviews. So, reviews are a regular event on many project calendars, and the Program Appraisal is simply a review conducted on an in-flight program on a regular basis, typically yearly.

Governance Engagement
Governance input to this review is critical, not just in setting the terms of the review, but in making time available for them and their people to actively engage. The Program Manager or Program Director will work closely with Enterprise Portfolio Services (or Enterprise PMO or Divisional Portfolio Office) in planning this review, which will be run by an appropriate, senior manager either already working in the organisation, or a suitably qualified external third party.

The Program Steering Committee will approve the Appraisal, the appraisal scope and how the review will be run. It is strongly recommended the review be run efficiently, as these reviews can drag on and lose their effectiveness. It is recommended agile techniques (such as Scrum) be employed.

The results from this exercise can be far-reaching, not only in how the program is to be funded moving forward, but in the recommendations for changes and improvements.

Topic:	We opened up the covers and discovered a hornet's next
Details:	Running a Program Appraisal makes a lot of sense on paper, but in practice there is often a lot of push-back. Teams quite rightly do not want any interference to their operating rhythm, fearing a review may take critical people away from their busy jobs unnecessarily. Sometimes people are more than a little concerned about what may be uncovered.
	A major insurance company was running a 3 year, $100M program to re-engineer their Life Risk business and transform to a new business operating model. The program had been running for a year and the first release was still at least 6 months away. Lots of people were getting nervous…why was the first release taking so long? I was engaged to run a 'Quality Review' which meant working closely with the prime contractor (a very large global consulting firm), who very much resented having an external consultant reviewing the program. What I uncovered was not pretty. The execution method employed may have worked for a small to medium sized project, but it was totally unsuited for a large program. They had decided to undertake extensive requirements analysis for the complete system without having them signed off while commencing design and build on release 1. As they undertook the analysis they kept finding requirements which had never been considered in scope, but rather than slowing everything down with the 'overhead' of a scope change control procedure, they either (a) pushed back and told the business the requirements were 'out of scope' or (b) simply included them in scope. The result was the program was continually missing deadlines (which were not reported) and commenced design and build on requirements which had not been signed off. This meant testing was a complete disaster as the business kept on calling out defects. The result was implementation would be delayed, but rather than reporting that they simply kept reducing the amount of time allocated for testing, even though testing was taking much longer than planned.
	It was a disaster, and senior management had no idea how bad the problem was until I presented my draft report. I made numerous recommendations including adopting an agile-at-scale approach. Even though my report did not explicitly state this, senior management terminated the prime's contract and commenced legal action for damages. There was a change of personnel within the insurance company, a new program sponsor was appointed and the program re-designed end-to-end.
Lessons:	Unfortunately the truth can be hidden from senior management until it is too late to effect incremental change and avoid a major overhaul of a failing program. Whereas a Program Appraisal is not designed to uncover painful truths, everyone on the program should be carrying out their roles knowing that in the end, nothing is hidden so good practice must prevail.

Mini-Case Study 10.3   We opened up the covers and discovered a hornet's next

10.4.7   *Program Close and Review*

All programs will eventually close, even those running for multiple years. In some cases programs morph into portfolios (or sub-portfolios), such as major business transformation programs will often become the portfolio supporting the transformed business unit. Organisations need to be make an explicit decision regarding when this transition happens, otherwise the program becomes perpetual, which has many unfortunate consequences.

Sometimes governance goes missing at the end of a program, as all implementations have been completed, teams are winding down and most people appear to be in 'wrap-up' mode. Of course if Agile-at-scale is being executed then there would be little wind-down as the program infrastructure would remain in place and another program would be executed. However, this final review of the program and hand-over of all responsibilities to operations and business-as-usual areas is critical and it must be done efficiently with a strong focus on quality and clean closure. There is so much to be learned from the program close review that it should not be de-valued by poor governance buy-in. The improvements emerging from this review no doubt will benefit the whole organisation. You have paid good money to learn these lessons so it's important to get a good return on that investment.

The exercise should not be seen as raking over cold coals, or an excuse to prosecute poor performers (although individual's performance good or poor should not go unnoticed), rather this review is all about how do we do this better next time? Or what lessons are immediately transferable to in-flight programs? It is primarily the accountability of those in governance to ensure identified improvements become part of established methods and practices.

10.5   Program Governance – People

Where the organisation decides to execute programs and well as projects, then senior managers take on program governance roles.

The roles are highlighted in the standard 3P reporting structure.

Typically, those taking such roles will also have a Portfolio Governance role (such as a Portfolio Board chair or member), and so should have a good understanding of not only the program, but also the relationship of the program to the other programs and projects making up the portfolio (Fig. 10.8).
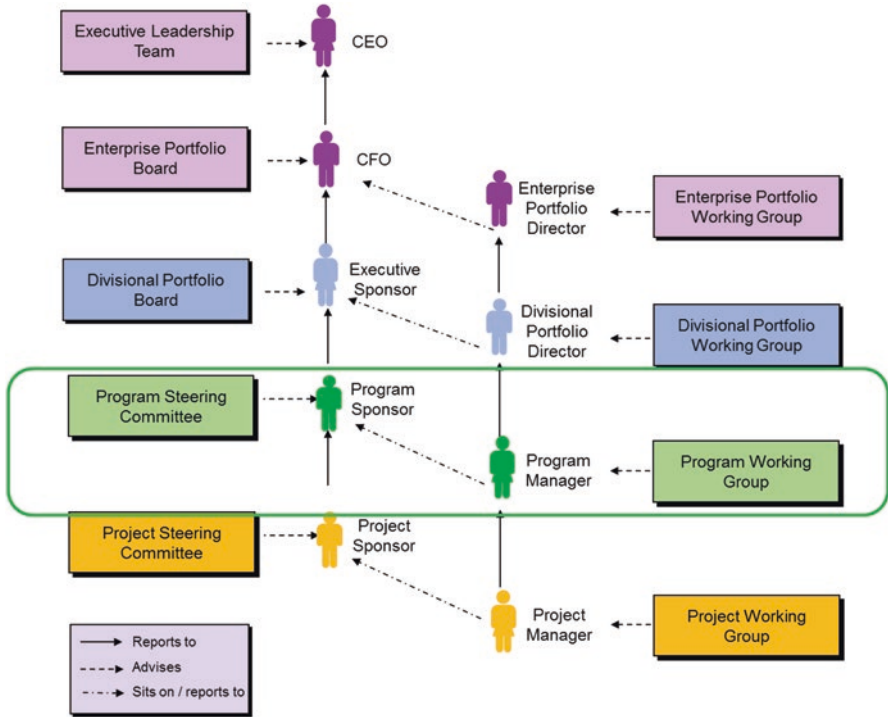
Fig. 10.8 The standard 3P reporting structure highlighting those roles and forums
at the program level

The Table 10.4 shows the major governance roles and their key
accountabilities.

Role	Typical Responsibilities
Executive Sponsor	• *Executive Manager, often Chair, Portfolio Board* • Ensure each program and project making up the portfolio has an endorsed Business Case. • Ensure the portfolio is correctly aligned with business plans and strategies. • Resolve cross-program issues
Executive Sponsor	• *The Sponsor is the prime recipient of benefits, and major funder of the program* • Own the Program business case, and ensure the benefits contained in the business case are realisable and delivered. • Appoint the Program Manager. • Ensure the program is correctly aligned with business plans and strategies. • Work closely with the program manager in the development and endorsement of the Program Management Plan. • Commit to appropriately resourcing the program as defined in the Program Management Plan. • Approve the Program Scope and any changes to the scope. • Ensure contingency is set up and reflects the size, complexity and risk of the projects making up the program. • Actively sponsor the program through all the Program Gates, ensuring the business case remains valid throughout the project. • Initiate reviews from time to time, acting on the results of such reviews to ensure the program stays on track for success. • Ensure issues are resolved in an efficient and timely manner.
Program Manager	• *The Program Manager establishes a contract with the Sponsor to deliver the benefits against a statement of scope. This form of 'contract' is specified in the Program Management Plan* • Advise the Program Sponsor on all decisions, presenting valid and verified options • Ensure the deliverables from each project are provided as per the agreed time frames (milestones), costs, provided resources and the quality specification • Create an environment of professionalism, establishing open and effective communication channels and ensuring all stakeholders are kept informed and involved • Ensure all resources and project suppliers work productively and provide excellent 'value for money'
Program Steering Committee	• *Various key stakeholders* • Ensure strategic and business alignment of the program • Ensure the program stays on track, keeping within the parameters set out in the Program Management Plan • Advise the Program Sponsor and Program Manager • Work as a team to ensure all issues are resolved efficiently and effectively • Commit resources and meet other accountabilities as defined in the PgMP • Initiate reviews and audits as appropriate for the program • Ensure the right level of management practice is applied to the program, as dictated by the program's size, complexity, priority and risk

Table 10.4   Key program governance roles and typical responsibilities

Program Steering Committee Charter
Typically a charter defines the purpose, role, accountabilities and operating model of the board. The charter is discussed and agreed to by all board members, and time may be spent working through scenarios the board may well confront, and gain agreement regarding board behaviours. The charter will cover (Fig. 10.9):

Program Steering Committee - Charter

Purpose

The Program Steering Committee is the senior governance board with direct oversight of all programs and projects running across I&S.

Membership

The Program Steering Committee is chaired by the Dep Secretary I&S, with membership of the Program Steering Committee being comprised of the eight Executive Directors who come together to work effectively to ensure all programs are run efficiently against time, cost, scope and to optimise their Business Case.

Operation

The Program Steering Committee should meet monthly, or as required.

The Divisional PMO will act as secretariat and prepare the agenda at least one week before meeting.

Members will be provided with an information pack at least 3 days prior to meeting.

Responsibilities

Approval and sign-off	Review and sign-off: • Program Business Case • Program Plans • Program Statement of Scope • Master Schedule and Release Schedules
Monitor Business Case and Benefits Realisation	• Review and approve the Program Business Case (PBC) • Monitor and approve any changes to the PBC • Ensure a Benefits Realisation Plan is defined and in operation • Monitor benefits and ensure all steps are taken to optimise benefits
Monitor and approve significant changes to scope	• Business Operating Model • Architectural capability model and blueprint • Monitor scope control and contingency • Approve changes and contingency release
Issues resolution	• Work to resolve issues escalated to them for action
Review and approve execution Strategy	• Review the execution and release strategy • Ensure the execution strategy supports cross organisational alignment
Monitor Risk & Assurance	• Sign off the Program Quality Management Plan • Sign off the Program Risk Management Plan • Signoff the Integrated Assurance Plan (IAP) • Initiate Health Checks (Audits and Major Reviews) • Monitor recommendations arising from Health Checks
Architecture	• Review and approve the major Program business and IT designs
Vendor performance	• Review Vendor Performance Report • Advise on how to resolve critical vendor management issues
Performance	Monitor Program performance against budget, benefits, schedule, risk, resourcing (etc.)

Fig. 10.9 an example of the Program Steering Committee Charter

10.5.1   *Who Should Sit on a Program Steering Committee?*

Following the corporate governance guidelines of stakeholder theory, it is possible to identify the right people to sit on a steering committee by analysing who the key stakeholders are. A key stakeholder is one who, if they withdrew their the support, the program would fail. A simple rule is all key stakeholders must have representation on the steering committee (Table 10.5).

Figure 10.10 is a representation of stakeholder groups and their key stakeholder status.
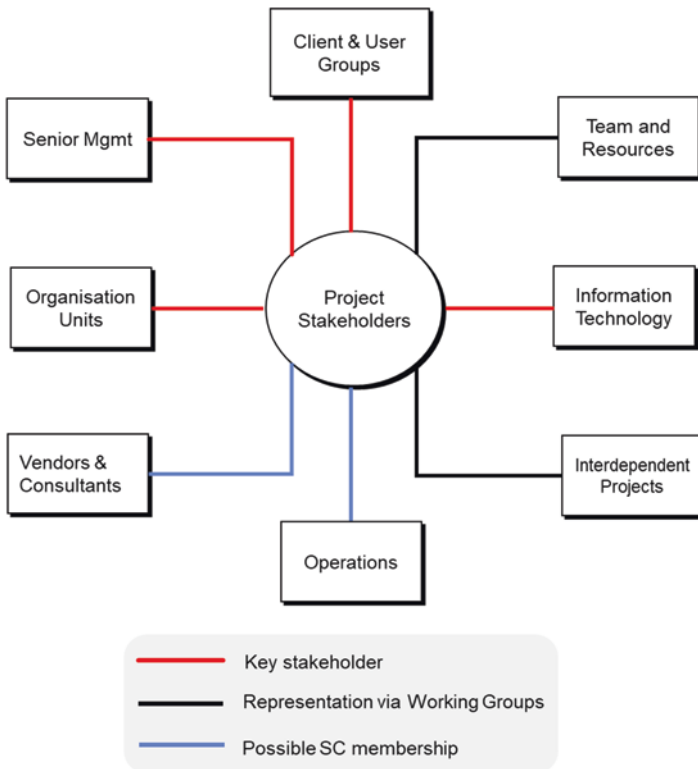
Fig. 10.10   Representation of stakeholder groups

Stakeholder Group	Representative
Senior Management	Executive Manager, often Chair, Portfolio Board
Client and User Groups	The Sponsor is the prime recipient of benefits, and major funder of the program
Team	The Program Manager establishes a contract with the Sponsor to deliver the benefits against a statement of scope. This form of 'contract' is specified in the Program Management Plan
Program Steering Committee	Various key stakeholders

Table 10.5 Key stakeholder groups and their representation on the Program Steering Committee

On very large programs it may not be possible to dedicate sufficient time to specific topics, while getting across the level of detail required to make appropriate decisions. In such situations it makes sense to consider the 'committee of the board' model, discussed in Chap. 4.

The example in Fig. 10.11 shows three sub-committees, one for each of assurance, business integration and technology integration. Note that these are advisory sub-committees and they should make recommendations to the steering committee, rather than make decisions unilaterally.
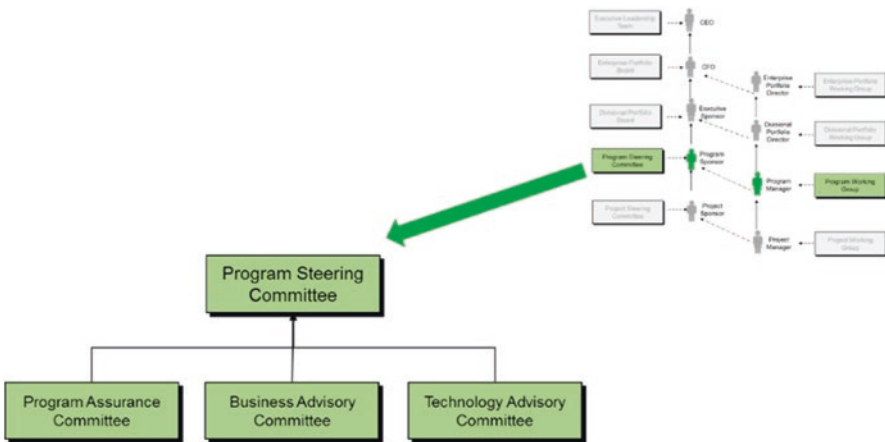
Fig. 10.11 The Program Steering Committee can be supported by a number of sub-committees

Membership of the sub-committees will usually include representatives who do not sit on the main steering committee, as long as there is appropriate membership overlap.

10.6   Program Governance: Products

Many of the key program management deliverables are also governance deliverables.

The following diagram shows the major deliverables and where they move between the program execution processes (or phases). It is the information in these products which is important for those in a governance role to use to make decisions and approve the program to move through the various gates.

In most cases these information flows are contained in hard-copy documents, however this is not necessarily true. Considering the program execution framework as an information system then all the required information could sit in a database, which is the case with EPMS such as CA's Clarity and Microsoft's EPMS. In many cases organisations may implement an information extraction and display tool (such as Tableau) to sit between the information base and the information recipient. This means the traditional way of viewing information, which is contained within a report, is giving way to highly customisable information extraction, analysis and display systems and toolsets.

For the purpose of describing this framework, I will continue to describe the information flows as contained within reports, as it is easily understood, and probably represents the most common method distributing information (Table 10.6).

Deliverable	Purpose	Produced at	Updated at	Content
Program Brief	The Program Brief is a high level overview of the initiative (program) to be kicked off. It builds on what was defined in the Initiative Profile, and contains a 'plan to get to Business Case'.	Pre-program, as input to phase-gate Pg0.	Not updated. Guides the development of the PgBC, PgMP and is not used once Program Initiation is completed	An initial definition of: • Strategic Intent • Specific Goals and Objectives • Stakeholders and governance • Organisation Impact and Change • Probable Program Strategy • Technology needs and resourcing • Broad time frames and delivery points • Known Dependencies
Program Business Case (PgBC)	The Program Business Case describes why we are running this program, and the value and benefits it will deliver to the organisation. Ideally produced by the Program Sponsor – and definitely owned by the Sponsor, the PgBC is the contract the Sponsor has with the Executive Program Sponsor or responsible executive to realise specific, strategic goals. Approval of the PgBC authorises the Sponsor to invest funds and resources to deliver the prescribed Statement of Scope to realize the claimed benefits	Program Initiation	The PgBC is reviewed and updated (if necessary) at each Phase-gate. There is a major review and update at Program Appraisal	• Strategic Intent • Specific Goals and Objectives • Benefits Model and Benefits Realisation Plan • Cost Analysis and Sensitivity Analysis • Organisation Impact and Change
Program Management Plan (PgMP)	The PgMP is similar to the Project Mgmt Plan but at the program level. It forms the contract the Program Manager has with the Program Sponsor to execute the program against contracted terms (cost, time, resources, technology, operations, deliverables, benefits). Endorsement of the PgMP authorises the Program Manager to execute the Program against the terms and conditions contained in the PgMP	Program Initiation	The PgMP is reviewed and updated (if necessary) at each Phase-gate. There is a major review and update at Program Appraisal	• Program Scope Summary • Program Deliverables • Program Release Schedule • Stakeholder Management Plan • Risk Management Plan • Resourcing strategy • Program make-up (Streams, Projects etc.) • Delivery strategy (deliverables against time) • Vendors, services

(continued)

Deliverable	Purpose	Produced at	Updated at	Content
Program Statement of Scope (PgSS)	This is the 3rd cornerstone deliverable (along with the Business Case and Program Management Plan) which defines a program. Approval of the Statement of Scope represents a clear understanding and articulation of what the program will deliver, and forms the basis for negotiating changes to scope	Program Initiation	The PgSS is reviewed and updated (if necessary) at each Phase-gate. There is a major review and update at Program Appraisal	Scope is defined across the following dimensions: • Business process and functions • Products and offers • Markets, channels • Organisation and business units • Systems, integration and technology • Time frames and milestones
Program Funding Submission	The Program Funding Submission is produced as input to Phase gate G2. The document defines what the program will deliver over the next agreed time frame (typically 12 months), which releases will be run, the level of spend, expected throughput and productivity targets. It will also define expected benefits to be realised Approval of the Program Funding Submission authorises the program to access funds for the next FY	(initially) at Program Set-up and Design and then at Program Appraisal	The Program Funding Submission is a baselined deliverable and subject to Change Control throughout the FY	• Approved FY spend • Benefits schedule • Scope to be delivered • Release schedule / Milestones
Organisation Change Plan (OCP)	The OCP is a critical management deliverable produced at (or about) the same time as the PgMP. It will include the communications strategy, impact analyses, staff transitioning and training. Approval of the OCP authorises the Change Manager to execute the OCP. It confirms executive managements both understanding of, and endorsement of, the changes to be delivered by the Program	Program Initiation	The OCP is reviewed and updated (if necessary) at each Gate. There is a major review and update at Program Appraisal	• Org Change Scope • Communications Strategy • Impact analysis (Organisational, Customer, External Stakeholders) • Risk assessment (integrate to PgMP) • Org Change team and resource needs • Personnel transition plan • Training plan • Technology needs • Budget

Deliverable	Purpose	Produced at	Updated at	Content
Program Status Reports	To report progress to Program Governance against the key performance indicators (Scope, Delivery, Budget, Resource, Risk, Benefits, Organisation change, program deliverables, program status keys, and program roles)	Monthly		• Project summaries for all projects making up the program • Performance measures at the program level: ○ Program Scope ○ Delivery against time ○ Organisation change ○ Budget ○ Benefit projections ○ Major risks and issues ○ Resourcing and technology
Benefits Realisation Report	To report on benefits realised following each major delivery (e.g. at post-project).	Post-project (within 3 – 6 months)	Continually throughout Program Execution	• Benefits Realisation Plan • Report on achievement against the Business Case • Recommendations for improvements moving forward
Program Appraisal Report	To assess program performance and business case realisation, and how well scope is being managed and delivered. The report will advise the Program Steering Committee on how well the program is performing and where changes to scope, funding or strategy is required	Program Appraisal	Not updated	Assessment of the program against three areas: • Program Business Case alignment and realisation • Program scope and objectives • Program execution performance
Program Close Report	Similar to a project Post Implementation Review, the Post Program Review Report documents the history of the program, what worked well, how it performed against its plan and business case, the lessons learned and where improvements are required to Group methods and standards	Program Close and Review	Not Updated	The report will document findings and recommendations against a detailed terms of reference

Table 10.6 The key management and governance deliverables used in the program execution framework

10.7   Conclusion

Program Governance should be emerging as a mature set of practices as organisation programs have been around for at least 30 years. Still too many organisations treat programs as large projects and focus too much on schedules and budgets (and, yes, these are very important) rather than focusing on optimising the business case. Whereas the dominant control dynamic at the project level is on delivery certainty, at the program level governance needs to apply a level of finessed thinking to ensure all opportunities for value creation are identified and, as appropriate, exploited. That is, change should be embraced by program governance and, when a program remains static, then they should view this with justifiable suspicion. This is not to say the program is running loose and unpredictably, rather governance must have the confidence to mould the program such that it remains, always, the right program to run.

Reference

Hope, J., & Fraser, R. (2003). *Beyond budgeting: How you can break free from the annual performance trap*. Boston: Harvard Business School.

Chapter 11
Project Governance Framework

11.1 Introduction

Undoubtedly, project governance is the most understood of all of the 3P Governance, but that doesn't mean it is well done or effectively carried out. The majority of organisations run projects with a Project Sponsor and Steering Committees set up and operating. Even though such arrangements are common place, it is an unhappy fact that people taking on project governance roles are largely ignorant of the accountabilities and processes associated with such roles.

As organisations increasingly adopt a full 3P structure, and run execution frameworks which leverage Agile-at-scale, or organisational agile, then there will be less and less emphasis on projects. All approvals will then sit with the program and portfolio, and projects will run as delivery structures. There will be few stand alone projects and, accordingly, little project governance. Projects will not have their own business case (as that will sit at the program level), meaning projects will run to optimise delivery excellence.

Still, as of 2016, over 70% of projects run within organisations are stand-alone, so this topic remains relevant.

The focus on this chapter is very much on stand-alone projects.

11.2 Projects: What Could Possibly Go Wrong?

In Chap. 1 I discussed how projects perform within organisations, and all evidence suggests an historically poor situation remains poor, with little to suggest improvement is imminent. One reason for this is the current project model, which emerged from and still very much supports a mechanistic view of projects, is inappropriate for the modern organisation. Increasingly we will see organisations move away from running stand-alone projects in favour of the portfolio-Project model, but that

drift will run for many years, and even the most advanced organisations will continue to run stand-alone projects, albeit in diminishing numbers. While it maintains its prominent position within most organisations, what can, and does, go wrong with projects?

- **The project model is highly inefficient**. The project life cycle, with its ramp-up and ramp-down phases result in at least 15% of project resources are wasted. That is, for a $10 m annual project people bill, $1.5 m is wasted, lost, or delivers no result whatsoever. If you are also running a model where everything which is not operational ('business-as-usual') work comes under the project umbrella, then the management overhead in justifying every project could easily double that wasted $1.5 m. As organisations move towards the portfolio-Project model, their project management costs are at least halved. Further, the inefficiencies of the model extend to extended schedules: stand-alone projects run longer than they would if running as part of a Project. It is not unreasonable to see running stand alone projects costing organisations in the vicinity of 40% of their total project spend, compared to the portfolio model. Those in a governance role need to be very mindful of these inefficiencies and challenge their management that everything is being done to bring these under control.
- **Not every project has a financial business case**. Organisations running the stand alone project model will probably require each project to be justified on the basis of a valid case. The reality is not every project has a valid business case as benefits realisation may well be contingent on a range of things actually happening, and not all of these sit within the project. For example, claiming process re-design benefits in lower operating costs and reduced headcount may be dependent on a platform upgrade which sits in an IT project. Changes to the IT project may undermine claimed process improvements. Governance need to look very closely as the assumptions supporting the business case to see how valid those assumptions are. Too many assumptions read like "if there will always be blue sky and warm days then…." – that is, they're totally invalid.
- **Aligned to technical success rather than outcomes success**. Project managers fight to ensure what they will be judged by they will optimise. Time and cost have visibility, quality and value less so, which means meeting milestones and staying within budget is paramount, often at the expense of design quality, scope and stakeholder satisfaction.
- **Demand too much of executives' time**. If your project operating model demands every project must have a steering committee, then you have a major problem. It is highly unlikely those sitting on steering committees will have adequate time to do the role justice. Further, the discussion around the table will probably be at too low a level, challenging senior managers to be across minutiae normally outside their ken. This leads to many in a governance role claiming their steering committees to be 'a waste of time', and they would be right in that assessment.

- **Projects fight reality**. Projects are often defined by a set of 'immutables', such a fixed time, fixed cost and fixed scope. There is no subtlety in this model, no opportunity to finesse the levers and allow the project to flexibly respond to changing organisation and external dynamics. That a project will not be buffeted by the forces of change is unrealistic. To think the business will not change its mind, that priorities will not change, that people will not come and go from the project, that risks will not emerge, that the funding mix will remain static all fly in the face of reality. Governance needs to ensure enough 'what if' scenarios have been explored so that no one is caught unawares when one or more (or all!) of the above change dynamics emerge. The reality is from day one, once the budget, schedule and scope are set, everything in the universe will conspire to push them all out, and projects simply do not respond well to such changes.
- **Projects are risk averse**. Actually the project model is risk averse. Organisations originally adopted it as the alternative – that is, no formal structure for running projects – was seen as totally unacceptable. Senior management often view the 'iron triangle' as an ideal model by which to exert external control, to run a 'tight ship' and maximise success. In reality the opposite happens. Being risk averse actually increases risk (uncertainty), actually working to undermine success. It's this same thinking which regards time and budget contingency as 'fat', a trick by the project manager to cover their mistakes. It may appear counter-intuitive, but projects which are allowed a contingency fund to cater for the unknown, perform better, deliver sooner with greater benefits realisation than projects with fixed terms and no contingency. Governance need to ensure that they are not being too risk averse as history tells us, risk aversion is high risk.

11.3   Project Governance Methods Overview

Using the 3P Cube, we can extract the Governance Methods view as shown in Fig. 11.1.

Project Governance Methods define the processes (activities, steps, tasks) which are carried out by those taking on a governance role (i.e. 'People'), and the information they require to do their jobs effectively ('Products').

The simplest way to represent Project Governance Methods is to relate them to the Project Life Cycle.
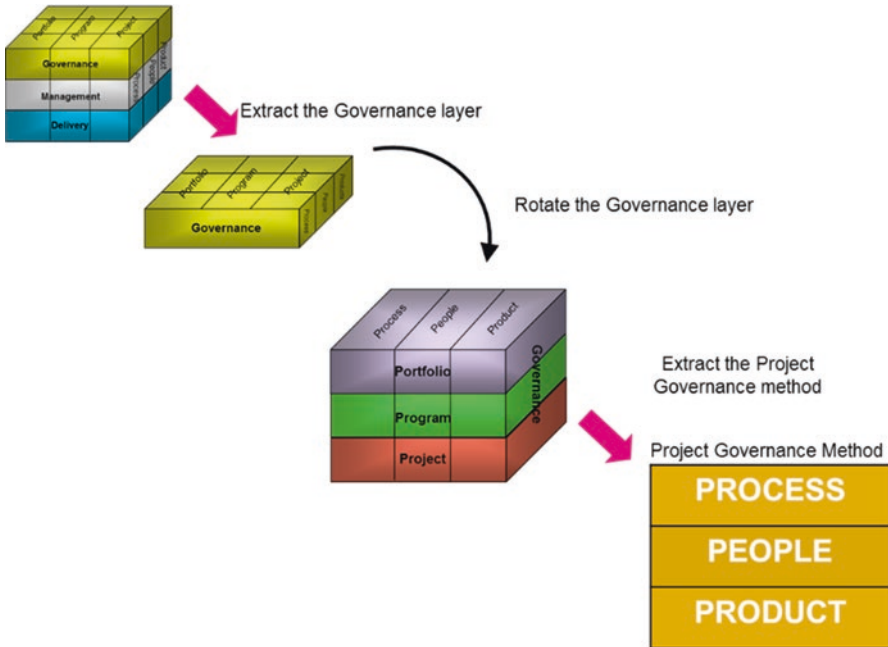
Fig. 11.1 We can use the 3P cube to extract the governance methods view from which we can
easily see the project governance methods view

11.4   Project Governance: Process

The Project Life Cycle was introduced in Chap. 2, as part of
the 3P Execution Framework. We are interested in the
Governance view of the Project Life Cycle, as shown in
Fig. 11.2.

The model on the next page shows the major governance
roles, their key accountabilities as they relate to each of the
major Project governance processes.

11.4.1   Project Governance Phase Gates

Figure 11.3 and Table 11.1 details the five phase gates used in executing a project.
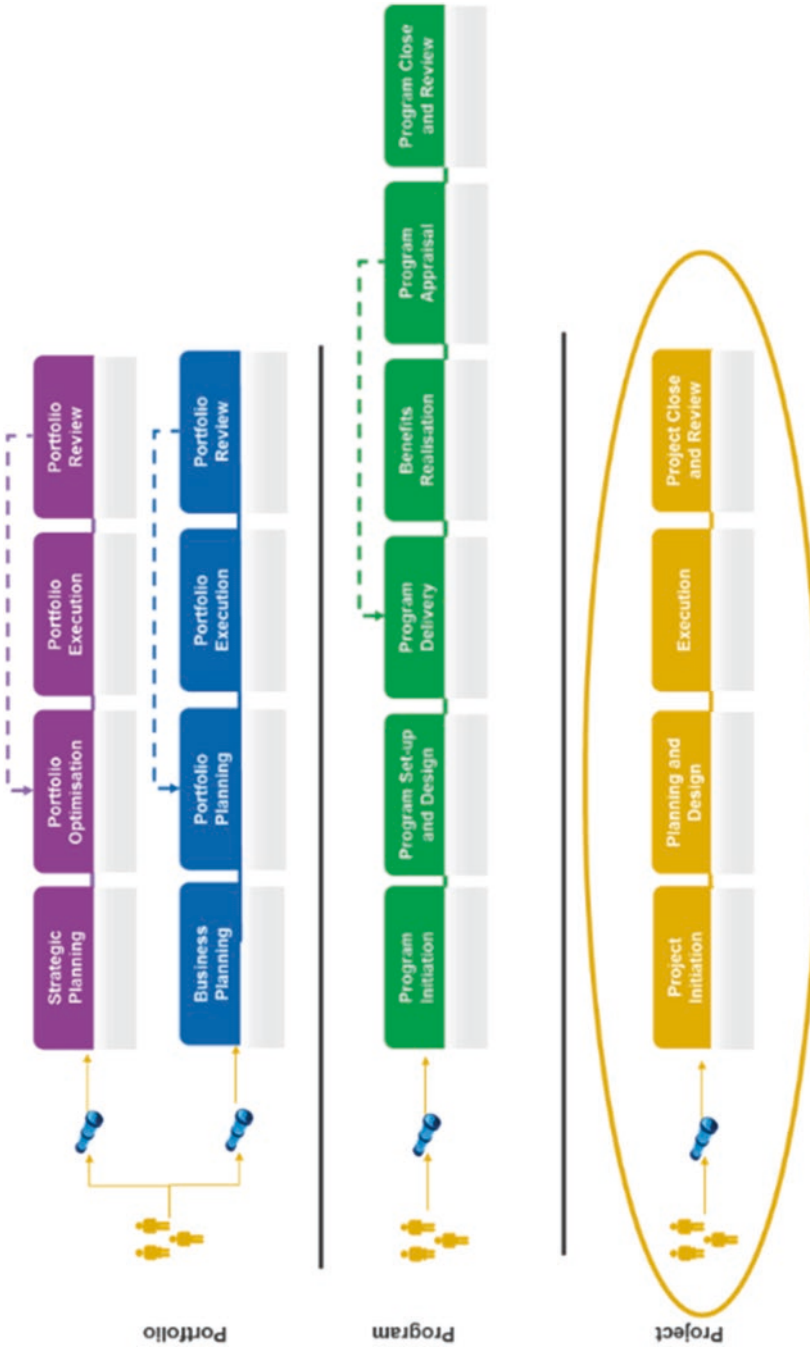
Fig. 11.2 The project execution life cycle sits with the 3P execution framework
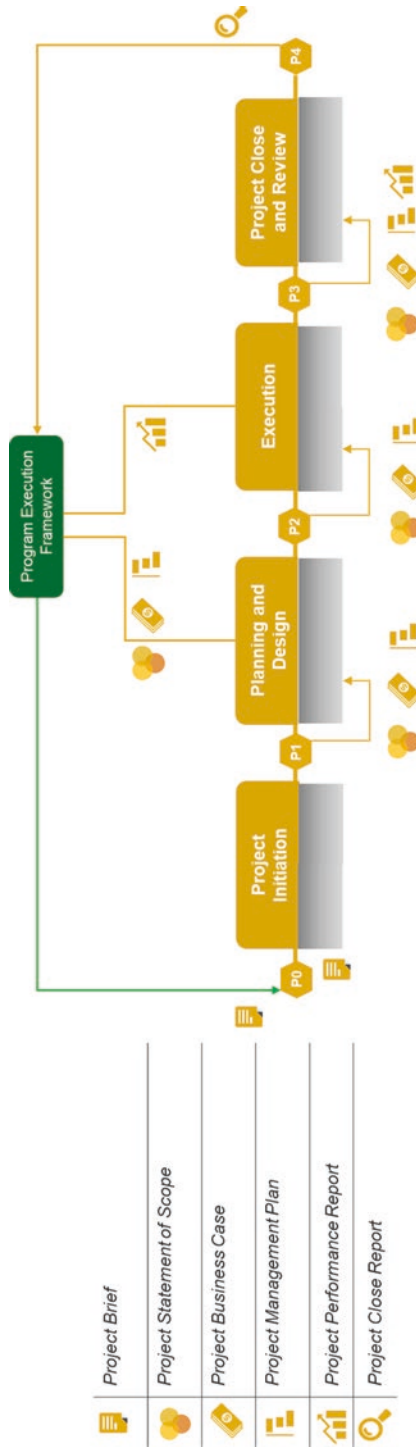
Fig. 11.3 The key management and governance work products, showing how they move between the project execution framework phases

Phase Gate name→	Pg0: Start the Project	Pg1: Business Case Approved	Pg2: Plan and Design Approved	Pg3: Close the project	Pg4: Project Closed
Purpose	Approve the Project Brief and kick-off the project. Approving the Project Brief will trigger the release of initial project funding.	Approve the Business Case, Project Scope and Project Management Plan	Ensure the project execution strategy and solution design are well defined and appropriate for the project	Undertake an assessment of Project performance, benefits realisation and success criteria. Decide whether to continue (return to Pg2), or close the Project	Seek approval to close the Project. Validate all capabilities and deliverables successfully transitioned from the Project to the business
When this Gate is executed	Timing to initiate a project should be decided as part of portfolio planning, or program planning.	At the end of Project Initiation.	Once the detailed execution plan and solution design have been completed and undergone all business and technical reviews and approvals	The project has executed and delivered, hopefully successfully. Either the project has achieved its objectives, or for some other reason the project is to be closed	Following Project Close, and no more than 6 months following the final Release implementation
Gate Inputs	Project Brief	Project Business Case • Project Statement of Scope and • Project Management Plan	Updated: • Project Management Plan • Project Statement of Scope • Project Business Case • Project Performance Reports	Updated: • Project Management Plan • Project Statement of Scope • Project Business Case • Project Performance Reports	Signed-off Project Close Report

(continued)

Phase Gate name→	Pg0: Start the Project	Pg1: Business Case Approved	Pg2: Plan and Design Approved	Pg3: Close the project	Pg4: Project Closed
Decisions (as made by Project Steering Committee)	• This is the right Project to initiate • The Project is aligned to divisional and enterprise strategic goals, objectives • The initial definition of Project scope, execution timeframe, benefits profile are all satisfactory	• Business Case is valid, with realistic assumptions supporting an attractive investment opportunity • Project is appropriately aligned to strategy • Risk Management Plan is valid with appropriate contingency • Scope is well understood and documented • The Project has a realistic and achievable plan	• All baseline deliverables have appropriate sign-offs • The execution strategy is valid with a high level of confidence • Full funding is approved to complete the project	• Sign-off on all recommendations for improvement • Approve Project to proceed with Project Funding Submission OR • Decide to stop / close the Project	• Accept close report • Approve recommendations for changes and improvements • Approve (and assign) accountabilities to implement changes and improvements
Gate outputs	• Project Brief approved • Plan to reach Business Case approved	Approved: • Project Business Case • Project Statement of Scope and • Project Mgmt Plan	Approved: • Project Management Plan • Project Statement of Scope • Project Business Case • Full project funding	Approved: • Project Close Report • Recommendations for improvement • Project Funding Submission	Sign-off Project Close Report

Table 11.1 Project Phase Gates and how each gate is processed and the role of governance in making gating effective

11.4.2   Project Initiation

Project Initiation requires substantial engagement from governance. Considering the major output from this phase is the Project Business Case, the need to get things right is never higher. This is an ideal opportunity to apply some of the 'smart practices' as outlined in Chap. 5, in particular design techniques which support the rapid production of the statement of scope and the business case.

This phase will deliver the three fundamental deliverables which, collectively, define the Project (Fig. 11.4).

The Project Business Case is owned by the Project Sponsor, and his/her involvement requires more than a passing interest. The Project Manager will drive this
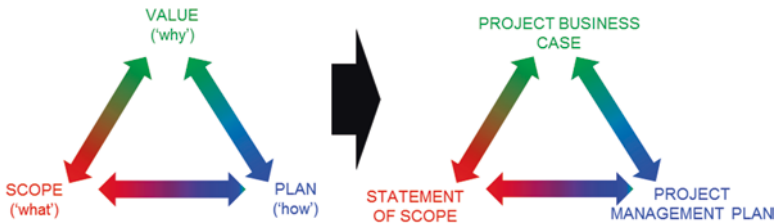
Fig. 11.4   The three fundamental deliverables produced during project initiation as shown in Fig. 11.4

process, and it is an ideal opportunity to apply both design thinking and agile-practices which work to increase productivity, and optimise the time demands on otherwise very busy executives.

Checklist

Those taking on a governance role need to ensure all the following have been defined and agreed:

- The Project Manager has been appointed, and that this is the right person for the job. Validate their track record, level of business knowledge and overall competence.
- Enterprise architecture has been mapped out. Ensure business and IT architecture analysis has clearly defined the architecture scope of this project, and where it is interdependent with other projects running concurrently.
- Scope – MVP. In assessing scope ensure the Minimal Viable Product analysis has been carried out and that there are multiple design and delivery options.
- Plan. The Project Management Plan must be well defined and it is valid.
- Business Case. The Business Case should define the value profile for this project, which in turn should define why it is the right project to run. Ensure that all assumptions supporting the business case have been independently verified and that they all make sense.

- Define the Project SC charter, appoint members, agree on roles and responsibilities
- Be clear about the commitments all governance members are required to make, and formally sign up to those commitments.
- Hold the first Project Steering Committee meeting. Gain agreement on how the steering committee is to operate, and ensure all members sign off (approve) the Project Steering Committee charter.

11.4.3   Planning and Design

The focus during this phase is to ensure the solution is the right one, that it will optimise the business case and that there is a realistic analysis of risk and the project team's ability to successfully run the project.

Checklist
Those taking on a governance role need to ensure all the following have been defined and agreed:

- Enterprise architecture have been well defined and interdependency maps have been produced (these show what the project is interdependent with – such as other projects – and how those interdependencies are to be managed).
- Project scope is fully 'fleshed out', with clarity regarding what is in scope, and not in scope.
- The Project Management Plan will be at the next level of detail. Ensure it clearly shows how the Execution Phase is to run, the key milestones, what is delivered at each milestones, the detailed budget, stakeholder management plan, resource plan and risk and quality plans.
- Steering Committee members need to review everything they are signing up to, in particular if they have agreed to allocate any key personnel to the project. All commitments must be confirmed.
- Steering Committee meetings should now be following an efficient cadence, with a strong focus on decision making and endorsing key deliverables.

11.4.4   Execution

The project undertakes all tasks required to successfully deliver the project scope. The role of governance is to ensure the project is delivering against plan, that the assumptions underscoring the business case remain valid, that changes are being effectively managed and that risks and issues are being addressed.

Checklist

Those taking on a governance role need to ensure all the following have been defined and agreed:

- Monitor performance. This topic has been covered in other places, however in taking on a governance role you need to check:
- Monitor scope and approve (or otherwise) changes to scope.
- Monitor the Business Case to ensure that assumptions remain valid, and claimed benefits stay on track.

Monitor Performance

The focus here is very much on delivery efficiency and quality. If this project is running under a program then much of the discussion around scope and benefits will already have happened, and now the focus is on delivering that scope against the delivery schedule.

As with all reports the time dimension is absolutely critical as it aids comprehension (after all we are 'narrative beings'). Projects operate along trajectories: if the track record shows the project going out of control there is every chance it will continue in theta direction. Projects usually change best when they change slowly, avoiding dramatic changes of direction.

Figure 11.5 shows a performance 'dashboard' for a project running Agile (we know this because of the reference to 'backlog' – essentially the 'statement of scope').

'Delivery efficiency' means we are very focused on throughput and cost per unit of production. Not enough focus is placed on how much each work product is actually costing, but if steering committees were presented with sample deliverables (such as a screen design, customer journey, operational procedure) and each work product had a price tag attached to show how much it actually cost, then maybe there would be more attention.
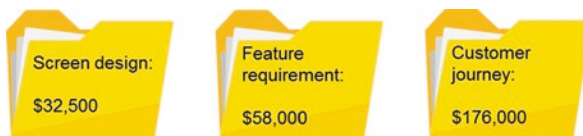
To illustrate how this works in practice, refer to Mini-Case Study 11.1.

It is a valid question for the steering committee to ask how much is it costing per unit of production? Follow up questions should include:

- Is this value for money?
- How does this compare to other projects?
- How does it compare to the best projects?
- How can we get the cost down?

The Steering Committee may well decide to set a productivity target, and most importantly, have the project manager describe what needs to happen to reach the productivity target.

Make sure once productivity targets are set they are reported against.

Topic:	It cost how much???
Details:	Sometimes Steering Committees (SC) find it difficult to appreciate the basis for program and project costs. Typically, the majority of cost is for people (aka 'resources'), whether they be in-house or are out-sourced. But this clouds a really critical issue: what are all these people actually doing? Looking at a resource plan or schedule doesn't really provide that information, and the practice of describing how programs are performing by talking about tasks, such as 'analyse this' or 'design that' still does not give senior management a good feel for what is actually going on. One program I was asked to help out had a weekly 'burn-rate' of $400k, and the sponsor said she had no idea where all the money was going (she took the matter of being careful with shareholders' money very seriously). To help break through and provide Steering Committee members with some understanding of what made up the weekly spend I asked the Program Manager to select 6 typical deliverables, or work products, and calculate the total cost to produce each one, based on the number of hours of work put in. I then put a price sticker on each deliverable and had them handed out at the next SC meeting. So, we had a screen design costing $25k and a process specification costing $85k. The one which made everyone sit up was a Solution Design which was made up of a few diagrams showing lines between systems. It had cost the program $256k and it was just 15 pages! Commented the IT Manager familiar with the technology "I think I could have done this in half a day". The overwhelming response was "What? How?" and the conversation then turned to 'value for money' and what could be done to increase throughput and reduce the cost of production. It was a very useful discussion.
Lessons:	So often Steering Committees fail to effectively engage because they feel too remote from where the action is happening. By providing SC members with something they can get their hands on (literally) to encourage them to ask questions and gain an experience of the program will ensure their active, and hopefully very useful, engagement and support.

Mini-Case Study 11.1 Steering committees are often surprised by cost increases

Quality

It is very important to monitor quality. Unfortunately this does get distilled to reporting against software defects, which is done mainly because project managers have those data handy. This is not to denigrate project managers, or the usefulness of defect metrics, however it is more useful to know where defects are being introduced, and do we have an issue with our methods, our people, our technology or some other factor. Following the previous point, quality should never be reported without presenting the strategy to continually improve quality.

Defect measures should include 'cost to repair', and more importantly, 'cost to repair by defect type'. It is common with Agile 'dev ops' (essentially, the execution methodology and tools) to run automated testing, so coding defects are being created and repaired as part of the standard development cadence. These are not the defects we are interested in. Rather it's those defects which slip through quality control and infect downstream processes and phases, and possibly into production to infect the customer.

Fig. 11.5 An example of a project ('Release X') running under Agile

11.4.5   *Project Close and Review*

The tendency at the end of a project is to quickly move on, in particular if the project has delivered all scope and there is little in the way of 'mopping up'. However, a period of reflection is enormously beneficial to the organisation, to consider what worked well and where improvements are required. Whereas most post implementation reviews focus on the more technical aspects of project performance, it would be really useful for the steering committee to meet one last time to discuss their own performance. To answer the question "what can we, as senior managers and leaders, do to lift our game?" Unfortunately, this type of reflection rarely happens.

Checklist
During the Project Close phase governance should consider:

- The Project Manager has been appointed, and that this is the right person for the job. Validate their track record, level of business knowledge and overall competence.
- Enterprise architecture has been mapped out. Ensure business and IT architecture analysis has clearly defined the architecture scope of this project, and where it is interdependent with other projects running concurrently.
- Scope – MVP. In assessing scope ensure the Minimal Viable Product analysis has been carried out and that there are multiple design and delivery options.
- Plan. The Project Management Plan must be well defined and it is valid.
- Business Case. The Business Case should define the value profile for this project, which in turn should define why it is the right project to run. Ensure that all assumptions supporting the business case have been independently verified and that they all make sense.
- Be clear about the commitments all governance members are required to make, and formally sign up to those commitments.
- Hold the first Project Steering Committee meeting. Gain agreement on how the steering committee is to operate, and ensure all members sign off (approve) the Project Steering Committee charter.

11.5   Project Governance: People

Where the organisation decides to execute Projects and well as projects, then senior managers take on Project governance roles.

The roles are highlighted in the standard 3P reporting structure as shown in Fig. 11.6.

Project Governance Method
PROCESS
PEOPLE
PRODUCT

Assuming the organisation runs portfolio management, then those taking on project governance roles will also have a Portfolio Governance role (such as a Portfolio Board chair or member), and so should have a good understanding of not only the Project, but also the relationship of the Project to the other Projects and projects making up the portfolio (Fig. 11.6).
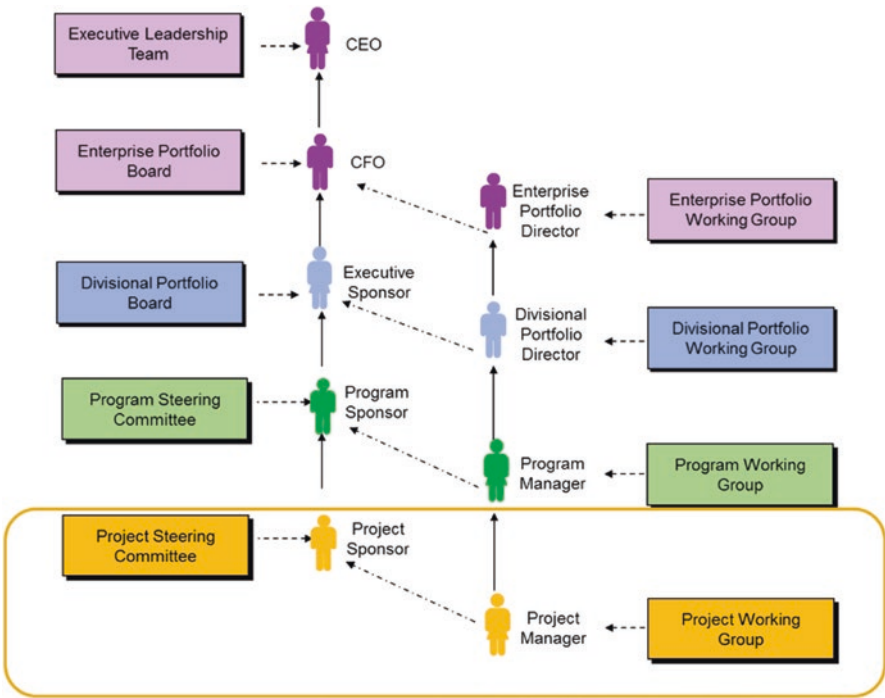
Fig. 11.6 The standard 3P reporting structure highlighting those roles and forums at the project level

The Table 11.2 (below) shows the major governance roles and their key accountabilities.

Role	Who may take on the role	Typical Responsibilities
Project Sponsor	The Sponsor is the prime recipient of benefits, and major funder of the project	• Own the Project business case, and ensure the benefits contained in the business case are realisable and delivered. • Appoint the Project Manager. • Ensure the project is correctly aligned with business plans and strategies. • Work closely with the Project Manager in the development and endorsement of the Project Management Plan. • Commit to appropriately resourcing the project as defined in the Project Management Plan. • Approve the Project Scope and any changes to the scope. • Ensure contingency is set up and reflects the size, complexity and risk of the project. • Actively sponsor the project through all the Project Phase Gates, ensuring the business case remains valid throughout the project. • Initiate reviews from time to time, acting on the results of such reviews to ensure the project stays on track for success. • Ensure issues are resolved in an efficient and timely manner.
Steering Committee	**Various key stakeholders**	• Ensure strategic and business alignment of the project • Ensure the project stays on track, keeping within the parameters set out in the Project Management Plan • Advise the Project Sponsor and Project Manager • Work as a team to ensure all issues are resolved efficiently and effectively • Commit resources and meet other accountabilities as defined in the PMP • Initiate reviews and audits as appropriate for the project • Ensure the right level of management practice is applied to the project, as dictated by the Project's size, complexity, priority and risk

Table 11.2   Key project governance roles and typical responsibilities

Recognising the need to address 'the middle layer problem' as discussed in Chap. 5,, there are several other key project roles:

Business Lead

It is usual that the sponsor will appoint a Business Lead role on the project who will represent the sponsor's interests on a day to day basis, and hopefully will also be given authority to make decisions often considered the domain of the sponsor.

Technology Lead

The CIO (or other responsible, senior IT manager) will appoint a Technology Lead, who may also be the IT (sub-project) Project Manager, and who will be major contact point for all matters to do with technology (such as applications development, security, systems integration, data management, architecture etc.).

If this is an Agile project, then the Product Owner and Product Manager roles must also be appointed.

Suffice to say, all key roles must be filled before a project can kick-off.

11.5.1 Who Should Sit on a Project Steering Committee?

All key stakeholders must have representation on the steering committee. A key stakeholder is one who, if they withdrew their the support, the Project would fail.

Figure 11.7 is a representation of stakeholder groups and their key stakeholder status (Table 11.3).
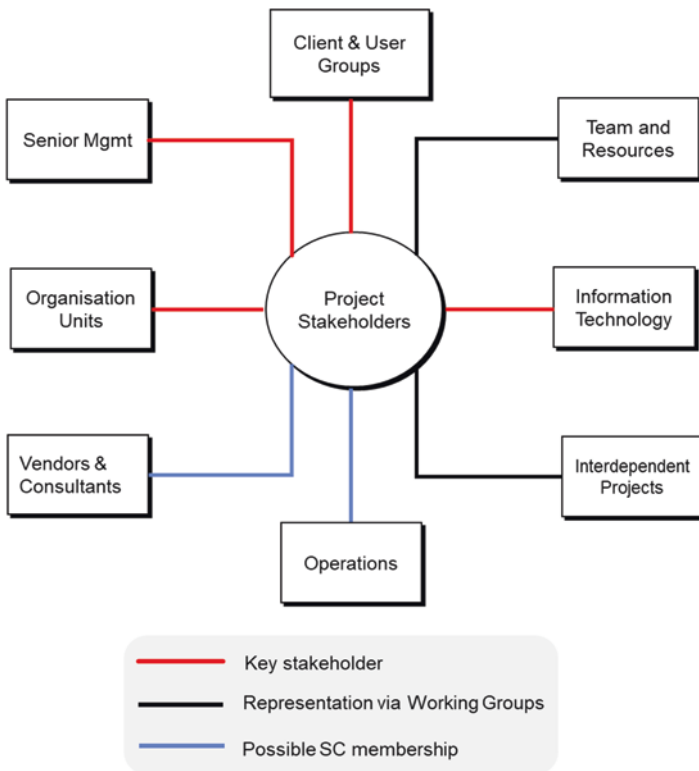
Fig. 11.7 Representation of stakeholder groups

Stakeholder Group	Representative
Senior Management	Executive Manager, often Chair, Project Steering Committee
Client and User Groups	The client may be represented by the Business Lead
Team	The Project Manager represents all project resources
Information Technology	The CIO or Technology Lead
Interdependent projects	The project manager represents the interests of all interdependent projects
Operations	Senior operations manager, or Business Lead
Vendors and consultants	If the project has set up a prime supplier function, then vendor representation is appropriate, otherwise the PM represents the vendor
Organisation units	All other organisation units which have a stakeholder interest (such as finance, HR, administration etc.), may be represented by the PM, or a member of the PMO

Table 11.3 Key stakeholder groups and their representation on the Project Steering Committee

On very large projects it may not be possible to dedicate sufficient time to specific topics, while getting across the level of detail required to make appropriate decisions.

11.6   Project Governance: Products

Many of the key project management deliverables are also governance deliverables.

Figure 11.3 shows the major deliverables and where they move between the Project execution processes (or phases). It is the information in these products which is important for those in a governance role to use to make decisions and approve the Project to move through the various gates.

In most cases these information flows are contained in hard-copy documents, however this is not necessarily true. Considering the Project execution framework as an information system then all the required information could sit in a database, which is the case with EPMS such as CA's Clarity and Microsoft's EPMS. In many cases organisations may implement an information extraction and display tool (such as Tableau) to sit between the information base and the information recipient. This means the traditional way of viewing information, which is contained within a report, is giving way to highly customisable information extraction, analysis and display systems and toolsets (Table 11.4).

For the purpose of describing this framework, I will continue to describe the information flows as contained within reports, as it is easily understood, and probably represents the most common method distributing information.

Deliverable	Purpose	Produced at	Updated at	Content
Project Brief	The Project Brief is a high level overview of the initiative (Project) to be kicked off. It builds on what was defined in the Initiative Profile, and contains a 'plan to get to Business Case'.	Pre-Project, as input to phase-gate P0.	Not updated. Guides the development of the PBC, PMP and is not used once Project Initiation is completed	An initial definition of: • Specific Goals and Objectives • Stakeholders and governance • Organisation Impact and Change • Probable execution strategy and project life cycle • Technology needs and resourcing • Broad time frames and delivery points • Known Dependencies
Project Business Case (PBC)	The Project Business Case describes why we are running this Project, and the value and benefits it will deliver to the organisation. This deliverables is owned by the Project Sponsor. Approval of the PBC authorises the Sponsor to invest funds and resources to deliver the prescribed Statement of Scope to realize the claimed benefits	Project Initiation	The PBC is reviewed and updated (if necessary) at each Phase-gate.	• Specific Goals and Objectives • Benefits Model • Cost Analysis and Sensitivity Analysis • Organisation Impact and Change
Project Management Plan (PMP)	The PMP forms the contract the Project Manager has with the Project Sponsor to execute the Project against contracted terms (cost, time, resources, technology, operations, deliverables, benefits). Endorsement of the PMP authorises the Project Manager to execute the Project against the terms and conditions contained in the PMP to deliver what is defined in the statement of scope	Project Initiation	The PMP is reviewed and updated (if necessary) at each Phase-gate.	• Project Scope Summary • Project Deliverables • Project Release Schedule • Stakeholder Management Plan • Risk Management Plan • Resourcing strategy • Project make-up (Streams, sub-projects etc.) • Delivery strategy (deliverables against time) • Vendors, services

Deliverable	Purpose	Produced at	Updated at	Content
Project Statement of Scope (PSS)	This is the 3rd cornerstone deliverable (along with the Business Case and Project Management Plan) which defines a Project. Approval of the Statement of Scope represents a clear understanding and articulation of what the Project will deliver, and forms the basis for negotiating changes to scope	Project Initiation	The PSS is reviewed and updated (if necessary) at each Phase-gate.	Scope is defined across the following dimensions: • Business process and functions • Products and offers • Markets, channels • Organisation and business units • Systems, integration and technology • Time frames and milestones
Project Status Reports	To report progress to stakeholders against the key performance indicators (Scope, Delivery, Budget, Resource, Risk, Benefits, Organisation change, Project deliverables, Project status keys)	Monthly (or as per the steering committee schedule)	Not Updated	Performance measures: • Project Scope • Delivery against time • Budget • Benefit projections • Major risks and issues • Resourcing and technology
Project Close Report	The Project Close Report is similar to a Post Implementation Review report, and it documents the history of the Project, what worked well, how it performed against its plan and business case, the lessons learned and where improvements are required methods and standards	Project Close and Review	Not Updated	The report will document findings and recommendations against a detailed terms of reference

Table 11.4 The key management and governance deliverables used in the Project execution framework

11.7   Conclusion

It is not good enough for those taking on a project governance to simply turn up to meetings and consider their job is done. Portfolios fail in both a top-down, and bottom-up manner, that is through poor strategic planning and execution strategies and dubious business cases, and through 'death of a thousand cuts' at the project level. Clearly, the focus of governance at the project level is on execution efficiency and delivery certainty, and each member of the steering committee will have a role to play in achieving both those outcomes. Under the 3P structure so many decisions which had previously been the bailiwick of the project steering committee now sit where accountability resides, appropriately at the portfolio and program layers. This, then, means project governance has much simplified job and one which should be within the capabilities of just about anyone taking on the role. Portfolio success requires program success which requires project success. This is where success is realised, where most of the 'real work' happens and where effective governance has important if not profound impacts.

Part III
Implementing Good Governance Practices

Chapter 12
Designing a Governance Improvement Program

12.1 Introduction

I opened my book with a conversation I was having with a CFO of a major Australian bank. I asked him then if he knew what his project success rates were:

CFO – No
Me – I've been working with your PMO and they're a little over 70%
CFO – What do you mean?
Me – Well, comparing the final cost and schedule performance against what was approved, about 70% of your projects are considered satisfactory
CFO – What about benefits? How are we doing?
Me – We don't know; not enough divisions are tracking realised benefits
CFO – OK, clearly this isn't good enough. What do we need to do?
Me – You need to change your practices
CFO – You mean, get better at managing our projects? We spend a small fortune on training and tools, why isn't that working?
Me – No, when I said 'you', I meant you and your peers. Those taking on a governance role need to change what you're doing.

The conversation came to a full stop and the topic immediately changed to how to implement an efficient benefits tracking system. The solution is always a new system, right? Senior management never accept that the first thing to change is how they are doing their job, which is understandable. After all, they didn't reach their position of authority and responsibility by being mediocre. Herein lies the rub.

> *"everyone wants to go to heaven but nobody wants to die"*

If governance is so important, what can organisations do to improve this? We need to understand some critical issues before being able to answer this question.

- Those in a governance role are not that interested in learning project management. That is not their job, and as already mentioned, they are already paying good money hiring project managers to run their projects.
- Project management, as a profession, has been criticised for being an 'inside-out, bottom-up' profession. Project managers write the standards adopted by the professional bodies, and view projects and project environments from their perspective. What is often obvious to a project manager may not be at all obvious to non-project managers. The current standards, whether from the PMI or IPMA, are prescriptive in nature, mechanistic in their design with the unchallenged assumption that all involved in governing and managing projects are both accepting of, and have the necessary capabilities to conform to, these standards.
- How projects are planned assumes a level of organisation stability, in particular in how projects are funded and how scope is set and managed, which is often unrealistic. Project managers often complain their projects are 'set to fail', but still take on the role with the half-expectation that failure will eventuate. It seems there is a disconnect between how business planning is carried out, how targets and scorecards are set and how projects are planned and executed. It may be as simple as key people not speaking with each other, but there are clear flaws in comprehension and communication.

If what has been tried to date in raising governance capability has been less than successful, what should be done? The secret, it appears, lies in having those in a governance role behave in a similar manner to those who take on non-project governance roles, such as corporate governance.

If there is no explicit focus on improving governance, then it probably won't change. The reasons for getting governance right have been canvassed throughout the book, but in summary:

- Good governance sets the scene, and has great influence on the efficiency of both management and delivery.
- Nothing influences maturity more than governance, and as was shown above, the more mature your 3P is, the better your chances for success.
- Improved governance means efficient governance. Recognising how busy those taking on a governance role are, making how those roles are carried out as…
- Knowledgeable governance makes good decisions in a timely and efficient manner.
- Good governance is engaged governance, with senior managers getting close to the action on a regular basis, talking to team members, attending show-cases and stand-ups and responding to issues.

Many organisations spend substantial amounts improving how they run their portfolios, programs and projects, in the hope they will achieve greater success. In a study of more than 20 organisations I looked closely at how much organisations spend trying to improve their 3P outcomes. The investment is substantial, often making up between 1% and 5% of their total 3P spend (that is, for a $100 M portfolio budget the organisation may spend between $1 M and $5 M on improving 3P outcomes). Findings from this study include:

- Organisations often use an industry framework, such as the SEI's Capability Maturity Model (CMM), baselining their current practices (methods, toolsets and standards) and setting a target level to reach over a specified period of time (for example, moving from level 2 "Repeatable" to level 4 "Managed").
- They often tie their improvement programs in with professional development and competency programs, and in some cases require their project managers to obtain an external certification, such as the PMI's Project Management Professional (PMP).
- They invest heavily in methods (such as Prince2) and toolsets, such as Enterprise Portfolio Management Systems (such as Clarity) and project management and scheduling tools (such as Microsoft Project), along with other IT and project tools from Atlassian, and Computer Associates (as examples) and enterprise social media tools like Yammer and Slack.

Yet, most of these 3P Improvement Programs focus mainly on improving project management and delivery methods, such as applications development life cycles and Agile, yet project management and delivery are just 2 of 9 boxes making up the *methods view* of the 3P Cube. Table 12.1 shows the level of maturity of practice of each of the 9 boxes (ranging from 'Poor' to 'Excellent'), with the proportion of spend to improve each box:
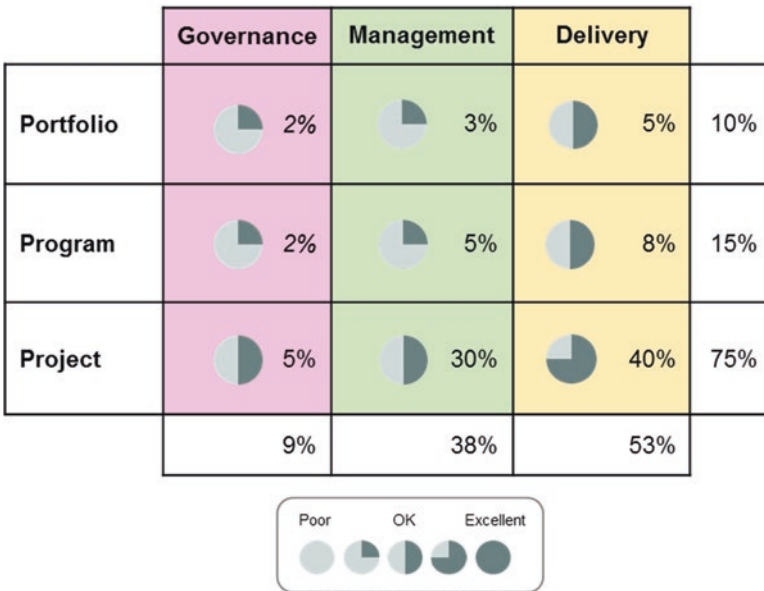
Table 12.1 Maturity of the 9 methods and where organisations spend their money on 3P improvement programs

What this table is telling us is that the only satisfactory practice area is *project delivery* (as 'OK' is really not OK if you're trying to optimise 3P success), which has the longest history of improvement and also the largest improvement spend. We have been looking at improving project methods, such as software delivery life cycle methods and 'waterfall' life cycles for well over 40 years. Project management became an area of focused attention in the early 1980's, although certification really only took off post 2000. The great majority of the improvement spend is still very much on project management and delivery (70% of the spend), with very little invested in improving 3P governance (9%), and most of this is spent on standards, such as delegated authority matrices, executive reporting and the like. Very few organisations (less than 5%) run formal, targeted governance improvement programs.

It seems strange that of the organisations I have worked with, they run ten times more project management workshops than governance and steering committee executive briefings. Yet there are ten times more steering committee members than project managers. It really does not make sense.

However, if you consider the impact good governance has on outcomes it makes enormous sense to formulate governance improvement programs – and even more sense to run them.

12.2 Design Guidelines

Following are guidelines for how to design an effective governance improvement program:

- Seek out a champion.
- Start with success in mind.
- Understand everyone who needs to be involved - create and use Stakeholder Maps.
- Define how behaviours will change.
- Use multi-learning models (be innovative!).

Each of these points is expanded below.

12.2.1 Seek Out a Champion

These improvement programs go nowhere without a strong sponsor at a suitably senior level in the organisation, such as the CEO. If that isn't going to work, then a CxO should take on the role. However, the danger with this is that depending on the 'x' in CxO, the program can be seen as to be supporting that functional or business

area. For example, if the CIO is the program sponsor then the rest of the organisa-
tion may well think "it's a technology thing" and show little interest. Similarly, if
the CFO takes on the role then it may appear to be about controlling budgets and
business cases (which of course it is), but it is much more than being just about the
money. But this the reality in most organisations – CEO's rarely champion these
programs, even though they should (of course).

Usually the sponsor is whoever has ownership of Enterprise Portfolio Services
(or the Enterprise PMO), such as the CFO, COO or CIO. If you want this program
to fail then have it 'owned' by the head of Enterprise Portfolio Services. The lower
down the organisation you go with ownership the less effective it will be.

If you can't find a CxO to own it, then don't do it. It will save you a lot of time
and money and annoyance when you realise no one is buying into the program.

So, in finding a champion you need to ensure the following have been worked
out:

- Understand why we need to improve governance. What problems are we
  solving?
- What are the benefits – real, measurable benefits – to be derived from this
  program?
- What does success look like? How will we know when we get there?
- What's it going to cost in both spend and people's time?
- What is the smartest, most efficient way to realise our goals?

Let's face it, if people can't see 'what's in it for me' then they're not going to buy
in. Further, unless success is relatively assured, and it is desirable, then no-one will
put their hand up to be sponsor. If you think like a CxO then this step should work
out OK.

12.2.2   Start with Success in Mind

One mistake organisations make when they decide to run governance improvement
initiatives is they start from where they think they're at and forward plan. It seems
logical, but it rarely works. What is required is to start from describing where you
want to be in 6 months, 12 months and 2 years time. Think about what success looks
like not from a technical perspective, but from the perspective of behavioural
change, as summarised by each governance function. How should our senior man-
agement behave when they take on a governance role? How 'mature' should our
governance practices be? Consider what those behaviours look like today and you
have a good idea of the size of the 'gap', as shown in Fig. 12.1.

I have used the OPMM (see Chap. 3) to assess governance maturity, positioning
the 'current' and 'target' practice levels in one of the four maturity stages.

Governance Function	Ad hoc	Aware	Competent	Best Practice
Decide		▲————★		
Commit		▲————★		
Prioritise			▲————★	
Align			▲————★	
Monitor		▲————★		
Lead		▲————★		
Mentor	▲————★			

▲ Current maturity   ★ Target maturity
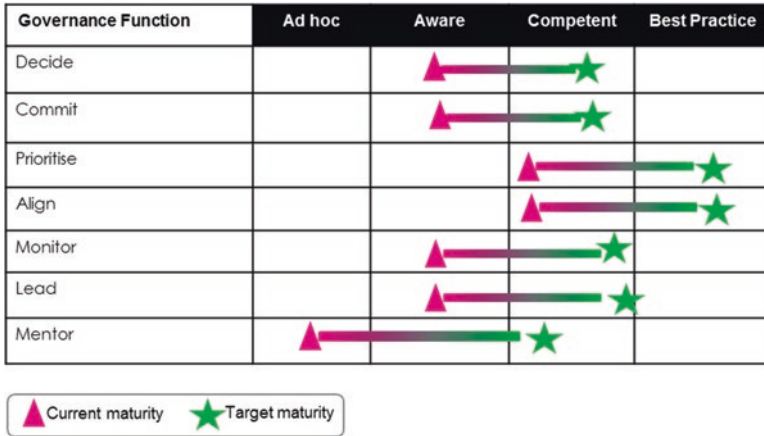
Fig. 12.1 The 'improvement gap' required for each governance function

12.2.3   Program Scope

It's very easy to plan an improvement program 'inside-out', similar to way methodologies are defined, burdened as they are with detail which only makes sense to the designer of the method. Unless you are clear about the problems you are solving then the solution will be guess-work. For example, if one of the problems to solve is senior managers complaining about not having enough time for their governance roles, then don't focus on seeing how they can make more time for these roles, as that will not happen. Focus instead on re-designing governance structures to reduce the number of forums, and use lean analysis techniques to make sure all governance processes are as simple and efficient as possible.

As a start, consider the scope across three main dimensions:

1. Behaviours. As we look at in Sect. 12.2.5 we need to define how behaviours will change.
2. Information Management and communication.
3. Governance structures.

There will be specific strategies deployed for each scope dimension, along with deliverables and success indicators.

12.2.4   Who Should Be Involved – Our Stakeholders

It is difficult to describe a governance improvement program without also identifying who else should be changing practices and behaviours. Governance should not be seen as an isolated group, although clearly anyone taking on a governance role is

our target audience – easy to define but really hard to reach. This particular cohort doesn't do 'training', and sometimes finding any time in their over-subscribed diaries proves close to impossible. We need to be smart in how 'improvement' appears and is packaged. It's important to know each stakeholder group and their starting attitude, which is usually described as one of four positions:

- Opposed. They don't want this to happen. It may not be in their interests to improve governance, or they simply think this doesn't concern them. They may have no problem with others being involved as long as they're not involved. Or they say it's 'all too hard', 'not in our culture', 'transferring project managers' problems to me', 'I don't have the time', 'I'm OK, it's everyone else' and the big excuse to be opposed 'Listen, I didn't get to where I am by NOT knowing how to do my job'. You need to be aware of what opposed looks like and design strategies to counter or at least neutralise these positions. With those who are openly opposed it gives the improvement team something to work with. Why be opposed? Are we not addressing what you see as the real problems – or they may not even be perceiving there's a problem. It's very difficult to sell a solution to a non-existent problem.
- Passive. In many cases the starting position of each group approaches 'm'eh' – 'whatever'. It's 'passive'. Passive is not good, as it means there will be no buy-in. In many ways it's worse than 'Opposed' as people who are passive may give lip-service to the changes mooted without ever lifting a finger to make any of those changes happen. It's sometimes referred to as 'dumb insolence' and it represent 'improvement death'.
- Supports. This means the group has bought-in to the improvement program, and in particular what that means for them. The have committed to the activities and confirmed dates in their diaries. They have read communications, and openly discussed the program with peers and executives. They understand they have problems (as an organisation), even if they think they're not really contributing to the problem. This may be the best position stakeholders take, but it is not optimal even if it is satisfactory. The best position is 'Owns'.
- Owns. They have taken a personal stake in making this program work. This is demonstrated by putting their name to success, aligning their reputation to success, if you like. This is demonstrated by 'putting up their hand' to lead some activities, and making useful inputs to program design and execution. If your executive take this position you're very close to assuring success.

But senior management taking on a governance role is not the only stakeholder group, as shown in Fig. 12.2:

Stakeholder Group	Opposed	Passive	Supports	Owns
Executive Management		▲━━━	━━★	
Portfolio, Program, Project Steering Comms		▲━━━	━━★	
Enterprise Portfolio Services			▲━━━━	━━━★
Portfolio, Program, Project Managers			▲━━━━	━━━★
3P Practitioners		▲━━━━	★	
Organisational Units		▲━━━━	━★	

▲ Starting position   ★ Target position

Fig. 12.2 A stakeholder table showing the degree of change required to ensure the improvement program will be successful

The reality is two groups need to be in the 'Owns' column as shown. 3P managers acting as leaders can be extremely useful in influencing behaviour of those in governance. Typically the Enterprise PMO will do all the leg-work with this program, so if they consider they need to buy in expertise to help design and run the program, then do it. You get one shot at this program, so make sure it's going to be a major win.

Table 12.2 shows the sort of attitudes each group has, and what is required to lift their level of support:

Group	Typical starting position	How they 'buy-in'
Executive Management	Aloof, often considering required changes – assuming they're even aware of these changes – sit beneath them	Set expectations 'Model the way', show commitment through action
Steering Committee members	'I don't have time for this'. Due to work and time pressures they lack buy-in	Gain an understanding that the changes required are beneficial Rather than be over-whelmed with too many changes, start with the most obvious ones, such as improved decision making As a group, and with all members sitting around the table, agree that changes are required
Portfolio, Program and Project Managers	They're probably very supportive that changes are required with their governance, but also realistic that these sort of initiatives haven't worked in the past. Still, they'll be more than willing to give it a go	Promote the change initiatives in group settings (such as Steering Committees) and in one-on-one meetings. Be mindful to emphasise the benefits of such programs, and not just how the program will run Let's clearly understand that in delivering better governance, these managers must step up to 'trusted adviser' role
Enterprise Portfolio Services (EPS)	EPS will probably be keen, even though it will rest with them to do most of the leg work in designing and running the program.	

Table 12.2 How each stakeholder group demonstrates their active support for the improvement program

In shifting people's attitude it's important to understand how influential they are to program success.

This Support-Influence map is a very useful tool to visually see where the work will be required to change practices and behaviours. In theory, at least, you would want all stakeholders to be sitting above the support line, although this is not so important for those with little influence (Fig. 12.3).
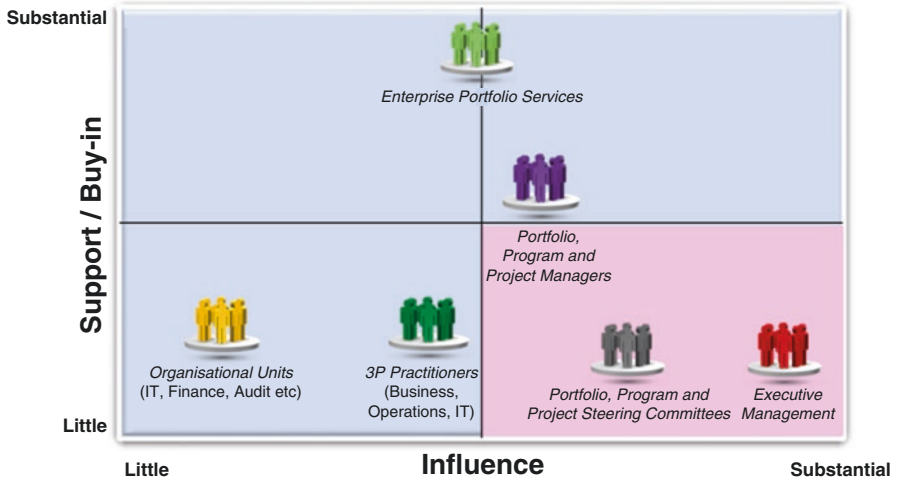
Fig. 12.3 A support-influence map showing everyone who should be involved in an improvement program

12.2.5 Define How Behaviours Will Change

Referring to Fig. 12.1 the issue is what do the behaviours look like aligned to each function? Table 12.3 defines the behaviours for each maturity level:

Function	Moving from this…	…to this
Prioritise	✗ Make no attempt to correctly prioritise the project in the Portfolio, or set too many projects as high priority ✗ Fail to assure that there are sufficient resources (funds, technology etc.) to run the project in the expected time frame ✗ Continually change the priority of projects, such that resources are being moved across projects on a continuing basis	✓ Ensure alignment with organizational priorities ✓ Review and re-assign priority every 6 months (say)
Align	✗ Failure to ensure alignment of project objectives with organisational objectives and priorities ✗ Do not give explicit direction to their people to 'get on-board' the project OR (worse), encourage their people to not actively support the project	✓ Ensure project objectives are correctly aligned with priorities ✓ Ensure people are aligned with organisation goals and priorities ✓ Make sure their people are committed to project strategies and outcomes
Endorse	✗ Be ignorant of which deliverables they are required to endorse ✗ Be unclear about what it is they are actually endorsing ✗ Be slack in carrying out their review and sign-off activities (continually miss agree review milestones)	✓ Endorse (review and approve) all key deliverables in a timely and efficient manner ✓ In particular, endorse project budgets, resource plans, strategies and business case
Commit	✗ Change funding commitments without understanding the impact on the project, or without first consulting the project manager ✗ Commit the wrong people to the project, or swap people in and out of projects	✓ Commit funding to meet project budget demands ✓ Commit (that is, allocate) the right people to work on the project ✓ Assure that resources and services agreed to be allocated to the project are honoured
Advise	✗ Do not provide timely and useful advice to the project manager, even though it is recognised such advice would be useful ✗ Reject (or at least) do not encourage the project manager to proffer advice	✓ Provide advice to the project manager as requested, or to assist the PM to better manage the project ✓ Encourage the project manager to act as a 'governance adviser'
Mentor	Do not put coaching or mentoring programs in place, or do not commit to any such programs which may be in place	Ensure appropriate coaching or mentoring programs are in place to ensure all those working on projects improve their job performance
Decide	✗ Fail to make decisions, delay decisions, or simply make the wrong decision ✗ Do not put in place decision making processes which will assure the right outcomes ✗ Too much focus on problem-solving, and not enough focus on selecting the 'best-case' option	✓ Undertake stage gating activities in an efficient manner ✓ Address and resolve issues escalated for their action in a timely manner ✓ Ensure appropriate decision making processes are being followed at the project level

Table 12.3 Each of the core governance functions showing how behaviours should change

12.2.6 Use Innovative Learning Models

Adult education can be tricky and educating senior managers trickier still. As already mentioned, senior managers don't do 'training', but they will do 'briefings', and they will share information amongst themselves, and they will grab a few minutes to look at something they think useful. But getting them in a classroom is all but impossible.

You need to understand the learning cycle, as applicable to adult education. Self-directed learning is probably the best model, but that then means people will be at different points along the learning path, which is not desirable. So how to undertake learning?

I suggest using existing meeting structures and forums, so you're not fighting for space in their diaries. I've found setting aside time in steering committee and portfolio board meetings very effective as it is the natural governance forum. Start with a small allocation of time (say, 10 min), and use real-life situations to show how, by changing behaviours, such situations are avoided or quickly resolved.

Consider creating 5 min videos using animation, such as animate-it and VideoScribe. Each video can illustrate a single concept, issue or behaviour, and they are enjoyable to watch and support efficient learning pathways.

Design techniques which take people out of the meeting room and create an active learning environment, such as stand-ups and show cases, and very powerful learning modes as people do not even think of it as a learning experience (such as a training course), but of course it is. Senior managers prefer experiential learning over theory just about every time.

12.2.7 Standardisation

Make sure the language, terminology, processes, work products and practices are consistently named and executed across the organisation. One of the areas of greatest weakness with governance is the inconsistency with which it is carried out. As we saw in Chap. 5 the weakest attribute for many organisations is they run their steering committees differently, meaning members have to adjust their thinking, expectations and (often) their behaviour as they move from one steering committee to another.

12.3 Plan It Like a Program – Run It Like a Program

There is absolutely no reason why you would abandon your good practices in program management with this type of program. It has all the hallmarks of a program – multiple stages running over several years, well defined deliverables and scope,

In Chap. 5 we looked at a 'mindset change' and here is a perfect opportunity to demonstrate what that means. Specifically, we'll look at how to use design thinking and agility.

Design Thinking

To start, consider those in governance as 'the client', and use design-centred modelling to map out 'customer journeys', except in this case they will be 'governance journeys'. These journeys can be mapped to the execution frameworks. There's nothing fancy about this technique as it will flesh-out scenarios and identify where technology can support the journeys.

Agility

I'm mindful not to use the term 'Agile' as we do not want to turn this program into an IT project. Agile – Scrum – Prioritised backlog

   You can't change everyone overnight – incremental change and first-things-first
   Measuring and communicating Success

12.3.1   *Improvement Means Continual Improvement*

It is very easy, having run an improvement program, to put the cue back in the rack and say 'all done!'. Improvement initiatives never really finish as change is continual and without a focus on continual improvement then the change will be towards decay, break-down, poor practice and lousy portfolio outcomes. What we know is for change to be sustainable then improvement efforts must continue well after the initial change program is finished.

12.4   Conclusion

It is likely you will only get one shot at designing and running a governance improvement program, and if it isn't wildly successful then there is little chance anyone will put their hand up to sponsor another one. So make it count! Follow the principles inherent in running effective senior management improvement programs and ensure there is someone senior enough to do appropriate 'arm twisting' to encourage recalcitrant to the table.

   Executives tend to be experiential learners, picking up good practice on the job, which is why the steering committee is such a good vehicle to roll out improved practice. Whereas I have encouraged the adoption of contemporary practices such as scrum, the realist in me recognises that having senior management adopt new ways of doing things may not happen. Still, one will always encounter enthusiastic 'early adopters', and if one of those is a CxO role then broader adoption of good practice is much more likely. The important point is that improvement programs cannot be theoretical domains, that changes happen on-the-job, and that improvements, successes and great 3P outcomes must be promoted and celebrated.

Chapter 13
Implementing Enterprise Portfolio Services

13.1 Introduction

There's more than a little confusion around the terms for the various offices supporting portfolios, programs and projects. Historically, the Project Office has been supporting projects for over 70 years (at least) with project offices being part of very large defence projects in UK, Europe and the US following World War 2. Their role was to support planning, resource management, project logistics, undertake quality management and reporting and to apply appropriate controls in supporting key, senior managers on the project. As organisation projects grew large and major organisation change and IT initiatives were run as programs, we saw the rise of the Program Management Office (PMO). In the late 1980s and early 1990s the PMO took on a whole-of-organisation role with oversight of all programs and projects running, and that model has lasted until this day with the whole-of-organisation PMO termed the Corporate or Enterprise PMO ('EPMO'). We are now seeing the emergence of a group which has oversight of portfolios, and with that changing role comes a new name, the Enterprise Portfolio Services group (with the 'office' label being dropped).
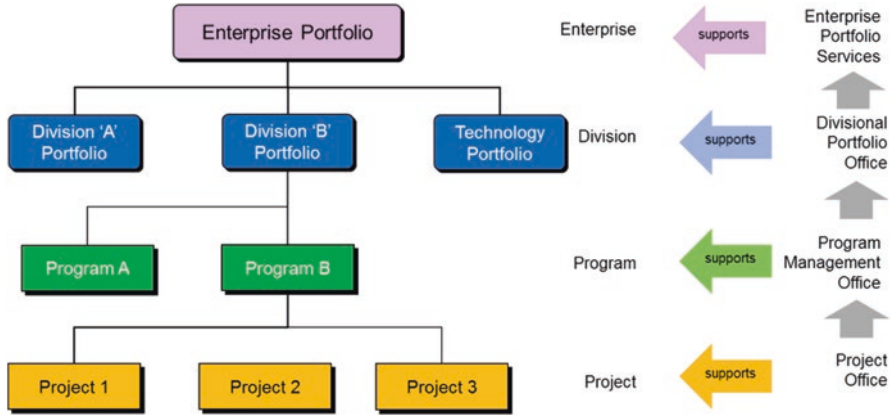
Fig. 13.1   The types of support offices map to the appropriate layer in the 3P

Another view of Fig. 13.1 is to look at who each of these 'offices' is meant to be supporting, as shown in Fig. 13.2:
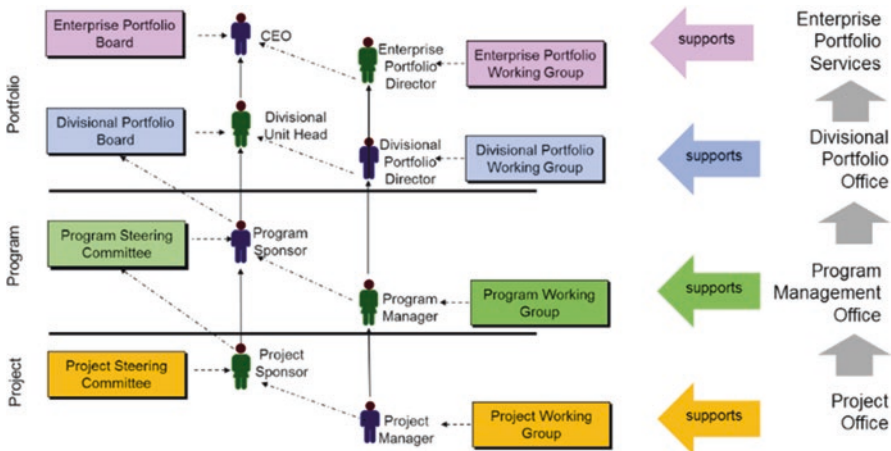
Fig. 13.2   Each 'office' supports a particular level in the 3P structure

Just 48% of organisations have an EPMO and even fewer are explicitly aligned to an organisation's strategy. In 2016 just 5% of organisations have made the transformation from an EPMO to an EPS, but the trend is underway, and as more and more organisations adopt full 3P then this transformation will accelerate. That being the case, then it useful to understand what an EPS is, what its purpose is, what services it delivers, its functions and how it could be structured.

One problem with the current arrangement is to over-lapping of some services, and the absence of other (needed) services. Again, we can look at historical forces to understand why this is the case. Organisations re-organise on a regular basis, often as they grow, they expand their lines of business, seek to operate at a lower

cost base by removing inefficiencies, or in response to regulatory, economic or com-
petitive pressures. Often with re-structures, and due to a range of factors including
certain senior managers wanting to strike out and 'make a mark', some divisions
attempt to operate differently, sometimes independently, from the rest of the organ-
isation. For example within large banks we will find a retail division, business bak-
ing, investment bank and wealth management arms, sometimes with quite different
cultures, operating ethos and organisation structures. Sometimes it appears there are
four or five separate organisations sitting under a common umbrella. They may also
run their 3P independently, with their own methods, personnel and their own PMOs.
Of course this creates massive duplication and waste, which is replicated at the
program and project layers. Over time, and often in response to the need to cut
costs, senior management place all these offices under the microscope and ask the
fairly obvious question "What can we do to reduce cost by removing duplication?",
and a re-organisation of all the 'offices' is undertaken. In some cases all offices are
brought together under a single structure, creating a fairly powerful 'command and
control' group which sits in head office and acts in what many see as a 'dead hand' –
faceless, uncaring and often ignorant to local conditions and needs. I call this the
'organisation pendulum' as depicted in Fig. 13.3:
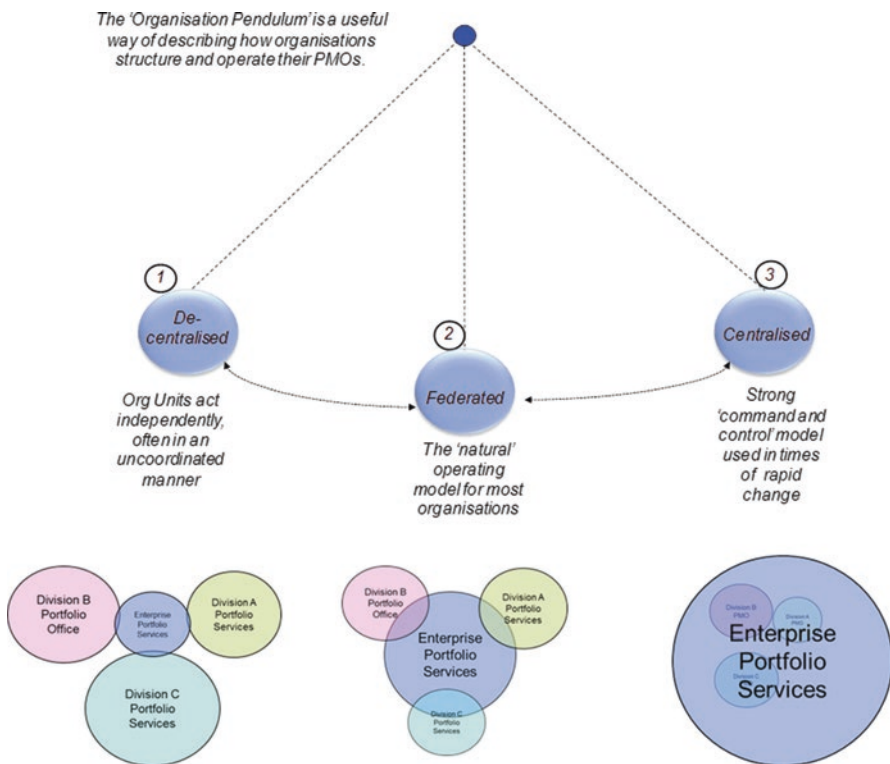
Fig. 13.3 The 'organisation pendulum' represents the way organisations change how they
structure their various 3P offices

When divisions are off 'doing their own thing' then we have a de-centralised structure (position '1'). Whereas the Division Portfolio Offices are close to the action and have a very good understanding of everything running in the division, they typically have their own methods, procedures, toolsets and standards, that is lots of duplication. Further, the central group ('Enterprise Portfolio Services') may be quite small with little authority over how the divisional offices are run. This is the most inefficient structure. The opposite of the de-centralised model is the centralised structure (position '3') where the central office is all powerful. The sensible centre is the federated model whereby a balance is struck between the waste of de-centralisation and the dead-hand of the centralised model. In mathematics we could describe this as:

$ABC + ABD + ABE = AB(C + D + E)$, where are A, B, C etc. are functions, and we have common functions (A and B) occurring once and not repeated, and differing functions (C, D, E) allowed to operate individually.

What we are seeing today is the result of two broad trends: the emergence of Enterprise Portfolio Services operating under the federated model. This probably represents 'state of the art'.

This chapter describes how to transform to an Enterprise Portfolio Services operating model.

13.2   The Need for Enterprise Portfolio Services

It is useful to understand why the EPS is emerging now.

According to the PMI:

> *…for many organisations a struggle exists to define the PMO role, to position it for long-term success, and to leverage the office to help achieve strategic objectives."*

The PMI claims a well structured EPMO can:

- Free executives to think strategically, rather than being bogged down in project details.
- Increase strategic flexibility by prioritising projects to ensure the right projects are being selected and executed.
- Drive business growth through customer satisfaction, a dubious claim based on running more successful projects means you will have happier customers.
- Improve decision making by providing useful and timely information to decision makers.

13.2.1   The Problems an EPS Will Help Solve

All of these benefits may be possible, but in moving to an EPS a number of problems will be solved, as summarised in (Table 13.1).

Problem		Solution
The Organisation does not run consistently successful projects	⇨	Conducting its Portfolio Oversight function, the EPS will actively work with Divisional PMOs to ensure they are structured for success, and they deliver on that success.
Governance practices are immature, inconsistent and often ineffective	⇨	The EPS will define all Governance and Management role accountabilities and practices, publishing key Practice Guides, running Steering Committee training, providing on-the-job assistance to those in a Governance role, and putting in place an induction-type program for those new to Project Governance.
Portfolio Management is immature and ineffective	⇨	The EPS will define and implement a comprehensive and integrated Portfolio Governance and Management methodology, supported by effective and very useful tools. Further, the EPS will actively carry out Portfolio Oversight and work with Senior Management to ensure Portfolios realise their claimed benefits.
Program Management is inconsistently carried out	⇨	The EPS will work to implement Program Management as the key vehicle for delivering strategic initiatives, and to define and realise benefits. That is, whereas projects and releases will remain the key delivery vehicle, programs will be set up and run as the key structure to define, deliver and track benefits.
PMs have variable and inconsistent proficiency	⇨	The EPS will define Competency profiles for all Project Management roles and conduct individual professional competency assessments. Each project professional will have a tailored development pathway designed to ensure all PMs realise their potential.
There are no consistently applied 3P practices	⇨	The EPS, being accountable for defining all 3P Governance and Management methodologies, will ensure all practitioners follow the prescribed set of practices. This means all projects will follow best practices in Project Planning, Estimation, Execution, Risk and Stakeholder Management (etc.).
Key program and project performance measures and associated metrics are missing	⇨	The EPS has prime accountability for putting place all 3P Information Systems – including Metrics Management. Appropriate Information Systems will ensure project status and performance information is easily captured, tracked and reported on, removing a substantial overhead.
Reporting demands place a heavy workload on PMs	⇨	PMs currently spend up to 25% of their total work effort meeting reporting demands. This takes away their focus from other critical tasks, such as controlling project execution. With the implementation of appropriate project Information Systems, this workload should be reduced to less than half.
the Organisation does not learn from its history	⇨	The EPS is accountable for putting in place a Knowledge Management system which will be instrumental in ensuring all lessons learned are captured, codified and made available to all project teams. By itself, never repeating past mistakes will raise project success rates by over 50%.

Table 13.1 Some problems organisation often experience and how an EPS works to resolve them

13.2.2   *Purpose of Enterprise Portfolio Services*

In designing an EPS the following should be front of mind:

- Enterprise Portfolio Services (EPS) is a central service group within the project-based organisation.
- The EPS defines, implements & supports appropriate Governance and Management practices, standards, techniques and toolsets.
- It assists in the management and flow of information, reporting and knowledge.
- It provides oversight of the Portfolio of programs and projects and provides advice to senior management in program and project investments.
- It supports efficient communication with other organisation units & external groups.
- It works in conjunction with Divisional PMOs, as a service provider. The EPS ensures functions and resources are not duplicated across all PMOs.
- It actively leads in the transformation towards an 'agile organisation'

13.2.3   *What an EPS Does*

Enterprise Portfolio Services carries out seven key functions (Fig. 13.4 and Table 13.2):
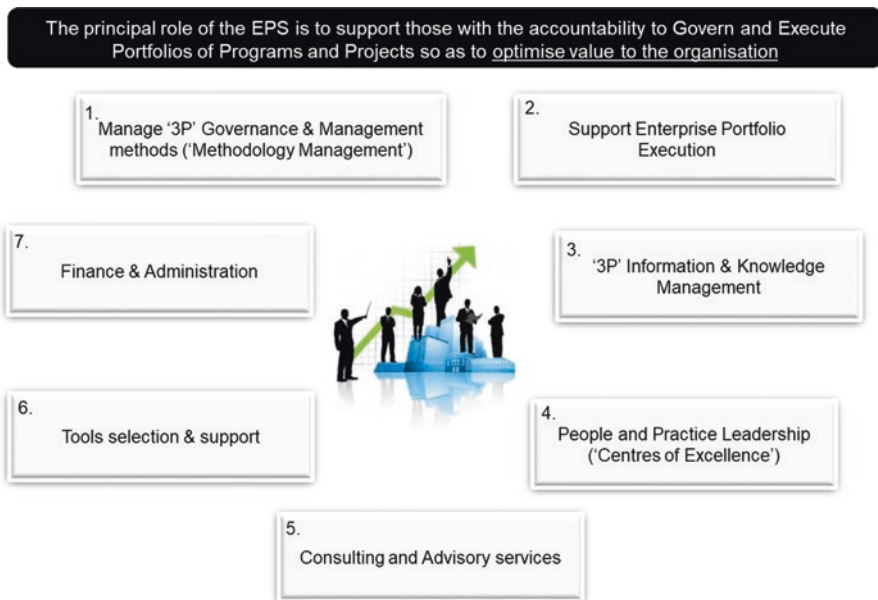
Fig. 13.4 The seven functions which the modern EPS carries out

Problem		Solution
3P Methodology Management	⇨	The EPS will define and implement a comprehensive and integrated Portfolio Governance and Management methodology, supported by effective and very useful tools. Further, the EPS will actively carry out Portfolio Oversight and work with Senior Management to ensure Portfolios realise their claimed benefits.
Support Enterprise Portfolio Execution	⇨	Conducting its **Portfolio Oversight** function, the EPS will actively work with Divisional PMOs to ensure they are structured for success, and they deliver on that success.
3P Information and Knowledge Management	⇨	PMs currently spend up to 25% of their total work effort meeting reporting demands. This takes away their focus from other critical tasks, such as controlling project execution. With the implementation of appropriate project Information Systems, this workload should be reduced to less than half
People and Practice Leadership	⇨	The EPS will define all Governance and Management role accountabilities and practices, publishing key Practice Guides, running Steering Committee training, providing on-the-job assistance to those in a Governance role, and putting in place an induction-type program for those new to Project Governance.
		The EPS will define Competency profiles for all Project Management roles and conduct individual professional competency assessments. Each project professional will have a tailored development pathway designed to ensure all PMs realise their potential.
Consulting and advisory services	⇨	The EPS, being accountable for defining all 3P Governance and Management methodologies, will ensure all practitioners follow the prescribed set of practices. This means all projects will follow best practices in Project Planning, Estimation, Execution, Risk and Stakeholder Management (etc.).
Tools selection and support	⇨	The EPS has prime accountability for putting place all 3P Information Systems – including Metrics Management. Appropriate Information Systems will ensure project status and performance information is easily captured, tracked and reported on, removing a substantial overhead.
Finance and Administration	⇨	Manage a full set of 3P 'accounts', tracking budgets, expenditure, maintaining a Benefits Register and supporting Divisional Portfolio Offices and PMOs in managing their 3P accounts. Administration functions include enterprise 3P resource management.

Table 13.2   Summary of the seven functions carried out by EPS

13.2.4   The Value Proposition

Following are some really good reasons to move to an EPS:

1. The EPS solves One of the perennial problems many organisations have:
   How to ensure business plans and strategy is implemented through a coordinated structure of Portfolios, Programs and Projects.
2. The EPS sets up an information and knowledge management infrastructure, leading to efficient communications and better decision making based on timely and accurate information. Senior Management are provided with both regular Status and Performance Reports, and on demand information.
3. The EPS ensures a consistency of Portfolio, Program and Project ('3P') practice across the organisation, leading to increased efficiency of effort and resources.
4. The EPS supports Divisional Portfolio Management groups (such as may exist IT, Corporate Services, Business Units) to ensure collaboration across the Organisation, minimising duplication of functions and resources and increasing efficiency.
5. The EPS sets up and runs Professional and Competency Development programmes, ensuring we have highly proficient and effective Governance and Management professionals.
6. By supporting 3P practitioners on-the-job, the EPS ensures individuals better understand and deliver their accountabilities and are more productive and effective.
7. Through the implementation of Knowledge Management, the EPS ensures that all projects benefit from lessons learned, and past mistakes are not repeated.
8. The EPS leverages economies-of-scale through vendor selection and contract administration.

Along with the above eight points, in moving to an EPS from an EPMO you remedy one of the main complaints about the EPMO and that is they spend too much time on the operational, 'box-checking' type activities, and not enough time adding value to the field. To illustrate this I have documented where an EPMO spends most of its time compared to where an EPS focuses its energy (based on three EPS transformation program I have led) (Table 13.3):

EPS Function	EPMO	EPS	Variance
3P Methodology Management	10%	15%	⇧
Enterprise Portfolio Analysis, Monitoring and Reporting	35%	25%	⇩
3P Information and Knowledge Management	10%	10%	⇔
People and Practice Leadership	5%	15%	⇧
Consulting and advisory services	1%	20%	⇧
Tools selection and support	10%	5%	⇩
Finance and Administration	29%	10%	⇩

Table 13.3 Where an EPS spends its energy compared to an EPMO

The basis for the comparison was the total effort (calculated from full-time-equivalent roles), spent on functions and core activities. The results at first glance do not make a lot of sense. If the purpose of an EPS is to place greatest emphasis on managing the enterprise portfolio then why has the total effort associated with 'Enterprise Portfolio Analysis, Monitoring and Reporting' decreased? The reason is that in implementing full 3P a lot of the analysis of Divisional Portfolios is carried out by the Divisional Portfolio Office. At the EPS the focus is on the Enterprise Portfolio and much of the analysis required in optimising, monitoring and reporting has been done already. An efficient EPS can only be achieved with an efficient Divisional Portfolio Office.

Where the greatest value adds appear are with consulting and advisory services. This means the EPS having access to senior, highly experienced, well-credentialed and credible consultants, who may well be senior Program Directors moving between assignments and spending time in the EPS to pass on their considerable knowledge and advice.

13.2.5   Key Stakeholders

There are six key stakeholder groups the EPS provides services to, or needs to work with in delivering its services, as shown graphically in Fig. 13.5:

Fig. 13.5 The six key stakeholder groups EPS works with

Table 13.4 shows how the key stakeholder groups relate to the EPS major functions. The right way to view this is to see the stakeholders as clients. What would they be prepared to pay for EPS's services? The make-up of these stakeholder groups are senior and influential managers, so it is mandatory to understand their needs and how they will be most efficiently met. The EPS must be seen as enthusiastic, knowledgeable and very useful. They should be exemplars of excellent program and project practices, and use the techniques described in Chap. 5, such as design and agile thinking and doing. Further, they need to be continually looking for ways to make their key stakeholders roles easier, or if not easier, then definitely more efficient.

Stakeholder Group	Methodology Management	Portfolio Execution	Information Management	People and Practice Leadership	Consulting and Advice	Tool selection and support	Vendor management
CEO and Leadership Team	✓	✓	✓		✓		
Portfolio, Program and Project Sponsors	✓	✓	✓	✓		✓	✓
Steering Committee and Governance Board members	✓	✓	✓	✓	✓		
All Portfolio, Program and Project Management professionals (Portfolio Directors, Program Directors, Program Managers, Project Managers, Project Directors, Stream Leads and Team Leaders)	✓		✓	✓		✓	✓
Divisional Portfolio Offices and PMOs	✓	✓	✓	✓		✓	✓
Vendors and suppliers			✓	✓	✓	✓	✓

Table 13.4 The six key stakeholder groups and which functions they require, or where they work with EPS

13.3   EPS Functions

Section 12.2.4 summarised the seven functions of an EPS, which are expanded on below.

13.3.1   Methodology Management

In Chap. 7 I introduced the Portfolio-Program-Project Execution Frameworks, explaining there were three perspectives of these frameworks, one each for Governance, Management and Delivery. Typically the EPS takes ownership of the Governance and Management 3P methodologies, leaving the more technical 'Delivery' life cycle methods to individual functional groups. For instance, IT may take ownership of the Agile methodology (Fig. 13.6).
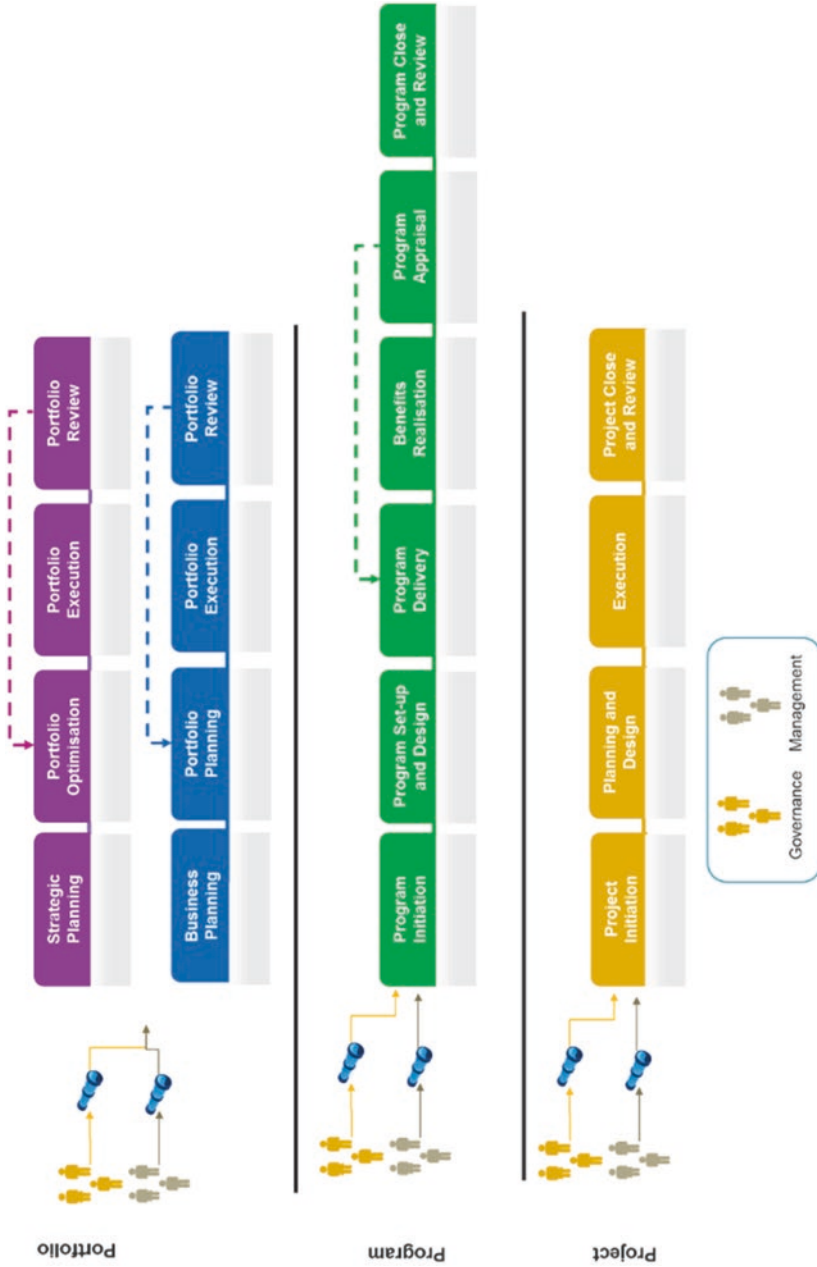
Fig. 13.6 The 3P execution frameworks, representing the governance and management 'lens'. Delivery lens is not shown

We have covered execution frameworks extensively in this book and the EPS will essentially take ownership of the Governance and Management 'lens' of the 3P. The frameworks may be delivered as handbooks, as e-books and be supported by worked examples and templates. In collaboration with HR, they will also own learning programs for 3P management professionals (Program and Project Managers et al.) along with executive briefings and on-the-job support for those taking on a governance role.

The challenge for most organisations is that Governance and Management standards are not as mature as

Delivery standards, and Portfolio and Program methods are not as mature as Project methods, as we discussed in Chap. 7. Historically when we talked about a 'project methodology' we were referring to an execution life cycle methodology, such as an applications development life cycle, or Agile methods, which had bundled in them governance and management methods, which were fairly 'thin', if not non-existent. Table 13.5 shows the completeness of the nine individual frameworks making up 3P, from a study of six organisations conducted between 2008 and 2015. As can be seen the project and program management and delivery methods are most complete, and governance the least complete. This maps to the overall maturity of the practices being carried out.

Table 13.5 The completeness of each of the 3P frameworks taken from a study of six organisations

This means EPS has a big job in bring the governance and management methods to a satisfactory level of completion, and then rolling them out across the organisation, ensuring consistency in how individuals carry out their assigned roles.

13.3.2   Support Enterprise Portfolio Execution

The EPS will work closely with the Enterprise Portfolio Director, the Enterprise Portfolio Working Group and Enterprise Portfolio Board in agreeing on the division of responsibilities. In organisations running a federated model of distributed PMOs, then there may also be a Divisional PMO who will work closely with EPS. The goal is on efficient divisional of labour, avoiding as much as possible duplicating functions and services. The operating word is 'useful', and as soon as the PMO or EPS lose that descriptor, then their functional value is lost, and their days are numbered.

Strategic Planning
Typically Strategic Planning is carried out by the Group Strategy unit. In some organisations the Strategic Planning and Portfolio Optimisation phases of the Enterprise Portfolio Execution Framework are owned by a Group Strategy unit, and EPS works closely with them, often undertaking a data and information management role. This role is really critical as it ensures the right information is captured and made available to those carrying out the planning.

Portfolio Optimisation
EPS will work closely with Divisional PMOs and Portfolio Working Groups in gathering data, analysing it, encoding it for capture in the portfolio information system, and ensuring it is available on demand to the programs, divisional PMO and Portfolio Boards.

Portfolio Monitoring
Supporting the Enterprise Portfolio Board in monitoring the portfolio is possibly the most important job the EPS carries out, and it is also where we often see the dead hand of bureaucracy reveal itself. When the EPS is doing its job really well it appears, or does not appear, just as a top professional waiter – invisible but always there to do their job with minimal fanfare or fuss. Traditionally the EPS will prepare reports of various types for the Enterprise Portfolio Board, but it is more useful to view this as information management, preparing information and making it available on demand.

Supporting this is in-depth data analysis, to promote those issues most pertinent to the senior executive.

Portfolio Review
EPS will probably organise these the Enterprise Portfolio Review, and it should be run along professional project management guidelines. They may be asked to

conduct the review, or a third party may be engaged. Regardless EPS will support the review.

13.3.3   Information and Knowledge Management

Think of it like this: EPS is the business owner for the 3P Governance and Management information system. Like any business EPS requires a core operational support system, little different from systems supporting call centres and back office functions (although on a much smaller scale).

Information and Knowledge Management is much more than just reporting, and in many ways this represents the most critical service to all key stakeholders. The provision of effective 3P Information Systems (such as Clarity, Microsoft EPMS) is fundamental to 3P success.

There are five main activities the EPS carries out as part of this function, as defined in Table 13.6.

Activity		Description
Define & set-up appropriate Information Systems	⇨	Establish appropriate '3P' Information System, to support Portfolio, Program and Project Management and Execution.
Define, set-up and manage a Metrics Management system	⇨	Design a metrics capture and analysis system, and source and implement appropriate system or tool.
Define & set-up standard Portfolio reports	⇨	The EPS is charged with designing and implementing a reporting regime using both hard-copy and on-line reporting.
Create organisation-wide views	⇨	The EPS will create and manage organisation-wide views of Change and Impacts, Resource Utilisation and Demand, a 'Master Schedule' of all programs and projects running and planned and project finances.
Build a Knowledge-base	⇨	Use the results of PIR's, and 'lessons learned', to build a knowledgebase suitable for supporting effective Portfolio planning and execution. Implement this as a blog and forum for exchange of ideas and 'self service'

Table 13.6 The five main activities carried out by EPS in information management function

13.3.4 People and Practice Leadership

Critical to project execution excellence is the building of a community of highly proficient project professionals. The EPS takes a lead role in defining what a competent PM professional is, and then managing the hiring and competency development pathways for all professionals. A number of 'Centres of Excellence' are established, focused on 3P, Agility, Innovation and Lean Practices.

Table 13.7 defines the four main activities undertaken:

Activity		Description
Professional competency framework and development programs	⇨	• Define a Competency Framework for each of the key 3P roles • Each Project Professional will be assessed against a target competency framework • Individual professional development programs defined and run • Working closely with L&D, design and run targeted training, both face-to-face and as e-Learning programs
Mentoring and coaching	⇨	• Organise and undertake individual and group coaching • For each CoE run a small team of coaches and practice experts
Define and publish Practice Guides	⇨	For a number of key practice areas, define and publish Practice Guides: • Program Planning and Control Guide • Project Initiation and Planning Guide • Program and Project Estimation • Lean and Agile Practices
Event Management	⇨	• Plan and run various events, presentations, briefing sessions, workshops and training programmes, to integrate with professional development frameworks • Engage leading industry practitioners and thinkers to challenge current behaviours and mindsets • Conduct 'webinars' as well as face-to-face events

Table 13.7 The four main activities undertaken by EPS in managing the professional development function

13.3.5 Consulting and Advisory Services

Traditionally the PMO has been seen as an operational group, gathering data, reporting, making sure everyone fills in time sheets (etc.). To many this was necessary but fairly low-value work. With the EPS there is a much greater focus on increasing value and one way this happens is through providing expertise to 'the field'.

One approach to increasing the EPS 'value proposition' is to have a small group of highly skilled, experienced and knowledgeable senior 3P managers working out of the EPS for a relatively short-term (say, 1 or 2 years). These senior managers may

be coming off a recently competed program and being assigned to the EPS should be seen as a vote of both 'thanks' and recognition of the fine work they have been doing. While at the EPS these people may undertake further professional development, but most importantly they would be available to act as om-the-job consultants, and as mentors to junior program and project managers. They may also undertake health checks, and sit in on steering committee meetings, providing informed and useful input and advice, acting to those in a governance role as 'trusted advisors'.

The following table lists some of the activities this function may carry out (Table 13.8).

Activity		Description
Provide hands-on support to Program and Project Management personnel	⇨	Work closely with involved personnel to implement practices, systems, procedures etc. This may be done by EPS personnel or through external consultants.
Advise the CEO and senior management	⇨	On a request-for-service basis, and by running Information and Briefing sessions, provide timely, accurate and useful advice to senior management
Identify and engage external consultants	⇨	Where consulting support is required and the capabilities are not provided in-house, identify appropriate external support.
Act as a 'thought leader' in becoming a more innovative and agile organisation	⇨	Bring together the multiple groups across The Organisation engaged in innovation and agile practices, processes

Table 13.8 The four main activities undertaken by EPS in carrying out the consulting function

13.3.6   Tool Selection and Support

Possibly no other topic elicits such talk and confusion as 3P tools. People working in PMOs and project managers love to argue the pros-and-cons of all sorts of tools and systems, either praising or denigrating tools, with everyone having an opinion on what is wrong and what needs to be fixed. Overall, satisfaction with installed tools and systems is fairly low although this situation is changing – slowly.

What We Use Tools and Systems For

Figure 13.7 shows we use toolsets for four main purposes:

Information and Knowledge Management

- To support the efficient dissemination of information to all stakeholder groups – timely and accurate
- Provide an infrastructure to codify and organise knowledge, suitable for search extraction and distribution

Metrics Capture and Analysis

- Support the efficient capture of all key program and project metrics (beyond simple time sheeting)
- Enable sophisticated analysis to support productivity and throughput management
- Ensure, as much as is practical, no duplication of data or data entry

3P Governance, Management and Execution

- Support our governance and management of Portfolio, Programs and Projects
- Enable the efficient status reporting and communications
- Support resource and capability management

Cross organisation collaboration and team communications

- Support the efficient collaboration across teams and programs and projects
- Provide 'social media' type tools, which link issues tracking with content management (as an example)

Fig. 13.7 The four main purposes we use tools and systems for in 3P

The tools and system support the information and knowledge management systems outlined above. The problem most organisations have is that they have not taken the necessary steps in defining a business and applications architecture. Instead what they have ended up with is a collection of tools – such as Microsoft Project, Share Point, Excel, Atlassian's Jira, and comprehensive Enterprise Project Management Systems (EPMS), such as Clarity, Primavera, Clarizen, with each tool doing specific functions and most not integrated. This means there is substantial data replication and duplicated functions and processes.

Over the past 5 years we have seen a range of enterprise social media tools, such as Yammer and Slack, used to enhance team collaboration and communication, although it is not clear if any of these tools has worked to reduce the over-reliance organisations have on emails. There has also been the rise of data extraction and reporting tools (such as Tableau), which do enable elegant user interfaces and the ability to access data and information across a range of platforms, on demand.

The Problems with Tools and Systems

- As indicated above, **data replication is a major problem**. Even when an organisation has gone with an EPMS (such as Clarity) as their core system and central data repository, there is still substantial data extraction and copying into other tools (Excel, Share Point) for individual groups and programs to carry out their own data manipulation and analysis. We often see reports which should be in complete agreement reporting on different data sets, which causes massive confusion.

- There is a **proliferation of tools**, many of which do not integrate or share the same data sets. Some groups may use Share Point to manage risk and issues logs, while others use Excel and still others use Jira. This inconsistency of toolset usage flows through to inconsistency in processes, procedures, practices and reporting, which causes a major headache for anyone expecting to work across programs and projects, and in particular for those taking on a governance role. This also leads to a substantial cost and effort overhead.
- Tools seem to **undermine good practice** rather than enhance it. Enterprise systems such as Clarity are often very hard to streamline and make user-friendly. There is little opportunity to extensively modify to make then operate the way you want to work. Restrictions in how to define organisation structures (for instance) means organisations are forced to adopt the system's view of the organisation, which leads to confusion.
- The core problem remains there is **no well-worked architecture** which the systems should align to.

13.3.7 Finance and Administration

The EPS performs a critical role in 3P financial reporting and administration (Table 13.9).

Administration Function		Description
Financial Management	⇨	Manage financial functions such as budget & cost control.
PPM Resource Management	⇨	Act as the central contact point for the Organisation HR, define resourcing needs and capabilities and handle standard HR administration functions.
Technology Administration	⇨	Work with Information Technology to ensure Portfolio technology needs are being supported. Administer all SLA's with internal and external service providers.
Vendor Management	⇨	Negotiate and administer value-for-money contracts with 3P vendors.

Table 13.9 Four main functions undertaken by finance and administration

13.4 How Responsibilities Are Split Between Enterprise and Division

If your organisation runs both enterprise and divisional portfolios, then it is likely you will run Enterprise Portfolio Services and Divisional Portfolio Office(s). It is important to not double up on roles, responsibilities, functions and activities. The following table shows broadly how responsibilities are split (Table 13.10):

Function	EPS	Divisional Portfolio Office
Methodology Management	• Define 3P Framework, creating a standard for processes, key deliverables, life cycles, role accountabilities, reporting structures • Produce templates and sample deliverables	The 3 Frameworks can be modified to meet the specific needs of the Division, but 'baseline' standards remain
Support Enterprise Portfolio Execution	• Aggregate Divisional Portfolios to the Enterprise Portfolio and conduct Value Driver analysis • Conduct Portfolio Oversight at the Enterprise level • Undertake health checks and assurance reviews (strategic programs)	• How the divisions carry out Portfolio Planning will vary based on their size and complexity, and the need for sub-portfolios (for example) • Conduct detailed Divisional Portfolio Oversight • Undertake health checks and reviews
Information & Knowledge Management	• Define core reporting structures and formats • Provide efficient information repositories (such as Clarity) to support reporting and information flows • Report into senior management and governance • Set up and maintain a Knowledge Base of smart practices, 'best practices', useful techniques, lessons learned	• Report into the Division, and to the EPS as required (this may be minimal reporting to EPS as data will be available from central repository) • Support projects with reporting and information management
People & Practice Leadership	• Establish and run the CoE for practices which can be applied whole-of-organisation • Produce and disseminate Practice Guides • Collaborate with Divisional PMOs to create 'virtual' CoE, picking the best practices from across the Organisation to promote and establish as 'preferred practice'	• Work closely with the EPS in the establishment and on-going development of CoE • Provide adjuncts to the Enterprise CoE, as appropriate for local requirements • Provide addenda to Practice Guides, as appropriate for local requirements

(continued)

Function	EPS	Divisional Portfolio Office
Consulting & Advisory Services	• Provide advice and consulting services to executive management on all matters to do with Enterprise PPP • Undertake assurance, health check and reviews • Provide advice, briefing updates, specialist consulting to the broader 3P community, and governance	• Canvass the needs of the program and project community within the Division • Work closely with the EPS to leverage existing expertise, and provide an adjunct to this expertise only as required
Tools selection & support	• Define and manage the EPS 'Information System', and the tools to support effective 3P execution • Define, negotiate with vendors, implement and provide support for a core set of tools as required by the 3P community • Provide broad access to toolsets by 3P community, enabling flexibility and extensibility as appropriate	• Provide local support for standard toolsets • Extend usage of toolsets as agreed with EPS (such as Clarity)
Finance and Administration	• Define standard financial reports and cycles (leveraging Clarity as much as possible) • Undertake financial analysis of large programs • Provide hands-on support to Divisional PMOs as required	• Undertake administration and financial management of Divisional Portfolios • Support programs and projects WRT financial needs and reporting • Provide financial reporting and/or data feeds into the EPS

Table 13.10 How responsibilities are split between enterprise and divisional portfolio offices

13.5   Conclusion

The critical role Enterprise Portfolio Services plays in a fully integrated 3P environment cannot be over-stated. This group bears little resemblance to so many of the Program Management Offices one typically encounters, as its primary purpose is elevated above the operational to supporting senior management in their governance duties, and with those charged with running strategic programs and projects. The highly effective EPS will, to varying degrees, embrace each of the seven core functions of methodology management, senior management support, information and knowledge management, specialised 3P consulting, practice leadership and professional development, toolset selection and support and 3P finance and administration. These are all important roles the EPS plays and, when they are doing their job well, they will be regarded as highly valuable, indeed indispensable, members of the 3P community.

Chapter 14
Appendices

14.1 Appendix A: Project Success Criteria

This section looks at the results of research and analysis in arriving at a model used to both define and measure project success.

14.1.1 Additional Data and Analysis of Project Performance

This section provides additional data and analysis in support of that contained in Sect. 14.1.3.

Since 1994 The Standish Group has published their Chaos Survey, looking at how IT projects have performed (recognising that 'IT projects' are often sub-projects of broader organisation projects). To date data has been gathered from more than 50,000 projects globally. Whereas there are substantial restrictions in drawing too many conclusions from the data analysis, what is clear is the trend for achieving project success has close-to flat-lined as has the proportion of failed projects, as shown (Fig. 14.1):
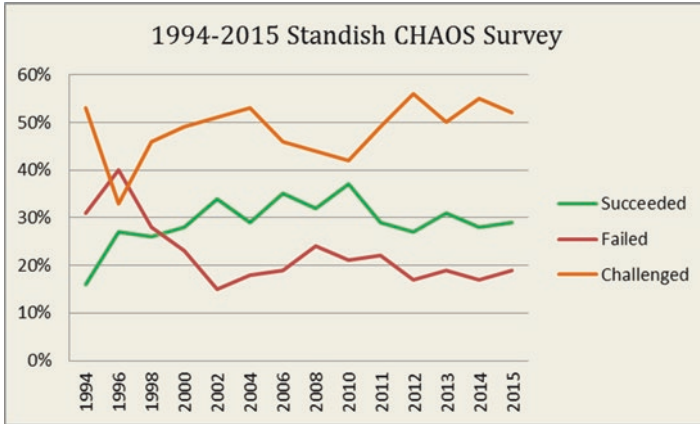
Fig. 14.1 Results of the Standish Chaos survey 1994–2015

It seems problems have plagued organisation projects for many years. While success rates appear to be rising the fact they sit below 30% is unacceptable.

The PMI in their 'Pulse of The profession' report presents data purporting to represent the relative impact of factors causing project failure, as shown in Fig. 14.2 from their 2016 report.
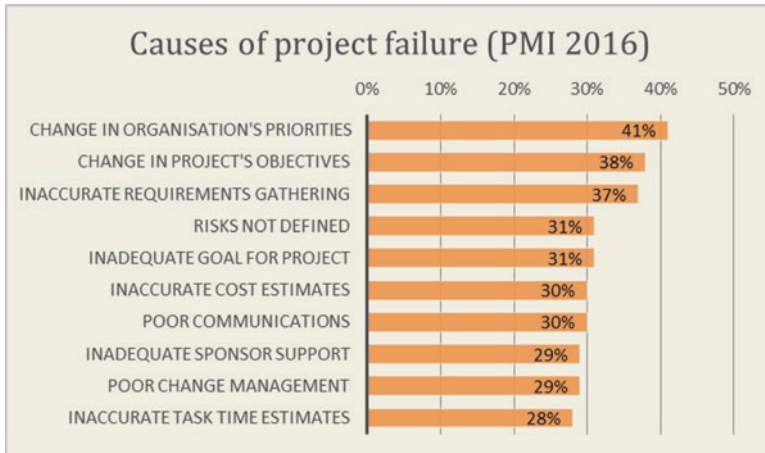
Fig. 14.2 'Causes of project failure' from the PMI 2016 'pulse of the profession' report

Whether the reported causes are indeed the cause or a symptom of a deeper, more pervasive problem is not addressed by the PMI, still taken on face value the major causes of failure deal with the organisation shifting the goal posts, and the project not being able – or allowed – enough flexibility to shift direction accordingly.

The major consultancies regularly publish global surveys on program and project performance. Figure 14.3 compares the causes of project failure as reported by respondents in two global surveys (2004 and 2014) as conducted and published by PwC.

Of interest is 'Scope Changes' persists over that 10 year period as the predominantly reported cause of failure. 'Bad Estimates' is ranked second, but what this precisely is unclear. For instance, if the estimates did not take into account the like changes to scope, then they may well appear incorrect. There is probably some cause-and-effect interdependency with these two 'causes' at play, which is not analysed or at least is not reported.
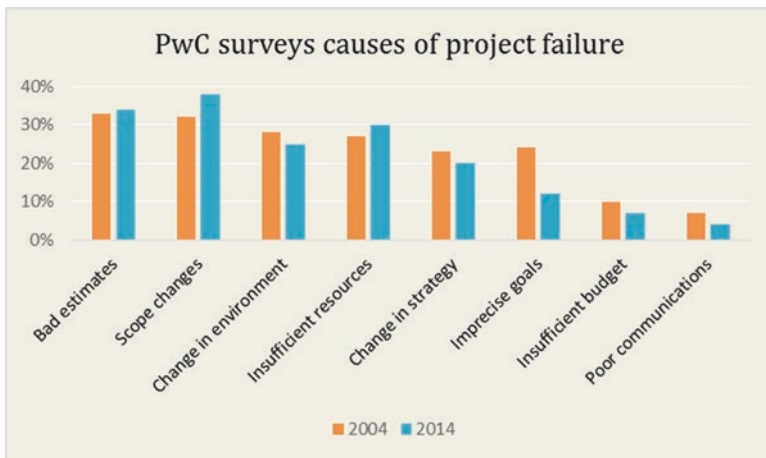
Fig. 14.3 Causes of project failure as reported by respondents in 2 PwC global surveys comparing 2004 and 2014

14.1.2   *Industry Definitions of Success*

At first glance it seems an almost trivial exercise to define what project success means, but the literature would suggest otherwise. PMI's *A Guide To The Body Of Knowledge* doesn't define success although it does refer to it measures of success as:

> *Success is measured by product and project quality, timeliness, budget compliance, and degree of customer satisfaction* (Institute 2014).

The Association of Project Management's (APM) *Body of Knowledge* describes the Critical Success Factors (CSF's) for projects, but in defining success itself it states:

> *"The definition of "success" is itself something that needs considerable care….It is important to realise that different parties on a project have different attitudes to, and measures of, success; and that these measures may give different results over time – as business conditions change for example."* (Dixon 2000, page 18)

The APM raises a critical issue, and that is success very much resides in the 'eye of the holder' as discussed above. It is contextual in nature. Project teams define success quite differently to sponsors whose definition may be different to the end user and the customer. It also alludes to another aspect of success, and that it is time-bound and perceptions of it change over time.

Success is not a binary choice between absolute success and absolute failure. Projects can be positioned on a continuum between 'success – met or exceeded all criteria' and 'failure – cancelled', as shown in Fig. 14.4:
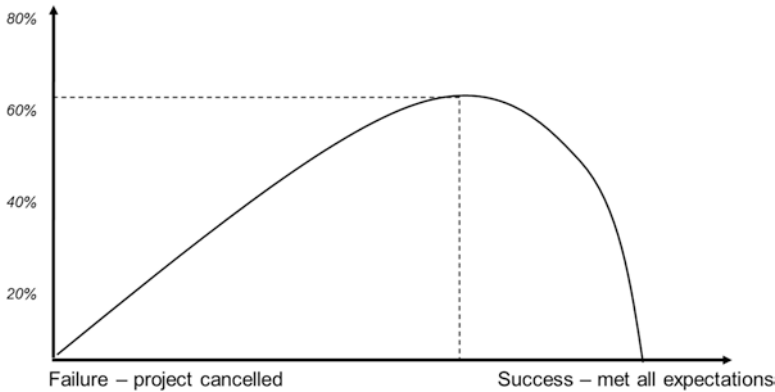
Fig. 14.4 Distribution of projects achieving a range of success/failure criteria

What this graph is saying is that based on a range of criteria which define project success and failure, the majority of projects (around 60%) could be considered 'moderately successful'. Whereas this may be true, it demands we state the criteria which define success and failure.

14.1.3 Academic Definitions of Project Success

There is no one definition of project success which takes prominence (Baker et al. 1988; Cooke-Davies 2002; de Wit 1988; Kerzner 2006; Turner 1999; Westerveld 2002; Jugdev and Muller 2005; Bryde 2005; Munns and Bjeirmi 1996; Wateridge 1998). Researchers and commentators make the distinction between project *outcomes* success (the delivery of business value) and project *management* success (the meeting of contracted terms) (Cooke-Davies 2002; Jugdev and Muller 2005; Kerzner 2006; Munns and Bjeirmi 1996). Kerzner stated:

> *"Successful implementation of project management does not mean individual projects will be successful"* (Kerzner 2006, page 354),

or to put it another way, we could be managing projects as best we can and still not be assured we will get the right outcomes. This is really looking at the differences between project efficiency and effectiveness.

Bryde's research in 2005 into the varying perspectives of project success noted:

> *"project success paradigm has two main foci: establishing the character of the ranked theoretical construct and investigating the factors influencing the particular ranks assigned to individual KPIs within the construct."* (Bryde 2005, page 121).

Bryde referred to these factors as the project's Key Performance Indicators (KPI), using a common term in broader organisational management. KPI's, and their relative importance, is based upon the stakeholder's perception, and that a number of these KPI's were of a class he referred to as 'psychosocial', but there was an over-emphasis on the traditional time / cost / scope triangle KPI's, reflecting the difficulty in developing acceptable measurement regimes for 'softer' KPI's.

Even within a stakeholder group – such as project managers – the definition of success varies (Muller and Turner 2007). Project managers perceive project success being influenced by a range of factors, such as the complexity of the project, experience of the project manager, professional accreditation and geographic location:

> *"The challenge handed over to the project manager, in the form of project complexity and contract type, appears to be a major factor for regulating importance of success criteria and associated results."* (Muller and Turner 2007, page 308)

Building on the concept that success is dependent on who is defining it, Westerveld defined a 'Project Excellence Model' which linked a number of success criteria to critical success factors. (Westerveld 2002) The main contribution of Westerveld is to define success in technical terms, as well as by each major stakeholder group and then by project type, thus giving an interesting, multi-dimensional perspective of project success.

Distinctions are also made between project success criteria by which project success is measured, and project success factors, or Critical Success Factors, which are the conditions which determine project outcomes (Jugdev and Muller 2005; Agarwal and Rathod 2006; Clarke 1999; Wateridge 1998). These factors determining project outcomes are discussed later on.

The idea that the time dimension has some impact both on how success is measured and perceived is prominent (Wideman 1996). Not only does time influence our understanding of success, but it also implies that success can be defined by the relevance to the level of the organisation, whether that be an operational, tactical, business unit or strategic.

In understanding what influences project success (as distinct from simply defining what it is) a study by (Dvir et al. 2003) identified that project success is insensitive to the level of implementation of management processes and procedures, which are readily supported by modern computerized tools and project management training. On the other hand, project success is positively correlated with the investment in requirements definition and development of technical specifications.

What is interesting in each of these views is that each period does not replace the preceding period, rather it builds on it. The 'iron triangle' is still a valid and important definition of success for the project manager and prime contractor, whereas realisation of the business case is important for the owner, and success at the portfolio level critical to the CEO. These definitions of success are all valid and they all co-exist.

As organisations move towards management by portfolio and program, and running stand-alone projects less common (Thiry and Deguire 2007), then judging success at the project level is less relevant (although still important), and measuring success at the program and portfolio level becomes more relevant.

The following table documents a number of definitions of project success (Table 14.1):

Reference	Features	Success Criteria
(Turner, 1999)	The traditional 'golden triangle' of project success.	• On budget • On time • Per specifications • Meet quality requirements
(Wateridge, 1998)	Defined success for two groups: users and project teams Wateridge then proposed that the key project stakeholders (sponsor and project manager principal amongst them) come together and discuss the success criteria for the project and, based partly on such criteria and the type of project to be run, define an appropriate methodology	• Meets user requirements • Happy users • Achieves purpose • Meets budget • Meets time • Commercial success
(Muller and Turner, 2007)	A number of variables shape how project managers perceive project success, including the complexity of the project, experience of the project manager, professional accreditation and geographic location	• end-user satisfaction, • supplier satisfaction, • team satisfaction, • other stakeholder's satisfaction, • customer satisfaction, • recurring business and • self-defined criteria
(Westerveld, 2002)	'Project Excellence Model'	Project results: • Budget • Schedule • Quality • Appreciation by the client • Appreciation by project personnel • Appreciation by users • Appreciation by contracting partners • Appreciation by stakeholders
(Baker et al., 1988)	Time and cost expectations are often irrelevant to the perceptions of project success.	
(de Wit, 1988)	success depends on whom is defining it; measurement criteria for particular success attributes may be difficult to define;	Project functionality: • Financially • Technically • Or otherwise Project Management: • Budget • Schedule • Technical specification Contractors' commercial performances: • Short term • Long term

(continued)

Reference	Features	Success Criteria
(Jugdev and Muller, 2005, Agarwal and Rathod, 2006, Wateridge, 1998)	The distinction between success criteria (by which success is measured) and Critical Success Factors, or what needs to be in place to achieve success	
(Wideman, 1996),	Proposed that understanding of success changes depending on the time frame in which it is perceived	Internal project objectives (efficiency objectives) such as performance against budget, schedule and quality. Benefit to customer, in that what was delivered met the customer's requirements. Medium term benefit to the business. Future opportunity, in that the project enabled long-term opportunities to be realised.
(Jugdev and Muller, 2005)	Defined the four periods of how project success has been defined, taking an historical position and relating each period to a particular stage in maturity.	Period 1: Project Implementation and Handover, where success is very much aligned to project management success and the 'golden triangle'. Period 2: CSF Lists, which identified the things which must be achieved if the project is to be successful. Period 3: CSF frameworks, which took a more whole-of-organisation view of what must be satisfied in order to achieve success. Still, the focus was on the project life cycle. Period 4: Strategic Project Management, where understandings of success change across both the project life cycle and the product life cycle.
(Kloppenborg et al., 2006)	In studies on governance behaviours, defined project outcomes as being defined against three major criteria, (1) meeting agreements, (2) customer and (3) future	• Meeting agreements • Specifications • Time and cost • Customer • Meet their needs • Meet expectations for use of outputs • Future • Commercial success • Market share • New products

Table 14.1 A summary of definitions of project success

14.1.4   Factors Influencing Project Success and Failure (Table 14.2)

Factor influencing project success and failure	Yeo, 2002	Munns and Bjeirmi, 1996	Vogt, 2002	Cooke-Davies, 2002	OGC, 2005	Hartman, 2006	Hopkinson, 2005	Williams, 2005
The degree to which the project is aligned with strategies and priorities		×		×	×		×	
How well risks were understood and managed				×	×	×	×	×
How well top management supported and committed to the project	×	×	×		×	×	×	
The availability and provisioning of the necessary capabilities			×		×	×	×	
The degree to which benefits were defined or realised		×		×	×	×	×	
How well scope was defined and controlled				×		×		
The understanding and management of quality							×	
The degree to which accountabilities were defined and met	×	×		×	×		×	
Whether the right people were involved with the project	×	×			×	×	×	
The definition and application of appropriate practices & strategies	×	×	×	×	×	×	×	×
The application of appropriate technology and resources			×					
The degree to which effective performance metrics were applied and reported				×		×		
Whether continual improvement, flexibility and adaptability were applied				×		×		
How well governance was set up and executed							×	
The availability and use of support and tools						×	×	
How well vendors were selected and managed					×			

Table 14.2 A summary of research into factors causing project success and failure

14.1.5   How Different Project Roles View Success and Failure

Between 1990 and 2005 I conducted more than 300 workshops in Project and
Program Management, attended by more than 3000 professionals. During each
workshop I would run a session discussing project success and failure and the
causes of each. Interestingly, most people judged the same factor could influence
either success or failure. From these workshops I produced a list of 'factors causing
project failure':

 1. Poor alignment with Strategies & Priorities
 2. Risks, if every understood, were not well managed
 3. Senior management showed less than optimal commitment
 4. The organisation did not have the necessary capabilities
 5. Benefits not defined or not realizable
 6. Scope never defined or controlled
 7. Quality never defined or controlled
 8. Accountabilities are not met
 9. The wrong people were involved with the project
10. The wrong practices & strategies were employed

   The above list of factors formed the basis for a questionnaire which was distrib-
uted to more than 150 respondents amongst the three organisations involved in the
research project. The respondents covered all project stakeholders, including senior
managers acting in a project governance role. I did not assume that I had a complete
list of all possible factors causing project failure, and respondents were allowed to
add additional factors to the list, or make recommendations for changes to the list.
The list of factors were not added to or modified. They were asked to assess the
importance of each factor, using a five point scale which ranged from '1' (no impact)
up to 5 (major impact). The results of the survey are contained in Fig. 14.5.

   Although the factors were quite broad in their focus, the results suggest that, col-
lectively, most project participants identify similar reasons for project failure. The
percentage of 'Major impact' corresponds to respondents rating the factor a score of
'4' ('strong impact') or '5' ('major impact').
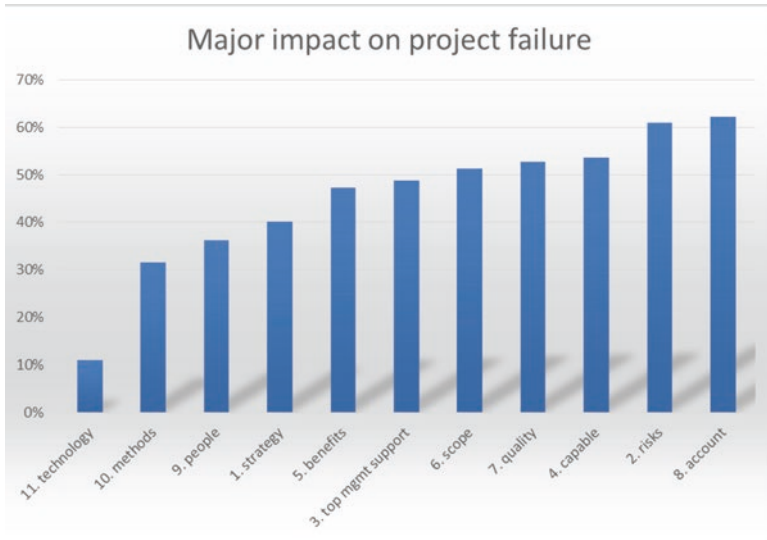
Fig. 14.5 The proportion of respondents identifying a major impact on project failure

I then analysed whether governance viewed the factors differently to managers, and there is quite a difference as can be seen in Fig. 14.6. Just as project success is 'in the eye of the beholder', so too do people have differing opinions of what causes projects to move towards failure.
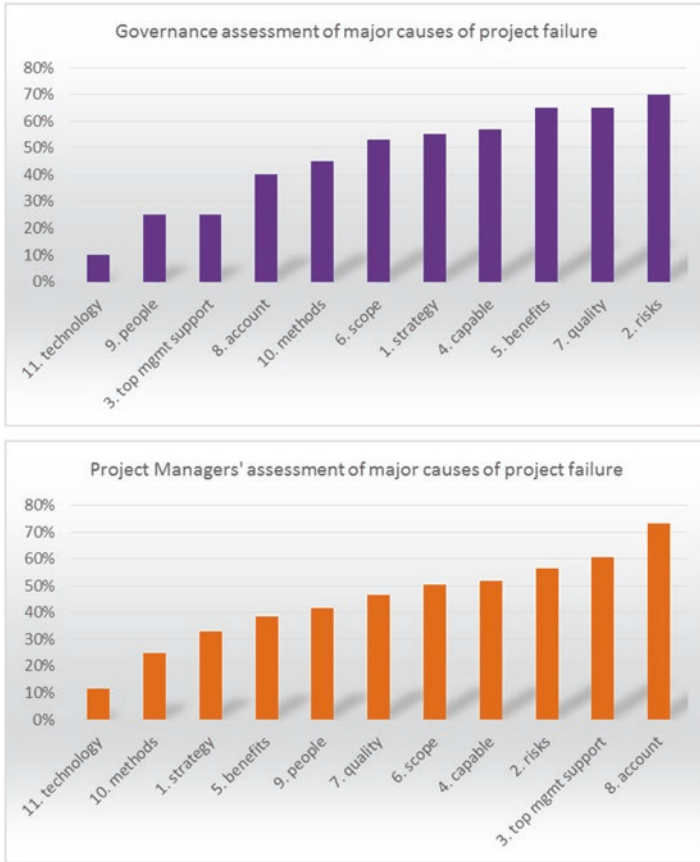
Fig. 14.6 How governance and management view the factors causing project failure

In the following table I have highlighted in red where the factor is assessed as a 'major' (that is, a Likert score of 4 or 5) factor by more than 50% of respondents, split between those having a governance role ('Gov') and those having a PMO, program or project management role ('PM') (Table 14.3).

Factor causing Failure	Gov	PM	Analysis
1. Poor alignment with Strategies & Priorities	55%	33%	When executives realise the project is poorly aligned to strategy it may be cancelled, re-scoped or simply re-prioritised. Whatever the response, the project's original objectives, budget, timeframes, resource allocation will change.
2. Risks, if every understood, were not well managed	70%	56%	Most respondents viewed risks as 'potential problems', so when something goes wrong the immediate response was 'the problem was we didn't control risk'. It appears the main issue here is people not even recognising what a risk is. Reflecting on risk being aligned to 'uncertainty', many respondents experienced projects proceeding blindly oblivious to risks, and suffering the consequences when the risks eventuated. Even when risks were identified there was little action to control the risks, and senior management did not assiduously track how risks were being managed
3. Senior management showed less than optimal commitment	25%	61%	Many PMs identified the 'kiss of project death' as being the sponsor buying out. Numerous instances were described where failure by senior management to make timely decisions – indeed, any decision – as being devastating for a project. This factor scored highest amongst project managers who experienced situations such as key people not turning up to steering committee meetings, delayed decision making, withdrawal of subject matter experts from projects. Senior managers saw this as 'realities of organisational life' and expected project managers to just get and manage it.
4. The organisation did not have the necessary capabilities	57%	52%	The fundamental indicator for project success remains: we have done this type of project before. We have a track record and the necessary capabilities to make it a success. It continues to surprise that senior management authorise significant project spends with no certainty the organisation has the skills or experience to successfully deliver.
5. Benefits not defined or not realizable	65%	38%	This was a major cause of failure for those who were accountable for ensuring benefits were realised.
6. Scope never defined or controlled	53%	50%	For reasons not always obvious, but possibly tied to the capability of project personnel, scope definition and management is done very poorly. In too many cases it is not clear what, precisely, the project is meant to deliver, and when agreement is finally reached (if it is reached), then there is a substantial increase in project effort to correctly align to agreed scope.

Factor causing Failure	Gov	PM	Analysis
7. Quality never defined or controlled	65%	47%	Poor quality, perceived in terms of 'product' quality (that is what the project delivers to the business), and 'process' quality (lousy methods leading to increased workload) are seen as major causes of failure by all groups. In most cases quality was never defined and so it was not designed in.
8. Accountabilities are not met	40%	73%	This is a somewhat insidious and often hidden factor as it is often very subtle. People not turning up to meetings, not meeting a milestone, not producing a deliverable as agreed or making a decision they were accountable for. In many cases a RACI was produced but not honoured. PMs viewed this as the major cause of project failure.
9. The wrong people were involved with the project	25%	42%	This is an interesting result as I was actually asking people to rate themselves. Overall they thought that if the wrong people were allocated to the project they could something about it. Governance rarely saw this as a problem as they did not hire the people working on the project.
10. The wrong practices & strategies were employed	45%	25%	Project professionals rarely blamed methods for failure, mainly because they had most control over this and were often allowed to modify methods to meet the demands of the project being run. Governance, however, were not so sure and often viewed methods as being the cause of projects progressing too slowly, and speed to deliver they saw as being closely tied to success.
11. The wrong technology was chosen	10%	12%	Possibly the most surprising result of all is that the technology chosen (whether that was a system, application, platform, network etc.) was rarely seen as being a cause of failure. One reason for this was in most cases the technology was already in place and the project was enhancing the solution, rather than implementing entirely new technology

Table 14.3 Major causes of failure and the proportion of respondents assessing each factor as a major cause of failure

Unsurprisingly, senior management do not view they are a contributing factor in failure (Item 3, above). They view poor risk management as the most critical factor, probably because their involvement peaks when they see a project in trouble, and invariably such trouble is associated with risk becoming a reality. This is viewed as a failure of project management. However, 'risks' is such a broad topic it probably reflects a lack of deeper thought and reflection. It immediately begs two questions: 'which risks?' and 'how was risk being managed?'. They also rate poor quality and unrealised benefits as being causes of failure as these factors are of greatest, on-

going consequence for them. For instance, it is the business which mainly deals with the consequences of poor quality. They also view a project as failing when the claimed benefits don't materialise which has consequences when they are asked to account for the benefits they claimed would be delivered by a specific project.

Project managers see accountabilities not being met and lack of senior management support as primary causes of project failure. Qualitative analysis identified that individuals and groups failing to meet their accountabilities represented 'death by a thousand cuts'. The incidents of this were almost trivial in nature, such as people failing to turn up to meetings, not having a deliverable ready by an agreed date or withdrawing key people from the project, even if for just a few days. Collectively, project managers saw this as fundamentally undermining their chance for project success. One group is blaming the other, which is an unhealthy situation.

14.1.6   A Model for Defining Project Success

In defining a workable model for how project success may be defined and applied, we turn to quality management, especially as it relates to software quality.

Broadly, quality management is concerned with two facets: process quality and product quality, which could be seen to align with project management success and project success. Such definitions of process quality (and capability) have been incorporated into many of the project management maturity models in use and as discussed in detail (above). However, what of product quality? In a seminal work describing how software quality can be defined, (Watts 1987) documented the results of the MQ Project, which was a collaborative effort between the GMD (Gellschaft fur Mathematik and Datenverarbeitung GmbH, Bonn, Germany) and the NCC (National Computing Centre Limited in Manchester, England), which defined the MQ model of software quality. The purpose of this research was to move away from the singular and simplistic definition of software quality as being the number of defects in code, towards a definition of software quality which took into account the perspectives and expectations of all stakeholders. Thus, to the project sponsor 'quality' represented 'value for money', to the end user it was ease of use and to the architect it was interoperability (as examples). The MQ system had a number of features:

- Software quality could be defined by a number of quality attributes, such as usability, reliability, performance, maintainability, portability etc.
- Each software quality attribute could be further defined by their own discrete measures.
- Each software quality measure is supported by processes to capture and analyse those metrics which define the measure.

By adopting specific weighting factors, it is possible to take into account the varying interpretations different stakeholders have of software quality.

So, adopting this approach for assessing software quality to project success (that is in an analogous fashion replace 'software quality' with 'project success'), the following can be used as a guide:

- Project success can be defined by a number of criteria.
- Each success criteria can be defined by a set of indicators.
- Each success indicator can be quantified by one or more measures, which in turn are supported by processes to capture and analyse those metrics which define each measure.
- By adopting specific weighting factors, the varying expectations and perspectives of each stakeholder can be quantified to provide varying definitions of project success for each project.

A relationship map showing the key domains may assist in understanding success and failure (Fig. 14.7 and Table 14.4).

Project Success:
Key Relationship Map
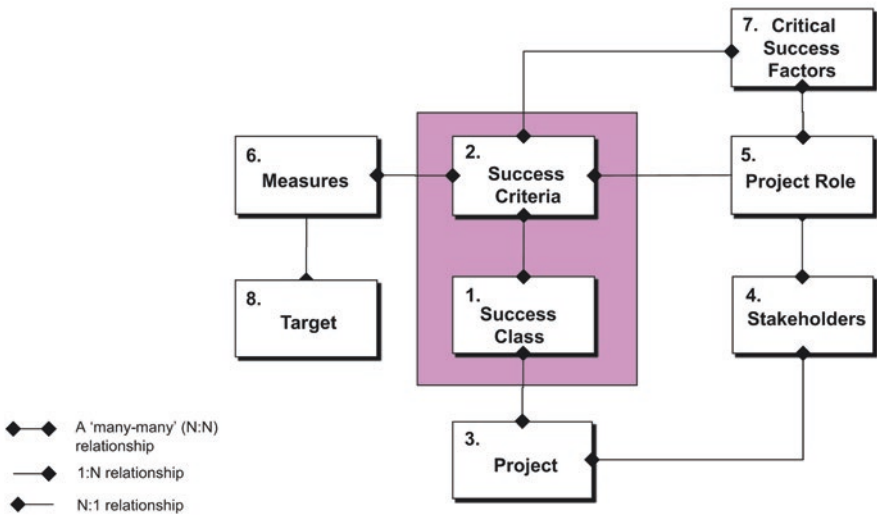
Fig. 14.7 The key relationship map describing how project success may be defined

	Entity	Description
1.	Success Class	An Success Class could be 'Project Success', 'Project Failure', 'Project Management Success' etc.
2.	Success Criteria	Depending on the Success Class, the criteria are those attributes which, collectively, describe success. For example, 'Project Success' may be described by benefits and operational efficiency.
3.	Project	The project the outcomes are being defined for
4.	Stakeholders	Those individuals and groups who are affected by, or who a major interest, in defining project success and achieving successful projects
5.	Project Role	All stakeholders are related to a particular project by taking on a specific project role.
6.	Measures	The discrete measures used to define a particular success criterion. So, a project success criterion of, for example, benefits may be measured by NPV or IRR.
7.	Critical Success Factors	Those factors which need to be satisfied (that is, achieved) for a project to be seen as successful
8.	Target	The target is a measure a success criterion is to achieve for that criterion to be seen as achieved. For example, IRR may have a target of 10%. Each target will also define Tolerance, by which a criterion may be judged to have met its target.

Table 14.4 A description of each entity making up the key relationship map for defining project success

Success criteria should be set for each project (or project type), as not all criteria are relevant for all types of projects. For example, 'operational efficiency' would be inappropriate for a product development project. As already discussed, defining measures and being able to capture the appropriate metrics are two very different matters, as some organisations do not capture all relevant metrics in a consistent manner. Particularly challenging, is Benefits Realisation since few organisations involved in this study performed Benefits Realisation Reviews, or could identify which realised benefits were attributable to which projects. Where discrete metrics are difficult to define or capture, key stakeholder assessments are very useful, using a scale of 1 through to 5 (where 1 is 'most unsatisfactory' and 5 is 'exceeds expectations').

The above table does not take into account how the criteria may change over time. This could be included by showing when each of the above criteria is measured, and how (if?) the targets change over time. For example, in measuring stakeholder satisfaction, a group such as operational management would not be polled at project initiation, but would be polled immediately before, and after, implementation. Similarly, Strategic Alignment would be assessed at initiation and at some point following the end of the project. The second point which needs further analysis and inclusion is that of who sets the targets, and how different voices should receive different weightings. For example, the Project Sponsor must be the strongest voice at the table when specifying cost and time performance targets, whereas operational management would probably insist on setting operational efficiency measures and targets.

One clear point is that defining outcomes such as success and failure is non-trivial, often demanding of the involve organisation a level of maturity in how it thinks about success and failure which may well be beyond its capabilities, which may explain why so many organisations settle for the 'iron triangle' definition of success.

14.2   Appendix B: Deriving a Set of Governance Functions and Behaviours

In undertaking the research it was necessary to have a starting set of governance functions and associated behaviours. As the research was undertaken these functions and behaviours would be modified and added to, and their relative impact on project outcomes measured.

14.2.1   Known Governance Behaviours

In some publications, the terms 'sponsor', 'project sponsor' and 'executive sponsor' all refer to the same role (Cooke-Davies 2005), although it will be argued that such equivalences are not always accurate in practice. Of the key governance roles, the role of the Sponsor has attracted some attention. Miller and Hobbs reported on the results of the International Research Program on the Management of Large Engineering and Construction Projects (IMEC) which ran from 1996 to 2000, where a primary lesson reported that strong Sponsors had a significant impact on how well projects were initiated and subsequently performed. They reported that strong sponsors showed an integrative business perspective, relational and coalition-building competencies, political and negotiating skills and a willingness to make difficult decisions, and, "The study showed that the capabilities of the project sponsor/developer had an important impact on the way the project unfolded and ultimately on performance" (Miller and Hobbs 2005, page 43).

The importance of the sponsor has been recognised for some time, and their role as project 'champion' seen as a major factor impacting success or failure (Wright 1997; Hall et al. 2003; Nah et al. 2001; Procaccino et al. 2001), as well as being responsible for resourcing the project and key decision-making (Mulder 2002). Sponsors need to be influential and, preferably, be a senior executive, promoting the interests of the project and 'sponsoring' the project management in access to executives (Bashein 1994; Currie 1994). In the realm of ICT projects, Top Management Support is seen as critical to project success, although it is unclear what practices, in particular, have the greatest impact: "This research provides evidence that TMS is not simply one of many CSFs needed for project success, but is the most important CSF. "(Young and Jordan 2008, page 8).

There has been some research into the relationship between the project manager and executive sponsors (Kloppenborg et al. 2007), although compared to the extensive body of research into project management behaviours and practices, research into governance roles (such as sponsors), behaviours and practices has been thin (Helm and Remington 2005; Kloppenborg et al. 2007; Lechler and Cohen 2007).

One clear, although concerning, finding was there is a disconnect between an understanding of the nature and value of project management amongst practitioners, and the understanding held by those in a governance role (Thomas et al. 2002). Not only is governance poorly understood, but those who take on a governance role undervalue project management and often fail to see its connection to strategic outcomes and organisational goals: "Senior executives fail to see project management's connection to the goals of the organization". (Thomas et al. 2002, page 26).

In a 2005 study, senior project managers and project directors identified those attributes which characterised effective project sponsorship. (Helm and Remington 2005).

There is some evidence to suggest that the sponsor should have a good understanding of the nature of the project being undertaken, and not be positioned too high in the organisation (Smith 2003).

As part of the study reported in Sect. 2.2.1, and as presented to the PMI's Global Congress in Edinburgh, Scotland in 2005, Cooke-Davies reports that 26% of variation in a project success can be attributed to governance/sponsor capabilities, and concludes his paper with a call to arms: "It is time for project management professional organizations to provide help and guidance to executive sponsors!" (Cooke-Davies 2005). Dinsmore and Cooke-Davies (Dinsmore and Cooke-Davies 2005) identified five key roles the Executive Sponsor should play and they go on to report that there is a positive correlation between governance capabilities and project success, but what is still to be researched are the specific governance behaviours and their relationships to project outcomes.

In a 2001 study based on a number of case studies and literature reviews, project managers reported the role of the sponsor encompasses eleven attributes (Crawford and Brett 2001).

Canvassing more than 350 project professionals and senior managers in 2005, Kloppenborg et al. identified eight major governance factors (which are essentially functions), defined by discrete sponsor behaviours, and determined their relationship with three major outcome areas (Future Benefits, Meeting Agreements of specifications and performance and Customer needs) and established that six of the eight factors had strong correlations to one or more of the outcome areas, and two factors had correlations with all three outcome areas (Kloppenborg et al. 2006). In a follow up study (or as part of the same study), the researchers investigated whether project managers and executive sponsors had differing perceptions of the appropriate behaviours of sponsors at project initiation (Kloppenborg et al. 2007). The research team identified there was just one area where differences existed, and that was the importance of the role of the sponsor in mentoring and assisting the project manager. It is important to understand that both these studies focused on perceptions – that is, what people perceive and think, rather than what people actually do. There was no finding that because project managers and sponsors had broadly aligned perceptions of the behaviours of the sponsor then such behaviours were actually carried out. Most importantly, the study did not determine what sponsors actually did (as distinct from what they should do).

Despite the research carried out to date it is difficult to see what sponsors actually do, although there are data to indicate what sponsors should do, as summarised in Table 14.5.

Researcher / source	Findings / Contributions	Governance Behaviours and Characteristics
(Association for Project Management, 2014)	• Clear definition of governance of projects and governance of project management • Defines 4 functions of GoPM: • Portfolio Direction • Project Sponsorship • Project Effectiveness • Disclosure and reporting • Defines 11 principles of good project governance, from which key behaviours can be deduced	• Ensure key roles and responsibilities agreed and endorsed • Ensure governance accountabilities are carried out throughout the project • Alignment of the project to broader organisational priorities and strategies • Ensure there is a realistic and realisable business case • Review the business case on a regular basis • Ensure those in key roles have appropriate authority and competence to carry out those roles • Enact independent reviews and scrutiny of project performance • Ensure clear and effective communications from the project to governance • Oversee risks and ensure critical issues are effectively resolved • Foster a culture of continual improvement, challenging norms and fostering excellence • Ensure the engagement of all stakeholders is appropriate
(Renz, 2007)	• Defines project governance; • Describes the 'governance gap' which exists between corporate governance and project governance	• Establishing integrity and an ethical framework • Risk management • Stakeholder management • Audit, monitoring and over-sight
(Turner and Keegan, 2001)	Provides definition of project governance	
(Helm and Remington, 2005)	Researched the attitudes of senior project managers to uncover effective governance. Identified 9 attributes which characterised effective governance	• Appropriate seniority and power within the organization. • Political knowledge of the organization and political savvy. • Ability and willingness to make connections between project and organization. • Courage and willingness to battle with others in the organization on behalf of the project.

(continued)

Researcher / source	Findings / Contributions	Governance Behaviours and Characteristics
		• Ability to motivate the team to deliver the vision and provide adhoc support to the project team. • Willingness to partner with the project manager and project team. • Excellent communication skills. • Personally compatible with other key players. • Ability and willingness to provide objectivity and challenge the project.
(Lechler and Cohen, 2007)	Steering Committees in ICT projects do exist, but that their profile is quite low	None defined
(Dixon, 2000)	The UK APM defines 4 major governance roles: • Project Sponsor • Programme Manager • Project Manager • Project Board (aka Project Steering Committee)	• Owns the Business Case • Funds the project • Protects the owner's interests
(Cooke-Davies, 2005, Cooke-Davies et al., 2006)	Defines the role of the Executive Sponsor	• Owner of the Business Case; • 'Harvester of benefits'; • Governor of the project; • Project champion; • Friend of the PM
(Miller and Hobbs, 2005)	With large engineering and construction projects, strong sponsorship is required for successful project initiation and on-going project performance	• Displayed an integrative business perspective; • Relational and coalition-building competencies; • Political and negotiating skills; • Good decision-making skills
(Bashein, 1994, Wright, 1997)	Sponsor must be the project 'champion' Preferably, the sponsor should be a senior executive	• Promoting the project to organisational power-base; • Provide / support appropriate project resourcing; • Good decision-making
(Young and Jordan, 2008)	Top Management Support, is mandatory for project success	
(Kloppenborg et al., 2006)	Tested the effects of project sponsor behaviours on project outcomes. Generated a list of 72 behaviours associated with 8 sponsor behaviour factors (essentially categories)	• Communications and commitment • Aligning the project • Selecting and structuring teams • Risk planning • Establishing change control • Defining performance / success • Prioritizing • Mentoring the PM

Researcher / source	Findings / Contributions	Governance Behaviours and Characteristics
(Kloppenborg et al., 2007)	Their research found that the only (studied) areas where there are significant differences between Sponsor and Project Manager is the need / desire for mentoring the PM by the Sponsor	• Mentoring and assisting the PM • Aligning commitment and support • Prioritising elements of the project • Personnel selection • Defining how performance is assessed
(Thomas et al., 2002)	There is a disconnect in perceptions between project management and governance	Under-value the importance of project management; Do not always see the connection between projects and realisation of strategic goals
(Cooke-Davies et al., 2006)	Undertook research to evaluate 7 hypotheses regarding the role of the Executive Sponsor, associated behaviours and competencies	• Ensure all strategic options considered • Assure project resources • Delegate appropriate authority to project teams • Assure the quality of the business case • Ensures appropriate decision-making to realise the business case • Good negotiator and communicator • Responsive to needs of the project • Understands financial and project management
(Crawford and Brett, 2001)	A report on how project managers perceive the role sponsors should carry out, and barriers to effective sponsorship	• Budget allocation responsibility • Supports project politically • Is consulted on decisions by the project manager • Approves the project plan • Provides project objectives • Makes major decisions for the project • Ratifies decisions made by the project manager or team • Finds resources for the project • Is responsible for the project's scope • Issue management • Risk management

Table 14.5   A summary of the research into the role and behaviours of project governance

Extracting data from Table 14.5 to identify key governance behaviours and the group them by governance function results in Table 14.6 (with each behaviour coded 'GOVn'. Each behaviour is grouped with a governance function and this table was analysed using Critical Incidence Analysis with each case study project.

14.2.2   Summary of Project Governance Behaviours and Functions

Governance behaviour	Function	Renz (2007)	Helm and Remington, 2005	Cooke-Davies, 2005	Miller and Hobbs, 2005	Bashein, 1994, Wright, 1997	Kloppenborg et al., 2006	Kloppenborg et al., 2007	Thomas et al., 2002	Cooke-Davies et al., 2006	Crawford and Brett, 2001	Association for Project Management, 2014	Dixon, 2000
Establishing integrity and an ethical framework (GOV1)	Lead	X											
Risk management (GOV2)	Monitor	X					X				X	X	
Stakeholder management (GOV3)	Commit	X										X	
Ensure the engagement of all stakeholders is appropriate (GOV4)													
Audit, monitoring, over-sight (GOV5)	Monitor	X											
Seniority, influence and power (GOV6)	Lead		X										
Political knowledge (GOV7)	Lead		X		X						X		
Create connections between the project and the organisation (GOV8)	Align		X										
Champion of the project (GOV9)	Lead		X	X		X							
Leadership, by enunciating vision, motivation, support to the team (GOV10)	Lead		X	X									
Be a partner to the project manager / mentor the PM (GOV11)	Mentor			X			X	X			X		

Governance behaviour	Function	Renz (2007)	(Helm and Remington, 2005)	(Cooke-Davies, 2005)	(Miller and Hobbs, 2005)	(Bashein, 1994, Wright, 1997)	(Kloppenborg et al., 2006)	(Kloppenborg et al., 2007)	(Thomas et al., 2002)	(Cooke-Davies et al., 2006)	(Crawford and Brett, 2001)	(Association for Project Management, 2014)	(Dixon, 2000)
Ensure clear and effective communications from the project to governance (GOV12)	Monitor		X		X		X						
Be an effective communicator (GOV13)													
Compatibility with other key players (GOV14)	Lead		X										
Objectivity, and willingness to challenge (GOV15)	Monitor		X										
Owns the business case / harvester of benefits (GOV16)	Align			X								X	X
Ensures business case is realisable (GOV17)													
Understands the business (GOV18)	Align				X								
Excellent negotiator (GOV19)	Lead	X			X								
Good decision-making skills / makes key decisions (GOV20)	Decision-making				X						X		
Provide and support project resourcing and funding (GOV21)	Align					X					X		X
Shows excellent commitment (GOV22)	Commit						X	X					
Aligns the project to organisational norms and priorities (GOV23)	Align				X		X	X		X		X	
Selecting key personnel, and structuring the teams (GOV24)	Align						X	X					

Governance behaviour	Function	Renz (2007)	Helm and Remington, 2005	Cooke-Davies, 2005	Miller and Hobbs, 2005	Bashein, 1994, Wright, 1997	Kloppenborg et al., 2006	Kloppenborg et al., 2007	Thomas et al., 2002	Cooke-Davies et al., 2006	Crawford and Brett, 2001	Association for Project Management, 2014	Dixon, 2000
Establishing and monitoring change control (GOV25)	Monitor						X				X		
Defines what success looks like (GOV26)	Align						X				X		
Prioritise project against other projects (GOV27)	Prioritise						X	X					
Defines how performance is measured (GOV28)	Monitor							X					
Understands and values project management (GOV29)	Align									X			
Works to resolve critical issues (GOV30)	Decision-making										X	X	
Foster a culture of continual improvement, challenging norms and fostering excellence (GOV31)	Lead											X	
Ensure key roles and responsibilities agreed and endorsed (GOV32)	Commit											X	
Ensure governance accountabilities are carried out throughout the project (GOV33)	Monitor											X	
Enact independent reviews and Scrutiny of project performance and the business case (GOV34)	Monitor											X	
Ensure those in key roles have appropriate authority and competence to carry out those roles (GOV35)	Align											X	

Table 14.6 Governance behaviours and functions, as summarised from research undertaken to date

From Table 14.6 it can be surmised there are seven key governance functions (Table 14.7):

Align:	Those behaviours which ensure the project is aligned with broader organisational priorities, strategies and business plans. This also means the correct definition of project objectives and strategies.
Decision-making:	The ability by governance to accurately and effectively make decisions, and follow good decision-making processes (such as Stage Gating). This function may well incorporate problem-solving and rational analysis. Effective decision making has long been seen as a key to effective board behaviour (Eisenhardt and Zbaracki, 1992).
Commit:	Governance exhibits commitment to the project through understanding and enacting well defined accountabilities, and by ensuring those various stakeholders honour accountabilities once they are formally agreed to.
Monitor:	Project over-sight, through timely and accurate information flows (status reports and the like), and by evaluating performance measures, are fundamental governance functions.
Prioritise:	The project must be placed in its relative priority with other projects, and governance will also be called on to set priorities of objectives, time frames and strategies.
Lead:	There are a range of behaviours which collectively fit neatly under the lead, or leadership, banner. Setting the vision, encouraging staff, motivating teams, exhibiting and building trust, loyalty and professionalism are all leadership attributes.
Mentor:	Ideally the relationship between Sponsor and Manager should be positive, respectful and very productive, with the Sponsor taking on a mentoring role, advising and developing the project manager.

Table 14.7   The seven project governance functions

There could be valid argument regarding whether these seven functions include all valid governance functions, although such arguments may be satisfied by interpretation.

It should be of interest to understand the influence our knowledge of governance has on understanding project management maturity.

14.3   Appendix C: Project Governance Behavioural Model

Corporate governance was discussed in Chap. 4, with a view to borrowing those roles, responsibilities and behaviours which may be applicable to project governance. This is seen as advantageous considering the paucity of standards, or even publications on project governance.

Key Governance Functions

A set of governance behaviours and associated functions were developed as shown in Table 5.1.

These generic governance functions and behaviours enacted with each of the 3P life cycles as specific practices and process groups. However, analysis of what actually happens within organisations shows that managing governance processes are often 'non-processes', or the consequence of not carrying out a desirable or even prescribed process. This leads to a comparison between 'positive practices' and 'negative practices'. As the saying goes: 'Even a non-decision is a decision'. And so it goes for governance practice as well. Failure to carry out a prescribed governance role creates a behavioural vacuum which can have negative impacts on 3P performance and outcomes.

A primary output from this research is the specification and population of the Governance Behaviours: Key Relationship Map (see Fig. 14.8). This model defines the relationships between behaviours and outcomes (such as project performance and positive and negative impacts), behaviours and processes, functions, job roles and associated accountabilities. In essence, this model is a major deliverable from this project (Table 14.8).
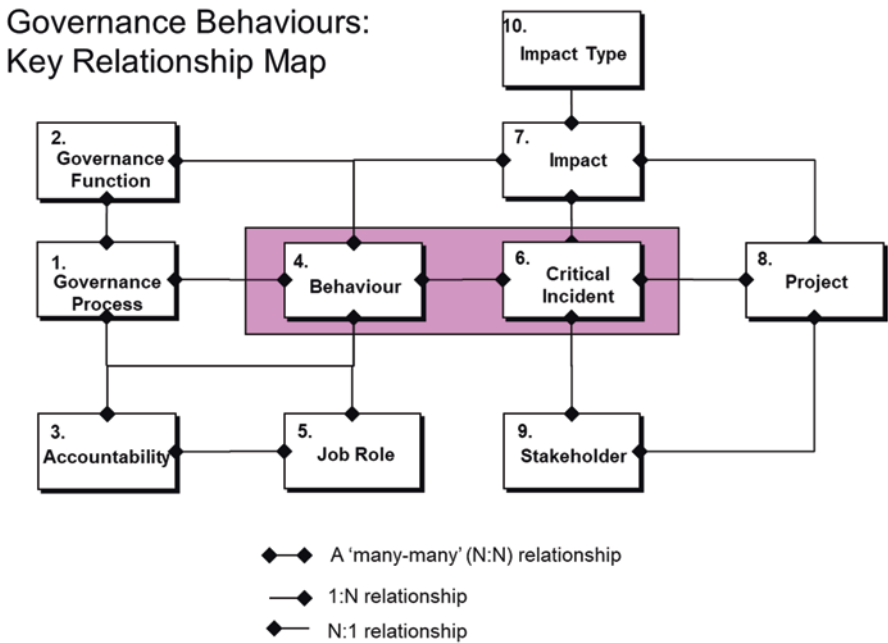
Fig. 14.8 The key relationship map describing governance behaviours

The entities and key relationships are defined below:

	Entity	Description
1.	Governance Process	The Governance Process defines the end-to-end activities required to produce a specific outcome, and is defined for each project life cycle phase.
2.	Governance Function	There are a discrete number of functions which someone in a governance role performs in successfully executing a process.
3.	Accountability	Those taking on a governance role will have specific accountabilities they are expected to meet. Typically, the organisation will have these accountabilities defined as part of its set of project standards
4.	Behaviour	A behaviour describes what people actually do as distinct from what they are meant to do, or even what they think they do. Behaviours reflect attitude, personal traits and intent.
5.	Job Role	This defines the standard project governance job roles, the purpose of these roles, their objectives, goals and key deliverables.
6.	Critical Incident	An incident which occurred in a project which had a noticeable impact on project performance or project outcomes
7.	Impact	One or more impacts are related to a particular Critical Incident. Impacts are of various types, and may be qualitative or quantitative
8.	Project	The specific project on which the CI occurred
9.	Stakeholder	The person who is describing the CI which occurred
10.	Impact Type	An impact type is a way of describing the type of impact related to a CI, such as schedule impact, quality impact, morale etc.

Table 14.8 The entity descriptions making up the governance behaviours key relationship map

The model was implemented via Microsoft Excel so as to facilitate data entry and analysis.

14.4   Appendix D: Research and Field Studies Undertaken

A number of research activities and field studies are referenced in this book, all undertaken by the author, and some undertaken as part of research leading to the awarding of a PhD from the University of Sydney in 2008.

There are five separate field studies looking of governance behaviours:

Study 1: Doctoral Research project. Formal research project carried out at the University of Sydney between 2005 and 2008.

Study 2: Attitude and practice analysis. This study was conducted concurrently with Study 1, and resulted from working closely with 3 organisations in the period 2008–2010 on improving their governance practices. Those in a governance role (115 senior managers) were asked to assess their attitude towards how the organisation ran projects, and their involvement in this. Project performance

was also studied across more than 250 projects which ran at the 3 organisations in the 3 year period.

Study 3: Portfolio Governance assessment. This was an in-depth study carried out in 2010 one organisation (B in Table 14.9), analysing how that organisation managed its portfolio of programs and projects. It involved questionnaires and interviews with 50 senior managers and portfolio and program managers.

Study 4: Steering Committee behaviours. In this study I worked with 4 organisations between 2010 and 2015 (A, B, C and D in Table 14.9), and it involved assessments from 167 senior managers who took on governance roles as either sponsors or steering committee members.

Study 5: Benefits Realisation Performance. This study looked at benefits realised by a project compared to the benefits claimed in the original business case. I selected 25 projects from each of the six organisations in Table 14.9 and analysed what was reported regarding changes to time (schedule), cost and benefits variances across the life cycle of the projects.

Apart from these 5 studies, between 2008 and 2016 I conducted 16 Post Implementation Reviews, 'Set For Success' Reviews and Health Checks across 5 organisations. I interviewed 168 project managers, sponsors, steering committee members and key project stakeholders. Within scope of each review was 'Governance Effectiveness' which allowed me to discuss in detail the governance arrangements, roles and accountabilities, key behaviours and the impacts on projects of those behaviours. This created a rich qualitative basis to better understand 'governance in action'.

14.4.1   Studied Organisations

Across the four studies I worked closely with six organisations (Org A to F) in the table below:

Org	Industry	Small	Medium	Large	Ave Project Spend ($'000)	Ave Yearly Spend ($M)
A	Insurance	25	50	5	$1,150	$92.0
B	Wealth Management	30	30	10	$1,750	$122.5
C	Telco	25	14	6	$2,100	$94.5
D	Health services	55	16	4	$550	$41.3
E	Fin Services	135	72	55	$1,850	$486.0
F	Utility	56	38	7	$777	$78.5

Small: Runs for 3–6 months, spend <$1 M
Medium: Runs for 6–12 months, spend <$2.5 M
Large: Runs for at 12 months, spend >$2.5 M

Table 14.9 Summary of the projects analysed in the six case study organisations

A Note on Project Definition Many of the projects analysed were part of much larger programs, although in most cases they were not integrated programs and the projects tended to run stand-alone. It also seems organisations have a size 'sweet-spot' where they meet their 'iron triangle' of success. As we will see below this is an inefficient way to define project size and creates unnecessary governance demands.

In each case the language chosen in the questionnaires was quite specific. Through much experience I understood without eliciting a response from the individual it was very easy for them to mark 'neither agree nor disagree' which is a bit of a non-answer, although in some circumstances it is entirely legitimate.

14.4.2   Formal Research Project 2005–2008

Study 1 analysed in-depth 6 case study projects, with the profile[1] of each of the case projects selected summarised in Table 14.10. Note that there are no projects of a 'simple' profile selected. Also, there is weighting to projects which required significant governance involvement (such as Priority is 'Critical' and Risk is very high – 'V.High').

Complexity		Size		Priority		Risk	
Simple	0	Small	0	Low	0	Low	0
Average	3	Medium	3	High	2	Medium	2
Complex	3	Large	2	Critical	4	High	1
		V.Large	1			V.High	3

Table 14.10 The distribution of case study projects showing a diversity of project profiles

This diversity is further characterised by:

- Project success ranging from unsuccessful to very successful;
- Project size varying from small ($800 k) to very large ($35 M);
- Project priority ranging from operational to strategic;
- Governance attention to the project ranging from minimalist/hands off to a full-time sponsor;
- Project goals which ranged from operational (such as supporting business-as-usual) to major organisation change programs;
- The use of Information and Communication Technologies (ICT) ranged from IT-centric or enabled projects through to minimal ICT;
- Projects selected from quite different industry sectors.

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[1]A detailed description of how project profiling is carried out is contained in Appendix F of Sect. (14.6).

   All organisations studied were undergoing significant change, incorporating extensive use of ICT in delivering change. It is often the case that in such organisations governance dynamics come to the fore, presenting excellent research opportunities (Lindkvist 2004).

   In studying project governance processes, the comparative case study method combined with processual analysis represented a very useful research methodology.

14.4.3   Project Performance Field Studies

Across the organisations in Table 14.9 I analysed over 250 projects to understand how they performed, and their outcomes, with 25 projects analysed in-depth. This involved analysing steering committee packs, review reports, business cases, key project documents such a plans, scope statements, risk and issue logs and change control registers. The purpose of this analysis was to answer three key questions:

1. What proportion of all projects running, or which completed in the previous 12 months, had genuine stand-alone business cases?
2. What proportion of the claimed benefits were attributable entirely to the project?
3. What proportion of reported milestones were totally within the control of the project?

   To better understand the consequences of poor architecture and scope decisions I analysed 6 core systems from 3 organisations (A, B, E in Table 14.9). In doing this I analysed the history of each system from implementation through to the present, looking at projects which made major changes to the system, assessing the impact of decisions regarding architecture and design, especially those which in some way compromised the design integrity. This enabled me to determine the cost impact from 'work-arounds' and to use the colloquial, 'skunkworks'.

14.5   Appendix E: Questionnaires

14.5.1   *Attitude and Practice Assessment (Table 14.11)*

		1	2	3	4	5
1	From my perspective, we are running the right projects					
2	We are very good at making decisions impacting projects					
3	We are very good at resolving issues before they become critical					
4	I feel I am given all the information I need to make the right decision					
5	I have enough time to carry out my project accountabilities					
6	As an organisation, we provide adequate assistance to those carrying out project governance					
7	As an organisation, we provide adequate assistance to project managers					
8	We are risk aware, ensuring we always balance risk-reward					
9	We only ever take on risk knowing we can effectively manage it					
10	I always ensure contingencies are in place with projects I'm involved with					
11	We make sure the right people are working on the right projects					
12	We have a strong culture as a learning organisation: we never make the same mistake twice					
13	I am committed to all projects I am associated with					
14	We understand all projects bring change and are focused on managing that change					
15	We never over-commit to projects: all projects are correctly resourced					
16	I am confident we use the right level of management practice to ensure project success					
17	As an organisation, we ensure project managers have the right authority to meet their accountabilities					
18	We run regular reviews to ensure projects will always be successful					
19	We are very good at managing interdependencies across projects					
20	We are very good at sharing information and communicating to all project stakeholders					

Table 14.11 The attitude and practice assessment

14.5.2   *Portfolio Assessment (Table 14.12)*

		1	2	3	4	5
PART A: PORTFOLIO MANAGEMENT						
1	Portfolio Management processes are well defined and understood					
2	Portfolio definition, structuring and prioritisation is well performed					
3	The portfolio is aligned to the business and strategic plans					
4	We have the necessary capabilities to deliver the portfolio					
5	We are running the right number of projects					
PART B: GOVERNANCE FORUMS						
6	I consider the steering committees and boards we run are effective					
7	I consider the steering committees and boards carry out their accountabilities					
8	We have the right number of Steering Committees					
9	We have the right representation on Steering Committees					
10	All Steering Committees members demonstrate the right level of commitment					
11	Overall, our Steering Committees are effective					
PART C: YOUR GOVERNANCE ROLES						
12	I have a good knowledge of my governance accountabilities					
13	I am satisfied with the effective delivery of my governance accountabilities					
14	I have enough time to do role justice					
PART D: YOUR GOVERNANCE RELATIONSHIPS						
15	Key relationships - ICT					
16	Key relationships - PM					
17	Skill levels of PM's					
18	Meetings with PM					
19	Support for governance roles					
20	Know where to seek assistance					
PART E: DECISION-MAKING						
21	Availability of the right information					
22	Awareness of gating processes					
23	Effectiveness of gating processes					
24	Gating processes enabling control					
PART F: PORTFOLIO OVERSIGHT						
25	Effectiveness of initiation processes					
26	Effectiveness of Issues Resolution					
27	Project communications and status reporting					
28	Risk management					
29	Project health checks					
30	Benefits Realisation Reviews					

Table 14.12   Portfolio assessment

14.5.3   Steering Committee Behaviours (Table 14.13)

		1	2	3	4	5
1	Every member of a Steering Committee (SC) is fully aware of his or her specific project accountabilities					
2	This organisation runs its Steering Committees in a consistent manner					
3	I am engaged as a SC member in a useful and efficient manner					
4	The people who should attend a SC do so: there is little 'delegation without authority'					
5	I am informed of the purpose of each SC meeting I attend					
6	I consider I am given the right information to make critical decisions					
7	The project manager keeps me informed of what I need to know					
8	Generally, I'm not presented with too many surprises at SC meetings					
9	The discussions at SC meetings are always well-informed and useful					
10	I am satisfied we use the right performance metrics to measure project status					
11	I consider the SC meeting to be the right forum to resolve issues					
12	I'm satisfied we identify and manage risk very effectively					
13	The SC works cohesively to ensure projects stay on track					
14	I think people are prepared to leave their 'personal agendas' at the door when attending a SC meeting					
15	We are very good at making the right decisions in a timely manner					
16	Overall, the way we run Steering Committees is about right for us					

Table 14.13 Steering committee behaviours assessment

14.6   Appendix F: Categorising Projects

14.6.1   Introduction

The concept of 'one size fits all' when applied to project management practice simply does not make sense. The overall complexity, size, priority and risk of a project determine the level of management practice and discipline necessary for project success. Therefore, before defining project management practice, it is useful to identify the types of projects the organisation is currently running and plans to run.

14.6.2   Project Categories

As detailed above, I have conducted extensive research analysing the types of projects organisations run. This analysis has led to an understanding that, in general, projects may be classified as being one of three broad categories, as shown in the following table (Table 14.14):

Category	Description
1	These are the smallest and least complex projects, and are often run out of business units and managed by part-time project managers.
	Typically 50% of all projects run are Category 1
2	Often termed 'tactical' projects, these projects require careful and professional management to assure success.
	Typically 30% of all projects run are Category 2
3	These are the most critical projects an organisation runs, often strategic and high risk in nature, they usually deliver the greatest benefits and require governance at senior executive levels.
	Typically 20% of all projects run are Category 3

Table 14.14   Project categories and a brief description of each category

The reasons why it is useful to understand a project's category include:

- The right level of management capability can be applied to the project. This means we can assign our most skilful project managers to the most critical projects.
- The right level of management practice can be applied to projects, ensuring we don't go overboard with management practices which may have detrimental impacts on project performance if we are dealing with a small project ('death by over-management'), nor do we apply weak or immature practices to large, complex or high risk projects, leading to their failure.
- The level of governance is appropriate to the project. One persistent factor in determining project outcomes is the level of governance applied to projects, so being able to apply the right governance depending on the project's category is an effective technique in assuring the right project outcomes.
- The portfolio is balanced. Risk averse organisations run significantly more category 1 projects than mature, risk aware organisations, which often indicates not enough projects of a strategic nature are being run, which calls into question whether the strategic and business plans can be realised. Analysing the portfolio of projects by project category assists in ensuring the right numbers of category 1, 2 and 3 projects are being run.

Each category is described by specifying the four dimensions which, collectively, create a project profile, as shown in Fig. 14.9:
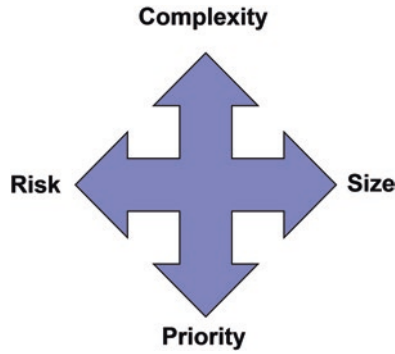
Fig. 14.9 The four dimensions which, collectively, define a project's category

14.6.3   Criteria for Categorising Projects

There are various ways of describing the project type:

- By **complexity** as simple, average or complex;
- By **size** as small, medium or large;
- By **priority** as low, high, critical;
- By **risk** as low, medium or high.

In each case a 3 or 4 level assessment approach is used as shown in the following diagram (Fig. 14.10):

Fig. 14.10 The levels which are analysed for each of the four category dimensions

14.6.4   Project Complexity

Project complexity is generally associated with:

- Whether this type of project has been done before successfully.
- The complexity of what is being delivered (such as the product, system or process).
- The number of groups involved in the project and
- The complexity of the technology.

The following table provides a guide (Table 14.15):

	Done before?	Business / product complexity	No. involved groups*	Technology complexity	Score
Simple	Yes	Simple	< 5	Existing	5
Average	Yes or No	Moderate	5 – 10	Some new	10
Complex	No	High	> 10	Substantial	15

*Could also include the number of interfacing systems

Table 14.15   The 4 criteria which describe project complexity

By scoring and then summing each of the 4 criteria, we arrive at an overall classification of complexity (Table 14.16):

Project Complexity	Score
Simple	< 31
Average	> 30, < 51
Complex	> 50

Table 14.16   The scoring template used to define project complexity

14.6.5   Project Size

The following table defines how projects are sized (Table 14.17):

	Elapsed time	No. of resources	Effort Months	End-to-end Cost ($'000)	Score
Small	< 3 mths	< 5	< 10	< 100	5
Medium	3 – 6 mths	5 – 10	< 30	< 300	10
Large	6 – 12 mths	10 – 20	< 100	< 1,000	15
V. large	12 – 24 mths	20 – 50+	> 100	> 1,000	20

Table 14.17   The 4 criteria which describe project size

By scoring and then summing each of the 4 criteria, we arrive at an overall classification of size (Table 14.18):

Project Size	Score
Small	< 31
Medium	> 30, < 51
Large	> 50, < 61
Very large	>61

Table 14.18   The scoring template used to define project size

14.6.6   Priority

Project priority relates to:

- How the project relates to a business plan, such as the Corporate Strategic Plan, Technology or Organisation Unit Plan or Operational Plan.
- How urgent the project is; are the results from the project required immediately or can it wait?
- Whether it is mandated either through legislation or corporate directive and
- Whether it has fixed time frames or other constraints (Table 14.19).

	Which Plan	Urgency	Mandatory?	Constraints	Score
Low	Operational	Can wait	No	Few	5
High	Org. Unit	Flexible	Highly desirable	Some	10
Critical	Corporate	Required	Yes	Tight	15

Table 14.19   The 4 criteria which describe project priority

By scoring and then summing each of the 4 criteria, we arrive at an overall classification of priority (Table 14.20):

Project Priority	Score
Low	< 21
High	> 20, < 31
Critical	> 30

Table 14.20   The scoring template used to define project priority

14.6.7   Risk

Risk is assessed via an analysis of the various risk factors. Knapp and Moore has a detailed Risk Assessment procedure which identifies over 250 factors which may cause risk for a project. The assessment process identifies a project as either being Low, Medium, High or Very high risk (Table 14.21).

	No. of High Risks	Score
Low	< 3	5
Medium	3 - 6	10
High	6 - 10	15
Very high	> 10	20

Table 14.21   The scoring template used to define overall project risk

It is important to understand the above table is simply a guide: a project could be considered high risk with just one very significant risk. High risks which are outside the direct control of the project manager may, by themselves, categorise the project as high risk.

14.6.8   Assigning a Project's Category

By assessing each of the four category dimensions it is possible to come up with a single score which then determines the project's category.

The following table can be used for the purpose of scoring the project. Each row of the table is assigned a particular score (5, 10 or 20). E.g. a project which is quite simple, of medium size, High priority and High risk would score (5 + 10 + 10 + 20 = 45) and be ranked a Category 2 project (Table 14.22).

Complexity	Size	Priority	Risk	Score
Simple	Small	Low	Low	5
Average	Medium	High	Medium	10
Complex	Large	Critical	High	20
	Very large		Very high	25

Table 14.22   The four criteria which, collectively, define a project's category

Once the project is scored, the following guide can be used for determining the category (Table 14.23):

Category	Total Score
1	< 31
2	> 30, < 61
3	> 60

Table 14.23 The scoring template used to define project category

It is important to re-iterate that this approach to categorising projects works best when the criteria used and the scoring templates are calibrated to align to the nature, size, complexity and culture of the organisation. It is useful to remember that 'one size never fits all'.

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Glossary

The following table defines terms and acronyms used in this book. Where a detailed definition is contained in the body of the document, go to the 'See section' reference for further information.

Term	Definition
3P	Portfolio, Program, Project
APM	Association for Project Management (UK)
BoK/BOK	'Body of Knowledge', as published by the Project Management Institute ("A Guide to the Project Management Body of Knowledge') or the Association for Project Management ('Project Management Body of Knowledge').
BPR	Business Process Re-engineering
CAO	Chief Administration Officer
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIIT	Critical Incident Interview Technique
CIO	Chief Information Officer
CMM	Capability Maturity Model
CMM-I/CMMI	The Capability Maturity Model (Integrated)
COO	Chief Operating Officer
Corporate Governance	A system defined by a set of policies, processes, roles, accountabilities and key artefacts, which serves the needs of shareholders and other stakeholders and recognises legislative and regulatory requirements, by directing and overseeing executive management activities and other organisational activities, so as to optimise value to shareholders and other key stakeholders, including employees and society
CSF	Critical Success Factor
CST	Critical Systems Thinking
CxO	A generic label describing executive managers taking on a CFO, CEO, CIO, COO (etc.) role
DSS	Decision Support Systems

(continued)

Term	Definition
ERP	Enterprise Resource Planning, a class of large-scale, integrated business applications
Functional Governance	A system of processes, procedures, roles and accountabilities which provides effective oversight and direction for specific functional areas within an organisation, such as Risk and Compliance, Information Technology and Supply.
Governance	'Governance' – 'the action of manner of governing' (OED). 'Governing' – 'Controlling, directing or regulating influence; control sway mastery' (OED). Project Governance describes the layer above management.
GT	Grounded Theory
ICT	Information and Communication Technologies
IJPM	International Journal of Project Management
IPMA	International Project Management Association
IT	Information Technology
MIS	Management Information Systems
OGC	Office of Government Commerce, an arm of the UK Government's Treasury set up to help the government achieve excellent value from its expenditures
OPM3	Organisational Project Management Maturity Model, the PMI's standard
OPMM	Organisational Project Maturity Model, the model developed by the author
Organization Project Management	The execution of an organization's strategies through projects by combining the systems of portfolio management, program management, and project management
OSS	Operational Support Systems
P3M3	Portfolio, Program and Project Management Maturity Model, the OGC's standard 3P maturity model
PERT	Program Evaluation Review Technique. A planning and scheduling technique developed for the Polaris defence project in 1958
PIR	Post Implementation Review
PMBoK	The PMI's 'A Guide To The Project Management Body of Knowledge'; see also BoK and BOK
PMI	Project Management Institute
PMM	Project Management Maturity
PMMM	Project Management Maturity Models
PMO	Project, or Program, Management Office
Portfolio	A collection of programs and projects which collectively deliver the strategic goals and other priorities for an organisational unit, or for an organisation as a whole
PPI	Project Performance Index
PPP	Public-private Partnerships
PPR	Post-project Review
PRINCE2	Projects IN Controlled Environments 2, the OGC standard project management framework
Program/ Programme	A collection of related projects which collectively will deliver one or more goals which, as a discrete unit, one or more projects may not deliver as well, or as efficiently

Term	Definition
Project	Various definitions exist, but in general a project is a temporary organisation which exists to undertake an endeavour requiring some originality of planning and execution which delivers change and outcomes seen as value-adding.
Project Governance	Put simply, it concerns those areas of corporate governance which deal with the oversight and direction of 3P.
Project Sponsor	The owner of the Business Case. He/she represents the funder's interests.
Project Success	Various definitions, and too many to satisfy a single, all-encompassing definition.
PSO	Portfolio Services Office
QM	Quality Management
SC	Steering Committee
SEI	Software Engineering Institute, at Carnegie Mellon University
SOSM	System of Systems Methodologies
SPICE	The initiative which led to an international standard in software process assessment, ISO/IEC TR 15504:1998
Sponsor	(see Project Sponsor)
ST	Structuration Theory
TMS	Top Management Support
TQM	Total Quality Management
WBS	Work Breakdown Structure