

I. Governance ¹

Introduction & Overview: While Governance is far from being a panacea or a stand-alone solution for improving the Program & Project Management, it is a first and critically important element in an ongoing process of incremental interrelated steps. A Governance body with clearly defined roles, responsibilities, and processes will help the Department evolve more mature program, project and system management capabilities, move beyond the “squeaky wheel” prioritization model, and provide an objective process for escalation and resolution of issues at the appropriate level of management.

The central aspect of governance is decision-making, which directs the collective efforts of people in organizations. Strategic decision-making is most effective when it occurs at the lowest appropriate level of an organization within a policy framework that lays out clearly defined roles, accountabilities, and processes. Governance is that framework. It assists the organization’s leaders in making the strategic decisions to fulfill the organization’s purpose—as well as the tactical actions to be taken at the level of operational and project management. In addition, such a framework helps workers and teams to understand the actions they need to take to deploy or execute the organization’s strategy. And, it ties everyone in the organization together around consciously-chosen purposes. But a governance framework is not the same as a management structure. Or, to put it simply, governance is integration ... with authoritative clout.

Defining Governance: Whenever people come together to accomplish work, some sort of governance is operating. The word “governance” as a business buzzword seems relatively new, but the concept is well established in nonprofit organizations, and their experience with governance holds many lessons for the for-profit world. The *Oxford English Dictionary* defines “governance” as “the act, manner or function of governing,” and governing is further defined in part as “regulating the proceedings of a corporation.” Many people, at least in U.S.-based businesses, are more familiar with governance as an IT term. The Gartner Group defines governance as the “assignment of decision rights and the accountability framework to encourage desirable behavior in the use of IT.”

But governance should not be limited to IT. Typically, the entire organization—across all departments and projects—benefits from a policy framework to encourage “desirable behavior”. And it can be the *same* framework—not one for IT, one for Finance, and another for HR, etc. Defining the rules by which the enterprise operates should be done once, for the entire enterprise: not piecemeal, department by department.

An initial step in the formation of governance is understanding the business environment and its various stakeholders within and external to the organization. Inputs to this understanding can come from diverse sources, such as:

- Process maps of existing processes and/or maturity assessment of those processes
- Existing role descriptions for groups within the organization (descriptions at the level of individual roles are typically too granular for a governance policy)

¹ J. Kent Crawford; *CEO Project Management Solutions, Inc.*; excerpted from “Seven Steps to Strategy Execution”

- A knowledge base such as a lessons-learned database
- Focus groups with employees, managers, vendors, customers or other crucial stakeholders
- Best practices resources, such as benchmarking forums or reports.

Where Governance Fits²

There are three distinct roles that are necessary in order for an organization to fulfill its mission:

Work - Performing the tasks required to fulfill the mission

Governance - As defined above: the interface with stakeholders, the source of strategic decisions that shape the organization and its work, and ultimate accountability for the work and actions of the organization

Management - Whether executive or middle, operational or project—management provides the link between governance policies and the actual work (the organization of tasks, people and technology to get the job done). A conceptual map of the place of governance in the organization is shown in Figure 2.

² *Canada Institute on Governance, http://www.iog.ca/boardgovernance/html/gov_whe.html; 122 Clarence St. Ottawa, Ontario; Canada, K1N 5P6*

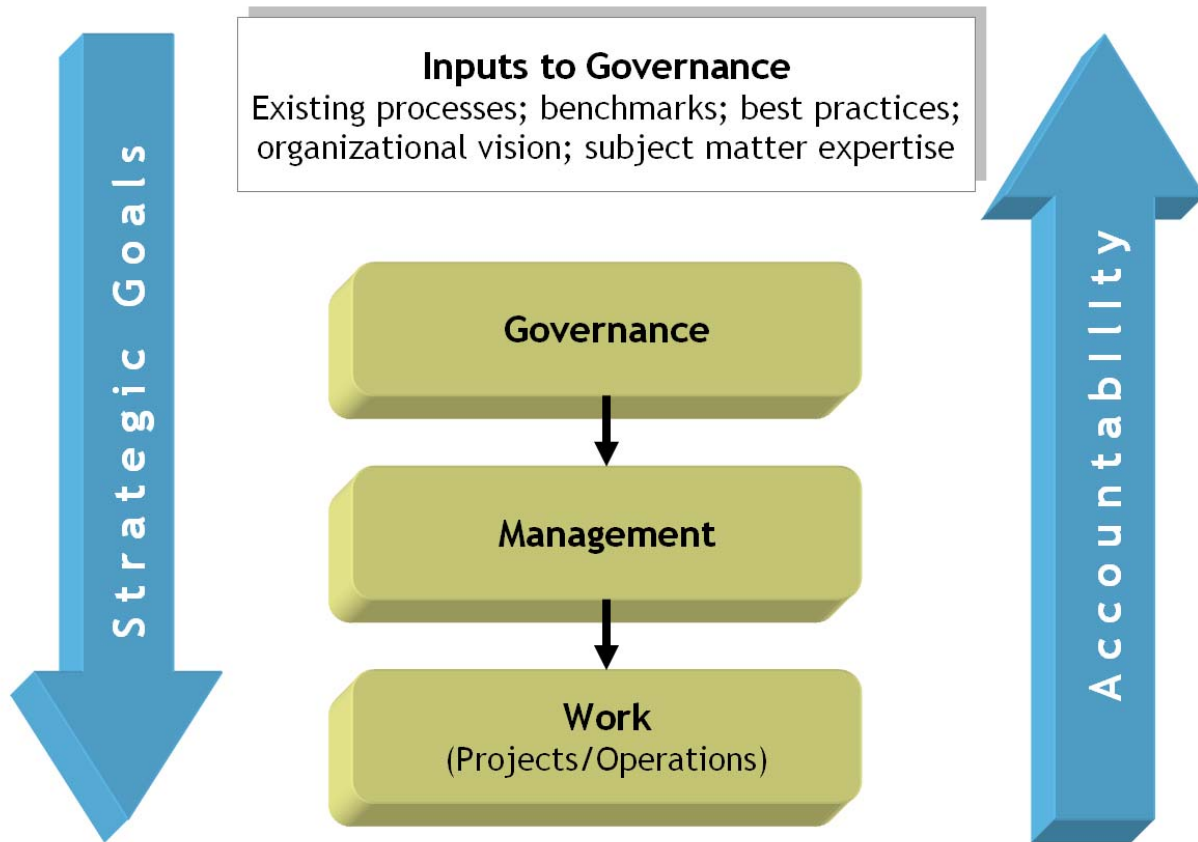


Figure 1 -- With input from stakeholders and the application of knowledge from within and without the organization, a governance policy provides guidance to management (executive, project, and operational) so that the work of the organization is accomplished in a setting of coherence between planned strategy and completed deliverables. Adapted from figures on the website of the Institute on Governance, Ottawa, Ontario, Canada: www.iog.ca.

In theory the divisions between these roles are clear. However, in practice the divisions become blurred, disappear altogether or, more dangerously, become confused. In the non-profit sector, the primary charge of boards is the governance role but their responsibilities might often cross over into the management and work roles of the organization. Senior management is almost always heavily involved in the governance role. The real danger is not the mixing of these roles, but unclear definition of responsibilities and lost lines of accountability.

It's important to remember that "good governance" means not only achieving the desired results—but achieving them in the right way. That "right way" is shaped by the needs, standards and culture of the organization, so even governance frameworks will vary widely from each other in practice. While there is leeway for differing principles to be accommodated in the definition of good governance, some universal norms do apply. For example, consider these characteristics of good governance from a list published by the United Nations:

- Participation—providing all stakeholders with a voice in decision-making
- Transparency—built on the free flow of information
- Responsiveness—of organizations and processes to stakeholders
- Effectiveness and efficiency—processes and institutions produce results that meet needs while making the best use of resources
- Accountability—of decision-makers to stakeholders
- Strategic vision—leaders have a long-term perspective.

The practice of governance with such characteristics, according to the Canadian Institute on Governance (IOG), leads to a number of positive consequences, including:

- People trust the organization
- Goals are defined and widely understood
- Management is connected to stakeholders
- The organization gets good decisions; people value the results
- There is a greater ability to weather crises
- Stability can be achieved.

Other benefits of good governance include:

- Standardized process and procedures
- Maximized return on investment
- Alignment with corporate objectives
- Accountability and transparency in decision making.

There is a growing body of evidence linking governance and overall organizational performance in all types of organizations, across the spectrum of public and private organizations. Good governance is important for any organization—for-profit, not-for-profit, or governmental.

Many organizations struggle to for a definition of governance that is both comprehensive enough to achieve its purposes, yet simple enough to be easily put into practice. Most experts on governance agree—although they may use differing terms—that there are two major aspects to defining governance: defining processes, and defining roles and responsibilities in carrying out the processes. To discuss these two aspects, we'll borrow terms used by British IT writer Neville Turbit on his IT governance website.

Process Governance

Agreed-upon processes, described at a high level by the organization's governance document, should flow from the top for consistency throughout the organization. Often, when seeking to set forth governance, companies do just the opposite, describing what is already accepted practice and attempt to roll it up to the enterprise level. In setting forth governance, take it from the top: defining first how strategy is made, and then how that results in the evaluation of ideas, their justification, approval and prioritization, the commissioning of projects and programs, the roles of the departments in those programs, and of the personnel on those projects. This is the only way to shed light on the famous "grey area."

Process standards—such as the *PMBOK® Guide* for project management and *ITIL®* for service management—may be stipulated in a governance document but should not be described in detail. Instead, it is common for a governance document to refer to a more detailed document. It may say, for example, that the organization's project management methodology must be followed for projects in any function area that exceed a certain dollar value or resource threshold. Governance development can also drive the development of standards, identifying where a needed standard doesn't exist and stipulating that this lack should be addressed.

Naturally, governance is also about setting up a system for assuring compliance with the policies: there's no point in having rules unless there's some process to ensure that people are following them. This can be formal, as in a governance audit, or informal, as in periodic reviews. The important thing is that the right metrics are collected so that performance and compliance can be monitored. The purpose here is not to punish, but to tweak processes, develop personnel, and change strategic course if needed. Governance, while being serious, should not be come so heavy-handed that the members of the organization view it with dread. The purpose is to create a more smoothly-operating organization, one that is more successful and in which people are not frustrated in trying to achieve their goals. Overall, participating in a well-governed organization ought to be a rewarding experience.

Which brings us to the second area that must be addressed in governance.

People and Structure Governance

In order to execute strategies effectively, people need to understand their roles in making strategy happen. A strategically focused culture is one in which the organization structure, and the defined roles of groups and individuals, are designed specifically to smooth the way towards goal accomplishment. Many organizations, due to inchoate strategies or the buildup of obsolete roles or functions over time, actually have elements in the management and work layers of the structure that hinder and impede progress towards strategic goals instead. When putting a new governance structure in place, it's a good time to clean house: to examine the organization's structure, processes and roles for outmoded and unhelpful aspects.

Given that strategy is executed through initiatives (programs and projects), We would suggest that the ideal governance structure for the organization is one built to maximize project and program management effectiveness.

But even within the ideal structure, roles and responsibilities cannot be left to chance. Since governance is all about accountability for results and methods, defined roles are the basic building blocks. A role means there's someone accountable for a specific task or group of tasks: his or her responsibilities. As Turbit notes, "Responsibilities mean the role must be doing something. The 'doing something' implies there is a methodology or process for doing whatever is being done ... By defining [roles and responsibilities, then rolling them up as part of a structure, it will become clear where gaps exist. [I]t also shows the poor fits in the organization."

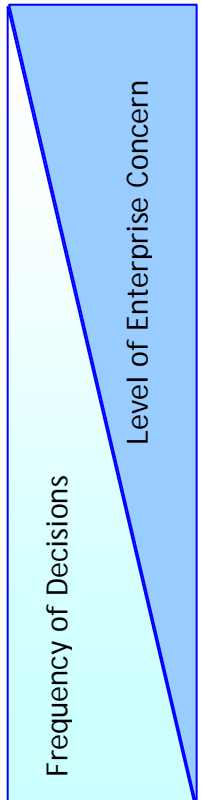
The Tiered Governance Framework

The Tiered Governance framework defines the set of responsibilities and practices exercised by all levels of management with the following goals:

- Strategic direction is clearly understood throughout the organization and business units and levels of management are all focused on aligning to this strategic direction.
- Strategic objectives are achieved. This is controlled by establishing a continuous loop process for measuring strategy performance, comparing to objectives, and redirecting activities or changing objectives where necessary.
- Appropriate and effective processes are in place to monitor risk and that a system of internal control is effective in reducing those risks to an acceptable level.
- Verification that the enterprise's resources are used effectively and efficiently.
- Decision-makers have the information necessary for making decisions.

A governance framework promotes efficiencies by ensuring strategic decisions throughout the organization are made in the same manner at the appropriate level. Each level within the organization must apply the same principles of setting objectives, providing and getting direction, and providing and evaluating performance measures. A common governance framework ensures that decisions are made the same way up and down the organization and that there is an appropriate mix of people making decisions.

RACI Chart for Tiered Governance Model

Governance Tier		Typical Scope of Actions and/or Issues addressed by Governance Tiers	Responsible (the Doer)	Accountable (ultimately answerable for activity/decision)	Consult (to be consulted PRIOR to activity/decision)	Inform (kept in the loop/picture; needs to be informed after the decision/action is taken)
			R	A	C	I
	Tier 1	Determination of strategic decisions & priorities for enterprise solutions (projects and resources) -- Executive level approvals	IT System Business Owner Organization	Secretary (or designee)	Gen Counsel / Chief of Staff	IT System Business User Organization(s)
			Div of Administration / CIO		Any Mandated Oversight Organization(s)	Agency Enterprise IT Org
					System Stakeholders	
	Tier 2	Management reviews/recommendations on multi-organizational issues -- Issue escalation & resolution -- Funding & resource coordination & commitment	CIO	IT System/Service Steering Committee	Gen Counsel / Chief of Staff	Agency Enterprise IT Organization(s)
			IT System Business User Organization		IT System Business Owner Organization	System Stakeholders
					Div of Administration & CIO	Any Mandated Oversight Organization(s)
	Tier 3	Business organization's issues -- Internal business user/owner workflow & schedule impacts	CIO	IT System Business Owner Org	CIO	Agency Enterprise IT Organization
					Agency Enterprise Apps, Security & Systems Orgs	
	Tier 4 <i>Working Level / Lowest Tier</i>	Internal IT system work coordination/management -- System specific O&M and technology issues/decisions	IT Service Apps Staff	CIO	Agency Enterprise Security & Systems Orgs	IT System Business User Organization(s)
			IT Service Security Staff		Agency Enterprise Apps & Systems Orgs	
			IT Service Systems Staff		Agency Enterprise Apps & Security Orgs	