

EXPERT SERIES

The “Expert Series” is a collection of articles, papers and writings by PM Solutions’ associates and other industry experts that provides insight into the practice and value of project management.

Governance and the CPO:

Organizations that have good governance practices in place are able to realize a premium of more than 20 percent from their investors.

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Governance –definitely a buzzword this year within organizations. However, when I posed the question to our organization’s executive management team, what does “governance” mean, it was evident that there is no clear understanding of the concept. After some research, I found lack of understanding to be the norm rather than the exception. Governance means different things to different people. Further research led me to The IT Governance Institute .

What is meant by “governance”? Enterprise governance is a set of responsibilities and practices exercised by executive management with the goal of:

1. Providing strategic direction,
2. Making sure objectives are achieved,
3. Ensuring risks are managed appropriately, and
4. Verifying that the enterprise’s resources are used responsibly.

Good governance is very valuable. Organizations that have good governance practices in place are able to realize a premium of more than 20 percent from their investors. (McKinsey’s Investors Opinion survey, June 2000).

Focusing on improving governance practices has become critical recently, especially within information technology (IT). IT can have a significant impact on the success of the enterprise. It’s important that IT strategy aligns with the overall business strategy and its performance has to be measured. This new focus on governance is more geared toward making sure that organizational governance actually extends to IT, ensuring that leadership, organizational structures, and processes are in place to support the success of the enterprise’s strategies and objectives.

How does governance affect you as a CPO or Project Director? While governance is the responsibility of all executives, governance activities must flow through various levels of the enterprise. Since governance can be complex and very specialized, executives must set direction and insist on control, while needing to rely on the lower layers in the enterprise to provide the information required for sound decision making and evaluation activities. To have effective governance in the enterprise, the lower layers need to apply the same principles as executive management -- setting objectives, providing and getting direction, and providing and evaluating performance measures.

This is where project management can have a tremendous impact. Asking tough questions is an effective way to get started in implementing IT governance. Some questions you might want to ask are:

- » How often do IT projects fail to deliver what they promised?
- » Are end users satisfied with the quality of the IT service?
- » Are sufficient IT resources, infrastructure and competencies available to meet strategic objectives?

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You'll also need to track what has been the average overrun of IT operational budgets and how often they go over budget. Overall, you can start implementing rigorous project management practices across all projects and start measuring the value.

Fundamentally, IT governance is concerned about two things: IT's delivery of value to the business and mitigation of IT risks. The first is driven by strategic alignment of IT with the business. The second is driven by embedding accountability into the enterprise. Both need to be supported by adequate resources and measured to ensure that positive results are obtained. The CPO can focus on the area of accountability. Project management forces accountability. Historically, IT projects have a high percentage of failure. Chaos reports from the Standish Group have shown dismal statistics regarding the success of projects and the cost of this failure on organizations. If governance does not extend into IT, an organization will most likely experience business losses, and a weakened competitive position. However, if you, as CPO, can exercise proper IT governance, improvement will certainly follow.

To help enable good practices in governance, specifically IT governance, the following needs to happen:

1. Executives need to take an active role in IT strategy
2. CEOs should provide organizational structures to support the implementation of IT strategy
3. CIOs must be business oriented and provide a bridge between IT and business
4. CPOs must ensure that good project management processes are in place, resources are appropriately trained, and projects are successfully implemented on time and within budget.

As a CPO, you should understand the concept and issues of enterprise governance and focus on using your role to help enforce it to ensure organizational success!

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