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Is Governance equally important to Project Management as the Cost, Time, and Quality aspect? And what are the requirements of Project Governance implemented?

Abstract:

The development of project based organizations has bought novel focus to the conventional attitude of project management; every single organization has begun giving crucial significance to the notion of project governance because the consequences of considering it easily could be critical and long-term.

This analysis endeavors to find out how significant is the notion of governance in Project Management, is it providing the equivalent level of significance as the conventional scope of cost, time & quality known as the Iron Triangle (Atkison, 1999); or is it measured less important to these pre-presented appraisal standards.

Additionally, the analysis talks regarding: what are the fundamentals of project governance and what aspects shape this sort of governance.

Projects are playing an increasing role in the success of organizations; therefore management is increasingly focusing on responsibilities in this regard. Recognizing the strategic importance of projects to the success of an organizations both external and internal scrutiny of the way projects are executed are being conducted.

What are Project based Organizations:

Project-based organizations (PBO) first emerged in the 1990s, in this type of structure operations are organized as projects. PBOs are particularly conducive to entrepreneurial action and innovation as this structure increase the ability of the organizations to quickly respond to an emerging market opportunity (Peltokorpi & Tsuyuki, 2006) or any change in the market place dynamics. Since innovation and entrepreneurial capabilities are the bases of organizational competition these days many firms are now being structured in PBO style.

This development have led to the attention been paid customary tools and techniques of Project Management which concentrated on managing individual projects in isolation. A need was identified for managing multiple projects across organizations in a way that they did not move in divergent directions to the company's overall objective.

Project Management focus on efficiency by focusing on Cost, Time and Quality:

Cost, time, and quality have been the leading dimensions against which the success of a project has been traditionally been measured, this is because the definitions of project management previously have included and emphasized these criteria (Atkison, 1999) for example the British Standard for project management BS60791996 and the UK Association of Project Management (APM) respectively define project management as:

"The planning, monitoring and control of all aspects of a project and the motivation of all those involved in it to achieve the project objectives on time and to the specified cost, quality and performance."

"The planning, organization, monitoring and control of all aspects of a project and the motivation of all involved to achieve the project objectives safely and within agreed time, cost and performance criteria. The project manager is the single point of responsibility for achieving this."

Emphasis on the three dimensions has further been explained by various researchers as explained.

Sometimes there are projects (e.g., software development projects, I.T) where the time is the essential characteristic is measuring the success of the project and can be directly related to clients objective (Podeani et al, 2010)

Quality is more of a subjective criteria, and to the customers, it may be the one that is the one of the major constituent of "value for money" (Flanagan and Tate, 1997). Therefore it has been an important tool of Project Management.

Cost is the perhaps the leading dimension against which projects have historically been measured since it can be used as proxy for value and has a direct relationship with satisfaction, customers and organizations both fear cost over runs since they have the potential to render a project completely useless.

Project Governance a focus on project effectiveness:

We should note that a project may satisfy the most stringent requirements of cost, time, and even quality yet it may fail to align with organizational objectives or satisfy the end customer. And since these standards are only focused on measuring efficiency they are lacking in the terms of appraising the effectiveness of the project (Atkison, 1999).

This is where the relatively new concept of project governance comes into play. Project Governance is about considering over all business success, it is a subset of corporate governance and monitors the impact of the project on overall organizational performance; it is about achieving organizational objectives instead on focusing on the project in isolation to the bigger picture i.e. the company. In most cases project governance is measured on the parameters on which business success in measured i.e. increased profits or market share (Fink, 2013).

According to the Association for Project Management (APM, 2005), the governance of project management relates to those sections of company governance that are particularly associated with project activities. Efficient governance of project management makes sure that the project portfolio of an organization is allied to the goals of an organization, delivered competently, and maintainable as well. Besides, governance of project management sustains the ways through which the company panel as well as other key stakeholders of the project is offered with appropriate, pertinent and consistent information.

Principles of Project Governance:

The principles of project governance are derived from corporate governance since as per Fink the principles of corporate governance are sufficiently flexible to be adopted to develop a set of principles to guide project governance; this is further supported by OECD (2004) which states that: in nature, the ethics (business governance ethics) are evolutionary and must be analyzed with regards to important variations in state of affairs. To stay competitive in an altering planet, companies have to be innovative and modify their business governance procedures in order to encounter novel demands plus grab new openings.

The core principles constituting the project governance in order to ensure project effectiveness are as follows:

1. Strategic Alignment: The company management should make sure that only projects that align with the business objectives are approved and implemented (Fink, 2013). This will make sure that if an organization has multiple projects than all will be working in the same direction of meeting organizational objective and no resources will be wasted on projects the hinder overall performance of business. However it should be noted that a company has limited resources available and agreement will have to be reached how best to allocate them (Aubry et al, 2007).
2. Value Management: Only those projects to be approved by the steering committee that enhance that reflect an over value to the organization.
3. Project Management: Metrics should be used to measure the successful completion of projects. These can not only be used to monitor internal performance but also as a comparison with others in the industry.
4. Resource Management: The project should be adequately enabled through provision of physical, human, and governing resources (Fabia, 2011).
5. Accountability: Determine accountability for project success. The person accountable must be empowered to make the decisions necessary for the project's success.

6. Leadership: The role of top management in project governance is crucial as managers and employees will follow the examples set by them. A focus on governance at the top is more likely to translate in to a focus on governance throughout the organization.

Factors moderating influence on Project Governance:

These factors are used to facilitate the implementation of principles of Project Governance (Fink, 2013), if they are not present or not correctly used than they may end up hindering the process altogether. These factors can be divided in to Organizational, Project, and Human Factors (Fabia, 2011).

Human Factors:

1. Strategic Planning is necessary to align project objective with those of the company.
2. Project Governance requires that the organizational Leadership be ethical and emphasize on governance. A study has found that what separates top-performing organizations from mediocre organizations is the commitment of top management in making governance decisions (Weil, 2004). The top management should emphasis on transparency, demonstrate personal ethics, and set the direction for organizational success.

Project Factors:

3. A compelling business case needs to be made and analyzed on four dimensions: Financial, Business processing, customer, and learning.
4. Project activity should not over or under promise.

Organizational Factors

5. All stakeholders need to be identified at the beginning, their requirements noted and lines of communication kept open with them for further discussions.
6. Most importantly the organizational structure should be such that it supports Project Governance. The board of directors is at the top with the highest authority, supported by project steering committees and the project management office. Additionally there may be project sponsors and project managers that are directly responsible for project progress by providing control, guidance, and resources. All of the management involved has to fulfill their responsibilities for Project Governance to be successful. It is also prudent to document the authorities, responsibilities, and decision making of all these management levels in policy and procedural documentation. In this way, the project's governance can be integrated within the wider governance arena (Fabia, 2011).
7. Lastly as one of the core principle of Project Governance is resource management it is crucial the organizations have a process for allocating of these limited resources and a mechanism for conflict resolution that may be needed in case problems arises between projects over these scarce resources.

Conclusion from Literature:

Traditionally Time, Cost, and Quality management have been the key measure of success while evaluating a project, these aspects where believed to bring about the maximum satisfaction to the clients in terms of creating value for money. It is not that measuring projects on these criteria was wrong or completely useless; in fact these are good measure. The issue was that these three dimensions were incomplete they were missing additional tools and concepts which could gauge overall firm performance with respect to the project being analyzed. Projects where viewed on standalone basis in the organization and rarely was attention given to how the fit into the organizational objective and how much were the contributing towards the overall business in terms of value creation

Things have now changed projects are now increasingly been used by organizations to meet their strategic objectives (Morris & Jamieson, 2004) they are being used as tools for achieving company success and creating value overall, Projects are now used to mobilize resources and competencies to bring about strategic change, and thereby create competitive advantage and other sources of value (Bredillet, 2010). Furthermore as the requirement of the current time is for projects to deal with increasing uncertainty and complexity affecting organization and the socioeconomic environment within which it operates (Gareis, 2005) Project Governance has risen to the forefront and companies are paying this relatively new dimension greater and greater importance when it comes to ensuring organizational success .

Project Governance is based on six core principles: Strategic Alignment, Value Management, Project Management, Resource Management, Accountability, and Organizational leadership. As discussed above certain factors that are required to facilitate the implementation of these core principles.

My Views:

In my view Project Governance is a necessary requirement for Project Management especially in IT industry where the chances of project failures are high and lives of successful projects are limited. In this industry choosing and implementing projects that meet the company objectives is crucial since any failure will reflect negatively on the organizational brand, decrease overall value and hinder future progress. One of my favorite examples is when Nike had some glitches with its demand-planning software implementation project and the company ended up incurring significant losses as there was a shortfall of “Air Jordons” in the market.

Although companies like Nike may survive and eventually overcome their failure others like Drug retailer FoxMeyer and Tri-Valley Growers had to shut down because of their project failure in implementing their enterprise systems.

Therefore in my opinion a projected should be evaluated on its contribution to the entire organization and never on a standalone basis.

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