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DECISION MAKERS, DOERS AND ADVISORS
– JOINING FORCES TO ENHANCE UTILITY OF INVESTMENTS

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The Value of Project Governance



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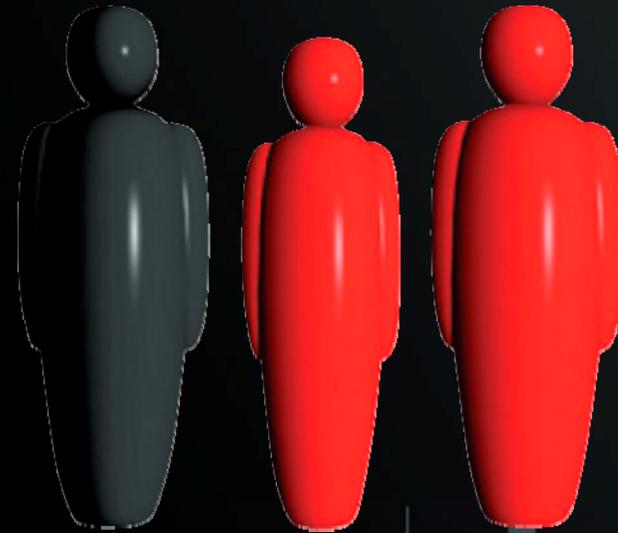
Session Two

- The Value of Project Governance in the Public Sector
 - Lynn Crawford
- Sponsoring Change
 - David Shannon, Oxford Project Management Ltd, UK
- Project, Program and Portfolio Management in Companies
 - Roland Gareis, Professor, WU Vienna and Roland Gareis Consulting, Austria
- Practice versus Best Practice: Applying Existing Knowledge and Expertise
 - Eilif Holte, Holte Consulting, Norway
- Governance of Major Road Projects – The Danish Budgeting Model
 - Jens Holmboe, Director Construction Division, Road Directorate , Denmark



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The Value of Project Governance in the Public Sector



Results from research into the Value of Project Management



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Outline

- Value of Project Management and Value of Project Governance
- Public sector context
- The case studies
- Results
 - Issues and themes
 - Specific value of project governance in the public sector
- Conclusions



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Findings from international study

- Value of investment in PM capability is dependent on fit with context
- Context is fundamental to
 - Governance
 - 'Best practice' in project management
- In the public sector, PM improves governance

Thomas, J. & Mullaly, M. E. (2008). *Researching the value of project management*. Newtown Square, PA: Project Management Institute, Inc.



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Public Sector Context

- Uncertainty, ambiguity
- Multiple stakeholders
- Flexibility and political responsiveness
- Public scrutiny demanding
 - Traceability, transparency, accountability
- Need to demonstrate
 - ability to implement policy and adapt to change
 - delivery of value from public expenditure



Governance in the Public Sector

From

Corporate Governance Model
New Public Management (NPM)

Increased efficiency and cost effectiveness to control and reduce public spending
-
Value for Money

to

Network Governance Model
Public Value Management (PVM)

Democracy, citizen participation, flexibility and responsiveness
-
Value beyond Money



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Public Value Management¹

- Model of governance
 - Network: allocative and technical efficiency through democratic input and citizen participation
- Performance objectives
 - Multiple objectives: service outputs; satisfaction; outcomes; trust and legitimacy
- Goal of managers
 - Respond to citizen preferences, renew mandate and trust through quality services
- Accountability
 - Multiple: citizens as overseers of government; customers as users of services; taxpayers

1. Smith, R. F. I. (2004) "Focusing on public value: something new and something old" *Australian Journal of Public Administration* December 63(4), pp. 68-79



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Governance

- *“...good public sector governance is important to provide adequate accountability to its many stakeholders, including taxpayers, and to encourage performance improvement while satisfying control and compliance requirements.” [Australian National Audit Office, 2003]*
- *“Ultimately citizens judge government not by intentions but by results” [OECD, 2004]*



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The Drivers

- Need to satisfy multiple stakeholders by demonstrating accountability and transparency while effectively
 - Implementing policy,
 - Utilising resources, and
 - Delivering services
- Focus on improvement of organisational performance and ability to implement and adapt to change^{1,2}
- Maintain public confidence

1. Edwards, M. and Clough, R. (2005) *Corporate governance and performance: an exploration of the connection in a public sector context: Issues Series Paper No. 1*, (Corporate Governance ARC Project) Canberra: University of Canberra.

2. Forbes, M. and Lynn, L.E. Jr (2005) "How Does Public Management Affect Government Performance? Findings from International Research" *Journal of Public Administration Research Theory* 15 (4), pp. 559-584.

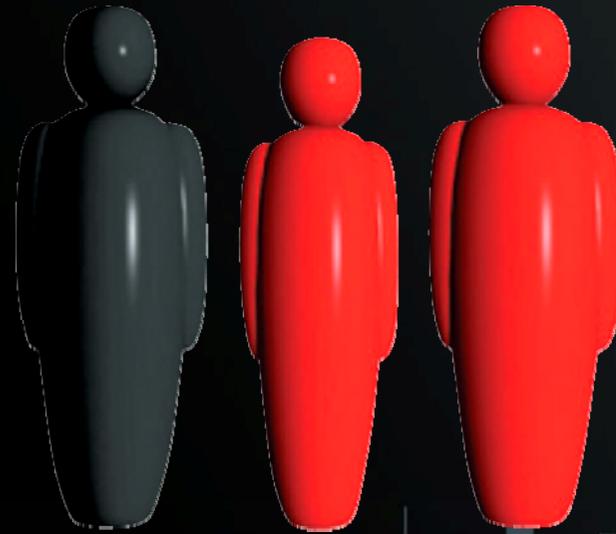


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The Case Studies

- Four public sector organisations:
 - Residential Technologies (A)
 - Provider of social housing asset solutions
 - Community and Disability Services (B)
 - Provider of accommodation for disabled people
 - Public Works and Services (C)
 - Provider of infrastructure operating in competition with the public sector
 - Main Roads (D)
 - Major infrastructure delivery organization
- State government organizations representing two states of Australia

Overview of each organisation





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Residential Technologies

- Internal service agency of a state based housing provider, one of the largest social housing agencies in the world.
- Delivers 2,500 projects a year, 90% construction projects, 10% projects business systems and strategy
- Works to meet housing needs of socially and financially disadvantaged; deals with high levels of change to respond to society's needs
- Programs and projects are managed on behalf of clients – project management is their business
- Needs to 'plan to be responsive' as project portfolio is determined by others



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Community and Disability Services

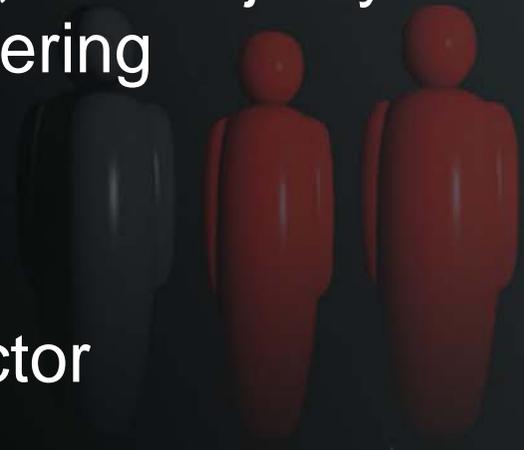
- State based government human service organisation
- Second largest provider of accommodation for disabled people in the state.
- Delivers 150 projects a year
- The 'final safety net' for a group of extremely disempowered stakeholders



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Public Works and Services

- Provides state infrastructure projects, the majority of which are construction and engineering
- Delivers 10,000 projects a year
- Required to compete with private sector





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Main Roads

- Large project based organisation delivering major infrastructure projects to rapidly increasing state population
- Ministers and community are sole customers
- Large and regionally distributed organisation characterised by variation in project management implementation



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Common issues

- Resource shortages
 - *'Project management gives us a measured approach but can't solve the actual problem of lack of staff' [Senior Management (B)]*
- Complex multi-stakeholder environment
- Competing objectives
 - *'We build to a budget, but we also work to special social needs; by definition, these can be in opposition. The budget cannot be our single point of reference' [Project Manager (A)]*
- Political arena – impact of Ministerial requests on project work
 - *'Things change quickly on a Minister's whim. If a new minister comes in with a new agenda, your successful project may get shelved.' [Project Manager (B)]*

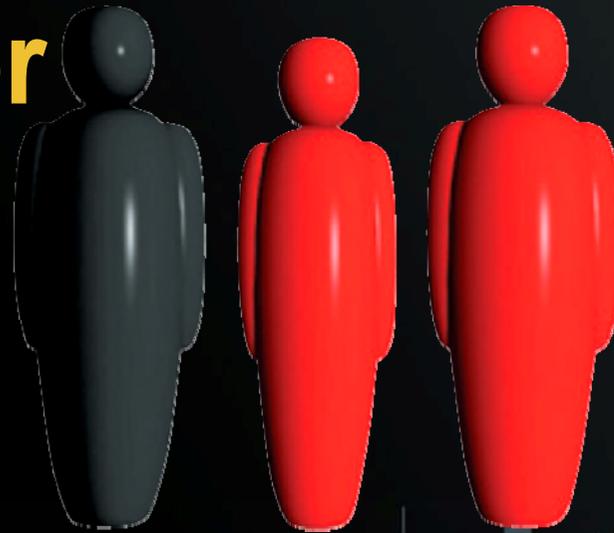


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Common themes

- Commitment and attitude: the public sector ethos
 - *‘(The organisation) has a very strong ethos of going the extra mile for clients in delivering their projects, particularly long term. As an organisation, it’s a fundamental part of our culture to take pride in our work.’ [Project Manager (C)]*
 - *‘The projects that we do are our reason for being, and the whole reason that we’re here doing this job is to do something that matters ... the projects that we build are things that make the lives of Queenslanders better. So we feel very privileged to be doing the stuff that really matters.’ [Project Manager (D)]*
 - *‘...employees tend to be very committed and devoted professionals. They have the freedom to perform to very high standards. Because this is a state owned department project managers are allowed to be very good instead of focusing exclusively on profit at the expense of excellence.’ [Project Manager (A)]*

Specific value of project governance in the public sector

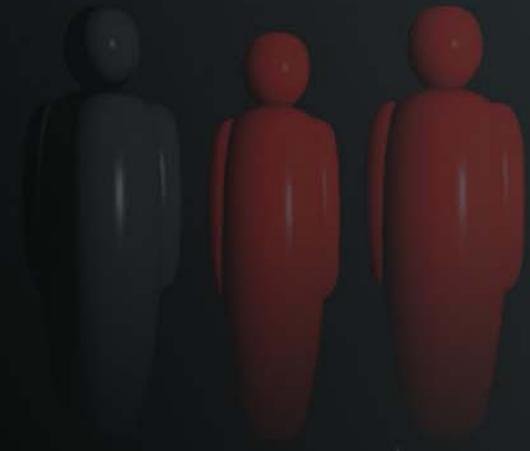




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Value of project governance

- Accountability and transparency
- Control and compliance
- Risk management
- Consistency in delivery
- Ensuring value for money
- Stakeholder engagement





Accountability and Transparency

- Sound processes and reporting systems
 - *‘In the area of project governance we have a much better transparent reporting regime than we’ve had in place over the last couple of years. This helps to put the finger on where there might be problems developing .. We have better governance and better control.’ [Sponsor (D)]*
- Audits and reviews
- Senior management sponsorship
 - *“If the senior management isn’t showing an interest ... you’ll find it won’t happen...” [Project Manager (D)]*



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Control and Compliance

- Operating under scrutiny
- Managing and meeting expectations
- Monitoring performance
 - Time and cost expectations
 - Delivery of services
 - Delivery of value
 - Client and user satisfaction
- Project management gives “*better governance and better control*” [Sponsor (D)]



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Risk Management

- Staying under the media radar
 - *“Government organizations tend to be more risk averse....because we are dealing with the public’s money. We can’t waste it or take major risks with it, and the **media** will pull us up if we do” [Senior Project Manager (C)]*
 - *“There is always the risk of **media** attention that needs to be managed; the focus on the outcome of our projects by the community and politicians inevitably stifles risk taking.” [Senior Management (C)]*



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Consistency in delivery

- Project management enhances ability to consistently and predictably deliver results
- *'With longer term external clients and Treasury, we need to demonstrate that we're delivering value, otherwise we may not exist.'* [Senior Management, (C)]



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Ensuring value for money

- Delivery of benefits, not cost, is major driver
- Management of expectations and delivery of public value more important than cost reduction



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Stakeholder engagement

- Project governance facilitates
 - Interface of public, private and community sectors
 - Management of complex relationship with Government ministers
 - Enhanced ownership and engagement amongst stakeholders



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Conclusions

- In the government context
 - Challenges faced in all cases include
 - Resource shortages
 - Complex multi-stakeholder environment
 - Competing objectives
 - Permeability of boundaries between administration and politics
 - Political impacts and changes
 - Media attention
 - But there is a common theme of committed and dedicated staff who believe in their work



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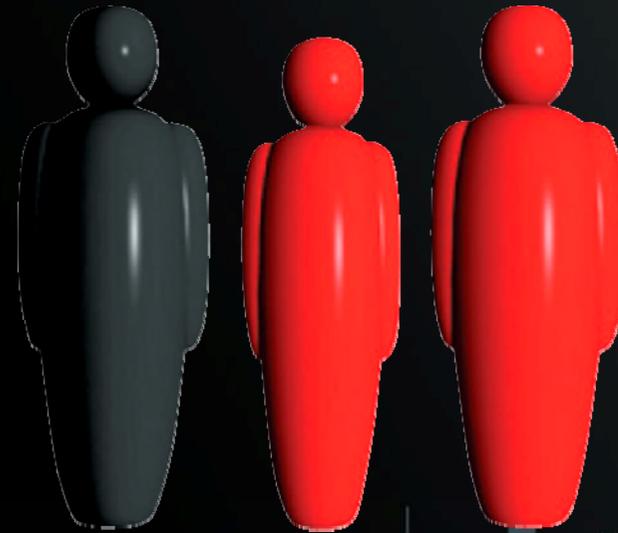
Conclusions

- Demonstrably good project management is of value to organizations that are required to compete for work with clients
- Project management is of value in supporting public sector governance requirements specifically
 - Accountability and transparency
 - Control and compliance
 - Risk management
 - Consistency in delivery
 - Ensuring value for money
 - Stakeholder engagement



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Questions



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A more detailed account of the material presented here is available in:
Crawford, L. H. & Helm, J. (2009). Government and governance: the value of project management in the public sector. *Project Management Journal*, 40, 73-87.



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Setting the scene

- Lynn Crawford
 - Overview of value of PM and project governance in the public sector
- David Shannon
 - Governance of PM, multi-owned mega-projects, sponsorship and the challenges of governance
- Roland Gareis
 - Structure, processes and governance for project-based work in project-oriented organizations



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Applications in practice

- Eilif Holte
 - Sponsorship and success: Importance of owner engagement and definition of success
- Jens Holmboe
 - Governance of major road projects
 - Illustrating the value of project governance in the public sector
 - Managing expectations; delivering public value