concept

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

Concept Symposium 2010
Oscarsborg, Norway
16 – 17 September 2010

Symposium web-site: http://www.conceptsymposium.no/
Concept Research Programme: http://www.concept.ntnu.no/english/

Sponsoring Change

David Shannon

Example: RBS - 2008

This is our legal statement regarding corporate governance:

The Royal Bank of Scotland Group plc (the 'company') is committed to **high standards of corporate governance**, business integrity and professionalism in all its activities.

Throughout the year **ended 31 December 2007, the company has complied** with all of the provisions set out in the Combined Code issued by the Financial Reporting Council in June 2006 (the "Code") **except in relation to the authority reserved to the Board to make the final determination of the remuneration of the executive directors.**

The company has also complied with the Smith Guidance on Audit Committees in all material respects.

Under the US Sarbanes-Oxley Act of 2002 (the "Act"), specific standards of corporate governance and business and financial disclosures apply to companies, including the company, with securities registered in the US. **The company complies** with all applicable sections of the Act.

Example: RBS – Feb 2009

House of Commons Treasury Committee chairman John McFall said the evidence received by his committee showed "**a real failure of corporate governance**" in the Royal Bank of Scotland

Example: RBS – to 2010

- Losses largely due to 2007 ABN Amro takeover project for £49,000,000,000
- Total UK government support - £45,000,000,000
- UK taxpayer owned – 84%

Conclusion

- Governance – important
- Project management discipline – important
- Governance of Project Management - vital

Purpose

- To introduce the Governance Specific Interest Group
- To note the group's outputs to date
- Provide an update on the group's work

- and to:
- Highlight key governance issues, challenging some common concepts
- Relate recent work to the front-end management of large investment projects
- Identify current issues and opportunities for engagement

David Shannon

- Career in Civil Engineering and Business improvement
- Organisational development expert in World Bank and for UK DfID, working on many development projects
- Africa, Asia, Europe, Middle East, USA
- Public, private and voluntary sectors
- OPM Ltd since 1988

- Active in APM since 1988
- APM Fellow 1999, Honorary Fellow 2008
- Founded (2003) and since chaired Governance SIG

Governance SIG - Form

- Multi-professional membership: academics, auditors, company secretaries, consultants, cost-controllers, directors, engineers, lawyers, PMs, trainers, etc.
- International interest
- 800 nominal members, 30 core members
- 63 meetings to date
- Outreach programme, national and international

Governance SIG - Key points

- Not concerned with Project Management outwith governance
- Governance of Project Management, not Project Governance
- Includes Programmes and Portfolios
- Non-commercial approach
- At least £500,000 input value to date
- Raised profile of APM

Governance SIG - Outreach outside UK

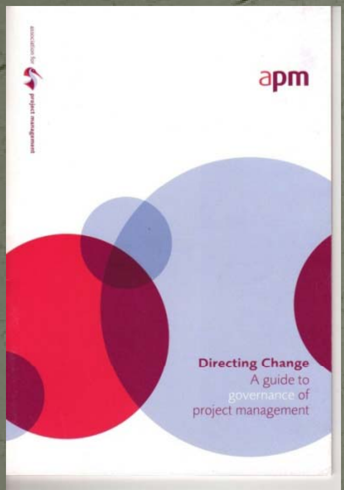
- France
- Kazakhstan
- India
- Italy
- Poland
- Australia
- New Zealand

- Singapore
- Hong Kong

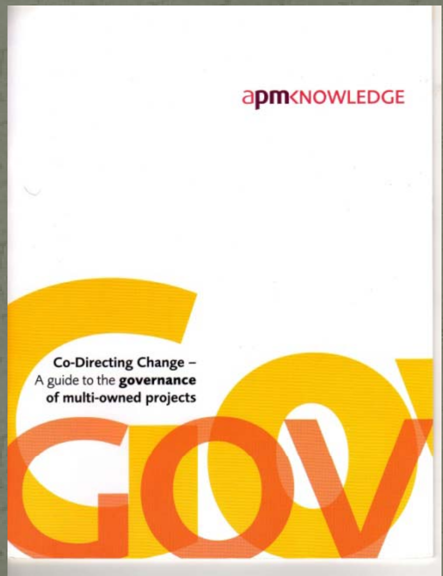
Plus influence in:

Australia
Russia
Brazil
UAE
South Africa ++

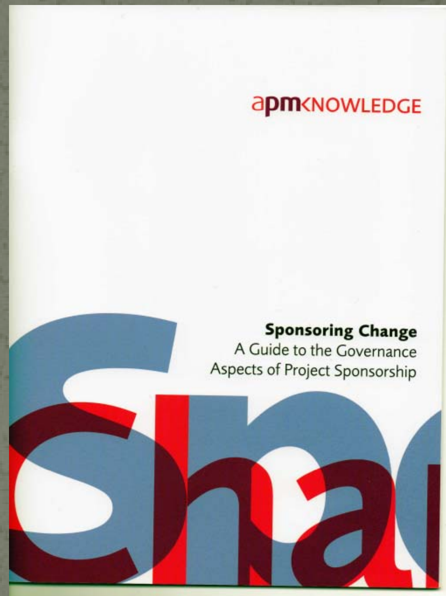
Governance SIG - Publications



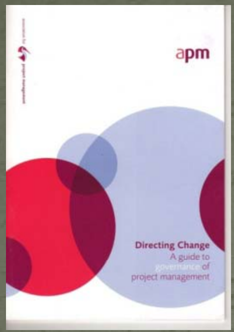
Directing Change
2004



Co-Directing Change
2007



Sponsoring Change
2009



Directing Change

3 Governance references

11 Principles

4 Components:

1. Portfolio direction
2. Project sponsorship
3. Project management
4. Disclosure and reporting

42 Questions

Multi-owned Megaprojects

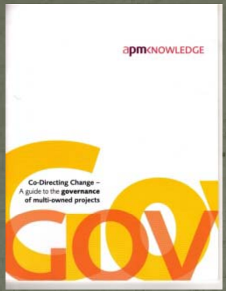
Channel tunnel

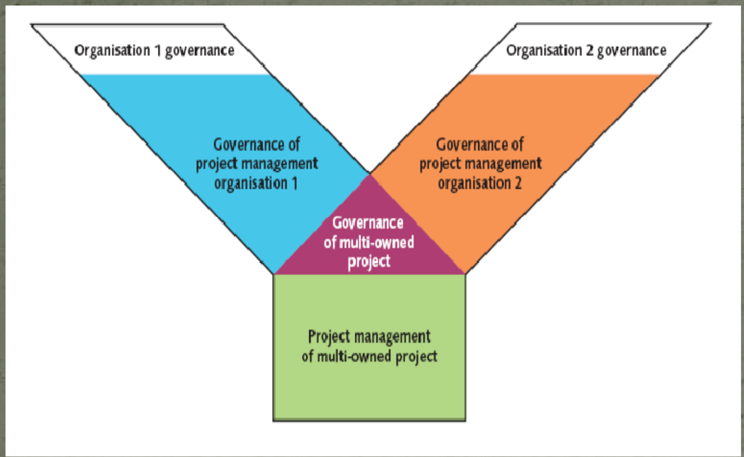
2012 Olympics

Models of Multi-Owned projects

- Alliance contracting
- Bidding consortium
- Funded research collaboration
- Inter-departmental project
- Intergovernmental project
- Joint Venture
- Local Service Partnership
- Loose agreement
- Partnership
- Phased participation
- Prime-led contract
- Private Finance Initiative
- Public Private Partnership
- Standards development collaboration
- Special Purpose Vehicle

Co-Directing Change



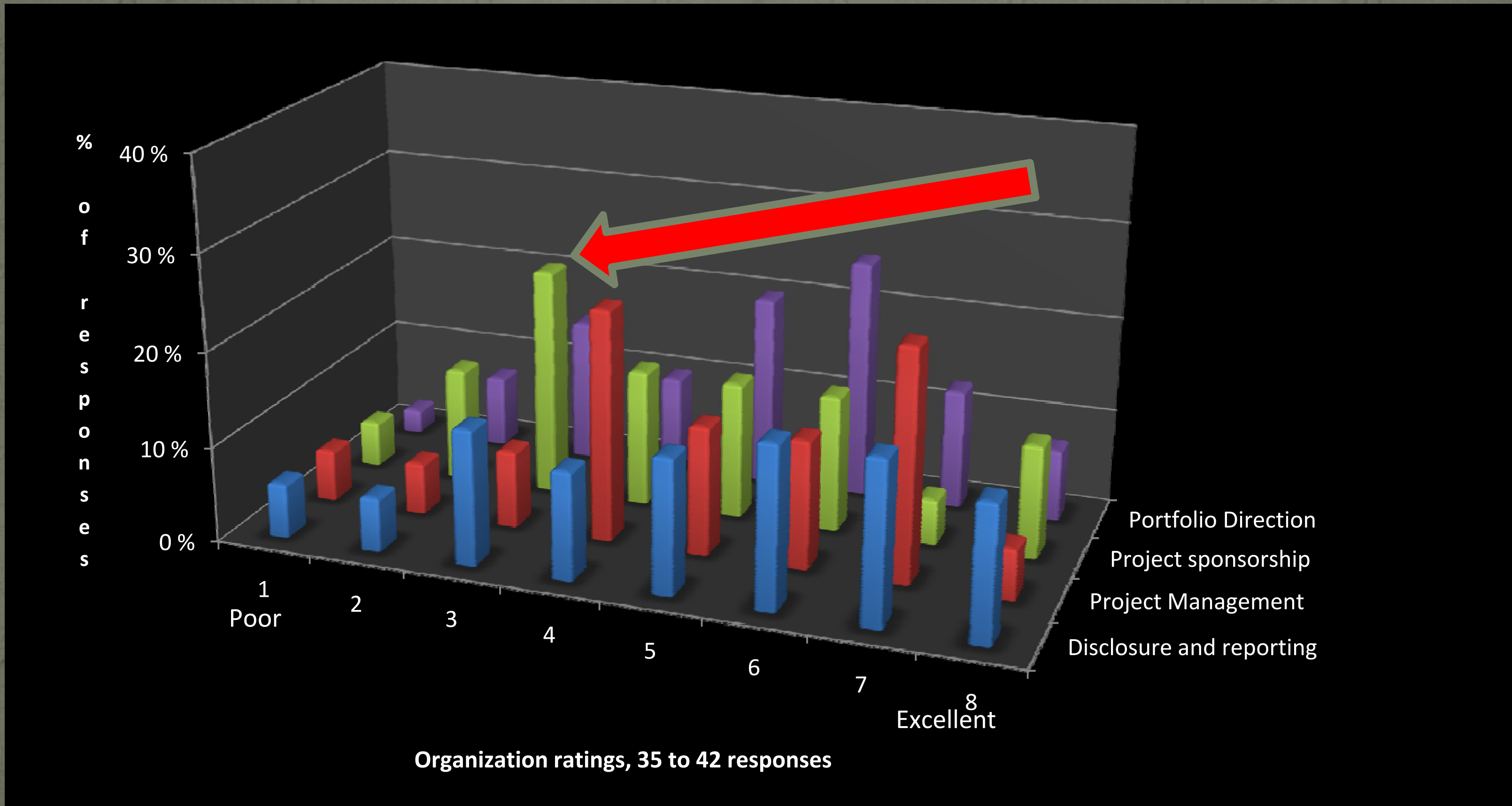


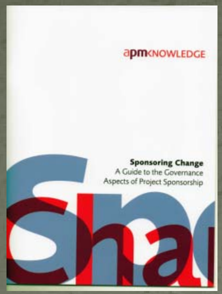
12 principles

6 components
- Alignment
- Sponsorship
- Project management
- Disclosure and reporting
- Reward and risk
- Joining and leaving

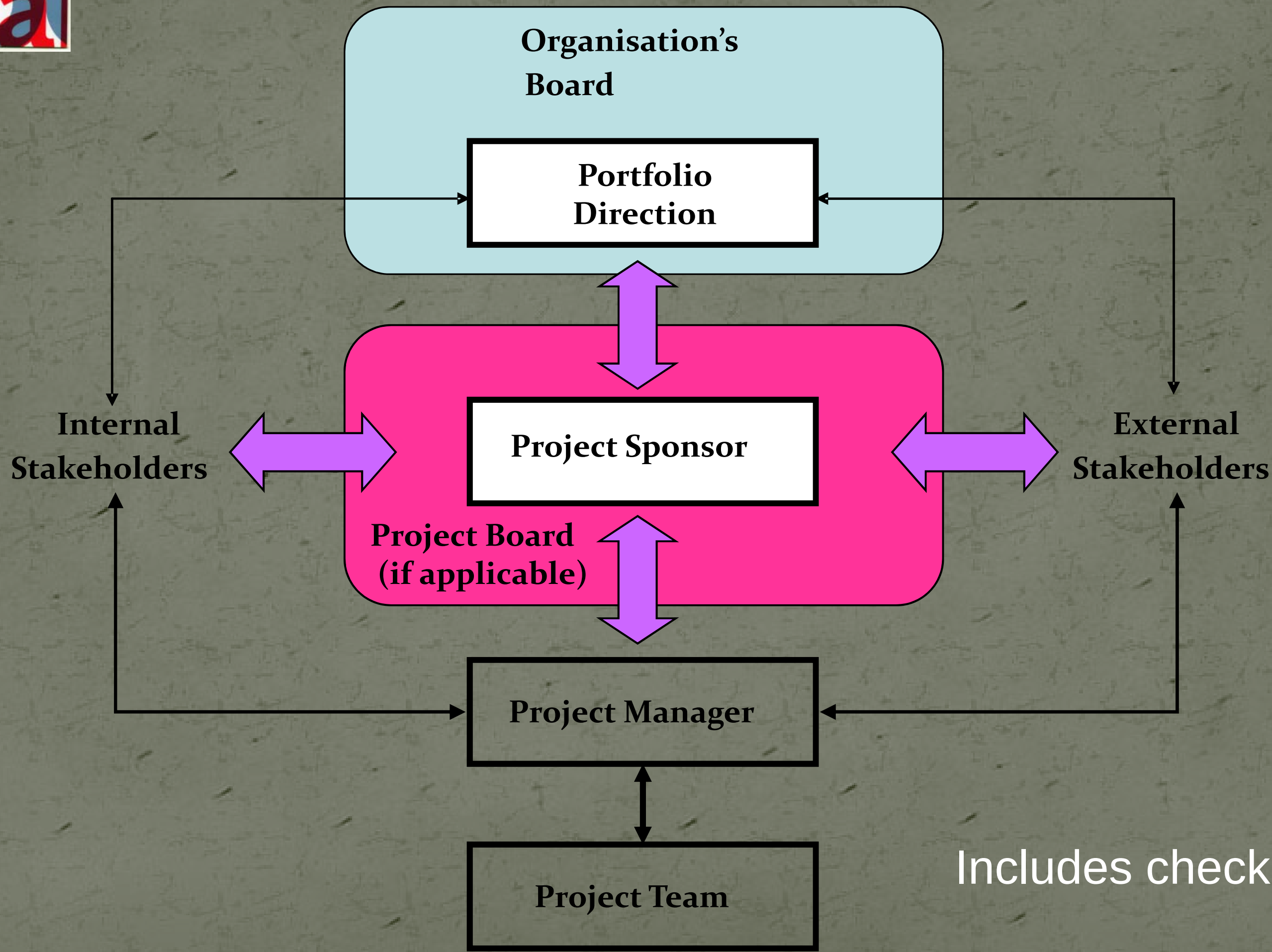
Models

Feedback from GovSIG workshops





Sponsoring Change

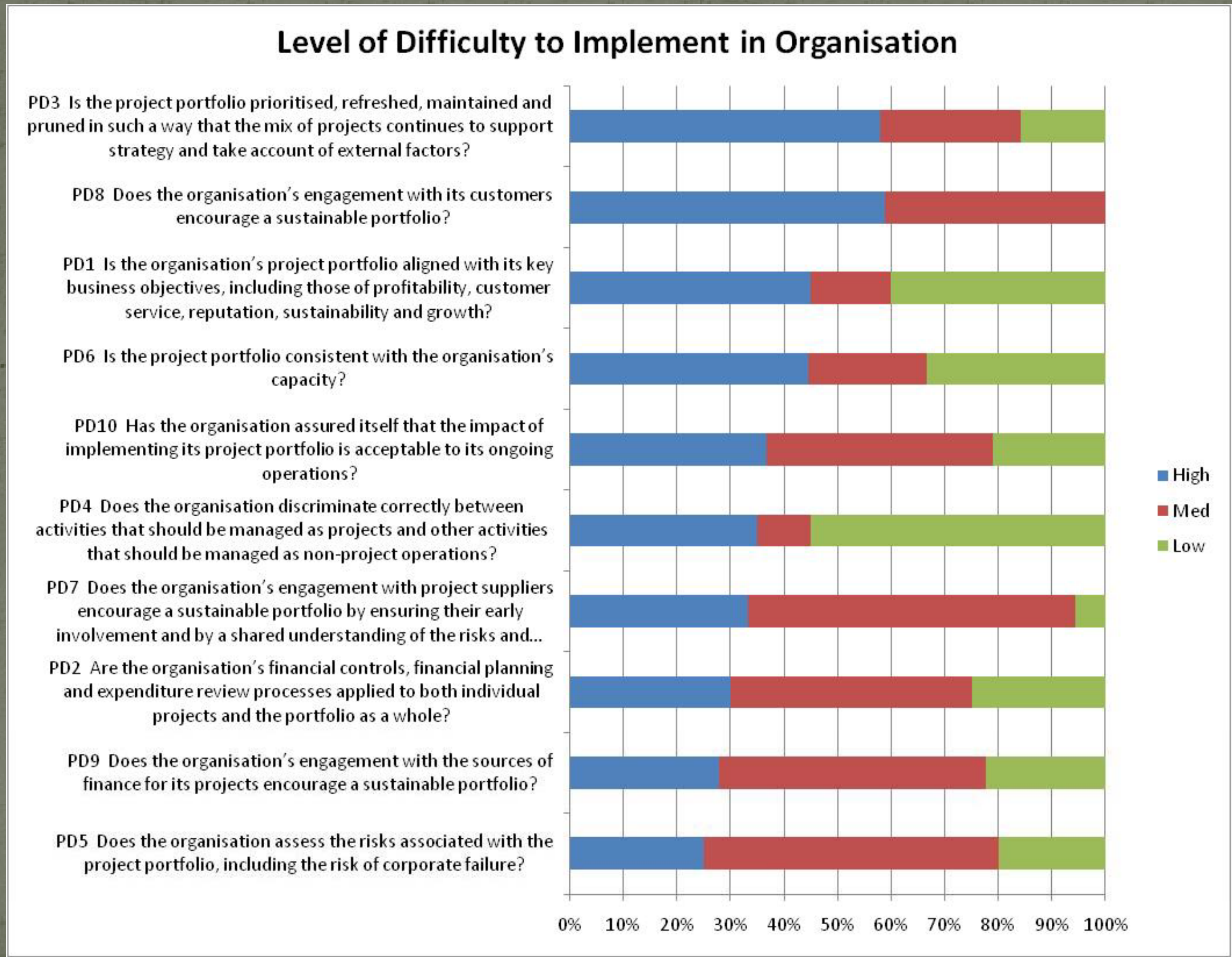


Includes checklists

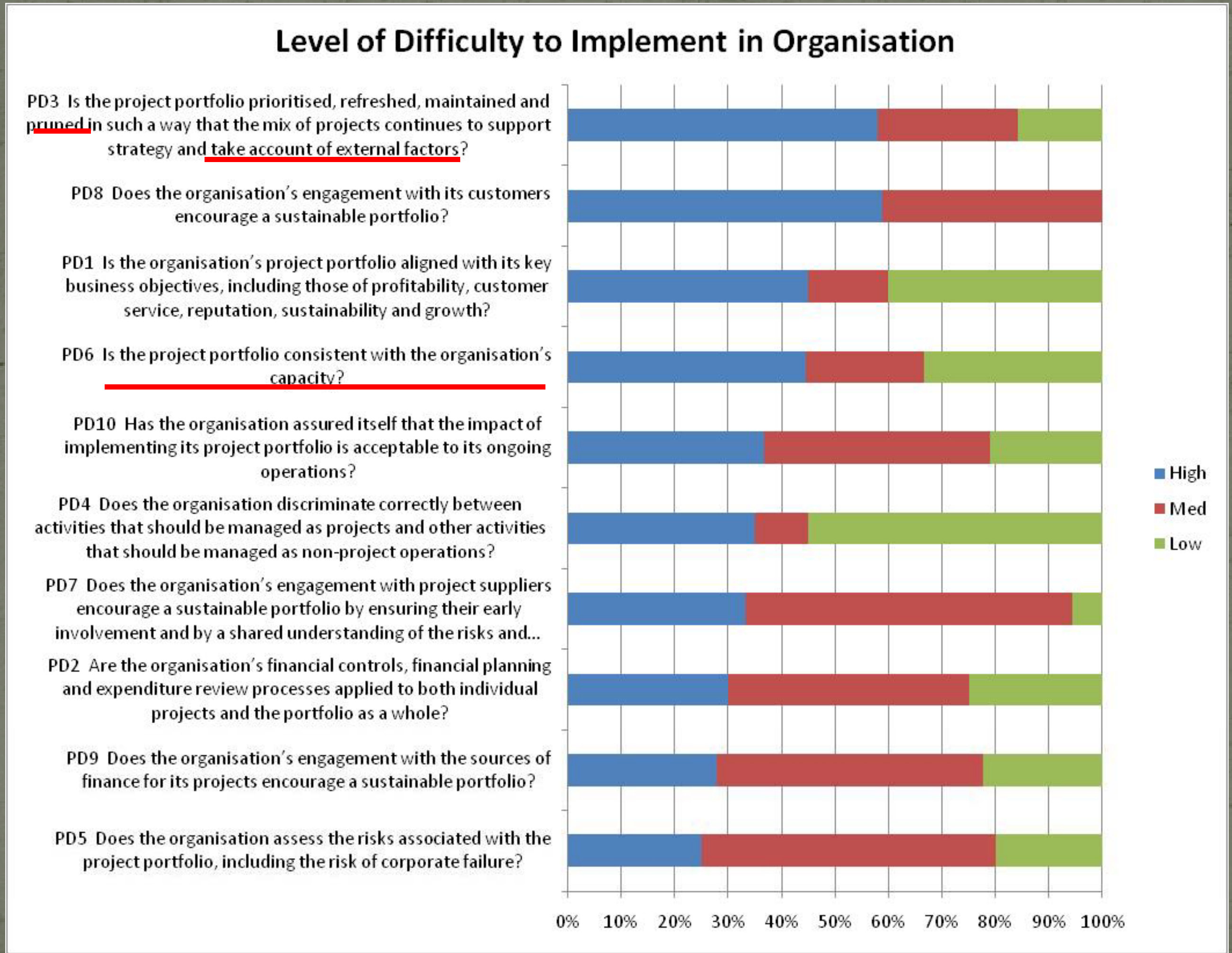
Governance SIG – Other outputs

- Presentations
- Workshop questionnaires and analyses
- Website
- Network
- Portfolio

APM Knowledgeshare 2010 feedback 1

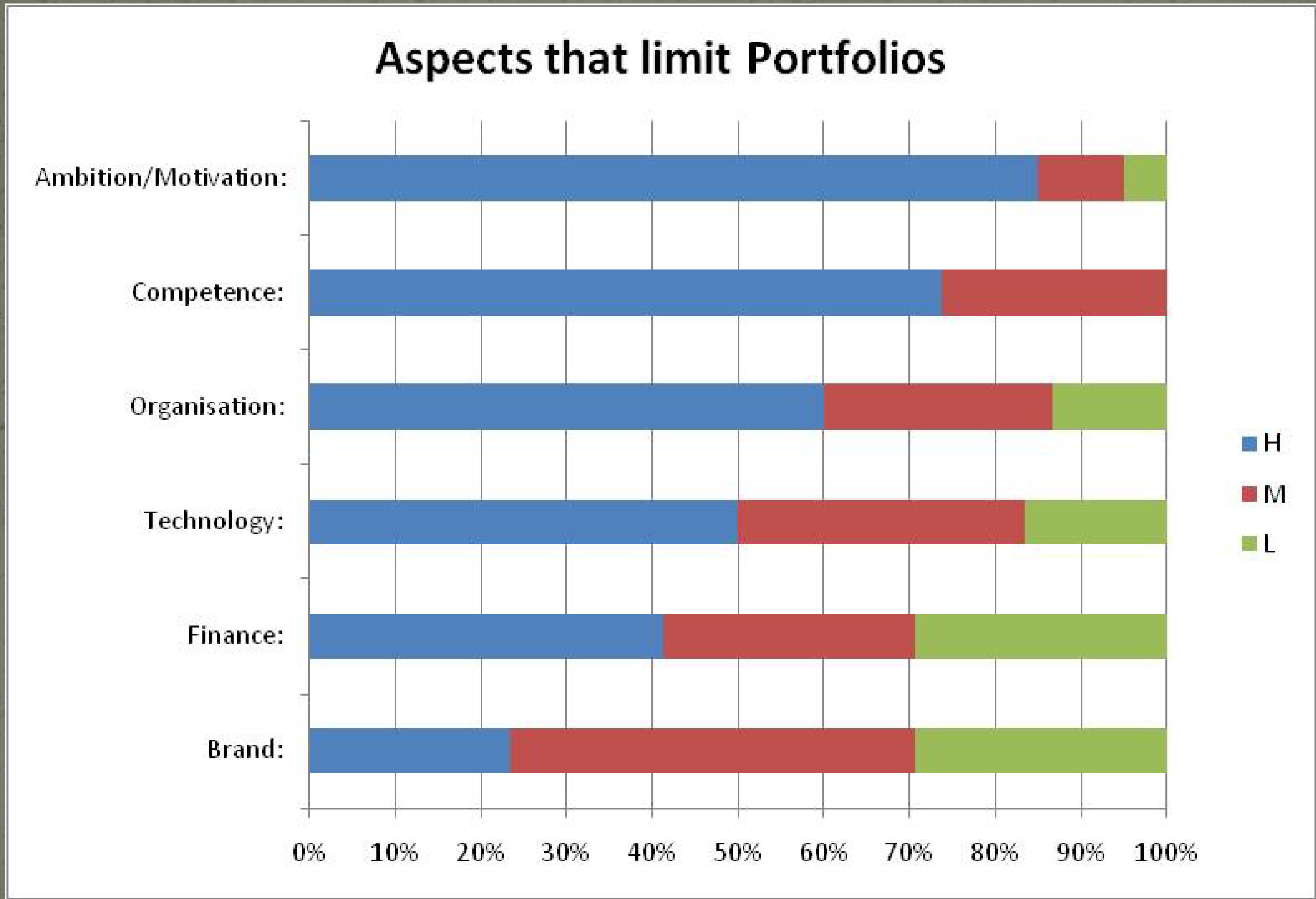


APM Knowledgeshare 2010 feedback 1



OPM

APM Knowledgeshare 2010 feedback 2



Governance SIG - update

- Study Tour 2010
- Governance of Innovation
- Enhanced outreach
- Updated and revised publications
- Contributions to APM BoK 6th edition
- Clearer interface with PPP management

Governance challenges

- Engagement of owners
- Engagement of major suppliers/financiers
- Commercial/confidentiality constraints
- Status of commitments, eg Project Charters
- Reporting on change initiatives:
  - Classifications
  - Cost capture
    - Actual/Plans/Targets/Forecasts/Budgets
  - Risks and Contingency treatment
  - Timeliness of published information
  - Cost benefit updating
  - Format problems:
    - IRR/NPV/PBP/Slip Charts/Bubble diagrams

Key Programmes

Key Programmes	Inputs			Governance			Performance		Overall rating
	Definition	Enablers	RAID	Sponsor	PM	Reporting	Deliverable	Benefits	
	•Objectives •Scope •Costs •Benefits	•Cost •Resource	•Risks •Assumptions •Issues •Dependencies	•Executive Sponsorship •Steering Group •Programme Board	•Change control •Cost management •RAID management	• Benefit management	• Delivery against milestones	• Benefit realisation against plan	
Technology	—	↑	↑	—	—	—	—	↑	Amber
Infrastructure	—	—	↑	—	—	—	↑	N/A	Amber
Product		—	↓				↑	—	Green
Service	↓	↓	—	↓	—	↓	—	—	Red
People	↑	—	↑	↑	↓	N/A		N/A	Amber

Cross referenced issues

Large project issues/Governance	Committing	Relationships	Boundaries	Competence
Accountability	Serious	Concerning	Serious	Mild
Portfolio Direction				
Sponsorship				
PPP management				
Disclosure and reporting				

Front-end lesson

PD3 Is the project portfolio prioritised, refreshed, maintained and pruned in such a way that the mix of projects continues to support strategy and take account of external factors?

Start for Stop!

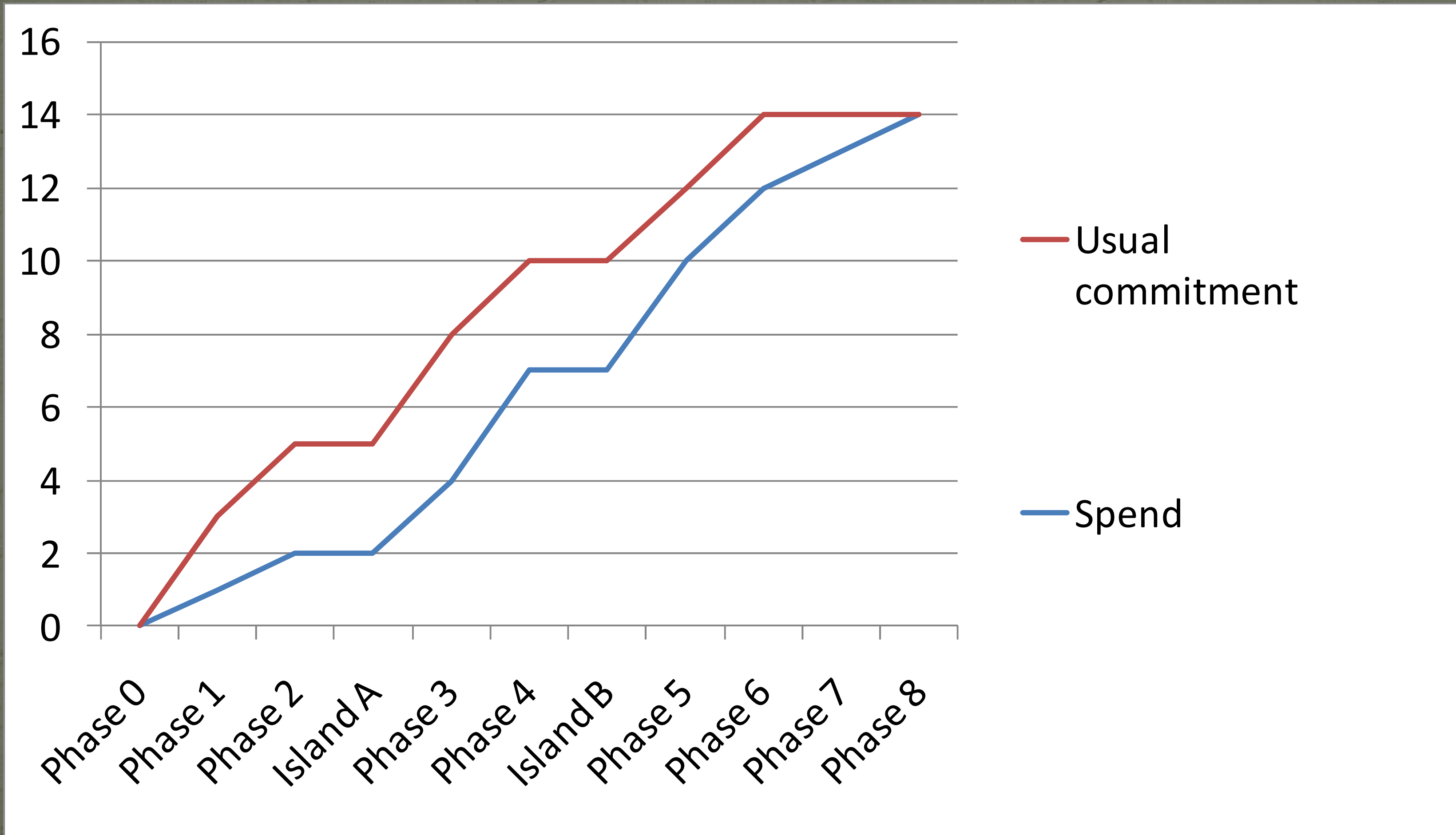
PD8 Does the organisation's engagement with its customers encourage a sustainable portfolio?

Give voice to customers at start, as distinct from the financing party.

Lesson 1 – reduce commitment

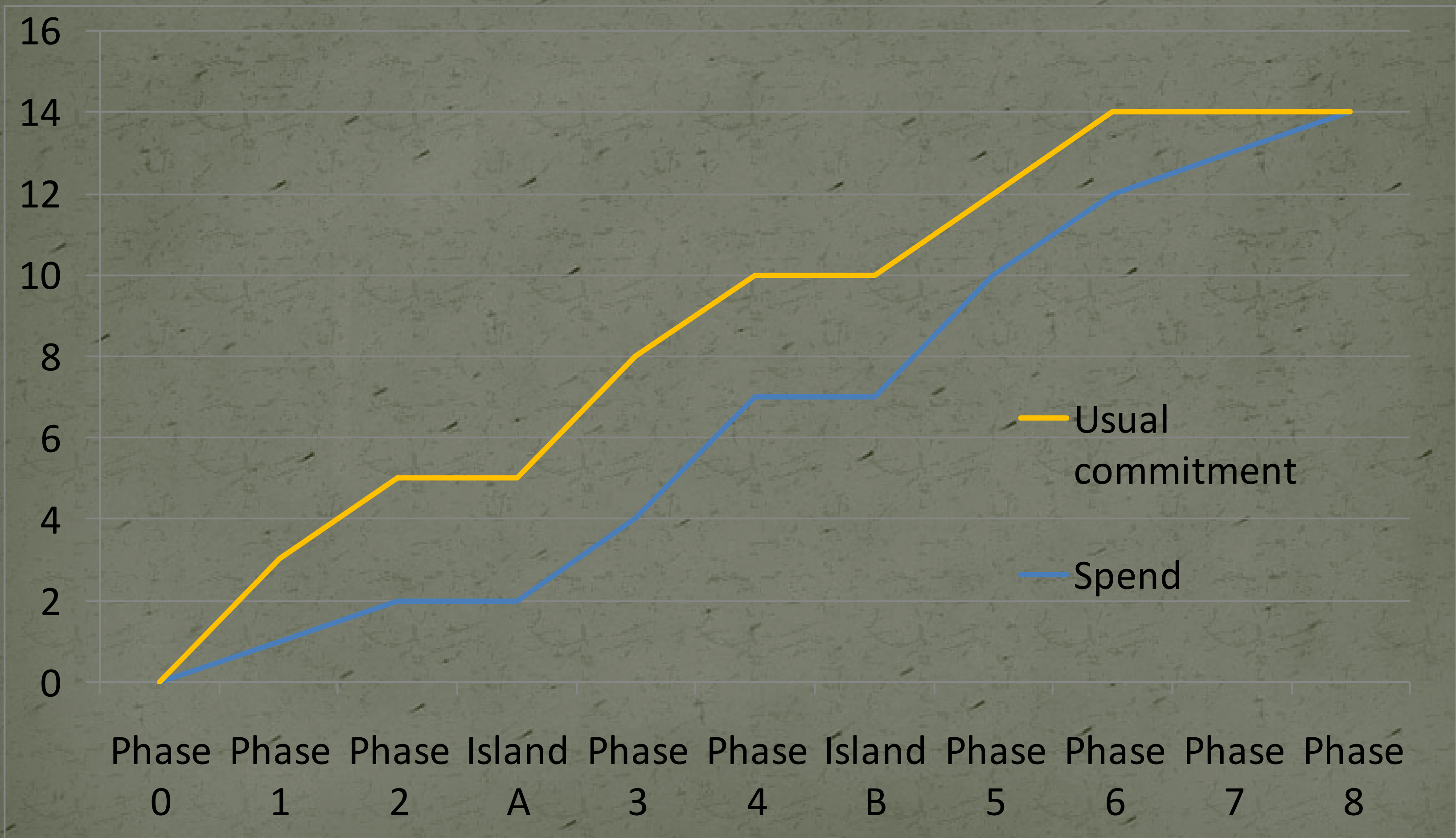
OPM

Lesson 1 – reduce commitment

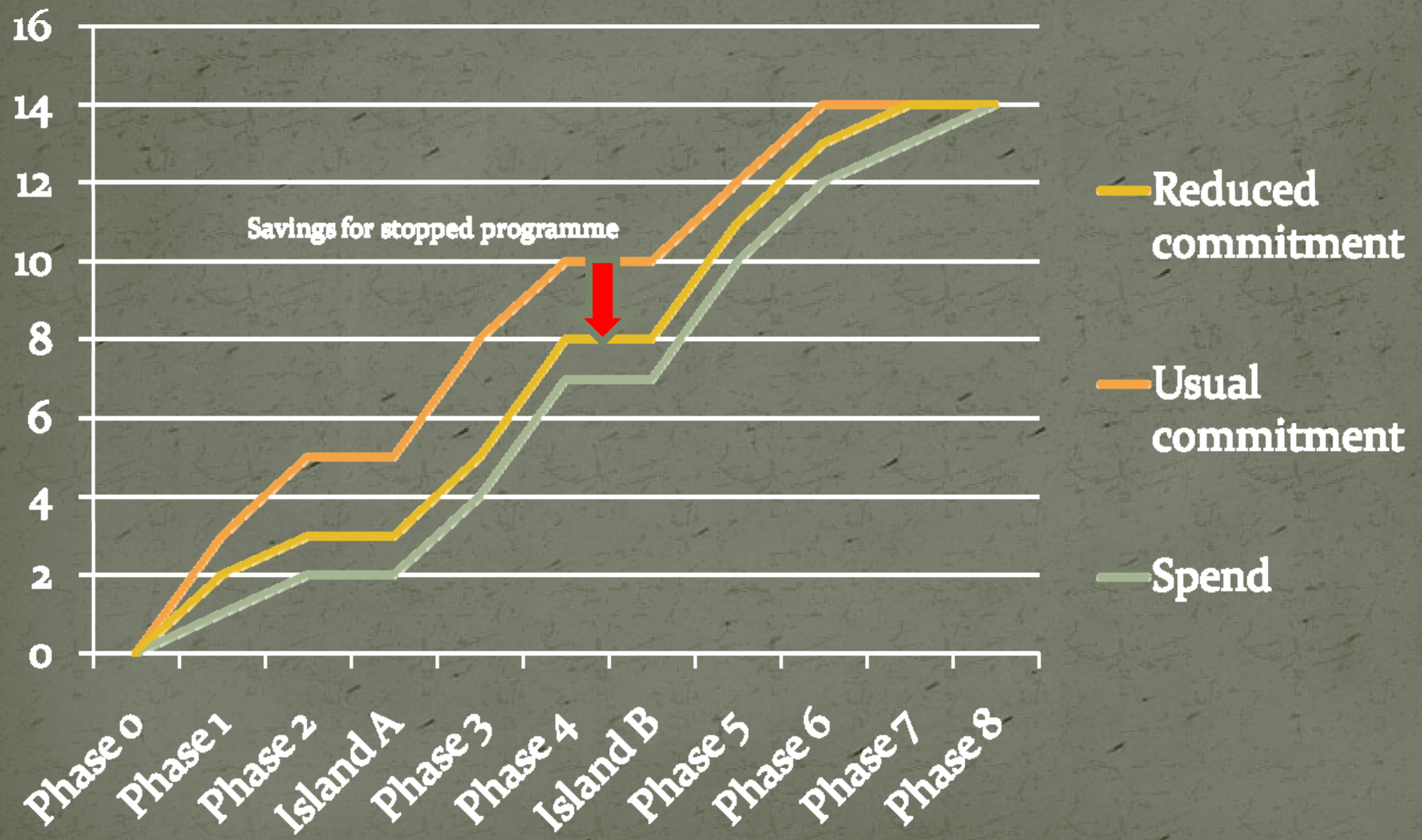


OPM

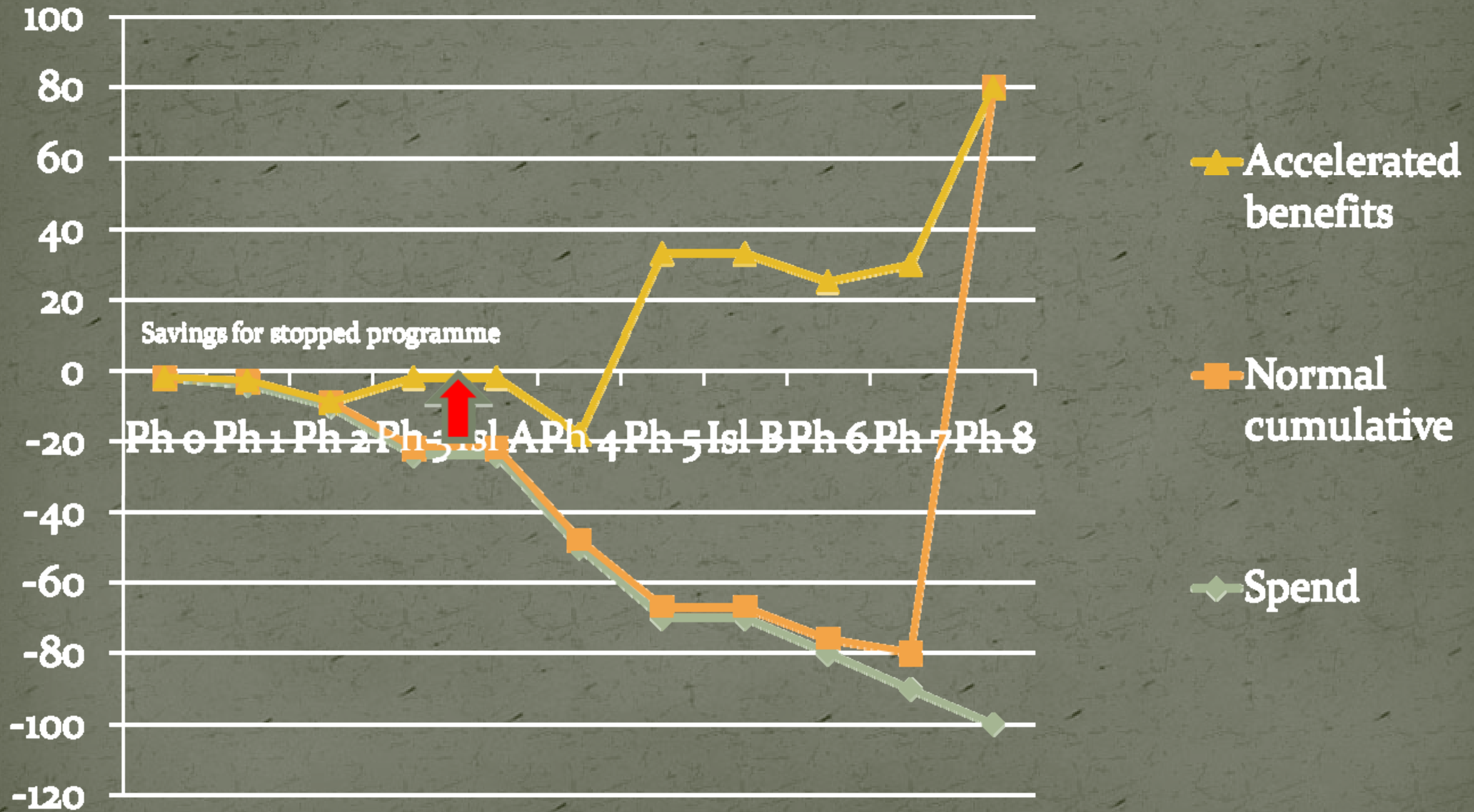
Lesson 1 – reduce commitment



Lesson 1 – reduce commitment



Lesson 2 – Accelerate benefits



Flexible governance

Support direction of evolving Quality-at-entry regime, particularly:

- *Distinguish Governance from Direction and Management*
- *Include concept phase in GoPM*
- *Flex governance depending on phase*
- *Encourage information, eg mentoring*

Summary

- GovSIG focus
- GovSIG performance
- GovSIG findings
- GovSIG programme

- Insights and lessons
- Support for initiatives
- Enthusiasm to be involved

Thank you

- To Norwegian Ministry of Finance
- To Carl Rostad
- To Ole Jonny Klakegg
- To APM
- To **you**, conference participants

Follow up

APM website:

apm.org.uk

GovSIG website:

https://service.projectplace.com/pp/pp.cgi/0/321457565

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