

Evolving programme governance models in a digital world

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1 Introduction

Does your business shudder as a business case for the IT enablement of a business function is put forward for consideration, funding and prioritization? IT programmes and projects are renowned for failure. The percentage failure rate of IT programmes and projects in the literature ranges between 30 and 70% (Charette, 2005; Miller, 2002). The definition of failure was predominantly found to be a budget overrun, schedule slippage or the non-delivery of the quality requirements (McManus and Harper 2007).

The investment in government projects in 2003, in the UK, was \$20.3 billion, whereas in the US commercial projects, in 2004, the investment was \$60 billion (Charette 2005, p45). Stanley and Uden (2013, p422) cited previous research of a study of 50 UK-government projects over 20 years found that “those involving technology innovation and systems development ran over budget by 200% and over the contract duration by 50%”. The study – which included an Inland Revenue outsourcing deal – found that “the main cause of optimism-bias was the inadequacy of the business case” (McCue, 2002). In response, HM Treasury sponsored the “Green Book and the Office of Government Commerce (OGC) to provide a more robust framework for the appraisal and evaluation of public sector projects and tackle the repeated failure and overrun of bungled IT projects that have cost the government over £1bn since 1997” (McCue, 2002). Further, McManus and Wood-Harper (2008, p38) determined that the cost of project failure in Europe in 2004, was \$142 billion. As such, the cost of failure is significant.

In response to these alarming statistics, the governance structure of major IT programmes is evolving. This paper illustrates how the governance models from PRINCE2 and Managing Successful Programmes (MSP), from AXELOS, are being interpreted, modified and used in an increasingly complex digital world. The representations of governance structures in this paper have been sourced from recent primary research conducted in Australia. This research found that there is market confusion about governance structures, their composition, what is a programme and what is a project, who is a programme director (MSP 2011, p40), programme manager, project manager, senior responsible owner (SRO) or executive sponsor and what competencies are required by these roles.

The purpose of this paper is to highlight that many alternate governance structures are being used by organizations and governments to minimise the risk to the business as well as investment loss. As such, the intent of this paper is to generate discussion of governance structures, terminology and competencies to cater for the changing digital world.

2 Background

The management of programmes and projects “is no longer a sub-discipline of engineering” and is used widely by organizations for the implementation of strategy, transformation and new product development (Winter, Smith, Morris and Cicmil, 2006, p638). The authors found that real-world programmes were complex, unpredictable and multidimensional (Winter et al. 2006). Information systems development programmes are extremely complex (Benbya and McKelvey, 2006).

Programmes invoke change. This change may be cultural, transformational, industrial, organizational or multinational. Programmes may be initiated to deliver change in parts or across organizations, across industries or globally. IT provides the enablement of change. A programme is where there are a number of interdependent projects that are run collectively to produce information and resources for an organization. Programmes operate within a permanent organization and each one is a “temporary organization structure to direct, coordinate and oversee the implementation of a number of related projects and activities to produce outcomes and benefits” which would not be otherwise achievable (MSP 2011, p286).

The governance structure or programme organization of these programmes is crucial to the success of the programme (MSP 2011). The ownership of programmes is usually at the executive or board level.

3 Governance structures

Good governance does not stop a programme from failure but the lack of governance or inadequate governance can guarantee that a programme will fail (Macdougall and Cadilhac 2010). The governance of a programme defines how a programme is structured: its functions, roles and responsibilities, processes and procedures (MSP, 2011). Inadequate governance, either structure or competency, may inadvertently lead to the demise of a programme if the members do not understand their role and the role of governance.

Good governance has a governing body that ensures that there is strong alignment to strategy and organizational direction, and that the programme delivers the required end results. The governing body ensures that there is sponsorship, competent teams, stakeholder involvement and monitoring systems in place (MSP, 2011). The governing body broadens the political support for a programme. It improves the quality of decision-making and communication – and encourages positive assistance when things are not smooth sailing. This is vital for programmes as they cross discipline, organizational or industry boundaries.

However, programme governance structures are evolving by organizations trying to mitigate the failure rate and investment loss. In addition, differing interpretations of these structures has led to variances of the structures and departures from original meanings and terminology outlined by MSP and PRINCE2. The following governance structures and terminology were found being used and trialled in large transformational IT programmes by Australian organizations in recent research (Macdougall, 2013).

3.1 INCLUSION OF SUPPLIERS ON THE PROGRAMME BOARD

The project board structure that has been recognized for the past few decades has seen the inclusion of a senior user, the executive sponsor and senior supplier. This structure was found to be expanded, adapted and being used in practice as the programme board (see Figure 1). The programme board represented at senior managerial level the interests of the business and the organization, and was the decision-making authority which guided the strategic and implementation aspects of the programme to meet the outcomes/objectives. In two such programmes there were up to 30 members and guests in the governance structure.

The sponsor was found to be the owner of the programme and accountable for the programme delivery and achievements. The sponsor defined the boundaries for the programme and secured the funding and was the “driving force behind a programme” (MSP, 2011, p287).

The senior users in this structure were key personnel who were user-representatives of the broad spectrum of the business. These senior users provided input on priorities, impact on business and technical quality within the structure. They were instrumental in ensuring that the deliverables were specified correctly and were fit for purpose. They were chosen because they were leaders within the organization or industry.

The senior suppliers represented external suppliers and vendors. In PRINCE2 a senior supplier ensures that the suppliers and standard operating procedures are met and that quality products are delivered. The senior suppliers ensure that the outputs or products could be transitioned to operations smoothly, with the least business interruption and minimal business risk. In recent years, the internal IT department was a typical supplier for IT enabling programmes. However, in today’s environment, a significant amount of IT is being outsourced. Consequently the term “supplier” is being interpreted to mean the vendor of products and services for the programme and, in practice, it was found that the senior suppliers on the programme board were able to put pressure on the delivery signoffs and payment for delivery.

Having supplier representation on the programme board does provide the advantage of partnership arrangements and direct involvement of the supplier within the programme. However, there are several disadvantages of this model.

First, the programme director was disadvantaged as the supplier who reported to him now had an equal voice on the programme board. In addition, change requests were usually submitted to the programme board for approval. If a change request is initiated by a supplier and the supplier is on the programme board, does this provide the most appropriate segregation of duties? Also, if they have influence over contractual payments does this represent a conflict of interest or probity issues?

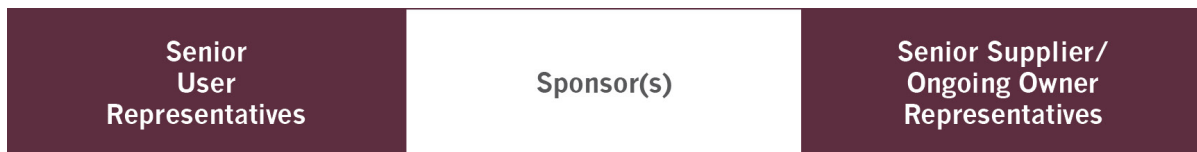


Figure 1 Programme board with senior user and supplier representatives

3.2 INCLUSION OF INDEPENDENT PROGRAMME BOARD MEMBER(S)

The programme board members often find it difficult to understand the language of IT and the IT people are not adept at translating the IT terminology into business language that can be easily understood. This translation is normally the role of the senior supplier whereas an independent member is for programme assurance (MSP, 2011).

However, in practice, to facilitate the discussion and gain this understanding, an independent programme board member was appointed. The independent member was internal to the organization in one instance, but external to the programme. Whereas, in another, the independent member was external to the organization (see Figure 2).

The advantage of this structure is that the difficult questions can be asked and risks identified earlier. This starts to put the organization in a proactive position in managing its risks and in putting mitigation strategies in place. The disadvantage of this structure is that the independent member needs to have a voice that is heard by the programme board members. If they do not, the independent member is only a consultant and his voice does not carry any weight. It is essential that the independent member understands the business context, in order to ensure that all challenging questions are constructive and relevant to the programme. In addition, the competencies of the independent member need to match the IT programme. For example, if an independent member only has had application implementation experience and the programme is a complex application development and infrastructure systems integration programme, the independent member will not have the competency required to ask the difficult questions. An independent member with insufficient understanding of the technical complexity programme is of little benefit to the programme board. This raises another difficult question: how does the business validate the competency of the independent member, if they, HR and recruitment personnel also lack the necessary levels of knowledge and competency?

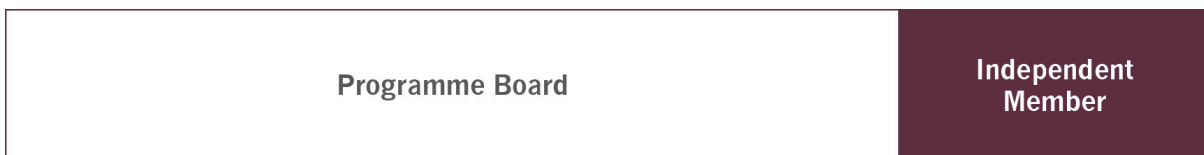


Figure 2 Programme board with independent board member(s)

3.3 THE USE OF AN INDEPENDENT CHAIR FOR THE PROGRAMME BOARD

The titles and roles of the executive sponsor and senior responsible owner (SRO) are being used interchangeably in practice, which is consistent with the definition of sponsor (MSP, 2011, p287). We found that the executive sponsor was usually the chair for the programme board. Given that the executive sponsor has a vested interest in the delivery of the programme, the use of an independent chair is now being used (see Figure 3). Several programmes used an external person.

This structure has been based on the corporate board model, where the chair is independent of the CEO of the organization. The corporate governance debate in Australia is resulting in an independent chair taking on additional activities to chairing the meeting. The activities may include providing leadership and vision, ensuring that all information is available to every member to undertake effective decision making, acting as a spokesperson, ensuring policies are enacted, ensuring members know the financial state, that the membership of the board is appropriate and provide a mentoring relationship as required, (Kalokerinos, 2007). Would these aspects be applied to an independent chair of a programme?

The advantage of this model is that it does create an open and transparent environment where the “tough” questions can be asked.

The disadvantage is that the executive sponsor, who is often the driving force behind programme delivery, may take a step back due to the perceived lack of ownership, yet, would still retain organizational accountability.



Figure 3 Programme board with independent chair

3.4 THE INCLUSION OF AN EXECUTIVE AND A DAY-TO-DAY SPONSOR

The ownership of a programme is usually by an executive sponsor or by the board. “The sponsor has overall ownership of a change programme and is ultimately accountable for the successful delivery of the expected benefits” (ILX Group, 2010).

In practice, given executive working demands, the time to provide the programme can be limited. As an alternative, a dual sponsor model for an IT change programme was utilised successfully, where there was an executive sponsor for escalated matters and a day-to-day sponsor to assist in the hurly burly of day-to-day delivery. The day-to-day sponsor was a permanent staff member who had delegated authority whereas the programme manager was on contract.

This model provides several advantages for the executive sponsor as they can remain at the strategic level of the programme and not become engulfed in what is to most executives the foreign territory of IT. The role of the day-to-day sponsor (see Figure 4) is thus crucial, as they are acting as a liaison with executive, the business and the programme. From recent primary research, a key competency of the sponsorship role is enabling leadership (Maddougall, 2013).

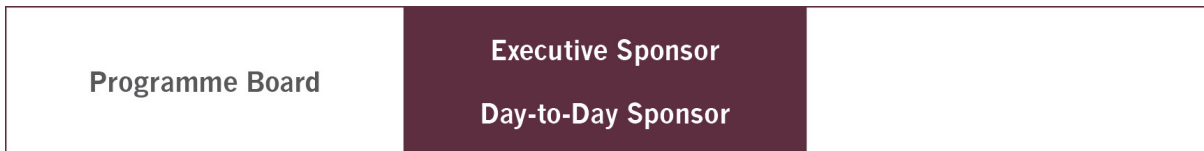


Figure 4 Programme board with executive and Day-to-Day Sponsors

3.5 USE OF STAKEHOLDER ADVISORY GROUPS AND REFERENCE GROUPS

One of the major lessons learned from many programmes is to contain the number of personnel on the programme board that have decision-making capacity. In several IT programmes, there were 20–30 members and guests at programme board meetings. Decision-making was found difficult.

To resolve this issue, other programmes have begun using stakeholder advisory groups and reference groups. These groups have been conducted successfully as an alternative. In several programmes the stakeholder advisory group(s) enabled consensus to be gained among groups of identified stakeholders. The stakeholder advisory groups also provided a closed feedback loop between the programme and the business and could be drawn on for various activities, such as the redesign for a process. In addition, these groups actively supported the programme.

The reference groups used were groups of subject matter experts – or specialists in particular disciplines – who could be drawn on as required during the programme to look at particular areas or issues.

The following governance structure was found to be successful on several programmes, with the stakeholder advisory group and reference groups reporting to the programme board (see Figure 5). This governance structure was subsequently implemented in new programmes within the organization.

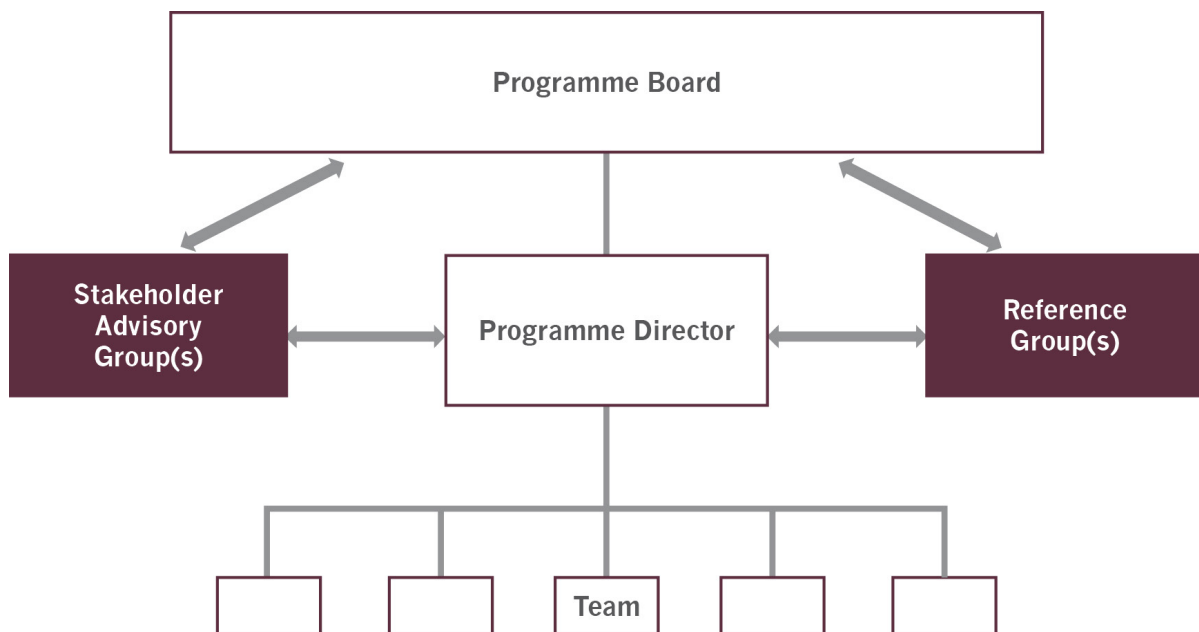


Figure 5 Programme board with stakeholder advisory groups and reference groups

3.6 SUBCOMMITTEE OF THE CORPORATE BOARD WITH INDEPENDENT SPECIALIST ADVISORS TO THE PROGRAMME

In practice, the use of IT subcommittees of the corporate board appears to be increasing. In this governance structure the subcommittee was comprised of business IT specialists who could translate IT to the business and identify the risks to the business. The IT subcommittee worked alongside the major transformational IT programme and performed the role of quality assurance or design assurance, both functionally and technically. The subcommittee conducted reviews of corporate initiatives being proposed in the organization (see Figure 6).

The advantage of this model is that it has direct input and reporting to the corporate board. The corporate board then has a greater understanding of the risks that the programme has to the organization. There are several disadvantages of this model, such as the IT subcommittee could bypass the programme leadership team and business executives and go direct to the corporate board. In addition, would this begin to blur the segregation of duties of the corporate board and operations? If the CEO is accountable for programme sponsorship and governance, would it make more sense for the independent advisors to report to the CEO?

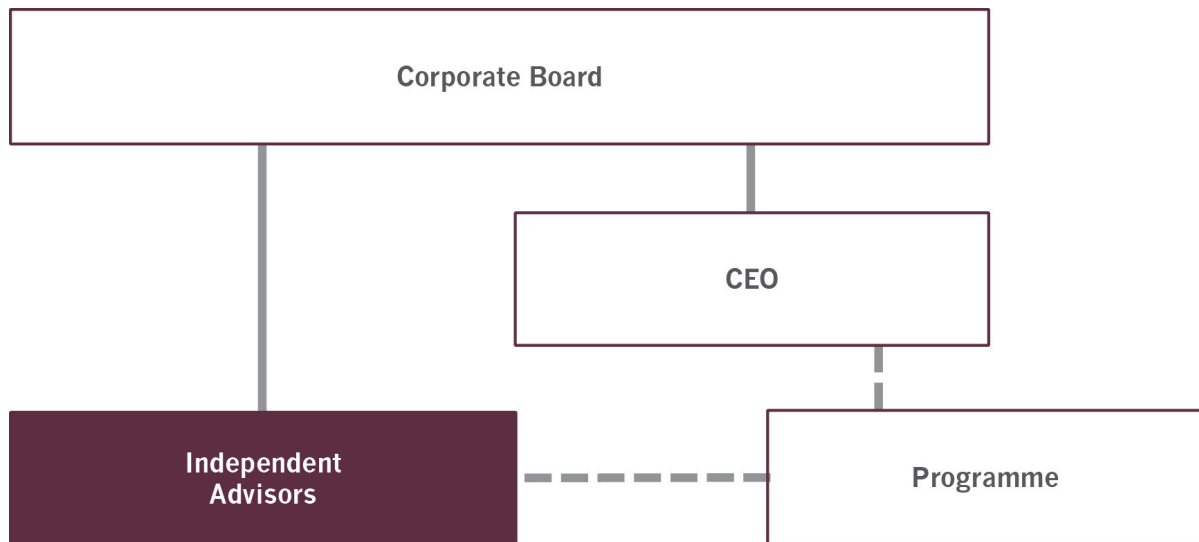


Figure 6 Corporate board with independent advisors

3.7 THE USE OF AN ENTERPRISE PORTFOLIO OFFICE REPORTING DIRECTLY TO THE CEO

The following governance structure for an enterprise portfolio office was one that was repeatedly referred to and held up as best practice in the industry (see Figure 7). It is also compatible with current PPM guidance.

The organization had a “true” enterprise portfolio office (EPO), headed by a chief projects/portfolio officer (CPO) who reported to the CEO. This governance structure was found to be very successful in minimising the risk of IT programme failure. In addition, the structure provided assurance to the CEO. The CPO title is also evolving in the industry, given that many businesses are now putting their IT into the cloud and focusing on projects and programmes.

In this scenario, the EPO was not just an administration function, collating and aggregating data to produce reports. The EPO was instrumental in prioritization, ensuring continuing strategic alignment, programme controls, business case development, financial and benefits management, training, improvement programmes and communications. The EPO in conjunction with the programme and projects integration committee, held the discretionary funds for projects and programmes across the organization. The CPO chaired a prioritization executive meeting. The executives would put forward initiatives at this meeting, which were discussed and prioritized according to strategic alignment and organizational priorities. Each business unit was supportive of another unit’s project or programme, as any failures in another’s area potentially meant a decrease in funds or likelihood of initiation, for their own project or programme.

In addition, the group conducted a strategic alignment of all projects and programmes. Where the business had changed dramatically, the project or programme was either realigned or discontinued. This was not seen as an indictment to those involved on or in the programme. These elements generated a successful project programme culture in this organization. This organization is often referred to in conversations, despite the fact that it no longer exists as it was acquired by another organization.

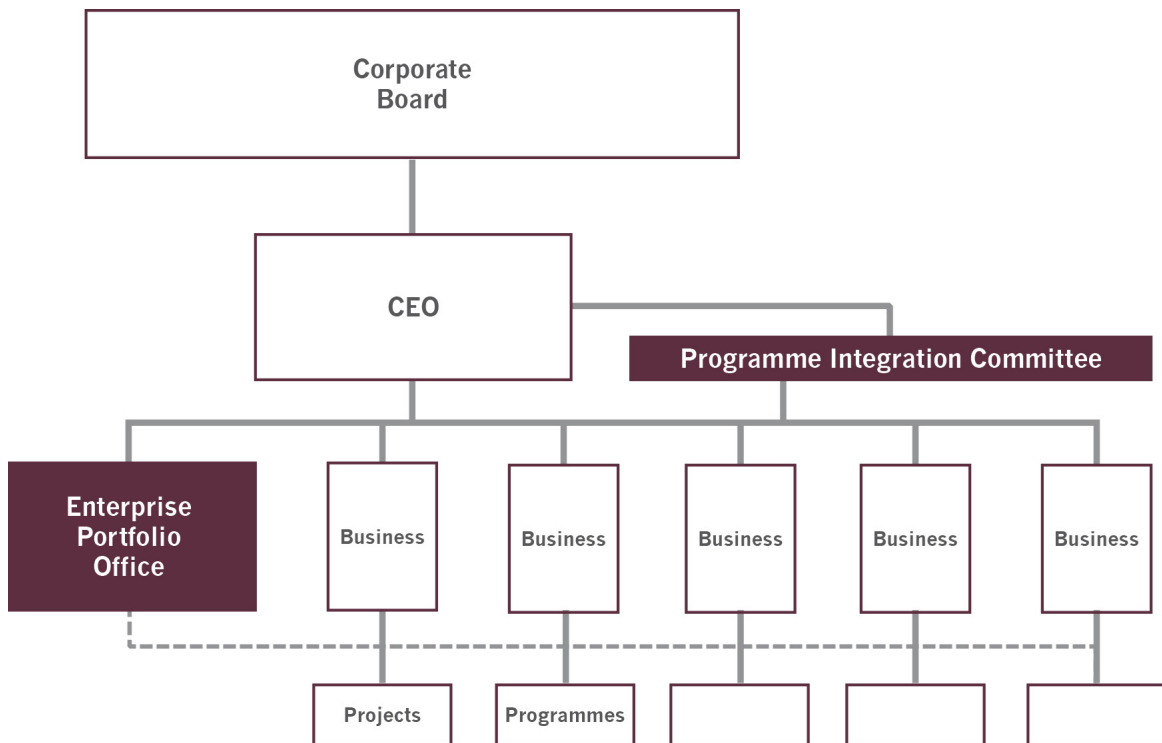


Figure 7 Enterprise portfolio office

4 Conclusions

The governance structure of a programme can have significant impact to the effectiveness and success of a programme. From the recent primary research in Australia, organizations are seeking an effective governance structure and composition to minimise the risk of IT programme failure and investment loss. Lessons learned indicate that programme governance structure is often listed as an area of improvement (Office of Government Commerce, 2009).

However, this recent research found that not only is the governance structure key to success, but also the composition, roles and competencies within the governance structure. The research also found that some of the governance structures illustrated in this paper were aligned or compatible with current PPM guidance. The consistent finding, however, was that the PRINCE2 governance structure was known and understood by all research participants.

Within either a programme or project governance structure, the board structure requires a decision maker, and representative(s) for the interests of the users and the suppliers. However, the programme or project board should not be distorted by the need to accommodate stakeholder engagement. In fact the OGC Gateway™ Lessons Learned document highlights such a situation and points out that the programme or project board is not a substitute for stakeholder forums. Furthermore, there may be times when it is appropriate to have an external supplier sit on the project board but there are also times when this would not be appropriate. Representation of users and suppliers interests must not be at the cost of distorting the decision-making function of the programme or project board.

This paper highlights several interpretations and different models being used in the Australian programmes. Given the different constructs outlined in this research that are largely experiential, does this indicate that the traditional governance structure for programmes, and especially IT programmes, requires a review to support today's digital business strategies and strategic implementations? Programmes are not simple and as they are becoming more complex, perhaps there is no single structure for every programme. However, if the foundations are sound, it has been found that the broader concepts can be augmented. If you would like to know more, please contact Ask@AXELOS.com.

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About the author

Cecily Macdougall is an accomplished and innovative professional who specializes in strategic change, in the forms of transformational change, industry reform, organizational and cultural change, business process, and information technology (IT) change, business and IT programme delivery (strategic IT solutions) and IT governance and sponsorship. Cecily has over 25 years' experience in establishing, planning and delivering projects, programmes and portfolios to achieve long-term objectives. She has coached and mentored several directors as well as many practitioners in this field.

Cecily is a key thought leader and was part of the Australian working party for the International Standard ISO21500 on Project, Programme and Portfolio Management. Cecily has published several industry articles on programme management and programme governance and is currently completing her doctorate at the University of Liverpool, UK. She is an Honorary Fellow at Deakin University Australia and is on the Deakin IT Advisory Board. She has a MBA with majors in International Business, Strategic HR, and Professional Accounting. Cecily is also a qualified Certified Practising Accountant (CPA).

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