

The Marriage of Corporate Governance & Project Management

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Overview of Subject Matter

How does one set about operationalising good corporate governance for the long term within any organisation? Having effective corporate governance policy along the principles similar to those recommended by the ASX or Sarbanes Oxley is only part of the story. We all know however, that just the existence of policy in an enterprise, government or other organisation does not address accountability for managing risk and compliance. In reality one of the biggest holes in the literature about governance concerns its proactive implementation and how to make it relevant to all stakeholders within and outside an enterprise.

In absence of a commonly defined culture that has shared social and moral values particularly within the context of multicultural / globalised society; the importance of laying down the rules and policies is a crucial. Some form of common ground is required to develop a shared understanding of how to engage responsibly with each other in an organisational setting. The next step therefore in the maturation of Corporate Governance is finding out how to promote and operationalise it in meaningful and alive ways for all stakeholders.

Corporate Governance in an “alive” and “proactive” format is really about engaging appropriate practices and methods. Having run many projects in a variety of contexts, this author believes that the practices and methods used in project management provide an excellent way to efficiently and transparently deploy responsibility and accountability for all of the tasks and issues that need to be managed in the governance of an organisation.

Project Management & Governance

Traditionally project management is used to focus specified resources on a time critical / dependant outcome. This is a well understood view of project management. Consequently the discipline has expanded significantly into corporate management and we are seeing an increasing use of Project Management Offices (PMO's) and terminology such as Portfolio Management within most organisations. Project management therefore is fast becoming a critical part of most organisations in everything they do.

An obvious natural extension then is to begin using the principles of project management in concert with corporate governance. The key barrier to remove is the barrier of thinking about time and outcomes in only one dimension i.e. that a project is defined as having a beginning middle and an end. Once this definitional barrier is removed, everything and anything can in fact be considered as a project and we can then apply the principles of accountability and responsibility that are so well used in the art of managing projects. Project management methods / approaches are very mature particularly in regard to reporting and transparency.

Project Management provides the missing link in Governance Practice

Corporate governance is generally spoken or written about with a high level definition of responsibility. For example, The Board will ensure that.....or,....Our approach to safety is that there is a zero tolerance for The true accountability at an 'actual person' level is missing and consequently without this direct link, it becomes very easy to obfuscate the failure of individuals and / or groups of individuals behind the 'generality of group responsibility. The problem therefore is one of translation of policy and intent into actions taken by real people to whom the responsibility and accountability is assigned. Generic policy statements that "everyone" will notionally comply with it, are not really enough to ensure governance outcomes. Having the "Board" made responsible is simply not good enough since no one person can be directly identified as the person responsible for specific items and risks linked to overall governance outcomes, good and bad.

There is no doubt that this problem could be a scary issues for some people. Whilst there would be a plethora of people claiming their part in good outcomes, no one wants to get blamed or lumbered with bad outcomes and problems, particularly problems that are dependent or reliant upon how a whole group or multiple groups acts in concert with each other. The problem with avoiding accountability at an individual level though, is not really useful or productive for an organisation serious about being good corporate citizens, since avoidance is only made possible because of the group context.

Again the parallel of this situation in project management is entirely the same. A project manager takes responsibility for managing the overall outcome. Tasks and Milestones can be assigned amongst team members to contribute to the overall outcome of the project but the project manager's job is to ensure that he or she gets it done. If we ran projects along the same lines as some governance systems (i.e. generic assignment of the work to a team rather than specific persons) there is enough evidence in failed projects to support the fact that this approach is a failure. If a scope of work is not been split into milestones and tasks with dependencies and clearly defined "real persons" assigned to perform / report on each item the project is unlikely to deliver its intended outcome. So why would we allow governance systems and practices the same latitude?

The use of project management disciplines is completely feasible for attaining an excellent operational governance standard. The delegate of various tasks and roles required to measure monitor and report on key governance issues for the organisation is the same as delegating task and milestones in projects. With the advent of better and more adaptable reporting systems, all key tasks components of governance can be assigned in real time as part of the organisations operational DNA. Just like a patient hooked up to a Heart and BP monitor, when signalling / visual indicators is added to this approach (such as traffic lights), a

governance heart beat feedback loop combining various indicators can be aggregated from all of the bubbled up data flowing from the delegated persons responsible at the coal face - ie where governance meets reality.

Example of how Governance issues could be addressed

ASX Principle	How Project Management Principles Could be used
Lay solid foundations for management oversight. Recognise and publish the respective roles and responsibilities of the board and management.	Governance policy must be broken into areas of responsibility and broken into multiple tasks and measurable items assigned to individual managers.
Structure the board to add value. Have a board of effective compositions, size, and commitment to adequately discharge its responsibilities and duties.	The Board needs all of the reporting indicators laid at their feet. Managers charged with reporting need a system that can provide a traffic light indicator and comments on the area they are managing. The Board needs to be able to drill down on these issues to inform themselves. This should not be filtered in any way by CEO or senior management - this provides absolute transparency.
Actively promote ethical and responsible decision making.	When it comes to accountability for decisions it must be clear who is responsible for the decisions being made and the criteria on which the decision are based. In terms of best practice it would be ideal to have an online decision tracking system where there is auditability and ultimate accountability similar to project management.
Safeguard integrity in financial reporting. Have a structure to independently verify and safeguard the integrity of the company's financial reporting.	In the project world, the link to budgets in this is critical. All items are budgeted and reported against in particular work in progress (WIP) is critical to understand the commitments going forward. As soon as a budget is blown out or is significantly underspent these should be obvious reporting triggers It goes without saying that the Audit Committee would have a strong interest in this as the delegated group focussed on this specific area of governance.

ASX Principle	How Project Management Principles Could be used
Make and promote timely and balanced disclosure of all material matters concerning the company.	Using project management principle in this regard would have an obvious positive impact on strengthening this outcome.
Respect the rights of shareholders and facilitate effective exercise of those rights	Better reporting means better outcome for shareholders and keeping their rights respected.
Recognise and manage risk. Establish a sound system of risk oversight and management and internal control.	Again this is really well handled in the area of project management as part of ongoing project reviews.
Fairly review and actively encourage enhanced board and management effectiveness.	Internal matter however if a log is kept of the review work done by each board member on line then this would go a long way to measuring some of the work that board member perform particularly about keeping themselves informed.
Ensure that the level of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined	No comment
Recognise the legitimate interests of stakeholders including legal and other obligations.	

Regardless of the circumstances effective corporate governance relates to more than just the monetary issues that any company faces. To fulfil its role effectively a company must have more than just monetary measurements in place. The board must have an effective information flow and feedback mechanisms that can allow it to intervene and take action for the good of the company and its investors. The guidelines discussed above provide a guide to making that happen.

Project management methods provide 90% of the answer to this conundrum !.