

**Projects Governance & Controls Symposium 2015**

**The project governance model:**  
**John Smyrk**  
 Visiting Fellow—School of Business



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**Purpose of session**

- This talk seeks to:
  - Highlight some fundamental issues in conventional models of project governance.
  - Outline an approach to address those issues.

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**Foundation for the session**

- This talk draws heavily on a research program in which the author is engaged with Dr Ofer Zwikael (Associate Professor in the ANU College of Business and Economics).
- Relevant output from that program can be found in two publications:
  - Zwikael, O.Y. & Smyrk, J.R. 2011. *Project Management for the Creation of Organisational Value*. London: Springer.
  - Zwikael, O., Smyrk, J. Project governance: Balancing control and trust in dealing with risk. *International Journal of Project Management* 33 (2015) 852–862.

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### Session coverage

- Why are project undertaken?
- The conventional *outputs*-oriented view.
- A new *outcomes*-oriented view.
- Implications of the new model.
- An outcomes-oriented model of Project Governance.

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### THE RATIONALE FOR UNDERTAKING PROJECTS REVISITED

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### Project funding is a form of investment

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## Project returns

- The desirable end effects of a project:
  - Are called *target outcomes*.
  - Need **not** take the form of financial flows.
- Example?
- The Child Sex offenders project was undertaken:
  - To generate the end effect of *reduced child abuse*.
  - Not to generate some *desired economic impact*.

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## The concept of *Worth*

- **Worth:**
  - Is a generalisation of cost-benefit analysis to accommodate effects that have no meaningful dollar measure.
  - May well involve the use of *multiple criteria valuation models*.
- $Worth = F_n(\text{Benefits, Disbenefits, Costs})$
- Less formally:  $W = B - D - C$ .

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## The determinants of *Worth*

- **Benefits** are driven by *target outcomes*.
- **Disbenefits** are driven by *undesirable outcomes*.
- **Costs** are driven by a project's *outputs*.
- Outcomes are **not** required to have a financial measure.

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### Worth and project success

- Project *funding decisions* are *investment decisions*.
- The investment decision is based on an **expected** overall value of eventual *Worth*.
- The success of the project must, therefore, be judged on the **achieved** value of *Worth*.
- Loosely:
  - If Actual Worth  $\geq$  Expected Worth, the project must be judged a success.
  - Otherwise it is a failure.

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### THE CONVENTIONAL VIEW OF A PROJECT

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### The IPO model: the traditional view

IPO = Input-Process-Output

Projects are a special case of processes

Duration      "Timeline"

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### Structural implications of the IPO model

- The project finishes *when its outputs have been delivered*.
- A project progresses through *three* substantive global phases:
  - Initiation: to seek funding
  - Planning: to prepare a project script.
  - Execution: to produce, deliver and implement outputs.

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### Success implications of the IPO model

- Judgements of success are limited to the elements of the IPO model:
  - Outputs (scope).
  - Duration (timeframe).
  - Budget (cost of resources).
- Thus the infamous “iron triangle”.

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### Governance implications of the IPO model

- A governance model must:
  - Accept the iron triangle as the **ultimate** test of success.
  - Support the management of a project across **three** global phases—especially execution.

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### The conventional view: a fundamental flaw

- A project is a form of investment.
- The success of the investment must be judged on the *achieved value* of Worth.
- Worth is a function of target outcomes (amongst other things).
- The conventional governance model ignores the need to generate target outcomes.

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### A NEW VIEW OF A PROJECT: THE ITO MODEL

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### Case study: The Sydney Cross City Tunnel

- Background:
  - 2 km vehicular tunnel connecting Darling Harbour in the West with Woolloomooloo in the East.
  - Built in early 2000s, opened in 2005.
- Target outcome:
  - Reduced traffic congestion on the surface streets of Sydney's CBD (by 90,000 vehicles/day).
  - Was not achieved within anticipated timeframe— operators were declared bankrupt in 2006.

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## Target outcomes & “states of the world”

The “Now” scenario describes the way the world is shaped today.

Now

The “Now” scenario is characterised by:  
•Congestion =  $c_1$   
•Pollution =  $p_1$

Business case for vehicular tunnel

Funding decision

No      Yes

The “No” scenario is characterised by:  
•Congestion =  $c_2$   
•Pollution =  $p_2$

The “Yes” scenario is characterised by:  
•Congestion =  $c_3$   
•Pollution =  $p_3$

Target outcomes in relative form are represented by the differences in these parameters.

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## The ITO model of a project

ITO = Input-Transform-Outcome

INPUTS      PROJECT      OUTPUTS      UTILISATION      OUTCOMES

This part is an IPO model

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## When does a project “end”

- The conventional (i.e. PMBoK) view: the project ends *when all outputs are delivered* (at the end of Execution).
- An emerging view claims:
  - The project ends when *its target outcomes are “secured”*.
  - This demands a subsequent **fourth** global phase (*Outcome realisation*).

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### The global phases of a project

- **Initiation:** Determines *Why* the project is being proposed and *What* it will produce.
- **Planning:** Determines *How* the outputs will be produced.
- **Execution:** Produces, delivers & implements outputs.
- **Outcome realisation:** Secures the target outcomes.
- These are completely generic and apply to all projects.

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### The ITO model and four global phases

What is the significance of these milestones?

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## BUILDING AN OUTCOMES-ORIENTED MODEL OF PROJECT GOVERNANCE

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## Approach

- A starting point—the ITO model.
- Recall that the ITO model has two *results*:
  - Outputs (deliverables)
  - Target outcomes (desired end-effects).
- Our entire PGM is based on the relationship between the two key players *to whom accountabilities are assigned* for these results.

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## The ITO model as a transaction

A Funder will pay to have **this** work done now—in order to generate **these** later.  
(The Funder is an investor)

If the Funder is too busy to oversee the exercise, he/she will appoint a Project Owner as his/her agent.

The Project Owner “subcontracts” with a Project Manager to supply **these**—for a price dictated by the cost of **these**.

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## Accountability and the ITO model

Accountability: **Project Manager**      Accountability: **Project Owner**

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### Layering of accountability: the Funder

- The **Funder has an investment focus:**
  - The **ultimate** stakeholder.
  - Self-accountable—as far as the project goes.

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### Layering of accountability: the Project Owner

- The **Project Owner (PO)~ a Business case focus.**
- Held accountable by the *funder* for realising:
  - The business case in general.
  - Target outcomes in particular.

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### Layering of accountability: Project Manager

- The **Project Manager (PM)~ a Project plan focus.**
- Held accountable by the *Project Owner* for:
  - Achieving the project Plan in general.
  - Delivering all project outputs in particular.

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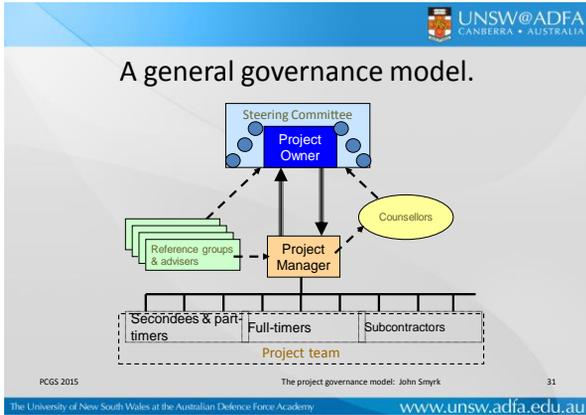
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The role of the Steering Committee

- The steering committee:
  - Acts in the interests of the **funder**.
  - Ensures that the project is always pointed at its **business case**.
  - Is NOT a *project control group*—it DOES NOT run the project.

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Some implications of the model

- The Business case belongs to the Project owner:
  - He/she presents it to the funder seeking approval to proceed.
  - The Project manager may well manage its development—but only as an *agent* of the project owner.
  - During execution, the Project manager reports progress to the Project Owner—during regular meetings of the Steering Committee.

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## Our research results

- A study involving over 100 key players in projects.
- It was found that:
  - The acceptance of an accountability for outcome realisation significantly impacts project success.
  - *The role of the project owner is sensitive to the project context:*
    - *Trust of the project owner in the project manager is more effective in a turbulent environment.*
    - *Closer control by the project owner of the project management process is a superior management approach.*

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## Summary

- The conventional view of a project is flawed—it does not recognise projects as investments.
- The conventional models of project governance:
  - Have an outputs-delivery focus.
  - Ignore the mechanism of outcomes generation.
- A new model of project governance is based on the separation of accountabilities for:
  - Output delivery
  - Target outcome generation.
- There is empirical support for the proposition that such an assignment of accountabilities enhances project performance.

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