



apmKNOWLEDGE

Directing Change

A Guide to Governance
of Project Management

Third edition

Directing Change

Third edition

Association for Project Management

Association for Project Management
Ibis House, Regent Park
Summerleys Road, Princes Risborough
Buckinghamshire
HP27 9LE

© Association for Project Management 2018

First edition 2004
Second edition 2011
Third edition 2018

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, without the express permission in writing of the Association for Project Management. Within the UK exceptions are allowed in respect of any fair dealing for the purposes of research or private study, or criticism or review, as permitted under the Copyright, Designs and Patents Act, 1988, or in the case of reprographic reproduction in accordance with the terms of the licences issued by the Copyright Licensing Agency. Enquiries concerning reproduction outside these terms and in other countries should be sent to the Rights Department, Association for Project Management at the address above.

British Library Cataloguing in Publication Data is available.
Paperback ISBN: 978-1-903494-76-9
eISBN: 978-1-903494-77-6

Cover design by Fountainhead Creative Consultants
Typeset by RefineCatch Limited, Bungay, Suffolk
in 10/14pt Foundry Sans

Contents

Foreword	v
Acknowledgements	vi
1 Purpose	1
2 Introduction	3
2.1 Context	3
2.2 What is governance of complex change?	4
2.3 Application and structure	5
2.4 Additional references	6
3 Key governance roles	7
3.1 The board	8
3.2 Programme or project sponsor	9
3.3 Programme or project manager	10
3.4 Business change manager	10
3.5 Independent reviewer	10
3.6 PMO	11
4 Components of effective governance	12
4.1 Portfolio direction and alignment	12
4.2 Programme and project sponsorship	12
4.3 Change and project management capability	13
4.4 Transparency and assurance	13
4.5 Culture and ethics	13
5 Principles of effective governance	15
5.1 Principles for effective governance of complex change across the enterprise	15
5.2 Principles for effective governance of individual change initiatives	17

Contents

Appendix 1 Glossary of key terms	19
Appendix 2 Role-based checklists	22
A2-1 The board	23
A2-2 Programme or project sponsor	26
A2-3 Programme or project manager	29
A2-4 Business change manager	30
A2-5 Independent reviewer	32
Appendix 3 References and further reading	33
Appendix 4 Cross-reference to UK Corporate Governance Code	34

1

Purpose

Governance has been shown to have the most significant impact on the successful outcomes of complex organisational change and projects.

The purpose of the guide is to enable those with corporate governance roles to adopt optimal practices for the governance of complex change.

Good governance involves aligning the interests of boards, directors, portfolio, programme and project teams and wider stakeholders. Governance has been shown, both in research and practice, to have a significant impact on the successful outcomes of complex change. This applies to both internal investments by organisations and contracts for supply. Improving governance should be a strategic imperative for all organisations.

Adherence to this guide will help those with governance roles (e.g. boards of directors, sponsors, project managers, independent reviewers and others with governance responsibilities) to:

- assure themselves and others that robust governance requirements are applied across all the complex change in their organisation;
- optimise their portfolio of change to maximise achievement of strategic objectives;
- maximise the benefits realised from complex projects and programmes;
- improve accountability, engagement with stakeholders and relationships with staff, customers, suppliers and regulators;
- minimise risks to the organisation arising from complex change and support the sustainable development of the organisation;
- avoid many of the common failures in portfolio, programme and project performance and gain increased visibility of progress.

Directing Change

As the focus of this document is the achievement of coherence between corporate governance and governance of complex change, it is necessary to clarify activities not specifically covered by this guide. This document does *not* seek to:

- duplicate or replace existing guidance and standards on corporate governance;
- provide guidance on 'business as usual' or other non-project based activities of organisations;
- provide guidance on project or change management methods, other than those directly related to the purposes of sound governance;
- provide guidance on detailed methods that can be used to manage individual projects;
- prescribe how to implement this guidance across the enterprise – that will depend on factors specific to each organisation;
- provide governance improvement methods, plans and approaches.

2

Introduction

A glossary of key terms used in this guide can be found in appendix 1.

2.1 Context

"Corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined."

OECD Principles of Corporate Governance 2015

The Organisation for Economic Cooperation and Development (OECD) principles of corporate governance (2015) includes example phrases such as:

- efficient allocation of resources;
- consistent with the rule of law;
- support effective supervision and enforcement;
- provide sound incentives throughout the investment chain;
- effective monitoring of management by the board;
- the board's accountability to the company;
- the board should apply high ethical standards;
- overseeing the process of disclosure and communications.

These definitions and phrases apply equally to the governance of complex change as to an organisation's on-going business.

Directing Change

For brevity this guide uses the terms:

- complex change to refer to transformation, major change initiatives, projects, programmes and portfolios, and;
- complex change management for the management of complex change;
- governance to mean that applied to complex change management. The guide uses the term corporate governance specifically where it applies to governance of the organisation as a whole;
- 'board' to refer to top management boards, typically the board of directors and their equivalents in the public sector and to councils in companies limited by guarantee. It specifically does not refer to project boards.

Different organisations employ different governance frameworks; and different types of governance may exist within an organisation. In preparing this guide, the requirements of all medium to large organisations, listed and private companies, government organisations and charities have been considered. The principles underlying the effective governance of complex change are common to all such entities. Hence, in this guide we refer to 'the organisation' or 'enterprise' rather than 'the company'.

Codes of corporate governance have been developed primarily for listed companies. The UK codes specifically refer to shareholders and investors as the ultimate body to which organisational boards are accountable. There is a growing acceptance of a more 'enlightened' view that the directors and the board should also take into account wider stakeholder interests in promoting the success of the company. Equally public-sector and charity-sector organisations have varied stakeholder responsibilities. Hence in this guide we use the term 'stakeholder' to include, all key external interested parties and internal interested parties, including staff.

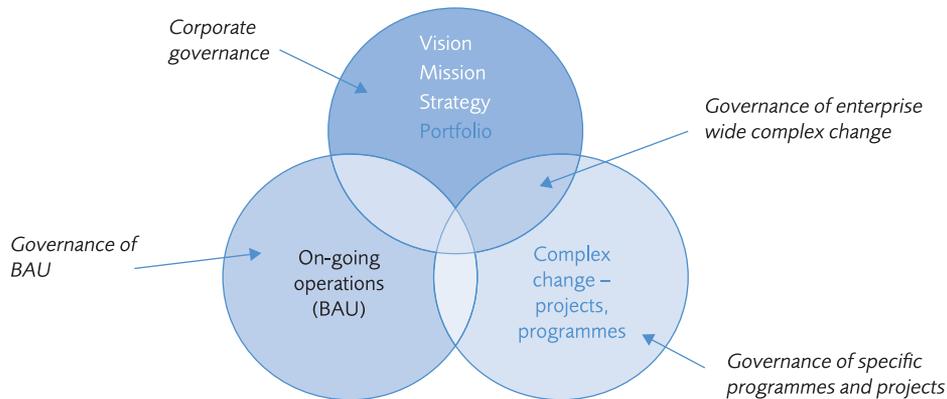


Figure 1 Interaction of corporate governance, governance of complex change and governance of individual programmes/projects

2.2 What is governance of complex change?

'Effective governance' is the most important success factor for complex change
APM Conditions for Project Success (March 2015)

The governance of complex change concerns those areas of corporate governance that are specifically related to complex change activities. Effective governance ensures that an organisation's change portfolio is aligned to the organisation's strategic objectives, is delivered efficiently, is controlled and is sustainable. Governance also reflects the values and principles of the organisation and supports the means by which the board and other major stakeholders exchange timely, relevant and reliable information.

Governance encompasses the behaviours, structures, roles, policies, standards and processes for decision making and control allowing boards to ask and react to such key strategic questions as: 'Are we doing the right things?', 'Are we doing them in the right way?', 'Are we doing them well?' and 'Are we gaining best value and realising the benefits sought?'.

3

Key governance roles

There are two key roles accountable for effective governance:

- the board;
- the sponsor.

In addition, there are four other contributing roles that have significant delegated governance responsibilities:

- programme or project manager;
- business change manager;
- independent reviewer;
- PMO (portfolio/programme management office).

These roles and the 'line of sight' accountability are shown in the diagram below:

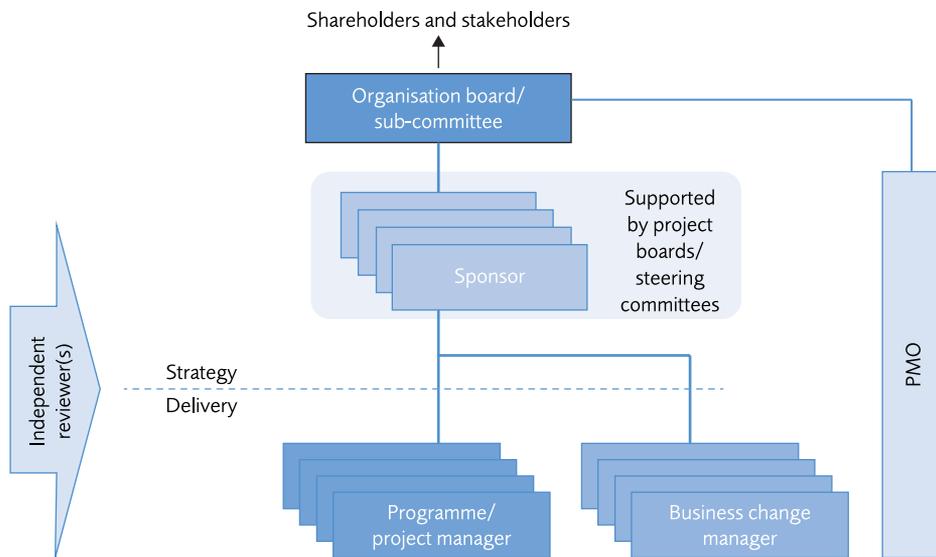


Figure 2 Key governance and supporting roles

Directing Change

This is not to say that other roles do not have a governance responsibility, but those responsibilities are most likely to be delegated from the board and sponsors. For example, a portfolio manager might have governance responsibilities delegated from the board, but the board still retains its accountability to shareholders. A PMO likewise might have responsibility delegated from the board to define, initially set up and monitor/assure agreed governance processes across an organisation, but the board is still responsible for ensuring they are in place and adhered to.

The roles interface broadly as shown in the responsibilities diagram below. At each level of portfolio, programme and project, the key outcome and output responsibilities are shown.

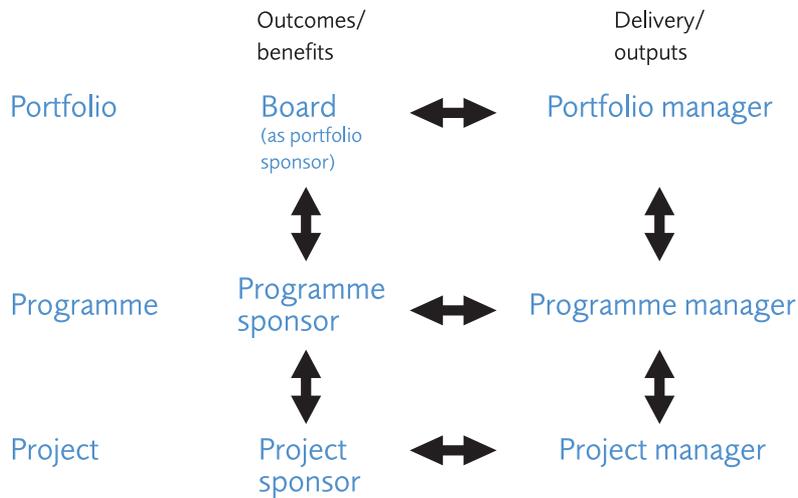


Figure 3 Key responsibility interfaces

Each role is outlined in the following pages.