

Directing Change

A guide to
governance
of project
management



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2. Introduction

'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'

Organisation for Economic Co-operation and Development
OECD Principles of Corporate Governance 2004
www.oecd.org

Projects, programmes and portfolios and their management are defined in the APM 'Body of Knowledge', BS6079-1 (2010) and in the Cabinet Office's 'Managing Successful Programmes' (2011).

For brevity, this guide uses the term project management as inclusive of the management of programmes of projects.

Whilst codes of corporate governance have been developed primarily for listed companies, in preparing this guide, the requirements of all medium to large organisations, listed and private companies, government organisations and charities have been considered. We have concluded that the principles underlying the governance of project management apply to all such entities. Hence, in this guide we refer to 'the organisation' rather than 'the company'. Our use of the term 'board' applies to management boards and their equivalents in the public sector and to councils in companies limited by guarantee. It does not refer to project boards.

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

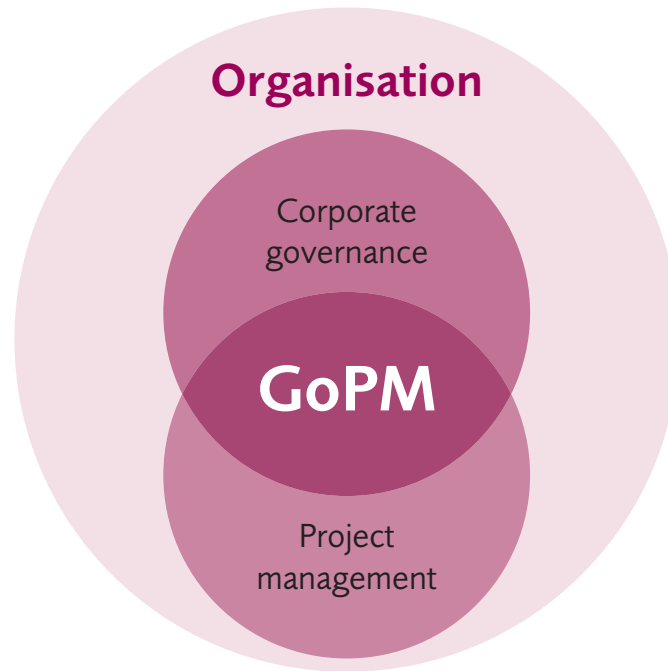


figure 1 **Governance of Project Management (GoPM) in context**

Figure 1 illustrates that the governance of project management is a subset of the activities involved with corporate governance. Most of the methodologies and activities involved with day-to-day project management lie outside the scope of this guide.

4. Core components

This section offers practical questions that should help decide what actions to take to comply with these principles.

Governance of project management is not the rigid application of a complex methodology. The best results will come from the intelligent application of principles combined with proportionate delegation of responsibility and the monitoring of internal control systems.

Sections 4.1 to 4.4 list questions relevant to the four components of governance of project management. Unlike the 13 GoPM principles, some aspects of these questions do not apply to every organisation. However, the answers indicate the extent to which practice fulfils the principles and meets the requirements of governance of project management.

4.1 Portfolio direction

This component seeks to ensure that all projects are identified within the one, sustainable portfolio. This portfolio should be evaluated and directed mindful of the organisation's aims, constraints, resources and capacity for change.

Key questions

PD1	Is the organisation's project portfolio aligned with its key business and organisational objectives, such as those of profitability, customer service, reputation, attitude to risk, corporate responsibility, sustainability and growth?
PD2	Are the organisation's financial controls, financial planning and expenditure review processes applied to both individual projects, and to the portfolio as a whole?
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?
PD4	Does the organisation discriminate effectively between activities that should be managed as projects and other activities that should be managed as non-project operations?
PD5	Does the organisation assess and address the risks associated with the project portfolio, including the risk of corporate failure?
PD6	Is the project portfolio consistent with the organisation's capacity?
PD7	Does the organisation's engagement with project suppliers encourage a sustainable portfolio by ensuring their early involvement and by a shared understanding of the risks and rewards with due protection of commercial confidentiality?
PD8	Does the organisation's engagement with its customers encourage a sustainable portfolio?
PD9	Does the organisation's engagement with the sources of finance for its projects encourage a sustainable portfolio?
PD10	Has the organisation assured itself that the impact of implementing its project portfolio is acceptable to its ongoing operations?



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