Co-Directing Change –
A guide to the **governance of multi-owned projects**

Contents

2. Introduction

Standards of corporate governance have been developed primarily for listed companies. Issues of governance exist, however, for a wide range of organisations, whether listed, private or publicly owned or not-for-profit, and this guide aims to assist all such organisations.

In this guide we use the words "governance", "project", "multi-owned" and related terms as follows:

Governance

We follow the OECD's definition of governance as a set of relationships between an organisation's owners, its board, its management, and other stakeholders.
This provides the structure through which the organisation's objectives are set and the means of attaining those objectives and of monitoring performance, are determined.

Project

A unique complex undertaking justifying the use of a project management methodology. The word 'project' in this context includes project-based programmes.

Multi-owned

A project is multi-owned if more than one company or organisation shares ultimate control over the decision-making process that affects fundamental aspects of the project. Fundamental aspects of a project include establishing or modifying the roles of the parties concerned and the project purpose, objectives and scope.
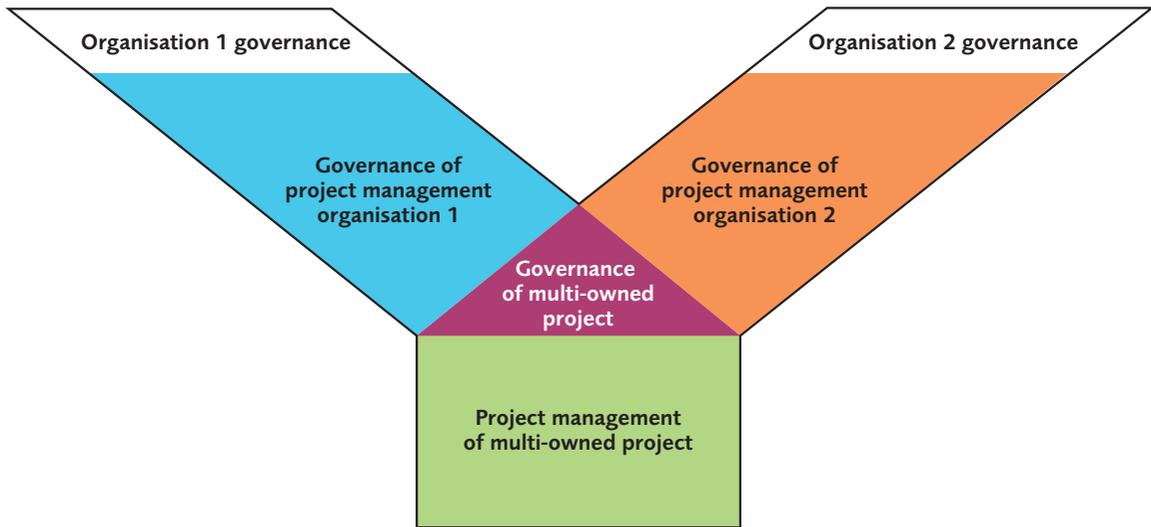
Figure 1:?Governance of multi-owned projects

Governance of multi-owned projects

Governance of multi-owned projects (GoMOP) refers to the decision-making and reporting arrangements that must be established such that the board of each owner can be assured that its reasonable stewardship responsibilities will be met.

Figure 1 highlights the relationship between governance and project management. It makes clear that even if there is agreed project management for the project, there are governance issues which need to be reconciled with the, potentially different, overall governance arrangements of owning organisations.

The principles set out in *'Directing Change'* apply both to the governance of owning organisations' projects and to the jointly-owned project; the guidance here draws on those general principles and components, neglect of which is of greatest impact in multi-owned projects.

Principles

We have developed a set of principles generally applicable to all multi-owned projects. These are detailed in Part 3.

Components

When deciding upon the details of a multi-owned project's governance arrangements, many factors should be considered. Part 4 includes lists of questions that are designed to help boards identify what is relevant to their own circumstances.

Naturally, not all questions in Part 4 will be relevant to any particular project. Governance design questions are arranged into sections referred to as the 'components of GoMOP'. Any project should expect to find that all components are relevant to them to some degree, even if some of the questions within them are inapplicable.

The six components are:

- Alignment
- Owning-organisation sponsorship
- Project management
- Disclosure and reporting
- Reward and risk
- Joining and leaving

Models

The wide variety of arrangements for multi-owned projects tends to fall into a number of identifiable groups. We refer to these groups of arrangements as being models.

A number of models illustrating the diversity of multi-owned projects is referred to on

4. Core components of the governance of multi-owned projects

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

Governance of multi-owned projects 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 use of control systems.

Sections 4.1 to 4.6 list questions relevant to the components which are critical to good governance of multi-owned projects. Positive answers to these key questions would indicate that current practice broadly fulfils the principles and meets appropriate governance requirements.

4.1 Alignment

This component seeks to ensure that the project is established in such a way that the succeeding components can have the effect expected. Failure to agree a sound basis for multi-ownership of the project puts all else at risk and is an all too frequent cause of friction and failure.

While an end objective may have been agreed among the owners, there is also a need to ensure that resource commitments, processes, success factors and criteria for assessing achievement are mutually understood and agreed.

Key questions

MA1	Are all owners motivated for the project to succeed in delivering the overall benefits not just the benefits to their own organisation?
MA2	Are the type, current objectives and scope of the project clearly documented, approved and understood by all owners?
MA3	Is there a process in place to manage changes to the project objectives and scope?
MA4	Is there a process in place to manage changes to the ownership of the project?
MA5	Have the critical success factors been established, including contextual and environmental factors, and are they used to inform decision-making?
MA6	Are key project governance roles and responsibilities clear and in place?
MA7	Is there an escalation and negotiation process in place which can resolve differences amongst owners regarding critical success criteria?
MA8	Is there a process in place to detect and attempt to deal with potential sources of conflict or withdrawal, including changes in owners' strategies?
MA9	Is there a mutually approved plan for the project?
MA10	Do owning organisations' individual plans for participation show that they are willing and able to provide those inputs to the project required by the plan?

4.2 Owning-organisation sponsorship

This component seeks to ensure that there is an effective link between the senior governing body of each owning organisation and the management of the project.

The sponsoring role within each owning organisation has decision-making, directing and representational accountabilities.

Owning–organisation sponsorship may take various forms depending on the circumstances and structures of the participating organisations.

Sponsors are the route through which the project reports to owning organisations and receives their remit and approval of decisions that require agreement.

There may be circumstances where owning organisation sponsorship is in the hands of a group or committee rather than being the responsibility of one individual; for convenience and readability, however, the questions that follow are phrased in terms of individuals serving as 'owner sponsor'.

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