Project Governance – it is time!

Giel Bekker

Dr Giel Bekker is a senior lecturer in project and project quality management at the Graduate School of Technology Management at the University of Pretoria. He also consults and contracts project management services to industry. He has extensive experience in managing projects and project managers in diverse industries both local and internationally.

Recent reports on project performance continue to portray a very bleak picture for the discipline of project management. Cost overruns and schedule delays are more the rule than the exception, while reports of quality problems are also on the increase. With buildings collapsing midway through construction, rework on completed infrastructure systems, and long delays in completing all the requirements for retention payment, one can rightly conclude that project management is in trouble.

Looking back over the years on the performance of especially large transportation and infrastructure projects, an even more startling phenomenon appears. The results from a study by Mette Skamris indicated that, over a period of 100 years which cover mostly the twentieth century, no evidence could be found that cost performance of these types of large capital projects are improving. In fact, it seems as if projects completed during the period 1950 to 1960 had a better cost performance (that means that the final expenditure amount was closer to the approved budget) than projects completed during the 1990s. This despite the fact that numerous project management techniques, like the critical path method, Project Evaluation and Review Technique (PERT), critical chain to name but a few, have been developed since the 1950s. Combine these techniques with numerous advanced software tools, extensive training, exponential growth in professional body memberships and attempts to measure project management competencies at various levels, the question remains, 'why are we still struggling to meet project targets?'

One of the reasons for the continued poor performance of projects could be that the project management fraternity have not been looking at the right areas for improving project performance or even ignoring the obvious for various reasons. After studying the performance of numerous large capital projects across the globe, Bent Flyvbjerg concludes that "strong incentives and weak disincentives for cost underestimation and thus for cost overrun may have taught project promoters what there is to learn, namely that cost underestimation and overrun pays off. If this is the case, overrun must be expected and it must be expected to be intentional." This behavior is nothing less than scandalous waste and mismanagement of shareholder and / or taxpayers' money.

Similar scandalous behavior was found in the corporate world during the late 1980s and early 1990s. The corporate world responded to this dilemma by instituting various forms of corporate governance guidelines and even legislation like the well-known Sarbanes-Oxley Act in the US. In South Africa, the King II report provides guidelines to the boards of directors of private and public organisations on how to conduct their managerial activities in a responsible and ethical manner. Considering the approach that a project, especially a large capital project, can be viewed as a temporary organisation that contains all the complexities of a 'normal' organisation, with the only exception that everything needs to be managed and synchronised in a much shorter timeframe, the application of governance principles should be just as valid. Recognising the unique time, cost and performance challenges facing projects the application of governance principles are not only becoming a necessity but also need to be adjusted to allow for the special circumstances under which the project manager should work.

Although very few will argue against this approach of formalising project governance, the impact on senior and top management activities and responsibilities could, such that resistance could be expected. In practical terms, it would mean the detail development and accountability allocation of the project governance framework in terms of four major areas, namely the steering committee (similar to the board of directors), cost estimating and control, project reviews and audits as well as ethical, responsible conduct and conflict of interest. As opposed to the poor project manager and his/her team to bear the brunt of poor project performance under weak, poorly defined governance structures that favours top management interests, increased accountability at steering committee level and detailed competency requirements and duties should surely bring an about-turn to the diminishing impression and name of project management.