



Australian Government
Infrastructure Australia



Attachment I

A Review of Project Governance Effectiveness In Australia

March 2013

TABLE OF CONTENTS

<u>1.</u>	<u>DOCUMENT CONTROL</u>	<u>3</u>
1.1	DOCUMENT CONTROL STATUS	3
1.2	DISTRIBUTION	3
1.3	ELECTRONIC DIRECTORY	3
<u>2.</u>	<u>EXECUTIVE SUMMARY</u>	<u>4</u>
2.1	PROJECT SUCCESS RATES - AN INCONVENIENT TRUTH	4
3.1	PROJECT GOVERNANCE BASICS: LEVEL OF NON-COMPLIANCE	4
2.2	AN OVERALL GOVERNANCE PERFORMANCE SCORE CARD	5
2.3	OVER-ARCHING CONCLUSION	5
2.4	OVER-ARCHING RECOMMENDATIONS	6
<u>3.</u>	<u>INTRODUCTION</u>	<u>7</u>
3.2	PURPOSE OF THIS DOCUMENT	7
3.3	TERMS OF REFERENCE	7
3.4	ALIGNMENT WITH IA CORPORATE PLAN	7
3.5	QUALITATIVE RESEARCH	7
3.6	INTERNATIONAL CONTEXT	7
3.7	AUSTRALIAN INFRASTRUCTURE CONTEXT	8
3.8	SURVEY RESULTS	8
3.9	SURVEY PARTICIPANTS	8
<u>4.</u>	<u>GOVERNANCE CONTEXT</u>	<u>9</u>
4.1	GOVERNANCE	9
4.2	CORPORATE VS PROJECT GOVERNANCE	9
4.3	PROJECT GOVERNANCE FRAMEWORKS	9
<u>5.</u>	<u>RESEARCH & ANALYSIS</u>	<u>10</u>
5.1	SURVEY PARTICIPANTS	10
5.2	CORPORATE GOVERNANCE VS PROJECT GOVERNANCE	10
5.3	GOVERNANCE EFFECTIVENESS	10
5.4	PROJECT SUCCESS RATES	10
5.5	DEVELOPMENT OF PROJECT DELIVERY CAPABILITY	11
5.6	DEVELOPMENT OF PROJECT GOVERNANCE DELIVERY CAPABILITY	11
5.7	BUSINESS CASE AND VALUE	11
5.8	WHO IS HELD ACCOUNTABLE FOR FAILURE	12
5.9	GOVERNANCE TEAMS & TEAM MEMBER CAPABILITY	12
5.10	GOVERNANCE TEAM MEMBER BEHAVIOURS	12
5.11	GOVERNANCE TEAM MEMBER SKILLS	13
5.12	COLLECTIVE GOVERNANCE TEAM PERFORMANCE	13
5.13	CONFLICTS OF INTEREST	14
5.14	COMPLEXITY VS DOLLARS	14

5.15	COMPLEXITY AND GOVERNANCE REQUIREMENTS	15
5.16	POLITICAL AND LEGISLATIVE ENVIRONMENT	15
5.17	VALUE FOR MONEY & RISK	15
5.18	MANAGING RISK	15
5.19	PROJECT RESOURCE HIRING PRACTICES	16
6.	<u>POTENTIAL ECONOMIC BENEFITS</u>	17
6.1	COST SAVING POTENTIAL	17
6.2	ECONOMIC VALUE POTENTIAL	18
7.	<u>CONCLUSIONS & RECOMMENDATIONS</u>	19
7.1	CONCLUSIONS	19
7.2	RECOMMENDATIONS	20
7.3	MULTI-STAGE APPROACH	21
8.	<u>APPENDIX A: SOME SURVEY RESULTS</u>	22
9.	<u>APPENDIX B: COMMONWEALTH AND NSW ACTS (1901 TO 2011)</u>	28
9.1	THE GOVERNANCE ENVIRONMENT	28
10.	<u>APPENDIX C: (IM-)BALANCE OF INTELLECTUAL EFFORT</u>	29
10.1	BALANCE OF ACADEMIC EFFORT	29
10.2	THE IM-BALANCE OF INTELLECTUAL EFFORT	30

1. Document Control

1.1 Document Control Status

The following table shows the version history of this document:

Version	Date	Change from Previous Version
1.0	Mar 2013	First Issue Document

1.2 Distribution

This document is distributed to:

- Michael Deegan, CEO, Infrastructure Australia

1.3 Electronic Directory

The master copy of this document is presently held by Caravel on its server at:

O:\Customer\Infrastructure Australia\Project Governance\Governance Report

2. Executive Summary

2.1 Project Success Rates - An Inconvenient Truth

A recent survey of Industry and Government senior executives found that **on average** 48% of projects failed to meet their baseline time, cost and quality objectives.

The inconvenient truth is that, despite the massive effort expended by industry and Government, it is estimated that only a 10% improvement has been achieved in 20 years.

Item	Survey	Result
Average Delivery Success Rate	52%	10% improvement in 20 years
Who is Blamed Today (Governance : Project)	40%:60%	The project team is being blamed
Actual Cause of Failure (Governance : Project)	54%:46%	The Governance team is to blame

The Project Team is often blamed with the result that we tend to search for answers in the wrong place (see Appendix C).

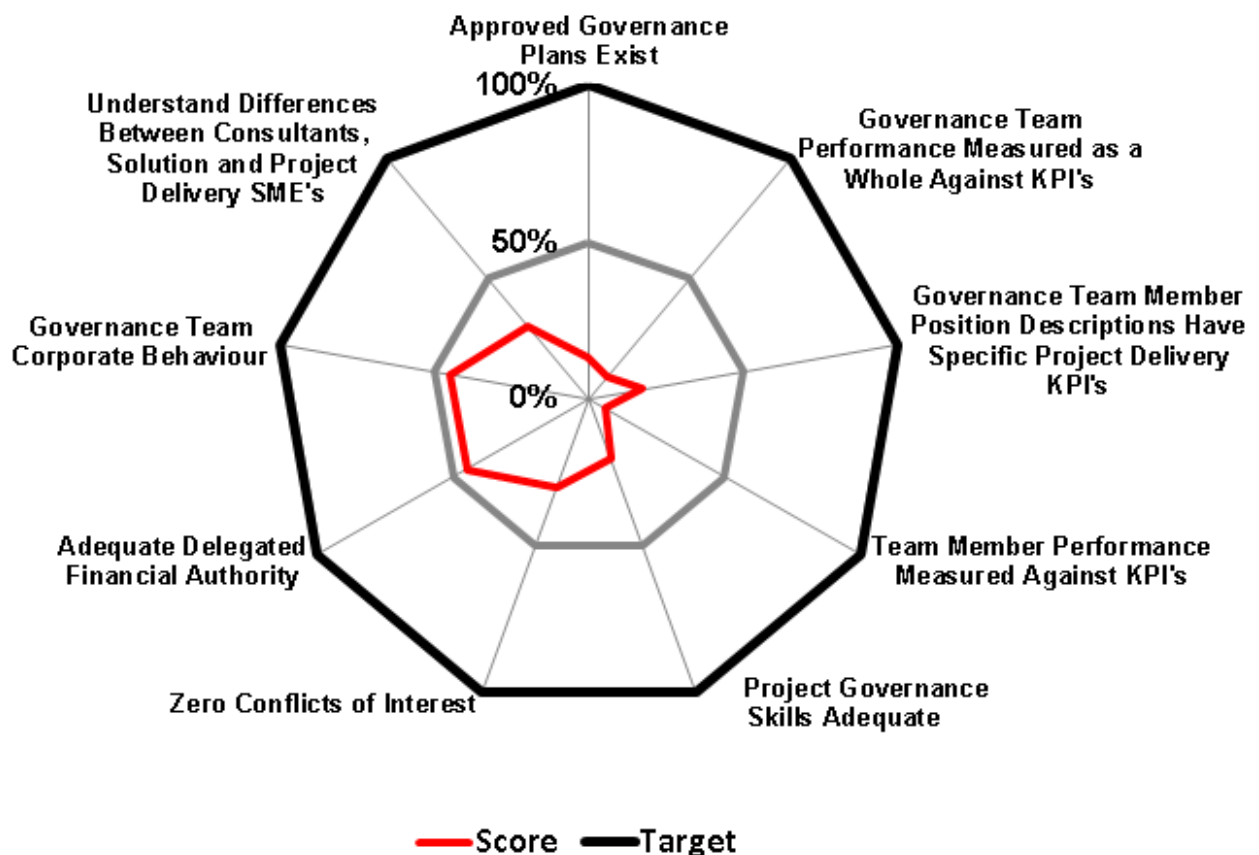
3.1 Project Governance Basics: Level of Non-Compliance

The chart below demonstrates the broad level of compliance (actually non-compliance) in Australia. None of them are acceptable.

Governance Basics: Summary Compliance Level		
Success Criteria	Yes	No
Approved Governance Plans Exist	13%	87%
Governance Team Member Positions Descriptions Have Project Governance KPI's	17%	83%
Governance Team Member Performance is Measured	6%	94%
Governance Team Performance Measured	9%	91%
Project Governance Skills Adequate	20%	80%
Governance Team Members Have no Conflicts of Interest	30%	70%
Governance Team and Project Team Have Adequate Financial Authority	45%	55%
Governance Team Members Exhibit Proper Corporate Behaviour	45%	55%
Governance Team Understand Difference Between Business Consultants, Solution Subject Matter Experts (SME) and Project Delivery SME's	30%	70%

2.2 An Overall Governance Performance Score Card

The following chart presents the compliance data in a different format for ease of assimilation.



Overall Average Score
24%

2.3 Over-Arching Conclusion

From the charts above, it is clear that a major cause of project failure in Australia has its roots in Project Governance or lack thereof.

It also appears that the delivery of Project Governance in Australia is generally **highly dysfunctional**.

Notwithstanding Caravel's experiences expressed herein, the reader needs to bear in mind that it is the survey participants who are largely pointing the finger at themselves. And, they are generally very senior experienced project governance and project delivery people.

There is a need to get the basics right, but at the same time, there is a need to take immediate action to prevent further loss of value to us all. A short term "fix" is needed, coupled with a longer term approach for prevention.

2.4 Over-Arching Recommendations

In the context of the Conclusions, it is recommended that Infrastructure Australia:

Short Term

- Perform a rigorous financial analysis to confirm the benefits suggested in this report to present a more accurate picture of the importance of delivering effective Project Governance.
- Re-think and reform the whole approach to the delivery of project governance in the short term by:
 - Using Independent Project Governor's to remove obvious conflicts of interest that exist today.
 - Use experienced Project Delivery practitioners with a track record of success who have led complex infrastructure projects rather than those who have been "involved" in "big Projects".
 - Make sure these people are not beholden in any way to those in the field who might seek to limit or subvert their governance function.
 - Separate stakeholder management from Project Governance roles in Governance Committees as it is demonstrated that most stakeholders are not adequately skilled enough to perform their role.

Long Term

- Promote the education and up-skilling of people to perform Project Governance roles through various industry and educational institutions.
- Upgrade the rest of the basic structural matters identified herein (position descriptions, performance criteria, performance measurement for Project Governor's and approved Governance Plans for all projects).

3. Introduction

3.2 Purpose of this Document

The purpose of this review is to:

1. Report to Infrastructure Australia (IA) key results of the review into “Project Governance Deliverability” based on recent research (December 2012) carried out by Caravel in conjunction with Melbourne Business School;
2. Highlight matters of particular significance to IA that it needs to address; and,
3. Propose a way forward for IA.

3.3 Terms of Reference

This was agreed to during a meeting and documented back to IA in Caravel’s Letter of Proposal dated 24th October 2012.

3.4 Alignment with IA Corporate Plan

This document has been produced and is in alignment with the Department of Infrastructure and Transport Corporate Plan and the Infrastructure Australia (IA) charter.

The Corporate Plan and Charter referred to above can be found on the web sites of the respective organisations along with related documents.

3.5 Qualitative Research

The research carried out is qualitative rather than quantitative. This means that despite the fact that numbers are used as an aid to demonstrate the results it does not alter the fact that they are qualitative answers.

The source information for this report is contained within the “Project Governance Survey – Summary of Results” report dated March 2013.

3.6 International Context

Much work has been performed over many years to research and document project success rates and suggest root causes of failure. This has been applied in particular to IT Projects.

It is outside the scope of this report to provide a literature review. However, other bodies of work researching Project Delivery and Project Governance from organisations such as Standish Group, Gartner, Arthur D Little, PMI Inc. Forrester, McKinsey and many others.

None of their results are acceptable and all point to a long list of root causes of failure within both areas of Project Delivery and Project Governance performance.

3.7 Australian Infrastructure Context

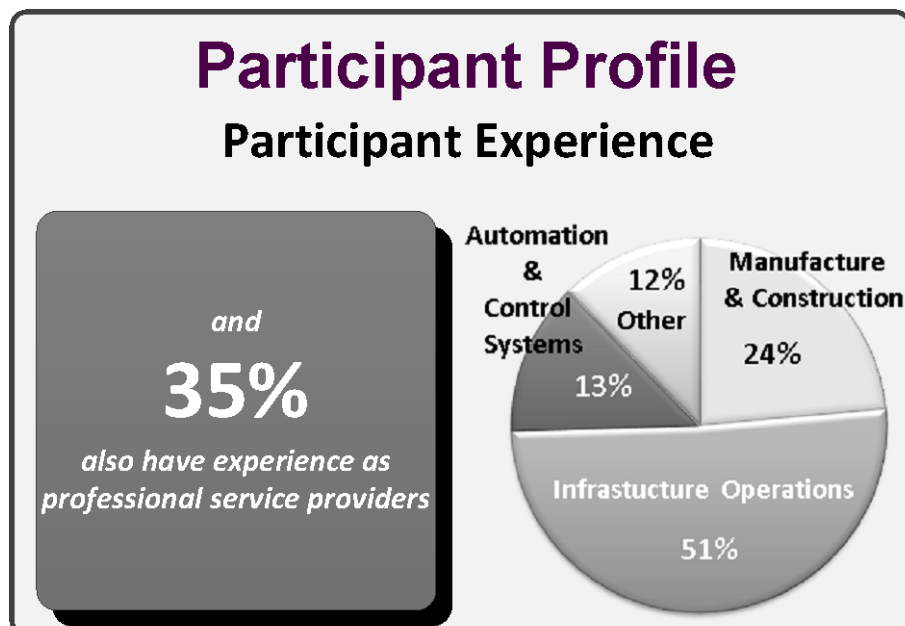
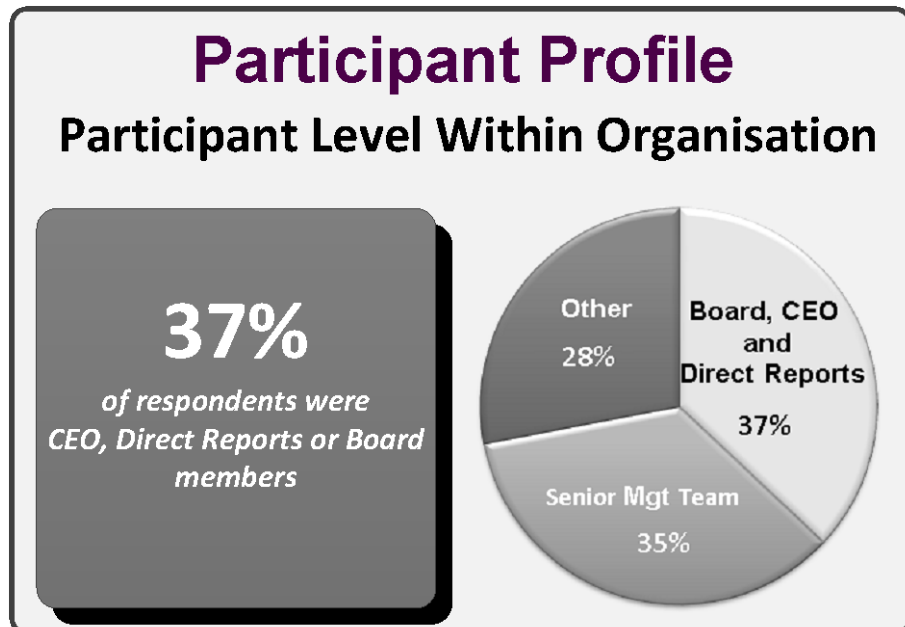
This review focuses on project governance performance in Australia with leanings toward infrastructure projects.

3.8 Survey Results

Key results of the survey are attached in Appendix A and should be read in conjunction with the rest of the report. The results have been presented together with the questions asked so as to maintain the context but essentially, the results speak for themselves.

3.9 Survey Participants

The participant profile (level within organisation and experience) is summarised below.



4. Governance Context

4.1 Governance

Governance is a term used to define the processes implemented to provide management oversight, guidance and compliance to policy and procedures.

There are essentially 2 types of governance:

- Corporate Governance; and
- Project Governance

The Australian National Audit Office noted in the “Principles and Better Practices Corporate Governance in Commonwealth Authorities and Companies Discussion Paper 1999” that

“broadly speaking, corporate governance generally refers to the processes by which organisations are directed, controlled and held to account. It encompasses authority, accountability, stewardship, leadership, direction and control exercised in the organisation”.

4.2 Corporate vs Project Governance

Corporate Governance is normally applied to the whole organisation and generally at a high level. Naturally it has a major focus on business-as-usual operations.

Project Governance, on the other hand, is exclusively applied to the delivery of projects and change within an organisation. While it falls within the overall corporate governance framework it is not the same. For it to be effective, Project Governance requires a different skill set from that of Corporate Governance.

4.3 Project Governance Frameworks

The project governance framework may involve one or more Project Boards, Steering Committees, Project Control Groups or similar with representatives drawn from the project and corporate stakeholders.

Depending upon the nature of the work, the project governance framework may be applied at portfolio, program and project levels and covers all contracting modes.

All project governance frameworks are delivered by processes, people, tools and supporting collateral.

There is no common approach to establishing the governance team structure or the team members but the level of governance to be applied is typically driven by cost.

The Governance arrangements are sometimes documented separately and sometimes embedded into the Project Management Plan. There is little or no Project, Program and Portfolio Accountability Modelling (P3AM®) performed.

5. Research & Analysis

5.1 Survey Participants

The participants consisted of 37% at Board level, CEO level and their direct reports. A further 35% were at senior management level within their company. Over half of the respondents have worked in both the public and private sector.

72% of respondents are therefore directly accountable for the setting and delivery of business strategy and for its deployment.

Business strategy (or organisation strategy as appropriate) is delivered by projects.

5.2 Corporate Governance vs Project Governance

The survey identified that nearly 70% of respondents believe that organisations don't understand the differences and/or the linkage between Corporate and Project Governance.

In addition to this, there was no common view of who the governance team is currently accountable to nor who they **should** be accountable to.

From the survey, only 31% of respondents believe the right amount of Governance is applied and additionally, 51% say that Governance teams are not altered to meet the needs of the project.

5.3 Governance Effectiveness

Nearly 75% of respondents agree all projects should have a Governance Plan, However, of those that do have Governance plans only 17% of the respondents believe the plans are adequate and only 20% believe they reflect the project needs for the stage of investment.

Governance is therefore an aspect of project delivery that needs to be further addressed if success rates are to improve.

5.4 Project Success Rates

The survey results identified that **on average** they personally observed that 52% of projects are successful. In this case, project success was defined as meeting the original project time, cost and quality objectives.

Equally though, 60% did not know what independent surveys reported. Of the 40% that did know, they believed the success rate from independent surveys was in the order of 43%.

5.5 Development of Project Delivery Capability

In the late 1990's, Gartner reported (in relation to IT projects) that project success rates were around 30%. In the time between the Gartner report and this survey, there has been a significant investment in project delivery processes and procedures. Approaches such as CSCS, Prince2, PMBOK, Complex Project Management, SCRUM, AGILE and other approaches have been defined and implemented along with supporting standards, training, roles and responsibilities and a host of toolsets.

All of this investment has collectively delivered an improvement in the success rate for IT projects of around 10% to a success rate in the order of 40% (refer to paragraph 3.6).

Our survey, which leans towards infrastructure, suggests that a current day success rate of 52% is being achieved on average. There is no evidence to suggest that the improvement in the success rate for infrastructure projects has been any better than that for IT i.e. about 10% over 20 years.

5.6 Development of Project Governance Delivery Capability

The same investment however, has not been made to improve Project Governance. This was identified by Gartner and others as being 50% of the root cause of project failure.

Appendix C suggests a possible explanation for this phenomenon in terms of the application of intellectual effort.

5.7 Business Case and Value

The Business Case is generally accepted as being the place where the benefits and value of a project are expressed. The survey identified that:

- The business case use varies between organisations with only 69% of respondents identifying that the business case is the correct reflection of the value to be delivered.
- 32% draw a distinction between project deliverables and value delivery but 70% think that Project Value should be an additional success criteria.
- The project owner and the project sponsor were identified by 37% of the respondents as accountable for the delivery of value today.
- The project manager is seen by 16% of the respondents as accountable for delivery of the project's value.
- When respondents were asked to define how the future state may look, the project manager no longer featured but the CEO/MD did.
- The number of respondents identifying the project sponsor and project owner as accountable remained the same.

5.8 Who is Held Accountable For Failure

On average, 48% of projects fail.

Failure to deliver is a joint responsibility of the delivery team and the governance team. Both need to work together to deliver successful outcomes.

The survey explored the way “blame” is allocated for project failures.

More than 70% of respondents believe that the project team is **presently** held responsible for delivery failure. However, more than 60% of respondents believe that the Governance Team **should be** held responsible.

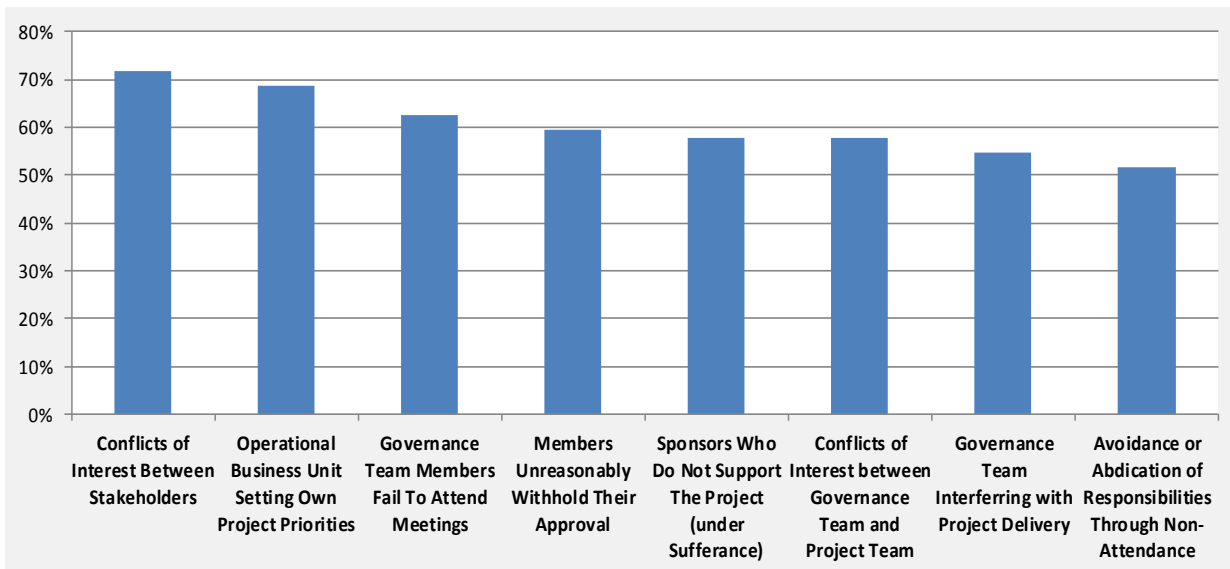
5.9 Governance Teams & Team Member Capability

Governance teams are made up of individuals performing roles within the team. Their individual and collective performance will determine the success of the team. The survey identified that:

- Governance focus (as opposed to delivery focus) should shift from managing time, cost and quality to alignment with corporate strategy and delivering the expected value.
- 94% of governance team members never have their performance measured in their Governance roles.
- 83% of the time Governance teams are appointed without any position descriptions.
- 19% responded that their governance teams had performance reviews however, these reviews had no impact on future performance as roles were dictated by the organisational role rather than the needs of the project.
- 76% of governance decisions fail to attain the right balance between the project and business needs

5.10 Governance Team Member Behaviours

The behaviours in the following chart were observed by the participants. These results suggest that those engaged in governance are often behaving in an unprofessional manner.



5.11 Governance Team Member Skills

Governance roles, particularly those related to project governance, are often perceived as ***an additional role*** for a line manager to perform.

This was confirmed by the survey results:

- Less than half of respondents believe governance teams have adequate project governance skills.
- Only 17% identified that governance roles had a Position Description that has specific project governance Key Performance Indicators (KPI's).

5.12 Collective Governance Team Performance

Poor Governance Team member selection leads to poor overall performance of the Governance Teams as a whole. Some examples are:

- 92% believe governance teams exhibit high levels of performance variability.
- Only 50% of respondents believe that the needs of the project are met through the scheduling of governance meetings.
- Over 50% believe escalated issues are not resolved within the timeframe needed by the project.
- Only 35% believe internal resource and priority conflicts are resolved in a manner that meet the needs of the project.
- 80% reported that support and direction was not provided in a timely manner.
- Less than 50% reported that governance teams were able to respond to risk independently.
- 92% of respondents identified that governance teams fail to get timely approval to treat a risk.

5.13 Conflicts of Interest

There are two prime sources of conflicts of interest:

- Governance Team members often compete for resources between different business groups, and
- Governance team members are inherently conflicted in their role as Project Governors because they are also often required to deliver on the project they are governing through their business-as-usual role.

As a result, Project Governance cannot be effective as the governance team members are inherently conflicted.

This can be resolved through:

- stakeholders are not automatically appointed to the governance team
- the use of independent project governors

5.14 Complexity vs Dollars

The research identified that project complexity is driven by a number of factors. The top 5 responses in decreasing order are :

- Numbers of stakeholders
- Amount of change management
- Solution uncertainty
- Regulatory and legal requirements
- Number of commercial entities involved

Project cost was not identified as a major factor in determining project complexity. In fact, project cost was ranked as the second lowest factor.

The survey identified that:

- 85% of respondents agreed that there was a perception that high dollar value projects were complex projects; and
- 85% of respondents also agreed that large projects are commonly broken down into smaller sub-projects for delivery.

This is important because breaking down big projects into a number of smaller projects means that dollar value is of less importance in determining the governance requirements.

5.15 Complexity and Governance Requirements

When asked about what should be used to determine the governance requirements:

- 29% of respondents believe that complexity and 68% both complexity and value should be used to determine the governance requirements.
- This is a significant difference from the 44% of respondents who believe that value alone drives the governance requirements today.
- And 92% of respondents also believe that it is complexity that drives failure and not size.

This suggest that the level of governance should therefore be linked to complexity *first* and then together with size (value) of the project.

5.16 Political and Legislative Environment

It must also be remembered that projects, particularly infrastructure projects, are being delivered within an increasingly complex legal and political environment as illustrated by the number of Acts passed in the Commonwealth and NSW parliaments (see Appendix B).

5.17 Value for Money & Risk

Value for money is a key metric used to select projects for delivery.

The survey identified that 90% of respondents believe that governance teams do not understand the connection between risk, average project delivery performance and stakeholder value.

It is therefore concluded that value for money cannot be assessed in isolation of risk (both the delivery risk and the reputational risk). Stakeholder value is the casualty if risk is not taken into account.

This could account for the failure to deliver the Business Case in the 48% of projects that fail.

5.18 Managing Risk

71% of respondents reported that risk is managed using a simple contingency budget. Yet 86% of respondents believe that governance teams don't understand what best practice risk management is.

Additionally, nearly 60% of respondents believe that insufficient authority is given to the Project Leader to respond to risk events that occur.

5.19 Project Resource Hiring Practices

It was noted that professional services are still being procured based on the hiring managers desire to control their personal reputational risk ahead of meeting the delivery needs of the job.

It was also noted that governance teams don't seem to understand the difference between business consultants, Solution Subject Matter Experts (SME's) and Project Delivery SME's.

6. Potential Economic Benefits

6.1 Cost Saving Potential

To illustrate the potential benefits of investing in project governance improvement programs, Caravel performed a high level analysis based on the annual capital spend (cost) in Australia.

The government capital expenditure is in the order of \$60 billion per annum and private expenditure is in the order of \$155 billion bringing the total to \$215bn.

If we assume that the best case project success rate of 52% (see paragraph 5.4) having a corresponding failure rate of 48% with an average cost overrun of 40% (a conservative estimate), then the potential wastage of capital is in the order of \$30 billion.

An increase of just 10% in the success rate and everything else being equal can save in the order of \$9 billion **per annum**.

These figures however ignore all the myriad of works carried out using operational expenditure budgets which could potentially double this figure. Add to this a success rate potentially as low as 43% (paragraph 5.4) and there will be a major increase in the level of wastage.

Either way, our model demonstrates the correct order of magnitude of wastage.

As recommended, better quality models are needed to confirm the assumptions and likely benefits that could be gained.

Nonetheless, there appears to be a compelling argument for implementing major change to project governance in Australia.

Wasted Investment

Item	Parameter	Comments
GDP	\$1.74tn	Trillion (1,000 Billion)
ASX All Ord Cap	\$1.3tn	Trillion
% Success /Cost Overrun	52%/40%	Baseline Figures
Capital Expenditure	215tn	Public (60tn)+ Private (155tn)
Investment Wasted (\$'s p.a.)	\$30bn p.a.	Per annum wasted
Investment Waste (as % GDP p.a.)	1.7% GDP p.a.	Long Term Infrastructure
Improve success by 10%	+0.5% GDP p.a.	Achievable in 1-2 years (Cost)
Improve success by 30%	+1% GDP p.a.	Achievable over 5 years (Cost)

6.2 Economic Value Potential

While the above figures are expressions of cost savings we expect that investments into infrastructure and projects in general have some form of enduring value (a payback) to investors and stakeholders in general. For the avoidance of doubt the model assumes the assets have a life of 100 years with a nominal ROI of 5%.

The following chart highlights **the value** of making improvements to project governance and project delivery.

It is this value that we will see as true economic benefit to Australia and to the community as a whole. At the moment, **we are wasting our future prosperity.**

Value will be reflected as a rise in GDP and/or Shareholder Value but it is outside the scope of this report to determine the extent to which this will occur.

Economic Value		
Item	Parameter	Comments
NPV Value Lost	\$40bn p.a.	Per annum wasted
NPV Value Lost (as %of GDP)	2.3% GDP p.a.	Long Term Infrastructure
Improve success by 10%	+0.7% GDP p.a.	Achievable in 1-2 years (Value)
Improve success by 30%	+1.3% GDP p.a.	Achievable over 5 years (Value)

7. Conclusions & Recommendations

7.1 Conclusions

It is Caravel's view that:

- Project governance as practiced today does not currently support the effective execution of projects.
- The failure of Project Governance in Australia is likely to be having a major impact on the economy as measured through GDP and Corporate Shareholder value.
- There is strong evidence to suggest that governance failure message is not getting through. Governance people are either ignoring past studies or are not familiar with them.
- A strong argument could be mounted to suggest that 100% of project failure has its root cause in inadequate project governance.
- Governance team delivery performance is not measured and hence not managed.
- Governance team members often do not have the skills and capabilities to perform their roles. There is little evidence of position descriptions, key performance indicators or measurement of individual or team performance.
- People performing project governance are inherently conflicted due to their business-as-usual role. As a result, it should not be assumed that a stakeholder should be a part of the project governance team.
- Project governance is applied according to the project cost leading to inappropriate levels of governance but, Complexity, which drives risk, is largely being ignored.
- Governance teams generally do not know the difference between Corporate & Project Governance and, to make matters worse, do not understand the difference between Business Consultants, Solution and Project Delivery subject matter experts. This leads to the wrong people being deployed.
- There needs to be a major shift to the use of project delivery practitioners as Independent Project Governors to overcome the inherent conflicts of interest that exists today and the lack of Project Governance skills.
- There is a large potential economic benefit that could be derived from a modest increase in Governance performance.

7.2 Recommendations

Urgent action is required to upgrade Australia's Project Governance capability.

The following recommendations are made:

1. Project Governance requirements should be determined based on the project complexity and risk **and then** by dollars.
2. The project Governance approach should be reflected in a project governance plan and authorised by the key stakeholders and the CEO.
3. Project Governance should be separated from Stakeholder Management.
4. Project governance team members should be drawn from experienced project practitioners together with the project sponsor and selected stakeholders required to manage key risks only.
5. All other stakeholders should be managed separately.
6. Implement position descriptions and performance measurement of governance team members and apply KPI's for Governance teams as a whole.
7. Appoint an Independent Project Governor to report on the performance of Governance delivery directly to either the Board or the CEO. But most importantly they should not be beholden to the very people who are inherently conflicted.
8. Implement tools to gain visibility of governance delivery performance.
9. Carry out deeper economic cost-benefit analysis to confirm the potential benefits.
10. Based on potential benefits, pilot the IPG and associated tools on a major program of work.

7.3 Multi-Stage Approach

The conclusions drawn from the survey and some of the recommendations above are essentially short term in nature whilst others are longer term. This suggests a phased implementation approach would be the most appropriate.

Whilst further detailed planning is certainly required, it is recommended that Infrastructure Australia consider the following:

Short Term

- Perform a rigorous financial analysis to confirm the benefits suggested in this report to present a more accurate picture of the importance of delivering effective Project Governance.
- Re-think and reform the whole approach to the delivery of project governance in the short term by:
 - Using Independent Project Governor's to remove obvious conflicts of interest that exist today.
 - Use experienced Project Delivery practitioners with a track record of success who have led complex infrastructure projects rather than those who have been "involved" in "big Projects".
 - Make sure these people are not beholden in any way to those in the field who might seek to limit or subvert their governance function.
 - Separate stakeholder management from Project Governance roles in Governance Committees as it is demonstrated that most stakeholders are not adequately skilled enough to perform their role.

Long Term

- Promote the education and up-skilling of people to perform Project Governance roles through various industry and educational institutions.
- Upgrade the rest of the basic structural matters identified herein (position descriptions, performance criteria, performance measurement for Project Governor's and approved Governance Plans for all projects).

8. Appendix A: Some Survey Results

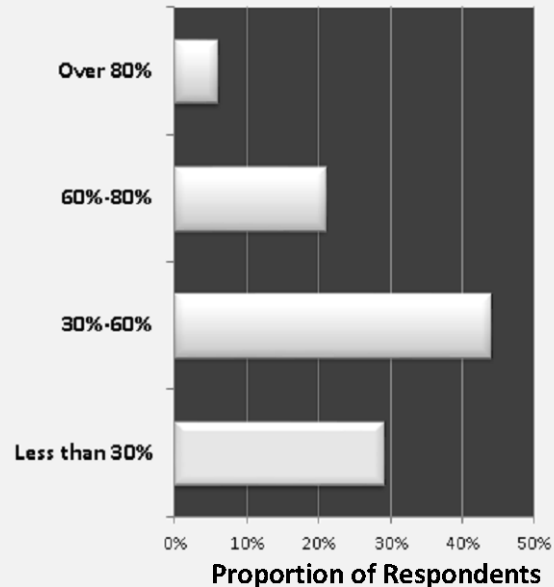
Project Success Rates

As Observed By Participants

Participants report that on average projects are successful only

52%

*of the time
(weighted average)*



What do you believe is the percentage of TOTALLY successful projects that YOU HAVE PERSONALLY OBSERVED?

Project Failures

Who is Presently Held Responsible

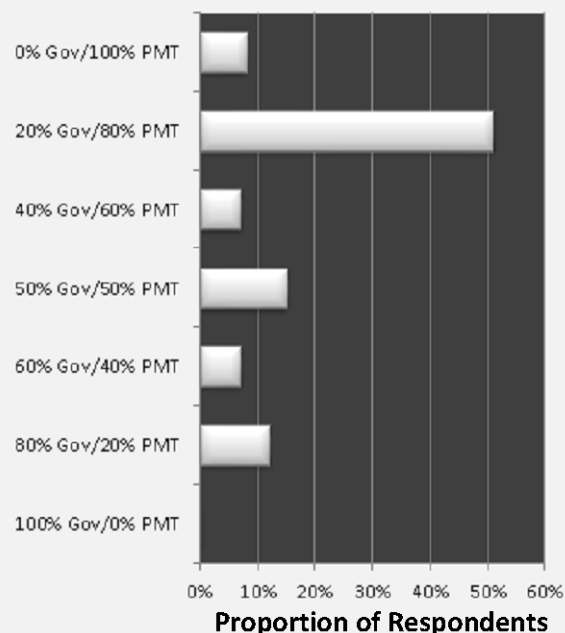
On average (weighted)

60%

*of respondents
believe that the*

Project Team

is presently held responsible!

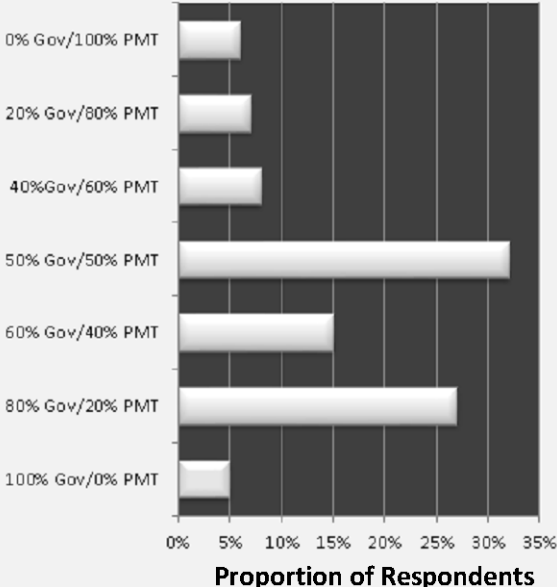


In your experience, which parties HAVE BEEN held responsible for Project Delivery failure?

Project Failures

Who Should Be Held Responsible

On average (weighted)
54%
of respondents believe that the
Governance Team
should be held responsible!

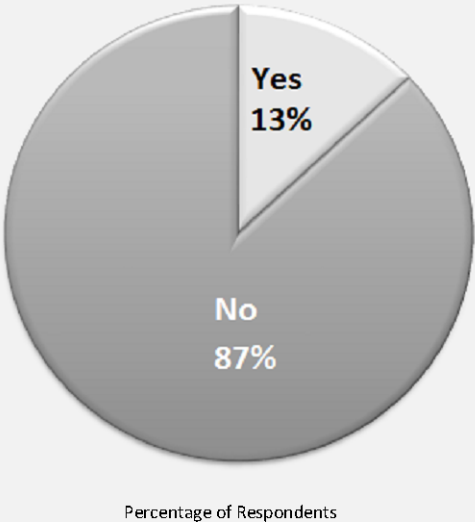


In your experience, which parties SHOULD BE held responsible for Project Delivery failure?

Governance Plans

Do Approved Governance Plans Exist?

But, of those that do exist
only **17%**
of respondents believe they are adequate and only
20%
believe they reflect the needs of the project

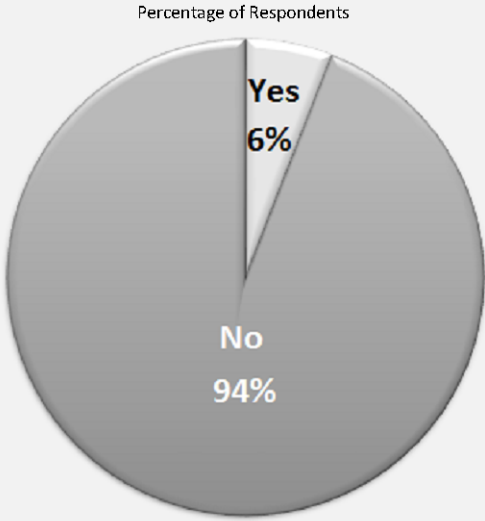


In your experience, are APPROVED Governance Plans in existence for each and every Project?

Governance In Operation

Member Performance Measurement

94%
of respondents report that Governance Team members are
NOT
being measured

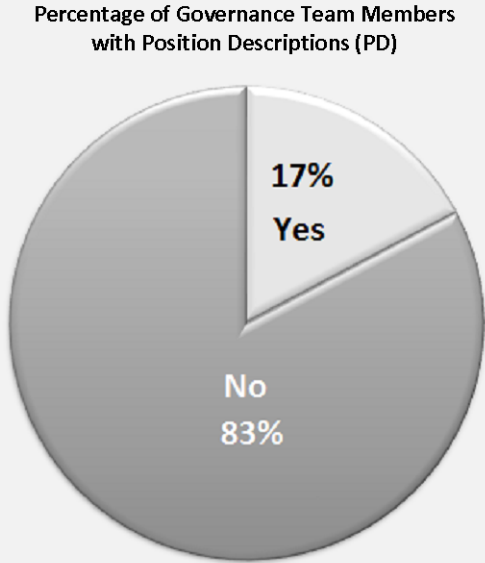


In your experience, is the performance of the Project Governance Team MEMBERS measured?

Governance Team People

Team Member Position Descriptions

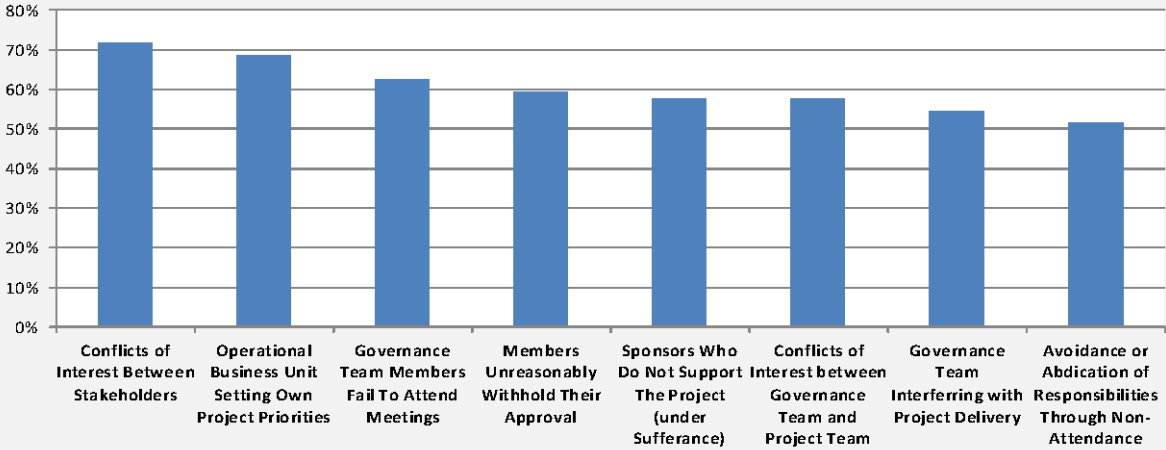
only
17%
of respondents believe that Governance Team members have a PD that has specific project governance performance KPI's linked to their remuneration



In your experience, are project delivery and/or project business case performance measures typically linked to Governance Team member's monetary (cash or "in-kind") performance payments.

Governance Team People Skills & Behaviours

But then over **80%** don't understand their role anyway

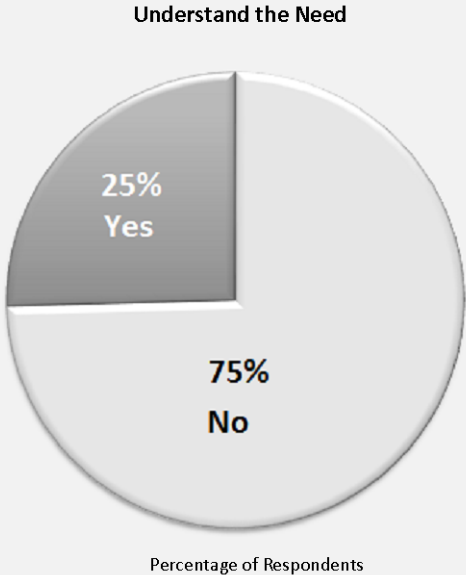


Have you experienced or observed any of the following? (Tick all that apply)

Risk & Responsiveness

Do Gov Teams Understand the Need?

and nearly **60%** of respondents believe that **insufficient** authority is given to the Project Leader to respond



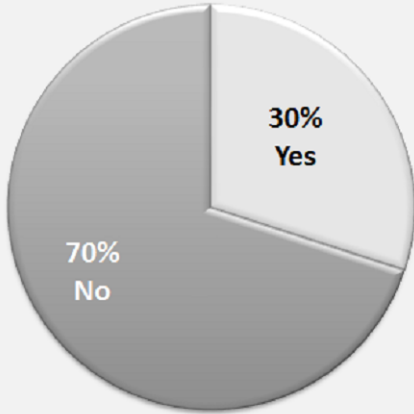
In your experience, do Governance Teams typically understand how quickly the Risks surrounding a Project can change giving rise to Issues (a Risk that has come to fruition that threatens the Project if not resolved) requiring the Project Manager to take TIMELY corrective action?

Governance Requirements

Corporate vs Project Governance

70%

of respondents believe the differences and/or the linkage between the two are not understood



Percentage of Respondents

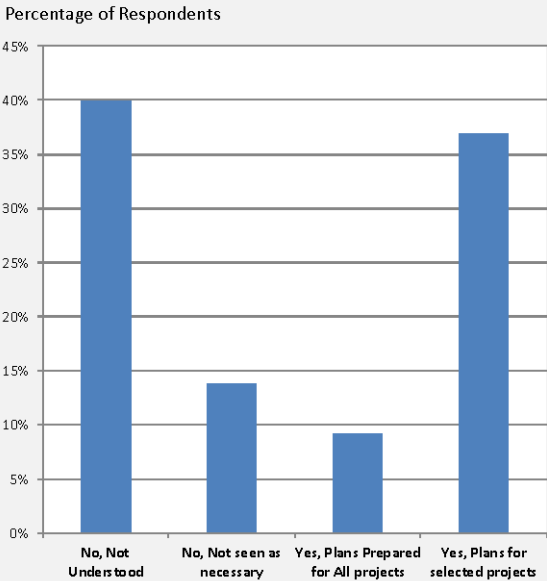
In your experience, is there a clear understanding in organisations of the differences and the linkages between Corporate Governance and Project Governance?

Governance Plans

Is The Need For Plans Understood?

54%

either don't understand or don't see the need!



In your experience do organisations understand the need for Project Governance Plans?

9. Appendix B: Commonwealth and NSW Acts (1901 to 2011)

9.1 The Governance Environment

It is also worth noting that the research into delivery has occurred over a period of time where the external environment within which projects are delivered has been increasing in complexity. The figures that follow show the number of Commonwealth and NSW Acts that have been introduced from 1901 to 2011. Note the significant increases from the 1970's onwards. This external complexity may also be contributing to project failures despite the increased expenditure in delivery.

Project governance must deal with projects that operate within this highly regulated (and hence complex) environment.

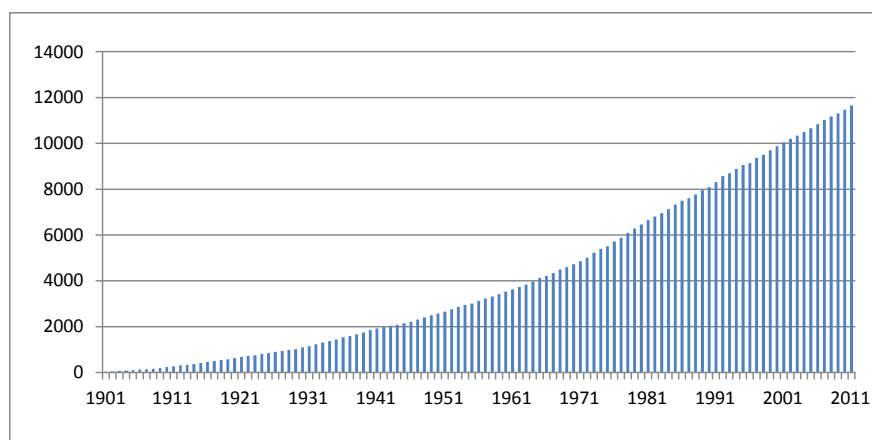


Figure 2: Commonwealth cumulative numbered Acts introduced from 1901 to 2011¹⁴

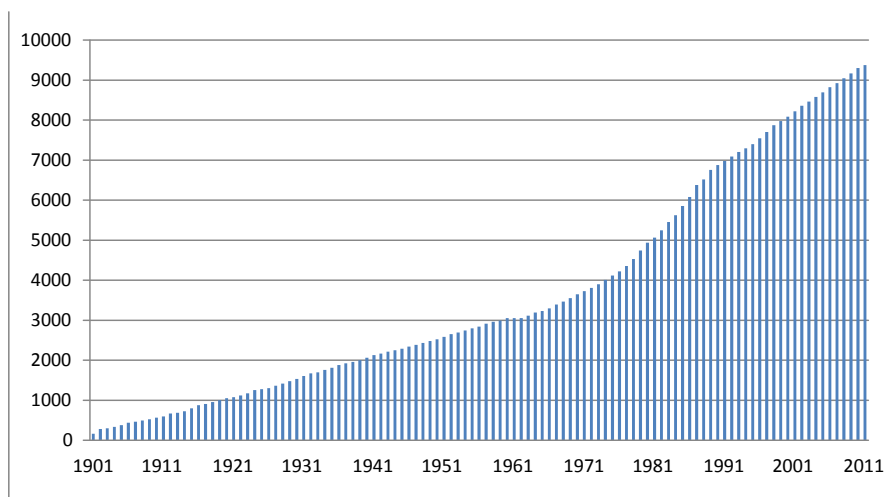


Figure 3: NSW cumulative numbered Acts introduced from 1901 to 2011¹⁵

10. Appendix C: (Im-)Balance of Intellectual Effort

10.1 Balance of Academic Effort

Projects are used to deliver strategy and effective execution of strategy is the key to delivery of stakeholder value. Effective delivery is a combination of project delivery work and governance delivery work.

Whilst project delivery is well documented, processes in place (often considered too much) and measured, governance processes are not.

If we look at the diagrams that follow, the first diagram shows the areas (blue) that need further work.

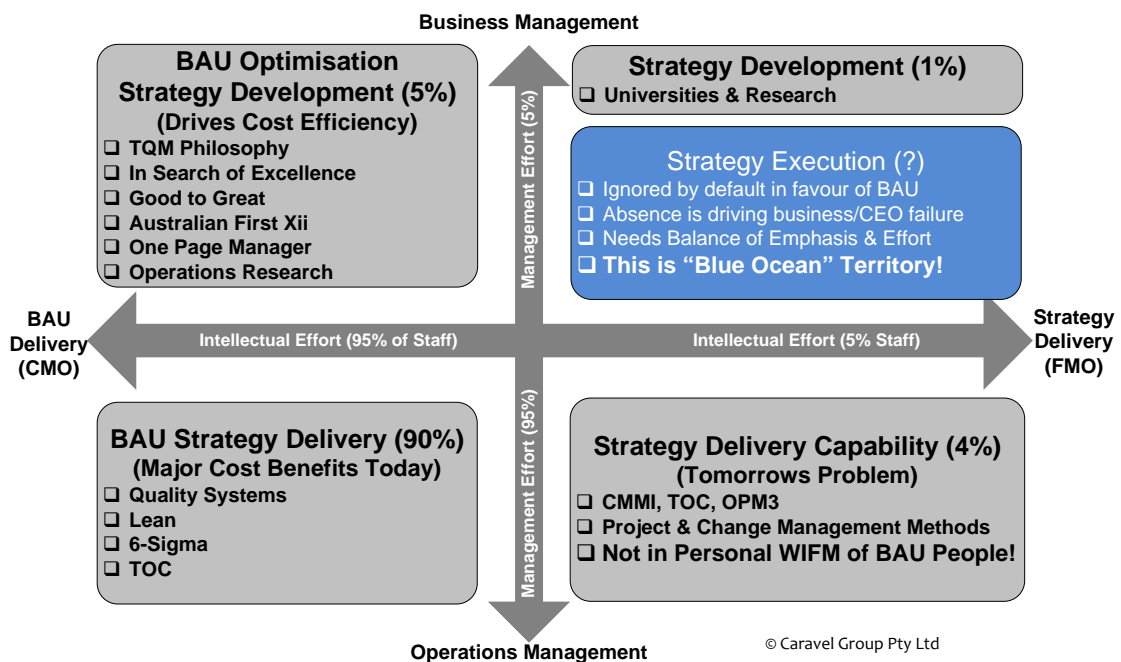
Strategy Execution (?)

- Ignored by default in favour of BAU
- Absence is driving business/CEO failure
- Needs Balance of Emphasis & Effort
- This is “Blue Ocean” Territory!**

If we consider the vast array of published material, it is clear that there is a significant bias on research into business strategy, delivery of business as usual capabilities and its optimisation.

But, as the blue area indicates there is a big “hole” in the execution of business strategy.

Balance of Intellectual Effort



10.2 The Im-Balance of Intellectual Effort

The second diagram has its axis re-drawn to reflect the proportionate level of intellectual effort applied to date.

