Governance in the new Corporate World and how it affects Project Management

Scott Seningen, PMP

Overview

Governance is currently a hot topic in the new corporate world. If you work in an enterprise environment, and if you haven't already been hearing a lot of this word, you will be. With the advent of Sarbanes-Oxley, and the fairly recent corporate scandals, governance is considered risk management. Govern your organization before the authorities decide to govern it for you.

Definition of Governance

What is governance? Well, in the corporate environment, it is a lot like you would expect it to be. Governance entails:

- Committees
- Oversight
- Program and project review
- Decision making bodies
- Voting
- Financial transparency
- Financial review,

Just to name a few key items.

These terms probably bring to mind another hot-button word: RED TAPE. Yes, governance can and does bring the red tape ensnarement that can slow an organization and its projects down to a halt. However, this is the new reality, and if you're prepared for it, your journey through the red tape will be a lot less slow and messy.

Visibility and Accuracy

So what should you be prepared for? Well, first of all, be prepared for your projects to grow in visibility, especially in the eyes of senior executives and corporate governance members. Since governance entails knowing to a greater extent what is going on in the organization, more and more people will become "interested" in your projects.

The obvious thing to point out here is: make sure your reported information is as accurate as possible. When creating project reports to be viewed by your team's eyes only, you can present hypothetical or "to bed determined" information. When your report is to be viewed by senior executives, your project information better be

accurate. Executives and corporate governance members will quickly balk at consistently incomplete or worse, inaccurate, project report information.

OK, that's an easy one. Be accurate with the project report information presented to senior executives and governance members. But what else should you be prepared for.

Metrics

If there is an established Project Management Office (PMO) in your organization, whether or not you are officially part of that Office, be prepared for the possibility that project reporting metric formats will be "imposed" on you for the benefit of corporate governance. Committee members and executives like to be able to look at a report quickly and tell whether or not a project is on target or in jeopardy (financially, schedule-wise, or scope-wise.)

One of the more common reporting methods being employed to appease corporate governance members is the RAG scale (Red, Amber, Green.) Some may refer to this metric as the "Stoplight Metric." With a glance, you can tell (at least theoretically,) whether a project is

- On target (green)

- Needs management attention (yellow)

- Is headed the way of the Titanic (red)

This metric also allows for trending from report to report, so you can see if you're yellow heading for a stop, or breezing through the green lights. Again, in order for this information to be useful, the information behind the metric needs to be accurate. If there are members on governance committees that are even remotely familiar with your project, be prepared to answer questions and defend your reported stoplight rating.

Financial Uniformity

Another aspect of project reporting that will be under high scrutiny when viewed under the governance microscope is financial reporting. As we've stated, accuracy is paramount here. In addition, you will most likely be asked to ensure your financial reporting conforms to the firm's standard reporting format.

Your accounting or financial reporting department may, and most likely does, report on numbers in a different format than you report on your projects. Get ready for that to change. As executives keep a close eye on the bottom line, they are used to seeing financial metrics reported in a way they are familiar, if not comfortable with. Don't confuse them. Give them what they already know and prevent future headaches and grumbling.

Find out how your firm reports their financials (currency - if an international firm, gain/loss reporting method, depreciation, etc.) and mould your project financial reporting to that method, even if your PMO doesn't already demand that you do so. Do it now, and be seen as proactive rather than reactive to the governance wave.

Audit

With the advent of Sarbanes-Oxley (sometimes referred to as SOX,) governmental organizations demand that corporations be held accountable for their financial

reporting and adherence to law. In order to prove that they are in-line with these demands, many firms have developed large and all-encompassing internal audit teams. These teams will stick their nose into everything to make sure the firm does not receive so much as a slap on the wrist from external auditors or the SEC.

The lesson here is being ready for questions about your project or program. Be ready to submit reports on how you are following the appropriate risk mitigation, avoidance, etc., procedures.

Summary

The bottom line is that when governance becomes a part of your organization, your projects - especially your project reporting - will need to adapt to fit the new mould. Do yourself a favour and begin investigating how you can shape your projects and reporting format to align with the corporate governance structure.

About the Author

Scott Seningen, PMP holds a Master's Certificate in Project Management from The George Washington University, School of Business and Public Management, and a Bachelor of Arts in Political Science from Villanova University. He is a member of the Project Management Institute and has been practicing IT project management for over seven years.

Project Perfect sell "Project Administrator" software, which is a tool to assist organisations better manage project risks, issues, budgets, scope, documentation planning and scheduling. They also created a technique for gathering requirements called "Method H"™, and sell software to support the technique. For more information on Project tools or Project Management visit www.projectperfect.com.au