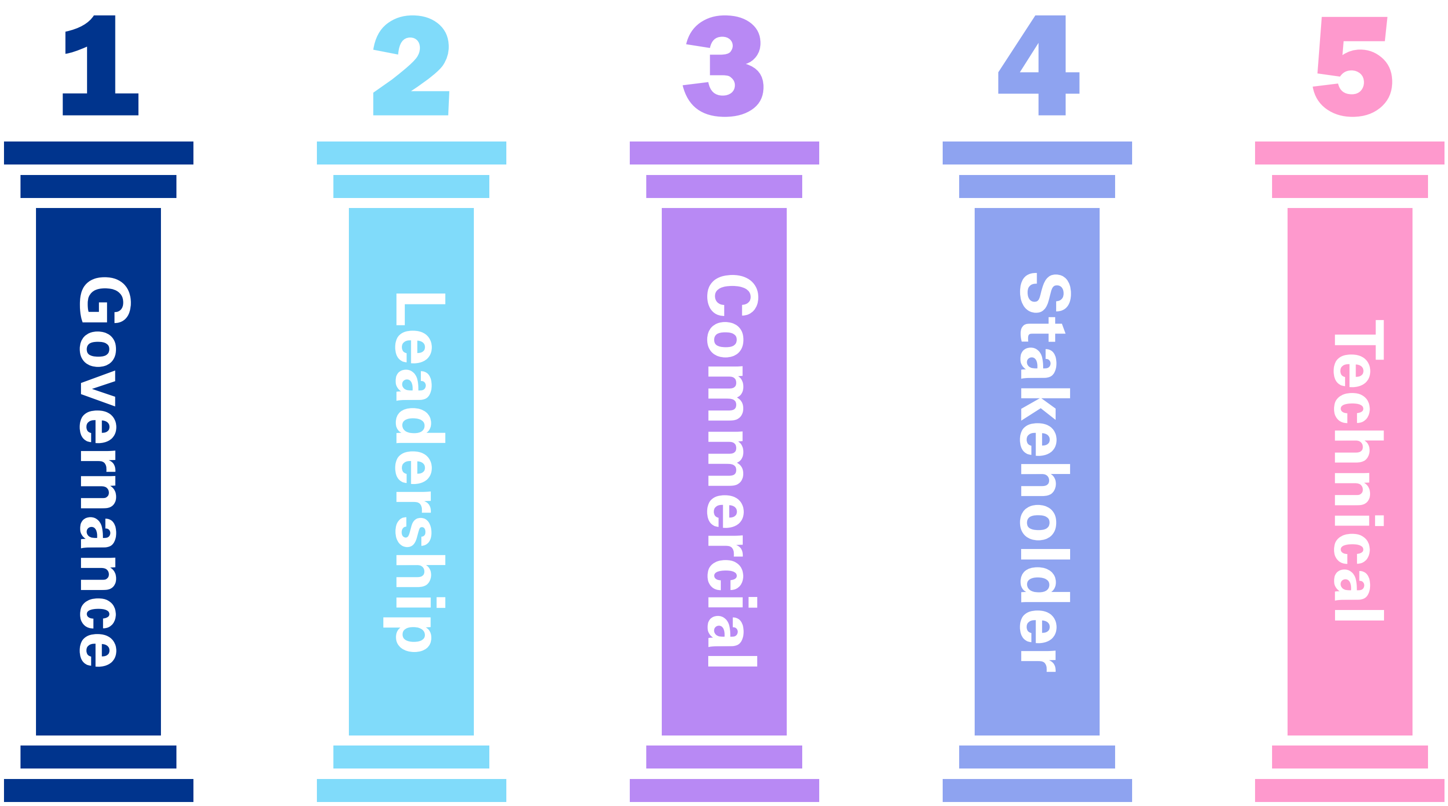
Major project governance

Far beyond “business as usual”

Major projects have the potential to transform entire regions and the lives within them. However, the journey from conception to ribbon-cutting can be rife with monolithic obstacles and decisions that strain even the most experienced organizations. While all of KPMG’s Five Pillars define a major project’s success, it is project governance that often plays the deciding role.



Far outside the regular scope

It’s a common scenario: a government entity or large-scale organization approaches a major project assuming that its existing governance models (and people) are well-equipped to handle the task. If they have a track record for managing hundreds of multi-million dollar projects, then why can’t they tackle a $1B-plus initiative with the same approach?

The answer is that major projects are on a level of their own. They are costly, complex, and all-consuming in ways that separate them greatly from “business as usual” initiatives. Whether the goal is to develop a new hospital, energy, rail, port, industrial plant, highway or bridge infrastructure to name a few, major projects fall well beyond the scope of “business as usual” and require specialized partners, skills, and strategies.

Make no mistake: experience matters. Even still, it takes a bespoke project governance model to ensure major projects have the attention, oversight, and agility they need to meet the organization’s objectives. Without one, major project outcomes can quickly transition from elevating communities and advancing corporations to sinking careers.

Corporate vs. project governance

It’s a message that bears repeating: Corporate governance is not analogous to major project governance. The former defines how an organization operates on any given day, while the latter is a *specialized structure that responds to the complexity and speed inherent in a major project environment. That means one which* **ensures the right decisions are being made by the right people at the right time with the right information to achieve the right outcome in order to guard against project failure.**

For some, project governance can take the shape of a specialized steering committee established within the organizations with the sole purpose of seeing the major project through. For others, it can be a separate governance entity established outside of the corporation through a subsidiary or set up through different authorities. This can be an ideal case for organizations that lack the people, skillsets, or experience to guide major projects and the oversight and assurance obligations therein.

Organizations may attempt to roll major project management into their existing corporate governance structures. Doing so, however, is akin to asking boards and leadership to run two all-consuming businesses at once for as long as a decade. Those that go this route often discover too late into the process that they lack the dedicated focus, experience, resources, agility, and decision-making abilities to oversee these large projects effectively.

Key elements for major project governance

There are four elements to effective major project governance. Each are foundational aspects that are emphasized and supported in various ways throughout KPMG’s Five Pillars framework.

These elements include:

Authority.

The project governance entity has a clearly defined leadership structure with the authority to execute the project and make key decisions throughout its lifecycle in a timely manner.

Autonomy.

The project governance team has the trust and support of the organization to act independently throughout the project’s lifecycle. Levels of independence can ebb and flow as a project evolves. Early in that project life cycle, for example, project teams may require a close relationship with the corporation to define the project and ensure alignment with the overall corporation. As they move forward to deliver on those objectives, they may then become more autonomous to work quickly and effectively. Then, when the project is nearing completion, project management teams may become close with the organization once more.

Alignment.

Major project management must be done in alignment with the organization’s business objectives and be able to spot and address deviations as they occur.

Disclosure.

The last thing any project stakeholder wants to find themselves saying is, “If I’d only known sooner, I would have done something about it.” Herein, it’s important to embed oversight and transparency mechanisms within project governance structures to ensure all stakeholders (e.g., organization, project partners, investors, etc.) are assured that the project is on track throughout every stage.

Figure: Infrastructure and Projects Authority, *Project Development Routemap for Infrastructure Projects: International Module, Governance*, 2020

A brief word on assurance

As mentioned above, assurance is a key component of effective and transparent major project governance. Having some form of built-in assurance (e.g., independent reviews) enables project leaders and overseers to spot and address issues as they arise, rather than being blindsided later on. Deciding when or to what extent assurance mechanisms are established is ultimately the organization’s decision and can depend on the scope of the project, the team’s experience, or even stakeholder confidence.

Governance Frameworks 101

It’s valuable to recognize the elements of successful major project governance (e.g., authority, accountability, alignment, and disclosure). However, it is also critical to create and implement a major project governance framework that champions and applies these tenets throughout the lifespan of the project.

What does that look like in practice?

– Organizational design that establishes a clear line of accountability, authority and roles and responsibilities for the project.

– Explicit decision-making structures and escalation protocols.

– Oversight and reporting mechanisms are embedded at all levels to maintain a clear line of sight and alignment, inside and out.

– Consideration of the corporation’s objectives, interrelationship between business and project, independent assurance, etc.

The actual process of designing a fit-for-purpose governance framework requires a tailored deep dive into each of these pillars, but these are the essentials.

Too big to fail

Good project governance can lead to historic achievements. It can enable visions that transform cities, revolutionize industries, or create once-in-a-lifetime events. Poor project governance, on the other hand, can leave lasting scars on an organization, scuttle careers, and erode public or customer trust. Major project success stories are not hard to find. That said, there are just as many cautionary tales where major project outcomes fell far short of ambitions due to not having the right people making the right choices at the right time with the right information.

The bigger picture

We've talked a lot about the criticality of good, autonomous, accountable and agile governance. Still, governance is just one of five pillars that define the ultimate success of any major project, which also include leadership, commercial, stakeholder, and technical. Read more about the factors of major project success here.

Contact us

Doug Ewing
Partner, Deal Advisory, Infrastructure
+1 604 691 3022
dewing@kpmg.ca

Zach Parston
Partner, Advisory
+1 403 691 8161
zparston@kpmg.ca

home.kpmg/ca