Keys to Successful Governance

Introduction

Projects have evolved over time as organizations have changed. Projects have become more complex to account for shifts from single practicing physicians to large group practices; “standards” to pay for performance; small community hospitals to large integrated delivery systems, national presence to multinational footprints. The projects themselves are more complex, requiring skillsets of both a general and specialized nature and incorporating the subject matter expertise of various departments that may be dispersed across a country or several countries.

The cross-functional teams charged with leading these projects must incorporate the interconnectedness between their own project’s success and other business goals and objectives. Organizations aren’t pursuing one project at a time, but a multitude of projects with varied goals and success factors. A substantial number of moving parts are being juggled. If a ball is dropped, disaster can occur. This increase in complexity necessitates an overarching structure or set of guidelines to which projects and other business functions must adhere. This framework – set of guidelines, procedures, and bylaws – is referred to as governance.

Governance, a Definition

"Governance can be described as the processes, structures and organizational traditions that determine how power is exercised, how stakeholders have their say, how decisions are taken and how decision-makers are held to account."[1] Governance is the method organizations use to create strategies, establish goals, and make decisions. Governance structures can take various forms, including a board of directors or a program management office. When employed properly, governance serves as an excellent tool for evaluating performance.

Of course, too much governance can derail even the best of intentions. Multiple levels of incongruent governance can serve as a hindrance to project managers charged with implementing organizational change and delivering results that meet or exceed expectations. Before determining how much governance we need, we have to understand why we introduce governance in the first place.

Governance provides consistent and repeatable processes, which help to ensure that we are measuring the same thing, managing to expectations, and delivering what was promised. Governance also offers validity to projects by "blessing" the project with authority that approves provisioning, defines the decision-making hierarchy, indicates this undertaking is appropriate, appears to be on track, and is expected to deliver a positive impact to the organization. Proper governance can prevent projects from "gold plating" or misfiring when attempting to meet client expectations.

Governance Basics

All governance structures address three things: (1) accountability, (2) authority, and (3) the decision-making process.[2] A proper governance framework clearly delineates who is accountable for performing certain tasks. Roles and responsibilities are assigned for those participating in governance and those bound by the governing body. The authority of the participants must be defined. All those involved must recognize who is in charge and who has been empowered with decision-making ability and authority. Identifying authority level is especially important within matrixed organizations where functional managers often compete for project resources.

The governance structure chosen must have a clearly defined path for decision making. Everyone should be aware of the steps needed for requesting pronouncements, evaluating risk and issue mitigation, and the redress and review processes. The

[1] Gill, M. (2002). *Building effective approaches to governance*. Non Profit Quarterly.
[2] Defining Governance, Institute on Governance, www.iog.ca

description of the basic functions of a governance model may seem straightforward, but the exercise is always complicated by the need to incorporate the input of a wide variety of participants. Even the board leaders with extensive skill and experience require the perspective and insight of those closest to the project or functional area in order to make the most intelligent decisions.

Successful governance also requires integration, and a strong coupling between each of the functional areas of the organization. The business goals and objectives of the organization should be the lead focus on any endeavor. In the case of information technology, business capabilities and strategies take precedence over the tools being used; information technology projects are undertaken to further business goals and objectives.

Figure 1: Three Governance Basics

Reporting functions built into governance can help to eradicate the walls that may exist between business functional areas and information technology. However, the best way to bring these two groups together is to ensure there is adequate representation on governance boards by the appropriate specialists.

Governance bodies thrive when they consist of individuals with varying viewpoints and skillsets. Using a "composite" approach to formulating governance boards can help an organization achieve buy-in from the ranks of different functional areas as well as tap into a wealth of resources possessing organizational breadth and subject matter depth.

Governance Models

The structure and traditions within an organization will impact how the governance framework is built, going beyond the three basic facets of governance (accountability, authority and decision-making). Governance models include definition of program/project management, scope, cost control, stakeholder communication, and risk and issue escalation, as well as a description of the regulatory environment and its impact on the project. Though not an exhaustive list, *Table 1: Governance* Models provides an overview of commonly used governance models.

Table 1: Governance Models[3]

Model	Approach	Goal
Operational	• The board manages, governs and performs the work of the organization • Strong focus on control and compliance	• Evaluate organizational performance based on prescribed metrics such as customer satisfaction
Collective	• The board and staff operate as a single team when making decisions about governance and the work of the organization • Board members may work in operations or management	• Provide peer management approach for organizations reticent to use a hierarchical approach
Management	• The board manages operations through functional committees that may or may not have a staff coordinator	• Board members bring their functional knowledge to the governance board
Traditional	• Board governs/oversees operations through functional committees • Management delegated to the executive director	• Provide performance based view of the organization by functional area • Performance in turn shapes vision and strategy development

[3] Gill, M. (2002). *Building effective approaches to governance.* Non-Profit Quarterly.

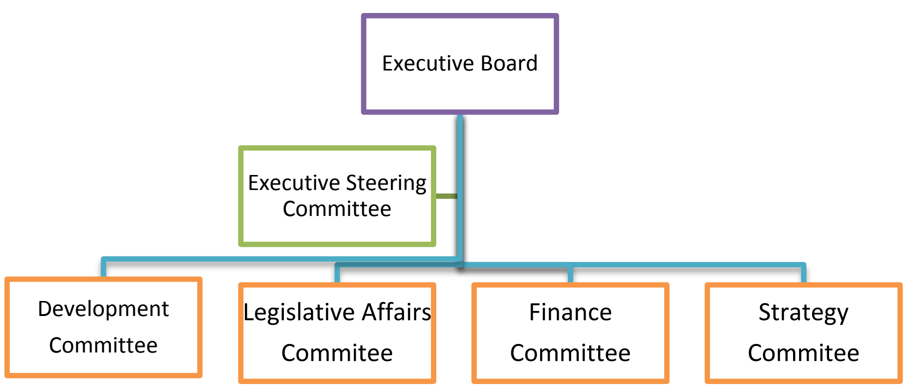
Model	Approach	Goal
Results Based	• The executive director has influence over policy making, and is viewed as a full partner with the board • Committees guide governance and monitor performance of the board, executive director and organization.	• Ensure organization goals have been met by allowing the board to support the vision established by executive leadership • Allows "board interference" if results indicate low performance
Advisory Board	• A board selected and dominated by the executive director • Board members provide advice and may rubber-stamp the executive director's recommendations	• Provide executive leadership insight and advice from individuals with experience and skills it may be lacking within its own ranks
Policy Board	• Policies establish organizational aims and approaches • Executive director has broad freedom to determine the means that will be used to achieve organizational aims	• Strengthen accountability of board members via policy; performance is directly linked to the board members

When it comes to governance models, one size does not fit all. Each approach has its flaws and drawbacks. Organizations must understand their own institutional behaviors, traditions, and ways of doing business to determine a suitable governance approach. Regardless of the governance framework chosen, decisions must still be made regarding the number of tiers required for the structure to work. By "tiers" we mean the different levels of governance and the way in which these different governance bodies interact. Generally, the smaller the organization the smaller the number of tiers involved. A small organization may employ an operational governance model in which the organizational members are also board members and perform the associated work and governance duties. A common example of this single-tier governance style is a volunteer organization, such as a parent teacher association or a homeowners' association. These individuals use their subject matter expertise to guide the course of the organization (strategy), evaluate its current path (performance), and perform other administrative duties as needed (reporting).

Large organizations or those performing more complex functions tend to choose a multi-tiered governance approach, which involves using a series of governance bodies at various levels of authority within an organization to perform governance functions. An organization may have a working group, a steering committee, and a corporate board. It is not uncommon, in the healthcare industry, to see this structure used for several types of projects. For instance, a patient safety working group, focused on implementing patient safety standards and evaluating organizational performance, could be responsible for reporting information to the nursing steering committee. The same working group could also be responsible for reporting patient safety incidences to the legal department or some other external body, depending on internal processes and state or federal regulations.

A multi-tiered governance approach depends heavily on policies, processes, and procedures. The situation will determine the escalation points and decision-making methods. Members must have a solid understanding of assigned roles and responsibilities, as well as clear guidance as to what should occur in a certain situation. Figure 2 is an example of a multi-tiered governance structure.

Figure 2: Example Multi-Tiered Governance



Selecting a Governance Framework

How do you determine the best governance model for your situation? Your choice should be based on a combination of three variables: organizational culture, decision methodology, and size.

Organizational culture can be described as the social norms by which an organization functions. Most organizations can be categorized as having one of four types of culture: clan, adhocracy, market, and hierarchy.[4]

- Clan-oriented cultures focus on mentoring, nurturing, and a joint approach to problem solving and performance. Clan culture emphasizes equal participation and collaboration across the enterprise.
- Adhocracy cultures are dynamic and creative. Their goal is to offer innovative, leading-edge products and services to clients. They engage in risk tasking and exhibit a strong entrepreneurial spirit.
- Market-oriented cultures have a competitive focus. High levels of achievement are expected. Organizations with market cultures focus on results, competition, and achievement; they wish to be known as businesses with a reputation for success.
- Hierarchy cultures are driven by tradition. Actions are formal and structured; policies and procedures are strictly adhered to within the organization.

Understanding your organizational culture is extremely important when choosing a governance structure because governance requires organization support and buy-in in order to be successful. Imposing a large, bureaucratic governance style on a fast paced, innovative culture would be an obstruction to progress. The governance framework should be a reflection of the way your organization performs and be flexible enough for those working within that culture to accept and adapt to the framework.

Next consider the decision-making methodology your organization employs.

Table 2 illustrates the four decision-making approaches organizations use. The governance framework your organization uses should be a reflection of its method of decision-making and be flexible enough to allow participants to react to decisions within an acceptable timeframe.

[4] Cameron, K.S. and Quinn, R.E. (1999). Diagnosing and Changing Organizational Culture. Reading, MA: Addison Wesley Longman.

Table 2: Decision Making Methodologies

Approach	Description
Top down	Decision-making is determined by hierarchy level. Executive leaders make decisions and the associated information flows downward.
Bottom up	Decision-making is led by those on the lower levels of hierarchy or those working within functional domain areas. Information flows upward; organizational buy-in is achieved at "ground level."
Expert opinion (Centralization)	Decision-making occurs by consulting a small community of subject-matter experts. Their strategy is then adopted by the organization. Information flow spreads from the middle management areas throughout the organization.
Collective agreement (Inclusivity)	Decision-making occurs via collaborative efforts. Inclusiveness and organization buy-in are important.

Finally, the size of the organization is all-important. Governance frameworks don't determine the size of the governance body nor the number of participants; instead, the frameworks are flexible enough to accommodate any organization. The governance framework does not have to be an exact replication of the organization itself with respect to size. Some large organizations have multi-tiered governance structures with relatively small governance bodies (ten persons or less for boards, 5 persons or less for steering committees). Some mid-sized organizations have larger governance bodies that include internal staff members and external board members. The important thing is to select a size that makes sense for the way you operate, with the right individuals participating.

Governance Pitfalls

Choosing a governance approach is the beginning of a larger process. There are several common pitfalls associated with governance. It is not easy to implement and maintain a good governance framework. Some of the most common pitfalls involving governance include:

- Lack of identifying accountability
- Governance members lacking authority
- Procedures and policies that are not well communicated to governance and the organizations responsible to them
- Expansive scope at the start or as the project proceeds ("scope creep")
- Focus on governance tools and applications, as opposed to processes
- Lack of transparency
- Misuse of peer-based reviews

- Organizational maturity that imposes restrictions to adaptability and progress

Each of these pitfalls has its own level of impact and can derail efforts to implement governance within an organization. **Error! Reference source not found.** shows the impact of these pitfalls in greater detail.

Figure 3: The Impact of Common Governance Pitfalls[5]

Common Pitfall	Impact
Undefined Accountability	• Overlap in roles and responsibilities • Inability to address poor performance or reward positive outcomes • Lack of buy-in from governance board members
No Deisgnnated Authority	• Inability or delays in decision-making
Lack of Communication	• Confusion among governed parties (project and program staff) • Reliance on internal processes and procedures not in alignment with governance framework
Expansive Scope	• Inability to determine limitations of board authority and accountability
Governance Tools Focus	• Overreliance on tools versus governance procedures • Inability to identify internal processes that may diminish performance
Lack of Transparency	• Decrease in morale among employees • Avoidance of the governance board; ignoring estalbished processes and procedures
Peer Only Based Reviews	• Inability to accurate ly evaluate team performance • Evaluation by relationship, not results • Financial losses due to illegal activities and conflicts of interest
Organizational Maturity	• Piecemeal adoption of governance frameworks • Conflicting governance approaches that overstress the organization

5 Spacey, J. (2011). *8 Common Governance Pitfalls*, simplicable.com

Key Success Factors of Governance

Organizations that are successful at governance exhibit behaviors reflective of the basic facets of governance (accountability, authority, and decision-making). However, successful governance organizations also exemplify additional behaviors that normalize and strengthen their contributions to the organization overall.

Successful governance makes use of cross-functional teams that include members with a broad range of experiences and skill sets. This provides the organization with new ways of viewing circumstances, varied approaches to problem solving, and creative solutions. It also gives key participants a way to engage in the governance process. While authority and accountability may depend on hierarchy within the organization, important stakeholders - not just those serving on governance boards, committees, or program offices – should feel they are a part of the governance process. Ownership should span the organization with extensive opportunities for feedback. The administrative team, executive leaders, and other authority figures should be available and receptive. Governance frameworks that depend entirely on overworked, unavailable executive managers will only lead to failure.

Successful governance frameworks usually include a tiered approach that outlines decision-making thresholds and a detailed escalation process that should be undertaken when the need arises or as prescribed in policies. This approach empowers middle managers to make timely decisions without waiting for executive-level quorums.

Knowledge management is also a key component of successful governance. Access to documentation that provides a clear explanation of the governance structure and its procedures should be available to all participants. Deviation from the governance norm should not occur unless a formal change to policies has taken place.

Lastly, governance is most successful within organizations that exhibit a cooperative approach to its adoption. Cultivating a spirit of organizational ownership and exhibiting the will to triumph despite the inevitable hiccups that occur during the early implementation phase can lead to successful governance outcomes.

Conclusion

Governance has been defined within this paper as a structural framework that at a minimum addresses the focus areas of accountability, authority, and decision-making. However, the roots of governance usually extend far beyond those three areas, driving organizational policies concerning project management, scope, cost, and the regulatory environment. Governance should be a reflection of an organization's traditions and culture. It defines how an organization interacts with stakeholders, business partners, and customers. Governance frameworks range from traditional models, where power is associated with a rigid hierarchy, to collaborative models using peer-management methods. An organization's adoption of a governance framework will depend on how well the model best fits its approach to conducting business.

Despite numerous pitfalls associated with governance, there are some success factors organizations can use to avoid those pitfalls. Driven by the vision for governance within the organization, the appropriate talent and resources can be secured to support the governance system.

The adoption of any such framework should be undertaken based on predetermined performance benchmarks and expected outcomes, and not viewed as a "quick fix." Irrespective of the governance structure an organization chooses, the level of collective buy-in among employees can serve as a guide to whether the effort will succeed. Organizations that include their employees in the creation and adoption of governance framework will see more success. Empowered employees who view the governance system as a creative process between themselves and executive leadership are more likely to adhere to its structure and provide critical feedback to management when future adjustments are necessary.

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