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Corporate Governance and Strategic Projects

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Experience indicates that brilliantly formulated strategies that are not effectively executed may result in loss to shareholders. Ensuring the formulation and execution of strategy is perhaps the most important factor for organizational success.

Profitable growth through seamless execution of strategies is the best way to assure the creation of long-term value for shareholders and one of the key tasks of CEOs. Without a structured approach to execution, strategic goals cannot be attained. Execution is critical to success and requires a disciplined process to take a strategy and make it work. Research indicates that high performance organizations utilize best practices that relate strategy to execution of projects.

Organization prosperity hinges on the right combination of the right projects done right. So prosperity depends not only on good strategy but also on implementing that strategy effectively. Success depends on the effective management across the enterprise, involving an array of unique timely and finite initiatives called projects.

While good project management cannot save an organization from a bad strategy, bad project management may harm a good strategy.

Standish Group's 3rd Quarter 2004 Research on the IT industry indicated that 18% of all surveyed projects have failed (cancelled prior to completion or delivered and never used) and 53% are challenged (late, over budget and/or with less than the required features and functions).

Troubled projects are bad news to shareholders and CEOs. Bad project management may have lasting impacts on customer satisfaction perception, client relationship and potential future sales. Over-budget projects impact profit margin. Troubled projects increase working capital level needs. Delays on getting client acceptance increase accounts receivables, working capital requirements and financing needs with negative impacts on cash flow. Late launching of new products represents loss of cash inflow from sales. Schedule problems in the implementation of new solutions targeted at increasing corporate efficiency such as ERP frustrate the timing of expected cost benefits and fines and litigation fees due to flawed execution may flounder profit margins as well as careers.

Focusing on Project Management Governance

Since effective implementation of the right combination of the right project is imperative for organizations to survive and prosper, it behooves CEOs to make sure that an adequate governance policy is in place for managing projects across the enterprise.
At its highest level, governance involves a set of relationships between an organization's Board of Directors, executive management, shareholders (where appropriate), and other stakeholder groups. Through the governance system, an organization determines not only strategic and operational goals but also create the conditions to ensure that right processes, procedures,

practices, and structures are in place in order to reach those goals, and control their achievement.

Project management governance defines those relationships and policies as applied to the managing of multiple projects within an organization.
Governance of project management establishes the necessary processes and procedures to ensure that all strategic projects are governed and directed effectively.

Conclusions

CEOs are constantly challenged to translate strategies into business results. However results depend on the effective implementation of the right projects.
The CEO needs to make sure that under the corporate governance umbrella, a governance policy is in place for the effective management of strategic projects.

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