



HOW POOR PROJECT GOVERNANCE CAUSES DELAYS

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Introduction

In a complex environment for delivering large capital investments, are we learning our lessons from history? We have all heard stories about delays caused to a capital project, either because a redesign was required as ground conditions were not fully understood at the outset or because the owners made far reaching changes to the scope. We have also heard about the project that was delayed because the owner requested a number of small changes in scope or because the contractor did not report the true position on the progress of an underperforming project until it became apparent to all involved that the contractual completion date could not be achieved.

In such scenarios the project's objectives, project sponsorship, project management, disclosure and reporting – collectively known as project governance – were not properly considered and managed. It is likely that the events above all have appropriate contractual remedies, based on who carries the contractual risk for their occurrence, but our experience is that poor project governance is the root cause of such delays.

This paper examines the extent to which poor project governance affects the timeline for delivery of capital projects generally, leading to increased costs and ultimately project failure. This paper briefly considers the reasons projects fail, and then takes a step back to trace the development of both project management and corporate governance as they converge into project governance, before discussing what project governance entails. This is followed by two case studies which demonstrate how poor governance has caused project delay. For owners of capital projects, the last section considers what components are necessary to establish a capital project governance framework.

Reasons for project failure

There has been considerable research and commentary into the causes of capital project failure. One source, the Office of Government Commerce (OGC), has published a best practice document about construction projects in the UK public sector: 'Common Causes of Project Failure'.¹ We set out below its conclusions mapped against the four components of project governance (as

1 Office of Government Commerce, 'Common Causes of Project Failure' (2005); downloadable from www.ogc.gov.uk/documents/cp0015.pdf. The document is primarily aimed at those managing or otherwise involved in the delivery of public sector projects.

reported by the Association for Project Management (APM) and discussed later in this paper), to illustrate how ineffective project governance leads to failure:

OGC: Common causes of project failure	APM: Components of project governance
Lack of clear links between the project and the organisation's key strategic priorities, including agreed measures of success	1. Portfolio direction 2. Project sponsorship
Lack of clear senior management and the ministerial ownership and leadership	2. Project sponsorship
Lack of effective engagement with stakeholders	2. Project sponsorship 3. Project management
Lack of skills and proven approach to project management and risk management	3. Project management
Lack of understanding of, and contact with, the supply industry at senior levels in the organisation	3. Project management
Too little attention to breaking development and implementation into manageable steps	3. Project management 4. Disclosure and reporting
Evaluation of proposals driven by initial price rather than long-term value of money (especially securing of business benefits)	2. Project sponsorship
Lack of understanding of and contact with supply industry at senior levels in the organisation	3. Project management 4. Disclosure and reporting
Lack of effective project team integration between clients, the supplier and the supply chain	3. Project management

At an APM conference on the topic, presenter Dr Peter Parkes concluded that success in projects with complex procurement structures rests more on

effective governance, strategic alignment and stakeholder management than on the ability to plan and deliver the project plan.²

In order to fully understand the linkage between failure and governance, it is useful to briefly review how project governance came about.

The development of project management and the need for project governance

As a discipline project management has come a long way since the early 1950s when the focus shifted from simply delivering a technical specification with costs on budget, to formulating a plan for a proposed sequence of working. The Program Evaluation Review Technique (PERT) was developed in the US military domain in the late 1950s as a method of linking and prioritising tasks, particularly the time required per task, in order to identify the minimum project delivery time.³

The early 1960s saw the linking of PERT to a cost control system, which sought to match the spend rate with physical progress. This decade also saw the introduction of the Work Breakdown Structure (WBS) as part of the project manager's cost control tools. This cost control system formed the basis of what is now known as Earned Value Management (EVM).

In addition to the development of tools, the 1960s saw increased research into project management and successful working. Several studies were published late in the decade concluding that the larger and more complex the project, the larger the team or organisation required to deliver it. Mega projects could be broken down into sub-projects of distinct work streams or elements with significant teams and resources. These large project delivery teams would require stronger interface with the rest of the business-as-usual organisation in order to provide greater assurance that the various work streams were all working collaboratively towards delivering the project and ultimately achieving the business objectives.

Project management developed further in the 1970s as project managers began to consider the integration of their projects into the environment⁴ in which they exist. For example, the Bay Area Rapid Transit (BART) project in San Francisco, California, is often cited as a project where management of the environmental factors became crucial to the outcome. The poor management of these environmental factors manifested itself in the familiar signs of budget overruns, significant delays and ongoing operational distress. Headlines included the following:

2 Giselle Young, 'Guiding governance: Who's in Charge?' in *Project: The voice of project management*, December 2007 / January 2008, page 24.

3 The PERT still forms the basis for the preparation of programmes for many capital projects today.

4 Environment in this context means the wider surroundings, including the users, stakeholders, market and geography, in which the project is delivered.

- BART was completed more than two years late and, at US\$1.6bn, the project was 60% over budget;
- Passenger numbers were lower and operating costs were higher than those assumed in the business case;
- Passenger behaviours did not change as predicted to support achievement of economic benefits;
- There were difficulties raising finance when not all of the surrounding counties participated in the project (full participation had originally been assumed), which delayed some construction work; and
- There was not a systems engineering approach to the use of advanced technology.

Examples like BART reinforced the importance of integrating the project objectives with those of the overall business and the wider stakeholder environment. This was fundamental to the development of the principles of project governance. The lack of active stakeholder management in the wider project environment or a poorly administered project-business relationship is often cited as the most important reasons for project failure.⁵ Many organisations have commented that an effective project governance structure is critical to the successful delivery of capital projects.

The next question then is: what is project governance and how does it relate to the wider corporate governance regime established to control the delivery of business objectives?

Corporate governance and the development of project governance

Project governance has developed from the broader concepts of corporate governance. Corporate governance is concerned with a set of relationships between an organisation's management, its board, its owners and other stakeholders. It provides the structure through which the objectives of the company are set, the means by which achievement of those objectives are agreed and how company performance against those objectives is monitored.

Sir Adrian Cadbury, one of the foremost proponents of good governance, in his address to the World Bank's Global Corporate Forum in 2000 described corporate governance as being:

‘... concerned with holding the balance between economic and social goals and between individual and communal goals. The corporate governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources.’

5 Major Projects Association, ‘Learning from Project Failures’ (2003, Seminar 109, Royal College of Pathologists, London).

The Organisation of Economic Cooperation and Development (OECD) states that there is no single model of good corporate governance, but it identifies a set of principles that underlie good corporate governance.⁶

In the UK, corporate governance is enacted through the Combined Code on Corporate Governance (the 'Code').⁷ It originated from a series of reports and guidance on good practice for effective corporate governance starting with the Cadbury Report in 1992, followed by the Greenbury Report in 1995, and then the Hampel Report in 1998, upon which the first version of the Code was based.

The Code is made law by the Financial Services Authority's listing rules, which are themselves given authority through the Financial Services and Markets Act 2000. The Code is overseen by the Financial Reporting Council and requires public listed companies to disclose how they have complied with the Code, and justify any deviation from it.

The Code contains broad principles and more specific provisions setting out standards of good practice in relation to issues such as board leadership and effectiveness, remuneration, accountability and relations with shareholders.

However, many project professionals thought that the Code and much of the available guidance on corporate governance dealt with the operational aspects of business and did not adequately cater for the projects which often form a sizeable percentage – and the riskier aspect – of a activities.⁸ This, coupled with the need for more integration of projects with the business environment in which they exist led the APM to formulate guidance for organisations establishing a project governance regime.⁹ Put another way, organisations striving for project success were encouraged to lift their perspectives beyond the delivery of the project itself and onto the broader issues of the project's utility and effects on the business.

Project governance extends the principles of corporate governance into the management of individual capital projects through governance structures and the management of projects at a business level. In a portfolio environment, effective project governance is concerned both with doing the right projects and getting them right first time, every time. Doing the right projects requires the project goals to be aligned with the strategic objectives of the business by means of an effective benefits management system. Doing the projects right ensures that project control processes are managed effectively to deliver the expected benefits to the business and its stakeholders.

6 The OECD principles are listed in Appendix 1.

7 *The UK Corporate Governance Code* (Financial Reporting Council, 2010) downloadable from www.frc.org.uk/corporate/ukcgcode.cfm. The Combined Code was first issued in 1998 and has been updated at regular intervals since then. The latest edition applies to accounting periods beginning on or after 29th June 2010. In the US the principles of good corporate governance are made law by the Sarbanes-Oxley Act 2002 ('SoX').

8 Giselle Young: note 2.

9 *Directing Change: A guide to governance of project management* (Association for Project Management, 2004), available from www.apm.org.uk.

Project governance is described by the APM in *Directing Change: a guide* as being concerned with:

‘... those areas of corporate governance that are specifically related to project activities. Effective governance of project management ensures that an organisation’s project portfolio is aligned to the organisation’s objectives, is delivered efficiently and is sustainable. Governance of project management also supports the means by which the board,¹⁰ and other major project stakeholders, are provided with timely relevant and reliable information.’¹¹

We consider that this means that project governance refers to those project management activities (and related business processes) that traditionally fall under the control of the project sponsor (or board).

The APM identifies the following 11 principles for effective project governance:

1. The board has overall responsibility for governance of project management;
2. The roles, responsibilities and performance criteria for the governance of project management are clearly defined;
3. Disciplined governance arrangements, supported by appropriate methods and controls, are applied throughout the project life cycle;
4. A coherent and supportive relationship is demonstrated between the overall business strategy and the project portfolio;
5. All projects have an approved plan containing authorisation points at which the business case is reviewed and approved; decisions made at authorisation points are recorded and communicated;
6. Members of delegated authorisation bodies have sufficient representation, competence, authority and resources to enable them to make appropriate decisions;
7. The project business case is supported by relevant and realistic information that provides a reliable basis for making authorisation decisions;
8. The board (or its delegated agent) decides when independent scrutiny of projects and project management systems is required, and implements such scrutiny accordingly;
9. There are clearly defined criteria for reporting project status and for the escalation of risks and issues to the levels required by the organisation;

10 Although most guides on corporate governance focus on listed companies, *Directing Change: a guide* is said to apply equally to private companies, government organisations a ‘board’ is a generic term taken to refer to senior levels of management in all such organisations.

11 *Directing Change: a guide*: note 9.

10. The organisation fosters a culture of improvement and of frank internal disclosure of project information;
11. Project stakeholders are engaged at a level that is commensurate with their importance to the organisation and in a manner that fosters trust.

The APM states that there are four areas of governance that will help organisations deliver these 11 principles. As mentioned previously, they are summarised here (and expanded further below):

- Portfolio direction
- Project sponsorship
- Project management effectiveness and efficiency and
- Disclosure and reporting.

Portfolio direction

Portfolio direction is concerned with ensuring that the project portfolio is aligned with the organisation's objectives including profitability, customer service, reputation and sustainability.

Project sponsorship

Project sponsorship is the effective linkage between the senior executive body of the organisation and the management of the project. At its heart is leadership and decision making for the benefit of achieving the project objectives. Some commentators suggest that the project sponsor role is the most pivotal for good project governance because it is the role most concerned with integration of the project objectives with the organisation's strategy.¹² It is the communication route through which project managers report progress and issues upwards to the board and obtain authority and decisions on issues affecting their project. It owns the business case and is responsible for ensuring that the intended benefits become the project objectives and are delivered accordingly. Consequently, successful project sponsorship depends on the competence of the person or people employed to undertake the project sponsorship and management roles.

Project management effectiveness and efficiency

Another important component of good project governance is that concerned with the effectiveness and efficiency of project management. This is because it relates to the project team and its ability to deliver the project objectives. By definition, team capability is about the competence of the people involved at all levels, the resources they have available to perform their roles and the processes or management systems they are able to deploy in fulfilling their function. It is not surprising that the maturity of project management varies

12 L Crawford and T Cooke-Davies, 'Project Governance: The Pivotal Role of the Executive Sponsor' (PMI Global Conference Proceedings, 2005 Toronto Canada).

markedly by organisation. Our experience is that project risks that could lead to failure in delivery are most effectively mitigated in organisations where there are strong people competencies and effective management systems.¹³

Disclosure and reporting

We have found that the disclosure and reporting component is poor and ineffective where there is weak project sponsorship and project management. This is because it is the component most reliant on the culture of the organisation. A culture of open and honest disclosure is paramount for effective reporting. Such a culture must flow from the project organisation throughout the supply chain. What is reported needs to be reliable and timely in order to enable the right decisions to be made at the right time for the project organisation. Without such timeliness the project is likely to fail.

It is here that there is tension between the risk transfer evident in some contracting strategies and the willingness of the supplier to be transparent about their performance when they have a significant amount of risk to manage. For example, an international contractor for the turnkey construction of power stations has a commercial strategy which involves the production of three categories of programme:

- One that is shared with the owner (usually a summary programme, normally referred to as a level 2 programme), which probably does not disclose float or activity logic;
- One for internal decision making and reporting to the management and board (which may be a ‘best endeavours’ or target programme showing early completion); and
- One for each of the subcontractors, as they are contracted at different points throughout the project delivery period (and possibly on different commercial terms than the owner).

This increases the importance of project assurance to the owner, where comfort is needed that the information management and reporting systems used by the contractor and reported to the owner are robust and supported by appropriate technology. This importance escalates in larger projects and programmes where supply chains are often multi-layered and geographically diverse.

We use the following two case studies to demonstrate the effect of poor governance on capital projects.

13 PricewaterhouseCoopers global survey, ‘Boosting business performance through programme and project management’ (PricewaterhouseCoopers LLP, London, 2004) which found that a higher project management maturity level will in most cases deliver superior performance in terms of overall project delivery and business benefits.

Case study 1 – Metronet

Poor corporate governance and leadership is said to be the main cause of the failure of Metronet.¹⁴ Metronet was the consortium that won two of three Public Private Partnership (PPP) contracts with London Underground Ltd (LUL) in 2003 for the maintenance and upgrade of two thirds of the lines on the London Underground. Another consortium, Tube Lines, won the third PPP contract. Given that Metronet was an organisation assembled specifically for the purpose of these projects, we consider the term corporate governance to be synonymous with project governance.

The PPP contract was intended to have a 30-year duration. Over this period, Metronet was to be responsible for maintaining the track, civil and rolling stock assets, amongst others, and delivering station upgrade and modernisation works. In exchange for delivery against four key performance metrics, Metronet received a four-weekly periodic payment called the Infrastructure Service Charge. In addition, Metronet was to deliver some of its capital works programme (refurbishments, enhanced refurbishments and modernisations for most of the 150 stations covered by the two PPP contracts) on a milestone basis.

Metronet's capital programme experienced significant delays early in the programme. The stations upgrade programme was under particular pressure. By March 2005, Metronet had not completed a single one of the station projects that were due. By March 2006, it had delivered 11 out of 35 station projects. The following year progress had improved, but not markedly, as a total of 28 out of 64 station projects had been delivered. The story on the delivery of track renewal was similar, as only 44km of track had been renewed compared to the planned 69km at the time of executing the PPP contracts.

Metronet's chosen structure was to deliver the contracts via a tied supply chain involving its five shareholders: Bombardier Inc, WS Atkins plc, EDF SA, Thames Water plc and Balfour Beatty plc. Four of the shareholders formed a subsidiary company, Balfour Beatty Infrastructure Services, which was responsible for the civil engineering works, while the track upgrade was to be delivered by Balfour Beatty and the rolling stock and signalling by Bombardier. The resulting tied supply chain agreements were not necessarily back-to-back with the provisions in the main PPP contract between Metronet and LUL, which made for a very complicated governance and contractual structure:

14 National Audit Office, 'The Failure of Metronet: Department for Transport', House of Commons papers 512, 2008-9 (TSO, 2009).

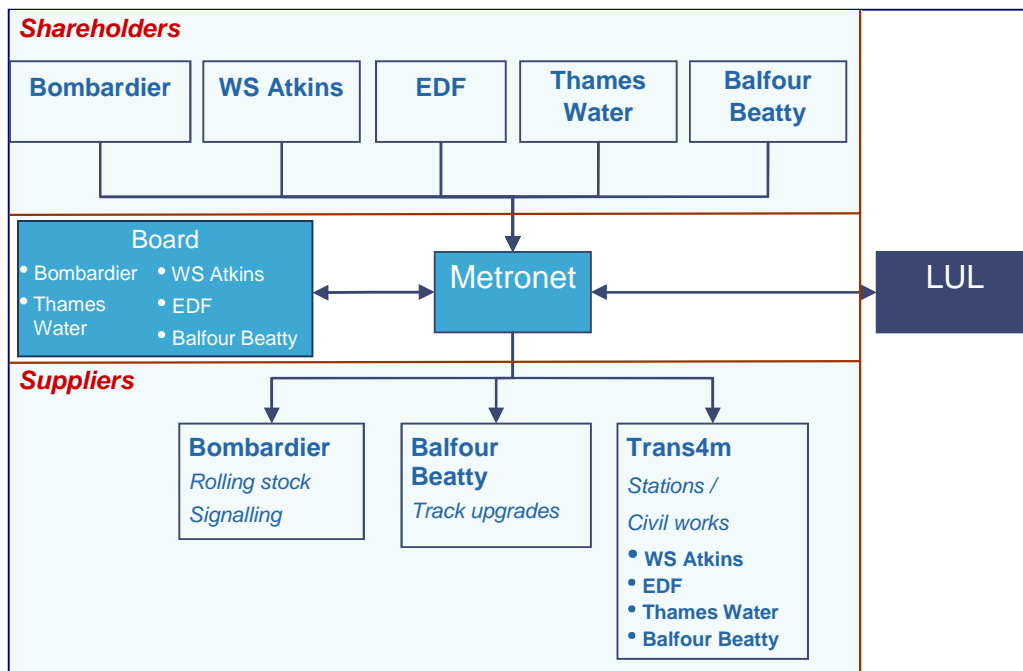


Figure 1: Basic structure for Metronet

Decision making on the project was challenging, as all five shareholders (who often had different commercial drivers based on their respective positions regarding the particular asset under discussion) had to agree unanimously. Metronet's governance structure and tied supply chain agreements are said to have contributed to the delay to the programme. Being shareholders as well, the supply chain had an element of power over the scope of work and expected to be paid for it under its supply contracts. The direction of each of the civils, track, rolling stock and signalling portfolios was not aligned with that of Metronet itself, which was to deliver the PPP.

The shareholders forming the supply chain also failed to keep the Metronet board informed adequately about progress and costs measured against delivery, rendering its project sponsorship and disclosure and reporting components of project governance environment ineffective. This meant Metronet itself was unable to monitor its costs and act accordingly until it was often too late to mitigate any extra costs that may have arisen. The PPP arbiter¹⁵ found that the supplier agreement between Metronet and Balfour Beatty for the track works had:

- Insufficient flexibility to adapt easily to changes;
- Insufficient resources to deliver the required volumes of work; and
- Poor delivery of maintenance and renewals.

Effective project governance should ensure that the project team has the capability to deliver the benefits envisaged by the business case. Capability

15 A PPP arbiter was created under the Greater London Authority Act 1999 as an independent person to regulate the London Underground's PPP infrastructure agreements.

includes ensuring the skills are engaged and the appropriate levels of resources are available. In Metronet's case, it seems this was also a significant problem area affecting effective and efficient project governance. For example, the National Audit Office (NAO) reported that authority was not delegated to an appropriate level within the organisation, with the supply chain being powerful in decisions about scope.¹⁶ The PPP arbiter also reported that Metronet did not appear to have the resources necessary to deliver the full scope of the track portfolio.

The NAO considered that Metronet's decline stemmed from a poorly designed and weak corporate governance structure, which by definition also means a poor project governance structure. The NAO found that there was no incentive by Metronet's lenders, shareholders or its board to implement a strong governance regime. The lenders were disincentivised because only 5% of their investment was at risk with the remaining 95% having been guaranteed by LUL (and Transport for London). In any event, it is understood that profits on bank fees would have covered any loss incurred by the banks. Although they had a £350m equity stake in Metronet, its shareholders were also disincentivised by the fact that they were also beneficiaries of the contract under their tied supply chain structure. The board itself was also not motivated to set up a strong corporate structure because there was no independent chairman of its board to set policy and direction, there was a lack of continuity at senior level (as there had been three chief executives in three years) and the partnership director appointed by Transport for London was not invited onto Metronet's board until it was too late.

The ambiguity of the PPP contract (especially at Appendices 14 and 15 of Schedule 2.1, which covered much of the station upgrade works) was considered to be partly responsible for Metronet's problems.

The NAO also noted that although complicated, tied supplier relationships had been used successfully in the past, for example, by London & Continental Railways in delivering the high speed railway between St Pancras Station in London and the Channel Tunnel. Although similar to the Metronet model, the success with the LCR tied relationship was attributed to two key differences:

- Additional shareholders; and
- Close partnership working.

Additional shareholders to those in the tied supply chain meant that a greater degree of accountability and scrutiny was required, thus ensuring a portfolio direction that was aligned with corporate objectives. Close partnership working, which was also described as 'a policy of total openness', would have ensured that the information required for timely decision-making was readily available and accurate.

¹⁶ See note 15.

Case study 2

This client of PricewaterhouseCoopers was a financial institution with operations worldwide. The institution had acquired several properties in which to house its staff and undertake its expanding operations. The particular project involved combining an existing property with a newly acquired adjacent property, and extensively refurbishing and fitting out the resulting combined property. The project was to be carried out in phases because it involved relocating some two thousand staff from the existing property and other smaller properties around the city without compromising the institution's operations.

The client classed itself as an “intelligent”¹⁷ client with considerable experience in property and facilities management and some in-house project management capability. The in-house project team acted mainly as project sponsors for the vast majority of the institution's projects. These project sponsors consulted internally with the company's business units and were typically responsible for business case preparation, benefits and stakeholder management. The project management function, which was focused on the delivery of projects, was often outsourced under bespoke professional services contracts. The external project manager tended to be appointed early enough to be involved with defining the scope of the project at the concept stage. The institution typically opted for either a construction management or a traditional lump sum fixed price form of contract in procuring its capital projects.

There was a 35-week delay to the original 75-week project, which led to substantial cost increases. This delay was predominantly due to unforeseen obstructions to the sub-structure and super-structure works, and a single change in the scope of work, worth £16.5m. Given that the original project budget was £95m and included a contingency of around 10%, this represented a substantial increase in scope and corresponding costs.

At a contractual level, the delay due to the scope changes was attributable to the client because the changes had not been part of the original scope. This included changes to the structure in order to house technological equipment necessary for the institution's financial operations and the provision of some of components of IT hardware. It transpired that the scope of the project had been prepared by the property department without appropriate consultation with other stakeholding departments such as the IT department. The structure of the building had to be redesigned to house the new equipment affected by this variation, with associated changes to the internal layouts and the approach to the temporary and permanent relocation of staff, all at some considerable cost to the client.

17 In this context, ‘intelligent client’ refers to a client who has the capability and competence to take on and manage a capital project of significant scale and complexity.

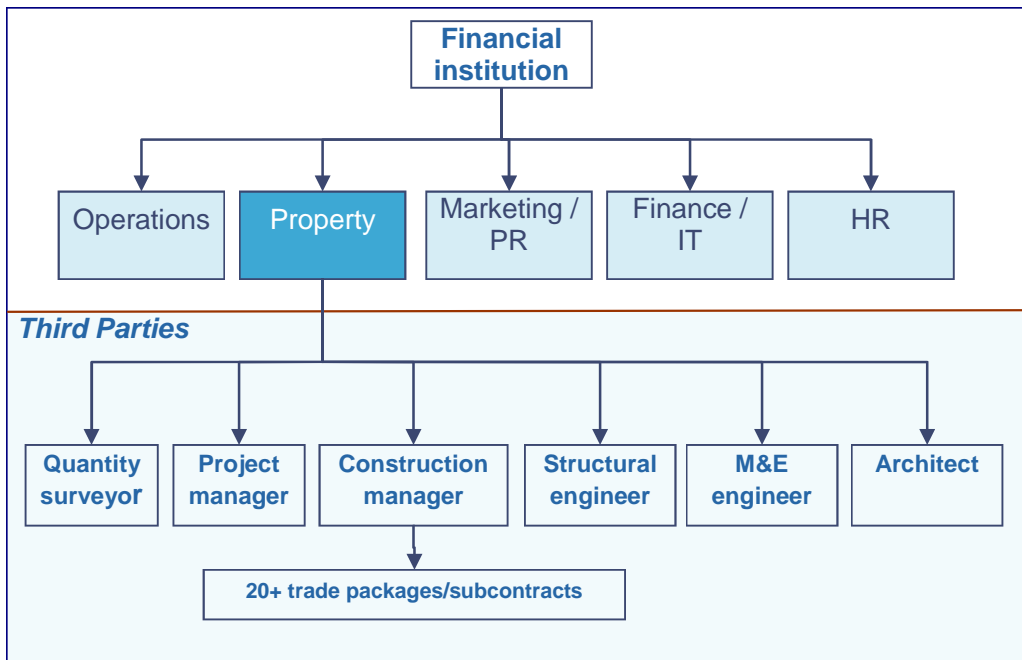


Figure 2:
Basic structure for financial institution with in-house property function

Effective project governance would ensure such costly changes were identified at an early stage (with communication of the foreseeable knock-on consequences) and seek to mitigate their effects. The portfolio direction and the project sponsorship components (as described in *Directing Change: a guide*¹⁸) are particularly relevant. In this case study, the project as initially conceived was not aligned with the client's technological needs. All the relevant stakeholders had not been properly consulted at the concept stage (to fully understand the uncertainties in the business model), prior to scoping and eventually procuring the project.

The other notable cause of delay was associated with the obstructions that were discovered, after the detailed design was completed, both at sub-surface level and at a higher level within the superstructure where it tied into the existing building. Both of these discoveries impacted on the programme as they required redesigns of the new structure. The time contingency, which had not been specifically allowed for in the programme (or even contemplated in the risk register) was used up. In fact, the project delivery programme did not contain any design activities and certainly did not identify a site investigation (or other such risk management activity) which would have established the presence of these obstructions. The review of the actual project delays a

the project management controls and processes (such as document control, project planning, risk management, procurement strategy and change management) were either performed poorly or not formally recorded, suggesting the project suffered from poor project governance.

¹⁸ *Directing Change: a guide*: note 9.

From a liability perspective, the delay due to unforeseen obstructions was attributable principally to the project manager (as he had responsibility for project risk management) and secondly to the construction management team (because they were responsible for managing the design process and preparing and updating the project programme).

However, effective project governance is not about the apportionment of blame or risk via the contract, it is about identifying risk and uncertainties in delivery of the project objectives and putting in place a control environment that ensures that the risks and uncertainties are proactively managed to enhance success in delivery of those objectives. In this particular case, the project management component of project governance was found to be neither effective nor efficient and so contributed to the delays that ensued.

The governance of the project is also concerned with ensuring that the project has:

- Competent people who have access to the appropriate skilled and experienced resources;
- Processes available to them to effectively manage the project;
- Robust IT systems in place to deliver these processes; and
- A culture of open and honest disclosure.

The review found that competence of the project management team was not sufficiently strong to deliver the project in that environment. The project management processes adopted by the organisation across the portfolio were inadequate and did not match the specific needs of the project. This was largely because a standard process provided by the contractor had been adopted without adjustment to suit the client's project environment.

The relationship between the relative strength of people competency and management systems and its effect on project delivery is shown in Figure 3 below. It is recognised that a highly competent and experienced project management team can compensate for the lack of standardisation of project management processes.¹⁹ This was evident in the case of this particular client, where the property development team had successfully delivered a larger and more complex project by engaging with the same professional service providers. The difference between the two projects was the competence of the particular individuals undertaking the key project sponsorship and project management roles.

If however, there is both a low level of project management capability and low level of standardisation of its project management processes and systems then the likelihood of failure to deliver the project objectives increases.

¹⁹ For example, the use of PRINCE 2 as a set of project management processes.

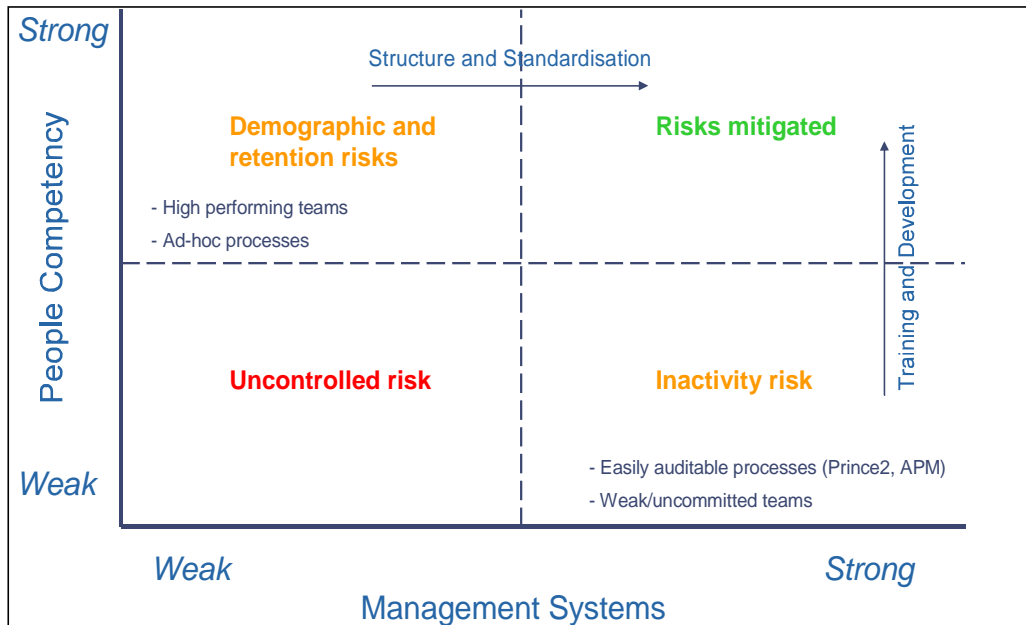


Figure 3:
The impact of competence and management systems on project delivery

Relevance of project governance in generating delayed completion

Many client organisations are developing project governance structures that differ from a traditional organisation structure of functional departments, in that accountabilities and responsibilities are defined for project sponsorship, stakeholder management, project management process and project reporting.

For organisations with a portfolio of capital projects, while the responsibility for project governance rests with the board, governance roles are allocated to people (including the project sponsor and project manager) at lower levels. The APM expects that the best results will come from the application of its principles²⁰ combined with the formal delegation of responsibility and the monitoring of internal control systems. Delegation to external organisations is possible but it will depend on that organisation’s ability to design and manage an appropriate governance structure, the size and complexity of the project and the competence of the individuals involved.

Large capital projects are increasingly procured in a variety of different ways: a joint venture of suppliers to provide a range of services; a range of individual organisations to carry out specific engineering, project management or other technical roles; or individual companies carrying out specific roles in a collaborative framework. These groups of people and organisations are then held accountable for their performance in what becomes an increasingly complex matrix.

²⁰ *Directing Change: a guide*: note 9.

There is a clear tension between the allocation and pricing of risk by suppliers and the transparency that owners require for governance to be effective. This becomes more apparent when suppliers on EPC or lump sum fixed price type contracts pass on limited information with little detail on the status of the progress.

Web based reporting systems are now used to assimilate physical progress, performance and cost data from a number of different suppliers, based in a number of different geographies. These tools produce relevant, detailed and rapid information enabling a prompt response to deviations in planned performance.

When delay experts are asked to establish the reasons for delayed completion of a capital project they should consider taking into account the potential contribution to delayed completion from ineffective governance of the project.

When risk allocation is negotiated in complex contracts for the delivery of construction work, consideration should be given to the operation of an effective governance regime and the disclosure requirements for project management processes, information management and reporting across the breadth and depth of the supply chain.

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Appendix 1

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

OECD Principles of Corporate Governance

1. **Ensuring the basis for an effective corporate governance framework:** The corporate governance framework should promote transparent and efficient markets, be consistent with the rule of law and clearly articulate the division of responsibilities among different supervisory, regulatory and enforcement authorities.
2. **The rights of shareholders and key ownership functions:** The corporate governance framework should protect and facilitate the exercise of shareholders' rights.
3. **The equitable treatment of shareholders:** The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights.
4. **The role of stakeholders in corporate governance:** The corporate governance framework should recognise the rights of stakeholders established by law or through mutual agreements and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises.
5. **Disclosure and transparency:** The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company.
6. **The responsibilities of the board:** The corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the company and the shareholders.

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