

apmKNOWLEDGE

**Directing Change**

A Guide to Governance  
of Project Management

**Third edition**

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# Directing Change

**Third edition**

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# Foreword

Corporate governance is a major factor underpinning organisational success. However, although our understanding of good governance – both in theory and practice – has come a long way over the last two decades, cases of governance failure continue to be a recurring aspect of the business environment. Such occurrences typically have negative implications for value creation, the standing of individual board members and the well-deserved reputation of 'UK Plc' for well-managed enterprises.

How should organisations ensure that good governance is delivered at times of strategic change, such as when undertaking major programmes and projects? This guide provides useful tools and frameworks with which to address these questions, with a focus on good leadership, direction and oversight of management activities.

*Directing Change* was first published in 2004. Updated in 2011, it has evolved into an international reference for the governance of complex change.

This third edition takes account of new codes of governance and seeks to learn the lessons of recent governance successes and failures. It also incorporates feedback from change practitioners. For example, the guidance now includes an important new section on culture and ethics. It also includes descriptions and checklists for key roles and activities in the governance of change. As a result, whilst still concise, it is even more relevant and user-friendly.

Like the Institute of Directors (IoD), APM now has a Royal Charter – to promote good business practice for the public good. If applied consistently, this guidance has the potential to help organisations overcome the inevitable governance challenges which arise during the delivery of complex change. I commend this valuable edition to directors and other key staff involved in making the change process a resounding success for all of the organisation's stakeholders.

Stephen Martin

**Director general, Institute of Directors**

# Acknowledgements

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# 1

## Purpose

*Governance has been shown to have the most significant impact on the successful outcomes of complex organisational change and projects.*

The purpose of the guide is to enable those with corporate governance roles to adopt optimal practices for the governance of complex change.

Good governance involves aligning the interests of boards, directors, portfolio, programme and project teams and wider stakeholders. Governance has been shown, both in research and practice, to have a significant impact on the successful outcomes of complex change. This applies to both internal investments by organisations and contracts for supply. Improving governance should be a strategic imperative for all organisations.

Adherence to this guide will help those with governance roles (e.g. boards of directors, sponsors, project managers, independent reviewers and others with governance responsibilities) to:

- assure themselves and others that robust governance requirements are applied across all the complex change in their organisation;
- optimise their portfolio of change to maximise achievement of strategic objectives;
- maximise the benefits realised from complex projects and programmes;
- improve accountability, engagement with stakeholders and relationships with staff, customers, suppliers and regulators;
- minimise risks to the organisation arising from complex change and support the sustainable development of the organisation;
- avoid many of the common failures in portfolio, programme and project performance and gain increased visibility of progress.

## Directing Change

As the focus of this document is the achievement of coherence between corporate governance and governance of complex change, it is necessary to clarify activities not specifically covered by this guide. This document does *not* seek to:

- duplicate or replace existing guidance and standards on corporate governance;
- provide guidance on 'business as usual' or other non-project based activities of organisations;
- provide guidance on project or change management methods, other than those directly related to the purposes of sound governance;
- provide guidance on detailed methods that can be used to manage individual projects;
- prescribe how to implement this guidance across the enterprise – that will depend on factors specific to each organisation;
- provide governance improvement methods, plans and approaches.

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# 2

## Introduction

A glossary of key terms used in this guide can be found in appendix 1.

### 2.1 Context

*"Corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined."*

OECD Principles of Corporate Governance 2015

The Organisation for Economic Cooperation and Development (OECD) principles of corporate governance (2015) includes example phrases such as:

- efficient allocation of resources;
- consistent with the rule of law;
- support effective supervision and enforcement;
- provide sound incentives throughout the investment chain;
- effective monitoring of management by the board;
- the board's accountability to the company;
- the board should apply high ethical standards;
- overseeing the process of disclosure and communications.

These definitions and phrases apply equally to the governance of complex change as to an organisation's on-going business.

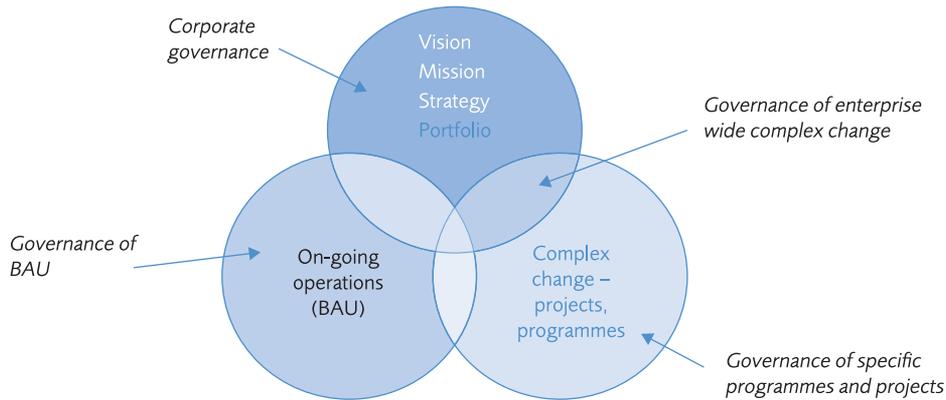
## Directing Change

For brevity this guide uses the terms:

- complex change to refer to transformation, major change initiatives, projects, programmes and portfolios, and;
- complex change management for the management of complex change;
- governance to mean that applied to complex change management. The guide uses the term corporate governance specifically where it applies to governance of the organisation as a whole;
- 'board' to refer to top management boards, typically the board of directors and their equivalents in the public sector and to councils in companies limited by guarantee. It specifically does not refer to project boards.

Different organisations employ different governance frameworks; and different types of governance may exist within an organisation. In preparing this guide, the requirements of all medium to large organisations, listed and private companies, government organisations and charities have been considered. The principles underlying the effective governance of complex change are common to all such entities. Hence, in this guide we refer to 'the organisation' or 'enterprise' rather than 'the company'.

Codes of corporate governance have been developed primarily for listed companies. The UK codes specifically refer to shareholders and investors as the ultimate body to which organisational boards are accountable. There is a growing acceptance of a more 'enlightened' view that the directors and the board should also take into account wider stakeholder interests in promoting the success of the company. Equally public-sector and charity-sector organisations have varied stakeholder responsibilities. Hence in this guide we use the term 'stakeholder' to include, all key external interested parties and internal interested parties, including staff.



**Figure 1** Interaction of corporate governance, governance of complex change and governance of individual programmes/projects

## 2.2 What is governance of complex change?

*'Effective governance' is the most important success factor for complex change*  
*APM Conditions for Project Success (March 2015)*

The governance of complex change concerns those areas of corporate governance that are specifically related to complex change activities. Effective governance ensures that an organisation's change portfolio is aligned to the organisation's strategic objectives, is delivered efficiently, is controlled and is sustainable. Governance also reflects the values and principles of the organisation and supports the means by which the board and other major stakeholders exchange timely, relevant and reliable information.

Governance encompasses the behaviours, structures, roles, policies, standards and processes for decision making and control allowing boards to ask and react to such key strategic questions as: 'Are we doing the right things?', 'Are we doing them in the right way?', 'Are we doing them well?' and 'Are we gaining best value and realising the benefits sought?'.

## 2.3 Application and structure

This guide applies to all transformation, complex change, portfolios, programmes and projects irrespective of the delivery methodology used, e.g. Changefirst, AIM, Champs2, Waterfall, PRINCE2®, MSP, Agile, DSDM.

However, it does not prescribe how an organisation should implement governance – there is no 'one size fits all'. An organisation's governance framework should be dynamic and adaptive to the organisation's needs, resources, and culture. The concept of 'comply or explain' supports achievement of effective governance.

The bulk of this guide describes 'what' good governance entails. Section 3 of this guide introduces the components of effective governance of complex change and identifies the key roles involved. Section 4 sets out the guiding principles.

Appendix 2 provides compliance checklists for each key governance role as an aid to answering, 'how good' is your governance? When used for self-assessment, the answers to each question in the checklists will give an indication of the extent to which current practice fulfils the principles of effective governance.

## 2.4 Additional references

Other relevant APM guides exist including:

*APM (2014) A Guide to Integrated Assurance. UK*

*APM (2016) Directing Agile Change. UK*

*APM (2016) Governance of Co-Owned Projects. UK*

*APM (2017) Introduction to Managing Change. UK*

*APM (2018) Sponsoring Change. UK*

Other reference publications are listed in Appendix 3.

# 3

## Key governance roles

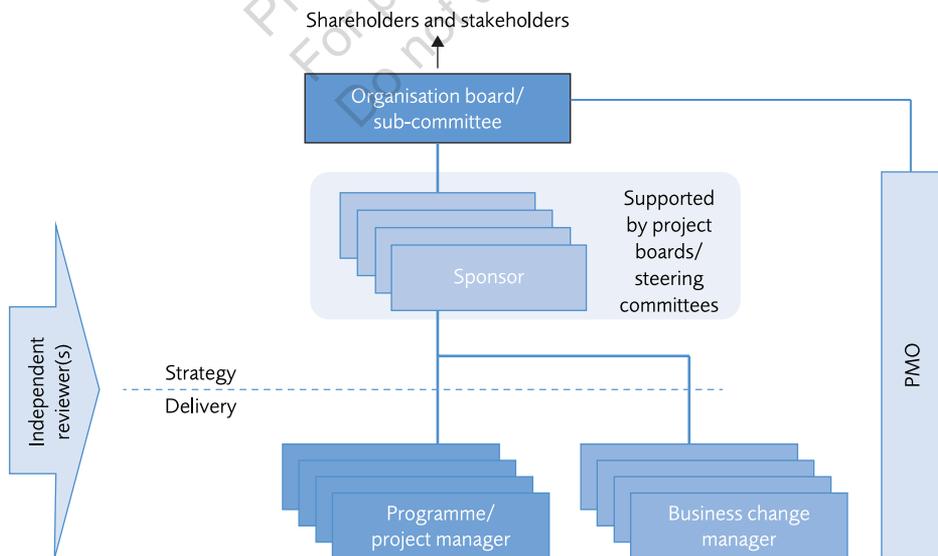
There are two key roles accountable for effective governance:

- the board;
- the sponsor.

In addition, there are four other contributing roles that have significant delegated governance responsibilities:

- programme or project manager;
- business change manager;
- independent reviewer;
- PMO (portfolio/programme management office).

These roles and the 'line of sight' accountability are shown in the diagram below:

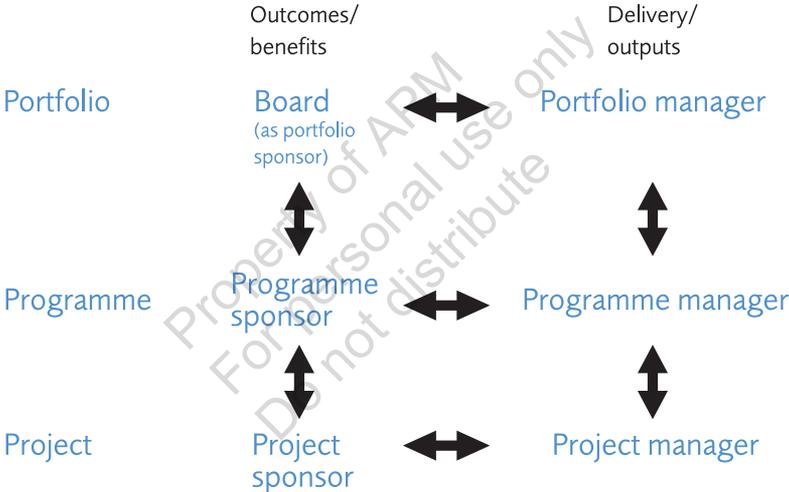


**Figure 2** Key governance and supporting roles

## Directing Change

This is not to say that other roles do not have a governance responsibility, but those responsibilities are most likely to be delegated from the board and sponsors. For example, a portfolio manager might have governance responsibilities delegated from the board, but the board still retains its accountability to shareholders. A PMO likewise might have responsibility delegated from the board to define, initially set up and monitor/assure agreed governance processes across an organisation, but the board is still responsible for ensuring they are in place and adhered to.

The roles interface broadly as shown in the responsibilities diagram below. At each level of portfolio, programme and project, the key outcome and output responsibilities are shown.



**Figure 3** Key responsibility interfaces

Each role is outlined in the following pages.

### 3.1 The board

The board sits at the apex of governance in an organisation and provides oversight of the governance of complex change. Board decisions can create or destroy value and a board's governance performance determines whether or not the organisation is positioned to deliver the complex change required to achieve strategic objectives.

From a governance perspective, the board is responsible for:

- setting the organisation's strategy;
- agreeing the investment in complex change required to meet the strategic objectives;
- reviewing progress towards those objectives and re-prioritising within the change portfolio as required;
- ensuring the organisation has the capability to deliver its portfolio of projects successfully;
- setting change and project management policies;
- appointing sponsors and then ensuring they are held to account for realisation of the desired outcomes and benefits from any investment;
- establishing and monitoring the culture and ethics of the organisation;
- overseeing disclosure and reporting.

### 3.2 Programme or project sponsor

Every programme or project should have a clearly designated person who takes on the sponsor role and sits at the apex of governance for that specific programme or project. They provide the governance link between the board and delivery of the programme/project. Sponsors have various titles that include senior responsible owner or executive sponsor, may be located at various levels in organisations and need to have a specific delegation of authority to execute their role. This role is often undertaken concurrently with another 'day job' in the organisation and can cut across business as usual structures. (Programme or project) sponsors are the route through which programme and project managers report delivery progress and obtain their formal authority, remit and decisions. Sponsors hold their programme or project managers to account for the outputs/outcomes of their projects or programmes.

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The programme or project sponsor is accountable to the board for the realisation of desired outcomes and benefits from any change investment. They own the business case from start through to benefits realisation and is responsible for the effective governance of the project. The sponsor is also responsible for establishing and monitoring the culture and ethics of the project, cognisant of organisational and national cultures that may exist. They define the value outcomes desired, provide the primary challenge to the project manager and agree the timing and format of performance assessments.

Having an effective and engaged sponsor, supported by the board, has been shown to be one of the key factors in project success.

### **3.3 Programme or project manager**

The programme or project manager is responsible for the set-up, management and delivery of a specific programme or project. Accountable to the sponsor for the outcomes/outputs of the programme/project, the role also implements any delegated governance requirements, processes and policies specified by the organisation.

### **3.4 Business change manager**

The role of the business change manager is focused on managing the interface between the ongoing operations that will be affected by the programme outcomes or project outputs. Typically, accountable to both the sponsor and their business unit lead, they need to recognise and rationalise the governance requirements of individual programmes and projects with the governance requirements of their operational business unit.

The business change manager will be involved in designing the target operating model or blueprint, documenting transition activities, creating communication plans for stakeholder engagement and ensuring that detailed handovers are in place.

The business change manager is responsible for embedding activities in the BAU environment that sustain the change long after the project or programme in question is finished. Equally, it may be a while before the full business benefits are realised and these will need to be monitored and tracked. A change network or community may be established across an organisation to encourage positive behaviours and early adoption of project outputs.

### 3.5 Independent reviewer

The role of the independent reviewer is focused on providing insight and objective advice to the senior decision makers and governance bodies. Their role determines whether the governance bodies have a complete, independent and honest perspective of the health, risks and issues facing change programmes and projects including whether delivery teams are following governance processes.

An independent reviewer reduces the risk of internal or external pressure subverting an otherwise open culture at critical decision points.

### 3.6 PMO

A complex change portfolio requires considerable oversight, coordination and collaboration. A portfolio/programme management office (PMO) may be created as a central management hub. Its role includes providing guidance on methodologies, ensuring projects and programmes meet regulatory requirements and disseminating key information for executive reporting and decision making.

The PMO facilitates governance and can verify compliance, ensuring that the board, and holders of governance roles at all levels, are provided with the information they need. It often acts as the guardian of the organisation's change management policies and processes.

# 4

## Components of effective governance

APM identifies five components of effective governance:

- portfolio direction and alignment;
- programme and project sponsorship;
- change and project management capability;
- transparency and assurance;
- culture and ethics.

### 4.1 Portfolio direction and alignment

This seeks to ensure that an organisation's investment in complex change (its portfolio) is aligned with its strategic objectives. The board should ensure that this alignment is constantly challenged and reviewed, mindful of the organisation's context, aims, constraints, resources, risk appetite and capacity for change. This is about ensuring that the organisation is 'doing the right projects'.

### 4.2 Programme and project sponsorship

Sponsorship links the organisation's senior executive body (apex of governance) to the governance and management of every programme or project. It seeks to ensure that the business benefits sought through investment in complex change are realised, and that complex change initiatives remain sensitive to the changing business context.

### **4.3 Change and project management capability**

This provides the organisation with appropriate skills, experience, tools and techniques in quantity and quality to deliver the complex change portfolio, and that the teams responsible are able to achieve the defined objectives. It is about 'doing the projects right'.

Capability, and its maturity, is determined by many factors, including the skills and experience of change leaders, the commitment to continual learning and developing competence, the resources available and the organisation's tools and processes. Good performance is often enabled through the support of a dedicated central function or 'centre of excellence'.

An organisation should take these factors into account when assessing its capability to undertake complex change and when identifying improvement priorities.

### **4.4 Transparency and assurance**

This ensures that the decision making of the board and other governance bodies is supported by regular, objective, risk-based assessment of the status of the portfolio, and of individual programmes and projects, to deliver the desired outcomes and benefits.

An efficient and consistent reporting process will provide timely, relevant and reliable information that supports the organisation's decision-making processes, without fostering a culture of micro-management. Reporting should be commensurate with each initiatives' complexity, risk and significance.

Disclosure should be available to all stakeholders to the extent that they have a legitimate interest in the information where not in breach of confidentiality and with appropriate controls on communication of sensitive information.

## 4.5 Culture and ethics

The appropriate cultural and ethical environments must exist for teams to work effectively and deliver successfully. This requires the board, collectively and individual members, to 'set the right tone' and be role models for appropriate behaviour. They need to set and constantly demonstrate such behaviour for all to see and follow, recognising and rewarding the behaviours identified as appropriate and discouraging (or penalising) those identified as unacceptable.

A culture of open and honest disclosure is a key requirement for effective reporting. Internal and external pressures can pose a threat to this culture, especially prior to major approval points or at project start up. The disclosure framework should not create perverse incentives to manipulate the quality and accuracy of reporting.

Business ethics are moral principles that guide the way individuals in an organisation behave. They assist distinguishing between 'right' and 'wrong' and making the 'right' choices in situations where there is no formal legal or regulatory requirement to guide or inform the choice to be made.

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# 5

## Principles of effective governance

Governance requirements applied to complex change determine a set of principles. These are listed below for the two scenarios of:

- governing the complex change portfolio across the enterprise;
- governing individual change programmes and projects.

Against each principle, the relevant component of effective governance is identified, together with the role that is responsible for ensuring that aspect of governance is in place and adhered to.

These principles are cross-referenced to sections of the UK corporate governance code in Appendix 4.

### 5.1 Principles for effective governance of complex change across the enterprise

	Principle	Role responsible	Component
E1	The organisation differentiates between change projects and business as usual (BAU) or repetitive activities (and their management) and is supportive of both	Board	Portfolio direction
E2	The organisation's board has overall accountability for the governance of complex change and devotes sufficient time to the change agenda – each member of the board is jointly and individually accountable	Board	Portfolio direction
E3	There is demonstrable alignment and coherence between business strategy, corporate portfolio and individual programmes and projects	Board	Portfolio direction sponsorship

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	<b>Principle</b>	<b>Role responsible</b>	<b>Component</b>
E4	The organisation's board reviews the corporate portfolio of projects regularly (e.g. quarterly) and enacts decisions based upon business need, value and risk	Board	Portfolio direction
E5	Projects are formally started and are formally closed when they are completed or no longer justified by the business case	Board	Portfolio direction capability
E6	Roles and responsibilities for the governance of complex change across the organisation are defined clearly and applied	Board	Capability
E7	Each change initiative, programme or project has a named, competent and engaged sponsor. The designated sponsor is accountable to the board for the success of the outcomes and good governance. Success criteria are agreed by the board and the sponsors	Board	Sponsorship capability
E8	Members of the board and delegated authorisation bodies have appropriate balance of skills, experience, representation, competence, authority and resources to enable them to make timely decisions effectively	Board	Capability
E9	Disciplined governance arrangements, supported by appropriate ethics, cultures, policies, structured methods, resources and controls are applied to all change initiatives, programme and projects throughout their life cycle	Board	Capability assurance and transparency culture
E10	The organisation fosters a culture of improvement and of frank and timely internal disclosure of information. Information is shared openly, including with auditors	Board	Culture
E11	The board decides when independent scrutiny is required at the enterprise level and implements such assurance accordingly. Independent assurance is carried out by competent assessors and is integrated with other assurance seekers and providers	Board	Assurance
E12	Business cases are supported by current, relevant, realistic and reliable information that provides an evidential basis for making authorisation decisions. Business case is used as the baseline for assessing sponsor performance, benefits realisation and used as a control document	Board	Sponsorship

## Principles of effective governance

	<b>Principle</b>	<b>Role responsible</b>	<b>Component</b>
E13	All programmes and projects have an approved plan containing authorisation points at which the business case, risks, viability and strategic alignment is reviewed. Decisions made at authorisation points are recorded and communicated	Board	Portfolio direction capability
E14	There are clearly defined processes and criteria for reporting status and for the rapid escalation of risks and issues to the appropriate governance levels for action	Board	Capability
E15	Stakeholders are engaged proportionately and honestly, commensurate with their interest, effect on the outcome of the corporate strategy and portfolio and how they are impacted, in a manner that fosters understanding and trust	Board	Capability culture
E16	Lessons from other change initiatives, programmes and projects are transparently considered and consciously embedded into new initiatives	Board	Capability

## 5.2 Principles for effective governance of individual change initiatives

	<b>Principle</b>	<b>Role responsible</b>	<b>Component</b>
P1	Alignment to organisational strategy is clear. Vision, outcomes, goal and objectives are specified and recognised by all stakeholders	Sponsor	Capability
P2	The designated sponsor is accountable to the board for the success of the outcomes and for good governance	Sponsor	Sponsorship capability
P3	A formal structured methodology, processes and disciplined governance arrangements, supported by appropriate ethics, cultures, policies, methods, resources and controls are applied throughout the programme and project life cycle as designated by the organisation. Where there is deviation from corporate standards, a justification shall be agreed and documented ('comply or explain')	PMO (defining)/ sponsor (ensuring applied)	Capability

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	<b>Principle</b>	<b>Role responsible</b>	<b>Component</b>
P4	Roles and responsibilities for governance are defined clearly and allocated to competent individuals	PMO (defining)/ sponsor (ensuring applied)	Capability
P5	The initiative has a realistic and approved plan containing authorisation points at which the business case, viability and strategic alignment is reviewed (including examining relationships, performance to date, funding, cost, benefits and risks). Decisions made at authorisation points are recorded and communicated	Sponsor	Capability assurance
P6	The programme or project team has the necessary delegated authority, resources, competencies, tools, capability and culture to succeed	PMO (defining)/ sponsor (ensuring applied)	Capability
P7	Lessons from other programmes and projects are consciously embedded into new initiatives and their plans. Information is shared openly	Sponsor	Capability
P8	Risks, issues and limits are specified for fast escalation to the appropriate governance level for action	Sponsor	Assurance
P9	Stakeholders are engaged proportionately and honestly, commensurate with their interest, effect on the outcome of the programme or project and how they are impacted, in a manner that fosters understanding and trust	Sponsor	Culture
P10	Programme and projects are subject to [independent] review at key points during their life cycle	Sponsor	Assurance
P11	Programmes and projects are formally 'started' and are formally 'closed' against clear criteria when they are completed or no longer justified by the business case	Sponsor	Capability

# Appendix 1

## Glossary of key terms

Ref	Name	Definition	Source
1	Assurance	P3 assurance is the process of providing confidence to stakeholders that projects, programmes and portfolios will achieve their scope, time, cost and quality objectives and realise their benefits	APM <i>Body of Knowledge</i> 3.6.1 P3 Assurance
2	Board	The organisation's management board (not project board). The role of an organisation's board can be summarised as: <ul style="list-style-type: none"> <li>■ providing entrepreneurial leadership;</li> <li>■ setting strategy (and sponsoring the change portfolio);</li> <li>■ ensuring the human and financial resources are available to achieve objectives;</li> <li>■ reviewing management performance;</li> <li>■ setting the company's values and standards;</li> <li>■ ensuring that obligations to shareholders and other stakeholders are understood and met</li> </ul>	UK corporate governance code
3	Change initiatives	A change initiative is a structured and complex endeavour moving an organisation from the current state to the desired future state. An initiative may be one component of the organisation's vision and strategic plan for the future	
4	Change management	The structured management approach involved in organising and controlling change initiatives	APM <i>Body of Knowledge</i> glossary: change management
5	Culture	The set of shared values and norms that characterise a particular organisation or part thereof. Values can resonate with employees' higher ideals and rally them around a set of meaningful goals. They also focus employees' attention on organisational priorities, which then guide their behaviour and decision making. Organisational culture can limit the scope for strategic change	Adapted from <a href="http://ft.com/lexicon">ft.com/lexicon</a>

## A Guide to Directing Change

Ref	Name	Definition	Source
6	Ethics	Moral rules or principles of behaviour that should guide members of a profession or organisation and make them deal honestly and fairly with each other and with their customers	Adapted from ft.com/lexicon, from <i>Longman Business English Dictionary</i>
7	Corporate governance	"Corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined."	OECD definition: OECD principles of corporate governance 2015
8	Governing body	A temporary or permanent group consisting of members by areas of responsibility and authority to provide guidance and decision making (e.g., investment committee, programme/project boards, steering committees). The group has specific collective delegated governance responsibilities as laid down by organisational or change initiative policy	
9	Independent reviewers	A person or group independent of the change initiative who assesses whether it will meet its scope, time, cost and quality objectives and achieve its objectives	Adapted from ' <i>Managing Successful Projects with PRINCE2®</i> ' (2009) Glossary: Reviewer
10	Change organisation	The management structure applicable specifically to the change initiative, project, programme or portfolio and the organisational environment in which it operates	APM <i>Body of Knowledge</i> glossary: Organisation
11	Portfolio	A grouping of an organisation's change initiatives, projects and programmes. Portfolios can be managed at an organisational or functional level	APM <i>Body of Knowledge</i> glossary: Portfolio
12	Portfolio alignment	Clear and visible alignment of the portfolio to the organisation's strategy which will allow prioritisation and promote the resolution of conflict	Adapted from <i>Body of Knowledge</i> Chapter 2: People

Ref	Name	Definition	Source
13	Programme	A group of related projects and change activities that together achieve beneficial change for an organisation	APM <i>Body of Knowledge</i> glossary: Programme
14	Project	A unique, transient endeavour undertaken to achieve planned objectives	APM <i>Body of Knowledge</i> glossary: Project
15	Project board	The project board is responsible for supporting the sponsor to provide the overall direction, oversight and management of the project within the constraints set out by the organisation's board. It is accountable for the success of the project under the chairmanship of the sponsor	Adapted from ' <i>Managing Successful Projects with PRINCE2®</i> ' (2009): Organization p33
16	Project manager	The person given the authority and responsibility to manage a project on a day-to-day basis to deliver the required products within the constraints agreed with the sponsors and project board	' <i>Managing Successful Projects with PRINCE2®</i> ' (2009) Glossary: Project manager
17	Sponsor	The sponsor is accountable for the realisation of desired outcomes and benefits from any investment or initiative. S/he provides the governance link between the organisation's senior executives (the board) and the management of each project. They provide the primary challenge to the project manager and link corporate direction and accountability with projects – they are responsible for the effective governance of their projects and the overall business case and are also responsible for establishing and monitoring the culture and ethics of the project	APM <i>Body of Knowledge</i> glossary: adapted from ' <i>Sponsoring Change</i> '
18	Transparency	Officials, managers, board members and businessmen act openly and unambiguously communicate their activities, and can be held accountable for their actions	Adapted from Transparency International's definition

# Appendix 2

## Role-based checklists

This appendix provides checklists for each of the five main governance roles:

1. The board.
2. Programme or project sponsor.
3. Programme or project manager.
4. Business change manager.
5. Independent reviewer.

The checklists are deliberately not comprehensive lists of *management* responsibilities for each of the roles, on the basis that these can be found in other publications. Instead they focus on each role's contribution to effective governance against the five components of effective governance:

1. Portfolio direction and alignment.
2. Project sponsorship.
3. Change and project management capability.
4. Transparency and assurance.
5. Culture and ethics.

If used for self-assessment, the answers to each question will give an indication of the extent to which current practice fulfils the principles of effective governance. Instances of non-compliances should be explored and explained.

The boxes to the right of each point can be used as an assessment record. A reviewer could annotate (for example **N** – does not apply, **C** – complies, with reference to evidence, **A** – Action required to be compliant, **X** – needs further investigation).

## A2-1 The board

### Portfolio direction and alignment

PD1	Does the board discriminate effectively between activities that should be managed as projects (change the organisation) and other activities that should be managed as part of the ongoing operations (run the organisation or business-as-usual activities)?	
PD2	Does the board recognise its accountability for the governance of complex change and does it devote sufficient time to the change agenda and organisational capacity?	
PD3	Is the organisation's project portfolio aligned with its key business and organisational objectives, such as those of profitability, customer service, reputation, risk, corporate responsibility, sustainability and growth?	
PD4	Is the change portfolio regularly reviewed, prioritised, refreshed, maintained and pruned by the board in such a way that the mix of projects continues to support strategy and take account of external factors?	
PD5	Are projects formally started and closed – do they formally enter and depart the corporate portfolio?	
PD6	Are the organisation's financial controls, financial planning and expenditure review processes applied to both individual projects and to the portfolio in its entirety?	
PD7	Does the organisation assess and address the risks associated with the project portfolio, including the risk of corporate failure?	
PD8	Has the board validated claims that organisational polices are being adhered to on all projects across the portfolio – or documented reasons explaining non-compliance (for example, in the areas of ethics, publicity, design, etc.)?	
PD9	Has the organisation assured itself that the impact of implementing its project portfolio is compatible with its ongoing operations?	
PD10	Has the board robustly assessed the risks arising to and from ongoing operations when setting the organisation's strategic change objectives e.g. those from regulatory changes?	
PD11	Is the board content that the portfolio is adequately funded, including the allocation of contingency?	

## A Guide to Directing Change

### A2-1 The board – *continued*

#### Programme or project sponsorship

PS1	Does the board formally appoint a competent sponsor for every complex change initiative, programme and project?	
PS2	Does the board ensure that sponsors devote enough time to governance aspects of their programmes and projects?	
PS3	Are they given sufficient empowerment and personal time to succeed in the role?	
PS4	Is the board satisfied that sponsors continue in their roles for a duration sufficient to allow them to ensure accountability for benefits delivery and project success?	
PS5	Does the board make sponsors accountable for the business case?	
PS6	Are sponsors accountable for the realisation of benefits and is that accountability identified in key project documents and in their personal performance objectives?	
PS7	Is the board satisfied that sponsors have sufficient influence in the organisation through which to ensure that programme and project managers have adequate resources with the right skills to deliver success?	
PS8	Do all projects have a clearly defined vision and outcomes with clear critical success criteria that are tracked to inform decision making?	

#### Change and project management capability

CPM1	Is the board assured that the organisation's processes specify the need for approved plans and review points, are subject to continuous improvement and that tools used are appropriate for the programmes and projects that it sponsors?	
CPM2	Is the board assured that the people responsible for delivery are clearly mandated, sufficiently competent, empowered and have the capacity to achieve satisfactory outcomes?	
CPM3	Are key roles and responsibilities for governance clearly specified?	
CPM4	Are these consistently respected and enacted across the organisation?	
CPM5	Is the board assured that service departments and suppliers are able and willing to provide key resources tailored to the needs of different projects and to provide an efficient and responsive service?	
CPM6	Is the formal management of issues, changes, risks and opportunities integrated into the decision-making process?	
CPM7	Is the board satisfied that authority is delegated to the right levels, balancing efficiency and control?	
CPM8	Is the board assured that contingencies and other risk responses are estimated and controlled in accordance with delegated powers?	
CPM9	Is the board assured that learning from experience is recorded, shared and embedded into new initiatives?	

CPM10	Has the board verified that the demand posed by the project portfolio is balanced with the organisation's capability?	
CPM11	Do all programmes and projects have formal business cases?	
CPM12	Are they supported by current, relevant, realistic and reliable information that provides an evidential basis for making authorisation decisions and ultimately measuring success?	

### Transparency and assurance

TA1	Has the board set out its requirements for reporting from, and engagement at, the portfolio level?	
TA2	Has the board set out its requirements for reporting from and engagement with individual programmes and projects?	
TA3	Has the board verified that those requirements are followed?	
TA4	Has the board determined a policy, to be followed by all programmes and projects, for the timing and conduct of independent scrutiny and assurance?	
TA5	Does the board receive timely, relevant and reliable information that compares progress and trends against objectives?	
TA6	Does the board have sufficient information on significant programme and project-related risks and their management and the cumulative impact of these at a portfolio level?	
TA7	Are there threshold criteria that are used to escalate significant issues, risks and opportunities through the organisation to the board?	
TA8	Has the organisation identified both key success drivers and key success indicators?	
TA9	Is the organisation able to distinguish between project forecasts based on targets, commitments and expected outcomes?	
TA10	Does the board seek independent verification of reported project, programme and portfolio information?	
TA11	Does the board convey the portfolio status meaningfully in communications with key stakeholders?	
TA12	How does the board verify the quality of information that it receives in reports to ensure it is not compromised?	
TA13	Has the organisation established an assurance framework to ensure that the strategic change objectives of the portfolio are supported by ongoing operational management?	
TA14	Is disclosure extended to all stakeholders to the extent that they have a legitimate interest in information?	

## A Guide to Directing Change

### A2-1 The board – *continued*

#### Culture and ethics

CE1	Has a written policy on ethics been produced and staff consulted on it?	
CE2	Is training aimed at creating capability in distinguishing between good and bad examples to staff?	
CE3	Does the organisational culture encourage open and honest reporting?	
CE4	Is a policy supportive of whistleblowers in place and proving effective?	
CE5	Are core values widely publicised and discussed?	
CE6	Are examples that occur of good and poor behaviour against core values widely publicised and rewarded/penalised?	
CE7	Are arrangements in place to avoid scope for fraudulent and illegal activity?	
CE8	Are all external and internal stakeholders engaged proportionately and honestly, commensurate with their interest, effect on the outcome of the corporate strategy and portfolio and how they are impacted, in a manner that fosters understanding and trust?	

### A2-2 Programme or project sponsor

#### Portfolio direction and alignment

PD1	Are the objectives of the programme or project demonstrably aligned and supportive of the key business and organisational objectives throughout the organisation's project portfolio?	
PD2	Has the board approved the vision for the programme or project and confirmed how this will be reviewed and updated to stay aligned with any changes in the organisation's objectives?	
PD3	Are the organisation's standard policies being applied to your project, including those for the management of finances, business case, risk, stakeholder, performance, ethics, customer engagement, supplier engagement?	
PD4	Where there are exceptions, have you approved the documented governance framework for the project?	
PD5	Is it clear which governance bodies the project will report in to?	

## Programme or project sponsorship

PS1	Have you been formally nominated and empowered by the organisation's board to sponsor this project?	
PS2	Have you been provided with clear and documented terms of reference for the role; the business objectives for the project and how it aligns to the corporate strategy; the benefits to be realised from the project and how they will be measured; adequate finance and resources; and appropriate authorities/delegations?	
PS3	Have you formally accepted that nomination, taking on accountability for the project and realising the expected benefits?	
PS4	Have you recognised your strengths and weakness in the sponsor role (and shared these with the board) and taken steps to fill any gaps (support, training, coaching, etc.) to develop your competence?	
PS5	Do you feel fully supported in your role by the board – do you feel that each board member is committed to good sponsorship principles?	
PS6	Is authority delegated to the right levels in the team, balancing efficiency and control?	
PS7	Has the project vision been communicated to the project manager and others in the relevant parts of the organisation?	
PS8	Have you had an intensive discussion with the project manager and reached common ground about the project requirements, success criteria and risks?	
PS9	Have you been explicit about how value and performance will be assessed?	
PS10	Are you devoting enough time to your sponsor role and the project?	
	Do you engage regularly with the project manager and are you sufficiently aware of the project status? Do you provide clear and timely directions and decisions?	
PS11	Will you continue in your sponsor role for a long enough duration to demonstrate delivery of benefits?	
PS12	Is it clear how the programme or project will report to, and be governed and supported by, the board during its life cycle?	
PS13	Is the business case supported by current, relevant, realistic and reliable information that provides an evidential basis for making authorisation decisions?	
PS14	Is the approach to risk management consistent with the board's corporate governance requirements?	
PS15	Are key internal and external stakeholders appropriately represented on the governance bodies (e.g. through a stakeholder group, on the project steering group/project board)?	

## A Guide to Directing Change

### A2-2 Programme or project sponsor – *continued*

#### Change and project management capability

CPM1	Does the programme or project have an approved plan containing authorisation points at which the business case, viability and strategic alignment is reviewed?	
CPM2	Are the organisation's standard project management methodology and tools appropriate for this project?	
CPM3	Has any instance of non-compliance been documented and justified ('comply or explain')?	
CPM4	Does the programme or project manager and team have the capacity and capability to achieve satisfactory project outcomes?	
CPM5	Has any shortfall been identified and mitigating measures put in place?	
CPM6	Has the programme or project manager(s) been explicitly encouraged to identify and exploit opportunities for improving the initiative's outcome?	
CPM7	Are key roles and responsibilities for governance of the programme or project clear and in place (including those relating to the interaction between the project manager and you as the sponsor)?	
CPM8	Is the management of issues, changes, risks and opportunities integrated into the decision-making process and in line with adopted policies?	
CPM9	Is there a fast escalation process triggered when identified thresholds are reached?	
CPM10	How will project learning from experience be recorded and shared for the benefit of other projects in the wider organisation?	
CPM11	How is this project drawing on previous learning?	
CPM12	Have you verified that the project manager has adequate resources with the right skills to deliver the project?	
CPM13	Are there measures in place to manage the risk of interrupting ongoing operations when the change is introduced?	
CPM14	Where delivery work is sub-contracted, are the objectives and incentives for the supply chain aligned with those of the project or programme?	

#### Transparency and assurance

TA1	Do the relevant governance bodies receive timely, relevant and reliable performance information and forecasts (including those produced for the business case and at authorisation points)?	
TA2	Do the relevant governance bodies receive sufficient information on significant risks and the management of these?	

TA3	Are there threshold criteria that are used to escalate significant issues, risks and opportunities through the project and corporate organisations to the relevant governance body?	
TA4	Are there arrangements in place to ensure that the project is subject to independent assurance?	
TA5	Does the project plan include review and assurance by an independent reviewer?	

### Culture and ethics

CE1	Has the initiative adopted the organisation's principles for well delivered change i.e. those relating to behaviour and professional ethics for good governance and disclosure?	
CE2	Has the project adopted an organisational policy that encourages and supports the reporting of behaviours that violate the principles of well-directed change, e.g. whistleblowing on fraudulent activity?	
CE3	Are all external and internal stakeholders engaged proportionately and honestly, commensurate with their interest, and in a manner that fosters understanding and trust?	
CE4	Have external customers and suppliers been surveyed regarding culture and ethics displayed at all levels in their organisations?	
CE5	Are there publicly circulating rumours which question the ethics and culture of any of the participating organisations?	
CE6	Have these been addressed?	

## A2-3 Programme or project manager

### Portfolio direction and alignment

PD1	Are the objectives of the project demonstrably aligned and supportive of the key business and organisational objectives throughout the organisation's project portfolio?	
PD2	Can you demonstrate that you have embedded lessons from other projects into this project and that there are arrangements in place for learning from experience and sharing for the benefit of other projects in the wider organisation?	

### Programme or project sponsorship

PS1	Does the project have a single formally nominated sponsor?	
PS2	Is the sponsor demonstrating accountability for the project outcomes?	
PS3	Does the sponsor understand the project?	

## A Guide to Directing Change

### A2-3 Programme or project manager – continued

PS4	Does your sponsor engage regularly with you; is he/she sufficiently aware of the project status; and does s/he provide clear and timely directions and decisions?	
PS5	Is there a sponsor-approved business case for the project?	
PS6	Are project outcomes tested against the approved business case?	

### Change and project management capability

CPM1	Can you demonstrate that the organisation's standard policies and methods are being applied to the project throughout the life cycle, including the management of finances, business case, risk, stakeholder, performance measurement, business review (stage gates), ethics, stakeholder engagement? If not, are the exceptions agreed by the sponsor and documented and justified ('comply or explain')?	
CPM2	Are key roles and responsibilities for governance of project management clear and in place?	
CPM3	Do you feel appropriately mandated to take accountability for project delivery, promoting a culture of good governance and do you have the capacity to achieve satisfactory project outcomes?	
CPM4	Do you feel that authority is delegated to the right levels, balancing efficiency and control?	
CPM5	Do you feel that you have the necessary people assigned for project delivery?	
CPM6	Are they clearly mandated, sufficiently competent, have the capacity to achieve satisfactory project outcomes and are suitably organised?	
CPM7	Where delivery work is sub-contracted, are the objectives and incentives for the supply chain aligned?	
CPM8	Are you clear on how performance of the supply chain will be assessed?	

### Transparency and assurance

TA1	Do the sponsor, programme/project boards and other relevant governance bodies receive timely, relevant and reliable forecasts, including those produced for the updated business case at review points and reports on progress versus objectives?	
TA2	Are there formal threshold criteria that are used to escalate significant issues, risks and opportunities rapidly through the organisation for approval?	
TA3	Is the team trained in how to follow the processes in place for timely, relevant and reliable project reporting and forecasts?	
TA4	Does the organisational culture encourage open and honest reporting?	

### Culture and ethics

CE1	Is there a clear ethics statement for the project including the definition of procedures for non-compliance if the project objectives conflict with the stated ethics policy?	
CE2	Have project staff been inducted in the required behaviours and subsequently surveyed on their experience of the culture and ethics displayed?	
CE3	Are external and internal stakeholders engaged proportionately and honestly, commensurate with their interest, in a manner that fosters understanding and trust?	

## A2-4 Business change manager

### Portfolio direction and alignment

PD1	Has the organisation assured itself that the impact of implementing its project portfolio is compatible with its ongoing operations?	
PD2	Are operational management supportive of the implementation?	

### Programme or project sponsorship

PS1	Does the sponsor have sufficient authority with the operational stakeholders to deliver the expected organisational change and benefits?	
PS2	Are benefits owners defined?	
PS3	Do they understand the organisational change requirements and enablers that will deliver the benefits?	

### Change and project management capability

CPM1	Are the leaders of change delivery clearly mandated and sufficiently competent?	
CPM2	Do change leaders actively promote a culture of good governance and have the capacity to achieve satisfactory project outcomes?	
CPM3	Does the organisation's (and its supplier's) management system ensure that there is an effective learning system for continuous improvement and the development of organisational capability?	

### Transparency and assurance

TA1	Are ongoing operations involved in the development and changes to the project scope and project business case?	
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### A2-4 Business change manager – continued

TA2	Does the affected ongoing operations receive timely, relevant and reliable status reports against plans and forecasts e.g. those relating to outputs, time, resources and operational impact, and benefits?	
TA3	Does the affected organisation continually monitor and report ongoing operational risks and benefit achievement to stakeholders?	
TA4	Are reports reviewed at both project and operational governance meetings and appropriate actions taken within both?	

### Culture and ethics

CE1	Have behaviours and professional ethics conducive to good governance and disclosure been highlighted to the operations staff or users e.g. those demonstrating transparency, quality, honesty, open communications, responsibility and continuous learning?	
CE2	Are the appropriate behaviours and professional ethics actively demonstrated in practice?	
CE3	Do individuals feel that they can condemn behaviour that violates the principles of good behaviour and professional ethics conducive for good governance?	

### A2-5 Independent reviewer

During an assurance review, an independent reviewer is likely to ask similar questions to those set out in the preceding questions of all of the players involved in the governance of both enterprise wide change and of individual programme or projects. Rather than repeat them here, the reviewer should use the questions in the preceding sections to assure.

# Appendix 3

## References and further reading

- APM (2012) *APM Body of Knowledge 6th Edition*. UK
- APM (2014) *A Guide to Integrated Assurance*. UK
- APM (2015) *Conditions for Project Success*. UK
- APM (2016) *Governance of Co-Owned Projects*. UK
- APM (2016) *Introduction to Programme Management*. UK
- APM (2017) *Introduction to Managing Change*. UK
- APM (2018) *Sponsoring Change*. UK
- OECD (2015) *OECD Principles of Corporate Governance*. France
- Financial Reporting Council (2016) *The UK Corporate Governance Code*. UK
- Institute of Directors (IOD) (2010) *Corporate Governance Guidance and Principles for Unlisted Companies in the UK*. UK
- Institute of Directors (2017) *2017 Good Governance Report*. UK
- Axelos (2007) *Managing Successful Programmes (MSP®)*. UK
- Axelos (2009) **PRINCE2® – Projects IN Controlled Environments**. UK
- Axelos (2007) *Management of Portfolios (MoP®)*.
- UK Agile Business Consortium / DSDM (2014) *Agile Project Management*. UK
- UK Agile Business Consortium / DSDM (2014) *Agile Programme Management*. UK
- Parliament of the United Kingdom (2016) *UK Companies Act*. UK
- ISO 21505 (2017) *Project, programme and portfolio management Guidance on Governance*. EU
- ICE – Infrastructure Client Group (2017) – *A new approach to delivering high performing infrastructure – Project 13*. UK
- Infrastructure and Projects Authority (Government Project Delivery Profession) (2017) *Project Delivery Capability Framework*. UK

# Appendix 4

## Cross-reference to UK Corporate Governance Code

<b>UK corporate governance code</b> (April 2016) <b>Section</b>	Code's main principles	Equivalent principles in <i>Directing Change</i>
<b>Section A: Leadership</b>	<p>Every company should be headed by an effective board which is collectively responsible for the long-term success of the company.</p> <p>There should be a clear division of responsibilities at the head of the organisation between the running of the board and the executive responsibility for the running of the organisation's business.</p> <p>No one individual should have unfettered powers of decision.</p> <p>The chairman is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role.</p> <p>As part of their role as members of a unitary board, non-executive directors should constructively challenge and help develop proposals on strategy.</p>	<p>E2</p> <p>E6, E14 P2, P4</p> <p>E2 P2</p> <p>(None)</p> <p>E6</p>
<b>Section B: Effectiveness</b>	<p>The board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively.</p>	<p>E8 P4</p>
	<p>There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board.</p> <p>All directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively.</p>	<p>(None)</p> <p>E8</p>

	All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge.	E8
	The board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties. The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors. All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance.	E1, E3, E4, E7, E10, E12, E13, E14 P5, P8
<b>Section C: Accountability</b>	The board should present a fair, balanced and understandable assessment of the company's position and prospects. The board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems. The board should establish formal and transparent arrangements for considering how they should apply the corporate reporting, risk management and internal control principles and for maintaining an appropriate relationship with the company's auditors.	E14, E15 P5  E4 P8  E14 P8  E4, E5, E6, E7, E8, E9, E10, E11, E12, E13, E14  P2, P3, P4, P5, P8, P9, P10, P11.
<b>Section D: Remuneration</b>	Executive directors' remuneration should be designed to promote the long-term success of the company. Performance-related elements should be transparent, stretching and rigorously applied. There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration.	(None)

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<b>Section E: Relations with shareholders</b>	There should be a dialogue with shareholders based on the mutual understanding of objectives. The board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place.	E15 P1, P9 E15 P1, P9
	The board should use general meetings to communicate with investors and to encourage their participation.	E15 P1, P9

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