

## Better governance for Programme Boards

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### *Moving from procuring products to running an enterprise*

#### **The consequences of the traditional approach to contracting**

Setting up a contract for a large infrastructure or transformation programme is often a process with duplicity on all sides. As a client, we ask for a low bid and we get one. Clients and contractors know that requirements will change and this is where the contract will become financially viable but the procurement process doesn't encourage honesty. Instead all parties are locked into a transactional approach where lawyers and commercial negotiators engage in a dance of claim and counter-claim as the programme evolves, and the purpose and best interests of what should be a joint endeavour can get lost.

We may talk about a shared vision for a programme but we often end up buying a product.

#### **What do we mean when we talk about trust?**

The breakdown in trust between the parties is often seen as the key sign of a programme that is in difficulties. But what do we mean when we say we want a programme partner we can trust? Trust to be competent; to be reliable; to be collaborative; to do as I would do? It depends. What is reasonable to expect from a programme partner depends on the nature of the relationship you have with them. The more this is transactional, the more competence and reliability underpin trust. The less predictable the environment, the more collaboration is required. In these situations, the ability to understand and act in each other's best interests become the basis of trust. Trust is built on a history of honesty.

Programmes that deliver have partners that are honest with each other from the start.

#### **Professional advisors advise, but leaders need to lead**

There is real scepticism that lawyers and other professional advisors always play a positive role in keeping everyone honest and making an open assessment of risk. But their remunerations / incentives encourage them to find clever ways in the contract to wriggle out of a liability for a change, or to maximise the benefits to their own client of an unexpected event that impacts everyone. This damages the development of honest, trusting relationships between all parties in the programme. In the end, advisors are there to advise but it is the Programme Board that should decide. Programme Board members need to be courageous, taking well informed decisions on the basis of a balanced assessment of all the risks that face the project.

Programme Board members are the decision makers of the project, not the advisors.

#### **Is it time for NEDs on Programme Boards?**

On a corporate Board, the people who help take these risk-based decisions are the Non-Exec Directors, who can bring in external experience and are charged with safeguarding the interests of the whole enterprise and its stakeholders. NEDs on Programme Boards can fulfil a similar role bringing external scrutiny and challenge to the programme. If these individuals are also Main Board NEDs then they also serve as an additional communication channel between the Programme Board and its corporate stakeholders.

All Main Board members are required to put their functional responsibilities or historical loyalties to one side when they enter the Board room and accept the principle of joint responsibility. Programme Boards don't always function like that and individuals can come to represent a particular technical interest or supplier. Having NEDs on a Programme Board can help the Chair to keep the group focussed on their shared goal.

As the duration and complexity of programmes grow their governance needs to look and function more like that of a business than a conventional project - and NEDs can help.