

**Success: A Project Business Management (PBM) Methodology Model: Provides
the Power of Enterprise-Wide Project Management
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Project Management Is a Business Function

In a world where every enterprise is striving for the most effective competitive weapon, project management has become renowned for keeping initiatives on track. There is a growing recognition in business management circles that project management is an emerging business function that enables enterprises to become world-class leaders in their markets. In the project business management methodology an *enterprise* can be a company, business, firm, partnership, corporation, or governmental agency, and includes associations, societies, for-profit entities, and not-for-profit entities. An *enterprise* can also include many *organizations*. An *organization* is a group of persons organized for some purpose such as to perform some type of work within an enterprise, and includes business units, functional groups, departments, divisions, or sub-agencies.

Enterprises are doing more service and product development and product enhancement through projects. This is driven by intense competition, the fast paced technical obsolescence of products, and the need for product innovation. This means that more and more of the enterprise's financial assets are being expended performing project work rather than operational work. Project work is very different in many areas than operational work. Many enterprises have so many initiatives which generate so many projects that those projects need to be assembled into programs and portfolios for effective management and status reporting. This creates a growing pressure on enterprises in the marketplace to more formally apply some form of business management as well as project management to their programs, portfolios, and projects. This also means that project management must be implemented at a senior executive level on an equal management footing with the operational oriented organizations within the enterprise.

Meeting and exceeding customer expectations by consistently completing projects successfully is also a goal of every enterprise and is the basis for receiving excellence awards from most customers, executive management, and stakeholders. Also, many business enterprises find the task of keeping their business units aligned with larger business initiatives and objectives and the enterprise's philosophy and mission very daunting. These are just some of the driving forces influencing enterprises to implement project management practices and processes on an enterprise wide basis. The challenge now faced by those enterprises is how to incorporate project management into their business operations and how to integrate project management as a business function into their organizational structure.

Enterprise-wide Project Management (EWPM) is the application of *Project Business Management* practices and processes on an enterprise-wide basis, using an *Enterprise-wide Project Management Office* as the *business unit* organization to support management of the enterprise's portfolios, programs, and projects. Where *business unit* means any sized functional organization within the enterprise that is chartered to perform a relatively well defined business support operation, such as accounting, safety, quality assurance, human resources, marketing, or a project management office.

The principles and concepts of project-related portfolio management, program management, and project management are complex, and the management processes involved are many fold. The blending of these principles and concepts with the principles, concepts, and varied processes of general business management motivated the authors to develop the concept of *Project Business Management* to eliminate any confusion and suppress assumptions as to just what the term *project management* means when used in a business context. *Project Business Management (PBM)* is defined as the utilization of general business management and project management knowledge, skills, tools, and techniques in applying

portfolio, program, and project processes to meet or exceed stakeholder needs, and to derive benefits from and capture value through any project-related actions and activities used to accomplish the enterprise's business objectives and related strategic initiatives. The PBM methodology blends the terminology from the vocabularies of both general business management and project management, which allows the PBM methodology and model to be easily understood by business executives, business unit managers, and portfolio, program, and project managers.

If projects are an integral part of the business, it stands to reason that there should be a clear understanding of what is and is not a project, what is required to complete projects to the customer's satisfaction, and how projects are combined into programs and portfolios to accomplish the enterprise's strategic initiatives and business objectives. Properly implemented project management principles, processes, and practices can have a significant impact on an enterprise's time to market, cost to market, and quality to market and customers' recognition of the enterprise as a world-class leader. If executives and business unit heads can recognize that managing projects has a significant impact on an enterprise's bottom line, and that their ability to successfully manage projects depends on the proper application of specific project management processes, knowledge, skills, tools, and techniques, then it makes sense to establish ownership and management of project management practices enterprise-wide at the upper management level of the enterprise. How else can the executive management of an enterprise ensure that limited funds and resources are effectively applied across the enterprise to only those projects that support approved business strategies and objectives and that those selected projects are given the best opportunity to succeed from the very start?

Enterprise Project Management Office

Therefore, enterprise-wide adoption of project management processes and best practices calls for the development and single ownership of an *Enterprise Project Management Office* (EPMO) function. However, establishing common processes and practices across an enterprise is very difficult, if not impossible, without establishing exclusive ownership of the EPMO. The EPMO must be recognized as an independent business unit function at the highest level of the enterprise. This recognition provides the EPMO's executive management with the authority, acceptance, adoption, and autonomy required to establish, monitor, and control the distribution of the resources required to successfully apply PBM best practices enterprise-wide. The EPMO is established as the organizational structure within the enterprise that will institute and manage the project business management processes for portfolios, programs, and projects. To be effective in managing the initiating, authorizing, planning, controlling, and executing processes of project business management, the EPMO is positioned at the executive level of the enterprise.

Establishing project management within an enterprise is a significant undertaking and may meet with resistance at various organizational levels for many reasons. One major reason behind some resistance is the most obvious, but it is seldom given sufficient consideration. People generally resist changes because they do not understand why the changes are necessary or what impact the changes will have on them. Most prefer the status-quo to something new, especially when it involves how they perform their work. So, communicating the benefits of establishing project management as a functioning business unit at all levels enterprise-wide is a critical step in making project management an integral capability within the enterprise. Implementation also requires dedication and commitment over an extended period of time.

Relevance to Management

Project business management and the PBM methodology are a unique approach and structured solution to managing the project-related business of an enterprise. Most presentations on project management discuss the concepts and problems that affect the development of enterprise project management and project management offices. Several good books and articles discuss the importance of establishing project management as a business function, but they primarily address only the issues and problems associated

with the effort. Most of the books on project management are written primarily for *project and program managers*.

The primary target audience of the PBM methodology, and our book *The Power of Enterprise-wide Project Management*, is those *executives and senior managers* who recognize project management is a business function and want to establish project management as a core competency enterprise-wide within their organization.

The value of implementing project management best practices as a core competency is best understood using the answers developed in the book to the following types of questions that are frequently asked by executives and senior managers regarding project management as a business function:

- What does project management have to do with the overall management of the enterprise?
- How can project management be related to the enterprise's business operations?
- How can project management processes be incorporated or integrated into the business management processes?
- How can project business management benefit the enterprise?
- How can a project management functional organization be incorporated into the enterprise's organizational structure?
- How can mature project business management practices and processes add value to the enterprise's operations?

Knowing what specific actions are required and how to proceed after executive management gives the go-ahead is a key objective of the PBM methodology model. The success of an EPMO as a project management center of excellence of project business management processes enterprise-wide is the end goal. Another objective is to understand that acquiring executive recognition of project management as a business function is the critical first step in establishing project management as a core business management competency. The basic PBM methodology model is useful in understanding the key success criteria required to establish an EPMO as the vehicle to integrate project and business processes, thereby creating and establishing PBM.

PBM Model Structure

The Project Business Management Model is based upon the components of the Enterprise-wide Project Management House of Excellence. Exhibit 1 illustrates the four major elements, or pillars, and related foundation that form the frame-work of the house of excellence. This integrated framework and foundation is useful in building a structurally sound enterprise-wide project management capability and is a requisite to building and sustaining a successful EPMO, as represented by the roof of the house of excellence.

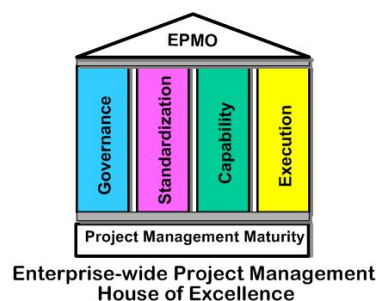


Exhibit 1

The various components of the house of excellence used to organize the elements of the PBM Methodology Model and enable enterprises to achieve the full power of EWPM, are as follows:

Pillar One – Governance: Establishes the EPMO as a management business unit, sets policy, establishes charters, and develops the organizational model for the business management of projects, programs, and portfolios. The function of the EPMO is to lead the project management efforts of the enterprise and may, if required, be composed of multiple levels.

Pillar Two – Standardization: Identifies and integrates processes and practices, and develops standardized project business management processes and documentation of enterprise-wide portfolio, program, and project management process methodology models, including their associated policies, practices, and procedures.

Pillar Three – Capability: Assess the enterprise's abilities, develops a project management competency model, lays out an education and training program, establishes a career path progression plan, and documents various key enterprise environmental factors. *Enterprise environmental factors* are any or all external environmental factors and internal organizational environmental factors that surround or influence an initiative's, portfolios, programs, or projects success. These factors come from all of the various enterprises involved in accomplishing a strategic initiative and its associated business objectives and include organizational culture and structure, infrastructure, existing resources, commercial databases, market conditions, and software.

Pillar Four – Execution: Establishes strategic business planning, tactical business planning, business objective and project prioritization, selection, and initiation, stage-gate reviews, portfolio, program and project execution planning and applies enterprise environmental factors and *organizational process assets* that will be used to manage programs and projects or need to be applied during planning or re-planning activities. *Organizational process assets* are any or all process related assets, from any or all of the organizations involved in the programs and projects that are or can be used to influence success. These process assets include formal and informal plans, policies, procedures, and guidelines. The process assets also include the organizations' knowledge bases such as lessons learned and historical information.

Foundation – Maturity: Establishes the measurement basis for project business management process and practice maturity, and evaluates the maturity of institutionalized project business management best practices enterprise-wide. *Project business management maturity* is the maturity of an enterprise's policies, plans, procedures, organizational governance, management personnel, and the project business management methodology and processes that identify, plan, implement, control, accomplish, and communicate the enterprise's business strategic initiatives and related business objectives and supporting portfolios, programs, and projects.

PBM Methodology Model

The discipline of project management has matured and is becoming an identifiable part of the fabric of general business management. The purpose of the PBM Methodology is to show executive management how to implement project management to serve the enterprise's strategic business initiatives and business objectives and how to harness the enterprise's existing project management capabilities. The PBM Methodology Model is a comprehensive, practical, and simple top-down hierarchically integrated blend of strategic, tactical, portfolio, program, and project management and associated processes. PBM is a proactive approach to managing the project-related business of an enterprise and making the most of limited resources. It enables enterprises to meet or exceed stakeholder needs and to derive benefits from project-related actions and activities used to accomplish the enterprise's business objectives and related strategies. The processes used within the PBM Methodology flow down from strategies, to objectives, to

portfolios, to programs, and to projects. This hierarchically integrated set of processes is used to produce the required deliverables and to assure the values and benefits desired by the enterprise can be attained.

The PBM practices and process for strategic and tactical planning are taken from business management and include the use of business cases. The business case articulates the intent of a specific strategy in a feasibility study format. Each business case provides the bases for authorizing further PBM planning activities, so that an adequate definition of the intent of each strategy initiative and supporting business objective can be developed. Each business case applies the business implications of the known *enterprise environmental factors* to determine if the strategic initiative is plausible. The list of defined *organizational process assets* is applied next during tactical planning to determine if the proposed supporting business objectives will be able to be accomplished. During strategic and tactical planning executive and senior management establish the values and benefits to be derived from the strategic initiatives and associated business objectives and include them in the business case. Performance measures, related to each value and benefit, are also developed as tools to be used during management of the work. The business objectives and associated portfolios, programs, and projects are next prioritized and selected for execution. This methodology requires that executive management operate the strategic management process until the strategic initiative and associated business objectives have been accomplished. This includes appraising results against desired benefits, redirecting as needed the strategies and objectives, and monitoring the tactical implementation of the associated portfolios, programs and projects through mandatory status reporting.

The PBM practices and processes for portfolio, program, and project management are based upon the Project Management Institute's (PMI) five process groups: initiation, planning, execution, monitoring & control, and closure. The practices and processes are taken from PMI's issued standards for portfolio, program, and project management. The portfolios, programs and projects supporting each selected business objective are next planned in detail. The plans and products from the portfolio management processes flow down into the program management processes, whose plans and products flow down into the project management processes. Specific performance measurement metrics related to each business objective are also developed at the portfolio, program and project levels. These performance metrics are used as measurement tools during management of the work. The set of metrics must be both necessary and sufficient to determine if a portfolio, program or project can be re-planned, should be terminated early, or was successful.

The set of processes and the steps within each PBM process and the structure of the EP MO can be adjusted and modified to suit the business size of the enterprise employing the PBM Methodology Model.

Initiation and Authorization Theme

The PBM methodology places an emphasis on strategic and tactical planning and on the start-up processes for portfolios, programs, and projects. Executives and senior management need to become aware of the impact these initial processes have in their business practices. The importance of initiation and authorization is evidenced by their positioning in the first two of the five common "process groups" in portfolio, program and project management. It is during those initiating processes and supporting planning processes, starting with identifying a single strategic initiative down through planning a project that will accomplish that initiative, where up to 80% of the value and benefit of the desired outcome can be created. It is also during these initiating and authorizing processes that executive and senior managements' involvement and decision-making will have its maximum impact.

Conclusion

The time for project management to be recognized as a business function has arrived! The enterprise needs to employ an enterprise project management office (EP MO) as the managerial vehicle to govern the integration and application of the project and business processes that comprise project business

management. The EPMO project business management governance should be a blend of several of the enterprise's governance methods, particularly those of executive, operations, portfolio, program, and project management. It must be employed at the different decision-making levels of the enterprise and at different stages within the PBM methodology to support accomplishment of specific business objectives and their related business strategic initiatives.

Executive management, to assure a high probability of establishing and effectively employing project business management on an enterprise-wide basis, must initiate and authorize two major strategic business objectives that need to be performed in parallel:

- Develop and formally document a mature, integrated set of standardized project business management processes, known as the PBM methodology, and institutionalize those processes within the enterprise and its organizational process assets.
- Establish an enterprise project management office (EPMO) as an operational business unit at the executive level and staff it with competent managers and support personnel.

Executive sponsorship is required to accomplish the two strategic business objectives. In addition, the enterprise must ensure that the necessary supporting organizational structures, systems, culture, and business practices are sufficient and available.

To achieve these two business objectives, a senior manager should be assigned to plan and manage the required development work and the resulting project business management processes should be incorporated into the enterprise's day-to-day operations. Developing, establishing, distributing, and implementing project business management on an enterprise-wide basis must not be treated as a trivial undertaking; it requires project business management to be implemented both horizontally and vertically within the enterprise's organizational structure.

The full benefits of PBM are only realized when the two business objectives are fully accomplished. The enterprise will then have a low-cost and high-performance project business management operation supported by an executive-led EPMO that can provide a consistent positive return on the investment in project, program, and portfolio management. However, the success each enterprise will have from project business management depends directly on the maturity of its project business management methodology and the associated involvement by executive and senior managements in the initiating and authorizing processes where their decision-making will have its maximum impact. The understanding by executives that implementing a PBM methodology using an EPMO can and will positively affect the enterprises financial bottom line is the key factor in any successful implementation.

It is executive management's responsibility, with the support of portfolio management, to assure that the correct business objectives and supporting projects are authorized at the correct time. It is the responsibility of program and project management to ensure that the selected projects are properly completed and meet the enterprise's performance measures.