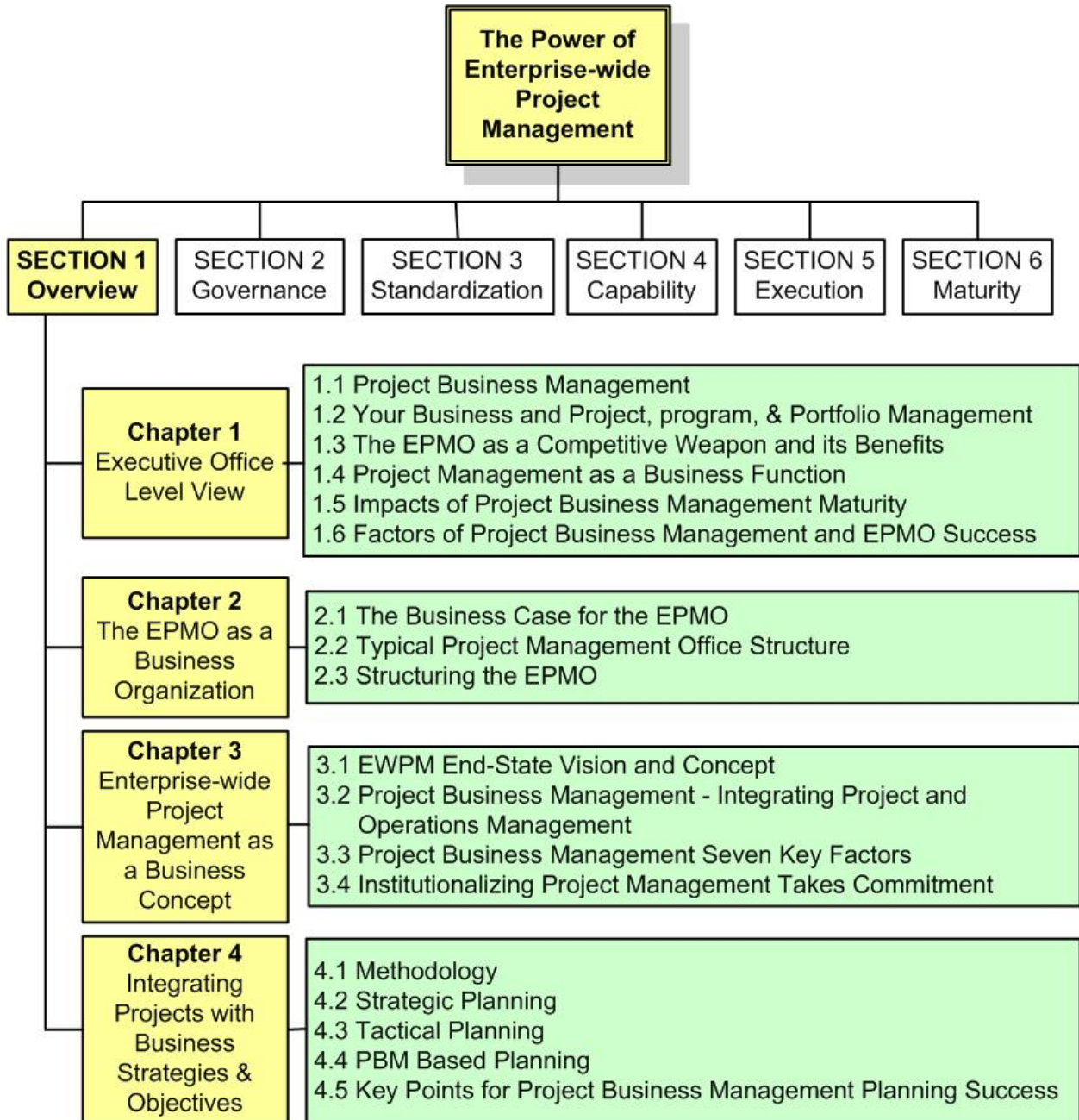


SECTION 1 – EXECUTIVE OVERVIEW

SECTION 1

Overview



SECTION 1 – EXECUTIVE OVERVIEW

CHAPTER 1

Executive Office Level View

1 .1 Project Business Management

Project Management is currently employed in only a few enterprises as a successful business function at the executive level. However, we believe this practice will become a standard practice of future enterprise organizational models. Executives and business unit managers in today's most forward-thinking enterprises are already taking project management disciplines beyond handling specific projects in manufacturing, product development, services, and information technology. They are adopting its powerful methods enterprise wide. The practices of project, program and portfolio management are applicable to any type of enterprise, whether it is a for-profit company, a non-profit company, or a governmental agency. Therefore, the principles, processes, methods, and techniques recommended in this book are aimed at existing enterprises with established business operations and defined functional organizations. This book will guide those enterprises in applying project business management practices, beginning with enterprise level strategic planning and progressing through project execution. We define the term project business management 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, to derive benefits, and to capture value through any project-related actions and activities used to accomplish the enterprise's business objectives and related strategies.

Competition, corporate downsizing, and business process re-engineering have influenced many enterprises to investigate the concept of enterprise-wide project management. Project management is recognized as a professional discipline that contributes significant competitive advantages to any enterprise. In addition, project management is now being understood as something more than just a set of processes for controlling a project's cost and schedule.

Enterprises in the aerospace, construction and engineering sectors have routinely employed project management as part of their business operations for decades. However, most other industries have only in recent years become more aware of the effectiveness of project business management practices and processes and the extent of the body of knowledge pertaining to these practices.

Project management is renowned for its use in streamlining selected operational processes and keeping specific enterprise initiatives on track. This book provides executives and managers recommendations for employing project management enterprise-wide through the use of specific project oriented business management processes. The enterprise project management office (EPMO) is the vehicle to enables executives to successfully implement project business management practices. The EPMO provides executives with a management oversight capability that keeps all project teams, business units, departments, and divisions aligned with the enterprise's business objectives. The EPMO facilitates the integration of the project, program and portfolio management processes with the business management operational processes employed by other business unit organizations. Establishing an EPMO at the executive level is the only way to successfully achieve the benefits derived from instituting project management as a business function across the enterprise.

SECTION 1 – EXECUTIVE OVERVIEW

Once the executive management team adopts project business management practices as a way to do business, specific changes in some operational business processes and the addition of supportive business policies supporting the decision are necessary. Applying project business management processes to manage daily business operations requires the application of specific knowledge, skills, tools, and techniques that are often new and foreign concepts within an organization's current cultural environment.

Executives and business unit managers want the answers to key question before they agree to implement project business management on an enterprise-wide basis. These questions fall into several categories that we will answer in the following sections of the book:

Section 2 - Governance:

- How can I tell if my enterprise is already doing some project management?
- What is an enterprise project management office (EPMO)?
- What factors affect the structure of the EPMO and its positioning within the organization?
- What are the business benefits of creating an EPMO?
- How difficult is it to implement an EPMO?
- How can project management be seen as a business function?
- Why is project management seen as a competitive business weapon?
- What are the factors leading to enterprise-wide project management and EPMO success?
- Where do I position the EPMO within my enterprise?
- What actions do I take to establish our EPMO?

Section 3 - Standardization:

- How do I streamline some of the project related business operational processes?
- How do I successfully integrate project management processes with operations management processes?
- What does an enterprise-wide project methodology include?
- What kind of policies, plans, processes, and procedures are needed to support enterprise-wide project management?

Section 4 - Capability:

- How can I define the knowledge and skills required by portfolio, program, and project managers?
- How can I assess the organizations capabilities in managing portfolios, programs and projects?
- How can I establish a career path program that will help train and retain skilled portfolio, program and project managers?
- What are the elements of an effective education and training program that will develop program and project manager skills, knowledge, and practice capabilities?

Section 5 - Execution:

- How do I fold project management business oriented processes into the business management operational processes in planning business objectives?

SECTION 1 – EXECUTIVE OVERVIEW

- How do I oversee management of portfolios, programs, and projects from the executive office level?
- What roles do the EPMO and project business management play in strategic, tactical, and operational planning and management?
- What process are used to authorize, initiate, plan, execute, monitor and control, and close portfolios, programs and projects?

Section 6 - Maturity:

How is enterprise-wide project management maturity measured, evaluated, and improved?

- How do I control enterprise operational cost levels (and profits if applicable) while implementing the EPMO?

What are the issues common to most organizations who implement a PMO or EPMO?

An analogy, which can also be drawn from the *enterprise-wide project management house of excellence* is that the management concepts presented in the governance, standardization, capability, and execution sections of the book and represented by the four major pillars are not stove-pipe in construct, because each concept relies upon the other three to carry their load for the enterprise, and they all rest on mature project business management practices. Therefore, they are conceptually and must in reality be interrelated and integrated because they are part of the same project business management support structure.

A cookie-cutter solution for implementing enterprise-wide project management does not exist, because each enterprise is different. However, there are processes, methodologies, techniques, and tools that can be customized and implemented by an EPMO. These are common to organizations who have successfully established enterprise-wide project management operations. We will present what has been shown to work, what needs to be implemented, and what actions need to be taken by executive management teams to become successful.

Although some readers may agree that the concept and principles of project management might be of benefit to their enterprise, it may be difficult for them to understand how it is relevant to their business operations. The information we will provide in the following pages will help them understand how it can be made relevant by being successfully integrated long-term into their current day-to-day business operations and existing organizational functions.

1.2 Your Business and Project, Program, & Portfolio Management

To understand how businesses can benefit from enterprise-wide project management, let's analyze if an enterprise has projects and if those projects are managed as either programs or portfolios. A number of the following executive or senior manager positions are typical in most enterprises and are responsible for the operation of the enterprise:

- Board of Directors Member
- Chief Executive Officer (CEO)
- President
- Chief Operating Officer (COO)
- Chief Financial Officer (CFO)

SECTION 1 – EXECUTIVE OVERVIEW

- Chief Information Officer (CIO)
- Chief Technical Officer (CTO)
- Chief Engineer
- Vice President
- Business Unit Head
- Division Head
- Department Head
- Portfolio Manager

Does your enterprise do more than just simple manufacturing production?

If the answer is yes, then the executive management team is also responsible for the business of managing projects, whether they recognize it or not.

Managing and operating a business involves initiatives to develop new products, transform current products or business operations, implement business reorganization, and perform continuous improvement on products or processes, all of which maintain the growth and health of the enterprise. If the enterprise has these types of initiatives, then projects are part of the business operations. A project as defined by the Project Management Institute (PMI®) as:

A temporary endeavor undertaken to create a unique product, service, or result.

A project is usually performed with limited resources, including time and funds. From the perspective of the management team, a project is either all of, or a specific component of, a business objective. If projects are occurring, then by implication some form of project management is being performed. PMI® defines project management as:

The application of knowledge, skills, tools, and techniques to planned project activities to meet the project requirements to produce desired results that will meet the project's business objective.

Project management is an approach in which a single individual has the authority and responsibility for overseeing of the planning, organizing, directing, and controlling of all the activities. The actual act of managing a project usually involves balancing the competing demands for scope, time, budget, quality, and special requirements. The relationships among these factors mean that if any one of the factors changes, at least one other must also change.

Does your enterprise have two or more related projects underway simultaneously?

If the answer is yes, then enterprise operations are also dealing with programs. A program is defined by PMI® as:

A group of related projects (defined and selected business objectives) managed in a coordinated way to obtain benefits and control not available from managing them individually. Programs may include elements of related work outside of the scope of the discrete projects in the program.

If there are programs, then by implication some form of program management is being performed, which is defined by PMI® as:

The centralized coordinated management of a program to achieve the program's strategic objectives and benefits.

SECTION 1 – EXECUTIVE OVERVIEW

Does your enterprise have one or more projects or programs underway at any one time?

If the answer is yes, then business operations are also dealing with portfolios. In an enterprise, a portfolio is a group of projects selected on the basis of business criteria as strategic business alignment, organizational impact, and cost/benefit results. A portfolio is defined by PMI® as:

A portfolio is a collection of projects or projects and other work that are grouped together to facilitate effective management of that work to meet strategic business objectives. The projects or programs of the portfolio may not necessarily be interdependent or directly related.

If you have one or more portfolios, then by implication you are performing some form of portfolio management, which is defined by PMI® as:

Portfolio management is the centralized management of one or more portfolios which includes identifying, prioritizing, authorizing, and managing, and controlling, projects, programs, and other related work to achieve specific strategic business objectives.

Portfolio, program and project management can be viewed as subsets of enterprise-wide project business management, which is both an ongoing business function and management process. Project business management involves coordinated management of multiple projects, programs, and portfolio to optimize the enterprise's return on investment or minimize the funds needed to achieve a broader set of defined strategic objectives or results than could be attained by managing each project separately. It involves the use of common ongoing business functions such as cost accounting and contracting.

1 .3 The EPMO as a Competitive Weapon and Its Benefits

Competing globally, increasing market share, reducing costs, and improving profits in the pursuit of producing better products and services faster through the use of high technology solutions are just a few of the reasons why most organizations seek better ways to improve time to market, cost to market, and quality to market. The effective use of project management techniques is becoming more widely recognized as an effective approach for improving these areas. Some enterprises even view project management as a key weapon in their arsenal to increase customer satisfaction and outdistance the competition.

To effectively employ project business management, the organization as a whole must recognize and adopt new attitudes that embrace project business management best practices. This enables them to bring the full power of this new competitive weapon to bear in the battle of continued business growth and, in many cases, ensuring the enterprise's ultimate survival in today's highly competitive global market.

Establishing executive ownership and responsibility for project business management within the organization is equated with authority in organizational structures; the closer something is to the top, the higher its level of authority, acceptance, adoption, and autonomy is perceived to be by the organization.

Positioning the project business management function at the top in a hierarchical organization structure establishes its autonomy and thus "ownership" of the responsibility for setting up, distributing, supporting, and managing the application of project business

SECTION 1 – EXECUTIVE OVERVIEW

management best practices within the company. Enterprise-wide adoption of project business management best practices calls for single ownership of the function. Establishing common practices across an organization at all levels is very difficult, if not impossible, without a clearly established sole ownership. We do believe, however, that establishing an enterprise project management office is the right thing to do, because the global competition in the marketplace will continue to increase. Therefore, project management as a business function is one of the best answers on how to survive global competition.

“Enterprise project management is an idea whose time has come. Applying project management on a broader basis within the organization adds speed and productivity to ongoing processes,” states Paul C. Dinsmore, an international author and speaker on the subject of enterprise project management.

There are three very common questions asked about an Enterprise Project Management Office (EPMO):

What is an Enterprise Project Management Office (EPMO)?

An EPMO is a centralized business function that provides project management business practices, processes, and support services. This functional group is staffed with experts skilled in providing those services, and:

- Reports to an executive management level position independent of other functional groups.
- Provides support directly to portfolio, program and project managers and their staffs or provides the managers from within the EPMO staff.
- Is responsible for developing, implementing, and monitoring the consistent application of a project business management methodology across the organization.
- Integrates the application of portfolio, program and project management business practices with the operational business practices throughout the enterprise by coaching, mentoring and training.

What factors affect the structuring of the EPMO and its positioning in the organization?

The size of the organization, type of business, number of physical business locations, quantity and complexity of projects, programs, and portfolios and functional positioning within the organization are all factors that affect how the EPMO is configured and the degree of political autonomy it has within the enterprise. Very few enterprises are organized and operated in the same fashion, unless they have the same ownership. Even then, the management styles of executives can affect how each individual organization is operated. There is no generally recognized standard model used to structure or position an EPMO within in an organization; however, we believe the EPMO should be located at the executive level of the enterprise and be operated as an independent functional organization.

Why should an EPMO be created?

We believe there are three primary objectives in implementing an EPMO that are also the reasons for creating an EPMO:

SECTION 1 – EXECUTIVE OVERVIEW

- *Institutionalization of Project Management Principles and Practices:* The EPMO becomes the functional owner of project business management development, implementation, and monitoring. It also directs continuous improvement of the PBM policies, processes, and procedures across the organization.
- *Provides a Global View of the Enterprise’s Initiatives and Projects:* An EPMO provides an environment in which all planned project-related enterprise initiatives can easily be summarized and rolled up across the enterprise to provide a single global view. Having available, to all management, a global view of the status of planned initiatives and portfolios, programs, and projects in-progress is critical to the strategic and tactical planning processes.
- *Optimization of Resources:* Having a global view that also provides an in-depth familiarity with all projects and programs is necessary before efficient enterprise-wide resource leveling and optimization can occur. An EPMO has this capability, because it is the focal point which gathers, analyzes, monitors, and reports the current status on all projects, programs, and portfolios on a regular basis.

In addition to meeting these three objectives an EPMO can also provide a multitude of benefits for the entire organization. These benefits include:

- Improved product or service delivery time (time-to-market).
- Incorporation of a systematic project-based product development approach.
- Providing a results versus task focus to project-based initiatives.
- Reinforcement of continuous improvement through consistent repeatable processes.
- Facilitative proactive project business management.
- Improved communications throughout the enterprise.
- Clearly identified and minimized or mitigated risks.
- Simplified resource planning across multiple projects and programs.
- Managers enabled to anticipate problems rather than reacting to them.
- Enhanced “what-if” analysis and corrective action planning.
- Defined resource and timing requirements on an enterprise-wide basis to support strategic business plan initiatives.
- Improved project business management skills throughout the organization.

It is difficult to quantify many of these benefits associated with the implementation of project business management principles and processes, especially in the short term. Metrics can be developed to measure improvements once the processes have been established, but initially it will be difficult to categorically predict the specific value or worth of improvements that will be gained by incorporating the EPMO structure into the organization.

SECTION 1 – EXECUTIVE OVERVIEW

1.4 Project Management as a Business Function

For any organizational function to be established, sustained, retained, and operated effectively within an enterprise it must have a defined purpose and have visible support from the senior executive management team. This includes business functions as common as finance, accounting, or marketing; the more esoteric functions such as quality assurance or safety; and the operations support function of information technologies.

Why then do enterprises establish and maintain these functions?

The need for accounting and finance, usually managed by a chief financial officer (CFO), is governed first by laws and regulations. It also fulfills the basic need to know if the enterprise is operating within its funding and to manage the enterprise's ability to acquire or reduce the cost of operating funds. In contrast, marketing, usually managed at a vice-presidential level, is driven by the need to inform outsiders of the value and utility of an enterprise's products or services. Accounting, finance and marketing have long been recognized as business functions, with marketing sometimes being reduced in staff but not eliminated during periods of declining business fortunes.

What quality assurance and safety have in common is that they have been defined as administrative type overhead functions and created within the last fifty years to sustain good product quality or eliminate worker injury.

Quality assurance (QA) is now recognized as benefiting the enterprises' production operations by reducing waste and increasing or maintaining customer satisfaction. Therefore, quality assurance is now seen by most enterprises as a necessary function. During periods of declining business, QA may be reduced in staff, but it is not fully eliminated. If an enterprise does work with the U.S. Federal Government under the Federal Acquisition Regulations, then that business must issue a quality assurance policy statement signed by the chief executive officer (CEO). That policy establishes a quality assurance function and the ability to report quality issues all the way up through the senior executive level regardless of the organizational level where the quality assurance function is positioned within the enterprise or where a person reporting quality issues resides within the enterprise. Because of the close ties quality assurance has to operations, it is usually set up as an organizational business function within the production operations of the enterprise.

Safety in economically developed countries is seen as beneficial to the enterprise because it reduces worker injury, time-off the job, and related worker compensation costs. Within the U.S. the Occupational Health & Safety Administration (OSHA), as well as many state governments, has promulgated regulations covering safety and health for various industries, which make the enterprise economically and sometimes criminally liable for a worker's injury or death. Therefore, enterprises establish safety policies and see safety as a necessary business function. Depending upon the industry, the Safety Officer and the organizational safety function may be located within a high level administrative function or may report to an operational level person, such as the chief operating officer (COO).

In the last thirty years, information technologies (IT) has grown from a support function within accounting to a business support service function for the total enterprise. It is now usually managed by a chief information officer (CIO). As IT moved from mainframe computer support to the accounting function to being integrated into every administrative and operational aspect of

SECTION 1 – EXECUTIVE OVERVIEW

the business, the organizational role of IT moved from a support service within accounting to an executive level function independent of other organizational function.

The characteristic these functions share with project management is that they are primarily indirect administrative functions that add to the overall cost of the enterprise's products or services. However, each of these functions also provides a competitive advantage in controlling the cost of or adding value to each product or service and they are therefore demonstrably beneficial to the enterprise. All of these business support functions also share the common need for executive support, sponsorship, and enterprise-wide policies and procedures. The executives managing these business unit functions that coordinate or support operations within the organization also provide input to the enterprise's strategic planning process.

Why are those supporting services routinely recognized as business functions and what needs to happen to have project management be equally accepted as a business function?

These support services have been incorporated into the operations of most enterprises as the responsibility of an executive, who is expected to manage these services to enable the enterprise to maintain control of the enterprise's operations, to gain economic and operational advantage over the competition, and remain competitive in the marketplace.

To provide some historical perspective, note that accounting has been used since the time of the Phoenician traders and project management on single projects began at least with the construction of the great pyramids of Egypt and continued in certain industries through mass production era that followed World War II. Now, however, project management is needed as a core business management discipline within the enterprise. It became a business requirement when enterprises began routinely creating initiatives to develop new products, transform products, modify business operations, acquire other enterprises, implement reorganizations, or perform continuous product or process improvements. By definition and practice, project management (as further discussed in Chapter 4) is an identifiable specific management discipline within the broad category of general management, as are quality, safety, IT, accounting and marketing.

In addition to the growing use of project management by public, private, and governmental enterprises, various professional societies have produced standards for project management, program project management and portfolio project management. Some of these have become nationally recognized standards. Specific examples produced by the Project Management Institute (PMI®), with its global operations center in Newtown Square, PA, USA, include the third edition in 2004 of *A Guide to the Project Management Body of Knowledge (PMBOK® Guide)* issued as American National Standards Institute (ANSI) standard ANSI/PMI99-001-2004 and *A Standard for Program Management* and *A Standard for Portfolio Management*, both of which were issued in May 2006. Many governmental and non-governmental entities now require an enterprise to show compliance with these standards and associated accreditations when being considered for contracts. As has been done with accounting, quality assurance, and safety all organizations should now establish project management as a business function on an enterprise-wide basis.

Effectively instituting project business management as a needed core competency across the organization requires executive management sponsorship, its long-term commitment, creation of an EPMO at the executive level of the enterprise, and maturation of project business management practices.

SECTION 1 – EXECUTIVE OVERVIEW

1.5 Impact of Project Business Management Maturity

The literature dealing with project management maturity indicates that successful enterprises are becoming increasingly dependent upon the use of projects. This supports the argument that project management should be a “core capability” requirement. To achieve this, however, project success cannot be an occasional outcome. Performance that is only good, on average, is not sufficient. Repeatable successful performance on projects, programs, and portfolios needs to be the norm, with continuous improvements of project business management processes being sought and implemented.

The literature published in recent years within the project management has reported anecdotal experiences regarding the value of project management as a means to control and affect the maturity of an enterprise’s performance and costs. However, most of this information has been qualitative, with a minimal amount of quantitative data.

In the mid 1990s, the Project Management Institute (PMI®) began supporting research on the value of project management. In the first phase of this research, one study evaluated the qualitative values of project management; the results were reported in *The Benefits of Project Management: Financial and Organizational Rewards to Corporations*, by C.W. IBBS, Ph. D. and Young-Hoon Kwak of the University of California, Berkeley and published by PMI® in 1997. The second phase of this Berkeley research looked at the quantitative values of the return on investment in project management processes versus the maturity of the project management processes capabilities on information technology projects; the results were reported in *Quantifying the Value of Project Management*, by C.W. IBBS, Ph. D. and Justin Reginato of the University of California, Berkeley and published by PMI® in 2002 (referred to herein as the “Berkeley Study”).

The quantitative Berkeley Study, along with data from other project management literature, indicates that the cost of project management ranges between 6% and 12% of the total cost of the project. The Berkeley Study corroborates qualitative analyses showing that the amount of project management costs and the associated results of the project management processes being employed depend upon the maturity level of the enterprise’s project business management capabilities.

The literature written for today’s business leaders also indicates that organizations with low project management maturity jeopardize their likelihood of delivering successful projects and can also incur increased project direct costs. In those enterprises, the cost of project management can range up to 20% of total project costs and can directly depend upon the maturity of the enterprise’s project management capabilities.

Project business management enables the timely communication of accurate, routine, consistent, and visible progress. This information allows executive management to take effective corrective actions when a program or project performance deviates from the approved work plans. However, project management, as with other management functions, can be performed at various levels of effectiveness. One aspect of applying the project business management processes is to work toward improving the usefulness and effectiveness of those processes as they are used in the selection, planning, execution, and control of projects, programs, and portfolios. To ensure that project business management is effectively used enterprise-wide, the EP MO should consistently and incrementally work on improving its capabilities and project business management operations.

SECTION 1 – EXECUTIVE OVERVIEW

Current literature suggests that best-in-class project management organizations with highly mature, well developed, and effective project business management competency, practices, and capabilities derive the following benefits:

- Routinely achieve on-budget and on-schedule performance with lower total project management cost. By contrast, less mature PM organizations may spend as much or more, but commonly experience project cost overruns.
- Increase the return on an enterprise's investment in project business management as the project business management processes become more mature and less costly.
- Perform better in delivering projects, programs and portfolios.
- Produce more predictable project technical, schedule and cost performance.
- Have lower direct costs in completing a project or program.

The more uniformly and consistently a mature project business management process is applied, the greater will be the results and benefits obtained. The benefits of effective mature project business management increase with the complexity, size, and number of projects, programs, and portfolios and the EPMO function commonly becomes very critical to the success of large capital projects, programs, or portfolios. The purpose of mature project business management processes is to create significant benefits at low cost through documented and implemented structured project business management methodologies.

1.6 Factors of Project Business Management and EPMO Success

The ability to successfully establish enterprise-wide project management using enterprise project management offices will be based upon many factors and related actions. The following are some of the typical management support actions that can make your efforts succeed:

- Have executive management view project management as a business function.
- Have senior management provide visible support for the project business management effort.
- Ensure the executive Sponsor is not removed through re-organization or downsizing until implementation is complete.
- Require middle managers to use the EPMO and not just resist implementing enterprise-wide project management to protect their "turf."
- Assure functional organizations provide project resources (staff and equipment) as planned.
- Provide funding as planned.
- Recognize project management as an independent business function with the authority required to distribute and control the enterprise-wide project business management best practices.

The following are some of the typical organizational actions that can make your efforts succeed:

- Identify those project management processes that will be employed by the enterprise.
- Have a strong knowledge of project business management practices within the EPMO and generally a good knowledge within the directly related functional organizations.

SECTION 1 – EXECUTIVE OVERVIEW

The following are some of the typical organizational development actions that can make your efforts succeed:

- Establish a corporate goal to institutionalize project management as a core competency.
- Identify and define a project management function that supports the multiple other functions within the organization, which we call the Enterprise Project Management Office (EPMO).
- Establish the application of project management through a formally issued policy statement.
- Prepare and issue a Charter that establishes the position of the EPMO at the executive level and defines the roles and responsibilities of the EPMO.
- Prepare and issue enterprise-wide project business management procedures

To help assure success, it is necessary to determine the current conditions within your enterprise before implementing your enterprise-wide project management business function. This type of analysis is required on any initiative (project) that involves introducing a change that will impact people across your organization, particularly if it affects the way they do their work (see the maturity evaluation methodology in Section 6).

CHAPTER 2

The EPMO as a Business Organization

2.1 The Business Case for the EPMO

Harvey Levine in his September 1996 article, “Teamocracy and Project Management: A Conundrum (A Case for the Project Office)” captured the essence behind the argument for the creation of an EPMO.

Where do we get off expecting that all engineers, or programmers, or marketing specialists will possess skills in project management, or in operating a project management software program? Would we likewise put accounting software on each employee’s desk, ask them to perform accounting for their area, and then eliminate the corporate accounting function? We don’t ask engineers to do marketing. We don’t ask programmers to pour cement. Why do we ask them to fill a role for which they are not trained (and which probably isn’t in their job description)? This is truly absurd. And it will produce regrettable consequences.” He further states “...the role of the project office to successful project management is more important than ever.

Creation of project management offices (PMO) has become a hot topic in the marketplace, as evidenced by the numerous articles published in the PMI® publication *PM Network* since 1997, and by the number of project management professionals who have attended PMO seminars sponsored by PMI® over the past years. Many industry and government organizations have also created or are in the process of developing their own project management office, each different in its structure and position.

SECTION 1 – EXECUTIVE OVERVIEW

Today's global market enterprises, regardless of industry or size, are looking to improve their systems and processes to become more competitive. One approach is to establish project management as a core competency throughout the organization. By setting up standardized project business management policies, plans, processes, and procedures within the enterprise, they plan to learn from past mistakes, make processes more efficient, and develop people's skills and talent to work more effectively. The list of organizations attempting to integrate project management disciplines and best practices into the way they manage their businesses is expanding daily; however, those who have succeeded in doing so is significantly smaller.

Typically, the individual who owns project management for the enterprise leads a group responsible for implementing the project business management processes and systems. The name of the group is not nearly as important as its position within the enterprise. Therefore, to indicate the level needed for this function, we call this group the Enterprise Project Management Office (EPMO).

The number of companies who are creating an EPMO grows daily. The numerous articles written about EPMOs and the number of companies sending representatives to seminars and classes to learn about EPMOs attest to the expanding popularity of this business concept. The one caution we offer is that establishing an EPMO is not a trivial pursuit. It requires real dedication and commitment to see the process through to the end. The current reported failure rate of PMOs is greater than two thirds. Although the reasons for these failures are somewhat different for each organization, the shutdowns or failures share a number of common elements discussed below. In the 1960s, the concept of the project management office was developed and practiced successfully in aviation and aerospace companies. The PMO has become more visible today because they are being developed in many more industries and with that visibility more failures are being seen in all industries. With that visibility comes an increase in failures. Some of those failures are attributed to the lack of PMO knowledge and experience of its initiators or a failure to apply best practices or a lack of sponsor support.

For an EPMO to be successful, it must first be regarded and treated as a key business functional organization throughout the enterprise. Therefore, executives must establish and implement an enterprise strategic objective to institutionalize project business management practices using an EPMO. It is critical that workers at all levels, including line managers, recognize the executive support of the EPMO as a business organization.

The ability of an EPMO to be successful is often directly related to the proper positioning of the EPMO within the organizational structure. By positioning, we mean that the individual manager who owns the responsibility for implementing project business management best practices is a member of the highest level of management. Without support from the executive level, the effort to inculcate project business management within the enterprise will not get off the ground.

The EPMO can only succeed if it has the requisite authority and autonomy required to get the job done. Therefore, positioning is a critical aspect of establishing project business management as an enterprise-wide core competency.

2.2 Typical Project Management Office Structure

The functional organization used to provide and implement project management is referred to by many different names, such as Project Office (PO), Project Management Center of Excellence (PMCoE) or Corporate Project Management Office (CPMO), but is most often identified simply

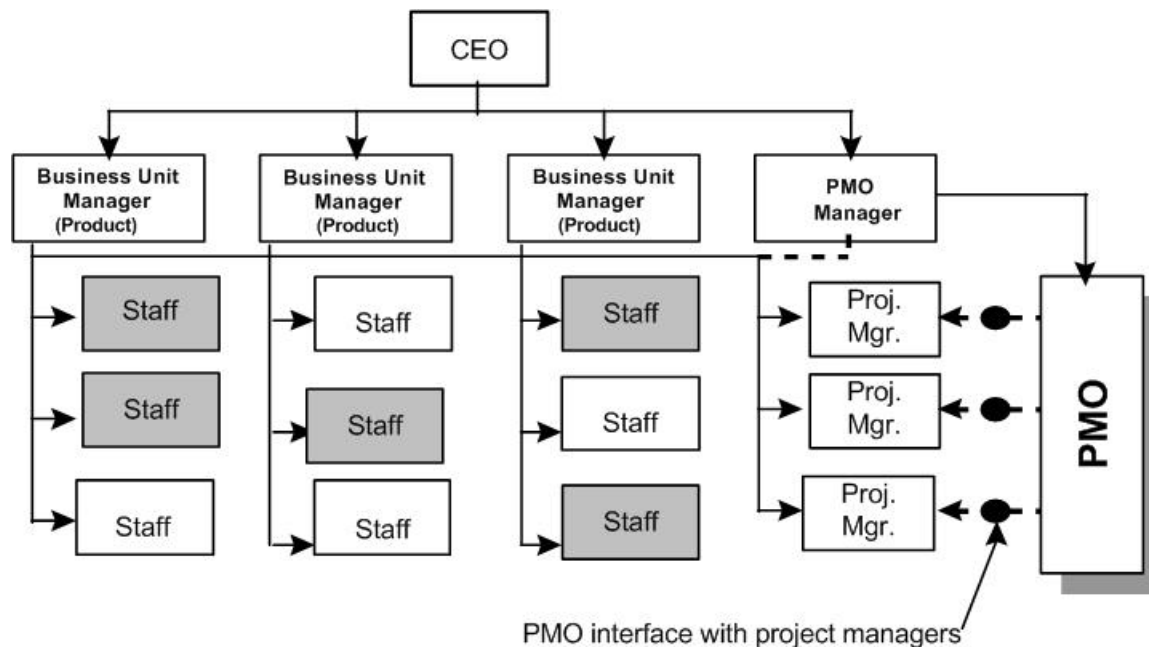
SECTION 1 – EXECUTIVE OVERVIEW

as a Project Management Office (PMO). Figure 2-1 illustrates how a project management office may fit into an enterprise's typical organization structure.

This high level positioning of the project management office in a hierarchical organizational structure establishes its autonomy.

The project management office is operated using two primary tools: (1) a Project Business Management Methodology (PBMM), which is documented by a series of project business management policies, plans and procedures that are contained within a Project Business Management Manual. These policies, plans, and procedures implement the project business management processes selected for use by the enterprise and are standardized across the enterprise's business units, and 2) a related Project Business Management System (PBMS), with a supporting project business management information system.

Figure: 2-1. Typical PMO structure. Shaded boxes represent functional staff engaged as project team members. In this scenario, the project managers report directly to a business unit manager and indirectly (see dotted line) to the PMO manager, who controls the processes and methods used to manage projects.



2.3 Structuring the EPMO

The position of an EPMO within a hierarchical organization establishes its degree of authority, acceptance, adoption, and autonomy – and, thus, its “ownership” of the responsibility for establishing, distributing, and supporting project management best practices within the enterprise. Figure 2-2 shows an example of such a structure and illustrates how the EPMO might be implemented in a large organization with multiple divisions, business units, or regional operations. The number of layers and project management units within each layer depends on the size of the unit, the number of annual projects in a portfolio, and the complexity of the projects within the various levels of the organization. For small to mid-sized organizations, the number

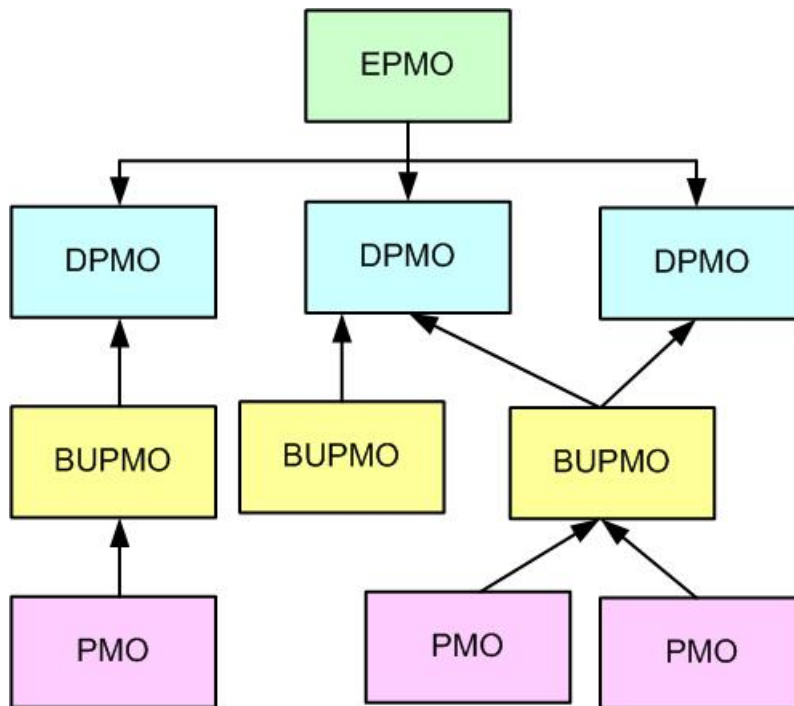
SECTION 1 – EXECUTIVE OVERVIEW

of layers and functional units may be adjusted to fit the amount of control required by the project activity at each level.

Assigning a name to an organizational function gives it significance and differentiates it from other functions within the organization. The six most common names or titles typically given to the project management function include:

- Enterprise Project Management Office (EPMO)
- Project Management Office (PMO)
- Program Management Office (PMO)
- Portfolio Management Office (PMO)
- Project Support Office (PSO)
- Project Office (PO)

Figure: 2-2. EPMO Functional Organization Reporting Overview. EPMO= executive level; DPMO = divisional level, BUPMO = business unit level and PMO = mission critical project level.



These titles are often used interchangeably, and it is usually a matter of personal preference and the purpose of the PMO, rather than application of any particular standard, that determines which is selected. For definitions of these titles and business focus, see Table 2-1.

Two key issues affect the assigning of titles. The first is defining where the function will reside within the organizational structure (the direct line of report), and the second is what purpose it will serve in that position. Titles often add significance to the roles, responsibility, accountability and requisite authority (RRAA) of the position. Table 2-2 provides brief RRAA descriptions for each of the roles listed in Table 2-1.

SECTION 1 – EXECUTIVE OVERVIEW

The need to accommodate different management styles, work environments, and product life cycle issues means there is no one-size-fits-all project management organizational structure and that no generally recognized standard model defines how an EP MO should be structured or positioned in an organization.

Table 2-1. Project Management Functional Organizational Titles

Title (Focus)	Definition of Responsibility
EP MO (Strategic)	The Enterprise PMO is accountable for enterprise-wide distribution of project business management best practices. Provides leadership with the primary focus of strategic planning, and the establishment of enterprise policies governing the effective use of a project business management methodology, practices, tools, templates, education, training, and project management competency.
DPMO (Tactical)	The Division PMO is responsible for tactical master planning within major divisions or regions, etc., overseeing the effective application of the project business management standards established by the EP MO within their respective sphere of responsibility or having the responsibility to manage a portfolio.
BUPMO (Operational)	The Business Unit PMO is responsible for the operational master planning, which oversees the effective application of the project business management standards established by the EP MO in direct support of all projects within a functional department or having the responsibility to manage a program.
PMO (Operational)	The PMO is responsible for the direct support of a single, mission-critical or major project, which is typically large and complex, and whose success affects multiple areas of the enterprise.

The main concern in developing an organizational structure is establishing the functional ownership and leadership of the project management discipline at the highest level within the enterprise. Further decomposition of the project management structure depends on the amount of support and control required at each level.

As we mentioned earlier, titles can also make a difference. Different titles eliminate confusion when communicating the distinctions among the various project management “offices” within the organization structure. It is important to note, however, that positioning of the project management function in the organization’s management structure has far more importance and has a greater impact on institutionalizing project management best practices than the title assigned.

Table 2-2. Project Management Functional Organization RRAA Matrix

Roles	Responsibility	Accountability	Requisite Authority
EP MO	Strategic master planning. Maintain enterprise purpose, vision, mission, and strategic	Reports directly to the CEO/President (highest level corporate officer).	Review and approve master project portfolio and budget plans. Oversee portfolios and programs.

SECTION 1 – EXECUTIVE OVERVIEW

	business plan.		
DPMO One for each division, region, or portfolio	Tactical master project portfolio management, and general resource management.	Division, region, or portfolio – reports directly to EPMO.	Establish project portfolio operational and budget plans and authorize adjustments. Manage portfolios and oversee programs.
BUPMO	Operations master planning and project program management.	Functional business unit or program –reports directly to DPMO.	Develop project program operational and budget plans and authorize adjustments. Manage programs and oversee projects.
PMO One for each major mission critical project	Project initiation, planning, execution, monitoring, control, and closing.	Specific project – reports directly to BUPMO.	Develop project operational and budget plans and authorize adjustments. Manage, control, and report project progress.

CHAPTER 3

Enterprise- Wide Project Management as a Business Concept

3.1 EWPM End-State Vision and Concept

The enterprise-wide project management (EWPM) concept can not be in and of itself successful. It is only the application of the concept, institutionalization of the practices and principles, and execution of the related process that can be successful. The phrase *enterprise-wide* implies project management will be instituted throughout the enterprise. Whereas also saying it's a business function means that an organizational function such as the EPMO will manage the related project business management processes. Enterprise-wide project management is a project business management concept that encompasses the integrated application of:

- Multiple functional organizational structures;
- Portfolio project-related management practices and processes;
- Program project-related management practices and processes;
- Project management practices and processes; and
- Business operations management practices and processes.

SECTION 1 – EXECUTIVE OVERVIEW

Business operations, or just operations, can be defined as the day-to-day on-going business processes and activities within an enterprise, with the operational functional organizations being the business units that manage and perform the business operations.

The authors have defined the term Enterprise-wide Project Management as “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 to support management of the enterprise’s portfolios, programs, and projects.”

Current research in the project management field shows that best-in-class organizations typically have highly effective project management cultures having advanced project management maturity. The business operations of world-class successful companies are embracing and implementing mature project business management processes. These enterprises are successfully applying project management and control as core management disciplines. These enterprises are not only obtaining beneficial results from their project business management processes but also are achieving a significantly positive return on their investment in project business management.

All but the smallest business enterprises are involved in some form of project management. Enterprises with more complex operations are also involved in some form of program or portfolio project management. Establishing project management enterprise-wide is the key to achieving all the enterprise business objectives and obtaining the benefits that are to be expected from accomplishing those projects, programs, and portfolios.

To be successful, project management must first be viewed and treated as a key business function throughout the organization. It is critical that all levels of workers in the organization, including line managers, see that the executive level supports project management as a business function, publicly, completely, and without hesitation. Executive managers must establish a business strategy and objective to institutionalize project business management practices as core competencies as the first critical step toward successfully achieving that objective.

Since every enterprise is unique, there are no cookie-cutter solutions to implementing enterprise-wide project management. However, by using an Enterprise Project Management Office (EPMO) the portfolio, program and project management processes, methodologies, techniques, and tools, provided in Sections 2 through 6 of this book can be customized and implemented. Such customization is common with successful enterprise-wide project management operations.

Enterprise-wide adoption of project management best practices calls for single ownership of the EPMO function, locating the EPMO at the executive level of the enterprise’s organizational structure, and operating it as an independent functional organization. Unfortunately, establishing a project office has most often been done at a business unit level rather than at the enterprise’s executive level. Positioning the project office at the highest level in the enterprise is especially important when the long-term objective is to instill project management best practices in all areas of the enterprise as a core competency.

Project management as an independent business function and the ownership of project management by the EPMO must be recognized at the every level of the organization to establish the level of authority that is required to provide, monitor, and control the distribution of enterprise-wide project management best practices.

Rapidly implementing project management enterprise-wide or establishing an EPMO as a project management center of excellence should not be viewed as quick-fix solutions to current problems with planning, managing and executing projects. The implementation process will

SECTION 1 – EXECUTIVE OVERVIEW

require a longer-term foundation-building effort to attain the objective and maturity required to infuse project business management practices as the new way business will be managed.

The end-state vision for enterprise-wide project management is establishing the EPMO as a business functional organization overseeing mature project business management processes. The EPMO helps the enterprise to use mature project business management processes leading to the successful planning and completion of programs and projects on schedule and within budget. The end-state vision includes providing a high return on the enterprise's investment in project business management, assures that the areas of planned cost avoidance are attained, and supports generation of cost reduction for ongoing project work. The timely implementation of enterprise-wide project management can provide a business and economic benefit to the enterprise by reducing project management costs, and improving project management effectiveness, while obtaining the business benefits of lower-cost project delivery. This vision requires integration of modern project business management practices throughout all operational areas of the enterprise.

3.2 Project Business Management: Integrating Project, Business,

and Operations Management

Enterprise-wide project management combines the:

- Use of an enterprise project management office; and
- Application of project business management practices and processes.

What is modern project business management (PBM)?

The term *project business management* can be interpreted many different ways. If 10 executives and senior managers from 10 different enterprises are asked what PBM means there will typically be as many different answers. Therefore to eliminate this confusion we provided a definition of project business management in the book's Forward. In addition, the discipline of project business management can be best described in terms of the blended component management practices and integrated processes listed in subchapter 3.1 above.

The principles and concepts of portfolio management, program management, and project management are complex and the management process involved is many fold. Taken all together and blended with the principles, concepts, and varied processes of general business management and business operations management leads to the concept of project business management. Project business management is the application of those practices and processes on an enterprise-wide basis.

The general operational and business processes for an enterprise are well described in many business books, and the generally accepted project management processes are well documented in standards such as the Project Management Institute's (PMI®) standards: *A Guide to the Project Management Body of Knowledge (PMBOK® Guide – 3rd ed)*; *A Standard for Program Management*; and *A Standard for Portfolio Management*.

General management includes all the common management disciplines, such as accounting, marketing, human resources, operations, production, legal, and personnel supervision. The practice of project management is also an identifiable specific discipline within the broad category of general management. To practice each of these disciplines requires that you know

SECTION 1 – EXECUTIVE OVERVIEW

general business practices and also have the specific knowledge and skill associated with a specific business discipline. Project business management requires an understanding of the general project management body of knowledge and how to apply the various project, program, and portfolio processes defined in the project management standards.

Project business management blends the terminology from the vocabularies of both general business management and project management. It integrates the related business and project processes, which allows the project business management processes to be easily understood by business executives, functional managers, and project managers. The authors use the term project business management to eliminate any confusion and suppress the reader's assumptions as to just what the term *project management* could mean in a business context.

3.3 Project Business Management: Six Key Factors

Six critical factors influence the successful application and implementation of project business management. Less than complete support for any of these will create or foster adverse conditions and attitudes that will affect the degree of success in achieving a total integration of project business management (PBM) into an organization's corporate culture. Those factors are:

1. *Total commitment and support from top executive management down through the organization.* If corporate leaders are not totally convinced that integrating PBM into the enterprise's business management processes is the right thing, then how can the staffs reporting to them, which are the people who will be most affected by the change, be convinced it is? Lukewarm support will not get the job done either. Nothing less than enthusiastic support will be needed to convince workers to accept the proposed changes. In many cases, even this level of support is met with skepticism. Acceptance by edict is one way to make sure everyone gets the message to cooperate. Issuing decrees and proclamations may not be the most democratic way, but it usually has the best short-term results. Possibly the most successful way to show commitment is using a combination of cheerleading and a clear message that 100 percent cooperation and participation is needed to make the transition work to everyone's benefit.

Why is it important to gain top executive management support?

PBM implementation can be identified as a key company initiative that supports strategic objectives.

- Financial and human resource commitments can be made by top management at the start.
- PBM can be presented for the value it can add to improving business processes.

How can this level of support be obtained?

- Clearly establish the need by identifying the current problems which can be solved by PBM.
- Find a PBM sponsor who can help sell and continually support the initiative.
- Sell the value of PBM from the top (CEO) down to the functional managers.
- Prepare an implementation plan with the requirements, a budget, and a schedule.

2. *The selection of an executive-level PBM Sponsor is critical.* The following points define why this is such an important step.

SECTION 1 – EXECUTIVE OVERVIEW

- A PBM sponsor is an executive-level manager who is usually not a direct stakeholder in the implementation of the initiative, but at the same time is a very strong proponent.
- The PBM sponsor is critical because he/she serves as the primary liaison between the person(s) who are responsible for the implementation of PBM and the other enterprise policy makers.
- The best PBM sponsor is someone who is well respected and has political clout in the organization. A sponsor can get things done when the normal channels of protocol become clogged or breakdown.
- The sponsor plays a key role in supporting the progress of a smooth PBM implementation process.

3. *Recognition that PBM requires the full-time dedication of experienced resources.* PBM is a professional discipline that employs specific knowledge, skills, tools, techniques, and principles required in the planning, organizing, implementing, managing, and controlling portfolios, programs, and projects of various sizes and complexities. Managing portfolios, programs, and projects and providing related supporting services is a full-time job requiring specialized capabilities and experience.

4. *Strict adherence to documented PBM processes and procedures.* Documented enterprise policies, which support project business management processes and procedures, are critical to the successful application of PBM practices throughout an organization. Adherence to a standardized set of PBM processes and procedures provides a consistent approach to managing all portfolios, programs, and projects across the organization and facilitates education and training of PBM skills.

5. *Development and conformity of use of standardized tools.* Designating specific standard project management tools (purchased or developed) will facilitate the creation of common reporting formats and also improve user skills. Uniformity of output allows easier comparisons between portfolios, programs, and projects and improves communications among project teams and management. Routine and targeted communication is a key for maintaining stakeholder confidence.

6. *Absolute commitment to ongoing project management skills development and training.* Project management education and training is a key element in the initial and on-going PBM integration process. Project management education and training will improve the general management skills of the organization as an added benefit. They can also be utilized as a means to select and advance staff members along a career path.

Fully integrating the principles of PBM throughout an organization takes time and a commitment to providing the means and methods to develop the skills and knowledge required to become proficient in their application. Failure to meet the six critical success factors outlined above directly encumbers the degree of acceptance and hinders the successful implementation of PBM practices within the organization. Conversely, if these resolutions are carefully met, a multitude of benefits will be realized by those enterprises willing to make such long-term commitments to ensure future growth and prosperity.

3.4 Institutionalizing Project Management Takes Commitment

SECTION 1 – EXECUTIVE OVERVIEW

Some senior managers and many mid-level managers have set about implementing project management practices and processes and creating a project management office for their business units, but they have met with varying degrees of success. The most successful are the managers of a business unit within an enterprise that is operated almost as a standalone business. Those project management processes and PMO implementations that were setup within lower level business units and those not setup as operational functions were completely eliminated during periods of lowered business activity. This occurred because the associated practices and processes were neither institutionalized nor matured to a point where they could be viewed as a low-cost, high-return operational business function.

The following two case studies of for-profit project based enterprises that have attempted to institutionalize project management as a core competency enterprise-wide. The first one failed; the second is in the process of succeeding.

Company A is a multi-national, tier-one automotive supplier that began the process by establishing a Project Management Center of Excellence (PMCoE) in the Information Technology (IT) department. Its objective was to institutionalize project management as a core competency globally within IT. The CIO/VP was the project sponsor and champion who provided the funding and management support to establish the PMCoE internationally across his organization. When the effort began, the management of projects was done on an adhoc basis, with no form of project process methodology. Within sixteen months, the PMCoE established a standard project management methodology and distributed it, along with basic training in project scope and schedule development, in its U.S. and European operations. The IT organization was just beginning to understand the value of project management best practices when the terrorist attack occurred on September 11, 2001 and the change in the state of the U.S. economy caused budget cuts and downsizing. As a result, the PMCoE was eliminated. The IT organization lost sight of the goal of institutionalizing project management and the desire to achieve the goal vanished. This example was repeated in many organizations during the economic downturn that occurred from 2000 through 2003. The CIO/VP's vision of establishing project management as a core competency was not shared by the overall executive corporate management and not enough time was allowed to quantitatively demonstrate the value that project management could add to the overall enterprise.

Company B is a multi-national tier-one supplier of aerospace electronic systems to the commercial and governmental aviation industries. Project management had been an integral function within the engineering department of the organization for the past ten years, and the roles and responsibilities of the participants were fairly well defined. The organization had been using a documented methodology for managing projects for 3 to 4 years. A formal project management office (PMO) had not yet been established, but many of the functions typically found in a PMO were being performed by a number of separate groups of individuals who report to the manager of project managers. All of the project managers also reported to a director of project management who had overall control in the engineering department of a division of the global organization. Management had taken steps to develop project management education and training programs for the organization's general population, project managers, team members and line managers. The director of project management had begun the process of institutionalizing project management best practices by making arrangements for all of the project managers to become PMP[®] certified by the Project Management Institute. He also provided membership to PMI[®] national, the local chapter and a Special Interest Group. The corporate officers established a committee that developed a common project management

SECTION 1 – EXECUTIVE OVERVIEW

methodology, which is to be used to manage all projects enterprise-wide. The next logical step is to establish an enterprise-wide project management office at the corporate and divisional levels of the global organization to enable the organization to fully embrace project management as a core competency enterprise-wide.

These case study examples and many others show that establishing and institutionalizing project management enterprise-wide should not be viewed as either a quick-fix solution or a trivial pursuit, but rather as a long-term foundation-building effort. They also show that establishing common project management practices across an organization and at all levels is very difficult, if not impossible, without a sole ownership of those project management business practices being clearly established. This requires that the EPMO must be recognized as an independent business function and its ownership set at the highest management level of the organization. The EPMO needs to have the authority to distribute, monitor, and control the project business management processes and procedures required to achieve enterprise-wide project management best practice capabilities.

Establishing project management in most organizations is very difficult to do, partly because functional managers are afraid of losing their authority and control over the resources that report to them and those workers are afraid of being held accountable for performing to a new set of requirements brought about by organizational changes. This fear, expressed as resistance, comes from lack of information and understanding about how the changes will affect their jobs. Positioning the project management function at the highest management level within the enterprise also provides the measure of autonomy necessary to extend its authority across the organization while substantiating the value and importance the function has in the eyes of executive management and the other functional organization.

CHAPTER 4

Integrating Projects with Business Strategies and Objectives

4.1 Methodology

One of the goals of employing enterprise-wide project management and establishing an EPMO is to become more effective and efficient at completing the strategic business objectives being set for the enterprise. Realizing this goal requires that the enterprise's projects be aligned with those business objectives.

Incorporating project management process into the enterprise's existing operational business process requires an analysis of how the organization currently develops its business strategies and accomplishes the related business objectives. The next step is to determine what needs to be modified to maintain a better business focus on attaining those objectives.

It is necessary to determine where the enterprise is with respect to effectively employing enterprise-wide project management, and create a clearly documented baseline against which improvements can be measured. Two key points of understanding that can be drawn from the baseline analysis related to strategic and tactical planning and project, program and portfolio planning and execution are 1) the enterprise has identifiable enterprise environmental factors that

SECTION 1 – EXECUTIVE OVERVIEW

are related to achieving its vision and accomplishing its purpose and 2) it has also developed organizational process assets that directly affect the ability to accomplish the business objectives and successfully perform the associated projects. This baseline needs to include:

- Purpose of the enterprise.
- Vision/Mission for the enterprise.
- Current functional organizational structure.
- Organizational process assets.
- Enterprise environmental factors.

This documented baseline is essential to:

- Identify where the operational business processes need to be modified.
- Streamline some of the project-related business operational processes.
- Fold project management business oriented project processes into the current business management operational processes.
- Oversee the management of portfolio, programs, and projects from the corporate office level.
- Have the capability to quantitatively demonstrating the added value of project management.
- Integrate project management with operations management.
- Institutionalize project management as a core competency.
- Control enterprise operational cost levels (and profits if applicable) while implementing the EPMO.
- Show the benefits gained from establishing an EPMO.
- Achieve the highest level of project management maturity.

The task of a senior manager is to analyze and understand how the management discipline of project management can interoperate with their other management disciplines and how it can support the business operations. In performing the analysis the following is required to:

- Identify the key operational aspects of your enterprise.
- Document which aspects are only business management processes.
- Document which aspects are only project management processes.
- Determine which aspects require folding project management business oriented project processes into the project-related business management operational processes.
- Determine where to integrate project management with operations management.

Many of the business management analysis techniques that support executives in maintaining control in a dynamic and changing environment are based on one premise: break the process or operation down into manageable pieces. The premise is founded on the concept of cascading analysis. The management technique takes the entire process or operation and dissects it into successively lower and lower levels of detail until management understanding and control is possible and, in most processes, until a level of detail is reached where the management actions and activities can be quantified. This analytical concept is used in many management areas including:

- Business management
- Management by Objectives (MBO)

SECTION 1 – EXECUTIVE OVERVIEW

- Cascaded/interlocked functional organizational missions
- Management by Planning (MBP)
- Administrative management
- Policy, plan, & procedure hierarchy development
- Project management
- Work breakdown structuring (WBS)
- Rolling wave planning

In applying this analytical technique, we will look at the common structural business management components of most enterprises. Define each component and determine how each component of the operation relates to one or more other operational component. The common operational management and project management business components of most enterprises determined through our research are given in Table 4-1. Each of these components has one or more operational business processes and/or project management business processes associated with establishing and executing that component.

Table: 4-1. Common Operational Management and Project Management Business Components

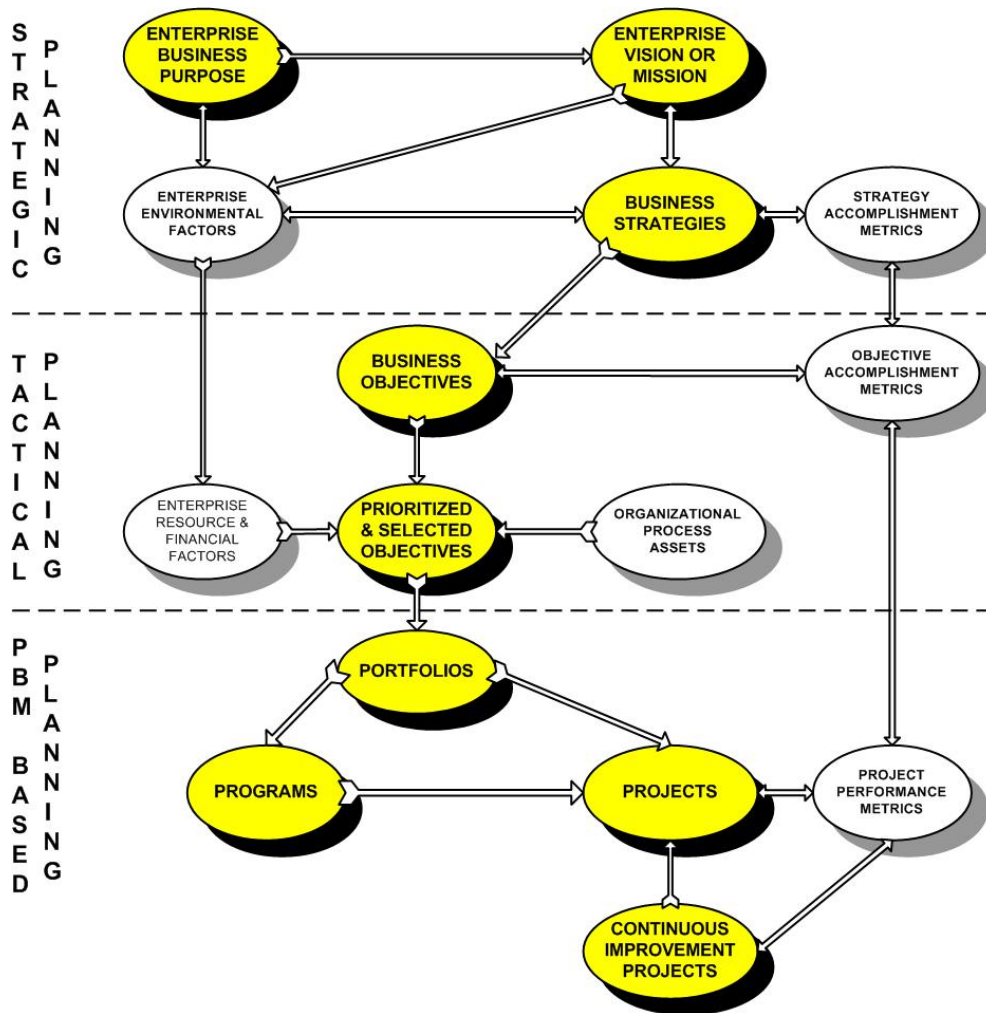
<i>Component</i>	<i>Description</i>
Enterprise Business Purpose	The business purpose for which the enterprise was created and is operated
Enterprise Environmental Factors	All of the external factors in the overall environment in which the enterprise will operate and all of the internal environmental factors that the enterprise either creates or adopts
Enterprise Vision / Mission	What the enterprise aspires to become or what larger goal the enterprise is expected to attain
Business Strategies	One or more plans, methods, series of actions, or schemes developed by the enterprise to attain the enterprise's vision/mission
Strategy Accomplishment Metrics	Those measurable metrics established by the enterprise to determine how well a specific business strategic benefit has been met
Business Objectives	Something toward which the management and resources of the enterprise are directed, such a product to be produced or a service to be performed, to accomplish a business strategy
Objective Accomplishment Metrics	Those measurable metrics established by the enterprise to determine how well a specific business objective has been met and the extent to which a specific strategic benefit was delivered
Organizational Process Assets	All of the assets related to any business, operational, or project process within the enterprise
Enterprise Resource & Financial Factors	All of the economic assets available to and controlled by the enterprise and all of the human resources, equipment, material, supplies, etc. controlled by the enterprise
Prioritized & Selected Objectives	Those business objectives prioritized and selected to be pursued based upon a set of parameters set by the senior management of the enterprise
Portfolios	The set of selected business objectives or components of objectives and related work that will be formed into programs and project for execution

SECTION 1 – EXECUTIVE OVERVIEW

Programs	Sets of related business objectives or related components of objectives and related work
Projects	Either all of, or a specific component of, a business objective within a portfolio or program that is required to be accomplished to attain that business objective
Continuous Improvement Projects	A series of projects supporting a business objective of improving a process, product, or service within the enterprise
Project Performance Metrics	Those measurable metrics established by the enterprise to determine how well a specific project has been met and is tied to determining if the business objective has been met
Business Operations	The enterprises ongoing processes utilizing the products, services, and results obtained from completed projects and programs

Figure 4-1 is a graphical analysis and display of the components identified in Table 4-1, and how they interrelate and can be viewed in a hierarchical manner.

Figure: 4-1. Hierarchy of Business Planning Components



SECTION 1 – EXECUTIVE OVERVIEW

4.2 Strategic Planning

Every enterprise is established for a purpose, whether it is a for-profit company created to mine minerals or a governmental agency created to provide social services. When an enterprise is created or changes, it comes under the influence of a set of *enterprise environmental factors* that affect and sometimes limit how it may operate. Business purpose related enterprise environmental factors include, but are not limited to:

- Governmental or industry standards, specifications, regulations, and laws.
- Local, regional, national, global and specific marketplace conditions.
- Stakeholder risk tolerances.
- Culture within the enterprise.
- Culture and social conditions where the enterprise operates (demographic, ethnic, economic, educational, ethical, religious, etc.).
- Commercial availability of information databases.
- Existing patents held by others.

Every enterprise has a definable vision/mission, whether or not it is formally documented. To attain or accomplish that vision/mission the enterprise will need to address additional environmental factors and will develop other enterprise environmental factors needed to operate its business, but some of these factors if not understood can limit the enterprises ability to operate. Vision/mission related enterprise environmental factors include, but are not limited to:

- Functional organizational structure.
- Physical infrastructure (facilities, etc.).
- Local ecology and geology around the enterprises physical facilities.
- Globally dispersed operations (time zones, holidays, traveling, etc.).
- Health and safety practices.
- Administrative systems assets (personnel management, procurement, warehousing, legal, etc.).
- Accounting systems assets.
- Work authorization system.
- Information systems and technology.
- Research and development methodologies.
- Manufacturing methodologies.
- Product distribution channels.

The business purpose of the enterprise leads to a vision/mission and the combination of that purpose and associated vision/mission and managements actions is addressing them determines what enterprise environmental factors affect how the business operates.

To attain the vision or accomplish the mission the senior management of the enterprise must develop and adopt one or more business strategies (plans, methods, series of actions, or schemes) and define the expected associated benefits and how accomplishment of those benefits will be measured. However, the ability to execute any strategy is constrained by the enterprise environmental factors that pertain to the organization.

SECTION 1 – EXECUTIVE OVERVIEW

4.3 Tactical Planning

Each business strategy is further defined by one or more specific business objectives that when accomplished will complete the associated strategies. To determine that a business objective has been achieved a set of metrics driven by an understanding of the requirements of the strategy and the desired benefits are established to determine how adequately that objective was met.

The set of business objectives are then prioritized using a set of prioritization criteria that are meaningful to accomplishing the various business strategies. From that prioritized list a set of business objectives are selected based upon a set of selection criteria that are directly influenced by the enterprise resources and financial factors and the enterprise's organizational process assets.

The enterprise resources and financial factors are a subset of the overall enterprise environmental factors and include, but are not limited to:

- Available funding (authorized funding for governmental enterprises).
- Ability to obtain additional financing for a company (level of indebtedness).
- Availability of existing skilled human resource in the required disciplines.
- Existence and operability of required information systems and technology.
- Availability of required equipment, materiel, facilities, etc..

The organizational process assets are those assets related to any business, operational, or project process within the enterprise. They include, but are not limited to:

- Relevant knowledge in the enterprise's databases and files.
- Issued relevant policy statements.
- Applicable plans for managing the work.
- Appropriate and applicable procedures.
- Adequate financial controls.
- Quality assurance and control capabilities.
- Ability to manage the associated risks.
- Defined and approved operational processes.
- Defined and approved project management processes.
- Defined and approved program management processes.
- Defined and approved portfolio management processes.

The combination of specific enterprise environmental factors and the necessary organizational process assets directly affects your ability to reach your business objectives and successfully perform the associated projects. The integration of the operational management processes and the related project management process used in prioritizing and selecting business objectives are covered in more detail in Section 5.

4.4 PBM Based Planning

The selected business objectives are assembled into portfolios and then converted into programs and projects that need to be executed. Some of the projects may directly support an existing operational aspect of the enterprise and are called continuous improvement projects. An example is *six sigma* projects that are established as part of the business objectives related to current

SECTION 1 – EXECUTIVE OVERVIEW

products or operational and production processes. Some portfolios may be divided into sub-portfolios, some programs may be divided into sub-programs, and some large projects may be divided into sub-projects to facilitate the enterprise's management and control of the planned work.

Senior management then formally authorizes the execution of each portfolio, program and project. Simultaneously, a combination of project and operations management establishes the performance metrics for each program and project and assures that those detailed metrics are a definitive subset of the accomplishment metrics established for the business strategy and related business objectives.

The final output, the deliverables, of the programs and projects are supplied to operations to integrate into the ongoing business operations.

4.5 Key Points for Project Business Management Planning Success

The following are the key points on which to concentrate during planning process and authorizing the portfolios, programs, and projects related to business objectives.

Strategic Planning

- The business strategies must align with the enterprise vision or mission.
- The business strategies must not be in conflict with the known enterprise environmental factors.
- The corporate culture and organizational structure need to be compatible with, or supportive of, any defined business strategy.
- The expected strategic benefits need to be explicitly defined.
- A business case document needs to be developed for each strategy.

Tactical Planning

- Each business objectives must directly relate to a business strategy.
- Objective accomplishment metrics must be designed to measure a set of parameters that are both necessary and sufficient to determine if the objective was attained.
- Prioritization and selection of business objectives must take into account the enterprise's currently available resources and financial assets.
- Objectives selected for accomplishment must be compatible with the currently available Organizational Process Assets

Portfolio, Program, and Project Planning

- Portfolio's content must fulfill business objectives.
- Program/project charters and project scope statements need to be used in the project authorization processes.
- Program, Project scope statements need to reflect the requirement of the related business objectives.

SECTION 1 – EXECUTIVE OVERVIEW

- Performance metrics set to measure project accomplishment must reflect both the defined project deliverables and be compatible with and be a further detailing of the objective accomplishment metrics and related strategic benefits.