

## **Enterprise Project Governance<sup>1</sup>** *How to Manage Projects Successfully Across the Organization*

### **Promoting Strategic Alignment**

**By Paul Dinsmore & Luiz Rocha**

Related-yet-unique worlds hold in balance the essence of business and organization success. The first world, one of strategy and direction, is populated by business strategists whose calling is to divine the future and develop a winning business strategy; the second, related to translating intentions into results is populated by project managers obsessed with getting things done. Each looks at the world through very different lenses. But in spite of these differences, both worlds must conspire to move companies towards their goals. The functions differ, yet they are highly complementary.

Since gaps exist between the responsibilities and the mindsets of the key players in these differing worlds, challenges in communications are commonplace. An effective strategy is not separate from an organization's endeavors. To the contrary, it surrounds, permeates and guides them. Therefore, major alignment is called for, aimed at dealing with the fuzzy area between strategic planning and project implementation where roles and responsibilities are unclear and communications and relationships are equally opaque.

Once leadership is in place, the next step is to establish direction and create an agenda. Then come people alignment and the development of a human network for achieving the agenda. To get the agenda executed people need to be inspired and motivated to produce change that results in the outcomes associated with strategy. This is achieved by:

- **Communicating the strategy throughout the organization**

Alignment of players in support of a common business strategy is a key factor to achieve success in all company settings. Alignment implies being lined up and heading in the same direction, so that the organization converges towards the business strategy. Thus management style and corporate culture come into play, expressly to align the hearts and minds of people behind the organization's strategic intent.

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<sup>1</sup> This series includes articles by Paul Dinsmore and Luiz Rocha, authors of the book *Enterprise Project Governance*, published by AMACOM in the USA in 2012. The articles are extracts and summaries of key topics from their book, providing information and guidance on one of the most important aspects of portfolio, program and project management today – governance. For information about the book, go to <http://www.amacombooks.org/book.cfm?isbn=9780814417461>.

- **Adopting portfolio selection and management of individual projects as well as program management practices**

Whereas a business strategy lays out broad directions and determines what is to be accomplished, the portfolio of projects defines how the strategy is to be put into effect. Projects are the true traction point for strategic execution. It is the project that develops new businesses, markets, products, services, systems, skills, and alliances. A company's project portfolio drives its future value. Successful strategic execution requires tightly aligning the project portfolio to the corporate strategy. These projects then become part of the portfolio of projects, and the players involved marshal forces behind each project, which in turn contributes to the overall company goal.

The aggregate of an organization's wide range of projects is its portfolio of projects. Some of those projects may be freshly approved, others in the planning or implementation phases and yet others zeroing in on completion. Aside from the timing variances, they are likely to vary in nature, including strategic initiatives, capital expenditure, product launch and operational improvement. The challenge for top management includes maintaining a company's project portfolio aligned with the business strategy and with available resources, and at the same time insuring that projects are aligned with one another and with the organizational structure. Only by continuously reviewing the project portfolio, carefully allocating available resources, and consciously realigning the organization can a company bring its proposed strategy to life.

An organization's portfolio of projects is the offspring of the business strategy. Based on those strategies, projects are developed aimed at generating the benefits envisioned by the strategists. The project portfolio lies at the crossroads where vision, leadership and strategy meet culture, people, processes, systems, performance and results. There is simply no effective way to execute strategy other than it be fully formalized or delegated within the organization. The portfolio is the true materialization of an organizations intent, direction and progress.

For that to happen, collaboration is required between business strategists and project strategists aiming at answering the following questions:

- How many projects should make up the core of the portfolio?
- What kind of projects?
- How should they be organized?
- Who will be responsible?
- When will they be launched?
- Are sufficient resources available?

The answers to these questions depend on company culture, previous practices, present needs, market demand and stakeholders' opinions. Once these factors have been taken into account and the corresponding project portfolio criteria determined, much of the alignment challenge is taken care of.

It's execution, however, that guarantee the aligned hierarchy of strategy, goals, objectives, projects and programs results in business change produced by outputs, outcomes and benefits. It may seem too complicated but benefits realization can start as simple as evaluating a small number of projects and comparing results with initial expectations.

In practice, things may work out differently. Scenarios change while projects are underway; priorities fluctuate as different players move in and out of the scene; projects – sometimes based on personal agenda - spring up out of the woodwork and try to nestle themselves into the portfolio of projects.

Although top-down strategy-to-project alignment is indeed a major priority for an organization's portfolio of projects, a process is required to insure that the bottom-up project proposals are appropriately screened so that they are aligned with company strategy.

Key characteristics for organizations to align strategies with project portfolios are:

- Communication and Coordination - Failure to communicate, coordinate and educate is a critical factor in alignment. Project players respond best when they feel informed and are part of planning and execution process.
- Strong link between strategy and project selection - Projects tied directly to organizations' strategic objectives make substantial contributions towards companies' results and overall performance.
- Aborting questionable projects - If changes have occurred such that a project in progress is not contributing to the realization of benefits as intended, project termination should be evaluated.
- Prioritized resource allocation - Focus by management on prioritizing and balancing resources, avoids the pressure to multitask and avoids unexpected errors by overloaded professionals.
- The quality of information - Regardless of the quality and sophistication of the portfolio selection and decision tools, information quality is essential for making accurate decisions.
- Project governance - A solid governance framework helps keep project investment tied to the organization's strategy and avoid that work be prioritized based on non-objective criteria like personal agendas or internal politics.

Enterprise project governance enables organizations to manage the interrelationships of all underlying initiatives comprising a strategic goal. It also provides the boundaries and check points needed to keep programs and projects in alignment

with plan goals. Organizations that have established an effective governance model can ensure that all the programs and their underlying projects are managed and harvested for necessary metrics and progress reporting.

Aligning business strategy remains one of the top issues that business executives wrestle with. One of the major obstacles for achieving strategy alignment is that many organizations do a poor job of communicating strategy. When people key to executing strategy don't know what the strategy is or understand how their day-to-day activities contribute to strategy execution, it's likely that the overall enterprise performance will suffer. Strategy maps are one way to shore up communication and ensure alignment with strategy.

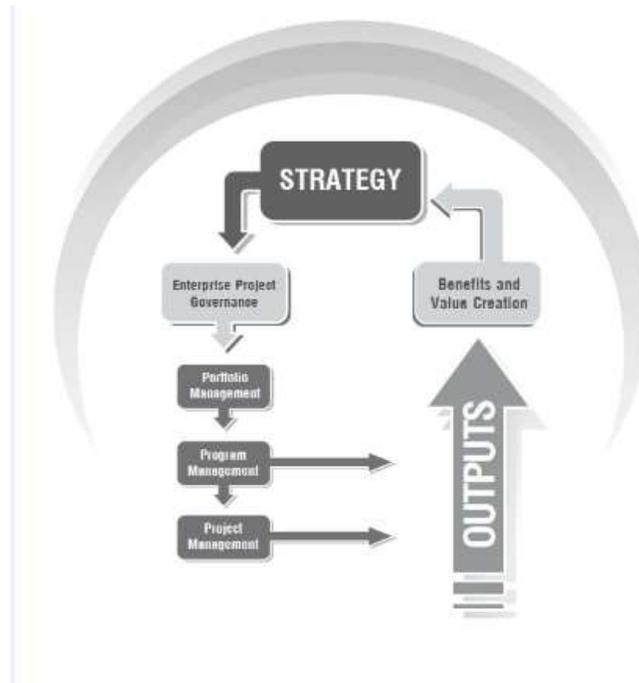
### **Reaping Benefits through Projects**

Interest in managing projects in the context of benefits and outcomes is emerging as the understanding of project management matures. For some it is a response to concerns around project failure. The aim is the coordination of a portfolio of projects that transform organizations through the achievement of expected benefits. In this development model, value delivery is linked to business strategy through the integration of the outputs (deliverables) and workflows of multiple interdependent projects. Delivering projects on time and on budget may be appropriate in the development of outputs; however this approach fails to recognize that projects can still fail if they do not deliver the required benefits to the organization.

Benefits realization focuses on the benefits that a program, project or portfolio will deliver for the business and begins with the following fundamental questions:

- Why is the initiative being undertaken?
- What are the planned outcomes and long term benefits the project aims to achieve?
- What organizational changes are required to realize the planned outcomes?
- Who is responsible and accountable?

Project outputs are integrated into outcomes, benefits and the ultimate value creation as shown in the exhibit below.



On the one hand the main concern for project and program definition is to understand how impacts are connected to the needs on both a strategic level and a tactical level. What impacts will give shareholders maximum value? Reality shows that when asked for impacts, executives seem to have a very difficult time articulating clear end results. If the problem is the inability to articulate impacts then there is little point in developing an elegant strategy.

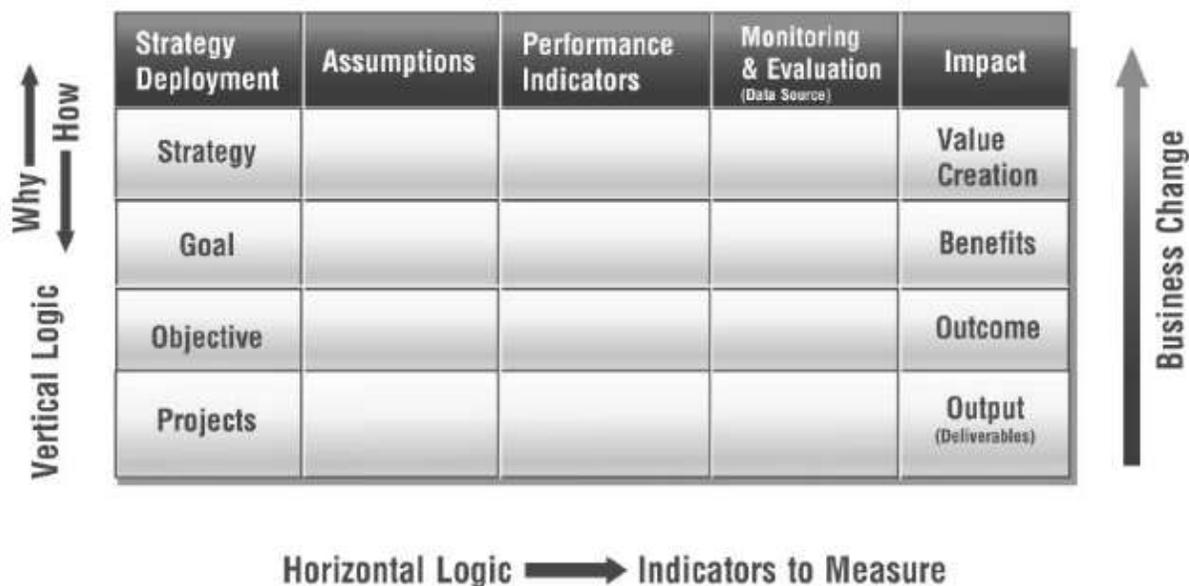
John Thorp, author of the bestseller *The Information Paradox*, in an interview for APM observed that "...benefits don't just happen and they rarely happen according to plan. They need to be managed. Much of the activity today is still focused on the front end and getting the money rather than full life-cycle management". He further observed that benefits management is portrayed as entering the mainstream of project and program management and is increasingly perceived as a broader governance issue, not just an IT governance issue.

### **The Logframe Approach**

The logical framework (Logframe) has come to play a central role in the planning and management of development interventions. Originally developed by the U.S. Department of Defense, it was then adapted for the US space agency NASA before being adopted by USAID for development projects in the late 1960s. It was picked up by European development organisations in the 1980s and by the end of the 1990s the Logframe had become the standard approach required by many donors for grant applications. Logframe is a tool that has the power to communicate the essential elements of a complex project clearly and succinctly throughout the project cycle.

Strategy alignment requires formal interfacing to make sure that completed projects contribute substantially toward corporate value creation and requires major improvement over the well-known “grenade over the wall” approach, in which the business planning staff identifies and characterizes strategies and then tosses the goals over to an uninformed and uninvolved project management team that is shackled with successfully completing a project, which may or may not be fully aligned with company objectives.

The exhibit below shows a simple logical framework approach that can be applied to projects. The purpose of creating these sorts of matrixes is on the one hand to guarantee that along the deployment between strategy and each of the associated projects nothing is lost along the way especially all the assumptions. People have a tendency to assume that everyone knows the assumptions imbedded into a project. Nothing is more wrong! On the other hand there is a necessity to make sure that the expected benefits are being realized. Linking the two poles are the established metrics for progress evaluation.



### Strategy Alignment through a CPMO

An approach to facilitate the governance of aligning strategy is to organize a Corporate Project Management Office (CPMO), sometimes called Strategic Project Office. CPMO is a value-adding structure to provide coordination and the broad perspective needed to select, prioritize, and monitor projects and programs that contribute to attainment of corporate strategy. The CPMO provides the organizational home for taking the strategy document and converting it into a portfolio of programs and projects that carry out the strategies.

The structure is guided by the CPMO Steering Committee. This committee is normally made up of the director of the CPMO, the heads of the business units, and the heads of supporting organizations such as IT. This committee is formed to and is active

on a continuing basis to select, prioritize, and evaluate the entire corporate portfolio of projects. When major issues or problems must be escalated, the CPMO Steering Committee provides a forum for issue/problem resolution.

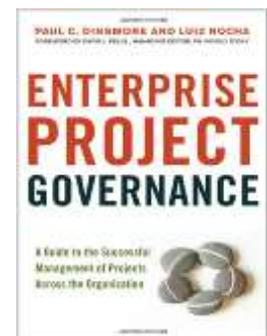
## Conclusions

Business strategists and project managers may appear to come from different worlds, yet they have strongly shared roles. The key to linking strategies to the right project portfolio is overall alignment. The governance framework associated with strategy alignment ensures that decisions are made coherently up and down the organization and that set of responsibilities and practices is defined and exercised by executive management with the following goals:

- Strategic direction is clearly understood throughout the organization and business units and levels of management are focused on aligning to this strategic direction;
- Execution of strategic objectives is permanently monitored to measure performance.

The link between strategy and value creation is a waterfall in which corporate strategy is translated into a portfolio of programs and projects cascading across business and supporting units and designed to carry out the strategic rationale in a decision environment that is the result of a wave of impacts (outputs, outcomes and benefits) that ultimately will result in value creation. Along this journey measurement is critical to monitor progress and evaluate if intentions are being translated into execution towards the right direction.

*Enterprise Project Governance* describes proven techniques for dealing with simultaneous initiatives and ensuring that programs and projects align with the priorities, resources, and strategies of the organization - and ultimately create value. Containing examples and case studies, the book provides readers with practical methods for incorporating enterprise project governance into their organization's culture, synchronizing it with corporate governance, and maximizing efficiency and results across departments.



Whether one's view is from the boardroom, the executive suite, the project management office, or the project trenches, this is an important guide for anyone managing multiple projects. For more about the book, go to <http://www.amacombooks.org/book.cfm?isbn=9780814417461>.

## About the Authors



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**Paul Dinsmore** is President of Dinsmore Associates, and a highly respected specialist in project management and organizational change. A certified project management professional (PMP), he has received the Distinguished Contribution Award and Fellow Award from the Project Management Institute (PMI®). He regularly consults and speaks in North America, South America, Europe and Africa. Paul is the author and / or editor of numerous articles and 18 books, including the *AMA Handbook of Project Management*. Mr. Dinsmore resides in Rio de Janeiro, Brazil.



### **Luiz Rocha**



**Luiz Rocha** has 35+ years of experience in the industry and business consulting. Luiz worked with Andersen Consulting and Deloitte in the USA and Europe when he had the opportunity to manage multi-cultural and geographically dispersed projects in Latin America, North America and Europe. In Brazil he worked with Dinsmore Associates and Petrobras. Luiz is an engineer by background, MSc. in industrial engineering from UFRJ – Brazil, PMP-PMI and IPMA certifications. He is also a published author with two previous books, *Business Metamorphosis*, in Brazil, and *Mount Athos, a Journey of Self-Discovery*, in the USA. Luiz can be contacted at [luiz.rocha@dinsmore.com.br](mailto:luiz.rocha@dinsmore.com.br).