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Enterprise Project Governance
Organizing for EPG
by Paul Dinsmore & Luiz Rocha

Enterprise Project Governance[1]
How to Manage Projects Successfully Across the Organization

Organizing for EPG

By Paul Dinsmore & Luiz Rocha

Interface between business strategists (upper management and business planners) and the implementers (program and project managers) requires organization and structure to put into practice project governance policies and sort out the challenges of managing a multitude of projects competing for scarce resources across the enterprise.

As a way of rewinding where we are in these series, let's get back to our EPG framework as shown below. Along the series we have covered strategy in the June article, risk in July, portfolio in August, and stakeholders in May. In this article we will discuss organization and in the next two articles performance and transformation.

EPG Framework

In order to organize for EPG three strategic questions must be answered:

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[1] *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.

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1- Who are the stakeholders?

This question is fundamental and must be thought in the planning of the EPG process as well as along the projects and the assets lifecycle. One of the pivotal issues in stakeholder management is that the effort along one project phase is frequently forgotten when moving to a subsequent stage. In EPG this process may start with the organization's publics of interest. Presently, many large corporations use the Global Reporting Initiative guidelines to publish their social responsibility reports with their publics of interest identified;

2- What is the purpose of applying EPG ? Why are we doing this ?

The basis for answering this question was detailed on the January-April articles of these series when the concept was detailed and the link with corporate governance clarified.

3- What do we want to achieve?

This answer is related to the desired vision for EPG. This topic was covered on the June and September articles discussing the promotion of strategic alignment and the execution gap. If there is no vision clarity it is tough to get alignment with the various stakeholders involved. If there is not a right start the seeds for failure will be grown during implementation and execution;

Once the three previous answers are in place it is possible to discuss the fourth strategic question, " How do we get organized to achieve what we want ? "

Organizational design is the way of organizing people in a way of creating the least friction towards the vision. The organization is not an end in itself but simply a vehicle for accomplishing the strategic path towards the vision. A well-designed organization helps everyone in the business to do their jobs effectively. A poorly-designed organization creates barriers and frustrations for people both inside and outside the organization.

The mentor of organizational design is Alfred Chandler with his 1962 study, Strategy and Structure. Chandler's insight that structure follows strategy is a well-known concept in business. First direction is established then people are organized in a way to facilitate progress. After organizational design is implemented, as long as the stakeholder environment increases in complexity, the structure will evolve in more complex forms. This means that even a well thought EPG organizational design, as it is the case for most corporations, will change after its implementation.

While some models of organizational effectiveness go in and out of fashion, one that has persisted is 1977 Galbraith's Star Model. The Star Model, as shown below, has five key components that help to build organizational structures.

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The Star Model

In this model the first component is strategy, which determines direction. The second is structure, that follows strategy in order to organize people, locate decision-making and determine the roles and responsibilities involved. Processes have to do with the flow of information. Rewards provide motivation and incentives for desired behavior. And finally, the selection and development of the right people allow the organization to operate at maximum efficiency. People's behavior is directed by the rewards in place which will influence performance and culture.

Peters & Waterman from McKinsey created a similar model in 1982, the 7S model. The basic premise of the model is that there are seven internal aspects of an organization that need to be aligned if it is to be successful. Three are known as "hard" elements (strategy; structure; systems) and four which as "soft" elements (shared values, skills, style, staff).

To effectively implement EPG its organizational structure must be well thought. The way to plan begins with the Star model which can give the basic pillars by which principles and guidelines can be deployed. Nevertheless, it is important to consider that three groups of stakeholders influence the way EPG is structured and manifests itself in organizations. A board committee may lay out generic EPG policies as guidelines for the organization. Or it may prefer to simply comply with corporate regulatory requirements and leave the essence of EPG to the executive level under the CEO. In this setting, the CEO may select to delegate responsibility to executives in specific business units or heads of major departments.

To put EPG in place requires sizing up the situation, planning, implementation and maintenance. The intensity of a given EPG implementation program varies and depends on the degree of project management maturity in an organization. How it will be done also depends on the surrounding contextual factors.

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Three Scenarios

The structure of enterprise project governance in organizations depends in part on how corporate governance is formulated. The board may opt for a prescriptive approach in which it lays out some project related-policies for the organization. Or it may prefer to dictate the bare minimum to comply with corporate regulatory requirements and leave the rest to the executive level under the responsibility of the CEO. In this second setting, once again the approach may be prescriptive where structures and policies are pre-determined, or these may be left to executives in specific business units or head of major departments. So there are three scenarios in which EPG may be developed 1) corporate board committee, 2) CEO and executive team, and 3) grass roots movement.

Corporate Board Committee

In this first scenario, corporate governance creates specific committees related to EPG with names like "strategic planning and implementation", "operations oversight", "product development", or "events and programs." These committees can influence EPG policies as well as maintain oversight rights. Organizations with corporate governance committees having scopes that relate to governance of projects include: The Global Fund (a major organization aimed at fighting AIDS, tuberculosis and malaria) under a "Portfolio and Implementation Committee"; and L'Oreal, the French cosmetics conglomerate that maintains a "Strategy and Implementation Committee".

How might these committees help shape EPG policies? Although overall executive responsibility for implementing projects resides with the CEO and management team, a board-level committee can exert an influence on the selection and implementation of strategic projects – those that will ultimately affect the company's future. Here are actions appropriate for board level committees that propose to focus on issues such as planning, strategy and implementation:

- Require policies for selecting and prioritizing strategic projects;
- Require the organization to addresses issues of enterprise project governance including project portfolio management;
- Set up a policy for oversight review of a few key initiatives (but avoiding micro-management);
- Establish appropriate communication channels;
- Require periodic project management maturity assessments.

CEO and Executive Team

In the second setting, board governance makes no mention of strategic issues and their implementation. Traditionally, board committees are limited to issues such as auditing, executive remuneration, nominating and executive governance. They may also include topics like risk, finance, product development, marketing and sales, ethics, and research. In this scenario, corporate governance restricts itself to basic compliance regarding auditing, financial and ethical practices, and to the running of the board itself,

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which requires a nominating committee for new board members and for CEO selection, as well as an executive committee for ad hoc issues that pop up between formal board meetings.

So in this context, corporate governance does not mandate policies for EPG, but rather delegates all project-related issues, as well as operational and general management matters to the CEO, who has overall responsibility for the organization. EPG then is just one of several responsibilities of the CEO, who is charged with making projects and everything else, work effectively. The board´s role regarding EPG is limited to hiring and firing the CEO, who hopefully will be enlightened with respect to project governance policies. This limited EPG scope for board committees is prevalent in the corporate world and is adopted in organizations such as General Electric, Accenture, Roche, and Volkswagen. EPG then is a matter to be organized and structured by the CEO and the executive team.

Where corporate governance has delegated full responsibility to the CEO to deal with all management and organizational matters, including strategies and projects, then it befalls the CEO to provide for interface between the strategists (upper management and business planners) and the implementers (program and project managers).

Grass Roots Movement

The third approach operates under the following assumptions: corporate governance provides no committee coverage for EPG, and the organization under the CEO establishes no formal structure such as a CPO or CPMO to deal with issues of portfolios, programs and projects. Here, the challenge of dealing with multiple projects of sundry natures persists, yet the responsibility is scattered throughout the organization. How to deal with this?

When guidance is lacking from above, leadership for minimizing potential project chaos is taken on by business unit heads or leaders of major departments. Areas like IT and engineering have often implemented PMOs due to the heavy concentration of projects in those disciplines. Many large business units are sufficiently independent to set up their own approaches for dealing with EPG issues. They may have a beefed up PMO to support the projects in the business unit or department in question. For EPG to happen in this type of setting, a bottom up movement is required. Here the awareness for the benefits of project management when applied across the organization begins at a grass roots level. This means that upper leadership in the organization is concentrating on other priorities and that EPG issues are not high on the strategic radar. Thus awareness needs to be raised at upper levels.

The grass roots movement involves a bottom up approach. In this setting, a growing awareness exists at the middle management and professional level regarding the need for a coherent enterprise-wide set of policies, competencies and methodologies for managing projects of all natures and types. At this hands-on level, benefits for an EPG-type approach is evident to participating stakeholders, since this holistic view implies the

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organization will be supported with appropriate systems, trained personnel and an overall project culture.

The awareness, however, is not so evident to upper management. Proposals to top decision makers for an over-arching program like EPG fall on deaf ears. This leaves the interested parties with two options. The first is to "go with the flow" - keep plugging away as best possible, and hope that something will sway opinions in the future. The other option is to take a pro-active stance and embark on a policy of advocacy for the EPG cause. This implies using techniques of influence management to create interest and awareness. Here are some effective approaches:

- Target potential champions that might help carry the flag for the EPG cause;
- Distribute published literature including magazines and internet publications that documents how competitors or other organizations take project management to a higher levels;
- Use indirect influencing by involving people who have access to the ears of the decision makers;
- Prepare a business case showing feasibility and proposing a step by step approach.

Such a bottom up approach may be articulated by existing PMOs since they surely have awareness and interest in articulating such a movement.

Conclusion

In order to think about the organization design for EPG three strategic questions must be answered in advance related to the stakeholders involved, the purpose of the endeavour, and the desired future state. Once these questions are answered there are three scenarios in which EPG can be developed under distinct leadership: 1) corporate board committee, 2) CEO and executive team, and 3) grass roots movement.

The last step to have an organization structure is the use of the Star model to establish the basic principles and guidelines to organize the EPG puzzle. Bear in mind that if people do not have a sense of purpose and clear roles and responsibilities communication will be difficult, progress hard to measure and lack of confidence and commitment will sabotage any planned route to success.

While the design of EPG is primarily an intellectual process, communicating and gaining "buy in" of the idea is a behavioral issue. Selling the idea involves: the human ego, reaction to change, turf battles and allowance for time for the new concepts to sink in. So once the EPG concept has been launched, behavioral-based planning is called for to garner support to make the idea actually happens.

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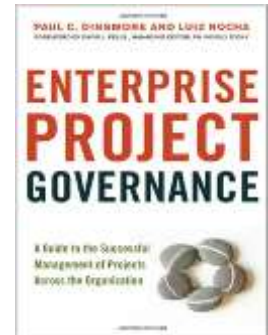
Whether one's view is from the boardroom, the executive suite, the project management office, or the project trenches, this is an important guide for anyone managing multiple projects. For more about the book, go to http://www.amacombooks.org/book.cfm?isbn=9780814417461.

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Paul Dinsmore is board chairman of DinsmoreCompass, 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.

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Luiz Rocha has 35+ years of experience in the industry and business consulting. Luiz worked with Andersen Consulting and Delloite 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, and certifications PMP, IPMA-C, and Prince 2 Practitioner. 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.