

Series on Project Business Management and the PMO¹

PMOs an Executive Office View

Darrel G. Hubbard, PE
President, D.G.Hubbard Enterprises, LLC
and
Dennis L. Bolles, PMP
President, DLB Associates, LLC

Interest in developing and deploying “Project Management Organizations” of one type or another has continued to expand. The number of articles and books related to project management organizations/offices (PMOs) continues to blossom as the growth of the project, project-program, and project-portfolio management professional practices continue worldwide. However, useful information on how PMOs are providing value and benefits to their enterprise, how those PMOs function as a business unit, how they are structured, and what makes a PMO sustainable has been lacking. In addition, a larger set of business related questions exists concerning PMOs, which are of interest to the project management profession at-large and business executives in general.

Only a few enterprises currently employ project management as a successful business function at the executive level. However, we believe this 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, project-program and project-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 series of articles are aimed at existing enterprises with established business operations and defined functional organizations.

The following quote is from one of our recent PMO Case Studies that speaks of the value their PMO provided their company:

“It is truly a journey to establish an Enterprise Project Management Organization and it takes tremendous passion, persistence, and patience to introduce and embed Project, Program, and Portfolio Management (PPM) concepts effectively within any enterprise. This EPMO Director feels fortunate to have had the honor to meet so many experts that have dedicated their lives to this field through practice, research, and publication. Through these interactions and their consultation, they have provided the one key lesson learned: That this is not easy – but then, nothing worth doing ever is.”

¹ Editor’s note: Bolles and Hubbard are the authors of *The Power of Enterprise PMOs and Enterprise-Wide Project Management (PBMconcepts, 2014)*; *A Compendium of PMO Case Studies - Volume I: Reflecting Project Business Management Concepts (PBMconcepts, 2012)*; and *A Compendium of PMO Case Studies - Volume II: Reflecting Project Business Management Concepts (PBMconcepts, 2016)*. This series of articles is based upon their books, research, and executive consulting experience.

This series of articles will guide those enterprises interested in applying Project Business Management (PBM) practices, beginning with enterprise level PBM governance and progressing through PBM execution. We created and defined the term *project business management* in our book “The Power of PMOs and Enterprise-Wide Project Management” as:

The utilization of general business management and project management knowledge, skills, tools, and techniques in applying portfolio, program, and project and business management 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 many 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 series of articles 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 Organization (EPMO) is the vehicle that enables executives to successfully implement project business management practices.

The Enterprise PMO (EPMO) provides executives with a management oversight capability that keeps all project teams, business units, departments, and divisions aligned with the enterprise’s strategies and related business objectives. The EPMO facilitates the integration of the project, program, and portfolio management processes with the business management operational processes employed by its other business unit organizations to implement the enterprise’s annual strategic business plans. 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.

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 are necessary. Applying project business management processes, to manage the daily business operations related to projects, requires the application of specific knowledge, skills, tools, and techniques that are often new and foreign concepts within an enterprise’s current cultural environment.

Executives and business unit managers require answers to key questions before they agree to implement project business management on an enterprise-wide basis. These questions, some of which we will answer in the following sections of this article, fall into several categories:

Governance:

- How can I tell if my enterprise is already doing some project management?
- What is an enterprise project management organization (EPMO)?
- What factors affect the structure of the EPMO and its positioning within the enterprise?
- 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?

Methodology:

- 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?

Capability:

- How can I define the knowledge and skills required by portfolio, program, and project managers?
- How can I assess the enterprise's 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?

Planning and Execution:

- How do I fold project management business oriented processes into the business management operational processes in planning business objectives?
- How do I oversee management of project-portfolios, project-programs, and projects from the executive office level?
- What roles and responsibilities 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 project-portfolios, project-programs and projects?

Sustainability / Maturity:

How should enterprise-wide project management maturity be 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 enterprises who implement a PMO or EPMO?

These categories of questions are represented by the roof, five major pillars, and foundation of our Enterprise-wide Project Management House of Excellence Model, Exhibit 1 below, which is taken from our books *A Compendium of PMO Case Studies – Volumes I and II*. These components are not stove-pipe in construct, because each of the structural elements relies upon the others to carry their load for the enterprise, and they all rest on sustainable project business management practices. Therefore, they are conceptually and in reality must 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, these are the processes, techniques, and tools that can be customized and implemented by an EPMO. These are common to enterprises who have successfully established enterprise-wide project management operations. We will present, from our PMO Case Studies, 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.

Exhibit 1 - Enterprise-Wide Project Management Organization Model



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 series articles 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 business functions.

Your Business and Project, Project-Program, and Project-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 project-programs or project-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:

Member of Board of Directors	Chief Technical Officer (CTO)
Chief Executive Officer (CEO)	Chief Engineer
President	Vice President
Chief Operating Officer (COO)	Business Unit Head
Chief Financial Officer (CFO)	Division Head
Chief Information Officer (CIO)	Department Head
Chief Administrative Officer (CAO)	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. This requires employing a project management organization.

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, people, materiel, facilities, 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 business 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 associated with a project. The actual act of managing a project usually involves balancing the competing demands for scope, time, budget, risk, quality, and special requirements. The relationships among these factors mean that if any one of the factors change, 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 project-programs. This requires employing a program management organization. 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.

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 project-portfolios. This requires employing a portfolio management organization. In an enterprise, a project-portfolio is a group of projects selected on the basis of business criteria such 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 (PBM™), 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 the enterprise's common ongoing business functions such as strategic planning, cost accounting, and contracting.

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 enterprises seek better ways to improve time to market, cost to market, and quality to market. The effective use of project management techniques has become 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, outdistance the competition, and increase profits.

To effectively employ project business management, the enterprise as a whole must recognize and adopt new attitudes that embrace project business management best practices. This brings 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 enterprise is equated with authority in organizational structures. The closer the project business management business function is to the executive level, the greater is the EPMO's degree of authority, acceptance, adoption, and autonomy, as perceived with in the enterprise.

Positioning the project business management business function at the top in a hierarchical organizational structure establishes its autonomy and thus "ownership" of the responsibility for setting up, distributing, supporting, and managing the application of project business management best practices within the enterprise. The enterprise-wide adoption of project business management best practices calls for single ownership of that function.

Establishing common practices across an enterprise at all levels is very difficult, if not impossible, without clearly establishing that sole ownership. We believe, however, that establishing an enterprise project management organization is the right thing for executive management 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. The portfolio, program, and project management organizations can be viewed as subsets of the Enterprise-wide Project Management Organization (EPMO).

Why should an EPMO be created?

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

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 enterprise.

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 strategic initiatives and the implementing portfolios, programs, and projects that are 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 enterprise. 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.
- Enabling managers 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 enterprise.

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 your enterprise.

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 enterprise, particularly if that change affects the way they do their day-to-day work.

About the Authors



Dennis L. Bolles, PMP

Michigan, USA



Dennis Bolles, PMP, President – DLB Associates, LLC, has over forty-five years of experience in multiple industries providing business and project management professional services. He assists enterprises, as a Subject Matter Expert (SME) consultant, to achieve their business strategic objectives with the analysis of their business process improvement needs and development of business and project management capabilities.

He has been a member of the Project Management Institute (PMI) since 1985, received his PMP® certification in 1986 (#81), and is a founding member of the PMI Western Michigan Chapter, serving on its Board of Directors and in several positions since its 1993 inception.

He performs speaking engagements, assists Project/Program/Portfolio Organizations (PMOs) start-up teams begin the planning and implementation processes, and conducts on-site organizational project business management capability assessments. Mr. Bolles provides virtual and periodic on-site support for development of business and project management methodologies, policies, procedures, processes, systems, tools, and templates for organizational governance and corporate strategy. He assists in the implementation of a project business management methodology that integrates strategic planning, business objective development, portfolio management, program management, and project management processes to achieve strategic objectives and maximize operational efficiency enterprise-wide through the development and management of Project Management Organizations.

Bolles served as the PMI Standards Project Manager who led the project core team to a successful completion and on-time delivery of the Project Management Body of Knowledge (*PMBOK®*) *Guide* Third Edition in 2004. He has served on and has contributed to multiple PMI Standards bodies over the past 20 years.

He is a published author of many project management articles, is a PMI Congress/Symposium/Chapter speaker, and author of *Building Project Management Centers of Excellence*, AMACOM, NY, 2002. He is the co-editor of *The PMOSIG Program Management Office Handbook*, JRoss, 2010. He is the co-author with Darrel G. Hubbard of *The Power of Enterprise-Wide Project Management: Introducing a Business Management Model Integrating and Harmonizing Operations Business Management and Project Management*, hardcover – AMACOM, NY, 2007, now in paperback, revised, and retitled *The Power of Enterprise PMOs and Enterprise-Wide Project Management* – PBMconcepts, MI, 2014, and of *A Compendium of PMO Case Studies - Volume I: Reflecting Project Business Management Concepts*, PBMconcepts, MI, 2012 and of *A Compendium of PMO Case Studies - Volume II: Reflecting Project Business Management Concepts*, PBMconcepts, MI, 2016.

He can be contacted at DBolles@dlballc.com and at *LinkedIn* at <http://www.linkedin.com/in/dlballc01>. Visit the www.PBMconcepts.com for information about current and future book projects.



Darrel G. Hubbard, P.E.

California, USA



Darrel G. Hubbard is President of D.G.Hubbard Enterprises, LLC providing executive consulting and assessment services. He has over 50 years of experience in consulting, line management, and technical positions. He has served as a corporate executive officer; managed the due diligence processes for numerous mergers and acquisitions; managed information technology, proposal, accounting, and project control organizations; was a program manager on engineering projects; was a project manager on commercial projects; and a designated “key person” under government contracts. He has also held executive positions in, and was professionally licensed in, the securities and insurance industries.

He assists enterprises, as a Subject Matter Expert (SME) consultant, to achieve their enterprise’s strategic business and tactical objectives. He provides analysis of their management structures, business processes, general business operations, and project management capabilities, while supplying specific recommendations on business, methodology, and process improvements. Mr. Hubbard also assists companies, as an outside third party, with the intricacies of the due diligence process in their merger and acquisition activities. He also assists companies in the managerial assessments, development, and establishment of their Project/Program/Portfolio Organizations (PMOs) and provides workshops and seminars focusing on the business management aspects of project management.

Mr. Hubbard holds a bachelor’s degree in mathematics and physics with a minor in chemistry from Minnesota State University at Moorhead. He is a registered Professional Engineer in Control Systems in California. Mr. Hubbard joined the Project Management Institute (PMI) in 1978 (#3662), is a charter member of the PMI San Diego Chapter, and was deputy project manager for the Project Management Body of Knowledge (*PMBOK®*) *Guide* Third Edition ANSI Standard by PMI. He was the Exhibitor Chairperson for the 1993 PMI North American Congress/Seminar/Symposium, is a published author of many articles, a presenter at several PMI Congresses and other Project Management Symposiums, and a guest speaker at PMI and IIBA Chapter meetings. Darrel is also a Life-Member of the International Society of Automation (ISA).

He is a contributing author to *The AMA Handbook of Project Management*, AMACOM, 1993 and *The ABCs of DPC: A Primer on Design-Procurement-Construction for the Project Manager*, PMI, 1997. He is the co-author with Dennis L. Bolles of *The Power of Enterprise-Wide Project Management: Introducing a Business Management Model Integrating and Harmonizing Operations Business Management and Project Management*, hardcover – AMACOM, NY, 2007, now in paperback, revised, and retitled *The Power of Enterprise PMOs and Enterprise-Wide Project Management* – PBMconcepts, MI, 2014, and of *A Compendium of PMO Case Studies - Volume I: Reflecting Project Business Management Concepts* – PBMconcepts, MI, 2012 and of *A Compendium of PMO Case Studies - Volume II: Reflecting Project Business Management Concepts*, PBMconcepts, MI, 2016.

He can be contacted at Darrel.Hubbard@dghellc.com and *LinkedIn* at <http://www.linkedin.com/in/DarrelGHubbard>. Visit www.PBMconcepts.com for information about current and future book projects.