

## **Series on Project Business Management and the PMO<sup>1</sup>**

### **The Enterprise PMO as a Business Organization**

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The need to compete globally, increase market share, reduce costs, and improve profits — all in the pursuit of producing better products and services faster — are just a few of the reasons why most business enterprises seek proven ways to improve time-to-market, cost-to-market, and quality-to-market. Within businesses, the lines between operations business management and project management have become, and will remain, blurred and interlaced. The discipline of Project Management itself has grown and matured during the past 65 years. It now encompasses the management aspects of project-program management and project-portfolio management. Therefore, if all projects are to be planned and managed to provide the desired benefits and value to the enterprise then project management and business management must be integrated within and across the enterprise. It is this integration that we call Project Business Management (PBM) and its sustainable application requires an Enterprise Project Management Organization (EPMO).

To address this, the construct of Project Business Management provides for the utilization of integrated general business management, project-portfolio, project-program, and project management knowledge, skills, tools, and techniques in applying project-portfolio, project-program, and project processes. Project Business Management also places an emphasis on the start-up processes for projects, project-programs, and project-portfolios, making executives and senior management more aware of the impact these processes have on their business practices. The underlying objective is to meet or exceed stakeholder needs, and to derive benefits from, and capture value through, any project-related actions and activities used to accomplish the enterprise's business objectives and related strategies.

Operations management and project management must coexist within the enterprise's organizational structure and support the various business aspects and strategies of the enterprise. The PBM construct provides this holistic business view of the various aspects of project management, when coupled with the related business aspects of operations management. Our related PBM Framework and associated Model are based upon our ongoing research of, case studies for, and models of project/project-program/project-portfolio organizations (PMOs) and the application of enterprise-wide Project Business Management to generate enterprise business value and benefits.

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<sup>1</sup> *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 on their books, research, courses and executive consulting experience.*

To employ Project Business Management, the enterprise as a whole must recognize and adopt new attitudes that embrace project management best practices as the best way of doing project/program/portfolio business. This enables the enterprise 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.

The effective use of project management techniques employed by PMOs, on an enterprise-wide basis, has become widely recognized as an effective approach for achieving improvements in all these areas. Some enterprises even view the project/program/portfolio organization (PMO) as a key weapon in their business arsenal to increase customer satisfaction and outdistance the competition.

Establishing senior executive ownership of the Project Business Management and the enterprise PMO within the enterprise is equated with authority in organizational structures; the closer a business unit is to the top, the higher is its actual and perceived level of authority, acceptance, adoption, and autonomy.

Positioning the project business management function at the top in a hierarchical organizational structure establishes its autonomy and thus "ownership" for setting up, distributing, supporting, and managing the application of project management best practices within the enterprise. Enterprise-wide adoption of project management best practices calls for single ownership of the function. Establishing common practices across an enterprise at all levels is very difficult, if not impossible, without the sole ownership being clearly established. We do believe, however, that establishing an enterprise project management organization 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.

"PMOs became commonplace in the corporate hierarchy. Although activities assigned to the PO had not changed, there was now a new mission for the PO: supporting the entire corporation. The PO is now servicing the corporation, especially the strategic planning activities, rather than focusing on a specific customer or just project management. The PO was transformed into a corporate center for control of the project management intellectual property. This was necessary as the magnitude of project management information grew almost exponentially throughout the organization;" states Dr. Herold Kerzner on page 298, in his recent book, *Project Management 2.0*, John Wiley & Sons, New York, 2016.

We need to note that the PMO of *yesterday* never was, the PMO of *today* is not, and the PMO of *tomorrow* never will be just an "office." The PMO is, was, and will continue to be a functional "organization" for the business management of projects, project-programs, and project-portfolios, which is a Project Management Organization.

*Today*, the deployment of a Project/Project-Program/Project-Portfolio Management Organization ("PMO") has become a key business, management, and organizational function at an enterprise's executive-level and at a business-unit's executive-level, for successfully achieving desired business results in the enterprise's management of its projects, project-programs, and project-portfolios.

### **What is an Enterprise Project Management Organization (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 staff 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 enterprise.
- 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 enterprise?**

The size of the enterprise, the type of business, the number of physical business locations, the quantity and complexity of projects, programs, and portfolios, the PMO's functional positioning within the enterprise, and the enterprise's organizational culture are all factors that affect how the EPMO is configured and the degree of political autonomy it has within the enterprise. 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. No generally recognized standard model exists, which can be used to structure or position an EPMO within in an enterprise; 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 business objectives in implementing an EPMO that in and of themselves provide sufficient reasons for creating an EPMO:

*Institutionalization of Project Management Principles and Practices:* The EPMO becomes the functional owner of project business management development, implementation, monitoring, and the continuous improvement of the related policies, processes, and procedures across the enterprise.

*Provides a Global View of the Enterprise's Initiatives and Projects:* An EPMO provides an environment where 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 planning process.

*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;
- 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; and
- Improved project business management skills throughout the enterprise.

It can be 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 enterprise.

### **The Business Case for the EPMO**

Creation of a project management organization (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 Symposiums sponsored by PMI® over the past few years. Many enterprises in a wide range of industries and governmental agencies have created or are in the process of developing their own project management organization, and all of them are unique in their structure and position within their respective enterprises.

In today’s global market, enterprises, regardless of industry or size, are looking to improve their systems and processes to become more competitive. One way they are doing this is by establishing project management as a core competency throughout the enterprise. By setting up standardized project business management policies, plans, processes, and procedures within the company, 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 enterprises attempting to integrate project management disciplines and best practices into the way they manage their businesses is expanding daily; however, the list of those who have succeeded in doing so is significantly smaller.

Typically, the individual who owns project management for the enterprise leads a group charged with the responsibility to implement the project business management processes and systems. The name of the group isn’t nearly as important as its position within the enterprise. Therefore, to indicate the organizational level needed for this function, we call this group the Enterprise Project Management Organization (EPMO).

The number of companies who are creating an EPMO is growing rapidly. The numerous articles written about EPMO’s and the number of companies sending representatives to seminars and classes to learn about EPMO’s attest to the expanding popularity of this business concept. The one caution we offer those who are embarking down this road is that establishing an EPMO is not a trivial pursuit and 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, with the reasons for their demise within each enterprise being somewhat unique but with all the shutdowns or failures having a number of common elements. In the 1960’s the concept of the project management organization 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.

Some of those failures are attributed to 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 in the enterprise, including line managers, observe overt executive support of the EPMO as a business organization.

The ability of an EPMO to be successful in most enterprises is 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 across the enterprise is positioned in the uppermost level of management. Without support from the executive level, the effort to inculcate project business management within the enterprise won't get off the ground.

The EPMO can only succeed in establishing project management as a business function across the enterprise 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.

### **Typical Enterprise Project Management Organization Structure**

This 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 Organization (CPMO), but is most often identified simply as a Project Management Organization (PMO). Figure 1 shows a typical organizational structure of an enterprise project management organization (EPMO) that is responsible for developing and implementing project business management as a core competency for the enterprise. The EPMO reports directly to one of the enterprise's senior executive officers who will have titles such as, Chief Executive Officer (CEO), president, or Chief Operating Officer (COO). The EPMO manager should be assigned a title such as "Chief Project Management Officer (CPMO)."

### **Structuring the EPMO**

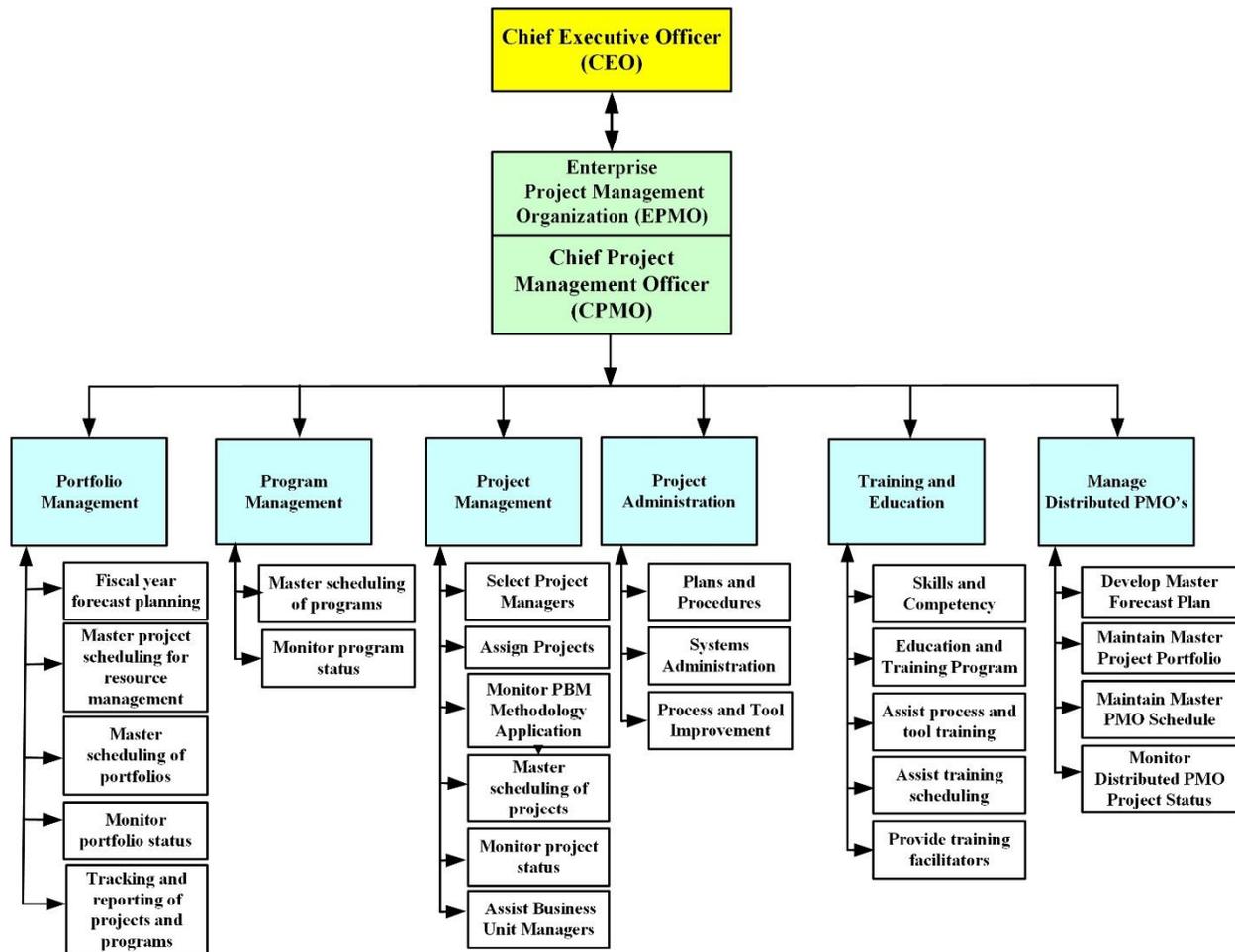
The position of an EPMO within a hierarchical organization establishes its degree of authority, acceptance, adoption, and autonomy and thus "ownership" of the responsibility for establishing, distributing, and supporting project management best practices within the enterprise.

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

- Enterprise Project Management Organization (EPMO)
- Project Management Organization (PMO)
- Program Management Organization (PMO)
- Portfolio Management Organization (PMO)
- Project Management Center of Excellence (PMCoE)

These titles are often used interchangeably, and it is usually a matter of personal preference and purpose of the PMO rather than application of any particular standard. Recent efforts by various authors who have written about the project organization provide some definition for these titles.

**Figure: 1** Enterprise Project Management Organization (EPMO) Organizational Structure



Two key issues affect the assigning of titles: first, defining where the function will reside within the organizational structure (the direct line of report), and second, what purpose it will serve in that position. Titles often add significance to the roles, responsibility, accountability and requisite authority (RRAA) of the position. 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. There is no generally recognized standard model that defines how an EPMO should be structured or positioned in an 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.

Titles make a difference. Titles eliminate confusion when communicating the distinctions amongst the various project management “organizations” within the enterprise’s organizational structure. It is

important to note, however, that positioning of the project management function within the enterprise's management structure has far more importance and a greater impact on institutionalizing project management best practices than what title it is given.

### **The EPMO as a Management Method**

The key to successfully executing project business management best practices across an enterprise depends on incorporating four related major elements of project business management, the first of which is governance. Governance can be defined as a system or method of management. Organizational governance establishes the roles, responsibilities, and authorities of each position, the rules of conduct, and management protocols. Any management methodology that includes the planning and authorization of projects programs, and portfolios requires establishing the organizational structures within the enterprise that will institute the planning process for those portfolios, programs, and projects, and manage the authorization processes. This structure, by definition, is an enterprise project management organization (EPMO). EPMO organizational governance is employed at different decision-making levels of the enterprise to support implementation of specific business strategic initiatives and related business objectives.

### **The EPMO as a Business Strategy**

It is incumbent upon the executives of an enterprise to recognize that project-portfolio, project-program, and project management are critical business functions and are necessary to achieve those business strategies developed within the company as worthy goals in support of the enterprise's vision or mission. The governance of the Project Business Management (PBM) processes must be established by institutionalizing and applying PBM policies, plans, and procedures within the enterprise. Establishing an Enterprise Project Management Organization (EPMO) is the first steps in doing this.

Embedding project business management as a core competency within an enterprise first requires a business strategy to accept project management as a business management function. Once accepted, but before embarking on strategically implementing enterprise-wide project management, the enterprise must prepare an organizational business strategy to create the specific organizational structure known as an EPMO at the executive level.

One primary business responsibility of the EPMO is to instill project management disciplines and manage the processes, procedures, practices, templates and tools used to apply those disciplines enterprise-wide within the enterprise and implement project management as a core competency. The business purpose of incorporating project management into the strategic planning of the enterprise's overall business operations is to improve those strategic planning:

- Adds executive level project management planning input into developing business strategies.
- Identifies and implements those project business management processes applicable to developing the enterprise's business strategies.
- Helps assure the business strategies are not in conflict with enterprise environmental factors applicable to the enterprise.
- Helps assure that any business strategy accomplished by project-related actions and activities will support the enterprise's vision or mission when accomplished.
- Provides executives with a timely and accurate oversight capability of future portfolios.

- Enables the maturation of the enterprise's project business management strategic planning processes.

Typically, true acceptance and personal ownership of project management concepts are brought about only after an individual within the enterprise personally experiences or observes the real value that can be achieved by correctly applying those concepts. This takes time, because cultivating project business management skills is best achieved through personal experience, and the best lessons are learned by a successful repetitive accomplishment of the project related work.



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He assists organizations, as a Subject Management 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 supports companies in the managerial development and establishment of their Project/Program/Portfolio Organizations (PMOs) and delivers 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).

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**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 organizations, 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.

Mr. Bolles performs speaking engagements and assists Project/Program/Portfolio Organizations (PMOs) start-up teams begin the planning and implementation processes; conducts on-site organizational project management capability assessments. He 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.

Mr. 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.

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