

How Organization Project Management (OPM) helped a Global Organization to Revamp a Business Unit ^{1, 2}

Conrado Morlan

Introduction

The Express business unit of the world's largest logistics company was facing challenges at global level. With the support of their two sister business units – Global Forwarding and Supply Chain - the Express business unit was kept a float for a couple of years until it was time for the Express business unit to take the required actions to become sustainable.

With a well-defined global strategy that required the contribution of the three business units, the Express business unit started the alignment of its portfolio of projects with the global strategy and defined their strategic multi-annual programs that helped to crystalize the benefits that made the business unit sustainable.

Strategy, Vision, and Mission

Strategy, organizational strategy and corporate strategy are terms that are commonly used in business. For the purpose of this paper, I will refer to them all as strategy. In recent years, strategy has been repeatedly mentioned in both the printed media and television. Investors and people interested in a particular organization want to know about their future plans, what new products or services will produce, what new markets they will target, and their policies on corporate responsibility among others.

There are many definitions and schools of thought surrounding strategy. I, in particular like Kenneth Andrews' definition in the book *The Concept of Corporate Strategy*:

"Corporate strategy is the pattern of decision in a company that determines and reveals its objectives, purposes, or goals, produces the principal policies and plans for achieving this goals, and defines the range of business the company is to pursue, the kind of economic and human organization it is or intends to be, and the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers, and communities. (pp. 18-19)"

Andrew's definition describes where the company wants to go and why the company exists; how to move from their current state ("AS-IS") to the future state ("TO-BE") and address any gaps by taking actions that will lead to strategy modification as required, in order to be back on track.

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The strategy is supported by two elements of the organization:

- The Vision; and
- The Mission.

The vision statement is one of the elements that supports the strategy and describes the aspirations of the organization. It must describe a picture of the organization in the future, and therefore the framework for all the organization's strategic planning. The vision statement should answer the question, "Where do we want to go?"

The mission statement is the other element, which describes the purpose of the organization and should answer the question, "Why do we exist?" The mission statement articulates the organization's purpose for those within the organization and for the public.

For an organization to achieve its vision and mission, it will require some time and its strategy will define the path to achieve both. The strategy's outlook is usually multiannual and will require frequent checkpoints to verify and ensure that the correct path to the "TO-BE" state is followed. Internal and external factors may impact the strategy and may trigger contingency plans.

To avoid the chasm between strategy and results, the strategy needs to be communicated clearly at all levels of the organization. The communication must be understandable for every member of the organization, so that each person can picture a mental model of it. It needs to identify accountable parties and describe what needs to be done. These actions will ensure the strategy will produce the expected results.

Organizational Project management (OPM)

In recent years, the concept of OPM has been introduced in Project Management Institute's (PMI) practice guides and standards. The OPM definition in PMI's book: *The standard for Organizational Project Management* reads:

"Organizational Project Management (OPM) is a framework in which portfolio, program and project management are integrated with organizational enablers in order to achieve strategic objectives. OPM supports the appropriate balance of knowledge, processes, people and supportive tools across all functional areas of the organization to provide guidance for its portfolio, program and project management efforts. (pp. 3)."

PMI in *The standard for Organizational Project Management* suggests that the approach for organizations to deliver the needed results is to translate the organizational strategy into a portfolio's components (i.e. programs, projects, operations, initiatives, etc.) and align them to the overall organization's strategy. This alignment can create the required synergy to produce the products, services, and benefits to achieve strategic goals and meet or exceed the stakeholder's expectations.

OPM may be in the early stages of adoption for some organizations, but so far those organizations have seen that OPM provides value to their organizations and have experienced some of the following results:

- Project management expanded its coverage and reached business functions
- Cross-functional communications are improved
- OPM facilitated the identification of dependencies between business processes and portfolio components
- Stakeholders became fully engaged when they saw projects as strategic enablers to achieve strategic goals

Organizational success requires the right combination of many factors: a well-designed strategy, consistent execution, product and services, talented and informed employees, and projects that will enable the required change and produce the benefits that will fulfill the strategic goals and milestones that will position the organization on the right path.

Business Case - DHL Profile

Vision

The Logistics Company for the World

Mission

- 1) We want to simplify the lives of our customers
- 2) We make our customers, employees and investors more successful
- 3) We make a positive contribution to the world
- 4) We always demonstrate respect when achieving our results

Global Corporation

Present in over 220 countries and territories

Global Facts 2005-2007

The Express business unit was not profitable due in part to an accelerated organic growth, merge and acquisitions in markets where the Express business unit had no presence, which led to high integration costs.

In order to meet the organization's vision, Logistics and Global Forwarding business units had sustained the Express business units, which were impacting the customers, employees and investors success.

In 2003, DHL acquired Airborne to expand DHL Express presence in the USA, the acquisition did not go well and domestic air and ground operations were discontinued in 2008.

In order to organization's vision and mission DHL defined their Quinquennial Global Strategic Plan which main objective was to increase Logistics and Global Forwarding business units' grow and to make the Express business unit sustainable and profitable.

DHL Express had five regions across the world: Europe, North America (USA and Canada), LATAM (Latin America and the Caribbean), Emerging Markets (Africa and Eastern Europe) and Asia Pacific.

LATAM Region's Facts 2005-2007

Attrition at Executive Levels

During this period the executive team suffered changes, which included two regional CEOs, one Regional CFO and two Regional CIOs.

As the open positions were then filled with capable individuals coming from other organizations and business units, the business unit continuity was impacted.

Global Reorganization

The Express business unit went through several reorganizations, among others the consolidation of the LATAM region as a sub region from the Emerging Markets region, which led to a change in priorities and temporarily suspension of projects in LATAM.

"My Budget" Mentality

Business functions had an annual budget assigned that was spent at their own discretion. This spent included technology projects, many of those were initiated without the knowledge of the Regional CIO because the lack of project governance and on-going conflict between business functions and the regional technology team.

"Project Focus" A new Regional Vision

A new CEO was appointed and brought a "Project Focus" vision. Supported by the Regional CIO, the technology team acted as the custodian of the budget and established the foundation of project governance; that included a new project approval process that was led by the regional CEO. All on-going projects were suspended and reviewed to ensure those were aligned with the pillars of the Quinquennial Regional Strategic Plan.

Global / Regional Strategy Meetings

The Global and Regional Strategy Process depicted in Figure 1, was framework followed by all regions. The framework established a one-year cycle in which the execution projects aligned with the Global and Regional Strategy where focus to produce the required benefits to start the next cycle.

The framework includes four stages: Strategy management, Portfolio and Program Management, Project Management and Benefits harvesting. During those stages, the execution was analyzed, gaps were identified, and performance and results were assessed. The framework includes all the business functions at all the levels of the organization.

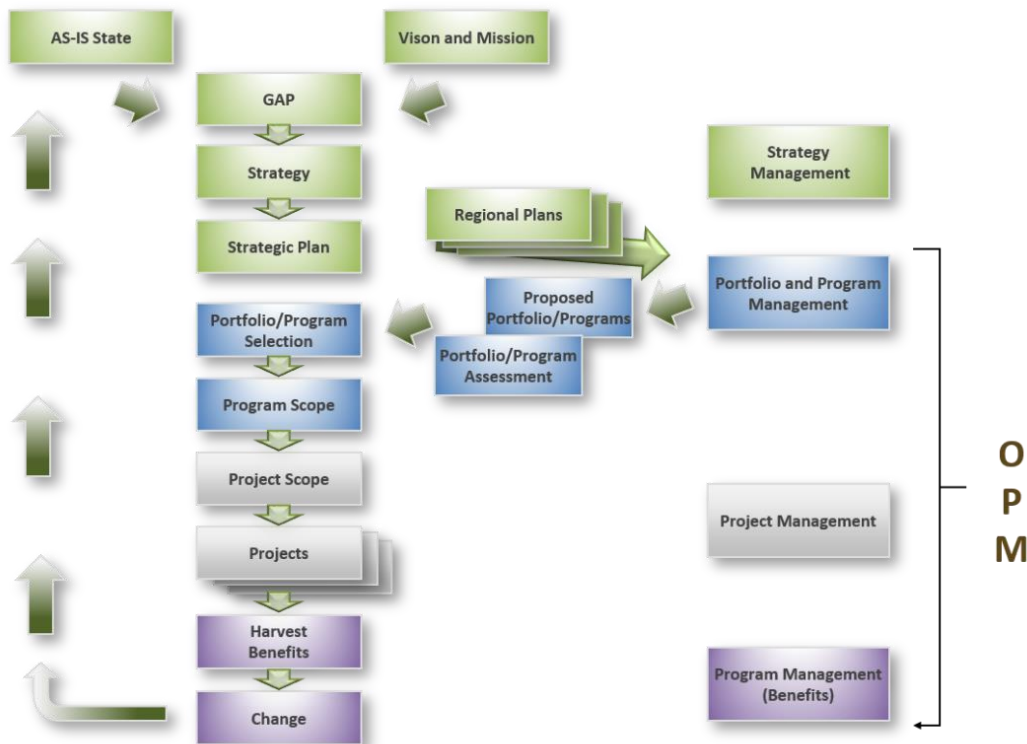


Figure 1 – Global and Regional Strategy Process

Regional Facts 2007-2012

Execute Quinquennial Regional Strategic Plan

Based on the new “AS-IS” state of the region implement the Regional Strategic Plan to achieve the regional annual goals that will solidify the achievement of the quinquennial strategic plan

The Regional Budget

No more “My Budget” mentality, there was only one budget: the regional budget. Every proposed project was reviewed and approved based on the new basic governance process based on the following criteria:

- Aligned with the Quinquennial Regional Strategic Plan
- Bug fix
- Regulatory change
- Produce revenue or improve customer satisfaction

If the sponsor of the proposed project answered “no” to any of the questions, the proposed project was not included in the project review meetings.

Eliminate Conflicts between Business and IT Functions

Establish the basis to build a ONE TEAM Culture. The technology team started to work close with the business functions at the Regional Strategy Meetings to understand their needs and requirements. Once the business functions needs and requirements were defined, a “translation” process was conducted by the technology team to define the functional and technical requirements that were passed to the development and infrastructure teams to develop or enhance the required solution.

Regional Scope

The LATAM region of Express business unit included 49 countries divided into five areas:

- Brazil,
- Mexico,
- Central America,
- The Caribbean, and
- South America (except Brazil)

Five primary languages were spoken in the region: Dutch, English, French, Spanish, and Portuguese.

The LATAM region had a strong intra-country operation and strong commercial exchange with the United States.

The Problem

One of the main problems that the Express business unit business units of the world’s largest logistics company was producing inaccurate invoices around the world, due in part to an accelerated organic growth, merge, and acquisitions in markets where Express business unit had no presence, which lead to have a great variety of invoicing and billing applications across the region, several infrastructure platforms, which in many cases were obsolete or about to become obsolete, local invoicing standards and nonstandard billing cycles. In addition to that the Express business unit was experiencing long month-end processes that furnished imprecise data to finance and accounting applications impacting country, regional, and global sales reports.

Customers in general were dissatisfied with the whole customer experience, this dissatisfaction reflected was reflected by:

- Frequent rejection of inaccurate invoices
- Not renewing Contracts
- Late Payments
- Overdue Invoices > 180 days
- Collection problems
- Low Cash Flow

Finance and billing teams were located in every country, with the exception of the Caribbean area, as well as IT teams. Invoicing functions, including billing cycles, credit notes, debit notes, and adjustments at country and area level were executed by finance and billing teams with the support of the local IT team. The duration of billing cycles varied from country to country due to the variety of billing systems implemented in each country of the region.

The Express business unit started to assess different scenarios to address the selection of a billing solution, including: building an application from scratch, reusing or buying an “off-the-shelf” billing application, which could meet the DHL’s billing process, produce accurate sales information, and expedite billing in order for finance and accounting applications to provide accurate and actionable reporting required for the decision-making process at country, regional, and global levels.

After a detailed assessment of the available options, the Express business unit decided to reuse a billing application developed in the Asia-Pacific region. The application core functionality fulfilled the company's billing process and would be able to be adapted to support local government regulations or other customizations as required.

The Portfolio

With an application selected, The Express business unit joined the global billing system initiative, which was subdivided in regional initiatives that gradually started the deployment in all of Express business unit's regions: North America, Latin America (LATAM), Asia-Pacific, Emerging Markets, and Europe.

As Billing was an element of the Order to Cash (OTC) Business Process, the billing initiative was included in the OTC Portfolio (Figure 2).

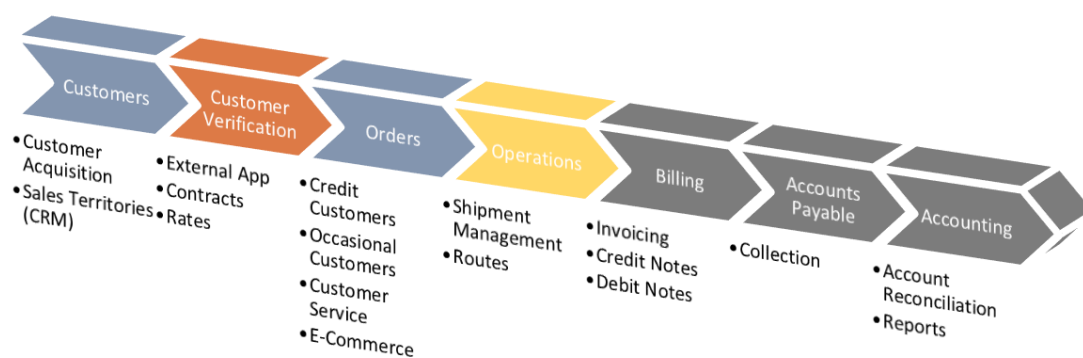


Figure 2 – OTC Business Process

Portfolio Objectives

The portfolio objectives were as follows:

- Implement the billing system selected by Global
- Establish regional governance to manage billing system changes

- Harmonize cross-functional metrics with no impact to Business Functions
- Optimize Monthly Billing Closing
- Cost Reduction – Operations and IT
- Leverage economies of scale
- Improve
 - Customer Satisfaction
 - Customer Acquisition Process
 - Contract Renewal Process
- Manage Customer Master File updates

Portfolio Board

The portfolio board (Figure 3) consisted of roles and responsibilities that brought together the various interests and skills involved in, and required by, the OTC Portfolio. The structure aided communication and led to improved decision making. The project roles differed from an individual's organizational seniority and were related to what was required for the project.

A specific rule for the portfolio was that the Executive and Portfolio Manager roles could not be delegated and that the Portfolio Manager role should not be combined with any project board role.

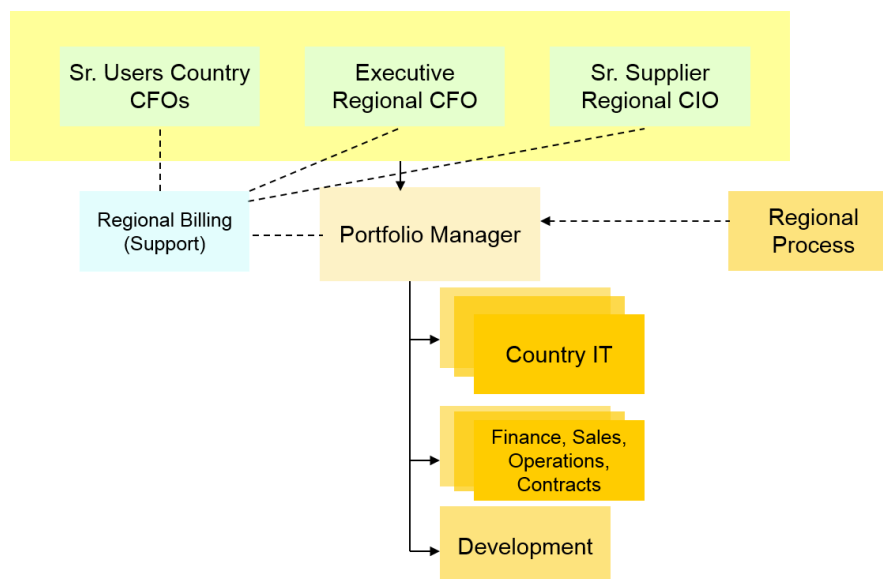


Figure 3 - OTC Portfolio Board

The Portfolio Board provided overall direction and management of the projects and was accountable for success of the portfolio. The portfolio board approved all major plans and authorized major deviations according to the portfolio plan. The executive was the key decision maker and was supported by the senior users and the senior supplier.

Regional Billing ensured the quality of project management and that the qualities of the project deliverables were satisfactory to the customers and to users.

The Portfolio Manager ran the portfolio on a day-to-day basis on behalf of the portfolio board. The Portfolio Manager main responsibility was to ensure that the portfolio deliverables met the quality standards and within the specified constraints of time, cost, and incremental benefits.

Country IT teams identified applications eligible for decommissioning and developed interfaces required for integration with local application ecosystem.

Finance, Sales, Operations and Contracts teams prepared for the adoption of the new billing process, new organizational structure, and reassignment or elimination of positions within the country.

The Development team prepared the centralized environment and configured each country's instance of the new billing solution. The Development team provided ongoing support and addressed any technical issue reported by the end users.

The Regional Process team provided billing process standards and supported process harmonization across all countries. Regional Process team conducted gap analysis of the existing billing processes and standardized to a unique billing process supported at the shared service center and countries' billing groups.

Stakeholders

The Country Manager and the Country CFO were the portfolio champions and provided support thru their local Finance, Operations, Contracts, Sales and IT functions (Figure 4).

The Portfolio Manager was the central point of contact with the Country Manager and CFO.

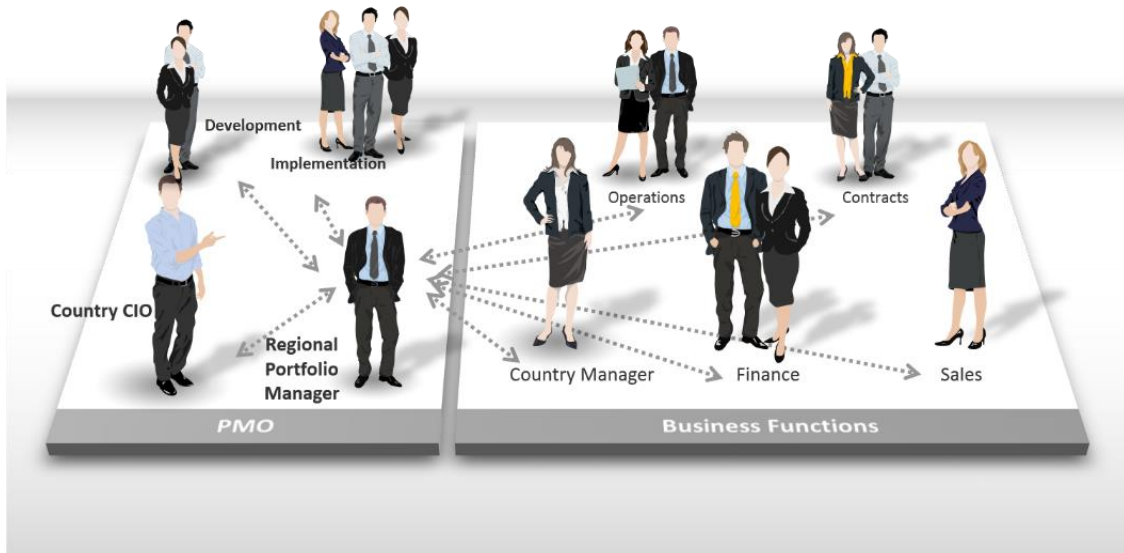


Figure 4 – Portfolio Stakeholders

Although during the annual Regional Strategy Meetings there was a consensus among Country Managers and Country CFOs to proceed with the implementation of the billing system, their attitude changed at the time it was their turn for implementation. Stakeholder Management was a difficult task in many occasions supported by a strong relationship building with influencers in

the LATAM Region and thru the creation of alliances that helped to “convince” the Country Managers and Country CFOs to proceed with the implementation.

Portfolio Implementation

For purposes of the implementation, the countries were classified as small, medium, and large. This classification was based on the country's monthly sales volume. The estimated average deployment duration for small countries was 1 month, for medium countries 2 months and for large countries 3 months. Prior to deployment, other required activities such as data cleansing, data migration, and training took place, usually one month in advance of the deployment date.

The portfolio implementation motto was: **What is GOOD for you is GOOD for the business unit** that was focus on fostering the ONE TEAM Culture.

Establishing the ONE TEAM Culture was not an easy task. Resistance to change was an issue across all the countries of the LATAM Region. The implementation of a centralized billing system became a battle for power and budget. Country budgets were cut as the centralized billing system enable the standardization of the technology landscape, elimination of obsolete technology and associated maintenance cost. Countries were no longer in position of updating the billing system due to the strict access control to billing files.

During the portfolio implementation the Portfolio Board supported program scope and business process changes in response to the findings in different countries and Business Functions as follows:

- Revenue leakage – a large number of shipments were fulfilled and not invoiced. A new module was added to the core functions of the Billing Application to reconcile the Operations files that fed the billing system to ensure all shipments were fed into the billing system. This module recovered the revenue leaked experienced by several countries.
- Revenue recognition method impacted the business unit– Revenue recognition and commission payment took place at the time the invoice was sent to the customer. This practice affected the Country, Region and Global results as there were many overdue invoices and the Sales team was rewarded without merit. The Revenue recognition and commission payment policies were changed. Revenue was recognized and commission paid after receiving the customer payment.
- Changing billing cycles would help Collections process – Having several billing cycles increased the work at the Billing Center and made the collections process cumbersome. Customer were notified and contracts were updated to adopt bi-weekly and monthly billing cycles.
- Highest cost per invoice – The proliferation of non-standard products and the development of satellite applications to support those increased significantly the cost

per invoice as it required a large number of employees to support such process. Non-standard products were eliminated and its associated work force.

Unforeseen Portfolio Issues

New business requirements were submitted to comply with government regulations issued in different countries such as Brazil. A large majority of such changes were published in advance by government entities, which enabled the portfolio team to submit new business requirements to the global governance entity in order to provide the required functionality. There were some exceptions in which sudden changes to government regulations (i.e. Venezuelan Currency Re-expression) were made on very short notice and required the creation of a “SWAT team” to develop and deploy the new functionality in order to comply with the new governmental regulation and also thereby to avoid hefty fines for noncompliance.

The eruptions of Eyjafjallajökull were volcanic events in Iceland which, although relatively small for volcanic eruptions, caused enormous disruption to air transportation across western and northern Europe. This event threatened to impact DHL. In a global and well-orchestrated effort several contingency plans were implemented. Most of the resources assigned to the portfolio implementation were diverted to support this effort that resulted in the diversion of flight routes to North Africa and enable the ground fleet in the south of Europe to transport the shipments to their final destination. As many other logistics companies experienced disruption, The DHL was able to maintain their international and domestic customers satisfied with little or no delays in their shipments.

Portfolio Opportunities

Replacing the local billing systems for a centralized billing solution provided the opportunity to create economies of scale. After the implementation in the first two waves of countries, employees from Invoicing in two medium countries recently implemented resigned; this fact led the discussion about creating a shared service center to serve all countries in invoicing back office functions. The Central America Region has already implemented the shared service center concept managing all the invoicing functions from Costa Rica.

The idea of the shared service center was presented to the regional board for approval. The plan was to divert training budget and changing Business Function structure at the country level that will reduce cost at regional and country level. With the shared service center the region would be able to standardize billing processes, manage billing functions by a single entity, expedite implementation time for the reminder countries, and enable countries to speed-up the adoption of the new billing solution. The proposal was approved.

Results

The major outcome of the implementation of the OTC Portfolio was its contribution to make the LATAM Region and the Express business unit sustainable and profitable within the timeline set by corporate.

The centralized billing system in combination with the Process Improvement and Collections initiatives helped to reduce the regional Days Sales Outstanding (DSO) by two days, initially forecasted as 0.5 days. The reduction of one day of DSO translated into €1M average per country in Cash Flow which resulted in ~€100 improvement in Cash Flow for the region.

The centralized billing system provided accurate reporting with actionable information to the Regional Board of Directors for the decision making and set the foundation for ONE TEAM Culture.

The portfolio was implemented seven months ahead of schedule and under budget regardless of unforeseen issues faced during the implementation. The standardization of processes and harmonization of cross-functional metrics and KPIs contributed to reduce 80% the cost per invoice.

Customer Satisfaction was improved across the region as rejection rate of inaccurate invoices was reduced, contracts were renewed, and late payments and overdue invoices were reduced to a minimum.

Final Words

The LATAM region of the Express business unit was the first region, among others, to successfully complete the deployment of the billing system and OTC Portfolio. From inception to conclusion, the portfolio plan was a working document that was continuously updated to reflect and leverage the lessons learned after each country's implementation. The inclusion of economies of scale (not considered in the original scope), reutilization of technology artifacts (i.e., interfaces, automation scripts, etc.), process optimization, among many others things set the scenario to implement an Organization Project Management framework that enabled the realization of incremental benefits, savings, growth and the main contribution to make the Express business unit sustainable in the within the period defined by corporate.

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About the Author



Conrado Morlan

Texas, USA



Conrado Morlan, PfMP, PgMP, PMP, CSM, SA is an experienced global portfolio, program and project manager with more than 20 years of experience in aligning projects with organizational strategy for multinational companies and leading virtual and collocated multicultural and multigenerational teams in the Americas and Europe. Mr. Morlan was one of the first 150 individuals to achieve the portfolio management professional (PfMP) credential worldwide and was the recipient of the PMI 2011 Distinguished Contribution Award for his activities and influence in championing project management to Spanish-speaking practitioners and organizations. His contributions to Project Management are numerous as he strives to increase the field's visibility and advance the profession through conferences, blogs, articles, and interviews. One can also consider that his presence and its effects are multiplied by three, as his linguistic talents enable him to work across borders at equal levels of comfort in English, Spanish, and Portuguese.

Conrado can be contacted at conrado@thesmartpm.com