



## **Achieving Organizational Excellence Through Projects as Agents of Enterprise Strategy**

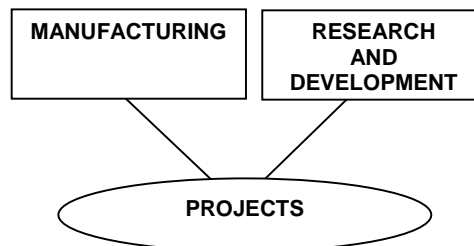
*Reduce Costs, Increase Revenues and Optimize Resource Utilization through Strategic Project Management*

For businesses in today's ultra competitive market place, projects are a way of life rather than the exception. Effectively implementing Strategic Project Portfolio Management is the only way to ensure that every initiative is aligned with the organization's overall strategic objectives.

Strategic Project Portfolio Management helps to reduce costs, increase revenue, optimize resources (human and other) and improve quality.

### **The Challenge**

Most non-service organizations concentrate in a few main areas of operations, e.g., Manufacturing and R&D. However, over time it becomes apparent that an additional component is contained within these areas consuming a large portion of organizational resources, and that component is Projects.



*Examples of projects large and small are usually not hard to find. E.g., ISO 9001, Mergers and Acquisitions, IT Initiatives, Business Process Re-engineering, Sarbanes-Oxley, New Product Launches, Six Sigma, etc.*

In reality, most businesses are constantly engaged in numerous projects throughout the enterprise and each project can be in various stages of completion. In all likelihood organizations have several new product development projects, quality control initiatives, and compliance efforts taking place at one time<sup>1</sup>. Now take into consideration finance, facilities, and logistics and you begin to understand why most companies do not know how many projects are underway, each project's status, or whether each project is aligned with the organization's high level strategic objectives.

An organization cannot efficiently and effectively manage what it cannot measure. There is no way to manage the overall project portfolio strategically, including pooling of resources and overall budgeting unless all projects can be measured and compared to each other and measured against the strategic corporate objectives.

The lack of an organizational entity with responsibility for mapping strategy to projects, and to monitor those projects as initiators of change, results in too many projects being chartered that have little or no connection to the overall corporate strategy.<sup>1</sup>

*Projects that run 10% longer than anticipated lose up to 30% of the potential ROI.*

Are some of your larger or more important projects failing to deliver the expected results or delivered months behind schedule? Do your most demanding projects have the least connection to your company's strategy? If you can answer yes to these questions, you may be dealing with projects on an individual basis. But this project management philosophy doesn't help you with the larger picture of linking your project mix to the corporate strategic objectives.

*Project management ensures that projects are done right while project portfolio management ensures that the right projects are done.*

Similar to models of financial portfolio management in which investments are selected based on their potential for earnings or growth, project portfolio management (PPM) helps to ensure that projects further the goals of an organization. A frequent distinction is that *“project management ensures that projects are done right while project portfolio management ensures that the right projects are done”*.

Although there may exist project management expertise at various levels in an organization, there exists the need to pull this knowledge together and pool resources across the organization. Achieving the pinnacle of Strategic Project Portfolio Management takes time, iteration and most difficult; cultural change.<sup>1</sup>

Even in an area like IT, where project management has been utilized for years the segregation of IT projects from business initiatives is beginning to blur as technology becomes more and more driven by the business processes. For example, ERP, CRM, SCM, PLM, etc.

*“There exists a 70% probability that organizations with no strategy for blending internal and external resources to achieve “best in class” staffing will incur 25% higher labor costs.”*

The concept of Strategic Project Portfolio Management is based on the idea that there is a correlation between an organization's capabilities in Project Management, Program Management and Portfolio Management, and its effectiveness in implementing strategy.

As corporate executives struggle to link strategic business objectives with the individual projects they have been asked to charter in order to meet these ever increasing challenges, the Strategic Project Office (SPO) has gained in popularity.

*“Gartner Group predicts that companies that fail to establish a project office will experience twice as many major project delays, overruns, and cancellations.”*

Throughout the modern market place entities are working hard to compress product life cycles, reduce costs and improve quality. This challenge has led many companies to turn to Strategic Project Management Offices as a way to boost efficiency, cut costs, and improve on project delivery in terms of resources, time and budget.

SPOs can help by providing the structure needed to standardize project management practices, evaluate resource requirements, facilitate project portfolio management, as well as determine methodologies for repeatable processes and thus repeatable success.

## Strategic Project Management Office (SPO)

The SPO (*or an Enterprise Level Project Management Office*) is the main link between corporate vision and the work of each business unit. A Strategic Project Office is an area or group staffed by project management professionals serving as the center of excellence. Project Office organizations can exist at three basic levels of maturity:

Level 1 – Here project management disciplines are practiced at the individual project level to create value for a particular project which can be applied to future projects.<sup>1</sup>

Level 2 – Project management expertise is provided to individual projects but there is also an effort to integrate multiple projects of varying size and complexity. Here you begin to see an integration of resources at the organizational level assuring the higher priority projects receive required resources first. Processes begin to be migrated to other projects providing a higher level of efficiency in managing resources across projects.<sup>1</sup>

Level 3 - “Strategic Project Office” – Here authority exists to select, prioritize and monitor projects based on organizational strategic objectives, e.g., profitability, market penetration, etc. An Executive Steering Committee approves and prioritizes projects based on the contribution project’s will have on overall corporate objectives. The SPO serves as a repository for corporate wide standards, processes and methodologies which improve individual project performance as well as the overall project portfolio. Consistent reporting tools allow executive management to receive the “big picture” of all project activity across the enterprise from a central source.<sup>1</sup>

Too many organizations minimize the value and responsibility of a SPO. A Level 3 project office is not just a clerical function or a means for controlling cost, time and resources on individual projects. Implementing a Strategic Project Office (*and thus Strategic Project Portfolio Management*) involves dealing with people; you are changing culture, building new processes, creating new approaches, integrating these elements across business units and coordinating with teams of all sizes, backgrounds, complexities and interests.<sup>1</sup> The strategic project office becomes a shared organizational competency.

The SPO is located at the corporate level providing data on total corporate funding for projects, resources utilized across all corporate projects, capital requirements, materials impact, supplier impact and supply chain impacts.<sup>1</sup>

The Strategic Project Office is a function designed to facilitate the management of projects on one level and to improve management of the entire enterprise via strategic project portfolio management and linking projects to corporate strategy on the highest level. It is more than establishing an office and creating reports, it is a shift in culture throughout the organization.

*Superior business performance is dependent on project management maturity levels according to a new global survey from PricewaterhouseCoopers. Yet, 51% of survey respondents are at maturity levels 1 and 2 and only 13% achieve, the highest rating.<sup>3</sup>*

*According to the Software Engineering Institute’s Capability Maturity Model there are 5 levels of capability:*

*Initial – processes are ad hoc.*

*Repeatable – processes in place to repeat earlier successes*

*Defined – approved standard are used across projects.*

*Managed – process and product are controlled quantitatively.*

*Optimizing – continuous process improvement is in place.*

The Strategic Project Management Office goes beyond standard project office functions because it is charged with linking strategic corporate objectives to individual projects and the overall project portfolio. The SPO also includes functions like the project office steering committee, project management maturity improvement, project culture, quality management and resource management across the project portfolio and thus the entire enterprise.<sup>1</sup>

While SPOs vary in terms of size, structure and responsibilities, one can expect a fully evolved enterprise level SPO to function in the following areas as outlined in [www.cio.com](http://www.cio.com) article "Office Discipline: Why You Need a Project Management Office" July 1, 2003:

**Project support:** Provide project management guidance to project managers in business units.

**Project management process/standards/methodology:** Develops and implements a consistent and standardized process which is reliable and a proven success.

**Training:** Conducts and/or procures proper training programs to ensure project manager and project team member competency and professional development.

**Home for project managers:** Maintains a centralized office from which project managers are loaned out to work on projects

**Internal consulting and mentoring:** Advises project teams about proven best practices.

**Project management software tools:** Selects and maintains project management tools for use by employees. Implement enterprise level reporting tools to produce executive level "flash" reports on all current projects.

**Portfolio management:** Establishes a staff of program managers who can manage multiple projects that are related. Provides a consistent way to evaluate, select, prioritize, budget and plan for the right projects, those offering the greatest value and contribution to the strategic goals of the organization.<sup>2</sup>

Proper resource allocation can boost productivity while ensuring priority projects get the most attention by eliminating multiple assignments. Productivity drops every time an employee switches from one task to another and more importantly from one project to another.

The creation of a SPO is one strategy to control the constant demand for new initiatives. Benefits can often be seen in as little as six months by providing the visibility needed to cancel, postpone or reduce scope on unnecessary or less strategic projects.

*The standard project management office provides six main functions:*

*Project support*

*Project Management Tools*

*Methodologies and standards*

*Training*

*Mentoring, consulting*

*Project Managers*

*"The major cause of project failure is not the specifics of what went wrong, but rather the lack of procedures, methodology, and standards for managing the project" Infoweb, August 2009<sup>1</sup>*

*Executive Management must understand that project management is a key strategic tool to secure business benefits through project initiatives.*

When deployed in line with an organization's culture, SPOs will help organizations deliver strategic projects that satisfy both the corporate executives and internal customers. Over time SPOs can save organizations money by enabling better resource management, reducing project failures and ensuring the approval and priority of those projects that offer the biggest ROI.

*Effective Project Management translates into key competitive advantages.*

When corporate executives can effectively prioritize projects and make fact based decisions about initiation, funding and resources they will be in a position to optimize the organization as a whole rather than just tinkering with the individual parts and projects can at last fulfill their promise as agents of enterprise strategy.

## REFERENCES

<sup>1</sup> Crawford, J. Kent. The Strategic Project Office: A Guide to Improving Organizational Performance. Marcel Dekker, Inc. 2002

<sup>2</sup> Santosus, Megan. "Office Discipline: Why You Need a Project Management Office." cio.com. July 1, 2003

<sup>3</sup> PricewaterhouseCoopers. "Boosting Business Performance through Program and Project Management." June 2004