Enterprise Project Management

By Amulya Gurtu

The definitions and the roles of the project management office (PMO) in industry today are very diverse, and it is therefore important to examine and understand the evolving role of the PMO in a dynamic global business environment. Two extremes of project management offices (PMO) that I have come across so far are those consisting of (1) a single person, who is not a certified project manager, managing a single project, and (2) a complete structure at the corporation managing all of the initiatives across the corporation's divisions. The former, in my opinion, is at best no more than a project manager for whom the organization has used the designation of manager–project management office, while the latter does not include the words *project* or *project management office* at all but functions like a project management office.

> "I find that the role of enterprise PMO (EMPO) is as important as any other corporate function. I see EPMO as equivalent to other corporate functions such as strategic planning, finance, or audit, with many similarities among these corporate functions."

I find that the role of enterprise PMO (EMPO) is as important as any other corporate function. I see EPMO as equivalent to other corporate functions such as strategic planning, finance, or audit, with many similarities among these corporate functions. In addition, an organization can maximize the value of "project management" by standardizing the practices and consolidating the initiatives across the enterprise.

Current State

Organizations are realizing the importance and benefits of project management practices and are hiring more and more certified project management professionals—e.g., Certified Associate in Project Management (CAPM)®, Project Management Professional (PMP)®, and Program Management Professional (PgMP)® credential holders—and also sending their employees to attend project management training sessions and seminars. However, it is still evolving and there is not much focus on EPMO. Whenever an IT enterprise application is to be rolled out, the consulting organization sets up a PMO and, in the best-case scenario, it is dissolved as soon as the project is completed. In most cases, the role of this type of project management office is limited to the technical side of the project or is focused on the technical side of the project.

There is a second kind of PMO, which consolidates the portfolio for a function and works as traffic police—Go/No-Go—with varying degrees of authority on the project resources and accountability for project success. The list of all of the variants is long and does not add much value (although it adds a great deal of confusion). Therefore, I am skipping ahead to the proposed solution for harnessing the benefits of project management at the enterprise level.

Enterprise Project Management

I am using the term *enterprise project management* (EPM) or *enterprise project management office* (EPMO) to refer to a generic corporate function and am avoiding the debate on the meaning of "P" (i.e., whether *P* stands for *project, program,* or *portfolio*). It is my intention to present a view that project, program, and portfolio, while each having a distinct meaning, are part of the corporate function "enterprise project management." EPM is like the medical or engineering field, which includes a multitude of divisions and specializations in each area. Similarly, EPM has numerous subsections, such as portfolio management, program management, project management, and PMOs.

First and foremost, the structure of this organization is important. Figure-1 illustrates an ideal organization structure for EMP. I would designate the EMP leader a CPO (chief project officer). This designation helps in visualizing the concept. The idea is to centralize the project management function across the enterprise and standardize the project management practices, in addition to leveraging the project resources from a central pool of project / program managers.

Management Process

Synthesis of all of the inputs on the project/programs, spread across functions/divisions/business units (BU) will lead to decisions by the executive council on the selection of projects and budget approval. Projects must be classified within each portfolio as vital, essential, and desirable, based on common selection criteria. The bucket of total money should be distributed starting with the vital to the essential to the desirable class of project for each portfolio. The meaning of a project / program here is anything required in the organization other than operations. Anything required for improving / maintaining the operation is also considered a project, and, depending upon the time horizon, it could be vital or essential or desirable. Examples of this type of project include upgrade of IT hardware or replacement of a machine in manufacturing that is required to maintain the existing operations (i.e., it is not an addition to the existing facility or capability). Anything that cannot be delayed or for which schedules cannot be negotiated because of externally imposed dates (e.g., by a government agency) also falls under the category of "vital." The list of approved projects / programs and the functions leading it should be made available to all employees so that the entire organization understand the projects / programs that an organization is working on within a given financial year. A corporate practice of working only on those projects that are on the approved list should be fostered in the organization. All selected projects will have designated project managers from the pool of certified resources, and employees who wish to have a career in project management should be groomed to grow in the organization within an EPM function.

Advantages

While there is only one perceived disadvantage of higher cost due to structure, there are many advantages to the EPMO:

- Project / program managers will be optimally utilized, and additionally will have a career in the enterprise.
- Synergies between the projects / programs and their relative importance will be identified by the vice president–portfolio in the suggested organization. This is not possible in the current structure, where portfolio management is very functional.
- Learnings from one project / program will be applied to projects in other portfolios. This is not possible in the current structure, where project management is a small subset within a function.

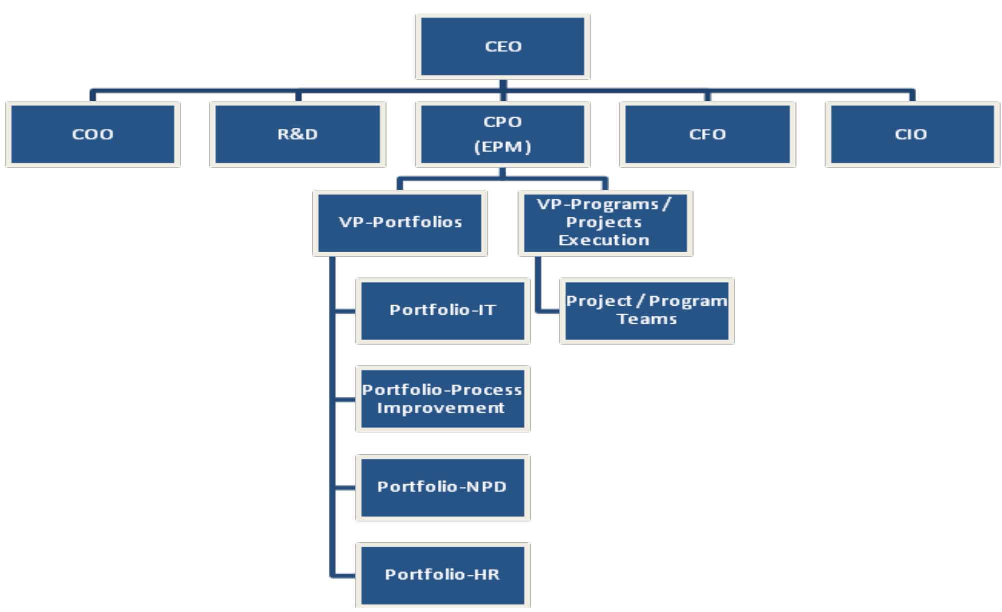

Figure 1: Organization structure for an ideal EPMO.

- Project resources will be reinforced or balanced according to the progress made on the project / program, which will be easily identifiable by the vice president–projects / programs in the proposed structure. This is not possible in the current structure, where project management is a small subset within a function.
- Every employee (including managers) will use the common list of approved projects and build their annual work plans accordingly. Anything not on the list of the approved project cannot be part of anyone's annual work plan. Human resources personnel and functional managers can help employees focus on matters that are important to the success of organization.
- Monitoring of the performance parameter will be common.
- Reporting will be in the common format, which will allow decision making to be easier on further release of funds to the project.
- Above all, the leadership team will have a single source of truth across the enterprise regarding the status and performance of projects / programs.

My Experience with the Proposed Structure

I have experienced success with the proposed structure and would like to share two success stories from two industries from different continents.

Case 1

The first success story took place in an automotive organization in Asia, during the period of 2001–2003. The organization, which had six divisions spread across three states, was going through a rough patch, and needed to do something urgently to improve its performance. Several consultants were hired to solve divisional problems, without much impact on the overall performance of the organization. I attributed the single reason for their limited success to the lack of centralized structure and hence the lack of coordination of efforts across divisions. Finally, organizational restructuring was done to coordinate the initiatives across its divisions—i.e., three operations divisions: marketing and sales, research and development, and corporate. An organizational structure was created that was very similar to the structured proposed above, with some exceptions, such as the name of the department, the required number of resources, and the designations.

Under the new structure, all of the initiatives (from every functional portfolio) were consolidated, prioritized, assigned to leaders, and reviewed every month. All of this was done centrally, which avoided the possibility of any oversight in decision-making. No one was allowed to work on any initiative that had not been approved by the governance councils. The decisions taken by the governance councils were shared with all of the executives routinely. The process and criteria for prioritizing, shutting down, or shelving the projects were simple. Criteria for prioritizing were (1) strategic alignment, (2) return-on-investment (ROI), and (3) payback period. Higher-priority projects had a combination of tighter strategic alignment, higher ROI, and shorter payback period. Resources were allocated from the highest priority initiative downwards until all of the resources were exhausted. This led to balancing the resource utilization among divisions, too. Remaining initiatives were kept in the pipeline for starting the next-highest priority project as soon as resources were available. New initiatives were continuously added to the portfolio in the pipeline and reprioritized. The prioritization of the initiatives (as these were called, rather than projects) across the enterprise led to the closing of many projects. This was not a popular move, particularly for me, but it was done successfully due to the support from the CEO (and his direct reports). These initiatives required monthly reviews due to the gravity of the situation that the organization was facing and because it was a new culture in the organization. However, it should be noted that monthly review of all of the initiatives by the CEO and his direct reports (CXOs) is expensive and not necessarily required in every organization / situation. The frequency of the review should be determined by the size of the organization, number of initiatives, and the culture of the organization. Nevertheless, as a rule of thumb, frequent reviews in the beginning will facilitate in establishing the EMP in an organization. I led the function and helped the organization turn around its performance in 24 months.

Case 2

This success story is about a global mining organization in the western hemisphere. The North American organization had undergone acquisition by a South American organization. As a result, many projects were undertaken for aligning and integrating the two organizations postacquisition. After about one year of chaos in the new organization, I was hired to set up a PMO at the global corporate office, in Toronto, Canada. My mandate was to set up a PMO for effective and timely integration of the process across two organizations. The by-product of integrating processes may lead to integration of systems, but that was not the primary purpose. I was surprised to see a global organization in today's competitive environment without a project management function at the corporate division. General perception among the employees was that nothing is moving in the organization. From the get-go, I started establishing an EPMO, from defining the vision for the function and organization structure, to writing the roles for various members of the team such as project managers / coordinators, approval of the levels / salary (etc.), developing project management processes / templates, and governance protocols. This was a huge task. Concurrently, I consolidated all the portfolios of projects and realized that there were too many integration projects, which were not coordinated across divisions, and no prioritization among the projects, and that all of the projects could not be handled due to lack of sufficient resources in the organization. The consolidation of the project also gave an estimate requirement of project managers.

Hiring external resources was not a viable option due to the requirement of time and resources for induction of the new employees. About 12 weeks into the battleground, a meeting of all of the key executives from each division was organized with the purpose of presenting them with the big picture and helping them prioritize and assign the resources, starting from the highest-priority projects downwards. The number of "top priority" projects for that year was reduced from about 40 to 4 across the enterprise, and resources were assigned with clear milestones. Each project was reviewed every alternate week and a consolidated portfolio was reviewed monthly by the organizational leader. Suddenly the organization started feeling the momentum, due to the concerted effort from EPMO. The projects started completing on time, and people started to feel a sense of accomplishment. As a result, employees felt engaged. Then, suddenly, global financial meltdown disrupted this EPMO and kept it from maturing. However, everyone realized the benefits of EMP. One thing I would like to point out is that, although the effort required from the employees was not reduced, the concerted efforts across the enterprise led to the quicker success and higher motivation among employees.

> "It is a huge change management task, and organizations who want to embrace it should prepare the executive team to commit to its success and allow it to overcome 'teething' troubles."

Suggestions for the Successful Establishment of an EPMO

Here are few suggestions that you may find helpful in establishing an EPMO. These are based on my own experiences and therefore are not exhaustive:

1. Buy-in from the senior leadership team is the single most important factor
2. Set realistic expectations / timelines with the leadership team
3. Build a roadmap with goals, objectives, and milestones and share it with others on the team
4. Develop organization structure, roles, and responsibilities
5. Develop process for governance / decision making
6. Build the team to support the above (approved) structure
7. Involve / communicate regularly with the rest of the organization about the changes
8. Review the progress regularly—more frequently in the beginning
9. Be open to suggestions and reserve the option to change the roadmap / timelines
10. Maintain transparency

Conclusion

Business leaders have seen success in projects through the use of this unified approach. However, organizations perceive it as an overhead, which it is in the beginning (as it is when any other enterprise initiative is started). Secondly leaders become impatient for the results. It is not just about project management. It is about change in organizational culture and a different approach to structured decision-making. It is starting a new function and building a different culture of project management within the organizations. It is a huge change management task, and organizations who want to embrace it should prepare the executive team to commit to its success and allow it to overcome "teething" troubles.

About the Author

Amulya Gurtu is an expert on project management with over 22 years of experience in many industries (auto, process, high-tech manufacturing, mining, and education) in different countries in North America, South America, Europe, and Asia. He holds MBA and MS (engineering) degrees and is a Project Management Professional (PMP)® credential holder. He has served as an executive leader of many multinational organizations. He provides consulting services on project management / PMO and teaches at Humber College, Toronto, Canada.