CENTER FOR BUSINESS PRACTICES®

Advancing Organizational Project Management Maturity



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Introduction

MATURITY IN HUMAN beings is a complex attribute. It isn't merely age in years, although that is often a factor; and while education can foster maturity, such a result isn't guaranteed. Experience of course is key—yet some folks don't seem to learn from experience—or at least, not the "right" lessons.

Likewise, when we label an organization "mature" in its important business processes, we are capturing a complex web of factors in a single word. In these pages, the thought leaders of Project Management Solutions and the Center for Business Practices have endeavored to unravel a few strands of that web. We will discuss how a project management maturity model is applied in the real world; provide research on the benefits that companies experience from advancing their project management maturity; and explore the related topics of organizational structure and project manager development.

Finally, we will present findings on an attribute of truly advanced organizations: the ability to align projects and corporate strategy.

We invite the responses of readers to the ideas and statistics discussed in this book, because advancing the maturity of the project management profession is a community effort. Visit us online at cbponline.com to join in the conversation.

Advancing Project Management Maturity

Tony Appleby and Karen R.J. White

To stay healthy and competitive, an organization must continue to reinvest in its project management infrastructure. It is equally vital to continue to improve the project management discipline within an organization to help it grow and thrive to its fullest.

To this end, many organizations perform a health check of their project management practices to properly ascertain the current state of project management and make corrections for any deficiencies noted. The more forward-thinking organizations also make an investment in mapping out a plan for improvement that not only bolsters the project management process but also lays out a long-term path for continual growth.

Project management practitioners frequently refer to the current state of health of the project management discipline within an organization as its level of maturity. The more mature an organization's practices are, the more likely that organization is to successfully meet its project goals, inclusive of schedule, budget, resource allocation, and align-

ment to business strategies. In doing so, the organization is ensuring the future success not only of its project management discipline, but the success of the strategic goals of the company.

What, Then, is Project Management *Maturity* and How Do We Measure It?

The concept of maturity within an organization refers to the comparative level of advancement that an organization has regarding any given activity or sets of activities. Organizations that have more fully-defined and actively used policies, standards, and practices are considered more *mature* than those organizations that do not.

The same holds true for the discipline of project management. Project management maturity is the progressive development of an enterprise-wide project management approach, methodology, strategy, and decision-making process. The appropriate level of maturity will vary for each organization based on specific goals, strategies, resource capabilities, scope, and needs.

Maturity is measured using the Project Management Maturity Model (PMMM®), a formal tool developed by PM Solutions that incorporates the Software Engineering Institute's (SEI) Capability Maturity Model's (CMM®) five evolutionary maturity levels, and examines maturity development across the nine knowledge areas in the Project Management Institute's (PMI®) *A Guide to the Project Management Body of Knowledge (PMBOK® Guide)*.

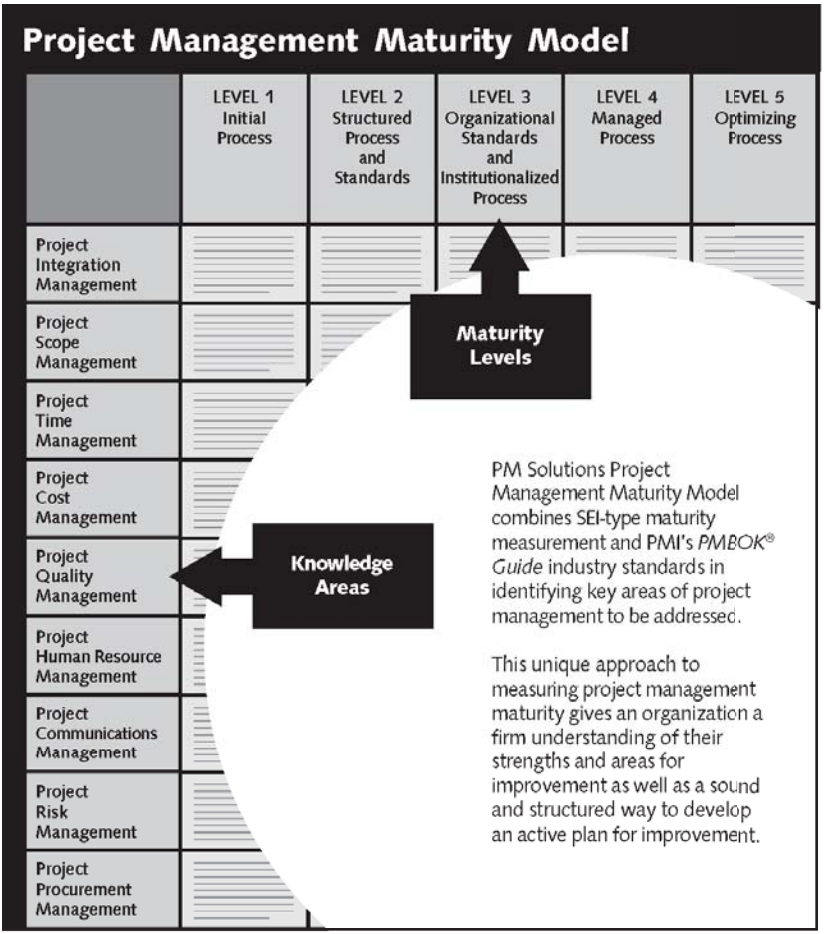


Figure 1: PM Solutions Project Management Maturity Model.
The Project Management Maturity Model is used to assess the current state of an organization's project management practices; that assessment is used to map out a plan for improvement that bolsters those practices and lays out a long-term path for continual growth. The more mature an organization's practices are, the more likely that organization is to successfully meet its project goals.

Measuring maturity through a formal assessment process gives an organization a benchmark on their current environment, how project management is being used, and most importantly, where to focus improvement efforts in order to advance to higher levels of maturity. Each of the five maturity levels within the PMMM represents a discrete organizational capability based on the following summary-level characteristics.

Levels of Project Management Maturity

Level 1: Initial Process

- *Ad-hoc* processes
- Management awareness.

Level 2: Structure Process and Standards

- *Basic* processes; not standard on all projects; used on large, high visible projects
- Management supports and encourages use
- *Mix of intermediate and summary-level* information
- Estimates, schedules based on expert knowledge and generic tools
- Mostly a *project* centric focus.

Level 3: Organizational Standards and Institutionalized Process

- All processes, *standard* for all projects, repeatable
- Management has institutionalized processes

- Summary and *detailed* information
- Baseline and informal collection of actuals
- Estimates, schedules may be based on industry standards and organizational specifics
- More of an *organizational* focus
- Informal analysis of project performance.

Level 4: Managed Process

- Processes *integrated* with corporate processes
- Management *mandates* compliance
- Management takes an organizational entity view
- Solid analysis of project performance
- Estimates, schedules are normally based on organization specifics
- Management *uses data* to make decisions.

Level 5: Optimizing Process

- Processes to measure project effectiveness and efficiency
- Processes in place to improve
- Management focuses on *continuous improvement.*

Assessing Maturity

Determining the correct level of maturity in an organization is something less than science but more than art. There are many factors that go into determining this level including

individual interviews, and evaluating artifacts, processes, standards, knowledge, and company culture. It is extremely important to use a structured assessment process that has been tested and proven to achieve consistent and correct results.

Typically, organizations start with a baseline assessment of their current situation. This is accomplished by performing a comprehensive assessment evaluating all areas where project management has an influence. From here, a periodic, abbreviated assessment can indicate where progress is being made in the application of project management methodologies. The baseline assessment enables an organization to identify those areas that will provide the greatest return on investment and will show where immediate actions will have an impact.

There is a great difference between each of the five levels. Organizations should strive to fill in the pockets that are weak while advancing those that will provide benefit. Striving to increase the maturity level just for the sake of having a higher level is an unwise use of the results. An assessment should really be aimed at providing a path forward for the organization in improving its project management capabilities. It is also recommended that an organization attempt to maintain a close relationship of levels across the various knowledge areas. It has been our experience that the benefits associated achieving a Level 5 maturity in one knowledge area may be erased if the other knowledge areas are all at Level 2 maturity.

PM Maturity Model Alignment with OPM3

The Project Management Institute has published their Organizational Project Management Maturity Model (OPM3®), which serves as a collection of best practices that they recommend organizations put in place to advance maturity. PM Solutions has completed an extensive review and analysis of PMI's OPM3 and mapped it against our Project Management Maturity Model (PMMM). It has been our experience that many organizations struggle with taking a collection of best practices and creating a tangible action plan to improve their performance. PM Solutions uses OPM3 best practices in conjunction with our PMMM to help develop a structured maturity improvement plan for organizations.

So, what takes place during a maturity assessment? Any thorough assessment has the following four ingredients (at a minimum):

- Personal and/or group interviews
- Artifact collection and evaluation
- Widespread survey input
- Benchmark comparison to established standards.

There is little substitute for the sense of discipline, understanding, and buy-in that can be obtained from a direct personal interview with a project management practitioner. This is a necessary element of an assessment to uncover the

degree to which policy is put into practice. Coupled with this is the collection of evidence (artifacts) supporting the implementation of project management—are all the documents required by policy complete, are they of high quality, etc. Third, are the concepts of project management understood and utilized by the major population that should have knowledge about the policies and procedures — what is the general view of the project management requirements, *etc.* Last, synthesizing the data and comparing this information against an established standard that is logical, sound, and clear to provide a path forward is essential. Any assessment that does not consist of at least these elements may leave an organization wondering where the benefit lies with the process.

Can an organization perform an assessment on its own? Yes, but it does require focused effort and a commitment to actually do something with the results once tabulated. Consider bringing in outside experts that specialize in performing such assessments for these reasons:

- **Political climate:** If there are sensitivities around buy-in for continued investment in project management practices.
- **Time constraints:** If the organization is in support of project management advancement but cannot afford to take their project management resources off critical projects to focus on assessing and advancing maturity.
- **Objectivity:** If those that serve as internal drivers and/or champions for project management need an outside voice

to help validate their assumptions and convince internal decision makers that a continued investment in project management practices will yield better business results.

- **Expertise in assessing:** If no one within the organization is skilled in evaluating organizational maturity and in developing a clear, step-by-step improvement roadmap.

How Do You Know You've Advanced?

We find many of our clients periodically ask themselves: "Are we making a difference," or "Are we advancing the project management capability in the right areas, and in general?"

Recurring use of the assessment can show the progress that the organization and/or its project office is making toward helping the organization reach its goals. This can become a part of the metrics that are used to measure success of a project office on a recurring basis. If the project office owns the project management capability improvement action, then the results of the assessment can be attributed to the actions taken by the project office to improve project management capability. It is possible to use these measures as the basis of incentive rewards. Indeed, more organizations are moving to ensure funds directed toward improving project management capabilities are having a positive impact and giving results.

Another value of performing a re-assessment is that it provides a tool to communicate successes, such as meeting milestones, to executives and management. Leadership can

sometimes have a short-range memory, and commitment to change initiative budgets can waiver with time.

We recommend periodic assessments be performed on an annual basis to ensure improvements are taking root. Essentially, repeated assessments (commonly referred to as re-assessments) can be used to track progress against the project management deployment plan that would be developed as a result of the initial assessment.

Target Near-Term Improvement Goals

We often find that organizations want to use the assessment as a tool to identify specific areas of improvement that become goals for the next incremental period of time. They then tackle one area, one level, at a time. This allows organizations to show improvements over a 6-12 month period so that the improvement sponsors see a solid return on the investment. Small victories provide an opportunity to cheer for successes and reevaluate specific direction while reenergizing staff members. These are important "peg points" that allow organizations to see how much they have learned and adapt/adjust direction for the next short-term (six months) initiative.

Maturing to Level Three and Beyond

Some organizations are comfortable achieving a Level Two maturity rating. Most organizations, though — and especially larger ones — recognize that achieving at least a Level Three maturity rating is going to provide them with a significantly greater return on investment. The path to Level

Three is not an overnight journey. And for those organizations and institutions who seek to achieve a Level 4 or a Level 5 maturity rating, the path may require several years of continuous improvement activities within the organization.

PM Solutions' approach to minimizing the time in advancing an organizations' project management maturity is to first perform an exceptionally detailed gap analysis between the organization's practices and their desired level of maturity. Then, working with the executive leadership of the organization, PM Solutions charts out a roadmap of improvement initiatives and a detailed implementation and change management plan for improvement activities.

By carefully sequencing the path to project management performance improvement, an organization can significantly reduce the time required to achieve higher maturity ratings — and realize valuable results, such as shorter project completion times, better control of project costs, improved strategic management decision-making, and sustainable growth and profitability long-term.

So, What Exactly Makes a Level Three Organization?

Most organizations (roughly 90% of all companies regardless of size or industry) are at Level One or Level Two maturity (Center for Business Practices Research Report: *Project Management Maturity,* 2006). With overall maturity relatively low, it might seem that becoming a Level Three organization is a monumental feat. But not necessarily.

PM Solutions' PMMM identifies several hundred criteria, organized into manageable groups, that an organization must meet before it can be considered to have achieved a Level Three maturity rating. Many organizations already meet a large number of these criteria and have much of the infrastructure in place to begin a rapid move toward improving their project management capability. Frequently, though, the component pieces (training programs, management support, repeatable processes, proactive governance, etc.) necessary for advanced maturity have not been combined properly and have, in some instances, stagnated or lost momentum.

Often many of the project management ingredients are reusable and, as such, do not have to be discarded as the organization moves to improve its capabilities. Rather, a well-designed roadmap of properly sequenced — and organizationally appropriate — activities will ease the path, reducing the cost, resource requirements, and timeframe for an improvement initiative.

To achieve Level Three, all project management processes must be in place and established as organizational standards. These processes involve clients and internal customers as active and integral members of the project team. Nearly all projects use these processes with minimal exception—management has institutionalized the processes and standards with formal documentation existing on all processes and standards. Management is regularly involved in input and approval of key decisions and documents and in key project issues. The project management processes are

typically automated. Each project is evaluated and managed in light of other projects.

Of note, at Level Three, the processes must become tailorable to the characteristics of each project. An organization cannot blindly apply all processes equally to all projects, nor would they want to. Consideration must be given to the differences between projects (complexity, size, duration, etc.). The important thing is to note how the processes are tailored — that is, is there a *process to customize* the implementation of applicable activities and policies to a particular project?

Attaining Level Four Maturity

To attain Level Four, an organization's project management processes, standards, and supporting systems must be integrated with other corporate processes and systems. Level Four organizations' projects are managed with consideration as to how the project performed in the past and what is expected for the future. Management uses efficiency and effectiveness metrics to make decisions regarding the project and understands the impacts these decisions will have on other projects. All projects, changes, and issues are evaluated based upon metrics from baseline cost and schedule estimates, actual status, and earned value calculations.

Management clearly understands its role in the project management process and executes it well, managing at the right level, and clearly differentiating management styles and project management requirements for the different

sizes and complexities of projects within the organization. Ultimately, project information is integrated with other corporate systems, including finance and accounting, strategy management, and resource management systems, to optimize business decisions.

Attaining Level Five Maturity

Organizations that achieve Level Five are essentially best-of-breed organizations and set the standard for the project management discipline within their respective industry sectors. Those working within such organizations are highly organized and are optimizing the project management practice through continual improvement activities. There are formal processes in place that are used to continuously improve project management activities. For example, lessons learned are regularly examined and used to improve project management processes, standards, and documentation, increasing the probability of success for future projects. The metrics collected during project execution are used not only to understand the performance of a project but also for making effective organizational management decisions going forward.

Does Advancing Maturity Really Make a Difference?

The short answer is yes, and the performance benefits of advancing maturity have been documented in research con-

ducted by the Center for Business Practices (CBP) in 2006. This was the first study to find a direct correlation between organizational performance improvement and project management maturity.

The CBP's study, *Project Management Maturity: A Benchmark of Current Best Practices*, polled project management practitioners about their organizations' management practices and business results in the following eight performance areas:

- Schedule performance
- Budget performance
- Customer satisfaction
- Resource allocation optimization
- Strategic alliance
- Estimating quality
- Employee satisfaction
- Portfolio optimization.

The study found that high-performing organizations are 38% more mature in their project management practices than organizations in general, and that improving the level of project management maturity in an organization results in significant performance increases, particularly in the area of customer satisfaction. Nearly half of all respondents reported more than a *measured* 10% performance improvement across all eight areas.

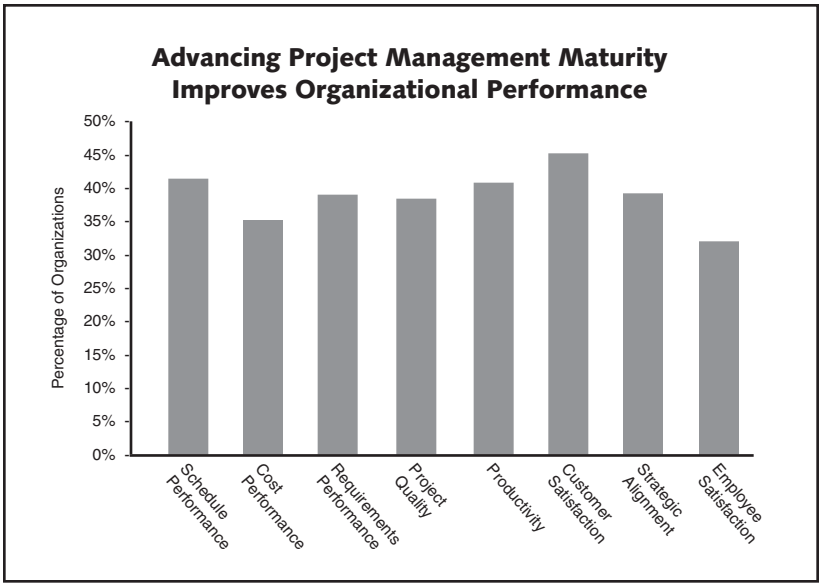


Figure 2: Percentage of Organizations that Show Performance Improvements Greater than 10%.
Companies show significant improvement in a variety of performance measures by advancing their level of project management maturity. This chart shows the percentage of organizations that exhibited more than 10% improvement in performance by advancing their level of maturity.

Conclusion

There is ample evidence to substantiate that when an organization invests in improving its project management capability in a disciplined and realistic way, it will reap significant returns on its investment. Each organization must determine for itself what level of maturity it needs to achieve and how long the journey will take. A properly developed implementation roadmap that follows a detailed

analysis of the organization's capabilities will significantly reduce the period of time required to improve the organization's maturity level.

Advancing organizational project management maturity is a key success factor in improving organizational performance. After all, an organization executes its strategy through projects, and optimizing the organization's project management capability results in directly increasing the probability of strategic success. The benefits are clear, and the time to begin the journey is now.

Advancing Maturity Case Study: Assessment/ReAssessment Focused

Frances Cruz

Industry: Global business software solutions, Consulting Services

Services Provided: Multi-year Project Management Maturity (PMM) Improvement Program

Company: Worldwide provider of business software solutions that help spur innovation and foster growth. Solutions range from distinct to enterprise-wide for small, medium and large companies and are delivered for organizations across the globe.

Challenge: The intent of the multi-year PMM Improvement Program is to deliver a consistent, scalable, lean, and ROI-driven program that helps ensure the Consulting Services division of this global company with improved projects delivery regardless of complexity, geography, and scale. And, while the original impetus for this initiative was to meet customer demands for better project management practices in delivery of its services, the company quickly realized that enhancing its limited capability in project management would not only enable it to meet its customers' demands but also serve to distinguish it from the project management capabilities of its competitors and align it with those of its partners.

Solution: Although recognizing the need to improve its project management capabilities and despite having very strong *individual* project management resources, having experienced several

started and stalled initiatives in the past, the company soon recognized the need to seek outside expert assistance in helping to craft, implement and oversee such a program. As such, Project Management Solutions, a leader in project management services was asked to assist with these improvements.

Initial improvement activities included design and implementation of global and regional project offices and encompassing governance standards; and customization and implementation of a comprehensive SDLC-integrated project management methodology. Once these early improvement activities were conducted the team towards the vital task of how to measure the efficacy and long-term effects of the program. Using the PM Solutions Project Management Maturity Model as their guide, the group conducted a variety of project management maturity assessments to establish a baseline PM Maturity for the environment and set a goal of Level 3 Maturity for Consulting Services delivery across the globe.

Result: The Consulting Services division continues its drive towards Level 3 Maturity according to PM Solutions' PMM Model. Overall improvement efforts have helped strengthen the consistency and efficiency of project delivery and have helped move the organization ever closer to it Level 3 project management maturity goal. There are continued struggles to be sure – the numerous environment differences – cultural, language and geographic – that must be accounted for as part of the improvement program; not to mention the organizational change considerations – certain regions advancing at a pace faster than others as well as the consideration needed respective of the plans of the broader organization within which Consulting Services resides; and the continued demands of their customer base.

Project Management Maturity assessment has been taken operational with its own recognized lifecycle – assessment improvement planning improvement implementa tion reassessment. A significant milestone was reached when regions and countries began asking (sometimes demanding) to be assessed once having the results of an assessment was viewed as crucial to localized and effective improvement planning. Several Consulting Services countries over the course of a few short years have reached and/or surpassed the Level 3 Maturity goal set by the division and are actively planning for how to maintain the improvement momentum. They are asking themselves and PM Solutions "what makes most sense for us to work on next – further maturity enhancement, refinement of existing well-executed practices, assisting the broader group, a new initiative"?

The project management methodology is actively being marketed, adopted, improved, and applied by resources across Consulting Services. Local project offices have been added as complementary entities to regional and global project offices and project management has been recognized as a legitimate job family. For the betterment of themselves, their customers and their resources – this group, with the help of PM Solutions, is in it for the long term. The initial project management improvement efforts are "bearing fruit" and the division is seeing results via its assessment and reassessment efforts.

Project Management Maturity Benchmark

James S. Pennypacker

IMPROVING AN ORGANIZATION'S level of project management maturity results in significant performance benefits, especially in customer satisfaction. And, although organizations are, in general, fairly low in project management maturity, the higher the level of maturity, the better the performance of the organization in all areas measured. These conclusions are among the results of a survey of eighty-one project management practitioners by the Center for Business Practices, the research arm of PM Solutions.

The CBP surveyed senior practitioners with knowledge of their organizations' management practices and business results. The survey was designed to benchmark the maturity of organizations in nine project management knowledge areas as well as investigate the hypothesis that there is demonstrable improvement in organizational and project management performance if organizations improve their project management maturity.

The survey asked the respondents to assess their organization's level of project management maturity using an

industry standard project management maturity model. PM Solutions Project Management Maturity Model identifies five levels of progressive maturity in the nine knowledge areas of project management identified by the Project Management Institute as key to project success:

- Project Integration Management
- Project Scope Management
- Project Time Management
- Project Cost Management
- Project Quality Management
- Project Human Resource Management
- Project Communications Management
- Project Risk Management
- Project Procurement Management.

Respondents were also asked how well their projects performed, based on eight measures of performance, including schedule performance, budget performance, customer satisfaction, resource allocation optimization, strategic alignment, estimating quality, employee satisfaction, and portfolio optimization.

High-performing organizations were compared to low-performing organizations as well as the overall average to determine whether or not high-performing organizations were more mature than low-performing organizations and, if so, what the differences were.

The survey is also a source of benchmark data — what is the current level of project management maturity of organi-

zations, overall and in each project management knowledge area. Results from a similar survey conducted in 2001 were compared with the current results to see whether or not there has been improvement over time in project management maturity industry-wide and, if so, how much.

Key Findings

- Improving the organization's level of project management maturity results in significant performance benefits, especially in customer satisfaction (45% of organizations showed greater than 10% improvement in customer satisfaction, and almost 30% of organizations showed more than 25% improvement)
- The higher the level of project management maturity, the better the performance, in all areas measured
- Organizations are fairly low in project management maturity—almost 90% of organizations are at Level 1 or Level 2
- All organizations, including high-performers, are consistently low in maturity in all knowledge areas, and they are poorest at risk and human resource management
- Overall project management maturity grew by 26% from 2001 to 2006, and the biggest improvements in maturity were in risk management, followed by procurement management and cost management
- Given that the importance of project management to organizations has become fairly well documented in the management literature over the past five years, it is

surprising that over 30% of organizations have shown no improvement in their project management practices

- It is somewhat surprising that the average time to move from Level 1 to Level 2 is only 2 years—a significant number of organizations claimed that they achieved that improvement in 1 year, which is a very short length of time.

What Sets High Performers Apart from the Rest

- High-performing organizations are significantly more mature (average level of maturity: 2.05) in their project management practices than organizations in general (average level of maturity: 1.49) and they are significantly more mature than other organizations in all project management knowledge areas:
    - Integration Management: 26% more mature
    - Scope Management: 32% more mature
    - Time Management: 37% more mature
    - Cost Management: 32% more mature
    - Quality Management: 38% more mature
    - Human Resource Management: 38% more mature
    - Communications Management: 23% more mature
    - Risk Management: 35% more mature
    - Procurement Management: 26% more mature
- The most significant difference between high- and low-performing organizations is in allocating resources optimally and in estimating accurately

- High-performing organizations are very good at satisfying project customers and in completing projects on schedule
- A significant percentage (23%) of high-performing organizations are at Level 5 maturity in quality management.

What Sets Low Performers Apart from the Rest

- Low-performing organizations are significantly less mature (average level of maturity: 1.05) in their project management practices than organizations in general (average level of maturity: 1.49)
- Low-performing organizations are significantly less mature than other organizations in all project management knowledge areas, and they are particularly poor at risk management:
    - Integration Management: 38% less mature
    - Scope Management: 39% less mature
    - Time Management: 43% less mature
    - Cost Management: 35% less mature
    - Quality Management: 43% less mature
    - Human Resource Management: 30% less mature
    - Communications Management: 35% less mature
    - Risk Management: 56% less mature
    - Procurement Management: 16% less mature
- Almost all (96%) low-performing organizations are at Level 1 in project management maturity

- A significantly high percentage (66%) of low-performing organizations are at Level 1 maturity in quality management
- No low-performing organizations are above Level 2 maturity in time management or risk management.

Project Management Maturity

2006 Results vs. 2001 Results

The chart on the right compares the percentage of organizations at each level of project management maturity in 2006 with the results of our survey taken in 2001. The table below shows the actual percentage of organizations at each level of project management maturity and the percentage difference between the 2006 and 2001 results.

	2006	2001	% Difference
Level 1	67.9%	88.9%	-24%
Level 2	21.0%	6.3%	+233%
Level 3	6.2%	3.2%	+94%
Level 4	3.7%	0.8%	+363%
Level 5	1.2%	0.8%	+50%

Figure 1. Percentage of Organizations at Each Level of Project Management Maturity

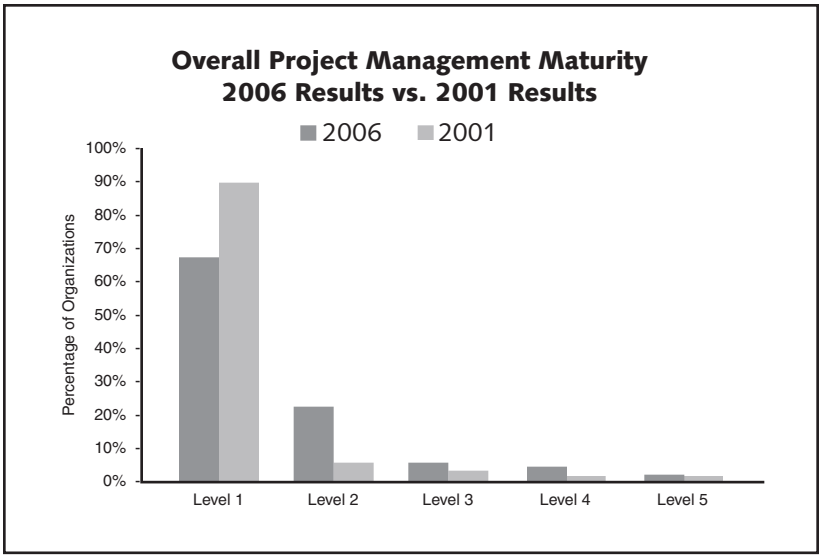


Figure 2. The Growth of Project Management Maturity
This chart compares the percentage of organizations at each level of project management maturity in 2006 with the results of a similar survey taken in 2001.

Observations

- There has been a significant improvement in overall project management maturity as well as in the maturity in each knowledge area from 2001 to 2006
- There are significantly fewer Level 1 organizations in 2006 compared to 2001, but a good majority of organizations are still at Level 1 maturity (68%)
- The project management maturity is still very low — 89% of organizations are at Levels 1 or 2.

The Strategic Project Office

A Catalyst for Organizational Change

J. Kent Crawford and Jeannette Cabanis-Brewin

YOU CAN'T MANAGE what you can't measure, the old saying goes, and unless all the projects on the table can be held up to the light and compared to each other, a company has no way of managing them strategically, no way of making intelligent resource allocation decisions, no way of knowing what to delete and what to add. And the only way to have a global sense of how a company's projects are doing is to have some sort of project focus point.

We call this center of organizational focus on projects the Strategic Project Office, but whatever you name it, a home base for project managers and project management is a must for organizations to move from doing a less-than-adequate job of managing projects on an individual basis, to creating the organizational synergy around projects that adds value, dependably and repeatably, to the entire portfolio.

Project managers take a lot of heat when project management doesn't deliver organizational nirvana, but the truth is that the business of selecting which project to invest in must be carried out at the executive level—at the level of *managing by projects*, rather than of *project management*.

There are a few basic issues that must be addressed in order to do project portfolio management, and all of them are best addressed through the auspices of the project office. An organization that is mature enough to do portfolio management has to have certain basic organizational attributes and infrastructure in place:

1. The organization knows how to manage projects. Trying to implement portfolio management before mastering the basics of managing individual projects is putting the cart before the invention of the wheel. Without project management methodology and practices in place, you don't have the most basic data to work with. Bad project management means cost and schedule estimates that are exercises in fantasy. How will you implement project management methodology without a project office?

2. Projects are inventoried. What's in the portfolio? Most companies don't know. Whether the "portfolio" consists of departmental or divisional projects alone, or a more ambitious portfolio of projects from across the enterprise, a complete list of all the initiatives competing for resources is a baseline requirement to even begin portfolio management. Counting projects is a first step towards deriving value from portfolio management, because certain realities are quickly revealed: if you schedule 130 percent of your project human resources to projects, for example, a lot of things will not get done (and valuable people will quit or go crazy). Some companies list only projects that surpass a predetermined threshold number: a schedule of 30+ days or 100+ hours; or a budget of at least $50,000, for example. Who will be the census-taker, if not the project office?

Part of the inventory process should be, literally, counting heads. The organization must know who is available to work on projects, and when. How many project managers and project team members do you have? What is each one doing, right now? When will he/she be finished with it? What are his/her areas of particular expertise? The recent trend toward improved resource tracking and leveling functionality in PM software is a great boon to the portfolio manager. In fact, without a system for knowing what each person in the pool of potential project personnel is capable of, and when they will be available, you cannot really be said to manage a portfolio. After all, *people do projects*, and without them, all you have is a plan. Who are the project managers? Again, many large companies don't know. "Project manager" may not be among the role descriptions codified by HR. For some companies, therefore, the scarcest resource isn't money but project managers. When it comes to identifying existing and prospective project managers, an organizational entity devoted to project management does it best.

3. Projects are fully described. Once the parameters of the list are decided upon, each project on it must be described. Details such as technologies required; estimates of time, cost, and personnel required; and a basic risk/reward calculation give portfolio managers the data they need to compare and contrast projects. Companies skilled at opportunity identification on one hand, and at tracking existing projects on the other, have a significant advantage at this stage. Their lists will be more complete, and their estimates more meaningful. Many questions must be answered in

detail before you can begin select and prioritize the projects in the inventory, and some of the answers won't come easy. Which projects make the most money? Which have the lowest risk? Which have subjective value, in terms of community image or internal morale? Which are not optional—projects dictated by regulatory requirements, for example? In the information-gathering process, a second level of shakedown will naturally come about. Some projects will be backburnered because human resources aren't available, some because the technology is immature, some due to looming external risks. Much, if not all, of the information necessary to populate the database about projects in the inventory is generated by the steps in the project management process: scope definition, risk management, scheduling. The software and peopleware required to generate, analyze, and deliver this information shouldn't be scattered all over the organization, but unified under the flag of the SPO.

You won't make good decisions based on bad information. This is where the enterprise-level project management tools with portfolio management capabilities really earn their keep. Being able to view the most salient information on each and every project in thumbnail-sketch form allows executives to compare apples to apples … and weigh the relative benefits of apples vs. oranges. What is less certain is organizational willingness to use these features, and train appropriately for them. Who will drive the effort to derive benefit from project management software if not those who are passionate about project management … and whose appropriate organizational home is the SPO?

4. Projects are selected, prioritized, and the portfolio is balanced. The process used to balance the portfolio must be designed to optimize the portfolio, not just the individual projects, and must take into account the inter-relationships between projects. Criteria for project selection, prioritization and balance are as individual as the companies that use them. No matter what criteria are used, however, it's imperative that some organizational entity own the process of portfolio selection.

5. A Strategic Project Office is in place. If an enterprise-level project management office does not own the process of project inventory, prioritization, and selection, it cannot be done well. Those companies that have put enterprise-wide PPM in place, such as Cabelas and Northwestern Mutual Life, have relied on it. In fact, while intra-departmental portfolios may perhaps be selected and balanced without involvement of a project management office, it's doubtful that anything on a wider scale can succeed … and you can't optimize the system by balancing only parts of it.

Productivity of Resources: How a Strategic Project Office Builds Human Capital

Project management is now widely recognized as a way to "get things done"; a set of practices that make it possible to systematically solve problems and create solutions, within constraints of time and money. But there's another face to project management: the organizational and human face.

Over decades of project management experience, we've come to recognize that the project environment holds prom-

ise for today's organizations far beyond the mere appropriate management of individual projects. The team-based, cross-disciplinary, and milestone-oriented environment of projects, as we discussed in our Introduction, has the potential to fill organizations with "zest factors" and bring the kind of engagement and productivity that is usually only seen in crises, into everyday organizational life.

A project office is good news for project managers and team members, as it focuses attention on the training, rewards, and career path of the project professional. But it's also good news for the bottom line, since it translates the improved capabilities of individuals into better project management … better portfolio management … and strategies that are executed.

At the same time, it resolves many of the issues of motivation and retention that bedevil human resources managers. For a decade or more, writers in the HR and organizational development fields have been telling us that today's workers are changing: becoming more achievement oriented, less motivated by the "hygiene factors" of money, benefits and safety, and more driven by the need for what Abraham Maslow called "self-actualizing" work. Project work, because of it's time-limited and cross-disciplinary nature, offers people the "zest" of a sense of urgency, continuous learning, contacts with a wide variety of colleagues within and without their specialty areas, and repeated new challenges. On the organizational level, it makes possible the "flattening" and streamlining of management, reducing bureaucracy, facilitating the development of intellectual capital, and helping the organization to stay focused on strategic goals.

Of course, companies cannot re-invent themselves as project-based entities overnight. The path is long, and the first steps lead through a project office. But until recently the history of project management, and the project office, has been a difficult one. Many companies have implemented project management initiatives without realizing the hoped-for benefits. What went wrong? And how can companies do it right?

History Lesson: An Evolving Structure

The concept of the project as an organizing principle and a management specialty—with its own techniques, tools, and vocabulary—had its beginnings in the 20th-century military. These military origins help to explain why the initial focus in projects was on planning and controlling. In fact, control might be considered the *raison d'etre* for project management: control of schedules, costs, and scope on endeavors that otherwise might careen over budget, over time and/or fail to meet specifications.

At the same time, in spite of the focus on control, projects have tended to feel "out-of-control" … and frequently to run amok in fact as well as feeling. This "out of control" feel stems from the way projects were superimposed on existing bureaucratic structures, with their bulky communications mechanisms. Obeying the strictures inherent in the hierarchy and at the same time acting for the best interest of the project has been difficult at best—and often downright impossible. But this is the model we began from in project management. No wonder projects felt uncontrolled, myste-

rious; no wonder project management developed a reputation as both science and "art."

Inside the Matrix. When project management's early tools—Gantt charts, network diagrams, PERT—began to be used in private industry, the new project managers faced a hurdle: business was also fashioned on the command-and-control model. Putting together an interdisciplinary team was a process fraught with bureaucratic roadblocks. The earliest uses of project management—in capital construction, civil engineering, and R&D—imposed the idea of the project schedule, project objectives, and project team on an existing organizational structure that was very rigid. Without a departmental home or a functional silo of its own, a project was the organizational stepchild—even though it may have been, in terms of dollars or prestige, the most important thing going on. Thus was born the concept of the "matrix organization"—a stopgap way of defining how projects were supposed to get done within an organizational structure unsuitable to project work. It was a "patch," not a new version of the organization.

In the matrix organization, if a project is lucky to have a "project office," it may be nothing more than a "war room" with some Gantt charts on the walls and perhaps a scheduler or two. This simple single-project control office is what we call a Level 1 project office.

Up the Steps to Maturity. A Level 2, or divisional-level project office may still provide support for individual projects, but its primary challenge is to integrate multiple

projects of varying sizes within a division from small, short-term initiatives to multi-month or multi-year initiatives that require dozens of resources and complex integration of technologies. With a Level 2 PO, an organization can, for the first time, integrate resources effectively, at least over a set of related projects.

For an organization without any repeatable processes in place, which are at the first, or Initial level on a Project Management Maturity Model—these levels of project office organization are beneficial. At Level 1 or the individual project level, applying the discipline of project management creates significant value to the project because it begins to define basic processes that can later be applied to other projects within the organization. At Level 2 and higher, the project office not only focuses on project success, but also migrates processes to other projects and divisions, thus providing a much higher level of efficiency in managing resources across projects. A Level 2 project office allows an organization to determine when resource shortages exist and to have enough information at their fingertips to make decisions on whether to hire or contract additional resources. And at Level 3, the Strategic Project Office applies processes, resource management, prioritization, and systems thinking across the entire organization.

The Power of Level 3. Although admittedly many companies today still struggle to implement even Level 2 project offices, the primary focus of this chapter is on the Level 3 Strategic Project Office. Why? Because that's where organizations can get more bang for their buck—and help realize

organizational and personal dreams at the same time. Like the matrix organization, lower-level project offices are a waystation: a stage between the old-style organization and the new, project-based enterprise.

At the corporate level, the PO serves as a repository for the standards, processes, and methodologies that improve individual project performance in all divisions. It also serves to mitigate conflicts in the competition for resources, and identify areas where there may be common resources that could be used across the enterprise. More important, a corporate PO allows the organization to manage its entire collection of projects as one or more interrelated portfolios. Executive management can get the big picture of all project activity across the enterprise from a central source—the project office; project priority can be judged according to a standard set of criteria, and projects can at last fulfill their promise as agents of enterprise strategy.

The Gartner Group has identified several key roles for a Project Office, all of which are most effectively carried out at Level 3, and all of which include important implications for "people management," not only within the project office, but across the enterprise:[1]

- As developer, documenter and repository of a standard methodology (a consistent set of tools and processes for projects), the SPO provides a common language and set of practices. This methodology boosts productivity and individual capability and takes a great deal of the frustration out of project work. Research by the Center for Business Practices revealed that over 68% of companies who

implemented basic methodology experienced increased productivity; and 37% reported improvement in employee satisfaction. One manager noted, "If the organization values project management, that translates into very specific policies and behaviors—policies and behaviors that affect the lives of individuals. What is it that keeps people working for a company? It's being valued."

- As a center for the collection of data about project human resources, and tools for evaluating and scheduling them, based on experience from previous projects, the SPO can validate business assumptions about projects as to people, costs, and time; it is also a source of information on cross-functional project resource conflicts or synergies. The human capital implications of rational allocation of human effort are immense; we've covered these in a separate section of this chapter.
- As a project management consulting center, the SPO provides a seat of governing responsibility for project management and acts as a consultant and mentor to the entire organization, staffing projects with project managers or deploying them as consultants or mentors. As a center for the development of expertise, the SPO makes possible a systematic, integrated professional development path and ties training to real project needs as well as rewarding project teams in ways that reflect and reinforce success on projects. This is quite different from the reward and training systems presently in place in most organizations, which tend to focus on functional areas and ignore project work in evaluation, training, and rewards.

- As a "competency center" for project management, the SPO provides a knowledge management locus not only for project management knowledge but for knowledge about the content of the organization's projects. With a "library" of business cases, plans, budgets, schedules, reports, lessons learned, and histories, as well as a formal and informal network of people who have worked on a variety of projects, the SPO is a knowledge management center that maximizes and creates new intellectual capital. Knowledge is best created and transferred in a social network or community, and the SPO provides just that. Through mentoring both within the SPO among project managers, and across the enterprise to people in all specialty areas, knowledge transfer about how to get things done on deadline and within budget is facilitated.

Thus, more than a place or a set of people, the project office is "a shared competency" designed to integrate project management within an enterprise. A Level 3 PO can promote enterprise competency in project analysis, design, management and review. The SPO facilitates the management of projects on one level, and improves management of the entire enterprise via project portfolio management and linking projects to corporate strategy on another level. More than establishing an office and creating reports, it infuses cultural change throughout the organization.

Such change doesn't come easy. To take it out of the management context and put it in political terms, reorganizing a company's work around projects is the equivalent of moving from a feudal system to participatory democracy. Many

times organizations misjudge the magnitude of the change they are about to undergo. Nevertheless, there are three areas in which implementing project management enterprise-wide under the auspices of a Strategic Project Office create such value it makes all the pain of change worthwhile.

Maturity: Growing Human Capital and Organizational Capability

Maturity in the practice of projects cannot be measured in an institutional vacuum; it would be meaningless to say that a company had superior project management when it is going bankrupt due to misapplied resources and misaligned priorities. Individual capability and organizational capability must grow together and reinforce one another, just as project management and strategic planning, under the portfolio management paradigm, reinforce one another.

Knowledge management is a "chicken and egg" component of project management maturity. Merely "installing" a knowledge management system does not induce knowledge capture or transfer to take place. A whole new set of procedures and standards need to be established along with a common mechanism for storing and sharing that information. Along with this goes the training process and data collection that must be established to get information into this database, before knowledge transfer can take place.

Few organizations have kept a history of lessons learned on projects done in-house, or possess standards for data collection of this kind. So most organizations are very new to this business of project management and are unable to

rapidly develop this complex, integrated system that is necessary for accurate data collection and reporting.

Yet without good data, decisions are going to be poor. So the organization is faced with a very complex integrated system and process that they have little knowledge how to deploy. The Strategic Project Office, equipped with experienced senior project managers, is capable of acting as an "internal consultant" for projects of this type. Since much of the most valuable data is generated on projects, a KM system centered in the project office offers the best chance for comprehensive collection and dissemination of shared knowledge.

Learning – and Learned – Project Organizations. If your company has a system in place for educating, mentoring, and evaluating project personnel, you are in the minority. Many companies do not even know how many people they have who are capable of managing projects. This has led to the unfortunate phenomenon of the "accidental project manager." We would not think of dumping major accounting responsibilities on whoever happened to be available, even though they had no background in accounting. Yes this is routinely done even with major projects, even though the skill set and knowledge you need to effectively deploy a project management initiative rivals the knowledge set of an MBA in terms of complexity and integration. This skill set is becoming more readily available as part of college and university-level degrees, but is still relatively rare, compared to other management specialties. And for project management to reach its potential, learning has to take

place enterprise-wide—not on one team or in one department. Who will be in charge of such learning? Only an enterprise-level project office has the expertise to make appropriate training decisions for project management. (The SPO can identify necessary training and coordinate its conduct but may not provide trainers, who usually come from, or are coordinated by, the training department.)

Open Communication. Communication—a sticky issue even within project teams—must become free flowing, not just within but between projects and up and down the organizational levels. Why is this so important? Because 80% of what we call the "art" of project management is just communication and all the traits that good communicators display: trust, integrity and honesty. Through new channels of communication set up by the Strategic Project Office, it will become possible for the entire organizational culture, from chief executives all the way through project teams, to communicate in a common language and work together to understand the issues surrounding how projects are faring and how the issues on one project affect other projects and, ultimately, the organization.

The Strategic Project Office approach to building organizational and individual maturity is to move forward quickly: show results on specific projects within six months; really begin changing the culture within the first year; and begin showing corporate results within a two-year time frame. But be prepared: this is no quick fix. It will take anywhere up to five years to fully deploy a Strategic Project Office.

What does success look like? How will you know when you have arrived? Research studies allow us to paint a picture of the organization that has demonstrated competence in managing projects, and managing by projects:

- Top management understands project management basics
- Effective training programs are in place.
- Clear project management systems and processes have been established.
- There is improved coordination of inter-group activities
- There is an enhanced goal focus on the part of employees
- Redundant or duplicate functions are eliminated
- Project expertise is centralized.[2,3]

The Project-Centered Organization: A Fantasy?

The project-centered enterprise, in which people are treated as though project performance really mattered to organizational performance, isn't a theory. In fact, it's the logical outcome of the application of project management to business problems. In the industries where the practice of project management has long been accepted as the way to get work done, such enterprises already exist.

A recent study[4] published in the *Project Management Journal* focused on the ways that these project-centered companies build the organizational capability (and of course, concurrently, individual capability) to perform projects and manage by projects. The study group consisted of successful Australian construction companies, but the

authors go to great length to map their organizational strategies to those of IT. And, although conventional wisdom tells us that construction is so predictable that it has little to offer volatile IT projects in the way of management tips, survey research by the same authors showed that, especially in civil engineering projects, high levels of uncertainty are typical and managers in construction and IT see themselves as faced with equally turbulent environments.

Here are some of their findings. Organizations with strong project management capability, and the related ability to leverage projects for competitive success, display the following organizational features:

- **A different, systemic view of the role of executive management**. They "reframe the management task" so that the enterprise's objective is to improve the way the organization manages its project managers and its project management processes. Improved performance on individual projects follows as an outcome of the redesigned management structure and processes. This "systemic approach" contrasts with many organizations' habit of focusing on and intervening in on individual projects on a case-by-case (and often, crisis by crisis) basis, rather than the enterprise level.
- **A flat organizational structure**. The authors found business units in construction to have flat structures with no more than two levels separating project managers from the board, thereby ensuring ready access to powerful decision-makers. They also found that functional departments are relatively small and therefore act as support

units rather than empires that compete with projects. This structure clearly signals the importance of projects to the business. The result is that projects can be managed with the minimum of internal tensions and conflict. By having weak functional authority, the organization ensures that project directors are able to command organizational resources as and when they need them. By positioning project directors either as executives or as direct reports to that level, the organization secures strong identification with the corporate interest and commensurate accountability.

- **Project-centered role design**. Project managers are assigned sole responsibility for the conduct of the project, and at the same time, sufficient authority is delegated to them to deliver on that responsibility. Given the resources and authority to match their project responsibility, project managers are held accountable by their superiors for the extent to which they achieve targets. But, at the same time, a "project director role" is created and positioned as the immediate superior of a number of project managers. This role encompasses total responsibility and accountability for all phases of the company's involvement with a particular client's project, from business development through to post-implementation.
- **Streamlined reporting processes**. The flat structure's short lines of authority combine well with tight and frequent reporting and control processes to ensure that the organization concentrates on project performance. Informal reporting keeps the project director informed

about progress and difficulties, sometimes several times per day. This eradicates the long-lamented disconnect between project management and executive management.

- **Methodology plus experience**. Methods, procedures, and standards structure the project management task and formalize some organizational knowledge; but are not expected to substitute for project managers' active skills, which often incorporate much tacit knowledge.
- **Valuing project managers**. Successful project-centered companies treat their project managers as an asset, retaining them in bad economic times, even when there are no projects to be managed. These companies are more tolerant of mistakes. With the expectation of continuity of employment and a sense that the company values the project manager, greater openness, innovation, and learning results in more accurate estimating and reporting, and in the preservation of organizational knowledge.
- **HR management policies that are project-friendly**. Because of the learning curve for new hires, it is important to maintain a pool of skilled project managers such that, with continuing turnover of projects, there will be at least one appropriately skilled manager available as a new project commences. Companies compensate for the differential strengths and weaknesses of individual project managers by the selection of staff to fill other key team roles, such as contract administrator, program manager, planners and so on. Training and development coordinators must therefore possess a deep knowledge of project management, not as something extra, but as a central

competency. Individuals' project management skills are developed through an extensive "apprenticeship" combining formal training plus exposure to a range of roles including close-hand observation of the practices of experienced project managers. Project managers are graduated through a sequence of projects of increasing complexity and difficulty with appropriate culling. Since much of this apprenticeship or mentored learning takes place "just in time," it happens not under the purview of HR-based trainers, but within the community of project managers. Consistent with the development of a talented body of project managers, the valuing of project managers and the tolerance of understandable mistakes, the performance review practice also is more flexible, and project managers have significant input, compared to functional managers, in staff appraisal.

The synergy between these organizational characteristics creates "a self-reinforcing dynamic." For example, reporting processes work well because project managers, being less fearful of being penalized for mistakes, report honestly, and because the project director's role and top management's performance focus mean that powerful managers act promptly on the basis of the reports they receive.

What do the authors recommend in order to institutionalize the development of individual capabilities and to create learning, which extends beyond the individual project manager's skills and experience, and becomes organizational capabilities? "Create a focal point in the organization … a corporate project office," is the advice. "A corporate project office [is a] starting point for the company trying to transform itself into a project management-centered organization."

This is a systemic solution to the problem of project performance and human capital development. The same result cannot be achieved by only addressing project performance issues case by case by ad hoc interventions. Companies become repeatedly successful at projects because they have developed both organizational and individual capabilities, which are then applied to every project as a part of normal organizational functioning. The organization becomes stable and effective because its internal processes are logically consistent and mutually reinforcing, and because business goals, project actions, and human needs are balanced and interrelated in a way that supports success for all levels of the organization.

"PROJECT SPONSORS AND MANAGERS NEED 'ISLANDS OF STABILITY' to guide teams and to ensure the integration of project deliverables into the organization," writes one researcher. "Without this stability, project results will not align with organization strategy and stakeholder expectations. Project participants and stakeholders will have difficulty comprehending the project's contribution to the organization's vision, resulting in unproductive activity and high levels of demotivation and frustration." If this description sounds familiar, you are not alone. Yet the elements of stability—a sustainable corporate strategy, a project management culture, capable and adequate human capital to deliver results, and a clear link between project activities and strategy[5]—is achievable. However, it won't be achievable by a fragmented organization in which projects are one problem, strategy another, and human resources something separate. The

Strategic Project Office offers the hope of creating the island of stability in today's chaotic organizational life. However, all the organizational-improvement potential of the SPO that we have discussed in this chapter is dependent on the knowledge and skills of project managers, team members, and other project personnel. Therefore, staffing the Strategic Project Office is the keystone to realizing the business potential of project management.

Notes

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Building Project Manager Competency in Organizations

Dr. Jimmie West

OVER THE PAST several years, studies have revealed that a significant number of projects are in a troubled state. One of the main reasons for troubled or unsuccessful projects is the lack of qualified, committed project management professionals.

In many organizations, employees have very little incentive to assume the position of project manager, largely due to a disconnect surrounding what the role entails. Organizations typically recognize the technical capabilities of individuals, and assume these skills can be translated into project management expertise. Because of this, professionals who have worked for years to earn the title of senior engineer, technical specialist, or technical consultant are unwilling to exchange their current jobs for the role of project manager. The role is added to their regular job description, instead of being viewed as a legitimate function to be valued by the organization, and that requires a special set of skills. Therefore, many organizations still haven't connected the value of the project manager to the success of the organization.

Why Project Managers Fail: The Case for Professionalization

The performance of project managers varies from project to project; within any given organization today, there is a wide range of experience in project managers. At one end of the spectrum are project managers who are new to the practice, or who fall into the category of the "accidental project manager." New project managers are those individuals who are just beginning to practice the art of managing projects. Accidental project managers are appointed to the role because they were seen as having the time to take on a project along with their other work. Both of these types of project managers struggle to be effective because they lack familiarity with the basic project management concepts. They lose focus on the project's big picture, and instead get drawn into the minutiae, slowing down progress and damaging team health.

At the other end of the spectrum are the experienced project managers. These individuals have either learned to manage projects by the "seat of their pants" or through an ad hoc training program, or through some other means. The challenge is getting a sense of consistency between projects and project managers.

Because there are varying degrees of capability, competence, and confidence among project managers, organizations are experiencing an inconsistency in the quality of how projects are managed. This inconsistency can be traced to a number of factors. One obvious factor is that many organizations are recruiting project managers from other

organizations. These project managers have been exposed to a variety of approaches and without fault, apply them to their current effort. Because each manager's approach is different, it is difficult for organizations to create and maintain a consistent approach to project implementation.

Another factor is the tendency to start every project as if it were brand-new. New project managers are not given time to review previous organizational projects to see the lessons learned, to review possible templates for project planning, or to identify possible areas of reuse in a new project. As a result, the costs of projects escalate, the time to complete them increases, and customer satisfaction is negatively affected.

In terms of resources, most organizations lack a pool of individuals who are trained in the art of managing projects. Instead, they adopt a "just-in-time" mentality when it comes to developing the skills of the project managers. As a result, organizations lack approach to identifying and delivering the right training to the right people. Even if employees are given classroom training, they are not given appropriate job assignments to practice those skills. Then they are expected to utilize their training without the benefit of a mentor to guide them once their training is completed.

It's a recipe for disaster.

With all of that said, what do project managers really mean to the organization? The impact of this level of project performance can be seen in terms of people, clients, and the enterprise. What is needed to counteract these trends or conditions is a bold approach to the professionalization of

the role of project manager; not only in terms of providing them with the means to acquire the needed skills and competencies, but also providing them with the opportunity to achieve senior level positions in an organization. This professionalization should be based on the foundation that there is a basic level of skills and potential that can be identified, planned for, and delivered within and organization.

Change the Approach, Change the Outcome: Avoid the Insanity

Insanity is often defined as, "trying to do the same thing the same way over and over again and expecting different results each time." The project management practices that organizations exhibit today fit this definition in many ways.

In order to realize the benefits of a project management practice, organizations need to completely change their approaches in how they hire and train project managers. They also need to more aggressively develop the knowledge, skills, and competencies of their project management staff. To accomplish this kind of cultural change, the organization must focus on two factors: the individual, and the organizational component based on individual skills. The three areas that organizations need to target for assessment are:

- Knowledge of project management concepts, terminology, and theories
- An individual's behavior in the workplace
- Project manager potential.

Knowledge Assessment

There are number of ways to assess an individual's knowledge. The international standard for knowledge in the project management field is the Project Management Institute's *Project Management Body of Knowledge*, affectionately known as the *PMBOK® Guide*. The advantage of using this standard is that the *PMBOK® Guide* has created a uniform language of project management that can be used across all industries. The language and concepts help build a consistency of communication that allows for the use of tools and techniques across projects within an organization. Knowledge assessment should address both the five process areas of the *PMBOK® Guide* as well as the nine knowledge areas.

Behavioral Assessment

A second area of assessment is in behaviors exhibited in the workplace. This approach requires the use of a multi-rater tool that allows the acquisition of feedback on the project managers' behavior from a variety of sources—typically a peer, subordinate, supervisor, or client. This type of assessment should focus on the desired behaviors that effective project managers exhibit in the execution of their jobs. For example, it might examine the creation of a stakeholder communication plan, the development and distribution of a team charter, or the execution of a risk management plan.

Potential Assessment

The third area of assessment is potential. The role of project manager carries with it a number of critical factors that, when used together, can identify the potential of the project management candidate to be successful in managing projects. In addition, these factors can indicate whether the candidate would be best used in small, non-complex projects or large, highly sophisticated and complex projects. Factors to consider include the abilities to handle stress, be flexible, and manage personal time; organization skills; and conflict management. The results of this assessment indicate an individual's potential to survive and thrive in the role of a project manager.

The assessment of this information is done through gap analysis. The knowledge gaps are determined by examining the differences between the demonstrated level of knowledge and the level of knowledge that is required. The behavioral gaps are identified by examining the differences between the self-rating of the project manager candidate and the rater's score. The gaps in both knowledge and behavior, based on the size of the gap, are targeted as developmental opportunities. The results of this integrated assessment are used to create professional development plans for project manager candidates.

While this individual assessment is being conducted, the organization should be determining what roles they will need to ensure an improved level of project performance. Possible roles include team leaders, multiple levels

of project managers, program managers, project portfolio managers, project executives, project office directors, and chief project officers. With each of these roles, the organization will need to create effective job/role descriptions that define performance/competency expectations, experiential requirements, and prerequisites of whatever technical skills are required.

Bridging the Gap

With these role descriptions in place, the organization can conduct a gap analysis between their desired state and the existing state. This analysis is accomplished by aggregating the individual results of the knowledge assessment with the multi-rater assessments. Once this gap analysis is completed, the next step is to examine the results of the assessments of potential to identify the project managers who display the most potential to succeed in the project manager role. The key to examining this data is to identify the project managers who will be successful in either the small, non-complex projects or the larger, complex projects.

This collective information is used to structure both a developmental program and an organizational project management career path. A developmental program is a coordinated track that combines educational, training, and professional experiences for each role in the project management area. The developmental program should be aligned with a career path that clearly demonstrates how an individual can progress from a team leader to a project executive within

the organization. It can also be used to assist in recruiting candidates to the organization.

The ultimate goal in using this approach is the creation of sustainable performance in managing projects. This can be accomplished by creating a well-trained, effectively positioned workforce that is capable of maximizing their potential in the various roles required in project management. The results will be manifested in higher job satisfaction, higher customer satisfaction, and higher corporate morale.

"Begin With the End in Mind"

This well-known statement by Stephen Covey effectively illustrates how an organization should initiate a program designed to professionalize the role of the project manager. From the beginning, your organization needs to identify the roles and positions that are necessary to support the growth and sustainment of project management practices throughout the organization. In a progressively responsible position approach, start with team members, then team leaders, project managers, program managers, project office directors, and chief project officers.

Team Members

The team member position is where the actual day-to-day work of the project is done. This is where the programmers write code, the installers install equipment, subcontractors provide their deliverables, and so on. Within this level, more definitive project roles include planners, controllers,

schedulers, business analysts, risk managers, and others. The primary differentiator in these roles is a basic awareness of the common project management practices.

Team Leaders

The team leader position is an important transition between team member and project manager. This is where people begin to obtain their initial experience with tackling the responsibility of managing a small portion of a larger project. The team leader requires more than an awareness of the project management practices; he or she needs to be able to execute them with a level of effectiveness. They may be learning how to create the work breakdown structure, develop a rudimentary schedule, or participate in the development of a risk management plan. The key is to have them supported or directed by a knowledgeable project manager who can demonstrate or model the desired behaviors. Essentially, team leaders are in the learning mode while acquiring solid project management skills.

Project Managers

The project manager position can be divided into levels depending on the needs of organizations. These levels include assistant, associate, senior, or expert. An assistant project manager is an individual who has successfully led three or more small teams and is now ready to lead a small, non-complex project under the supervision of a more senior project or program manager. An associate project manager

is an individual who has led three or more small projects and is ready to assume the responsibility of leading a medium size project of moderate complexity. At this level, the associate project manager may be asked to lead multiple moderately sized projects. A senior project manager is an individual who has demonstrated competency by successfully leading a moderately sized, moderately complex project or has managed multiple projects simultaneously. The expert project manager is an individual who has successfully led several projects of varying size and complexity. This individual would be responsible for managing a portfolio of projects with the responsibility of managing several project managers of different levels.

Program Managers

Program managers rise from the ranks of the expert project managers. These individuals have a track record of successfully leading complex projects. They also have the business acumen to understand the relationship of projects to their organization's strategic business objectives.

Along with this responsibility comes resource planning, profit management, and tactical decision-making authority.

Project Executives and Project Office Directors

Project executives and project office directors also come from the ranks of expert project managers, and use the same set of skills to effectively manage an enterprise project system.

Role	Team Member	Team Lead	Project Manager	Program Manager	Project Office Executive
Role Description	Produces the project deliverables, performs the work	Leads 1-5 people on a segment of the project	Leads multiple teams on a small to large project	Manages multiple projects, or large complex projects	Creates and deploys enterprise-wide PM practices; enforces complience
Competency					
Initiating the project	**1**	**2**	**3**	**5**	**4**
Developing project plan	**1**	**3**	**4**	**5**	**4**
Building the project team	**1**	**3**	**4**	**5**	**5**
Managing Stakeholders	**1**	**2**	**4**	**5**	**5**
Managing the project	**1**	**3**	**4**	**5**	**4**
Managing the team	**1**	**3**	**4**	**5**	**4**
Closing the project	**1**	**3**	**4**	**5**	**4**

Figure 1: Project Management Performance Expectations Worksheet. This worksheet demonstrates the competency level for each position on a scale of one to five with five being the highest.

Establishing Performance Standards

For each of these levels, a set of expected performance standards, which relate to each level, needs to be established. Figure 1 provides a framework for identifying the desired roles and associated competencies for a proposed career

path in project management. The competencies are rated on a scale from one through five. One indicates an awareness of the project management concepts and practices. Two is indicative of basic execution; the individual is in a learning mode. Three is effective execution; the individual demonstrates solid skills in the use of project management tools and techniques. Four indicates the individual models the skills of project management at a superior level. Five indicates the individual has mastered the skills and is capable of teaching, coaching, or mentoring others effectively.

This table is a representative sample of the approach to take when identifying core skills. Each of the rows could be further dissected to identify specific skills that are considered key result areas or key performance indicators for the organization. Additionally, the level of competency can also be defined according to the needs of the organization.

Once competencies are defined, it is time to conduct an assessment of the identified project management populations. It is extremely important that a communication plan be developed and executed during this time. The purpose of this communication plan is to inform the candidates about what will be expected of them and the reason behind the assessment. It is human nature to view something like this as a way to justify an organizational realignment. The assessment process should be clearly focused on building strengths, not eliminating staff.

The first area of assessment is *knowledge.* Because the *PMBOK® Guide* is recognized as the international standard on project management knowledge, any assessment should

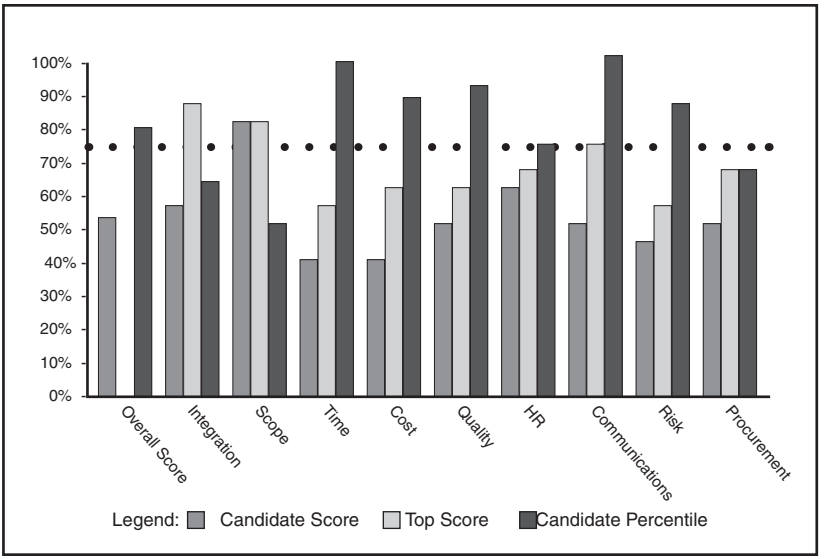


Figure 2: Knowledge Assessment Profile Scores.
This chart, from a Knowledge Assessment Report, shows how well an individual compares to others tested in each of the project management knowledge areas, in terms of the percentage of questions answered correctly. The dotted line represents passing score.

be geared towards this standard. Figure 2 is an example of a completed knowledge assessment. On an individual basis, the candidate can see how they scored on each knowledge area, how they compared to the highest score, their percentile ranking, and how many areas they passed. For the organization, an aggregate table provides insight into the areas of strengthened areas that need improvement for their entire population. This information is used to begin developing a targeted education and training program designed to meet those needs.

The second assessment area is *behaviors in the workplace.* As mentioned earlier, the ideal assessment involves the candidate, as well as someone who has first-hand knowledge of the candidate's behavior in the workplace. This person can be a peer, subordinate, supervisor, or a client. The assessment has the candidate and the rater apply scores to a number of key performance indicators across the project management process areas. There is a dual focus to this assessment: confirmation of behaviors and analysis of competency. The analysis of this assessment looks for significant gaps between the candidate and rater. These gaps are created either by the candidate rating themselves higher than the rater or the candidate rating themselves lower than the rater. When there is little or no gap found, the important thing to review is the level of agreement. Both the candidate and rater could agree on the level of performance, but in reality, that level may be less than the desired level. In that case, the organization has an opportunity for developmental actions if required. Figure 3 is an example of a gap analysis from a behavioral assessment.

The final area of assessment is the most difficult and sensitive to determine: *the potential to be successful in the stressful role of project manager.* Potential is an elusive quality that can be difficult to ascertain. Nonetheless, there are identifiable traits that contribute to the success of an individual in this role. Traits such as flexibility, adaptability, organizational skills, personal time management, and conflict management can be measured in order to determine the strength of an individual. Because projects come in many

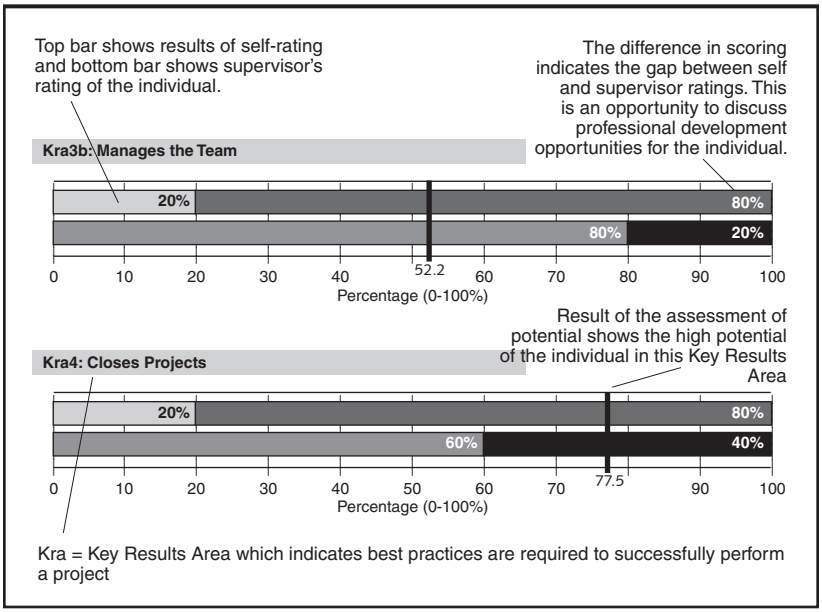


Figure 3: Behavioral Assessment — Gap Analysis.
This chart, from a Behavioral Assessment report, shows the gap between a self-rating of a behavior and the supervisor's rating. The result is used to show the potential of the individual and the need for improvement.

sizes and complexities, some individuals may thrive in an environment where they have the autonomy to run small, standard projects yet struggle when they are given a larger, more complex project. For an organization to effectively manage their projects, they need to know which project managers thrive under which conditions.

The real value of these assessments is learned by aggregating the results of all three assessment areas (knowledge, behavior, and potential), and using the output reports to develop a comprehensive view of their project manager

population. A possible output could be that the candidate has adequate knowledge, poor execution behaviors, and solid potential. Using the combined information, the organization can determine where the gap really exists. It may be a matter of education, adding a mentoring relationship, or providing more directed experiences to improve performance. Another possible scenario is that the candidate has high knowledge, poor performance, and low potential. Analysis of this situation may determine that the candidate may be best suited to a specific role in the project management area, such as a planner, scheduler, or business analyst rather than a project manager. Using these assessments together allows the organization to more effectively develop and deliver targeted professional development interventions for their project management population.

Developing a Career Path

The next step in organizational maturity is the creation of a career path that shows individuals how they can rise from entry-level positions to the higher levels of the organization as a project manager. This career path helps the human resources department recruit qualified project professionals to the company.

A career path includes at least three elements in order to be valuable: experiential requirements, education/training requirements (knowledge acquisition), and documentation and tracking mechanisms.

The experiential requirements detail the types of on-the-job activities that have to be accomplished for each level in

PROJECT MANAGER			
Developmental Activities	**Type**	**Learning Activities**	**Verification**
• Course Completions • Course Exams • Project Management Knowledge Assessment Profile (PMKAP) • Mentor Certification • Master's Certificate • Professional Certification • Appropriate job assignments	IL	Project Management Essentials	• Course completions certificates • Passing scores on exams • Associate's Certificate awarded • Master's Certificate awarded • Complete courses within 12 months
	IL	Risk Management	
	IL	Contracting and Negotiation Skills	
	IL	Cost and Schedule Management	
	IL	Leading Project Teams	
	IL	Managing Multiple Projects	
	IL	PM Practicum	
	SP	Estimating Techniques	
	SP	Advanced Risk Techniques	
	SP	Conflict Management	
	SP	Stakeholder Communication	

IL = Instructor Led; SP = Self-paced

Figure 4: Project Manager Education and Training Requirements Example.

the career path. The education and training requirements detail the types of knowledge that are required for each rung on the career ladder. At the lower levels, these tend to be basic courses designed to provide exposure and practice to the rudimentary skills required of that level. The upper level positions require more advanced strategic or tactical types of educational experiences. These may include topics that go beyond the realm of project management into business strategy, financial, or leadership opportunities. Documentation mechanisms include the attainment of certificates, degrees, or other credentials that substantiate the acquisition of the desired set of skills. Figure 4 is an example of a requirements description for a project manager.

To support the validity of a career path, the next step is to ensure the availability of the necessary experiential and educational opportunities. The experiential opportunities need to be coordinated with the appropriate resource manager and the human resource department in the organization. The HR department is also valuable in the development of the training program. To be effective, information collected from the knowledge assessment, behavior feedback, and potential assessments is necessary to create the training program. The educational program should be targeted to the requirements identified in the career path, and be designed in a progressive nature. In other words, the training requirements of lower levels are prerequisites for higher levels. The most effective approach is to identify the learning requirements for each level and aggregate across all levels to get both introductory and advanced course requirements. The Figure 5 is an example of summary approach to training requirements.

In addition to these, courses in strategic project office, project portfolio management, and business management should be offered for the program and project office directors, as well as the chief project officer. Again, the types of courses will be based on the outcome of the multi-tool assessment.

Summary

Project management as a practice offers an impressive set of tools for an organization to more effectively manage their resources, both human and capital. A professional develop-

COURSES	PM Essentials	Risk Management	Cost & Schedule	Managing Multiple Projects	Leading Project Teams	PM Practicum
LEVELS						
Team Member	X					
Project Manager	X	X	X		X	X
Program Manager	X	X	X	X		
Project Office Director	X	X	X	X		

Figure 5: Education and Training Requirements Example for All Positions. Requirements at lower levels are pre-requisites for higher levels.

ment program that incorporates the best practices of using these tools effectively contributes to improved competency. Organizations that recognize and align their resources to thrive in different types of project environments will see improvements in overall project performance. Focusing on building project manager competencies means first identifying what needs to be improved. To do this requires a comprehensive project manager competency assessment program that analyzes knowledge, behaviors, and potential. The results of this type of individual assessment will help organizations begin to harness the power of their project managers' skills and abilities and enable them to focus training where its most needed. Matching project manager skills with the types of projects they are prepared to handle will result in more effective project execution, and subsequently better organizational performance.

Aligning Projects to Corporate Strategy

Jeannette Cabanis-Brewin and James S. Pennypacker

STRATEGIC PLANNING BECOMES meaningless in the absence of a way to execute planned strategies. Organizations execute their strategies through the creation of "strategic initiatives," comprising portfolios of programs and projects, which become the vehicles for executing the organization's strategy. To what extent does integrating corporate strategy with project portfolio management contribute to organizational success. To seek an answer to this question, which has significant importance for executives and project managers alike, the Center for Business Practices conducted a survey in November 2005, targeting of a broad spectrum of organizations. Representatives of 87 leading companies responded. The results: companies using identified "best practices" most consistently also had the highest rates of project success.

Why Align Projects with Strategy?

Fortune magazine has reported that nine out of ten corporate strategies devised on the executive level never come to fruition. And project management research has shown

that most companies, far from having a coherent model for managing the projects as a "portfolio," have at best a vague idea how many projects they have in the pipeline, how much they will cost, how they will be staffed, or who is qualified to run them, making strategic planning an exercise in fantasy. Studies of the failure of customer relationship management systems confirm that lack of knowledge about one's own company is a primary reason for project failure. Companies who do not know their starting position build future corporate plans not on a solid foundation, but on shifting sand. Furthermore, their leadership often does not understand what is wrong, or how to distinguish what needs fixing.

A glance at the impact that the Balanced Scorecard has had upon businesses gives us some clues. The scorecard emphasizes the linkage of measurement to strategy. The tighter connection between the measurement system and strategy elevates the role for non-financial measures from an operational checklist to a comprehensive system for strategy implementation. For the first time, the details of the project portfolio (what the Balance Scorecard creators call the "strategic initiatives") become important to a company's strategic thinkers.

How Alignment Resolves Project Management Problems

Many studies have cited the lack of executive support as a key contributor to project failure. Project managers complain that their projects do not receive the resources they need. Projects completed "successfully" by project management

standards (on time, on budget, to spec) have been considered failures because they did not address a business need. All these issues are alleviated in a company that ties strategic planning to portfolio selection and project execution.

Strategy & Projects: A Research Study

The *Strategy & Projects* research began with a review of management literature to develop a list of best practices for aligning projects and corporate strategy. We organized these practices into a framework that included the following elements: governance, processes (including strategy, portfolio, program, and project management), structure, information technology, people, and culture.

These practices were used to develop the survey questions. The goal of the survey was to learn whether or not organizations that exhibit these practices are, indeed, high performing, to confirm whether or not the practices identified are really "best practices," and to identify those practices that are most critical to the success of the organization.

The Survey

Members of the Center for Business Practices Research Network (senior practitioners with knowledge of their organizations' project management practices business results) participated in the web-based survey. We compared high-performing organizations, low-performing organizations, and all organizations, focusing on whether high-performing organizations exhibited the identified best practices more

than the average of all organizations and whether or not low-performing organizations were below average in exhibiting these practices.

How "Performance" was Defined

Most of the measures we used to ascertain which organizations performed well are familiar to all project stakeholders. We asked not only about the success of project management by conformance to schedule, budget, requirements, and so forth, but also about the overall success of the organization. Practices related to the organizational value of project management, such as the rational allocation of project resources, the skillful selection and prioritization of projects, and the alignment of projects to business strategy, are being supported today by organizations' increasing use of portfolio management systems and processes. As project management becomes more and more essential to the achievement of strategic organizational goals, these practices will gain in importance for all project stakeholders.

Organizations termed "high-performing" in the results reported better-than-average performance in all areas measured. In particular, high-performing organizations are significantly better than average in allocating project resources optimally, followed by completing projects on schedule and on budget and executing strategy according to plan. Low-performing organizations are significantly poorer than average in allocating project resources optimally, followed by completing projects on schedule and on budget and satisfying the organization's shareholders.

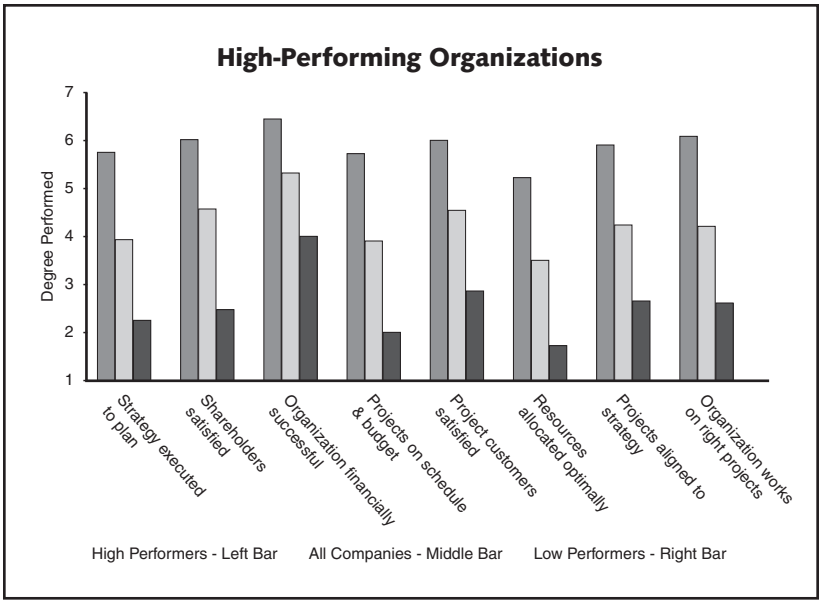


Figure 1. Performance Indicators
This chart compares the degree to which measures are reported by high-performing organizations, versus low performers, versus all companies surveyed. The degree to which the measures are performed is rated from 1 (not at all) to 7 (to a great extent).

Key Findings

A significant finding was that the results confirmed the best practices proposed by the management literature and described in this report. This underscores the value of using *Strategy & Projects* best practices in executing an organization's strategy. High-performing organizations use *Strategy & Projects* best practices in all areas more than other organizations, consistently and significantly. Low-performing organizations consistently underutilize *Strategy & Projects* best practices in all areas.

The Strategy & Projects Framework

Governance

Governance is the policy framework within which an organization's leaders make strategic decisions. With an effective governance framework all strategic decisions throughout the organization are made in the same manner. Each level within the organization must apply the same principles of setting objectives, providing and getting direction, and providing and evaluating performance measures. Using a common governance framework ensures that decisions are made the same way up and down the organization.

The best practices identified for governance include:

- The organization has a well-defined strategy
- A documented strategy execution plan guides strategy execution efforts
- Strategy is communicated clearly to those developing portfolio and program/project plans to ensure that those initiatives support the organization's strategy
- Portfolio, program, and project managers feel a sense of ownership about the organization's strategy execution plans
- Appropriate and effective processes are in place to monitor and manage risk.

The most often used governance practice by high-performers is having a well-defined strategy. They also are significantly better than average at having project managers feel ownership of their strategy execution plans, followed by having appropriate and effective processes in place to manage risk.

Processes

Strategy Management

Strategy management moves the organization from its present position to a future strategic position in order to exploit new products and markets. Strategy management is accomplished through the application and integration of strategy management processes such as mission-vision formulation; strategy formulation; planning; execution; and monitoring/control. Best practices identified for strategy management include:

- Strategy performance is measured, compared to objectives, and activities are redirected or objectives changed where necessary
- There is an understanding of the impact of projects or project management activities on the creation and implementation of strategy
- The organization's strategic plans cascade down from corporate strategy to business unit strategy to portfolio, program, and project strategy
- Corporate and business units assemble a strategic portfolio of programs and projects and measure the strategic contribution of a program or project and adopt or reject programs/projects based on this information
- As strategy cascades down the organization, performance measures are established at each level (business unit, portfolio, program, project) to link up with the strategic performance expectations of the entire company.

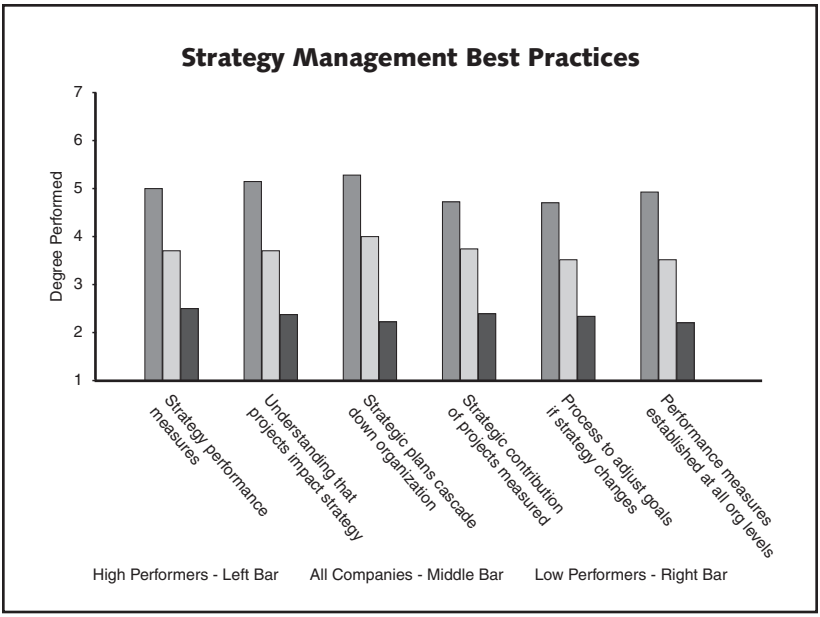


Figure 1. High Performers use Strategy Management Best Practices
This chart compares the degree to which strategy management best practices are performed by high-performing organizations, versus low performers, versus all companies surveyed. The degree to which the practices are performed is rated from 1 (not at all) to 7 (to a great extent). Note the dramatic difference between high and low performers on each measure.

The most often used practice by high-performing organizations is having strategic plans that cascade down from corporate strategy to business unit strategy to portfolio, program, and project strategy. High-performing organizations are significantly better than average at having performance measures established at each organizational level (business unit, portfolio, program, project) to link up with the strategic performance expectations of the entire company.

Project Portfolio Management

One goal of portfolio management is to maximize the value of the portfolio by careful examination of candidate projects and programs for inclusion in the portfolio and the timely exclusion of projects not meeting the portfolio's strategic objectives. Portfolio management is accomplished through the application and integration of portfolio management processes such as:

- Inventory: capturing project data and organizing for analysis
- Analysis: aligning projects to business strategy, examining business and project risks, and prioritizing projects
- Planning: approving and funding the project business plans; allocating resources and scheduling projects
- Execution: executing the portfolio by means of budgeted resource allocations; focus on getting the work done
- Monitoring/control: tracking a portfolio as programs/projects are executed, detecting changes in underlying premises, and reporting to appropriate management
- Portfolio improvement: making necessary adjustments.

Best practices identified for PPM include:

- A list of current projects (active, proposed, on hold) is documented.
- Projects are prioritized using a scoring system that uses strategic alignment as a criterion to determine the priority of the project with respect to other projects.

- Metrics are captured to assess the performance of the project portfolio.
- Performance results of the project portfolio are communicated to stakeholders.
- Reviews of portfolio performance and changes in the business environment may cause decisionmakers to realign the portfolio (killing projects or putting them on hold, re-allocating resources).
- Enough resources are in place to make the project portfolio achievable.

The most often used practice by high-performing organizations is having a documented list of the organization's current projects; they are also significantly better than average at having enough resources in place to make the project portfolio achievable.

Program/Project Management

Programs are collections of projects that unify and leverage the contributions of projects in the portfolio; a program of projects may be established to meet a key strategic objective. Program/project management is accomplished through the application and integration of program/project management processes familiar to us all: opportunity assessment, initiation, planning, execution, monitoring/control, and closing, including lessons learned. Best practices identified for program/project management are:

- The organization's strategic objectives are an input to the project initiation process.

- The organization has a process for identifying project opportunities and determining if those opportunities are in line with the corporate strategic direction.
- Review of the program/project involves a reverification of critical success factors — including resource availability and the continued validity of the business case.
- Project performance is monitored (schedule variance, budget variance, earned value).
- Program/project performance feedback is used for managing strategy execution.

The most often used practices by high-performing organizations are monitoring project performance and having a process for identifying project opportunities and determining if they are in line with the corporate strategic direction. They also are significantly better than average in using program/project performance feedback for managing strategy execution.

Structure

Corporate strategy affects the choice of organizational structures; likewise, organizational structures are important to the execution of corporate strategy. To execute strategy effectively, managers must make sound decisions about structures and develop methods or processes to achieve the needed integration of structural units. Organizational structures take many forms, each affecting the speed at which change can be brought about. They include line and staff structures, functionalized structures, matrix structures, multidimensional matrix structures, strategic business

units, laissez-faire structures, and virtual structures (listed here in order of their increasing ability to adapt to rapid changes in strategic direction demanded by changing market conditions). The best practices identified include:

- A strategic (enterprise) project office (sometimes called the Office of Strategy Management). plays a role in linking the organization's projects to its strategic plans.
- The company has an organizational structure (strategic project office, office of strategy management, strategic steering committee, etc.) that is responsible for managing strategy execution.
- Project management is clearly established and embedded within the organization's business management structure.
- Information about strategy and projects flows freely between business units facilitating strategy execution.

The most often used practice by high-performing organizations is having project management clearly established and embedded within the organization's business management structure, along with having project management clearly established and embedded within the organization's business management structure.

Information Technology

Organizations need appropriate information tools are in place to implement and automate the *Strategy & Projects* processes as well as align the other elements of the framework. Information technology is a supporting system that

provides simple, actionable information to decision makers enabling the continuous planning and execution of strategy. Strategy execution involves participation and communication up and down the organization, as well as lateral flows of information and coordination across organizational units. Some of the best practices identified are:

- IT tools enable appropriate communication of strategy and strategic performance throughout the strategic management chain, both top-to-bottom and bottom-to-top
- IT tools provide real-time visibility into resources, budgets, costs, programs and projects
- IT tools are used to develop alternative strategic and project portfolio scenarios
- IT tools integrate strategy execution management, portfolio management, program/project management, and performance management functions
- IT tools provide the capability to monitor and control risks, issues and financials across portfolios
- IT tools provide information on the availability of resources

The most often used practice by high-performing organizations is having IT tools that provide the capability to monitor and control risks, issues and financials across portfolios. They also are significantly better than average at having IT tools that integrate strategy execution management, portfolio management, program/project management, and performance management functions.

People

The execution of strategy ultimately depends on individual organizational members, particularly key managers. So aligning strategy with training, managing, measuring, rewarding, and promoting people are key ingredients in effective strategy execution. Best practices identified for "people management" include:

- Project stakeholders understand how they can influence the successful execution of strategy and how their work is important to execution outcomes.
- Project stakeholders have clearly defined individual and team performance targets that are aligned with strategic objectives.
- Performance management reviews are structured to reward or correct individual performance based on the employee's contribution to strategic objectives.
- Project stakeholders clearly understand and buy into the organization's strategies.
- The project management staff is capable of creating, deploying, and maintaining enterprise, portfolio, program and project strategies.

The most often used practice by high-performing organizations is having project stakeholders' buy-in to the organization's strategies. High-performing organizations are significantly better than average at having performance management reviews structured to reward or correct individual performance based on the employee's contribution to strategic objectives.

Culture

Corporate culture—the beliefs, behaviors, and assumptions shared by individuals within an organization— includes such things as procedures, values, and unspoken norms. The importance of achieving strategic objectives, how performance is communicated, whether or not changes create competition or cooperation, who can access and use *Strategy & Projects* technology, whether or not decision-making is done in command-and-control environments or by self-directed teams, how functional units work with each other—these are just a few of the issues of culture that need to be addressed in creating a structured approach to executing strategy. Some best practices include:

- Project management is valued throughout the organization.
- A focus on strategy execution is an important part of the organization's culture.
- Risk planning is an important part of the organization's culture.
- Senior management is trusted, and consistently rewards successful project behaviors.
- There is a shared understanding and commitment about the organization's long-term objectives and its strategy for achieving them.

The most often used practice by high-performing organizations is having leadership that is trusted. High-performing organizations are significantly better than average at having senior management that consistently rewards successful project behaviors

Top 10 Best Practices that Set High Performers Apart

The following best practices were used significantly more often by high-performing organizations than other organizations. Information technology best practices in particular set high performers apart. The practices are listed in order of their significance.

- IT tools integrate strategy execution management, portfolio management, program/project management, and performance management functions.
- IT tools are used to develop alternative strategic and project portfolio scenarios.
- Project management is clearly established and embedded within the organization's business management structure.
- IT tools provide information on the availability of resources.
- Senior management consistently rewards successful project behaviors.
- The enterprise project office allows the organization to manage its entire collection of projects as one or more interrelated portfolios.
- Program/project performance feedback is used for managing strategy execution.
- IT tools provide the capability to monitor and control risks, issues and financials across portfolios
- Project management is valued throughout the organization.
- The company has an organizational structure (strategic project office, office of strategy management, strategic steering committee, etc.) that is responsible for managing strategy execution.

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The Center for Business Practices promotes effective strategy execution through sound portfolio, program, project, and performance management by capturing best practice knowledge and integrating it into actionable, fact-based information: research, publications, and benchmarking events.

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The CBP conducts original research that will help you improve your project management practices. Research reports are available on: *Strategy & Projects, Project Management: The State of the Industry, Project Management Maturity Benchmark, Project Portfolio Management, Troubled Projects: Project Failure or Project Recovery, Implementing EPM Systems, The Value of Project Management, The Value of Project Management in IT Organizations, Getting Executive Buy-in, Project Controls.*

CBP Benchmarking Forum & CBP Summit

The CBP sponsors two conferences each year. The Benchmarking Forum is a two-day structured exchange of knowledge among senior-level project practitioners. The CBP Summit is a two-day conference that features practioners and industry leaders presenting their knowledge of state-of-the-art business practices.

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In partnership with international publisher Auerbach Publications (A CRC Press Company), the CBP publishes the PM Practices Series of books, which includes *Optimizing Human Capital with a Strategic Project Office, The Strategic Project Office, Project Management Maturity Model, The Superior Project Manager, The Superior Project Organization,* and *Managing Multiple Projects.* Other books published by the CBP include *Advancing Organizational Project Management Maturity, The Project Portfolio Management Maturity Model, Project Portfolio Management*, *Justifying the Value of Project Management, Project Management Roles & Responsibilities* and *What Makes a Good Project Manager.*

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