



WHITE PAPER

R3D Information and Technology Inc.

**Evolution of Project Management to  
Business Program Management:  
A Unified Framework**

*Project Management*

*Project Office*

*Business Program Office*

*Project  
Management  
Series*

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## Background

In 1992, Tom Peters, the author of *In Search of Excellence*, said “The future for all businesses lies in project orientation”. Today, projects and project management practices are pervasive in many organizations. Planning, organizing, and tracking projects is now recognized as a core competency. Project management is also recognized as one of the management disciplines that drive higher profitability.

The idea that work is sometimes best accomplished through a project stems from the increasing pace of change that organizations must endure. The changes are typically driven by new business opportunities, increasing pace of technology, competitive pressures, pressure to increase profitability and productivity, new regulatory requirements or sometimes simply for organization survival.

The resulting investments in change are significant, costly, and critical to the success of the business. An organization must succeed at managing its investments/projects.

Project Management activities are not new—it can be claimed that several project management practices have matured, however, few organizations have truly succeeded in capturing and implementing repeatable, high-quality management practices. One common reason is that there may not be enough project activities to warrant a more structured approach; another reason is the sheer number of concurrent projects compared to the situation 20 years ago.

The Project Management Institute (PMI) has been promoting good **Project Management** practices with increasing success. The PMI and its Project Management Body of Knowledge (PMBOK) are universally recognized as a solid, proven framework for project management activities. The PMI framework is in the public domain and is applicable to a wide range of situations.

The concept of the **Project Management Office (PMO)** has emerged. Its goals and scope are different from project management. A PMO becomes a necessary function when several projects are carried out concurrently and/or multiple projects are required to accomplish an objective. The PMO concept is at the forefront of a move toward a more disciplined, strategic approach to project management that starts with standardizing methods for all projects across an organization.

The **Business Program Office (BPO)** has been put forward as an additional means of ensuring the full realization of the benefits of investments. The BPO is intended for executives or business unit managers undertaking strategic business projects. These major transformation projects are often complex undertakings. The scope of these transformations and their associated risks imply a continual re-thinking and re-evaluation of how the business and technology will interface as a means to both reduce risk and achieve the intended business results.

## Challenges

The evolution of **Project Management** is a result of the changing needs of organizations to manage their business by projects. The PMI framework provides a set of standards to make it easier to implement projects and to help organizations overcome resistance to change.

PMI best practices advocate smaller more focused projects and teams which require a number of “sub-projects” executing both sequentially and concurrently. The value of the **Project Office** increases as the number of the “sub-projects” increase. This is especially true in organizations that utilize project management activities as an integral practice in the delivery of products and services.

The **Business Program Office** is critical when the quality of the products and services flowing from an organization’s transformation initiative is closely tied to the quality of the business/technology combination. The question becomes:

- When does an enterprise need better management practices?
- When should a Project Management Office be established?
- When should a Business Program Office be established?
- What is the difference between all of these concepts?
- How should an organization set up a Project Management Office or a Business Program Office?
- What are their respective roles?
- Why are good project managers not enough?

Successful management of projects within an organization requires much more than planning and controlling. Success is also influenced by less obvious organizational factors such as culture, financial structure, regulatory requirements, past experiences, personalities, and internal communication channels to name a few.

The current business climate is forcing many organizations to re-evaluate their management practices especially with regards to projects.

R3D has identified some key underpinning variables that stakeholders use either explicitly or implicitly when evaluating completed projects. Some are straightforward: budget overrun, schedule slippage, failure to deliver what was requested. Others are more difficult to identify and quantify such as expectations of key stakeholders not being fulfilled, stakeholders assuming their ideas and needs would be fully integrated, stakeholders introducing changes during the project, not to mention changes to the business context. In many cases where business transformation was critical, the organization was not aware of or had not implemented other initiatives and projects that were required to achieve the full benefits of their investment.

## A Unified Model

The following table provides a basic definition of **Project Management**, the **Project Management Office** and the **Business Program Office**. The table contrasts each of them in terms of target objectives, scope, core processes and critical success factors. There is not always a clear-cut, black and white separation of the attributes. Some attributes may overlap. For example: Risk Management in some form is present in all three, however, risks to the successful completion of a specific project are not likely to adequately address overall financial risk of a Business Program to the organization.

	<b>Project Management</b>	<b>Project Management Office</b>	<b>Business Program Office</b>
<b>Objectives</b>	Successfully deliver the outcomes of a project	Build and maintain the organization's capability to manage projects	Achieve the realization of business results expected from investment
<b>Scope</b>	A (single) project	Most critical projects of a business unit	All critical and resource-intensive business projects
<b>Management Processes</b>	PMI's 39 processes broken down into 9 Knowledge areas <ul style="list-style-type: none"> <li>o Integration</li> <li>o Scope</li> <li>o Time</li> <li>o Costs</li> <li>o Quality</li> <li>o HR</li> <li>o Communication</li> <li>o Risks</li> <li>o Procurement</li> </ul>	R3D's 12 facets <ul style="list-style-type: none"> <li>o Standards</li> <li>o Initiation</li> <li>o Control</li> <li>o Skills Development</li> <li>o Support</li> <li>o Consulting Services</li> <li>o Manager Recruitment/ Loan</li> <li>o Administrative Support</li> <li>o PO Evolution</li> <li>o Knowledge Capture</li> <li>o Portfolio</li> <li>o Communication</li> </ul>	R3D's areas <ul style="list-style-type: none"> <li>o Goals, Requirements &amp; Alignment</li> <li>o Business Case and Investment Selection</li> <li>o Acquisition &amp; Contract Management</li> <li>o Change Management</li> <li>o Risk Management</li> <li>o Business Results &amp; Benefits Realization</li> <li>o Acceptance</li> <li>o Joint Venture,, Partnership Management</li> </ul>
<b>CSF</b>	Good project manager	Organizational Capability	Portfolio Selection & Ability to reap Benefit

The number of projects, either concurrent or sequential, and their business impact exercise strong influence over each type of management. Business impact translates into significant change to sustain the business. Another factor is the size of the investment.

### Surveying the Evolution

R3D has led the creation of or participated in more than forty project management related offices in the past two years. The data collected on these assignments have populated our database. The analysis of the data provides valuable insight into current practices. Several findings challenge some common beliefs about PMO's.

#### Findings

- ✓ Typically, PMO's deal with a portfolio of 125 to 200 projects;
- ✓ It is estimated that PMO's increase project performance by 30%. Schedule, budget and scope are the primary areas improved;
- ✓ We observe a significant shift toward **Business Program Office** which usually reports into an executive manager;
  - 61% of PMO's are established with a primary focus on projects required to accomplish a business objective or initiative;
  - 39% of PMO's are established with a primary focus on IT projects;
- ✓ Surprisingly 26% of the organizations set up their office for a single project. In most cases, the "control" function of the office is emphasized. On the other hand, 64% of offices focus on multiple projects. In any case, the "single" project has a significant impact on the organization;
- ✓ The competency center approach is on the raise.
  - 30% are set up to develop and coach project managers (competency approach);
  - 70% are set up to enforce controls (project control approach).

The Standish Group periodically does surveys on the success and failure of IT projects. In their latest survey, *Micro Projects Cause Constant Change*, by James H. Johnson, they report that progress has been made in the past six years from 1994 to 2000.

For instance, the number of projects successfully completed (i.e. completed

#### Success Factors

Executive Support	18
User Involvement	16

White Paper BPO	From PM to	
on time and on budget, with all features originally specified) rose to 28% from 16%.	Experienced Project Manager	14
The survey also identifies what they call recipe for project success or success factors. These factors are weighted according to their influence on project success. Not surprising, executive support and user involvement are at the top of the list.	Clear Business Objectives	12
	Minimized Scope	10
	Standard Software Infrastructure	8
	Firm Basic Requirements	8
	Formal Methodology	6
	Reliable Estimates	5
	Other	5

If we correlate the Standish Group survey with R3D's findings we find that:

- Executive Support, User Involvement, Firm Business Requirements, are all addressed in the **Business Program Office** concept. Indeed, we claim that the BPO is the best structure for executives and business managers involvement, leadership and business decision-making;
- Formal Methodology and Reliable Estimates are at the core of **Project Management Offices**. PMO also contributes to Minimized Scope too and boosts project manager's ability.
- Experienced project manager relying on a good project management framework correlates well with our **Project Management** layer.

Thus, the two surveys correlate well. Moreover, the unified model delineates well the contribution of each - PM, PMO and BPO.

## Using the Model

### Introducing Offices

**Project Management** is usually introduced as the number of projects increases or as more business results are expected. The importance of good project practices increases with both the number of projects and the degree of business impact. Experienced project managers are required as the number of projects increase and when the successful completion of a project has a high impact.

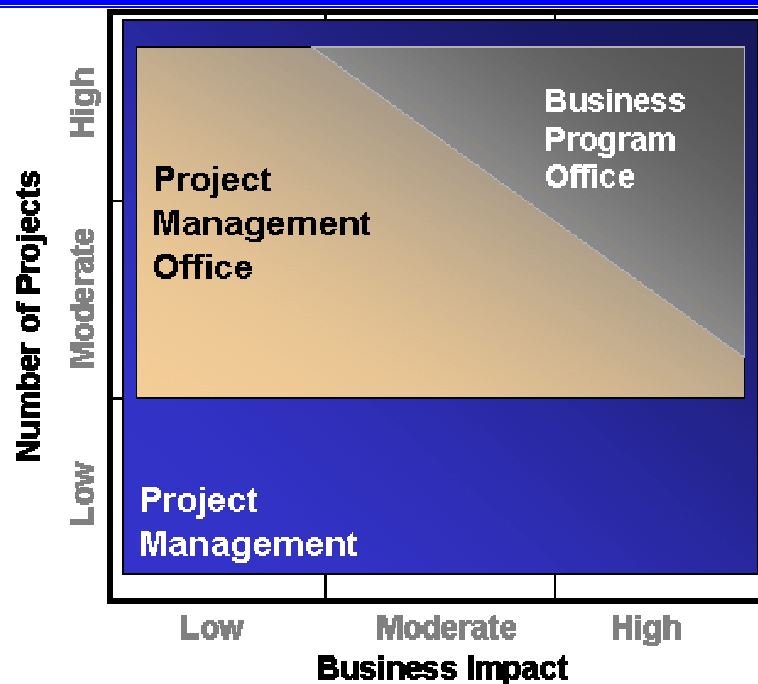
Most organizations still have problems repeating their past successes. Project practices are often inconsistent across projects, making comparisons difficult, resulting in poor decision-making and the potential for misallocation of resources. A **Project Management Office** addresses these issues and provides a framework for providing consistency across project management activities.

A **Business Program Office** is desirable, when a project is critical to sustaining the business and maintaining its competitive edge. It establishes the context for the justification and selection of investment initiatives. It sets the stage for evaluating business requirements, and introduces the additional business initiatives required to ensure benefits realization: change & risk management, acquisition, etc.

The diagram at the right depicts the various levels at which each comes into play.

Then, as the number and importance of projects increase, PMO is implemented; PMO does not replace good project managers.

When the business outcome is critical, the BPO is put in place on top of PMO and PM.



A **Project Management Office** is not a replacement for experienced project managers, nor are experienced project managers a substitute for business leadership. However, project managers can deliver consistently higher value when a **Business Program Office** keeps investments aligned with the business, and a **Project Management Office** facilitates sharing of valuable experience and standards

### Assessing the Need

Managers can use the model to assess the success of their investments and where they stand with respect to best practices. An assessment will surface areas for improvement. Among the questions to determine the need are:

- 1) How many projects? The number of concurrent or sequential projects? If there is a limited number of projects, hiring good project managers may be enough. On the other hand, should the number grow and reporting become inconsistent across projects, then a PMO may prove effective;
- 2) Is the primary nature of the projects/investments IT or business? It is important not to confuse business and IT issues. This helps determine where to locate PMO's and how many they should be implemented;
- 3) Whether the Project Management Office is concerned with controlling projects (control focus) or building an organizational project management delivery capability (competency focus). Getting investments and clear reporting under control dictates a PMO with control focus.

- 4) Determining the criticality of the investment; i.e. the level at which the project(s) must be addressed. Investments with critical business outcomes lend themselves to a BPO structure supported by PMO's.

### Choosing the Right Design

The model is useful for determining when **Project Management**, a **Project Office** and a **Business Program Office** should be considered. The model is also a powerful tool for determining what should be implemented. The model provides insights into the interplay between PM/PMO/BPO and clearly emphasizes the key contribution each one makes.

R3D uses this model as a means to categorize, monitor, evaluate and improve project management practices in organizations and improve the overall success rate of their business initiatives. Organizations are unique and sometimes unaware of the manner by which they have applied project management, project management office and business program office concepts. This usually results in value being questioned at some point in time. For example, many organizations have implemented one or many **Project Management Offices** (PMO's). Our experience has shown that there are significant differences and levels of maturity across different PMO's .

Using our data, it is relatively simple to see that effective improvements to a **Project Management Office** can be identified once the gap between its original objectives and its current characteristics are understood.

The overall pattern is far more complex than it may appear because the motivation for choosing one characteristic over another needs to be clear and well thought out. For instance, setting up a **Project Management Office** for a single project is usually determined by the size of the budget allocated to the project and the need to reduce risks. Furthermore, such a PMO is unlikely to evolve into one that is competency-driven.

Therefore, choosing the right type of **Project Management Office** and defining its roles & responsibilities are major decisions that are not simple to make. The unified model provides decision-makers with the proper framework.

## Auditing a Project

When project experiences difficulties, costs overrun for instance or scope creep, the root causes may not be obvious to identify. Business requirements may still be changing or the business case not well established. In this case, keeping scope under control may be impossible even with the best project manager. On the other hand, given a good, stable, well thought out business case, scope creep may point at a lack of change request process.

Given the situation above, we need to select the relevant topics the audit will investigate. Topics should include not only the nine PMI knowledge areas but also areas from the two other layers, namely PMO and BPO. This is to ensure full coverage of all possible causes. The idea is depicted below where selected topics are highlighted and those not relevant ones muted. Questionnaires, interviews scripts, evidence sought are then built based on the selection made.

	Project Management	Project Management Office	Business Program Office
Scope	A (single) project	Most critical projects of a business unit	All critical and resource-intensive business projects
Management Processes	PMI's 39 processes broken down into 9 Knowledge areas <ul style="list-style-type: none"> <li>○ Integration</li> <li>○ Scope</li> <li>○ Time</li> <li>○ Costs</li> <li>○ Quality</li> <li>○ HR</li> <li>○ Communication</li> <li>○ Risks</li> <li>○ Procurement</li> </ul>	R3D's 12 facets <ul style="list-style-type: none"> <li>○ Standards</li> <li>○ Initiation</li> <li>○ Control</li> <li>○ Skills Development</li> <li>○ Support</li> <li>○ Consulting Services</li> <li>○ Manager Recruitment/ Loan</li> <li>○ Administrative Support</li> <li>○ PO Evolution</li> <li>○ Knowledge Capture</li> <li>○ Portfolio</li> <li>○ Communication</li> </ul>	R3D's areas <ul style="list-style-type: none"> <li>○ Goals, Requirements &amp; Alignment</li> <li>○ Business Case and Investment Selection</li> <li>○ Acquisition &amp; Contract Management</li> <li>○ Change Management</li> <li>○ Risk Management</li> <li>○ Business Results &amp; Benefits Realization</li> <li>○ Acceptance</li> </ul>

The Unified Framework sets the context for understanding the evolution of Project Management to Business Program Office and how projects can be managed more successfully.

## About R3D

R3D is a management and information technology consulting firm, providing services to enterprises operating in Canada, USA and Europe. R3D provides services to enterprises and organizations seeking to pursue their development through projects that drive transformation or growth.

R3D has developed a thorough set of services to assist managers contemplating better Project Management practices, Project Offices and Business Program Offices. The service offering covers a broad range as shown in diagram below:

Management	Offering	Mode
<b>Transformation</b>	Business Program	Audit
	Business Program Office	
	Business Results	
<b>Project</b>	Project Management	Set-up
	Project Mgmt. Office (PMO)	Coaching
	R3D Project Management Kit	Mandate
	PMI Training	Delivery
		Education
<b>Organization</b>	Structure (Architecture)	Training
	Processes (Delivery)	
	Competencies (Capabilities)	

R3D has the expertise to:

- Assess current PM, PO and BPO practices;
- Assess PM, PO and BPO project and business requirements;
- Determine the optimal balance for each, given the organization's preparedness;
- Recommend and implement good PM, PO, BPO practices, methodology, processes and tools.