different activities from rivals’ or performing similar activities in different ways.”

Vague strategies cannot easily be translated into the measurable objectives or metrics so vital to achieving these kinds of stretch goals. Unclear corporate and business plans inhibit integration of objectives, activities, and strategies between corporate and business levels. Poor strategies, simply, result in poor execution plans. Those who have labored long in the project management trenches know very well how painful it can be to execute a project perfectly only to find out it is considered a failure because it does not meet a business need.

Therefore, as project management has gained in popularity, corporate executives have struggled to find a way to link strategic business objectives with the individual projects they have been asked to authorize. Too often, projects are chartered that have little or no connection to the corporate strategy formulated by top management. The reason for this is simply the lack of an organizational entity with responsibility to map strategy to projects, and to monitor projects and portfolios to ensure that they continue to address strategic initiatives, even as these initiatives change over time.

Enter the Strategic Project Management Office (SPMO). The SPMO not only provides all the services discussed in earlier chapters to individual projects and department-level project offices, it serves as the critical link between executive vision and the work of the enterprise. By providing a standard organizational methodology for planning, executing, staffing, prioritizing, and learning from all the projects that comprise today’s organization, the SPMO gives organizational life a coherence that has long been lacking.

Let’s explore just what an SPMO can do for your organization.

Overview

A PMO brings project management expertise to bear on any project-related problem or opportunity, wherever and whenever needed. This could include any of the PMO functions or services covered in the Introduction, or shown in Table 1.1.

The Strategic PMO goes beyond the traditional project management categories, with an expanded role that links strategic objectives to
individual projects and portfolios. Several of these additional areas of project control and coordination are discussed elsewhere in this book:

- **Project Management Maturity.** As the owner of the project management process, the SPMO assesses project management maturity and takes action to improve the practice of project management across the organization (covered in Chapter 3).

- **Project Quality Management.** An enterprise-level standard and process for quality must be established. This usually falls with the Quality Assurance organization; however, if a separate QA organization does not exist, the Strategic Project Office (SPMO) is responsible for ensuring that project management process quality is maintained and that project managers take necessary action to ensure the quality of product and service deliverables to customers (covered in Chapter 5).

- **Project Office Steering Committee.** The Director of the SPMO should chair the steering committee that will select, prioritize, and terminate projects; make resource allocation decisions; and provide guidance to project managers (covered in Chapter 7).

- **Process and System Interfaces.** It is vital that various systems within the enterprise share information. The SPMO, working with the information technology (IT) section, takes the lead in this effort to integrate project management software with the accounting, human resources (HR), and other systems. While the specifics of this subject are outside the scope of this book, some PMO software issues are covered in Chapter 8.

- **Creation of a Project Culture.** The SPMO, working with the HR department, takes the lead in creating the project management culture so necessary for many of the advanced topics

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Table 1.1 Common Enterprise-Level PMO Services

<table>
<thead>
<tr>
<th>STRATEGIC SERVICES</th>
<th>OPERATIONAL SERVICES</th>
<th>HR-RELATED SERVICES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic alignment</td>
<td>Methodology</td>
<td>Competency assessment</td>
</tr>
<tr>
<td>Governance</td>
<td>Project management</td>
<td>Project management training</td>
</tr>
<tr>
<td>Project portfolio management</td>
<td>Knowledge repository</td>
<td>Mentoring</td>
</tr>
<tr>
<td>Priority management</td>
<td>QA/auditing</td>
<td>Resource management (leveling and allocation)</td>
</tr>
<tr>
<td>Executive reporting</td>
<td>Processes support</td>
<td>Hiring and performance reviews</td>
</tr>
</tbody>
</table>
covered in this book to be possible at the enterprise level (covered in Chapter 9).

• **Resource Management across Projects and Portfolios.** Perhaps the most difficult job of a project office is to ensure that resources are assigned to projects according to their position on the prioritized list. This can be done in a number of ways, from having a resource manager within the SPMO who takes requests from project managers and negotiates for resources with functional managers to forming a strong liaison with the HR department, which performs the same service for the project office. Regardless of the mechanism and procedure devised, the SPMO is responsible for ensuring that key projects are not delayed due to resource shortages. Note that it is not the role of the project office to lead project teams. That job belongs to the project manager. Software aspects of resource management are discussed in Chapter 8.

In this chapter, we will discuss those responsibilities and functions of the SPMO that specifically relate to its integrative and strategic role in the organization:

- Linking corporate strategy to programs and projects. The SPMO provides the organizational home for taking the strategy document produced by senior management and converting it into the projects that carry out that strategy.
- Portfolio management, including project selection and prioritization, manages the interdependencies between and among projects, which can only be seen from the perspective of an SPMO. (This topic area will be covered in detail in Chapter 6.)
- Finally, the SPMO has a critical role in project manager competency and professional development, which we look at in detail in Chapter 7.

As you can see from this list, the role of the SPMO is itself integrated with the roles and responsibilities of other staff organizations within the corporation. The relationship between the SPMO and both line and staff organizations within the corporation *must* be worked out as part of the change to a project culture (Chapter 9).
In short, the purpose or mission of a Strategic PMO should be:

- To ensure that the enterprise invests in the best set of projects and programs and realizes the most benefits possible from these investments.
- To provide an organizational focus on improving the management of projects, programs, and portfolios.
- To optimize the capability and use of scarce resources.
- To raise strategic issues to the highest levels of the organization to facilitate effective decision making.

The Link between Strategy and Projects

The SPMO has two primary missions: (1) to improve the organization’s project management maturity (a process discussed in detail in Chapter 3) and (2) to “link the organization’s projects to its strategic plans.”

The latter of these two—linking strategy to projects—remains revolutionary thinking in some organizations. On a consulting engagement to help an organization improve its project management practices, the author had been speaking to a group of senior managers about the connection between what they set as corporate strategy and what was happening “in the trenches” with their real projects. After about an hour, a group manager tentatively raised his hand and asked, “So, there’s supposed to be a direct linkage between strategy and projects?”

The concept of having someone in the organization (other than the marketing department) look at the strategic objectives with respect to ongoing projects is still new in many organizations, or, if not new, then various initiatives have tried to align strategies and activities with limited success. The good news is that over the past decade, the number of organizations establishing Strategic PMOs to correct this problem has skyrocketed.

Tying the corporate strategic objectives directly to the activities designed to achieve them plays directly into the development of project management maturity as well. It speaks to the need, identified by the Software Engineering Institute, to “institutionalize” good project management practices throughout an organization. If project management processes are not supported by the upper management
of the organization, they will not be applied uniformly throughout. Recognizing the SPMO as the organizational entity chartered to carry out this mission is one way that executive management can act to institutionalize best practices.

It is a source of constant amazement that corporations pay hundreds of thousands of dollars developing and deploying a project management methodology, then make its use discretionary. Human nature is such that most of us, given a choice to adopt a new process or continue with one that “works for us,” will opt for continuing in our old ways. In Chapter 9, we will discuss how to overcome the natural resistance to change by stressing the advantages of adopting a new way of doing things.

Unfortunately, it is outside the scope of this book to discuss all the ways in which corporations can identify and establish strategic objectives because it is in this step that the seeds of successful projects are planted. Ideally, project activities should be at the bottom of a “waterfall” in which corporate strategy is expressed as a set of long-term and short-term goals, and each of these goals is operationalized as a project or program designed to carry out the strategic rationale. Furthermore, the setting of organizational priorities is expressed, on the project level, as a set of metrics by which executives can determine if the project activities, in fact, are moving the company toward the desired goal. These metrics, feeding into the project prioritization system and into the reward system for project team members, complete the feedback loop, making the organization coherent. Project team members are rewarded for behaviors that make projects serve the overarching goals; company strategy becomes everyone’s business instead of the yearly intellectual playground of a top few.

By contrast, in the past, projects were insulated by many layers of management from the strategic rationale, with the result that work was undertaken on a departmental level that either failed to advance key strategic initiatives, or, in some cases, was actually detrimental. Project managers are familiar with the frustrating case of the project that is delivered on time, on budget, and to specifications, but which is a failure in the larger organizational sense because it is irrelevant to the corporate mission or to the competitive stance of the company. Linking strategy directly to the projects that are organized to carry
it out eliminates this frustration, and saves a good deal of time and
money as well. We believed this intuitively, but did not rely on intu-
it alone. A study completed in 2005 by PM Solutions’ research
arm showed a strong linkage between aligning strategy with projects
and excellent organizational performance.

Strategy and Projects Research Study

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 organiza-
tional success? To seek an answer to this question, which has sig-
nificant importance for executives and project managers alike, the
Center for Business Practices conducted a survey in November 2005,
targeting a broad spectrum of organizations. Representatives of 87
leading companies responded. The results? Companies using identi-
ified “best practices” most consistently also had the highest rates of
project success.

Why Align Projects with Strategy?

Nine out of ten corporate strategies devised on the executive level
never come to fruition. One reason for this is found in a survey con-
ducted by the Society for Human Resource Management and the
Balanced Scorecard Collaborative: 73 percent of polled organizations
said they had a clearly articulated strategic direction, but only 44 per-
cent of them communicated that strategy well to the employees who
must implement it. These companies “are like a body whose brain is
unable to tell it what to do.” Perhaps out of frustration with these
failures, many companies are spending less time on strategy; research
has shown that 60 percent don’t link strategy and budgeting, and
85 percent of management teams spend less than one hour a month
discussing strategy.

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 nonfinancial measures from an operational checklist to a comprehensive system for strategy implementation. For the first time, the details of the project portfolio (what the Balanced Scorecard creators call the “strategic initiatives”) become important to a company’s strategic thinkers.11

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 of these issues are alleviated in a company that ties strategic planning to portfolio selection and project execution.

Strategy & Projects: Research Findings

The Strategy & Projects report was the initial product of a three-part research project. Part One was a review of management literature to develop a list of practices for aligning projects and corporate strategy. We first identified those practices that lead to high performance through a search of the literature on the integration of strategy execution, portfolio, program, project, and performance management.
This research revealed a set of best practices that we organized into a framework adapted from the McKinsey 7S framework. The elements included:

1. Governance
2. Processes
3. Strategy Management
4. Project Portfolio Management
5. Program/Project Management
6. Structure
7. Information Technology
8. People
9. Culture

Best practices were defined under each process area, based on the management research reviewed. These practices were used to develop the questions in the survey. 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. Participants rated their organizations on the frequency of their use of the best practices against a 7-point scale, where 1 = “not at all” and 7 = “to a great extent.” Members of the Center for Business Practices Research Network (senior practitioners with knowledge of their organizations’ project management practices business results) were invited to participate in a Web-based survey. Of 87 respondents, 84 completed the survey in its entirety. 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 used to ascertain which organizations performed well are familiar to all project

* These seven process areas were later refined into a framework for integrating project management principles with strategic management across the enterprise. The results of this framework development were published as Seven Steps to Strategy Execution (Center for Business Practices, 2007).
stakeholders. The survey 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. The performance measures included:

- The organization’s strategies are executed according to plan.
- The organization’s shareholders are satisfied.
- The organization is financially successful.
- Projects are completed on schedule and on budget.
- Project customers are satisfied.
- Project resources are allocated optimally.
- Projects are aligned to the organization’s business strategy.
- The organization works on the right projects.

Participants rated their organizations on the frequency of their achievement of these measures against a 7-point scale, where 1 = “not at all” and 7 = “to a great extent.” 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. These results are displayed in Figure 1.113

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

The Strategy & Projects Framework

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.

Perhaps not surprisingly, the most often used governance practice by high-performing organizations in the study is having a well-defined strategy. Let’s examine the strategy management process, and look at the best practices identified.

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.

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; conversely, using project and program performance feedback to manage strategy execution is also a best practice engaged in by high-performing companies. The use of these practices also makes the difference between high performance on the enterprise level and just getting by. This is demonstrated in Figure 1.2.

*And, the Best-Practice 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 identi-
fi ed 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 proj-
  ect 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, and, for most companies,
this naturally translates into a Strategic PMO. The SPMO also plays a key role in another best practice: making a focus on strategy execution an important part of the organization’s culture.

**Top 10 Best Practices that Set High Performers Apart**

When it comes to aligning projects with strategy, 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.

As we continued to follow up on the findings summarized above, one striking, though admittedly, anecdotal correlation kept popping up: Nearly every organization in the top 20 performers is the recipient of at least one and, in some cases, many awards specific to their field of endeavor. Coincidence or proof of the power of aligning projects with strategy?
Best-Practice Examples

The Strategic PMO was a relatively new phenomenon in organizations when the first edition of this book appeared; few best-practice examples were available to use as templates. At the time, we predicted that the development of the SPMO as a feature of the modern organization would be one of the most exciting trends in organizational development this decade. However, we were unprepared for the speed and enthusiasm with which companies would adopt the SPMO framework and begin optimizing it for their industries and corporate environments.

In 2006, impressed by the way the PMO’s influence was expanding throughout organizations, we initiated a competition to honor Strategic PMOs that were displaying not only our recommended practices, but often going them one better. The PMO of the Year competition, now in its fifth year, has brought public attention to PMOs that perform critical, strategic functions: PMOs with names like “Office of Strategy and Planning,” PMOs with directors who are at the vice president level or even function as Chief Project Officers. In Appendix B, short case histories of the award winners from 2007 and 2008 are showcased.

Notes


