The growing importance of EPMO (Enterprise Project Management Office) in today's organizations

Abstract: This paper discusses the growing importance of Enterprise PMO in organizations. The paper highlights the challenges faced by organizations having traditional PMOs and the need for an Enterprise PMO. The paper further discusses the structure of EPMO in large and small organizations, EPMO responsibilities, benefits of EPMO and the factors critical for the success of EPMO in an organization.

WHITE PAPER

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Introduction

Over last 10years, the relevance of PMO in the organization has grown tremendously because PMOs have increased the project success rates and made project delivery more standardized and predictable.

The PMOs are evolving with time and the PMO maturity level has been increasing. Having said that, organizations are now realizing some of the challenges in the way the PMO were traditionally setup. Before discussing these challenges, let's see the basic difference between the type of PMOs and the level on which these PMOs operate. The word "PMO" is used differently in different contexts. PMO could mean Project Management Office, Program Management Office, and Portfolio Management Office depending on the level of PMO operation.
Briefly, here is what different type of PMOs mean-

Project Management Office- Project Management Offices are typically setup for large projects where they help the project managers in collecting timesheets, collating status reports and financial data, tracking deliverables, coordinating issues and risks etc.

Program Management Office - Program Management Offices are generally setup at Program level where there are several projects running under a program. Program Management Offices support program managers, project managers and project teams. Typical responsibilities of the Program Management Offices include collating project related data from the project teams, ensure process adherence, collating project reports from project managers and creating reports for senior executives/project sponsors, identifying project dependencies and coordination between projects within the program.

Portfolio Management Office -   Portfolio Management Offices are generally setup at Department/Business unit level to ensure the Department/Business unit projects are aligned to overall enterprise business objectives. They facilitate business prioritization of projects. Benefit realization and value management also form part of Portfolio Management Office responsibilities. The Portfolio Management Offices support the portfolio leaders with portfolio management activities.

Not everything is hunky-dory with the way the PMOs operate today. While the department level PMO and Portfolio Management Office operate at a *tactical* level at best, the Program Management Office and Project Management office often function at *operational* level. The *strategic* element is missing from the type of the PMOs described above.
This section discusses some of the limitations of a traditional Program/Project/Portfolio Management Offices and highlights the case for Enterprise Project Management Office especially in large organizations and global organizations.

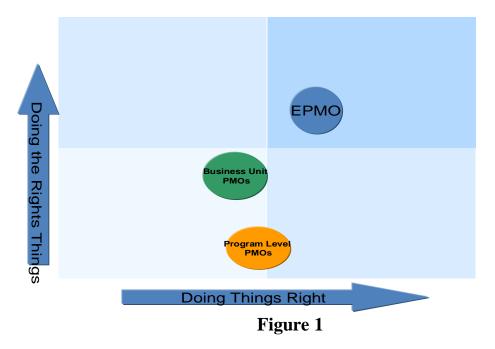# Challenges with Traditional PMOs- A Case for Enterprise PMO.

Here are some of the limitations faced by Project/Program management offices (PMOs)/Department level PMOs (also called as Traditional PMOs in this whitepaper) and thus resulting into some challenges for the organization.

1. Many PMOs operating at department level, program, and project level are started with a *bottom up approach* to tackle issues at the program, and project level. Therefore these types of PMOs often *lack strategic alignment.* These PMOs at best operate at tactical and operational level. Often the goal of these PMOs is doing the things right i.e. delivering the task given correctly. The focus is not so much on ensuring that the things which are being done are right or not. That is where large organizations are feeling the need to have a group/function at an enterprise level which can have all the dept level PMO report to this group/function and provide the missing link for strategic alignment between corporate and departmentally based projects.

2. Traditional PMOs in large organizations or PMOs dispersed geographically in a global organization often work in silos. This federated approach often leads to lack *of communication*, *ineffective resource utilization* and *operational inefficiencies.* There is a need of a group/function that can help prioritize projects across different departments, identify if there are any duplicated efforts and investments, mitigate risk and find opportunities for collaboration amongst departments across the enterprise.

3. Traditional PMOs are many times not involved in overall *Demand Management* at the organizational level. Therefore it's often difficult to forecast the demand pipeline for a multiyear horizon.

4. Traditional PMOs, because of their department level, program and project level operations are many at times unable to present the *big picture* while reporting to the enterprise leadership. Enterprise leadership wants to see consolidated reports for the enterprise wide programs in a way that they do not get lost in details and yet are able to take critical decisions based on the reports.

5. Departments across an organization may *lack standardization in the way they run projects.* This may be due to several reasons like organization having gone through mergers and acquisitions or organizational changes at different points in time or to merely because the organization has several different departments. Usually the PMOs within such organizations will have different PMO framework, practices, tools and maturity levels. Under such conditions, the organization will require a centralized group/function to standardize PMO operations across the organization.

6. Projects running with traditional PMOs may not have visibility at the top executive level and therefore *lack leadership buy-in.* A business function in the form of EPMO can not only provide this information to the leadership in real time but also provides leadership buy-in for enterprise wide projects.

What is Enterprise Project Management Office (EPMO)?

Considering the challenges faced by the traditional PMOs, organizations are feeling the need for a business function that will help overcome the traditional PMO challenges. Therefore organizations especially that have global presence or having multiple business units are moving towards such structure that will allow them to overcome the challenges listed in the section above. Therefore these organizations are creating a business function that is referred to as *Enterprise PMO (EPMO).* Enterprise PMO (EPMO) is a centralized business function which operates at strategic level with the enterprise executives and provides enterprise wide support on governance, project portfolio management best practices, mentoring, tools and standardized processes. EPMO ensures strategic alignment between business objectives and projects executed.

EPMO does not eliminate the need for Project, Program or Department level PMOs. It simply complements these traditional PMOs. While the traditional PMOs operating at the tactical and operational level focus on doing the things right. Organizations having an EPMO and traditional PMOs get the right things done the right way (see Figure-1). So the EPMO help the overall organization achieve its strategic goals and in the process also helps better support the project teams.

Figure 1

EPMO differentiates itself from other PMOs mainly by the level on which it operates. It is mainly operates as a business function within the organization and reporting directly into one of the CXOs mostly CIO. With the authority that comes with being at this position the EPMO can effectively control the portfolios, programs and projects running across the enterprise.
Its position is regarded close to the Portfolio Management function. Strategic alignment of business objectives with the projects, project prioritization, value management and benefit realization are some of the key responsibilities of EPMO

The EPMO is not restricted to governing only the IT programs but the sales PMO, finance PMO, marketing PMO, HR PMO functions will also be typically reporting to the EPMO. Therefore EPMO collaborates and supports cross functional projects. This

results into better synergy between the projects running under different enterprise functions.

In an organization that has global operations, the geographically dispersed PMOs will report to the centralized EPMO thereby providing much needed coordination between these multinational PMOs.

In today's uncertain business environment amidst the financial crisis where organizations putting more emphasis on cost cutting, better resource utilization and trying to do more with less,   EPMO have become even more relevant . Another factor leading to rise in EPMO adoption is increasing globalization. Organizations are now having global footprint and it becomes ever so important to have a centralized PMO (EPMO) at the enterprise level overseeing all the projects undertaken in the organization.
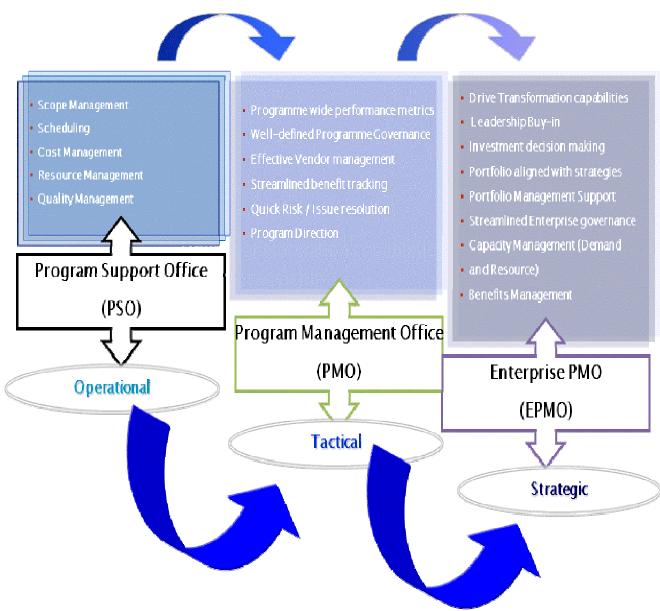
EPMO – Stepping up the PMO maturity

- Scope Management
- Scheduling
- Cost Management
- Resource Management
- Quality Management

Program Support Office

(PSO)

Operational

- Programme wide performance metrics
- Well-defined Programme Governance
- Effective Vendor management
- Streamlined benefit tracking
- Quick Risk / Issue resolution
- Program Direction

Program Management Office

(PMO)

Tactical

- Drive Transformation capabilities
- Leadership Buy-in
- Investment decision making
- Portfolio aligned with strategies
- Portfolio Management Support
- Streamlined Enterprise governance
- Capacity Management (Demand
- and Resource)
- Benefits Management

Enterprise PMO

(EPMO)

Strategic

Figure 2

Figure 2 demonstrates the maturity levels of the Project Management Office, Program Management office and Enterprise Project Management office. Project support office/Project Management office often operates at operational level. Program Management/Department level PMO on the other hand often goes a step higher and operates at a tactical level. Enterprise PMO is created mainly so that it fills the important gap of strategic focus within the PMO setup.

Project support office/Project Management office ensures that scope, budget and schedule (the basic triple constraint of any project) are managed. In addition they may introduce checks and reviews to improve the quality of the project output.
Program level and Department level PMO bring the following practices to the table like creating program direction, having a governance structure within a department, manage vendors if vendors are involved in supply, ensure better risks and issues resolution.
Enterprise PMO works closely with the decision making leadership in an organization and are responsible for strategically aligning the business vision and objectives to the projects that are initiated in different departments. EPMO ensures that there is top leadership buy-in for every project initiated. EPMO put together a governance structure in the organization such that there is seamless flow of information top to bottom and the other way around so that they can view how each project is performing.

EPMO Structure

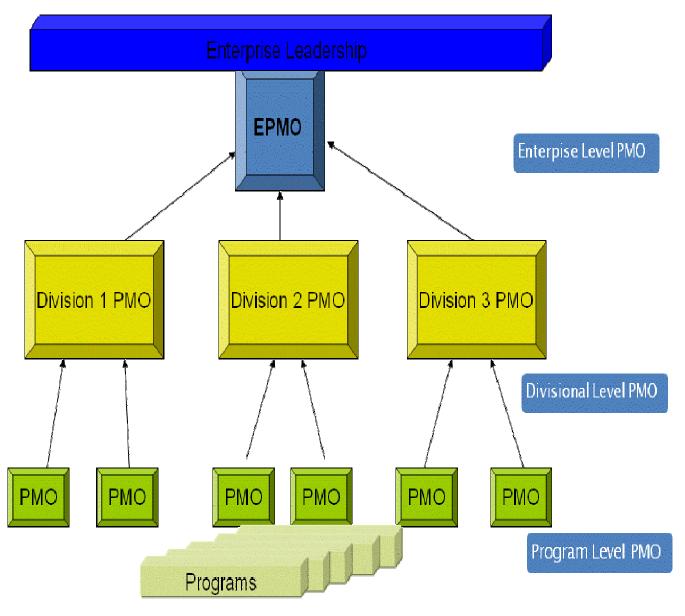## EPMO structure in large organizations

Figure 3

Figure 3 shows an example of typical EPMO structure in large organizations. EPMO is positioned as a business function operating at the very highest level (Usually the EPMO directly report to the one of the CXO). This demonstrates the vantage point the EPMO has in an enterprise to oversee enterprise wide projects. The project support office and Project Management office will report to the program management office. The

program management offices will report to the department level PMOs. The PMOs from various functions, departments and business units will report to a central business function – EPMO. The number of levels from the project support office to the enterprise project management office is often determined by the size of the organization.

Figure 4 show how an EPMO may be structured in a smaller organization. Here we notice that there are not too many levels of PMOs in a small organization. Therefore all PMOs would report to a centralized EPMO.

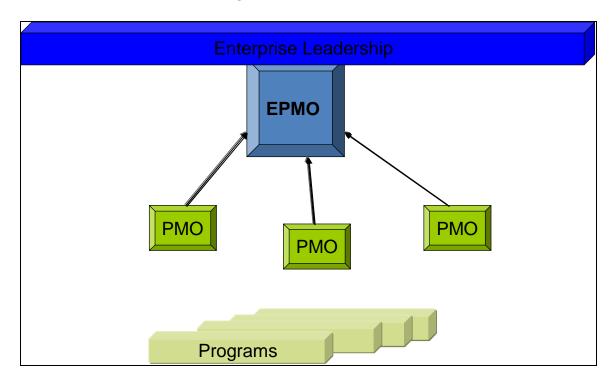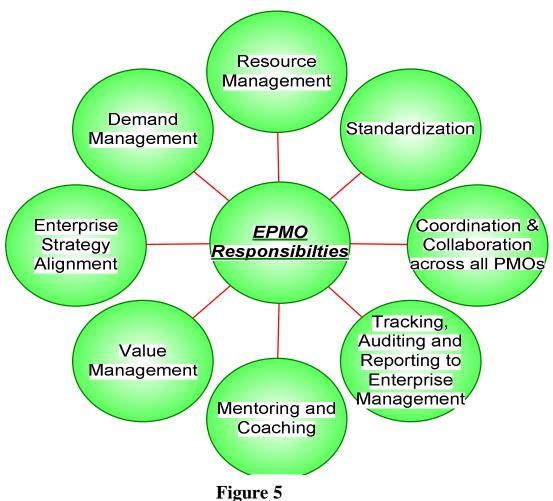EPMO structure in small organizations

Figure 4

Responsibilities of the Enterprise PMO

Let's discuss some of the areas in which the Enterprise PMO provides support to the organization.

Figure 5

Mentoring and Coaching -   EPMO with its expertise in project management provides mentoring and coaching to the program managers, project managers and staff of the PMOs operating at different levels in the organization. EPMO may conduct periodic training and coordinate for industry level certifications related to project management.

Enterprise Strategy Alignment – EPMO ensures that the projects that are undertaken in various departments of the organization are aligned to the near and long term business objective. Thereby ensuring that the organization is spending money on the 'right things'.

Value Management
 Often the projects handled by department or program levels PMOs are part of a bigger organizational initiative. At these traditional PMO levels it's difficult to measure the business value of the projects. On the other hand EPMO have a view of the larger organizational initiatives which are broken down into several projects. So EPMO are in a

position to evaluate the tangible and intangible benefits of these initiatives. EPMO may use techniques like ROI, NPV, and IRR etc to measure the benefits.

Demand Management Enterprise PMO is responsible for demand forecasting and collating the project demand generating from different business cases developed across the organization. This becomes a central office where the demand is captured and classified into strategic, tactical or operational demand.
In organizations having only department PMOs and no EPMO, there might be conflict that project A running in department 1 had higher priority than project B running in department B. EPMO ensures that all projects are prioritized at this central office and thus there is no conflict of priority between departments on the projects.

Resource Management EPMO maintains a picture about the resource available to work on this demand across all departments of the organization. This central view of resource at EPMO helps in strategic resource planning resulting in better utilization of resource and improves efficiency.

Standardization
Another important responsibility of EPMO is to standardize processes, methodologies, project management practices and tools across the enterprise. This ensures all departments are talking the same language and also brings out better synergy. EPMO also drives continuous improvement of processes and project management practices

Coordination between PMOs – There are often situations where a PMO is facing a problem which can be resolved by reaching out to another PMO. EPMO because of its unique vantage point is able to view the proceedings in different PMOs. Thus they are able to coordinate between different PMOs and improve the communication between various PMOs reporting to the EPMO. This results in improving risks and issues resolution.

Centralized Tracking, Auditing and Reporting – All portfolios, programs and projects roll up to the EPMO. Therefore EPMO has view of all the portfolios, programs and projects running across the organization. EPMO has the responsibility to track the portfolios, programs and projects. EPMO will periodically also audit these portfolios, programs and projects to check for compliance for standard practices.
Having this centralized view, EPMO is in a position to prepare reports and dashboards for the enterprise leadership in the way that helps them to take critical decisions to steer the ship.

Benefits of having EPMO in an organization

Given that the EPMO performs the responsibilities mentioned in the preceding section reasonably well, there are number of benefits that an Enterprise PMO brings to an organization.

- More projects delivered on time and within budget.

- Better strategic alignment between business objectives and the projects initiated. Money spent on right things.

- Greater leadership buy-in for department level projects and therefore greater chance of project succeeding and getting support when needed.

- Better enterprise wide utilization of resources.

- Lesser or no overlap of effort between departments. Lesser or no duplication of work undertaken by different departments.

- Better communication across the organization and therefore quicker and better decision making.

- Better collaboration and coordination across departments.

- Better visibility of initiatives across the enterprise.

- More bang for the buck. Greater returns of the projects implemented.

- More efficient delivery of projects and therefore faster time to market

- Better risk mitigation and structured risk resolution.

What are the Critical Success Factors for EPMO to deliver the goods?

For EPMO to succeed in its goal and deliver benefits to the organization there are certain critical success factors (CSFs) that should be considered.

1. Positioning of EPMO is a critical success factor for an EPMO to deliver goods. Some organizations create EPMO for namesake and is not strategically positioned. Therefore it does not command the authority from rest of the organization and other department level PMOs. EPMO should report to one of the CXOs typically CIO.

2. EPMO should not be perceived by other PMOs to barging into their territory. Instead the PMOs and project managers should be made to understand that EPMO complements their work and is created for providing additional help. Proper organization change management plays an important role in introducing a new EPMO. If an organization is newly introducing EPMO to the organization, the introduction of EPMO should follow best practices of organization change management.

3. At the same time the executives should not be made to feel that EPMO is treading on their ground. There should be constant leadership support and buy-in for the EPMO to perform its role. After all the leadership gets benefitted from EPMO in many ways including having information to take critical decisions. So EPMO should be seen as a function supporting the organizational leadership and not overlapping their responsibilities.

4. It's important that EPMO is established as a separate business function/group. So that it is not regarded part of IT, Finance or any other specific function. EPMO is supposed to support projects across all functions and not just IT.

5. It's vital to have an organizational structure such that all PMOs directly or indirectly report to EPMO. Flow of Communication and escalation path should be clearly defined to avoid any bottlenecks.

6. For the EPMO to be effective it's important that it is staffed with people having project management expertise and also business acumen. Since EPMO staff is required to understand the business vision and also provide coaching to the project managers.

7. Since EPMO is a centralized office, for EPMO to function effectively, it's important to have a reasonable amount of standardization across the departments within the organization.

Conclusion

The concept of a PMO at an enterprise level (EPMO) is relatively new but large organizations and organizations having global footprint are adopting Enterprise PMO for the number of reasons discussed in the whitepaper. From here on the popularity and adoption of EPMO is only going to increase as globalization increases, departments becoming more diverse and dispersed across geographies and organizations becoming more cost conscious than ever before. The emphasis is on doing *more with less* and organizations want to review every dollar spent more than they have done is the past. Moving from what has been the *traditional* approach of having program and project level PMOs to a PMO at enterprise level is a logical step in increasing the PMO maturity level.

About the Author

Arvind Rathore is process consulting manager at Wipro Consulting He has consulting experience in IT Governance, PMO, IT planning and Strategy and Sourcing Management areas. He is a **PRINCE2** Certified Practioner and holds **ASQ SixSigma Green Belt, ITILV3 and COBIT4.1** certifications as well. He holds **a Bachelor of Engineering Degree in Electronics and Telecommunications** and a **Post Graduate Diploma in Business Management**.

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