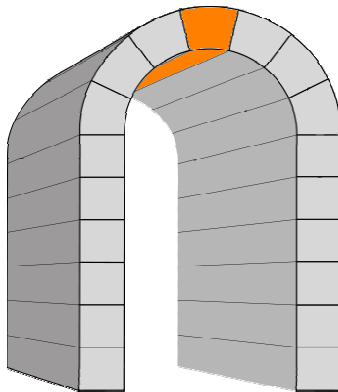


CPO: The Keystone to a Successful Portfolio Governance Culture

By A Matt Piazza, MBA, PMP and Terry Brunenn, PMP



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Executive Summary

Today's corporations are driving even harder for more profits. Performance surveys show that projects are still failing at rates higher than 60%. Some companies have 'tried' PMOs and portfolio governance but abandoned their efforts after a year or two. Some companies have implemented Enterprise Project Management (EPM) systems and feel less than satisfied. Why are these failures occurring?

While project portfolio governance represents an ideal business opportunity for more profits, something is missing! A Chief Project Officer (CPO) is the missing **keystone** for a successful project portfolio governance culture. An experienced CPO recognizes the unique dynamics of projects as compared to the dynamics of operations, the impacts of projects on corporate strategic initiatives, projects interdependencies, and the management of key resources. The full-time CPO will have the time to consolidate programs and projects into related portfolios which align with the objectives and strategies of the corporation.

This paper delivers an understanding of the world of project portfolio management and a SWOT analysis of incorporating a CPO into the corporate organizational structure to establish and execute a successful portfolio governance culture. Using the authority and political influence of a "C-level" executive position, this culture will be realized sooner rather than later.

Keywords: Chief Project Officer, Governance, culture, strategy management, portfolio management, program management, project management, executive, corporate structure, PPM, EPM, EPMO, PMO, CPO

Why read this paper?

This paper explains the value and meaning of a successful project portfolio governance culture. The reader will also discover how to change a chaotic project portfolio governance culture into one based on strong project results that are aligned with corporate objectives and strategically optimized resources. And finally, realize how the CPO led project portfolio governance culture is better.

Today's Project Portfolio Governance Culture

PricewaterhouseCoopers Study

In a study conducted by PricewaterhouseCoopers, they found project failures are often a consequence of organizational factors, such as culture, corporate attitudes toward improvement and quality, and overall approach to governance – over which individual project managers have little influence. The report said by ensuring that the organizational environment in which projects are executed has an appropriate maturity, the risk of failure is reduced.

"In most organizations today the people that [allocate] investments and the people who execute ideas are two separate groups and they don't communicate", San Retna explained. An organization needs to have an overall strategy lead or CPO who is aligning the projects across the enterprise rather than allowing the decisions to be made in the IT, HR or finance silos. Project management is between the world of numbers and the human behavior of people.

Portfolio management is an enormous step forward towards a CPO culture. Although, portfolio management is still buried in the organization and does not have the political influence to change the culture. CPO requires a paradigm shift; a cultural change in mind set relating to projects. The difference between operations and projects is huge; operations focus on tactical and "keep the lights on" activities, while projects are about strategy and improvement activities. There remains a universal conflict between operations and projects. The answer to the conflict lies in separating the management of each; charging some with the responsibility of delivering on the commitments the organization has already made (operations), and others with the task of mitigating risk and providing exposure to promising opportunities (strategic projects). Defining the difference between operational and strategic activities is imperative for an organization to mature along the project management lifecycle.

Great performance demands relentless focus on a particular strategy, devoting resources and creating options is typically beyond the capacity of an operating division. Strategic flexibility is not something a successful operating division can typically create

for itself. Only by focusing the corporate office on the management of strategy and uncertainty can the overall corporation achieve high results at lower risk. The core function of the CPO is to actively manage the strategy and risk of the organization.

The CPO can be the key link to the Corporate Governance Board where functionalities overlap. While the CPO is the leader of the Project Portfolio Governance, this position should also be a member of the Corporate Governance Board. This dual role enables a solid alignment of projects and program with that of the corporate objectives. The Corporate Governance Board addresses four main components of the governance of project management. These components are (1) Portfolio direction; (2) Project Sponsorship; (3) Project management effectiveness and efficiency and (4) Disclosure and reporting. (Association for Project Management, 2005).

Paul Dinsmore

In 1999, Paul Dinsmore released his book “Winning in Business with Enterprise Project Management” (Dinsmore, 1999). His book starts with these 5 principles:

- 1) Developing and delivering faster, cheaper, and better products and services depend on an organization’s ability to cultivate the chicken-and-egg relationship between project management and process management.
- 2) Enterprise project management is based on the concept that most managerial energy is expended on the development, planning, and implementation of an organization’s portfolio of projects, as opposed to the running of repetitive operations.
- 3) Successful enterprise project management requires bridging the gap between the company vision and the projects underway, which in turn calls for coordination among corporate strategies, general project alignment, specific project alignment, and project implementation.
- 4) Changes are required in organizational structure and culture, managerial style, and information flow for enterprise project management to be effective.
- 5) The project office is the key to ensuring that project management is effectively applied across the organization.

In support of the fifth principle, Dinsmore identifies the CPO. The CPO is an answer to the challenge of coordinating hundreds, or even thousands, of complex projects – many of which are cross-functional in nature. The CPO can be the executive with high-level oversight of multiple projects and major programs. Essentially, the CPO is the keystone to a successful project portfolio governance culture and this culture supports all five of the principles stated above.

Governance Evolution

- 1st wave – Basic Project Management - brute force – Just Get the Job Done
- 2nd wave – Modern Project Management - CPM & EVMS – Plan
- 3rd wave – Governance - SOX & Six Sigma – Strategize & Prioritize leading to CPO and Project Portfolio

The 1st wave was about brute force and can be understood in any history book. Mankind has been constructing buildings, like the Great Pyramid of Giza; road and bridges, like the Roman aqueducts; and dams, like the Hoover Dam. The construction or project management technique was straight-forward, hard work and just get the job done.

The 2nd wave or “Modern Project Management” established the use of schedules and cost controls, or earned values techniques. This wave was sponsored by DuPont and the United States Navy (USN) and followed closely by the US Department of Defense (DOD) and US National Aeronautical and Space Administration (NASA) in the 1950’s (Webster, 2000). Even though corporations have solidly embraced the culture of project management, the results so far are dismal. In 1994, the Standish Group research showed that a staggering 31% of projects were cancelled, that 53% cost 189% over the original budget and estimated the costs of lost opportunities in the trillions of dollars (The Standish Group, 1995).

Finally, the 3rd wave is about Project Portfolio Management (PPM) and is the new paradigm which reflects the needs of a modern advanced economy on one hand, and meets the requirements for professional ethics and universal values on the other hand. This 3rd wave is the foundation for PPM and the driver for a CPO. Just embracing the project management culture has proven to fall short of corporate goals. The CPO can make this culture pay for itself. “Good governance is very valuable. Organizations that have good governance practices in place are able to realize a premium of more than 20% from their investors” (Bigelow, 2002).

Terms

- **Keystone:** the central supporting element of a whole
- **Success:** the achievement of something desired, planned, or attempted
- **Portfolio:** a collection of programs & projects
- **Governance:** drives decisions that define expectations, grant power or verify performance
- **Culture:** patterns of human activity and significant symbolic structures
- **Enterprise:** a single portfolio or collection of operations and project portfolios

What is a “Successful Portfolio Governance Culture”?

Simply, culture is the culmination of shared values, assumptions, and beliefs tacitly and/or explicitly expressed within an organization. Understanding culture is important; because, culture determines how people behave and how work gets done. Culture relates to strategy and affects business outcomes by first recognizing that the same values driving individuals’ behaviors also drive their behaviors at work. Second, employees will behave in accordance with their values, regardless of your business strategy. Hence, the reason culture must be aligned with strategy. Take for example, an aggressive, high growth business strategy that creates an environment which requires individuals to take risks. An individual valuing stability, security and consistency will feel anxious and begin to seek ways to remedy their discomfort in ways that can conflict with that strategy. In some cases, they are able to adapt and learn the behaviors necessary to succeed. In others, the personal transformation is simply not possible and they fail. The best way to avoid this is to determine “fit” during the selection process. However, just as your strategy changes throughout the life of your business, so must your culture. Changing your culture is not impossible, as many would believe, but many times it requires a top-down approach to gain wide spread acceptance. The CPO must carefully evaluate and adjust the factors that influence culture, such as the systems (reward, IT), structure (reporting, physical), policies, HR practices (selection, training), communication, and leadership-style.

The five objectives for an effective portfolio governance culture include:

- Verifiable alignment of strategic goals and projects
- Visible confirmation of resource optimization
- Single project management culture through all levels of the corporation
- “C-level” champion accountable for portfolio performance
- Enabled to ‘kill’ out-of-synch projects

A Reality...Real World Measurable Results

(Real World Example #1) Janice Weaver, Associate Vice President EPMO with Norton Healthcare (2007 PMO of the Year Award Winner) says, “When implementing project portfolio management at an enterprise level, it is critical to have a senior level executive backing the effort and leading the charge. Organizations that attempt to do this without senior level support are doomed to fail. At a minimum, this person should be a vice president, senior vice president, or preferably a chief portfolio officer (CPO) to reinforce the importance of project portfolio management”. Under Weaver’s direction, Norton Healthcare is able to deliver a 100% project completion success rate which is

quite remarkable when compared to the industry average success rate of 20-30% reported by the Standish Group Chaos Study Results.

(Real World Example #2) Sandra Stepien, EPMO Director with Insurance Corporation of British Columbia provided the following relating to the importance of the executive champion driving the required cultural change through the organization - "The most important factor in establishing a successful project management culture and enterprise project management office at ICBC has been having a supportive executive champion ... she understood the need, and had the strength, commitment and vision to ensure the success establishment of our EPMO".

(Real World Example #3) San Retna at AAA of Northern California chose the strategy of top-down cultural change. The results of this tough decision resulted in AAA beating the industry average by delivering a project completion success rate of 88% (Burns, 2003)!

The CPO Position

The exact CPO title does not matter - Chief Portfolio Officer, Chief Program Officer, Chief Strategic Officer, Chief Project Officer, Chief Performance Officer, VP of Planning, and Associate Vice President of EPMO. The important factor is having an executive position with the common purpose of aligning the organizations project management activities with the corporate level strategic objectives and goals. The position must have full authority and peer acceptance to take all the steps needed to ensure the proper mix of risk and return and resource optimization. The CPO Portfolio Governance Objectives include:

- Ensure measurable results align with strategic objectives
- Establish oversight of resource optimization
- Facilitate project prioritization
- Drive focus of consistent methodology
- Provide data supported forecasts for better performance of future projects

CPO is particularly important in the selection of projects as PPM entails resource allocation between projects and concentrating effort on the most critical projects as priorities change over time. The portfolio will include some projects that involve several divisions or functions of an organization and some projects that are just within one function such as technology. The project selection process needs to set priorities and allocate resources to all types. Organizations need to concentrate their scarce resources on vital projects and not dissipate them on non-critical efforts. In some cases killing projects to redirect resources is more important than approving new projects. Thus Project Management is a business process that converts strategies into programs

and programs into projects and finally into results on the ground that provide a major competitive advantage.

The effectiveness of the CPO position is increased with the amount of career project management experience. Like any other profession, project management is unique and insight comes from first-hand experience. When considering a candidate for the CPO position use the Career Project Management Experience Scorecard located in Appendix A.

Chief Project Officer and other Executives

CPO and CIO/COO

The business management dynamics between a CPO and CIO/COO are quite different. As the title indicates, the traditional role of the CIO/COO is focused on the operational activities while the CPO is focused on strategy.

The more familiar CIO/COO position is like a marathon runner. The training method is geared for endurance, patience, and long-term momentum. Likewise, the CIO/COO role is promoting process stability for the long run, based on an even-paced, ongoing level of effort. Even though the distance of 26.22 miles is known, many turns and curves exist and therefore the risk of change and surprises exists. Likewise, the world of operations is characterized by moving forward with much of the future work unknown.

On the other hand, the CPO position is like a sprint runner. The training is geared for hard acceleration and short-term movements. The CPO role is promoting project completion aligned with business objectives. The distance is known and the path is clearly defined in advance of the starting gun. The world of projects is characterized by moving forward with all of the work known and defined to certain levels of details.

CPO and CFO

Although the management dynamics are quite different, the management reports of the CFO and CPO are quite similar. Both types of management reports are about measurable performance in terms of money. For example, the CFO talks about budget and actual money spent by monthly, quarterly and annual cycles. Likewise, the CPO talks about baseline work in terms of money and compared to actual work spent and work value earned with similar reporting cycles.

Strengths, Weaknesses, Opportunities and Threats (SWOT)

A C-level project / strategy management officer is the keystone for maximum project portfolio governance impact. Here are the strengths, weaknesses, opportunities, and threats of establishing the CPO in an organization.

“S” - Strengths

The internal strengths a CPO will bring include the following:

- Champion focused on PM dynamics
- Facilitator for required resources for cultural change
- Accountable Point-Person for strategic performance
- Promoter of required executive participation
- Driver through road blocks against cultural changes
- Consistency with one methodology and maturity model
- Political influence for support with all levels of management

“W” - Weaknesses

The internal weaknesses a CPO will bring include the following:

- Visible cost against “invisible” benefits
- Optimal portfolio governance performance requires extensive experience in each PM knowledge area
- Requires sufficient industry specific experience
- Belief that PPM is just tools and templates
- Confusion regarding the separation of roles & responsibilities among executive positions

“O” - Opportunities

The external opportunities a CPO will bring include the following:

- Increase global business development by having visible proof of Portfolio Governance to existing and prospective clients and investors
- Participate in growing trend to increase strategic performance by increasing the success rate of programs and projects
- Launch press releases highlighting incorporation of today’s modern management methodology

“T” - Threats

The external threats a CPO will bring include the following:

- Possible bad Public Relations if CPO does not deliver expected results
- Competitors ‘steal’ your experienced CPO leaving a power vacuum at the CxO level
- Criticism by investors and other CxO that do not understand the enhanced strategic values and benefits from an executive structure with a CPO position

Summary

The CPO is the keystone to a successful project portfolio governance culture! This cultural change demands the political influence from the top-down to realize this success. In the real world, this influence has proven to be the success factor. Without this influence, many real world examples exist of governance failures. The profitable choice is clear, but the decision to create a CPO position is politically difficult.

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Appendix A – Career Project Experience Scorecard for CPO

Career Project Experience (CPE) Scorecard

Experience Area		Individual	Point Range
		CPE Score	0-100 pts
3 yrs	Director, EPMO	_____	0-15 pts
3 yrs	Program Manager (chartered projects, > \$500 K)	_____	0-15 pts
3 yrs	Project Manager (chartered project, > \$500 K)	_____	0-15 pts
3 yrs	Project Business Analyst (full-time, 1 project @ 1 time)	_____	0-10 pts
3 yrs	Project Cost Analyst (full-time, 1 project @ 1 time)	_____	0-05 pts
3 yrs	Project Scheduler (full-time, 1 project @ 1 time)	_____	0-05 pts
20+ years	max. score for experience:	_____	0-65 pts
	Teacher, Mentor	_____	0-10 pts
	Professional organization officer	_____	0-10 pts
	Membership in professional organizations	_____	0-05 pts
	Publish papers, books and / or presentations	_____	0-05 pts
	Recipient of professional awards, certifications	_____	0-05 pts
	max. score for service:	_____	0-35 pts

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