

# Enterprise Project Management: A Strategic View

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President of the American Society for the Advancement of Project Management

## Introduction

Enterprise project management (EPM) has been viewed from different viewpoints and described as unique parts of organizational behavior. One approach is that EPM is a software tool that helps plan and implement all projects within an organization. Another view is that projects are selected, planned, controlled and implemented from a central location that rigorously assures all projects report progress to a single element. Neither of these approaches is wrong for the organization. The bigger picture, however, helps understand the full potential of an EPM.

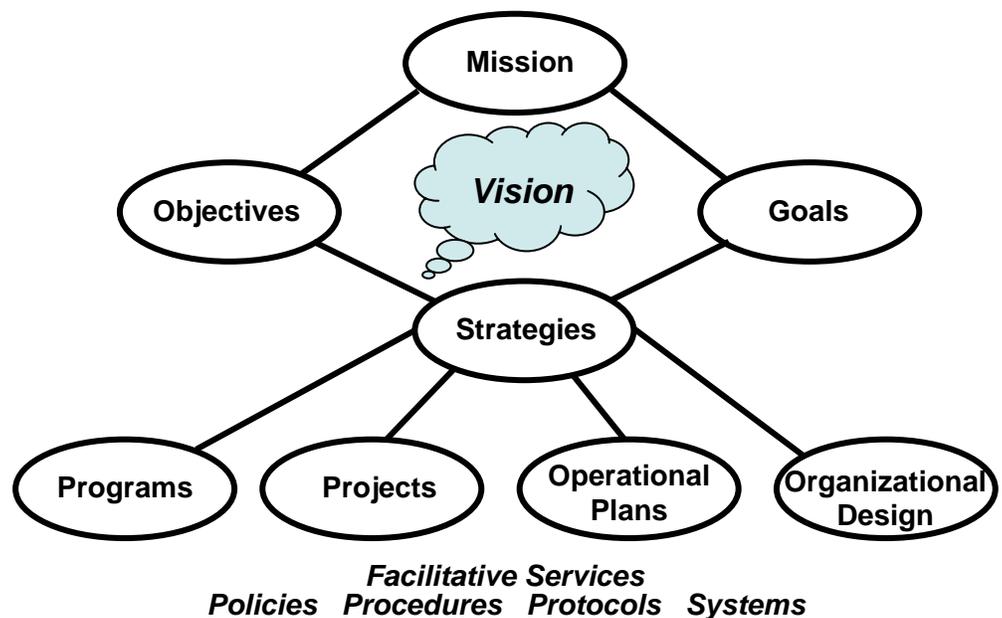
Enterprise project management, as implied by the words, is an enterprise view of all project management activities and how these activities contribute to the success of the organization. It entails linking the organization's vision, mission, goals and objectives, and strategies in a hierarchal fashion to ensure the organization commits its resources to the right projects at the right time. This definition includes those efforts in software tool use and the central control over projects, but in a holistic view.

Enterprise project management implementation is a strategic decision by the organization to change the way decisions are made, resources allocated to projects, projects are selected, and projects are closed out. EPM is commitment of the organization to doing work through projects, where appropriate, and obtaining more benefits from projects.

## What Model supports EPM?

Enterprise project management is an asset of the organization that changes the way business is conducted through projects. Figure 1 shows a model of an enterprise's structure that embraces the concept of enterprise project management. In this model, there is a hierarchy of functions and characteristics that shows the interrelationships of key areas.

It is essential that the entire concept of projects in the enterprise and using those projects as building blocks for the success of the organization. Figure 1 emphasizes the linking of the organization's functions to achieve best success. A brief explanation of each element is provided following the figure. See the source document for an expanded description of the process and related matters.



**Figure 1. Elements of a Strategic Design for Enterprise Project Management**  
(Source: David I. Cleland & Lewis R. Ireland, *Project Management: Strategic Design & Implementation*, 4<sup>th</sup> Ed. page 8, (2002), McGraw-Hill Companies. Used with permission.)

## Elements of a Strategic Design

- **Vision.** This is the mental image of where the organization wants to be in the future. This may include goals to be achieved in terms of size, revenue, structure, clients, and other driving elements for business. As implied, “vision” is the general description of where one wants to be rather than a high degree of specifics. As shown in the Figure 1, “vision” is a cloud, or a high-level statement that may not have clear physical properties.
- **Mission (or Purpose).** This is a statement of the reason for an organization’s existence such as “we manufacture medical devices for healthcare specialists that improve diagnostic procedures at minimal cost.” It is the purpose for the organization’s existence. The focus is typically on the product or service that is rendered. Revenue and organizational size are irrelevant to the mission unless there are multiple products and services. Then, it may be that each division of an organization would have a “mission statement.”
- **Objectives.** An objective is a statement of a subset of the mission and gives greater insight as to the components of the mission. For example, in the example mission statement above that states “we manufacture medical devices ...,” an objective could address a particular device or a particular function, such as “we will produce only electronic thermometers in our Denver and Phoenix Plants.”
- **Goals.** A goal is a measurable achievement that shows performance of an activity or producing something. For the organization, it typically is developed from the organization’s objectives. Goals are always specific in terms of that can be objective measures of performance. (Editor’s note: Some writers reverse the hierarchy of Objectives and Goals.)
- **Strategies.** A strategy is the “how” something will be accomplished and represents the means by which end-purposes are achieved. Strategies are developed and implemented at the organizational level as well as for projects, programs, and other work elements. Strategy should not be confused with strategic, the long-term planning and direction setting for an organization.
- **Programs.** Programs are formal collection of activities that lead to one or more products over a period of time. Programs, such as an R&D program, may be ongoing for several years and deliver many products over the life of the program. A second type of program is when projects are initiated under one leader to design, develop, and deliver a series of products that lead to one end product. An example is an airplane that has multiple projects working on different aspects of the product, such as airframe, engines, wings, landing gear, electronics, and other components.
- **Projects.** A project is a collection of resource-consuming activities that are planned, implemented and controlled in such a manner to create change to desired outcome. Projects are consistent with the organizational objectives and goals to meet a part of the mission statement. A project converts resources to a product or service in an efficient, effective manner that delivers benefits to stakeholders.
- **Organizational Policies and Procedures.** Policies and procedures guide the organization in what will be done and how it will be done. Policies set the stage for what will be accomplished in designated areas and procedures define how the work will be accomplished. Policies and procedures are overarching guides that provide consistency and stability for the organization.
- **Organizational Design.** Organizational design is the structuring of the organization to best fulfill the responsibilities for meeting the vision, mission, and strategies. It considers the type of industry, the business life cycle for products, agility needed in the structure, and other pertinent factors that support getting the work done.

## How does the EPM work within the model?

The model of the enterprise functions provides the basis for implementing a rigorous approach to selecting projects that have both strategic and operational fit to provide the most benefits for the organization and its stakeholders. From the top down, the model works from general, organizational guidance to project-specific implementation. From top to bottom, the nodes are linked in some way to ensure consistency of purpose and predictable outcomes.

The resultant outcome for the organization is that every project makes a positive contribution to the enterprise in support of the mission. Some items that must be incorporated in the policies and procedures are the following.

- **Project Selection.** Each project selected must meet criteria that positively show a contribution to the success of the organization and that each project must be within the scope of the organization's objectives and goals. Projects must be approved and implemented for specific reasons such as R&D, building a product or service for sale, creating a product for a client, and initiating organizational change. Selection of a project that does not directly contribute to organizational success is a consumption of resources that detracts from the business.
- **Project Planning.** Each project requires some level of planning to establish goals that are to be met, to design a roadmap for the implementation of the project, to establish controls over the project's implementation, and to design the means for closing the project. Large projects require more planning to describe the work and visualize the overall concept of operation. Small projects, on the other hand, require considerably less planning.
- **Project Termination.** Projects are often selected and fail in the early stages. These projects do not prove to be beneficial to the organization. Other projects proceed with some difficulty or little difficulty. It is important in EPM to know when a project still has the potential to deliver the promised benefits or whether there should be early termination. Early termination and harvesting of the work that has been completed may be the best solution for projects that cannot deliver all the promised benefits. Projects that are successful also need to have a plan for termination after the products and services are delivered to the client. The termination of successful projects is essentially closing out all activities in an orderly manner.
- **Project Controls.** A means for measuring the progress of projects against the plan must be in place. Project progress requires information from the project plan (the roadmap) and points within the project to obtain information that objectively shows the forward movement. The system that collects the right information from the right points within the project will give the best indication of the project's rate of accomplishment. It should be noted that "project status" is a snapshot of where the project is at a given time whereas "project progress" is the difference between the plan and the actual work accomplishment.
- **Human Resources.** Although the EPM model does not specify human resources, it is assumed that the organization will build a competent workforce that complements the mission and strategies for the business that is being pursued. It is important to have the requisite skills to pursue the projects, whether these are the engineering skills, leadership skills, or administrative skills that ensure success in project work. A trained cadre of people who have the necessary knowledge, skills, and appropriate attitude is essential to EPM.

## **Implementation of EPM.**

It is not a trivial matter to adopt the EPM strategy and implement it in an organization. A new organizational structure and new practices have to be communicated to those affected within the organization as well as clients or other critical stakeholders. Individuals may require training with new knowledge and skills. Leaders may need to change their way of organizing, motivating, planning, directing, and controlling work forces. Senior managers must visibly communicate and show their support for the change.

It is the responsibility of senior management, typically the Board of Directors, to study and analyze the benefits of changing to an enterprise project management organization. They may look at the existing projects to determine whether the selection process is adequate or whether the existing projects are less than optimal in terms of size, risk, profitability, a strategic and operational fit with the organization, and other factors that are unique to the business.

Once the decision is made and communicated that the organization will convert its assets to an enterprise project management design, a strategy must be in place for the transition of functions to the new organization. This may be phased in over time or it may be accomplished by a set date. Both methods have advantages and disadvantages. It is important to communicate to all the stakeholders the reason for the change and the benefits of change before starting any transition.

It is recognized that some organizational functions, such as the human resource department, the accounting department, and the maintenance department, would not be converted to projects, but would be tailored to meet the needs of the new organization. This tailoring may reduce or increase the staffing or it may require some training in new policies and procedures.

## **Advantages of an EPM System.**

One of the major advantages of converting to an EPM system is that projects have greater visibility as to their profitability and fit within the organization as building blocks to successfully meeting the objectives and goals. Often, organizations find that the wrong projects are being pursued because of a lack of criteria for selecting projects. Many times there are projects with low priority that would make a greater contribution to the organization's success than the current ongoing projects.

EPM requires a disciplined approach to the allocation of resources to projects that have the more importance to the organization's success. Once selected and implemented, the most important projects must receive priority for resources and timely decisions for issues related to those projects. Policies and procedures supporting the EPM will encourage the best allocation of critical resources.

Conversion to an EPM has a cost that should be offset early in the implementation if the transition is accomplished effectively. One example of converting to an EPM showed a 17 percent gain in productivity (more work accomplished for the same money than the prior year) the first year by eliminating unnecessary work and reducing the workforce by one third. Reduction or elimination of projects that have little or negative payoff is another potential saving area. Applying resources to the right projects also has a beneficial effect that can improve early delivery of project products.

Perhaps the greatest benefit is using the discipline of project management to its fullest extent for the health and welfare of the organization. Using project management techniques and practices can make for a more efficient system than some functional work. Expertise in project management can enhance the workforce's capability and the organizational competence in the conduct of its business.

## Summary

Enterprise project management is addressing the entire organization, which includes its structure or design for project management work, alignment of projects with the organization's mission-strategies-objectives-goals, developing policies and procedures that tie together work efforts, developing and using criteria for the selection and termination of projects, and managing the organization to achieve the most benefits from projects. EPM uses a variety of tools and techniques for planning, implementing, and controlling projects. These are essential elements of the overall EPM strategy.

Organizations may best benefit from project management through the strategic decision to establish a system for enterprise project management and implement the requisite policies and procedures to efficiently and effectively make the system work. Senior management, such as the Board of Directors, may direct conversion of the existing system to a more robust enterprise management system to improve profitability as well as give a sharper focus on the accomplishment of project work that fits within the organization's capabilities.

While software tools and centralized project control may assist the organization through better methods, it is the overall organization that benefits from implementing an enterprise project management system. Existing tools, techniques, and practices can be integrated into the EPM to leverage current efforts and maintain continuity of operation. All tools, techniques, practices, methodologies, and organizational resources must be tied together for the greatest benefit that can be derived from EPM.

## Bibliography

Cleland, David I. and Lewis R. Ireland, *Project Management: Strategic Design & Implementation*, 4<sup>th</sup> Ed., (2002), McGraw-Hill Companies, New York

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## Biographical Information

Lew Ireland, Ph.D.  
600 Dunbar Cave Road  
Clarksville, TN 37043  
Tel: 931.647.7373 ; Fax: 931.647.7217  
E-mail: lewireland@earthlink.net

Lew Ireland is an Executive Project Management Consultant based in Tennessee and serving both US and international clients. He has worked with clients to establish their project management systems to ensure they are supportive of the organizations' respective goals. He is experienced in all phases of project management that includes planning, scheduling, project office implementation, project maturity modeling, and project assessment.

Lew has authored or co-authored project management books and articles for professional journals. He is a continual contributor to the *American Society for the Advancement of Project Management* by writing short articles for our website. He was recently appointed a Consulting Editor to McGraw-Hill Publishing Companies for a project management series of books.

Lew has a history of serving for nearly 25 years in volunteer positions to advance project management. He is past President and Chair of the Project Management Institute and has served in various positions within PMI®. He has been recognized by PMI® for his contributions by the Distinguished Contribution Award, Person of the Year, and elected a Fellow of the Institute. He currently serves as President of the *American Society for the Advancement of Project Management (asapm)*, a professional society dedicated to better project management practices.