

The Four Ps of Strategy Execution: Integrating Portfolio, Program, Project, and Performance Management

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The inability of organizations to effectively execute their corporate strategies is one of the major factors limiting their success. Recent management research and literature has thoroughly documented the importance of strategy execution in creating corporate value. Sound execution is critical—a focus on making strategy work results in a healthy organization.

So if execution is so critically important, why don't more organizations develop a disciplined approach to it? Simply because it's very difficult to do. Turning strategies into reality requires constant investment in management resources. It's particularly difficult in large or more complex organizations, where the distance between those who formulate strategy and those who carry it out can be significant. Research has revealed numerous barriers to effective strategy execution, including the following (discussions on overcoming those barriers can be found in the sections listed in parentheses):

- Inflexible processes and organizational structures – leads to difficulty in adapting to rapidly changing business environments (Process, Structure)
- Inadequate performance measurement tools – leads to poor improvement practices (Process, Information Technology)
- Poor communication of strategy and performance – leads to strategic mis-alignment (Process, Information Technology)
- No strategy-execution focus – leads to poor delivery of results (Culture, People)
- Poor change management practices – leads to execution failure (Culture)
- No execution roadmap – leads to inefficiencies and wasted effort (Process, Governance)
- No understanding by employees of their contribution to execution outcomes – leads to lack of motivation to succeed (People, Process, Information Technology)
- Poor resource allocation – leads to inefficiencies and lost opportunities (Process, Information Technology, Structure)
- Unclear strategy management policies – leads to confusion and poor decision making (Governance)

While strategy execution can be difficult, it is not impossible to achieve. A carefully planned approach to execution is needed to overcome these barriers to attain organizational strategic goals and objectives. SPM is that approach.

In this paper we briefly describe the concept of strategy performance management. We'll also present a case study showing how SAP's Global Project Management Office has linked its priorities and their measurement with SAP Field Services strategic initiatives to enable effective strategy execution..

SPM Defined

In its simplest state, an organization's Strategic Performance Management context begins with corporate strategies (including objectives) which cascade to business units or equivalent organizational entities (IT), which, in turn, develop aligned strategies (Exhibit 1). These strategies are used as inputs to the creation of strategic initiatives, comprising any number of portfolios of programs and projects — the vehicles for executing the organization's strategy (Exhibit 2). Program and/or project teams develop strategies that align with business unit and corporate strategies using project strategy or similar processes. Strategy performance feedback measured against objectives is used to adjust the elements of this SPM context — strategies (objectives), portfolios, programs, and/or projects may change as events unfold that impact the organization's strategic intent. Strategic Performance Management is a dynamic process that requires information sharing, coordination, and effective control and feedback mechanisms throughout this hierarchy of strategies and objectives to enable the organization to make its strategy work.

Exhibit 1. This model of a simple Strategic Performance Management hierarchy of objectives shows how strategy is driven from the top down yet aligned across business units and strategic initiatives (top-down arrows). As strategic initiatives are executed and the business environment changes, performance information moves from the bottom up and may require changes in strategies and objectives, as well as strategic re-alignment (bottom-up arrows).

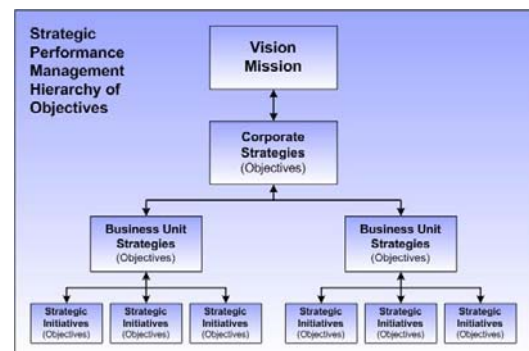


Exhibit 1.

Exhibit 2. Strategic initiatives comprise any number of portfolios, programs, and projects. Again note that strategic alignment (top-down arrows) is necessary among projects, programs, and portfolios, and that performance information (bottom-up arrows) feeds the decision-making process regarding which projects make up the programs and portfolios. Note also, that project strategy and objectives must be logically linked from the bottom to the top of the Strategic Performance Management framework and need to be taken into account when determining the capability of the organization during strategy formulation.

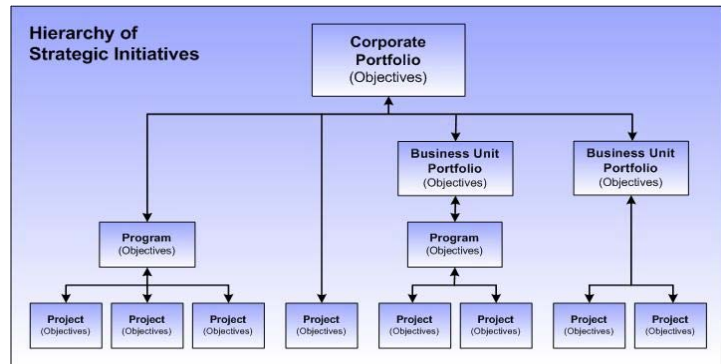


Exhibit 2

Understanding SPM requires an understanding of the organization's hierarchy of objectives and strategic initiatives. To help in this, we need to understand the larger SPM framework, the strategic organizational context that includes process, governance, information technology, structure, people and culture (Exhibit 3). Each of these elements must be strategically aligned for effective execution.

Strategic Performance Management, then, is the comprehensive and integrated set of processes and tools that enable the effective execution of organizational strategy through sound portfolio, program, project, and performance management. SPM focuses on aligning the elements of the strategic organizational context in order to overcome the barriers to effective strategy execution. SPM is used to monitor whether or not the set of strategic choices made by the management team continue to be the right ones, and that the initiatives planned to achieve them are being executed efficiently.

SPM Framework

Understanding how to effectively execute strategy requires an understanding of the larger organizational context in which strategy operates. Understanding the elements of an organization and how they effect strategy execution is the first step in developing the Strategic Performance Management approach. Adapted from the McKinsey 7S framework, these elements include processes, structure, governance, information, people and culture. Each of these elements need to be focused on supporting the execution of the organization's strategy.

Exhibit 3. Strategic Performance Management operates in a context that comprises six elements: process, governance, information technology, structure, people and culture. These elements are highly interconnected and influence each other. Organizational success, therefore, requires the alignment of these contextual elements in support of strategy execution. SPM focuses on integrating these elements.

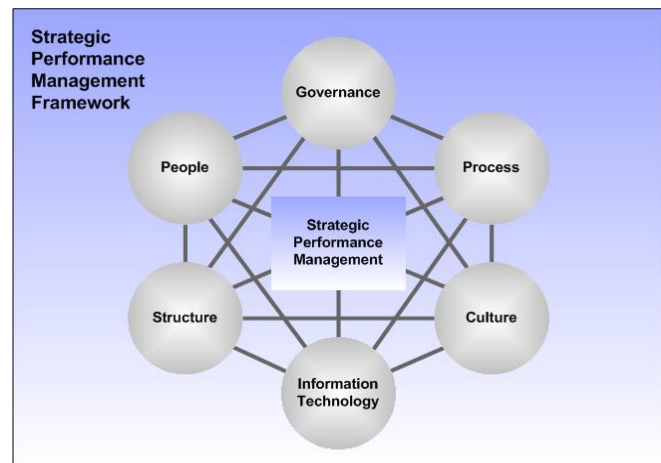


Exhibit 3

Process

The SPM approach comprises the processes of four key management practices that must be integrated for effective strategy execution—strategy management, portfolio management, program/project management, and performance management. It is critical to the success of an organization that these processes are integrated to support the alignment of the organization's strategic objectives. Figure 4 depicts those processes.

Exhibit 4. SPM processes must be integrated to support the alignment and effective execution of the organization's strategic objectives. Integration of the highlighted processes (black bar on right) is, in particular, a key success factor of strategy execution. Once more note that strategic alignment (solid lines) is necessary among SPM processes, and that performance information is shared (dotted lines) to optimize the comprehensive SPM framework.

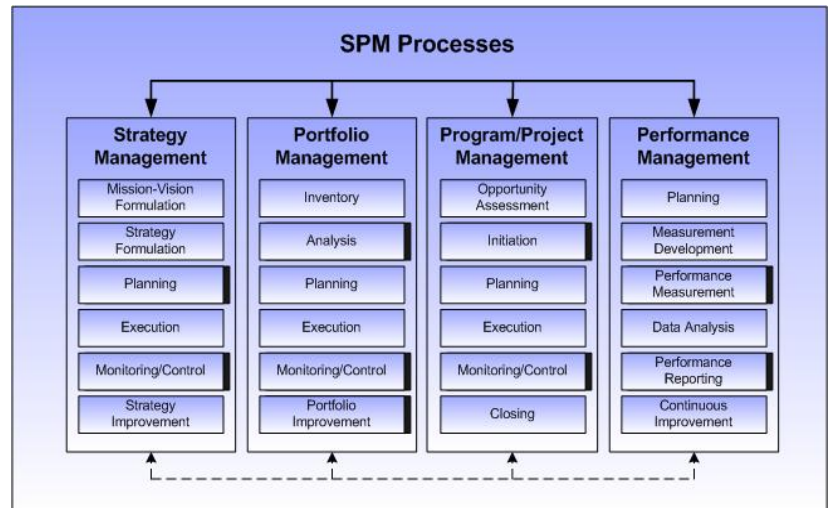


Exhibit 4

Strategy Management Processes

Strategy is the integrated vision and direction of the organization, including the manner in which it determines, communicates, and implements that vision and direction. It answers the question: how will we position ourselves in the market to secure a sustainable competitive advantage. It's the roadmap. And although it's not highly detailed, it provides a framework for decision making.

Strategy management is about moving the organization from its current position to a future strategic position to secure a sustainable competitive advantage. It's accomplished through the application and integration of strategy management processes:

- Mission-vision formulation: process for developing or reevaluating the organization's mission-vision, including broad statements about its purpose, philosophy, and goals;
- Strategy formulation: process for analyzing the organization's internal and external environment and identifying and selecting the optimum set of grand strategies and long-term objectives;
- Planning: process for developing annual objectives and specific initiative plans that are logically linked to the results of strategy formulation;
- Execution: process for executing the strategic choices by means of budgeted resource allocations; focus on getting the work of the business done efficiently and effectively;
- Monitoring/control: process for tracking a strategy as it's executed, detecting problems or changes in its underlying premises, and reporting to appropriate management levels;
- Strategy improvement: process for making necessary adjustments based on monitoring and control information and strategy performance review.

Planning Integration – Strategy management planning includes developing annual objectives and specific initiative plans that are logically linked to the results of strategy formulation. To insure effective strategy execution, the SPM approach requires that strategy be communicated clearly to those developing portfolio and program/project plans, to ensure that those initiatives support the organization's strategy. At the same time, portfolio analysis and program/project initiation processes must be integrated with the strategy management planning processes to provide the information needed for effective strategic planning.

Monitoring/Control Integration – Tracking the performance of a strategy as it is executed is the key to effective SPM. Performance reporting from portfolios, programs, and projects are necessary to understand how well the organization's strategy is working. This information may reveal problems in the strategy or in its underlying premises, or it may reveal errors in strategy formulation, where organizational capability and environmental analysis informed the strategy selection process.

Portfolio Management Processes

A project portfolio is a collection of projects or programs that are grouped to facilitate effective management of the work to meet strategic objectives. Project portfolio management provides a consistent way to evaluate, prioritize, select, budget for, and plan the right projects—those that offer the greatest value and contribution to the strategic interests of the organization. When used effectively, project portfolio management ensures that projects are aligned with corporate strategies, that the portfolio contains the right mix of projects, and that resource allocation is optimized. It bridges the gap between the strategic planning process and program/project execution.

Project portfolio management is accomplished through the application and integration of project portfolio management processes:

- Inventory: process for capturing project data and organizing for portfolio analysis;
- Analysis: process for aligning projects to business strategy, examining business and project risks, and prioritizing projects in the portfolio;
- Planning: process for approving and funding the project business plans; allocating resources and scheduling projects;
- Execution: process for executing the portfolio of programs and projects by means of budgeted resource allocations; focus on getting the work done efficiently and effectively;
- Monitoring/control: process for tracking a portfolio as programs/projects are executed, detecting problems or changes in underlying premises, and reporting to appropriate management levels;
- Portfolio improvement: process for making necessary adjustments to portfolio (strategic re-alignment, re-planning) based on monitoring/control information and portfolio performance review.

Analysis Integration – The SPM approach requires strategy inputs to the analysis process, which is critical to ensure that the portfolio supports the long-term goals of the business and the portfolio is valued properly. The inter-relationships among programs/projects, including the timing which needs to be market-based, must be understood and managed for strategic balance.

Monitoring/Control Integration – In tracking the portfolio of programs/projects, metrics are captured to assess the performance of the portfolio. In the SPM approach, reviews of the portfolio involve a re-verification of the objectives of the portfolio. In addition, shifting business, technology, and market conditions can rearrange priorities. All of these factors can influence the strategies and objectives of the organization and require performance reporting to appropriate management levels.

Portfolio Improvement Integration – The iterative nature of portfolio optimization requires that reviews be held on a regular basis. In the SPM approach, these reviews of portfolio performance and changes in the business environment may cause decision-makers to re-align the portfolio, which may or may not affect other projects in the portfolio. Portfolio and program/project re-planning may also be required, including changes in resource allocation and scheduling.

Program/Project Management Processes

Program/project management is the application of knowledge, skills, tools and techniques to program/project activities to meet program/project requirements. Programs are collections of projects that unify and leverage the contributions of projects in the portfolio; a program of projects may be established to meet a key strategic objective. Good project management is a fundamental building block of good program management.

Program/project management is accomplished through the application and integration of program/project management processes:

- Opportunity assessment: process for identifying and screening program/project ideas to meet minimal criteria based on alignment to strategy and feasibility;
- Initiation: process for formally recognizing new programs/projects, verifying feasibility and strategic alignment, and documenting business needs and objectives and customer requirements;
- Planning: process for stakeholder agreement of program/project objectives, scope, deliverables, approach and plans for carrying out the program/project; formally planned, resourced, and funded;
- Execution: process for carrying out the work planned; managing the scope of work; coordinating people and resources;
- Monitoring/control: process for measuring program/project performance to identify variances from the plan communicating status; assessing and responding to risks;
- Closing: process for assuring all required work is complete and program/project information is captured, including lessons learned.

Initiation Integration – In the SPM approach, program/project strategy management is part of the initiation process, and is critical to ensure that project definition and development are comprehensively considered and that they properly relate to organizational strategies and objectives. Program/project strategy typically covers the entire project lifecycle, with review and optimization occurring at specific points as the strategy is progressively developed.

Monitoring/Control Integration – In tracking the programs/projects, metrics are captured to assess the performance of the program/project against the program/project plan. In the SPM approach, each program/project must pass decision gate evaluations to determine whether or not to continue, to put it on hold, or to kill it altogether. Review of the program/project

involves a re-verification of critical success factors — including resource availability and the continued validity of the business case — with the business sponsors. Program/project re-planning may be required, including changes in resource allocation and scheduling. These factors may also influence the strategies and objectives of the organization which requires performance reporting to appropriate management levels.

Performance Management Processes

Making strategy work requires feedback about organizational performance and then using that information to fine-tune strategy, objectives, and the execution process itself. There is a learning aspect to strategy and execution as organizations adapt to changes in the environmental. Because business unit strategies flow from corporate strategies, the foundation for performance management should be laid first at the corporate level. Corporate performance measurement is augmented by business unit performance measurement, focusing on the business unit contribution to executing strategies. Portfolio, program, and project performance measurement follows and is logically linked to business unit performance measurement.

Performance management is accomplished through the application and integration of performance management processes:

- Planning: process for understanding key success factors, identifying stakeholders and roles and responsibilities, identifying performance management goals, developing a performance plan;
- Measurement development: process for identifying and selecting performance measures, developing measurement scorecards;
- Performance measurement: process for planning for data collection, including data source and information technology required; collecting data and ensuring data quality;
- Data analysis: process for converting data into performance information and knowledge; analyzing and validating results; performing benchmarking and comparative analysis;
- Performance reporting: process for developing a communications plan and communicating performance results to stakeholders;
- Continuous improvement: process for assessing performance management practices, learning from feedback and lessons learned, and implementing improvements to those practices.

Performance Measurement Integration – In the SPM approach, the performance management process sets the agenda/goals for management processes and monitors whether or not the operational activities chosen to do this are delivering what is required. Accordingly, an effective performance management process needs to both communicate information about what outcomes need to be achieved and be able to monitor how well these activities are working to achieve the strategic aims of the organization.

Performance Reporting Integration – Strategy execution is a dynamic, adaptive process, leading to organizational learning. For learning and change to occur, the SPM approach requires performance feedback measured against strategic and short-term objectives. It must come from managers at all levels of the organization, measuring the performance of strategies, portfolios, programs, and projects. This information is part of the monitoring and control feedback in the strategy, portfolio, and program/project management processes. That feedback, in turn, will be analyzed in strategy reviews and used to re-evaluate specific strategic initiatives and their contribution to meeting the organization's strategic objectives.

Governance

Strategic decision-making must occur as a part of a process with clearly defined roles and accountabilities. Governance is the policy framework within which the organization's leaders make strategic decisions to fulfill the organization's purpose as well as the tactical actions that they take at the level of operational management to deploy and execute the organization's strategy.

The SPM governance framework defines the set of responsibilities and practices exercised by executive management with following goals:

- Strategic direction is clearly understood throughout the organization and business units and levels of management are all focused on aligning to this strategic direction.
- Strategic objectives are achieved. This is controlled by establishing a continuous loop process for measuring strategy performance, comparing to objectives, and redirecting activities or changing objectives where necessary.
- Appropriate and effective processes are in place to monitor risk, and a system of internal control is effective in reducing those risks to an acceptable level.
- Verification that the organization's resources are used effectively and efficiently.
- Decision-makers have the information necessary for making good decisions.

The SPM governance framework insures that 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. A common governance framework ensures that decisions are made the same way up and down the organization and that there is an appropriate mix of people making decisions.

Information Technology

Strategy execution involves participation and communication up and down the organization, as well as laterally across business units. SPM requires a robust technology platform to support the information needs of the organization. Elements of the SPM framework, including people, are more easily aligned to focus on strategy execution. SPM technology enables users to:

- Monitor and control the on-going priorities and execution of strategic initiatives, continually reviewing and adjusting as necessary;
- Assess the business impact (and alignment to strategic objectives) of portfolios, programs, and projects;
- Effectively manage initiatives through to benefits realization;
- Incorporate resource realities into estimates and feasibility assessments;
- Make optimum decisions;
- Monitor and manage strategic objectives at all levels of the organization;
- Discuss performance, communicate decisions, and record relevant actions;
- Capture knowledge for developing alternative plans and strategies.

SPM technology is a supporting system that provides simple, actionable information to decision makers enabling the continuous planning and execution of strategy.

Structure

Organizational structure affects the execution of corporate strategy. In particular, structure affects the speed at which organizations can adapt to changing environments. To execute strategy effectively, executives and managers must make sound decisions about structure and develop methods or processes to achieve the needed integration of structural units. Organizational structures take on many forms, including line and staff structures, functional structures, matrix structures, multidimensional matrix structures, strategic business units, laissez-faire structures, and virtual structures. These structures are listed in order of their ability to adapt to rapid changes in strategic direction demanded by changing market conditions.

A key organizational structure for promoting effective strategy execution is the Office of Strategy Management (sometimes called the Strategic Project Office). Key roles of this organizational structure include:

- Developer and custodian of the SPM framework: the standards, processes, and methodologies that improve strategy execution performance organization-wide;
- SPM consulting and mentoring to insure alignment with strategy at all levels;
- Design and report on strategy performance measures;
- Manage the strategy performance process;
- Create a comprehensive communication and education process focused on strategy execution;
- Work with senior executives to shape the agenda for strategy review and learning;
- Identify and oversee management of strategic initiatives (portfolios, programs, projects);
- Facilitate processes to identify and share best practices;
- SPM library, where information on objectives, budgets, progress and history are stored;
- Facilitate the strategy execution processes;
- Integrate the elements of the SPM context.

People

The execution of strategy ultimately depends on individual organizational members, particularly key managers. So aligning strategy with training, managing, measuring, rewarding, and promoting people are critical to effective strategy execution. Using the SPM approach often means that employees' work processes change – management teams monitor performance against the strategy, interpret data, develop new strategic directions, update performance measures, change budgets. These changes occur as organizations adapt their strategies as the business environment changes or as their strategy matures. Building employees' competency in strategy execution is a key objective of the SPM approach.

Personal and team objectives need to be aligned with organizational objectives. Employees must understand how they can influence strategy execution and how their work is important to execution outcomes. Incentive and reward programs, as well as clearly articulated career paths, must be developed that motivate behaviors and performance encouraging effective strategy execution. Linking pay to achieving strategic objectives provides clear communication of the value of strategy execution to the organization.

SPM provides organizations with a powerful tool for communication, motivation, and alignment. It focuses the energies and talents of employees on achieving the organization's strategic objectives.

Culture

Corporate culture incorporates the beliefs, behaviors, and assumptions shared by individuals within an organization. It includes processes, values, and unspoken norms. Culture can have a significant influence on how well strategy is executed. The importance of achieving strategic objectives, how performance is communicated, whether or not changes create competition or cooperation, who can access and use SPM technology, whether or not decision-making is done in command-and-control environments or by self-directed teams, how functional units work with each other – these are just a few of the issues of culture that need to be addressed in creating a structured approach to executing strategy.

SPM focuses on managing the strategy-cultural relationship, as well as the interrelationships between culture and the other elements of the SPM framework. It requires an awareness of the changes necessary to execute strategy well and the fit between those changes and the organization's culture – in particular, whether or not to:

- Link strategic changes to the basic mission and fundamental organizational norms;
- Focus on reinforcing the culture;
- Manage around the culture;
- Reformulate strategy or prepare carefully for long-term, difficult cultural change.

Whatever path is chosen, SPM helps organizational leaders to communicate the vision for change and empower business units and all employees to devise new ways of doing their day-to-day business to help the organization accomplish its strategic objectives.

Implementing SPM

Implementing Strategic Performance Management requires the integration of disparate management tools and practices that are currently implemented in today's best practice organizations, including corporate performance management, business process management, business intelligence, strategy management, portfolio management, and enterprise program/project management. The key is to use these tools wisely, guided by an integrated SPM framework, to enable effective strategy execution. The results are worth the effort.

Results

The most successful organizations integrate key SPM processes, establish a strategy execution focus, and implement the tools required to make this approach sustainable and agile. What value can the organization achieve by undertaking SPM? Simply put, SPM helps organizations overcome the barriers to effective strategy execution, optimizing their total return to shareholders. The new organization, focused on executing strategy, features:

- Organizational processes and structures are flexible and adaptive, optimized for today's rapidly changing business environments;
- Effective management tools to measure the performance of strategy execution and, therefore, improve that performance;
- Clear communication of strategy and strategic performance throughout the strategic management hierarchy, leading to organizational strategic alignment;
- Focus on achieving corporate strategies, with managers trained and motivated to execute strategy;
- The ability to manage change effectively;
- A roadmap to guide strategy execution efforts;
- Employees who understand their contribution to important execution outcomes;
- Effective allocation of resources leading to efficient strategy execution;
- Clear strategy management policies, especially those regarding responsibility for execution decisions.

Case Study: SAP Consulting Global PMO

As SAP finished riding the wave of R/3 implementations in the 1990's, it was quietly scouting another wave to ride. Its vision of an integrated approach to business processes was overtaken by a "best of breed" paradigm. In the early years of the new millennium, competitors loudly bragged about their "superior" answer for a particular industry, application, or infrastructure need. SAP's new vision would turn this "best of breed" paradigm on its head.

"Moving Beyond R/3" Drove the SAP Project Management Initiatives

The goal was very simple: SAP had to move beyond R/3, its core ERP application offering. This "move beyond" did not just mean new software applications. The next generation of SAP solutions would broaden the holistic or integration approach from

ERP to business processes and services across the extended enterprise. To cover this expanded scope, the broadening of the SAP solution portfolio went across multiple dimensions:

- **Industry Focus:** Industry-specific support for end-to-end processes was deepened, from Aerospace and Defense, to Mining, to Wholesale Distribution.
- **Technology:** SAP laid out its technology blueprint, the Enterprise Service Architecture, which leverages its experience in enterprise applications with the flexibility of Web services and other open standards. SAP customers could now transcend their legacy applications, by creating new applications on top of existing enterprise solutions, increasing the value of current systems and automating new processes.
- **Applications:** These included Customer Relationship Management, Supplier Relationship Management, and more powerful Business Analytics.
- **Life Cycle:** SAP would play a role in customers' discovery, evaluation, implementation, and operations of SAP solutions.

SAP Strategy – Improved Project Management to support Solution Delivery

SAP Consulting – the professional services arm of SAP – would in turn extend its service offerings. Customers expect SAP to take increased responsibility in leading projects to ensure quality, mitigate risk, and protect customers' software investments. Exhibit 4 shows the linkage with SAP's overall strategy.

Exhibit 4.. As PMO initiatives are executed, performance information flows to SAP Consulting and is shared with other organizations. For example, SAP Consulting now more strongly drives changes in shared implementation tools like Solution Manager (sideway arrows).

SAP customers had traditionally valued SAP consultants and project managers for their technical expertise; however, as customers trusted SAP solutions for more and more of their technology, they expected SAP to be a Trusted Advisor during the implementation of those solutions

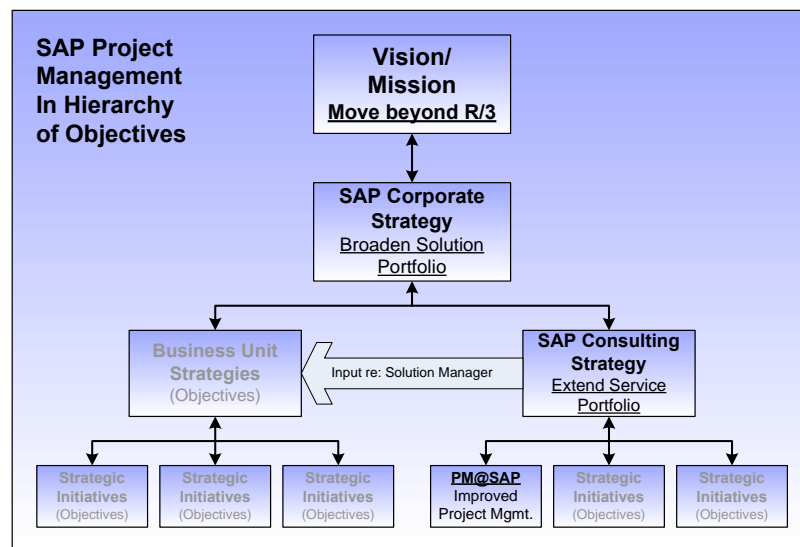


Exhibit 4..

Now that SAP projects deployed SAP's latest technology and functional innovations, project managers would manage multiple types of projects – from portals, to supplier management, to upgrades – all around the globe. Therefore, improved project management capabilities quickly became a strategic driver.

In 2002, the PM@SAP program was chartered to address this challenge. In conjunction with its partner, PM Solutions, the program consisted of four projects, or "streams," as outlined in Exhibit 5 below:

- **Methodology** – Deliverables included *A Guide to the Project Management Body of Knowledge (PMBOK® Guide)* - aligned project management methodology, geared to supporting basic project management processes and establishing an enterprise wide project management terminology and best practices.
- **Human Resources** – Focused on people development with globally consistent job descriptions, assessments of project managers' individual skill sets and Project Management Institute (PMI®) knowledge, and on a dedicated project management training curriculum. This stream also delivered the organizational project management maturity assessment infrastructure.
- **Project Management Office** – Created the PMO guide and charter, built and positioned the PMO governance structure, and defined the PMO Performance Metrics.
- **Change Management** – Responsible for supporting stakeholders throughout the process of change and executing the communications strategy to position the PMO model to the field.

Exhibit 5 The PM@SAP program is one initiative to SAP's strategic goal of broadening its solution portfolio. Other initiatives include competency centers or hubs concentrating on technical, industry, and application topics.

The first deliverables from PM@SAP program, the PMO organizational model went operational in early 2004. The PMO governance was anchored

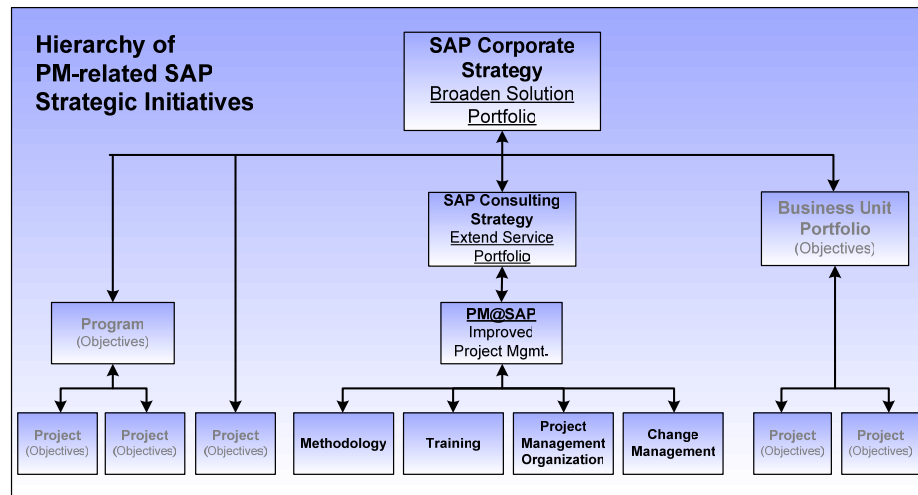


Exhibit 5

by a global team that maintained the PM@SAP deliverables, facilitated knowledge sharing among regions, and established thought leadership on project management topics. Regional PMOs were established to drive the rollout of PM@SAP deliverables, develop initiatives to address regional requirements, and establish PMO units at the country level.

PMO Metrics – Measuring Improved Project Management Performance

The global and regional PMOs established a regular series of operations workshops. One of the primary purposes of the workshops is to review and agree upon PMO policies. The key policy brought before the first operations workshop focused on PMO Performance metrics. A set of metrics were defined for four perspectives: financial, customer, employee and project/process. These were mapped against the SPM Coverage Model in Exhibit 7 below.

Perspective	Metrics
Financial	Project Profitability
Customer	Customer References, Internal Stakeholder Satisfaction
Employee	PM Training Satisfaction, Internal Certification Success
Project/Process	Organizational PM Maturity, Project Budget Performance, Project Schedule Performance

Exhibit 6. Initial SAP PMO Metrics (note some company-confidential measures are excluded).

In addition, the global and regional PMOs agreed on the definition of a “measured project,” for tracking metrics. These are projects of sufficient size, complexity, visibility, or risk that they would require PMO monitoring and control. Agreement to present and review the PMO metrics quarterly was decided.

Exhibit 7. The Original PMO Metrics perspectives mapped against SPM categories.

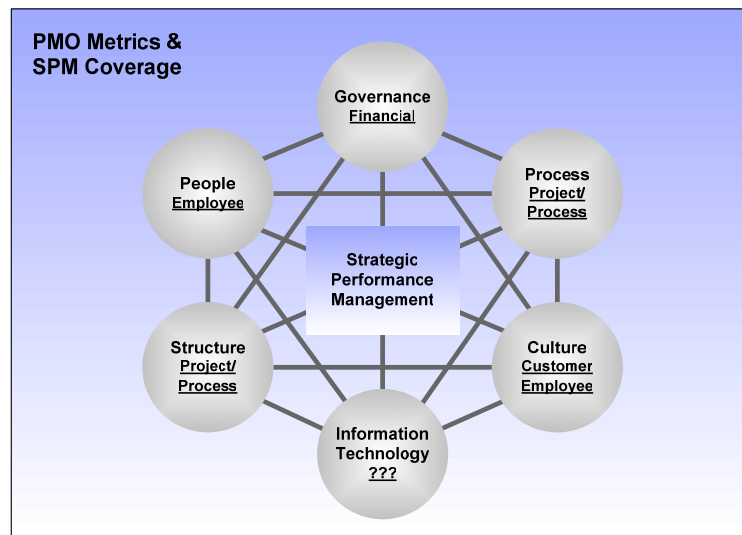


Exhibit 7.

Lessons Learned

The fundamental lesson learned is that the metrics approach cannot be static. The dynamics of the real world force adjustments in priority, reaction to changes in the environment, re-alignment in measurement selection or definition, and technology or budget constraints.

Prioritize Metrics

Measurements that demonstrate successful execution against strategy received most attention. SAP quickly found that the Project Management Maturity Assessment scores were the best metric for gauging the ultimate goal of their initiatives: improved project management.

SAP Global and Regional PMOs use the detailed results of the maturity assessments to review their PMO initiative portfolios. A weak finding in one knowledge area in one country usually points to issues with process execution and oversight in that one country; whereas when multiple countries and regions have issues in one knowledge area, a global initiative is required to refine communications, training, methodology, or tools support.

Socialize Metrics

Informal feedback is one of the most effective ways to validate whether metrics resonate with key stakeholders, regardless of whether or not any measurements have been completed. For example, inclusion of the just-discussed Project Management Maturity measure was fervently debated. While most believed in its value, most were unconvinced about how practical it was to communicate to management.

However, even tangential mentions of a particular maturity assessment result provoked interest among key executive stakeholders. Interest was reinforced once the maturity model was explained. The assessment approach and model are based on the J. Kent Crawford book *Project Management Maturity Model* (2002). The concept relies on the Capability Maturity Model: a software-oriented approach. It should have been no surprise that software executives would warm to the concept.

Measure Metrics

“How will you measure the measurements?” Several financial and process measures depended on an internal SAP IT Project Controlling solution that provided for baseline, actual, and forecast budget and schedules. This tool was not fully implemented in the regions.

It was evident that the PMO would need to accommodate this constraint. The PMOs agreed on two metrics to track the progress of the Project Controlling solution rollout: Project Controlling rollout progress (number of projects/countries using the controlling solution) and percentage of measured projects using the solution. Furthermore, the root cause was addressed as well once the PMO took a more direct role in the solution’s implementation.

Review Metrics

While building the first set of metrics, the PMO teams’ survey of best practices indicated that PMOs should watch from six to eight metrics. We ended up with ten, all of which applied to global and regional levels alike. As predicted, the PMOs found it difficult to present the information concisely or to agree upon the relative importance of the metrics.

It was also clear that some metrics were impossible to gather. For example, Budget Performance was too closely related to Project Profitability to stand alone.

Perspective	Original Metrics	Deleted
Financial	Project Profitability	
Customer	Customer References, Internal Stakeholder Satisfaction	
Employee	PM Training Satisfaction, Internal Certification Success	
Project/Process	Organizational PM Maturity, Project Budget Performance, Project Schedule Performance	Project Budget Performance

Exhibit 8: SAP PMO Metrics review (note some company-confidential measures are excluded).

Re-align Metrics

To promote new growth, metrics are re-aligned with maturity and the evolving strategic direction. The compliance with industry standards (e.g., *PMBOK® Guide*) was critical to achieving SAP project management maturity. With the high numbers of SAP Project Managers certified in the internal PMI based certification, the drive was now on acquiring the market Project Management Professional (PMP®) Certification. The Internal Certification Success metrics was replaced by a PMP® Certification metric. . In addition, once we had confidence in the training course itself, we became more interested in the coverage of the project management community trained. PM Training Coverage therefore replaced Training Satisfaction.

Finally, Customer References proved to be too flexibly defined. Each customer reference now must have a written and published Success Story to be considered a reference.

Perspective	Original Metric	Deleted/Modified	New Metrics
Financial	Project Profitability		
Customer	Customer References, Internal Stakeholder Satisfaction	Customer References	Customer References (tangible Success Stories)
Employee	PM Training Satisfaction, Internal Certification Success	PM Training Satisfaction, Internal Certification Success	PM Training Coverage, PMP Certification Success
Project/Process	Organizational PM Maturity, Project Budget Performance, Project Schedule Performance	Project Budget Performance	Project Controlling

Exhibit 9. SAP PMO Metrics after re-alignment (note some company-confidential measures are excluded).

Position Metrics to PMO Levels

Metrics need to be planted in the right organizational unit(s). Some metrics may not apply to every level of the PMO structure and should be collected by a particular PMO level. In addition, metrics may be available at one level, but it would be meaningless if decomposed or rolled up to the next.

Finally, budget and execution responsibility ownership at an organizational level should imply metrics responsibility at that same level. If a measure is not useful at a particular PMO level – e.g., trends or issues are hard to determine – it may be a symptom that proves difficult to hold that organization accountable for poor budget or execution.

At SAP, project profitability and schedule performance are driven by project performance, so local and regional PMOs are closer to the data. The Global PMO drives rollout and execution of the PM Maturity and Project Controlling initiatives, so it reports against these metrics.

Perspective	Current Metric	Global or Regional Ownership
Financial	Project Profitability	Regional
Customer	Customer References (tangible Success Stories)	Regional
	Internal Stakeholder Satisfaction	Regional
Employee	PM Training Coverage	Regional
	PMP Certification Success	Regional
Project/Process	Organizational PM Maturity	Global
	Project Schedule Performance	Regional
	Project Controlling	Global

Exhibit 10: SAP PMO Metrics after re-alignment (note some company-confidential measures are excluded).

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