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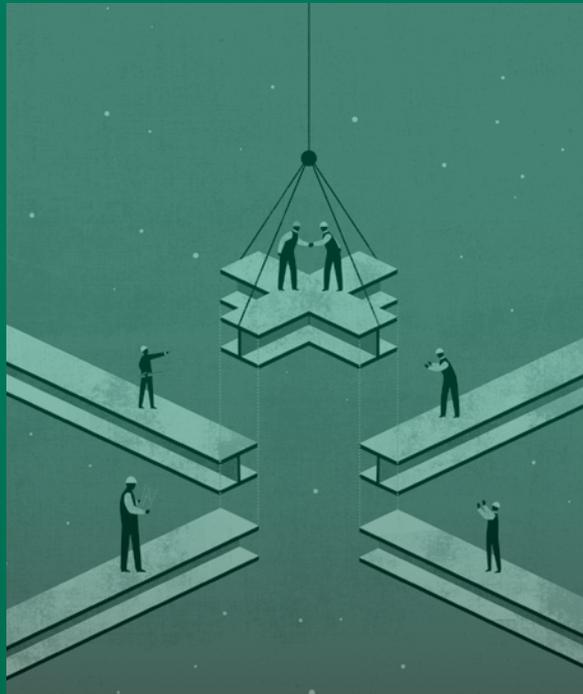
THE BOSTON CONSULTING GROUP



# STRATEGIC INITIATIVE MANAGEMENT

THE PMO IMPERATIVE

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# STRATEGIC INITIATIVE MANAGEMENT

THE PMO IMPERATIVE



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# CONTENTS

3	<b>OVERVIEW</b>
5	<b>THE ROLE OF PMOs IN HELPING ENABLE STRATEGIC INITIATIVES</b>
9	<b>FOUR IMPERATIVES FOR EXECUTING STRATEGIC INITIATIVES</b> Focus on Critical Initiatives Institute Smart and Simple Processes Foster Talent and Capabilities Encourage a Culture of Change
18	<b>PUTTING IT ALL TOGETHER</b>
20	<b>STRATEGIC PMOs HELP COMPANIES WIN</b>
21	<b>NOTE TO THE READER</b>

# OVERVIEW

**F**OR MANY BUSINESSES TODAY, generally only two things are certain: greater uncertainty and an accelerated pace of change. Globalization increases the scope of competition. Digitization hastens the pace of business. Customers are more empowered than ever before. A two-speed economy—rapid growth in emerging markets, slowing growth in developed markets—means that companies must execute in an increasingly complex world. In this environment, the ability to develop and implement new strategic initiatives and change gears rapidly is becoming a key differentiator.

Virtually all senior executives know this, and they devote significant attention and focus to defining and developing major strategic initiatives. Still, many companies struggle to successfully implement those initiatives. The difficulty is widely attributed to shortcomings in leadership, but, in reality, it is largely associated with ineffective engagement. Too many senior executives have trouble getting the information they need—when they need it—to make the frequently necessary adjustments and course corrections that in today’s business environment are critical for ensuring that large strategic initiatives will deliver their target impact.

A program or project management office (PMO) can play a crucial role in helping enable this by actively supporting the implementation of key strategic programs. However, the role of the PMO within the company must, in turn, become more strategic, and it must develop its capabilities accordingly. (Organizations use a range of terminology to describe their PMOs; in this article, PMO refers to an enterprise-level unit that works on a portfolio of strategic initiatives across the organization.)

Research by the Project Management Institute (PMI), the Economist Intelligence Unit (EIU), and Forrester Research over the past year has identified several critical issues for successfully delivering bold change that materially impacts the role that the PMO can play. Building on that research, The Boston Consulting Group has identified the following four imperatives for improving the odds of successfully delivering strategic initiative implementation efforts—imperatives in which the PMO can serve a critical support function.

- *Focus on Critical Initiatives.* Provide senior leaders with true operational insight through meaningful milestones and objectives for critical strategic initiatives. Such focus promotes clarity and course correction around emerging issues and the fullest possible realization of impact.

- *Institute Smart and Simple Processes.* Establish program-level routines that track these milestones and objectives, communicate progress, and help identify issues early without adding undue burdens or usurping the businesses and functions executing the work.
- *Foster Talent and Capabilities.* Develop and nurture the right technical, strategic and business-management, and leadership skills and capabilities within the organization.
- *Encourage a Culture of Change.* Actively build organization-wide support for—and commitment to—strategic initiative implementation and change management as a real competitive differentiator.

Together, these four imperatives provide C-suite executives and the extended leadership team with the confidence and forward-looking course-corrective ability necessary for the organization to execute effectively and develop the skills and confidence to take on even more ambitious change. The companies that can develop these capabilities and advance their PMOs to a more strategic orientation will significantly improve their ability to implement strategic initiatives, potentially establishing a basis for real competitive advantage.

# THE ROLE OF PMOS IN HELPING ENABLE STRATEGIC INITIATIVES

**T**HE PROJECT MANAGEMENT INSTITUTE (PMI) has issued a series of research articles and other publications aimed at elevating discussion of the role of program or project management offices (PMOs) in enabling successful implementation of strategic initiatives. In the aggregate, PMI's Thought Leadership Series has identified several program- and project-management concerns that confront many companies and has described ways that PMOs can help address these concerns.

- In *Why Good Strategies Fail: Lessons for the C-Suite*, the EIU looks at senior-level support for strategic initiatives and the reasons for disconnects between strategy formulation and implementation.
- *Pulse of the Profession In-Depth Report: The Impact of PMOs on Strategy Implementation*, a PMI publication, identifies key practices of high-performing PMOs and demonstrates how alignment of the PMO with the goals of the organization is essential to driving successful strategy implementation.<sup>1</sup>
- PMI's *Pulse of the Profession: PMO Frameworks* profiles the most common types of PMOs prevalent in organizations and highlights key practices of each.
- In *Strategic PMOs Play a Vital Role in Driving Business Outcomes*, Forrester Research

identifies success factors in advancing project and program management to a more strategic role and shows how those efforts generate value for organizations.

This report is the capstone in that PMI series; it builds on the research and leverages The Boston Consulting Group's and PMI's experiences in this field to identify critical capabilities that differentiate best-in-class strategically aligned PMOs, as well as lessons applicable to all PMOs. (In this report, PMO refers to an enterprise-level entity that supports a portfolio of strategic initiatives across the organization rather than a project-based business-unit PMO.)

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PMI has issued a series of research articles and other publications.

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The consistent message coming out of this thought-leadership series is that PMOs must enhance their capabilities and processes if they are to effectively support senior business leaders and serve as real enablers of strategic change in an organization. Just one-third of PMO leaders feel that their PMO has realized its full potential for contributing business value to the organization. In the past, many

PMOs have, by necessity, adopted a tactical approach—still the most common model at many organizations—that was well suited to their primary objective of supporting the delivery of departmental projects and programs.<sup>2</sup> However, this approach is no longer sufficient.

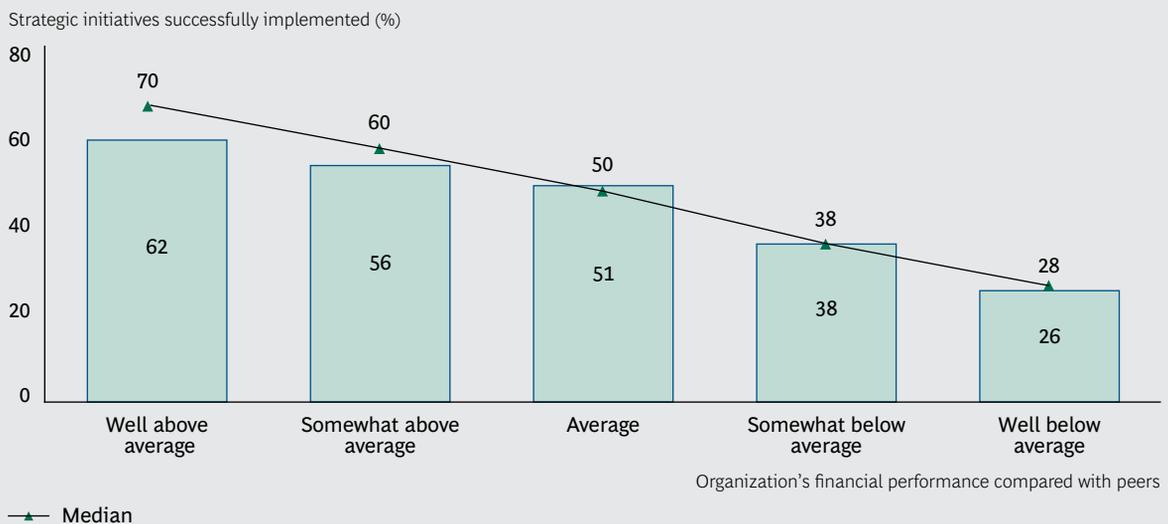
There is a clear upside for companies that excel at implementing strategic efforts.

Today, companies operate in a world of unprecedented change. And while change has always been a constant in business, the pace of change is dramatically faster than it was five or ten years ago. BCG research has found that the volatility of business operating margins has more than doubled since the 1980s. Moreover, turbulence—defined as volatility in demand, competition, margins, and capital market expectations—strikes more frequently today. More than half of the most turbulent fiscal quarters of the past 30 years have occurred during the past decade. Across multiple industries, there is considerably more churn, as companies in the top three positions are be-

ing overtaken by stronger competitors. And market leadership is no longer a guarantee of financial success: the formerly strong correlation between market share and profitability has faded significantly in a number of sectors. This creates risks for companies that cannot keep up and opportunities for those that can.<sup>3</sup>

In this environment, if companies are to remain competitive, they must simultaneously optimize both *how they run the business* and *how they change the business*, the latter typically through the development and implementation of programs of new strategic initiatives. Of course, optimizing for real excellence in both running and changing the business is much easier said than done. The day-to-day challenges that business leaders face in hitting *run-the-business* targets, while managing a cornucopia of operational issues, are enormous. Furthermore, delivering on bold *change-the-business* initiatives is a real challenge to many. However, meeting this challenge is becoming a competitive necessity. Correctly positioned, supported, and equipped, the PMO can play an important role in helping an organization meet this challenge. Analysis of research by the EIU shows that there is a clear upside for companies that excel at implementing strategic efforts and driving change. (See Exhibit 1.)

**EXHIBIT 1 | There Is a Clear Correlation Between a Company's Ability to Successfully Implement Strategic Initiatives and Its Financial Performance**



Sources: Economist Intelligence Unit's March 2013 global survey of 587 senior executives for the July 2013 report, *Why Good Strategies Fail: Lessons from the C-Suite*; BCG analysis of raw survey data provided by the EIU.

Company leaders understand what's at stake. According to research conducted among 587 C-suite and senior executives by the EIU for this series, 88 percent of respondents said that executing strategic initiatives successfully will be "essential" or "very important" in ensuring that their companies remain competitive over the next three years. The same study found that engagement by the executive team can make or break an implementation effort: respondents identified leadership buy-in and support as the number-one factor leading to the success of strategic initiatives.

Yet three-fifths of this group said that they often struggle to bridge the gap between formulating strategy and actually implementing it. Only half of the respondents said that strategy implementation overall receives sufficient attention from C-suite executives. And among initiatives launched over the past three years, respondents quoted a success rate of only 56 percent.<sup>4</sup>

How does this happen? Clearly, it's not a systematic lack of awareness or resolve among senior leaders. Most executive teams are acutely aware of what's at stake when they embark upon new strategic efforts. The efforts themselves are more complex than in the past: the low-hanging fruit has already been picked. And, not surprisingly, PMI has demonstrated that there are more dollars at risk for projects that are highly complex.<sup>5</sup>

Today's initiatives, with increased risks and greater interdependencies, must be implemented more frequently—in many cases, with incomplete information. Failures are increasingly public: companies are subject to rigorous external and internal scrutiny of major strategy-implementation efforts and how they are proceeding. And the inability to deliver bold strategic initiatives is costing increasing numbers of senior leaders their jobs. All of this dictates a clear need for the highly effective involvement of senior executives in regular progress assessment and course corrections. And, in fact, this could point to the need for a formalized executive-level approach to strategy implementation management as an essential complement to strategy development.

The central issue comes down to the way that information regarding these strategic initiatives gets structured and communicated to the C-suite and the extended leadership team—not just the C-suite's reports but also their reports in the business and functions—as well as how company leaders engage with that information. Executive teams are extremely busy, with myriad demands for their time and attention. They generally sit several layers away from where the initiatives are executed, and in many instances, they are highly concerned about whether people further down the organization chart can deliver on their mandate. All too often, senior leaders don't hear about problems until it's either too late or too expensive to fix them.

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The interactions between senior leaders and PMOs are often not sufficient.

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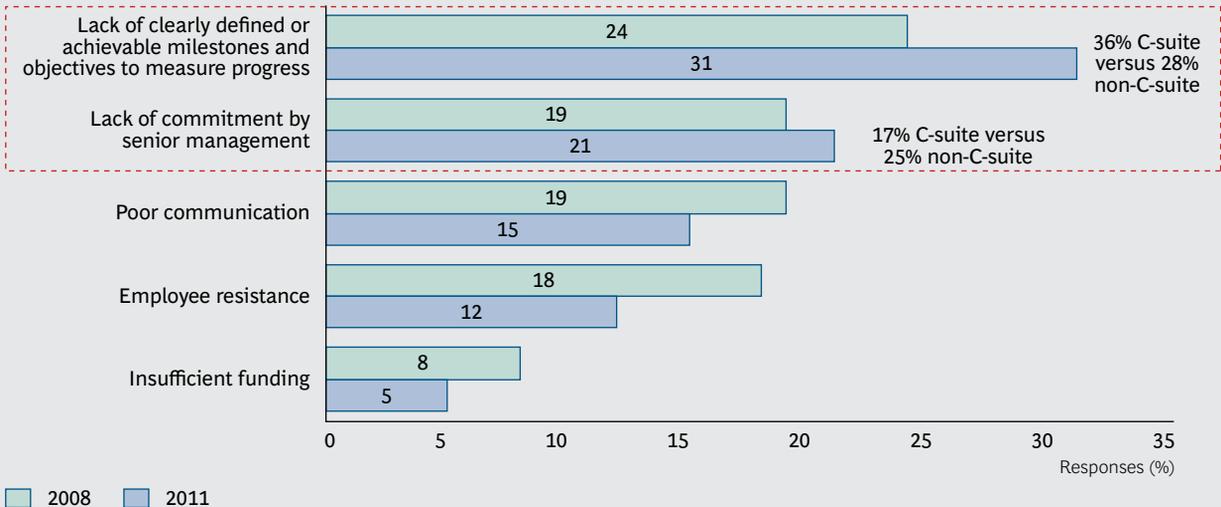
EIU research from 2011 shows that executives consider both of these factors—senior commitment and clear milestones and objectives—critical for the successful delivery of strategic initiatives. And when they are compared with the EIU's 2008 baseline data, it's clear that these two factors are growing in importance. (See Exhibit 2.)

Despite the importance of these factors, the interactions between senior leaders and PMOs are often not sufficient for companies to meet the challenge. Forrester Research data show that PMOs that have bridged this gap are able to add real value in supporting the delivery of strategic initiatives. Furthermore, PMOs that succeed in helping underpin business growth report to a range of senior executives—from senior vice presidents to the C-suite level—and the majority have a highly visible champion in the senior executive suite.<sup>6</sup>

Yet this is a new role for many PMOs, and it involves an expanded mandate for facilitating strategic change. Although PMO leaders have made notable strides over the past decade, there is clearly more work to do—and

## EXHIBIT 2 | Clearly Defined Milestones and Objectives, Coupled with Commitment from Senior Leaders, Are Critical in Implementing Strategic Initiatives

For the change initiatives in your organization that did not succeed in the past 12 months, what was the single most important factor in determining their failure?



Sources: The Economist Intelligence Unit, *Leaders of Change*, 2011, and *A Change for the Better*, 2008.

Note: Sample size was approximately 600 senior executives in the 2008 study and approximately 300 senior executives in the 2011 study.

more for organizations to do if they are to capture the real value-added opportunities from their PMOs.

Where to start? BCG's experience and PMI's extensive research indicate that companies that succeed in implementing strategic efforts focus on several capabilities, behaviors, and processes that are needed to facilitate senior engagement and improve the implementation of strategic initiatives.

### NOTES

1. Pulse of the Profession is a registered trademark of the Project Management Institute.
2. PMI, *Pulse of the Profession In-Depth Report: The Impact of PMOs on Strategy Implementation*, November 2013.
3. Martin Reeves and Mike Deimler, "Adaptability: The New Competitive Advantage," *Harvard Business Review*, July 2011.
4. Economist Intelligence Unit, *Why Good Strategies Fail: Lessons from the C-Suite*, July 2013.
5. PMI, *Pulse of the Profession In-Depth Report: Navigating Complexity*, September 2013.
6. Forrester Research, *Strategic PMOs Play a Vital Role in Driving Business Outcomes*, November 2013.

# FOUR IMPERATIVES FOR EXECUTING STRATEGIC INITIATIVES

**S**PECIFICALLY, THE FOLLOWING FOUR imperatives stand out:

- *Focus on Critical Initiatives.* Provide senior leaders with true operational insight through meaningful milestones and objectives for critical strategic initiatives. Such focus promotes clarity and course correction around emerging issues and the fullest possible realization of impact.
- *Institute Smart and Simple Processes.* Establish program-level routines that track these milestones and objectives, communicate progress, and help identify issues early without adding undue burdens or usurping the businesses and functions executing the work.
- *Foster Talent and Capabilities.* Develop and nurture the right technical, strategic and business-management, and leadership skills and capabilities within the organization.
- *Encourage a Culture of Change.* Actively build organization-wide support for—and commitment to—strategic initiative implementation and change management as a real competitive differentiator.

Whether strategic or tactical, these imperatives collectively make up the means for capturing and structuring the right information

associated with strategic initiatives and communicating it in the right way, enhancing engagement with senior leaders and potentially improving implementation success overall.

## Focus on Critical Initiatives

The first imperative entails a process by which PMOs support the business in identifying clear, actionable insights into how implementation efforts will proceed. All PMOs encourage the creation of milestones, activities, and objectives for initiatives, but in many cases, the traditional approaches simply aren't effective for large, complex, and fast-moving initiatives. They generate either too little or too much information, obscuring what is really happening instead of providing PMOs and senior leaders with clear intelligence that allows for timely course correction. The alignment of what is being tracked and communicated with what is critical for success is key to driving implementation. PMI's research on PMOs shows that aligning projects with strategic objectives has the greatest potential for adding value to the organization.<sup>1</sup>

PMOs need an enhanced process for helping the organization align, define, track, and communicate *meaningful* milestones and objectives, specifically in the context of developing roadmaps for strategic initiatives. Roadmaps must identify the set of critical milestones that provide senior leadership with a basis

for operational insight into what the initiative is about, what the critical known risks and interdependencies are, and how the initiative is progressing, through forward-looking lead indicators.

How do these roadmaps do this? They focus solely on a small number of critical milestones (in BCG's experience, there are typically 10 to 25 per roadmap), along with explicit time frames, financial and operational metrics that are linked with overall objectives, and clear accountabilities. The milestones set a cadence for the entire change program, breaking it into more manageable pieces that, for everyone involved, become much more attainable. This requires establishing clear metrics and KPIs that must be as quantifiable and specific as possible.

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## The milestones set a cadence for the entire change program.

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In assisting with the development of the roadmap, PMOs support the business in helping identify and describe critical risks, assumptions, and interdependencies that are linked to specific economic or operational objectives and connecting them to milestones with explicit trigger dates and metrics for their testing and assessment. The ability to provide regular updates from roadmap owners allows for a means by which senior executives can readily understand progress and any emerging problems. This not only ensures that the initiative is built around the right actions and measures—that is, that the organization is doing the right things—but also that it can support senior executives in being effective in their leadership roles during the implementation effort.

As Forrester Research found, this kind of focus is critical. Successful PMOs define metrics that are directly linked to strategic objectives and use them consistently throughout the organization. In this way, PMOs can develop a handful of key measures that give a complete picture of initiative status, and they can com-

pare performance over time, bringing “new levels of transparency to their executive management.”<sup>2</sup>

To ensure that roadmaps are sufficiently detailed and robust, many high-performing PMOs apply some form of a “rigor test” before an initiative can be launched. A rigor test should be designed to determine whether the roadmap underpinning an initiative is sufficiently clear and whether it provides links to overall impact.

Furthermore, the test should identify whether the set of milestones and objectives in the roadmap provides a robust basis for testing for known risks and interdependencies. (See Exhibit 3.) It also facilitates consistency of quality across projects and programs within a portfolio. A rigor test discussion ensures that the roadmap contains the necessary and right information for senior leaders to be able to make course corrections when needed.

Rigor tests should be used by the PMO acting as a “steward of value” for the C-suite. There is a sizable body of evidence showing the financial benefits of this approach. In an analysis by BCG, initiatives tested using this approach that earned merely a “pass” score still managed to capture 100 percent of targeted economic value, on average, whereas those that received an “excellent” score captured 130 percent on average.<sup>3</sup>

Implemented correctly, this rigorous approach to establishing milestones and objectives helps establish a virtuous cycle. Information delivered at the right level of operational detail—and in nontechnical jargon—leads to greater understanding among senior executives. Understanding, in turn, leads to greater support and more effective course corrections that mitigate problems, leading to improved interim results and greater buy-in by all participants and, thus, enabling greater execution success overall. The next imperative outlines how this works in practice.

## Institute Smart and Simple Processes

When the right metrics and milestones are in place, it's time to establish a manageable rou-

## EXHIBIT 3 | Rigor Tests Help Structure the Necessary Discussions Around Robustness and Consistency of Roadmaps Prior to Launch

### Is the roadmap clearly defined, logically structured, and readily implementable?

- ① Is ownership and accountability clearly established for the roadmap? Is the ownership structure tied logically to the content of the roadmap?
- ② Is the roadmap logically disaggregated into regular milestones that are sufficient for reviewing the main actions and progress against plan?
- ③ Are the milestones tangible enough to describe how the roadmap will really be achieved?
- ④ Are the timing and sequencing of milestones logical?
- ⑤ Do the milestones incorporate an executable change plan, including communication, training, and stakeholder engagement?

### Are impacts, their sources, timing, and leading indicators clearly identified?

- ⑥ Are the overall impacts disaggregated into financial and operational impacts and quantified along the timeline (for example, recurring cost reductions and downtime reductions)?
- ⑦ Are the operational KPIs sufficient to act as lead indicators of subsequent financial-impact delivery? Do they appropriately test for any critical business-case assumptions (for example, cost, yield, or market assumptions)?
- ⑧ Are all potential recurring and one-time cost implications identified and confirmed by finance as measurable?
- ⑨ Is the timing of impacts (benefits and costs) consistent with the timing of the milestones they are associated with?
- ⑩ Is revenue uplift thought through in a practical and measurable way?

### Are interdependencies, risks, and issues clearly addressed?

- ⑪ Would someone from another part of the organization be able to read the roadmap and clearly understand what to do and what is at risk?
- ⑫ Are key issues, risks, and interdependencies adequately exposed and addressed in the qualitative roadmap description?
- ⑬ Who are the key stakeholders for the initiative? Have their concerns and needs been effectively factored in?
- ⑭ Have key issues, risks, and interdependencies been made explicit in the milestone descriptions? Have specific milestones been developed to trigger conversations for assessing confidence in delivering against key problems, risks, and interdependencies?
- ⑮ Does a DICE assessment predict a favorable outcome for the roadmap?

**Source:** BCG industry experience.

**Note:** DICE, BCG's assessment of a change program's likelihood of success, tracks the duration of the project, the capability of each initiative team, the overall leadership and local commitment to change, and the additional effort required of staff.

tine to record and gauge progress in a meaningful way as the initiatives get rolled out. The risk that the company may be collecting and monitoring *too much* information is all too real and can put an undue burden on the staff executing the initiatives. For example, once large strategic initiatives are underway there is a tendency in some organizations to capture as much data as possible about the project. Given the uncertainty inherent in major change efforts, this tendency is understandable. It can be reassuring simply to log everything—reducing the odds that the organization will miss some critical metric.

However, beyond a certain point, the sheer amount of information—and the processes required to record it, as well as the requisite follow-up and clarification—becomes a new problem. At its worst, this exacerbates the damagingly negative preconception of PMO staff as “box-checkers,” more focused on processes than progress. The evidence proving the ineffectiveness of such an approach is

clear. High-performing PMOs are far less likely to be primarily focused on policing and setting up policy than on supporting the actual implementation of the project or program. Low-performing PMOs are more likely to mandate strict adoption and use of specific methodologies, templates, and forms—even in cases not well suited for the particular circumstances of the strategic initiative.<sup>4</sup>

Instead, PMOs must tailor their approaches to the needs of the organization. Strategically aligned PMOs eliminate onerous routines, unnecessary meetings, and excessively long reports. Rather, they apply the level of orchestration that is required to both support the business in strategy execution and help ensure progress and spot emerging problems without creating new bureaucracy or weakening ownership of the initiatives.

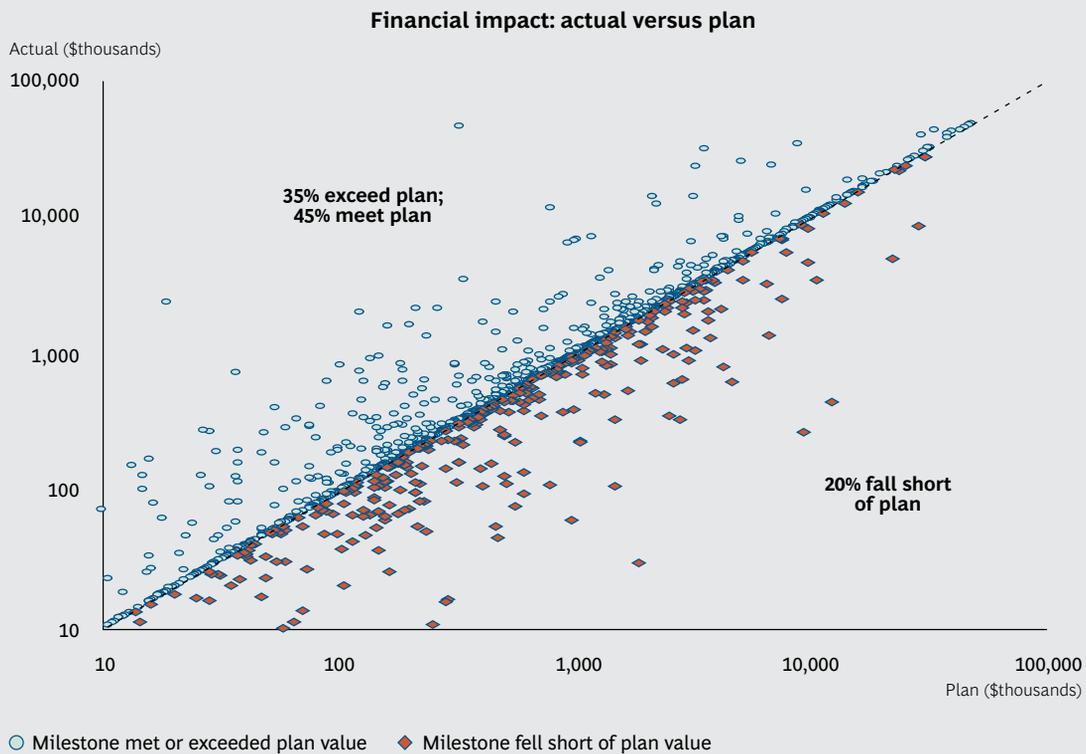
With the initiative roadmaps having been rigor-tested, the PMO well positioned, its role clearly understood, and the right processes

established for gauging progress against upcoming milestones and objectives, strategically aligned PMOs provide the means for the business managers tasked with delivery to provide senior executives the information they need—and only that information—with enough time to make course corrections and ensure that the initiative gets delivered in terms of both impact and timing. As PMI’s research shows, high-performing PMOs tailor communications to different stakeholder groups.<sup>5</sup> This means limiting the information communicated to executives to an overall status of the program (that is, current achievement against targets) and any emerging issues that require executives to intervene with the range of tools at their disposal—for example, removing roadblocks, fast-tracking decisions, prioritizing projects, and reallocating resources.

Another critical aspect of tracking progress is the importance of providing a current portfolio

view for senior leaders. For example, Exhibit 4 shows BCG’s analysis of approximately 2,000 initiative roadmaps, with US\$4 billion in impact-bearing milestones. Of course, not every individual roadmap for every initiative can be expected to be fully delivered. Analysis at the individual roadmap level shows that 35 percent of impact-bearing milestones exceeded plan, 45 percent were within plan, and 20 percent fell short. Overall, this portfolio of initiatives was successfully delivered, achieving more than 110 percent of the targeted economic value. A portfolio view—with a PMO actively supporting senior-leadership discussion—ensures that organizations adopt an enterprise-wide perspective. This generates the necessary forward-looking clarity on how the overall program is proceeding against planned impacts, spotlighting areas that require additional attention and enabling organizations to overdeliver against targets despite inevitable and initially unforeseen implementation shortfalls in individual roadmaps.

#### EXHIBIT 4 | A Portfolio View Gives Senior Leaders a Rapid Assessment of Financial Impact Across a Range of Initiatives



Source: BCG analysis of US\$4 billion of impact-bearing milestones.

Note: Graph shows a range from US\$0 to US\$50 million in plan and actual-value milestones; some data points are not visible due to truncation. Thresholds for “exceed,” “meet,” and “fall short” are greater than 2.5 percent, within 2.5 percent, and more than 2.5 percent below plan. Both axes use a logarithmic scale.

A crucial element here is “minimum sufficiency”—the right level of systems controls, information-based assessment of progress, and support by the PMO. And nothing more. For example, exception-based reporting on a monthly basis is a far more efficient way to monitor progress and engage with senior leaders than weekly meetings held to talk through results that are in line with expectations. The idea of minimum sufficiency pervades the behaviors and processes found in successful strategy-execution programs; it eliminates excess interaction, organization, data collection, and communication, boiling down potentially overwhelming amounts of information on an initiative to only the most critical milestones, risks, interdependencies, and objectives. With that distilled information, senior leaders can best consider decisions and actions that will have the largest and quickest impacts. (See the sidebar “One Bank’s Path to Minimum Sufficiency.”)

There is a clear sequence to this process. On a forward-looking basis, the business provides regular updates (typically biweekly or monthly) on progress. The rigor-tested roadmaps give the executive team (supported by the PMO) the option to readily engage on any of the milestones or any objectives that are at

risk. And because these concerns are raised early enough, the leadership team usually has time to make corrections before problems cascade and compound.

## Foster Talent and Capabilities

Adopting a more strategic orientation means that PMOs will need to occupy a new role in the implementation of strategic efforts, which, in turn, requires enhanced capabilities. PMOs must have the right people in place to actually serve as stewards of value in support of strategic initiatives. It is no longer enough to focus talent development only on technical project-management skills. Organizations also need to develop a portfolio of talented PMO staff with strategic and business management and leadership skills. (See Exhibit 5.) PMI’s Talent Triangle illustrates the three critical skill sets necessary to drive successful implementation of strategic initiatives.<sup>6</sup>

There is an abundance of data underscoring this point. According to research by the EIU, a majority of responding companies either lack the right internal skills or fail to deploy the talent needed to successfully implement strategy. Only four in ten respondents said that their organizations provide staff

## ONE BANK’S PATH TO MINIMUM SUFFICIENCY

A leading bank recently underwent a major transformation to realign its businesses in the face of structural changes brought about by the global financial crisis. That program consisted of almost 1,000 separately managed but interdependent projects, which included changes in sales and service practices in the branches and call centers, as well as corresponding enhancements to the underlying technology and operational infrastructure. The senior executive in charge faced the daunting challenge of identifying emerging risks among all these projects and deciding whether interventions were needed to land the whole transformation successfully.

On the one hand, it was neither practical nor feasible for this senior executive to

read the hundreds of individual reports that were being used in executing the projects. On the other hand, the organization was already stretched to the breaking point by trying to run the bank while changing it. So the responsible PMO needed to be aware of the possible impact of introducing a new reporting requirement on top of what existed. In the end, the PMO helped create a practical minimum-sufficiency solution: a rigor-tested roadmap with approximately 15 milestones, KPIs, and objectives for each project that had to be monitored at the executive level; monthly reporting; a focus on changes and exceptions only; and action-oriented PMO-facilitated meetings focused only on those issues that required the senior executive’s decision or intervention.

sufficiently skilled to implement high-priority strategic initiatives. Fewer than two in ten (18 percent) said that their organizations put a very high priority on hiring people with the requisite business skills or leadership talent. Just 11 percent said that developing these skills in existing executives is a very high priority.

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PMO leaders have to be “part evangelist, part therapist, and part coach.”

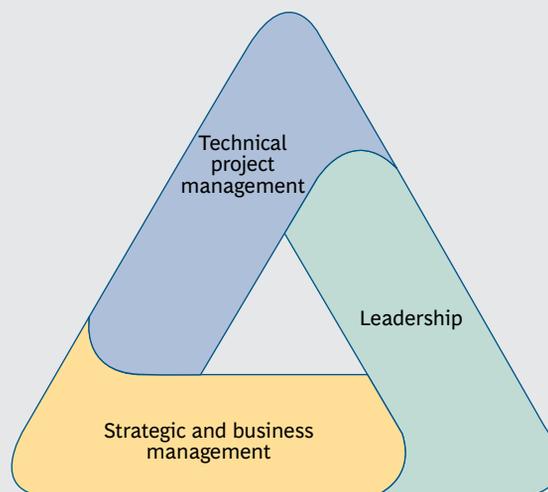
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That same research shows that the quality of the team can be a critical differentiator in successfully executing strategic change. Organizations that typically provide sufficient human capital in both additional categories—business skills and leadership—succeeded in 62 percent of initiatives in 2012, compared with 53 percent for those that did not.<sup>7</sup> BCG experience shows that when companies invest in the right human capital and program-management tools and disciplines, this performance gap grows even larger, with organizations able to overdeliver on initiatives.

So what are the skills PMO teams need to develop if they aim to help the organization implement strategic initiatives more effectively? They must develop the ability to deal constructively with highly complex and ambiguous situations, asking key questions, defining the scope of problems, and breaking large challenges into smaller tasks. Delegation, coordination, and risk management are crucial as well. In addition, PMO teams must be able to rally and motivate people and to influence without formal authority. This was a key theme of Forrester’s research, in which PMO leaders recognized that they had to be “part evangelist, part therapist, and part coach” to successfully transition the company to a more disciplined approach to execution.<sup>8</sup> Project and program managers need to exhibit superlative communication skills, including the ability to win over skeptics. And they must understand institutional politics and both the formal and informal ways of getting things done within the organization.

How to get there? It all starts with the C-suite’s recognition of the importance of deepening the organization’s program- and project-management skills and acknowledgment of the critical role a strategically aligned PMO can play.<sup>9</sup> HR needs to establish a baseline for current capabilities, identify future needs,

#### EXHIBIT 5 | PMI’s Talent Triangle Identifies the Three Critical Skills for Professional Project Managers



Source: Project Management Institute.

and work with senior leaders to develop a plan for how to bridge the gap. EIU research shows that the best executors commit to establishing program and project management as a standalone role and discipline within the organization. They are dedicated to nurturing the necessary skills—in technical project management, leadership, and strategic and business management.<sup>10</sup>

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Leadership must “speak with one voice,” visibly demonstrating commitment.

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Companies that place a priority on developing these skills also formalize roles, career paths, and, in some cases, organization structures. In addition, they apply HR best practices to retaining and developing talent when people are onboard. Once companies have enhanced the program and project management capabilities, it’s critical that they ensure that those managers stay within—and feel highly valued by—the organization, further embedding these capabilities throughout. Creating communities of practice, formalizing learning and development processes, and grooming PMO managers for leadership positions within the company can help retain valuable staff members.

A key organizational concern—one that relates to all of the PMO imperatives discussed in this report—is where these project- and program-management capabilities should reside within the company. There is no single organization design that works for every company; each needs to find the right balance between developing these capabilities on an enterprise-wide basis and concentrating them within an entity. Because a company’s strategic imperatives vary over time, the scope of its PMO capabilities must shift as well. Regardless, organizations need a well-positioned senior-executive champion within the organization to help focus, refresh, and advance the project and program management capabilities needed for effective execution.

As organizations embrace change as a constant, they need to be able to maintain and

put into action skills that will help them execute strategic initiatives without starting from scratch each time, and they need PMOs that can shift smoothly from one strategic implementation effort to the next.

## Encourage a Culture of Change

There is no doubt that organizations are dealing with increasing turbulence. Given the scope of competitive pressure and the frequency of disruption, the fourth imperative for successfully delivering strategic initiatives is, therefore, organization-wide understanding of and support for the capabilities required to deliver on strategic change initiatives. PMOs can play an important role in fostering this by helping set the right context for desired behaviors—for instance, through milestone-based information that is readily available to support cross-functional collaboration on critical strategic initiatives or by ensuring that the behaviors consistent with desired ways of operating are explicitly recognized and celebrated.<sup>11</sup>

However, it all starts at the top. Successful implementation of initiatives requires that the PMO be given the time, resources, and attention of senior leaders that it needs in order to add value. It is critical that the C-suite and the extended leadership team—not just the C-suite’s reports but also their reports in the business and functions—are aligned on what each strategic initiative is intended to deliver and how this will be achieved. Leadership must feel accountable for—and have a sense of ownership of—the change connected to realizing the vision and strategy of the company and must “speak with one voice,” visibly demonstrating this commitment to the rest of the organization.<sup>12</sup>

So how can PMOs help cultivate this level of palpable support among the extended leadership team? A large component boils down to specific behaviors. The implementation of initiatives is hard, and much can go wrong during the journey. Accordingly, PMOs need to foster transparency about problems as they come up, providing senior leaders with the means to make course corrections in time to ensure that the overall initiative achieves its target impact. That in

turn requires an environment in which people, especially business managers executing initiatives, are willing to raise their hands if they need help or spot a burgeoning problem. Notably, it is also true of senior leaders, who must be willing to make decisions and provide solutions when concerns are being raised instead of potentially resorting to a shoot-the-messenger approach. Red flags should not evoke punishment; they should be encouraged because they identify concerns early enough to enable senior leaders to intervene as needed in order to address those concerns.

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## Senior leaders and PMOs must build confidence in the success of the overall strategic program.

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This new way of interacting with information may sound daunting, and it raises broader concerns that employees might have regarding their leaders' capabilities to effectively support the implementation of complex strategic initiatives. Building capabilities takes time, and in an era of rapid change, enablement of an organization's leaders must be very practical. PMOs, by providing transparency and encouraging the right conversations, help leaders deal constructively with highly complex and ambiguous situations and thus help build these managerial capabilities, which in turn build their broader leadership skill set.

Another aspect of building commitment to change in the organization is related to the interaction between the business units and functions and the PMO staff. The right relationship is built on a contract of respect, in which the PMO is not trying to "catch" the businesses and functions in missteps but is instead collaborating in an environment of transparency and mutual trust: an environment in which both sides support each other and are willing to identify problems as early as possible is far more conducive to making course corrections that ultimately drive the long-term success of the initiative. That said, the PMO should not seek to be liked, as it

would compromise its ability to ask the difficult questions that help surface problems. Instead, it should focus on establishing a position of trust and respect within the organization.

Communication is another critical factor that builds organizational support for successful implementation. Rather than the communication between a PMO and the senior executive team, in this context, we are referring to the way that major strategic initiatives are introduced and discussed throughout the organization more generally. The best communication for any important strategic program starts with leaders articulating the case for change—why it is needed, and how the organization and employees will benefit from each new initiative. Executives and the PMO must also explain each initiative clearly—how it will work, who's driving it, its alignment with the organization's strategy, the intended outcomes, and how it affects (and benefits) the staff.

Fundamentally, senior leaders and PMOs must build confidence in the success of the overall strategic program to encourage companywide buy-in and participation. Some organizations experience "change fatigue." In BCG's experience, this is driven by the increasing pace and volume of change but often also by a lack of confidence in the organization's ability to successfully implement strategic initiatives. However, when appropriately positioned, PMOs have the capabilities, tools, and processes to facilitate delivery of the right information to leaders on the milestones and objectives of initiatives. In this way, they can help ensure that they can provide a ready ability for course correction and resource reallocation, and a different feeling starts to emerge in the organization. The resulting transparency and discipline not only enables the successful delivery of change efforts but also starts to spread confidence more broadly throughout the organization. PMOs can spur this shift by making sure that successes are highlighted and celebrated and that the voices of champions during the change journey itself are well heard. In BCG's experience, the organizations that experience noticeably less change fatigue are those in which confidence

in delivery is high, even though the workload is quite daunting. In these instances, the PMO demonstrates a clear ability to work effectively with initiative owners and senior leaders to help deliver change.

#### NOTES

1. PMI, *Pulse of the Profession In-Depth Report: The Impact of PMOs on Strategy Implementation*, November 2013.
2. Forrester Research, *Strategic PMOs Play a Vital Role in Driving Business Outcomes*, November 2013.
3. See *Changing Change Management: A Blueprint That Takes Hold*, BCG report, December 2012.
4. PMI, *Pulse of the Profession In-Depth Report: The Impact of PMOs on Strategy Implementation*, November 2013.
5. PMI, *Pulse of the Profession In-Depth Report: The Essential Role of Communications*, May 2013.
6. PMI, *Pulse of the Profession In-Depth Report: The Competitive Advantage of Effective Talent Management*, March 2013.
7. Economist Intelligence Unit, *Why Good Strategies Fail: Lessons from the C-Suite*, July 2013.
8. Forrester Research, *Strategic PMOs Play a Vital Role in Driving Business Outcomes*, November 2013.
9. Forrester Research, *Strategic PMOs Play a Vital Role in Driving Business Outcomes*, November 2013.
10. Economist Intelligence Unit, *Why Good Strategies Fail: Lessons from the C-Suite*, July 2013.
11. Yves Morieux, "Smart Rules: Six Ways to Get People to Solve Problems Without You," *Harvard Business Review*, September 2011.
12. See "Leading Change in Turbulent Times," BCG Opportunities for Action, October 2008.

# PUTTING IT ALL TOGETHER

**T**HROUGH THESE FOUR CLEARLY linked imperatives, PMOs can play a powerful role in helping facilitate the successful implementation of strategic initiatives over time. The essential objective of the strategically aligned PMO is to actively support and partner with senior leaders to ensure that major strategic initiatives deliver full value while minimally distracting or disrupting the ongoing business. To that end, the PMO supports the business by prioritizing issues, identifying problems as they emerge, helping

identify and potentially support complex interdependencies, and helping provide a highly effective means for communicating the right information—including progress toward targets—at the right time. Most critically, in helping secure engagement with and commitment from senior leaders, the PMO ensures that they get the information they need: the leaders know what’s going on and are positioned to make decisions on the basis of real operational insight, ensuring the successful delivery of strategic initiatives. (See Exhibit 6.)

## EXHIBIT 6 | Necessary Evolution Toward Strategic Initiative Management

PMO imperative	Current state	Future state
	PMO focus is on tracking and reporting on project and program processes	PMO focus is on actively supporting delivery of fullest program value with minimum sufficiency
Focus on critical initiatives	Providing too little or too much information, and focus is on activity completion	Providing meaningful, forward-looking information tied to delivery of strategic impact
Institute smart and simple processes	Focus is on process and policing the process	Focus is on minimum sufficiency in processes in order to generate progress
Foster talent and capabilities	Fostering project and program management skills	Fostering the Talent Triangle: project and program management skills, business acumen, and leadership
Encourage a culture of change	Limiting alignment and connection to strategy with accountability limited to project metrics	Establishing clear alignment with the senior leaders accountable for change

Sources: The 2013 PMI Thought Leadership Series; BCG experience.

Of course, the PMO does not actually execute the change; that responsibility resides with the businesses and functions. Instead, the PMO plays an enabling role, serving to provide enhanced interactions with the leadership team.

When designed and supported effectively, strategic PMOs can constitute a true competitive differentiator in delivering bold change. Forrester reported that “by investing in a strategically aligned PMO, every company saw distinct benefits; two-thirds of the companies interviewed saw improved performance in less than six months and realized the value of investing in the PMO within two years.”<sup>1</sup> Moreover, strategically

aligned PMOs can help build critical capabilities, not only within the PMO itself but also through their engagement with senior leaders and more broadly within their organization.

To better support the implementation of strategic initiatives and improve strategic alignment, PMOs need to evolve along the four imperatives.

NOTE

1. Forrester Research, *Strategic PMOs Play a Vital Role in Driving Business Outcomes*, November 2013.

# STRATEGIC PMOs HELP COMPANIES WIN

**I**N A BUSINESS ENVIRONMENT characterized by persistent disruptions and escalating complexity, strategic change happens with increasing frequency, and companies must become more agile if they are to remain competitive. This requires that PMOs take on a more strategic role than they have in the past, developing the capabilities, processes, and tools and helping foster the behaviors needed to successfully implement strategic initiatives. High-performing PMOs help enable the right level of engagement with senior leaders—which is critical for strategic

implementation—through meaningful milestones and objectives, smart and simple routines that track progress without adding new burdens, the right talent, and an organization that supports change. Together, these form an interlocked set of capabilities that reinforce each other, leading to stronger performance. Building up these capabilities is not easy, but doing so is crucial.

# NOTE TO THE READER

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