

# ENTERPRISE TRANSFORMATION

Executing strategy more  
efficiently through the  
Enterprise Program  
Management Office.

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RESEARCH PAPER

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## Executing strategy more efficiently through the Enterprise Program Management Office – Research paper

# Accelerating the execution of strategy.

### BACKGROUND

Throughout 2013 and 2014 Janellis have run a series of transformation related events attended by a cross-section of organisations including: AMP; Asciano; BATA; Blackrock; Commonwealth Bank of Australia; Commsec; Diageo; Downer Group; Fire & Rescue NSW; Leighton Contractors; Lend Lease; Macquarie Group; News Corporation; NRMA; Optus; Origin Energy; Perpetual Limited; Qantas; QBE Australia; State Super Financial Services; Suncorp; Transport NSW; Virgin Australia; Vodafone Hutchison Australia and Westpac Banking Corporation.

**The common theme across all sectors has been the need to execute strategy faster, cheaper and with more success.**

Discussion topics have included:

- > optimising the Enterprise Transformation Program Management Office;
- > reporting and assurance frameworks for the Transformation Program Management Office that are relevant to the Executive and Board;
- > having an effective benefits realization process that focuses on value creation;
- > driving change and influencing large groups of stakeholders;
- > building an agile capability through quick wins and creating momentum;
- > efficient cost structures for execution and implementation;
- > sustaining the changes and embedding capability;
- > using visual management tools to engage and influence a diverse group of stakeholders.

### Research focus on enterprise program management office

This research paper was initiated to understand the most current thinking on ‘Executing strategy more efficiently through the Enterprise Program Management Office’.

The focus areas that were agreed by participating organisations include:

- > prioritisation of investments and resources across the enterprise;
- > designing an efficient Enterprise Program Management Office that leverages off existing capabilities across the whole organisation;
- > galvanising teams and embedding change capability across the organisation;
- > ensuring alignment across the organisation including: strategy; BU PMOs; IT; Finance and Transformation programs;
- > effective reporting and decision making tools for the Executive and Board;

*Many organisations were invited to participate in the research but not all organisations have an EPMO established. The research was conducted by interviews with key personnel responsible for the EPMO, Transformation office or the delivery of projects and organisations included: AMP; Bank of Queensland; BATA; Commonwealth Bank of Australia; Leighton Contractors; National Australia Bank; Origin Energy; Perpetual Limited; Qantas; Seqwater; Suncorp; Transport NSW; Westconnex and Westpac Banking Corporation.*

Note: The key findings from the research do not represent a single organisation’s issues or challenges; rather this is an aggregated view of the contributing organisations.

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## KEY FINDINGS

### Setting up an Enterprise Program Management Office

Our research has shown that not all organisations have a fully established Enterprise Program Management Office (EPMO) although there is a growing need to do so.

The drivers for setting up an EPMO have primarily been to:

- > have greater visibility and transparency of the current investments and programs of work;
- > ensure the project benefits are established and are aligned with the strategic objectives;
- > provide strategic oversight and dependency analysis across key projects; especially where 'whole of business' changes are occurring;
- > ensure that the investments are occurring on the right projects and achieving the stated benefits within budget and agreed timeframes;
- > provide 'thought leadership' and direction on project and portfolio management;
- > provide executive level portfolio reporting that supports executive decision making;
- > support the business with frameworks and tools that allow for consistency and efficiencies in delivery.

### Key findings

- > all organisations interviewed were satisfied that the establishment of an EPMO has provided immediate strategic value to the business, regardless of their current level of maturity;
- > there were notable improvements in: visibility of projects; financial tracking; prioritisation of initiatives; executive level reporting; benefits realisation and greater leadership buy-in; although most agreed that all of these areas could be improved further;
- > a 'better practice' EPMO was considered by many to be one that is 'lean' and has 'as light a touch as possible' on the organisation and ideally the accountability for delivery sits within the business

units; with the EPMO providing strategic oversight and alignment between key areas;

- > the greatest area of 'pain' and 'opportunity to drive efficiencies and gain value in the shortest period of time, is having an effective change management capability that is strategic, enterprise-wide and aligned with the EPMO;
- > there was consensus that many of the targeted financial outcomes and transformational changes are directly linked to behaviour change; and that this is an emerging area of focus for the EPMO.

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**Strategically focused and enterprise-wide change management will enable and accelerate the execution of strategy.**

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### Enterprise-wide and behaviour-led transformation

Most organisations cited that the 'change management aspects' of strategic execution, is one of the most difficult and unresolved areas. This area appears to be the 'least understood and invested in' part of transformation initiatives - but recognized as being critical to success.

Traditional change management approaches are occurring at tactical levels across business units, and some EPMOs have this oversight and responsibility.

To further mature the EPMO, a more sophisticated, effective and enterprise-wide approach to change management needs to be developed, that includes:

- > strategic change management oversight;
- > leader-led change by the CEO and Executive Leadership Team
- > an enterprise-wide view with dependency analysis of the change across all programs;
- > clearer links between financial benefits and the behaviours required to achieve them;
- > tools to enable the behaviour changes to occur across key stakeholder groups;
- > tracking of the behaviour change indicators;
- > Enterprise-wide change communications that are aligned with the strategic initiatives within the EPMO.

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## 1 PRIORITISATION OF INVESTMENTS AND RESOURCES ACROSS THE ENTERPRISE

Understanding which projects are underway, validating their proposed benefits and whether they are aligned to the strategic direction is a key function of the EPMO. Continually streamlining the project activity so that it remains aligned with the strategic direction as the projects are delivered, is essential.

For some organisations the prioritisation process is simple; based on financial targets alone, strategic intent or significant programs already agreed upon. For other organisations this is an area that needs further improvement to ensure that there is consistency and rigour and that the right people are making the right decisions, based on accurate information.

It was acknowledged by many, that the project prioritisation process cannot be done by the finance department, the EPMO or Business Units on their own. There are many stakeholders who should be involved in the project prioritisation decision making process. The key role for the EPMO is to act as ‘thought leaders,’ to facilitate dialogue between a range of stakeholders and to drive decision making.

There is a trend towards a people-led approach that is *supported by process* for the prioritisation of investments and key aspects include:

1. a simple matrix or criteria need to be used;
2. the right level of information needs to be provided in a visually appealing way, that can be easily understood;
3. the right people need to be in the room and *able to make decisions*;
4. regular reviews and reporting of priorities as they change.

## 2 DEVELOPING AN EFFICIENT EPMO CAPABILITY

The charter for the EPMO needs to be defined at the outset to determine how it should be structured and where within the organisation it should fit. The EPMO can be effective with various approaches and constructs depending on the drivers for setting it up.

The EPMO charter needs to have the Board, CEO and Executive level support to maximise its value to the organisation

For many organisations interviewed, the EPMO is still evolving and the approach to its design and function has depended on organisational maturity, constraints and key objectives.

Whilst some EPMOs are not currently sitting at the Executive level and are still providing value; it was widely agreed that the most effective EPMOs are sitting at the Executive level.

Key drivers that have influenced the establishment of an EPMO have included: a lack of control or visibility of projects; significant investments or concurrent programs; greater visibility and assurance at the executive level; recognition that improvements are needed in the delivery of key project milestones; recognising the need to enhance the benefits and value of projects to the business; reductions in costs by creating consistencies in approaches.

Our research has found that there are three main approaches to executing strategy and some characteristics of these include:

### **Business as usual**

This approach is where the management of projects and execution of strategy is not defined outside of the normal structure for the following reasons:

- > the organisation has not been under significant pressure to drive major change or run concurrent projects or there is no perceived benefits in doing so; or
- > the organisation may be extremely mature and effective in the execution of strategy and there is no need for an EPMO to help them execute strategy; or

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- > the organisation has recognised the need for an EPMO but has not yet embarked on this.

### **Enterprise Program Management Office that is responsible for the delivery of projects.**

This approach is where the management of projects, the resources to deliver the projects and the accountability for the projects sits primarily within the EPMO for the following reasons:

- > the organisation has recognized the need to have an enterprise view of the projects with greater visibility, control and accountability of project activity through the central management of investments and resources;
- > greater governance is needed to ensure projects are delivered on time and on budget, if the delivery capability and project disciplines do not exist outside of the EPMO;
- > without this structure in place some projects may never get delivered or the benefits may not be realised and this structure is essential to their success right now.

### **Enterprise Program Management Office that is embedded into the Business as usual structure**

This is considered by many to be a 'better practice' approach, and for some it remains an aspirational way to execute strategy and:

- > a greater level of maturity in the delivery of projects now exists and accountability for delivery can sit within the business;
- > there is limited resources or funding to have a structure that sits outside of BAU or a directive for a 'lean' or streamlined EPMO structure;
- > the delivery capability needs to be distributed and embedded as the number of initiatives underway, require a 'whole of organisation' effort.

Each of the approaches above have benefits and challenges but most organisations interviewed believed the optimum approach is where the business is responsible for delivering on their strategic objectives with the EPMO operating at a strategic oversight level; and not directly responsible for delivery.

The function of the EPMO will depend largely on the existing capabilities, the current levels of investment, the strategic direction of the organisation and the mandate given from the Executive or Board.

Where the EPMO is not currently sitting at the Executive level, it can still provide value to the organisation if it is able to fulfil the functions of an EPMO to the enterprise and Executive.

## **3 STRATEGIC AND ENTERPRISE-WIDE CHANGE CAPABILITY**

Many organisations have change managers across their business at various levels and for specific phases of projects but few have an enterprise change view or capability that they are satisfied with.

Beyond the traditional change management thinking there is strong desire to be able to 'galvanise an entire organisation' or business area to achieve the strategic vision and to help drive the change.

For some projects, behaviour change has been a hoped-for outcome, and as such, a cause of significant frustration for enterprise program managers. By flipping the model, and making behaviour change a clear primary goal, organisations are able to drive long-term, measurable specific behaviour and business change.

The process of behaviour-led business transformation is driven by clear definitions and metrics. Once these behavioural definitions and metrics are made measurable, the organisation can set about the process of influencing and driving them.

The best way to enable or accelerate the change is to take a 'leader-led' approach. A leader-led approach is where the messages and behaviors are communicated directly by the CEO and the Executive Leadership Team and cascaded down.

### **Examples of activities that support a behaviour-led approach to change:**

- > clearly and unambiguously defining and benchmarking the required change;
- > mapping all stakeholders and groups, and working with them to identify and define explicit

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- behaviours required to realise financial and non-financial benefits;
- > identifying barriers to behaviour change, including environment, skill or system barriers, cultural and power base factors;
- > identifying key enablers to support the behaviour changes including; tools; technology; process; training; financial reward and recognition;
- > running highly targeted stakeholder engagement activity and skills development sessions;
- > identifying people who may already be modelling the desired behaviours and using them as key influencers;
- > driving effective and supportive team dynamics and implementing enterprise-wide recognition and reward programs;
- > aligning KPIs for all managers and staff, ensuring that KPIs lead people towards strategic goals and are not counter to them;
- > proactive risk management, working with Project Managers and the business to identify and address risks and close off issues;
- > provide a visible and approachable escalation point for business or projects to get help when they are unable to resolve issues quickly;
- > reporting back to the broader business on progress so they remain engaged and aligned.

### **Translating strategy into stories that connect**

Working with executive leaders to translate strategy into 'stories' and 'messages' that directly link to each individual, is an approach being used to galvanise large groups of key stakeholders and enable behaviour change. Activities to support this:

- > translating the enterprise-wide strategic objectives in ways that different stakeholder groups can understand them and can connect personally with them;
- > defining what the target operating model is for the organisation, business unit or program;
- > developing highly visual and interactive tools ways to help communicate the key messages in a way that will foster the behavioural changes including:
  - story telling

- visual management tools, using metaphors and visually appealing imagery
- the use of multi-media

### **Having an enterprise-wide view and embedding change**

Having an enterprise-wide view of the change is essential to the success of most EPMOs and specifically the EPMO needs to:

- > understand the broader strategic changes across the enterprise;
- > ensure that the desired behaviours and messaging is consistent across the enterprise;
- > report change impacts and progress to the Executive and Board;
- > embed the change by having a 'behaviours rating' in scorecards along with other KPIs.

If the EPMO itself is new, it should also follow the better practices of organisational change management.

## **4 ENSURING ALIGNMENT ACROSS THE ENTERPRISE**

The importance of alignment cannot be understated and the impacts and cost of mis-alignment has been noted by many organisations.

The EPMO has a key role in creating alignment across the enterprise from the Executive to the project delivery level.

There have been significant improvements in how the EPMO and the strategy teams work together in recent years; to ensure there is collaboration at the business planning stages and to create stronger links from strategic intent to delivery. There have also been stronger links between the EPMO and Finance to ensure that the program financial reporting process is streamlined.

It is essential that the EPMO and other key functional areas such as IT and HR are working closely together to not duplicate the effort or send mixed messages to key stakeholders.

Alignment will drive efficiencies and a primary role of the EPMO is to actively assist the business units to properly define their business case, benefits, scope,

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risks and delivery approach, and to ensure alignment within their programs and across the broader programs of work.

### **5 EFFECTIVE REPORTING AND DECISION MAKING TOOLS FOR THE EXECUTIVE AND BOARD**

Historically the Executive and Board level reporting has been detailed and cumbersome. For some organisations there remains a need to produce large volumes of information as a way to build confidence and provide assurance.

However, there is a drive towards simplifying the reporting process and for the Executive and Board to become much more active in the decision making rather than just being 'reported to'.

In order to engage and involve the Executive and Board more closely in the decision making there needs to be the right amount of detail provided, at the right time. Too much information makes it difficult to 'cut through' and too little information does not present the full picture.

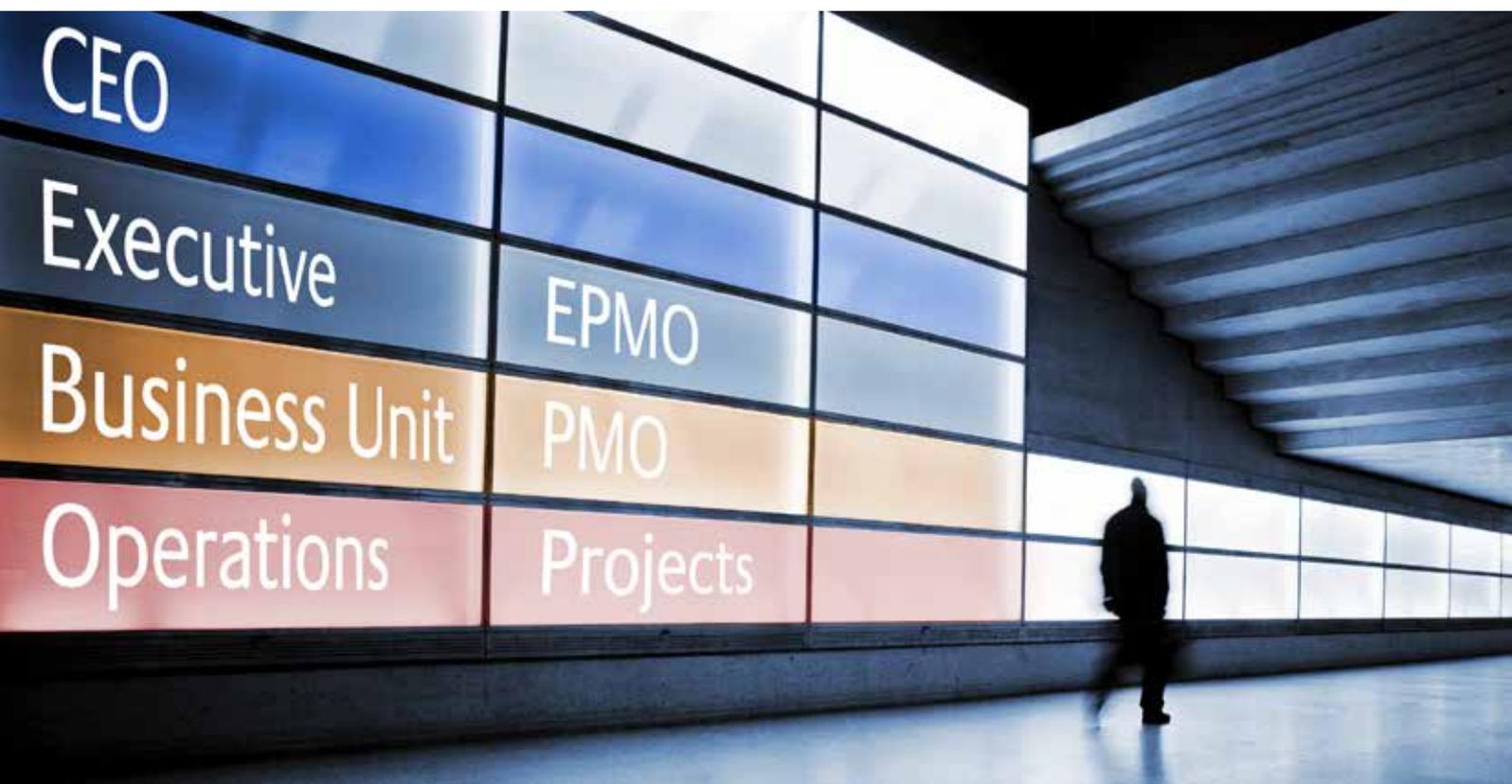
### **SUMMARY**

Our research found that the strategic importance of the Enterprise Program Management Office is growing.

An Executive level and enterprise-wide view of programs has delivered immediate benefits to all organisations using this structure to execute their strategy more efficiently. The need for a 'lean' approach was necessary for most organisations and the opportunity to further accelerate the execution of strategy centered on the change management aspects.

Having an enterprise-wide view of the required changes, defining and enabling explicit behaviours, and using visually appealing narratives to engage key stakeholder groups, are all producing exciting results for organisations who are investing in these areas.

Embedding the change by linking specific behaviours to individual KPI's is working for organisation who already have a mature EPMO capability.



## **About Janellis**

Janellis is an enterprise consulting firm which works with leading companies and government agencies to help them deliver on their strategy. We have specialist expertise in:

- transformation
- change management
- enterprise portfolio and program management;
- organisational risk and resilience.

Janellis are currently working with clients to design and embed an EPMO capability that is aligned to their culture and strategic direction.

The Janellis *Visionscope* process is used to help organisations drive transformation and manage change across the enterprise.

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