Siemens: Making the Leap from Project Management to Program Management

How Siemens Improved Project Performance by Adopting MSP®

After striving for seven years to improve the effectiveness of project management, Siemens in the US was concerned it was resting on a plateau and needed a breakthrough to achieve the next level of performance. To help improve the organization's project performance and organizational project management maturity, Siemens turned to Managing Successful Programs (MSP).

The Problem

Siemens has used organizational process maturity models to help improve performance for nearly two decades. Frustrated by a lack of movement towards the higher levels of organizational project management maturity, Siemens Corporate Research wanted to re-think how it could accelerate improvements, manage organizational change, and deliver business benefits.

Joe Sopko is an organizational project management consultant for Siemens businesses in the Americas. He is part of the Project and Risk Management group of Siemens Corporate Research (US) and Siemens Corporate Technology (globally), which works across the organization to develop, measure and improve project management maturity in all Siemens businesses.

He says: "Project management is a core competency of all Siemens companies. More than 50% of the overall Siemens turnover is based on project business and covers a wide spectrum of products, solutions, and service deliveries. In 2000, we introduced a corporate initiative to help improve project management maturity. This became known as the PM@Siemens Initiative. Even after several years of conducting hundreds of valuable assessments, movement toward higher levels of organizational project management maturity was not meeting corporate expectations. We wanted to find out why we weren't improving as fast or as much as we could."

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The Solution

Siemens Corporation in the United States and Siemens Corporate Research (SCR), the project management consulting organization within Siemens USA, joined forces to develop a revitalized approach to accelerate Siemens USA to the upper levels of maturity.

The outcome was a paradigm shift from traditionally managing improvement initiatives as projects towards formal Program Management for Siemens USA with regards to its approach to attaining benefits from organizational project management maturity improvement.

"We saw that project managers were good at delivering capability – but they were not always looking at the benefits those capabilities were expected to deliver. Improvement projects were focusing on implementing capabilities based on recommendations from the PM@Siemens Handbook, maturity assessments and achieving PMI Project Management Professional (PMP®) certification with an implied alignment to the achievement of business benefits. The improvement initiatives lacked a direct and disciplined approach to benefits achievement and business change. We wanted to understand why this was happening because in the project approach, once capabilities were achieved, the project was often disbanded along with the organizations that delivered them (e.g. PMOs). These organizations or teams were often viewed strictly as business overhead whose business relevance was either diminished or not totally understood. With that, we were disbanding an experienced team instead of keeping them relevant to the business and continually contributing to business improvement."

Sopko himself was already a proponent of Managing Successful Programs, an internationally recognized standard for managing successful programs and organizational change, as he had used it in a prior workplace.

> **When we explained MSP and program governance to clients, the response typically was, "That's what we are missing!" Our analysis showed that we needed a more formal approach to benefits delivery and program governance to support internal projects.**

MSP provided the reasons why getting to a higher level of maturity was proving so difficult despite the investments being made. MSP ensures a strong leadership and governance structure is established and maintained. The methodology's strong focus on the identification and realization of measurable benefits plus stakeholder engagement, governance and communication, enabled Siemens to see clearly where it needed to improve as well as the return on investment for the improvement initiatives.

They found four main reasons why their maturity improvement initiatives were not progressing as rapidly as expected:

- A lack of alignment with executive business targets

- Most initiatives were managed as projects rather than as programs

- The organizational components needed to perform ongoing capability improvements (e.g. PMOs) were often disbanded after the implementation phase or not in place

- A process improvement oriented culture required organizational change

The common factor that encourages most of these is benefits management. The capability that supports, sustains and embeds new capabilities is organizational change management. Both benefits management and business change management are fundamental aspects of MSP. The rigor with which an MSP program addresses the management of benefits is one of the distinguishing features between programs and projects. Benefits in MSP are defined as "...the measurable improvement resulting from an outcome which is perceived as an advantage by a stakeholder". To gain executive support and support organizational change, you have to demonstrate and manage the strategic relevance of the program with respect to business target achievement.

The Governance Theme of Benefits Realization Management incorporates a number of techniques and tools that support the identification, realization and measurement of benefits within the program. The methodical approach to the management of benefits is closely linked to other governance mechanisms within MSP including the role of the Business Change Manager.

"A major attribute of MSP is the focus on benefits. Often when a benefit is achieved, especially in a complex environment, attribution of the benefit to the program or a project within the program is often masked. The benefits profile requires the definition, observation, attribution, and measurement of the benefit. This sets the traceability in place that gives credit where it is due and assists in program effectiveness analysis," Sopko says.

Challenges

Of the challenges the organization faced in adopting MSP, he says: "Historically our culture was to focus on capability delivery and to get straight to - what we perceived to be - the final result. Improvement efforts were managed as projects. The issue with that approach is that improvement projects have only a cost side that is quantified, but lacked a quantified benefit to balance the business case. It was also challenging for some organizations not to have the exact final solution

immediately as in a well defined project. The concepts of managing tranches and program definition helped significantly in these situations."

He says it's very important that people involved in MSP understand their roles and responsibilities.

> **The role of the business change manager is not intrinsic to all program management standards. The transformational flow of MSP is also very important. Fortunately, it doesn't take long to learn and apply it.**

MSP Roll Out

In 2007, as part of a regional program known as the Successfully "Defined" Program (SDP) led by the PM@ Siemens office within Siemens Corporation in the US, MSP was adopted as the recommended governance model used as a pilot for improving organizational project management maturity and business performance. Siemens already had a prescribed maturity model for all of its businesses. To enhance Siemens' knowledge of a formal program governance model, pilot training classes in MSP were sponsored by the SDP program to quickly get PM@ Siemens and business excellence managers onboard with the MSP model and standard. Several organizations became early adopters of MSP and since have been demonstrating revitalization of their organizational project management maturity efforts along with measurable benefit delivery. As a result, these organizations have a more healthy view towards the business relevance of the supporting elements of their organizations that are part of these improvement efforts. To date, over 100 people have been trained in MSP at the Knowledge Foundation level and many have attained Practitioner and Advanced Practitioner certifications.

MSP Benefits

Principally, the paradigm shift from capability delivery to benefits delivery and the creation of the formal role of program and business change managers have been the key benefits of adopting MSP. The business change manager role has proved exceptionally important for internal programs and organizational project management maturity improvement, Sopko says.

"Often internal programs were managed with the achievement of benefits implied, but not quantified or formally managed. Focusing on benefits delivery (e.g. business performance targets) was a significant factor in achieving meaningful executive sponsorship, transforming organizational culture, and accelerating organizational improvements.   Benefits delivery has been successful in proving better profit margins, more reliable project delivery, higher customer satisfaction, and continuous process improvement. These proven benefits have enabled PMOs to become centers of excellence which the organization values, rather than being disbanded because no-one understands their role beyond capability implementation."

Other benefits Sopko notes include increased customer and employee satisfaction, managed profitable growth, and improved standard process.

He says that in an early adopter case study such as Siemens Industry, Industry Automation (I IA), improvements in organizational project management (OPM) maturity were measured by the benefits they delivered. Customer satisfaction has improved by 5%; Project Margins (delivered vs. booked) have improved by 6% of Sales; Project delivery reliability has improved by 3%. These results were much more effective in convincing senior management of the need for improvement than the OPM capability maturity level alone.

Although the figures may not look impressive at first sight, they are significant because our level of successful delivery was already high, but we want to make continual improvements and not rest on our laurels, so these developments have made a significant difference to the success of the organization as a whole. Furthermore, we now have higher commitment within the organization towards continuous improvement and putting in place lessons learned. We have standardised our processes and tools, our financial accountability is transparent and we can offer greater value to customers."

MSP's program management approach links business benefits realization, effectively engaging senior management and the "business as usual" side of business operations. Establishing the PMO as a program leader, a center of excellence for organizational maturity, and process improvement organization has helped to prove its relevance to the business.

MSP & Other Program Management Certifications

Sopko does not see any conflict between OGC's MSP and other Program Management certifications such as PMI PgMP

> **There is no difficulty with aligning MSP with other global program management certifications**

"Although MSP is not widely known in the US, it does give you an insight into what constitutes a program – even if you have never managed a program before. We view MSP as an enabling certification at the Knowledge Foundation and Practitioner level. If you want to learn how to run a program, MSP is ideal."

Conclusion

His advice for any organization which is undergoing transformational change is to "use MSP". "Without formal benefits management and the role of the business change manager, any program will be a difficult undertaking," he says.

'use MSP'

MSP: Quick Facts

- MSP was first published by OGC in 1999 and underwent its last major revision in 2007.

- Over 60,000 MSP examinations have been taken in 25 countries.

- MSP defines Program Management as "the action of carrying out the coordinated organization, direction and implementation of a dossier of projects and transformational activities (i.e. the program) to achieve outcomes and realize benefits of strategic importance to the business".

- MSP framework designed to enable the delivery of transformational change and the achievement of an organization's strategic objectives. It emphasizes Stakeholder Engagement and Benefits Realization Management.

- For further information on MSP visit www.msp-officialsite.com

MSP™

Joseph A. Sopko, PMP, MSP is a Senior Project Management Consultant with Siemens' Corporate Research in Princeton, NJ and holds a Master of Science in Electrical Engineering from Penn State University. Joe is a PMI Certified OPM3® Professional, a UK OGC Managing Successful Programmes Advanced Practitioner and Approved Trainer, and a graduate of the Defense Systems Management College, Program Manager Course.

With over 20 years of active project and program leadership experience in large and small organizations, Joe has served in a wide range of operational and project leadership roles both during his career in the US Navy and in the commercial sector ranging from research and development, manufacturing, field installation, and life-cycle support. Joe's industry experience includes high technology new product development, commercial construction, shipbuilding, and aerospace defense businesses in both commercial and government environments. For the past fourteen years, Joe has had considerable involvement in organizational project and program management infrastructure development and improvement initiatives. Most recently, he has been an active participant in the development, review and practical application of PMI's OPM3® Standard, ProductSuite tools and the practical use of multiple maturity model approaches.

About Siemens

Siemens was founded in 1847 in Germany and now has 405,000 employees working in 1,640 locations around the globe operating in a range of sectors including industry, energy and healthcare.

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