



Version 6.1 Updated for the 2021
Project Management Professional (PMP)[®] Exam



Crosswind Success Series: PMP[®] Exam Bootcamp Manual

www.crosswindpm.com

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Version 6.1 aligned with the Project Management Institute, *A Guide to the Project Management Body of Knowledge, (PMBOK[®] Guide)* - Sixth Edition, Project Management Institute Inc., 2017

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Chapter 3

Business Environment

The business environment in which projects operate can consist of and be influenced by a variety of factors. Among them are:

- Governance
- Strategic (long term) planning
- Portfolios and portfolio management
- Programs and program management

It's important for the project manager to understand the factors that create and influence the project as they form the basis for the project manager's approach to and management of project work.

Governance typically relates to organizational policy and framework. It influences long term planning, portfolio management, and program management.

Strategic planning is the practice by which a company looks into the future for the products or services it must have, typically three to five years in the future. Strategic planning is used to identify and create portfolios of products or services. The portfolios are then decomposed into programs and/or projects which create products, services, or results that benefit the organization.

In this chapter, we discuss the following:

Governance

Strategic (long-term) planning

Portfolios and portfolio management

Programs and program management



Crosswind "Must Knows" for Business Environment

<input type="checkbox"/>	The four governance domains
<input type="checkbox"/>	The four governance functions
<input type="checkbox"/>	How to implement governance framework
<input type="checkbox"/>	The characteristics of OPM (Organizational Project Management)
<input type="checkbox"/>	The characteristics of strategic (long-term) planning
<input type="checkbox"/>	The relationships between portfolios, programs and projects
<input type="checkbox"/>	The principles of portfolio management
<input type="checkbox"/>	The characteristics of a portfolio

	Principles of Program Management
	The characteristics of a program
	The principles of benefits management
	The project influences
	The characteristics of a project
	Triple constraint and how it functions
	The Plan-Do-Check-Act graphic and how it aligns with the process groups

Although helpful, this list is not all-inclusive in regard to information needed for the exam. It is only suggested material that, if understood and memorized, may increase your exam score.

3.1. Governance

As a project manager evolves, he or she will understand how governance influences projects. As understanding grows, the project manager will become more zealous in ensuring that governance processes and functions are completed as part of the project work.

It's important to recognize the difference between the focus of governance and the focus of management:

- Governance focuses on WHAT work is being done
- Management focuses on HOW the work is being done

3.1.1. Governance Domains

Governance, at the portfolio, program, or project level, is a framework that provides the template for defining and maintaining the processes and functions that result in successful portfolios, programs, and projects.



There are four governance domains to consider when performing governance:

- Alignment
Functions and processes to create and maintain an overall integrated governance structure and framework
- Performance
Functions and processes for KPIs (key performance indicators) to align with the realization of business value
- Risk
Functions and processes to manage threats and opportunities in order to balance risk and reward
- Communications
Functions and processes to exchange information, engage stakeholders, and drive organizational change

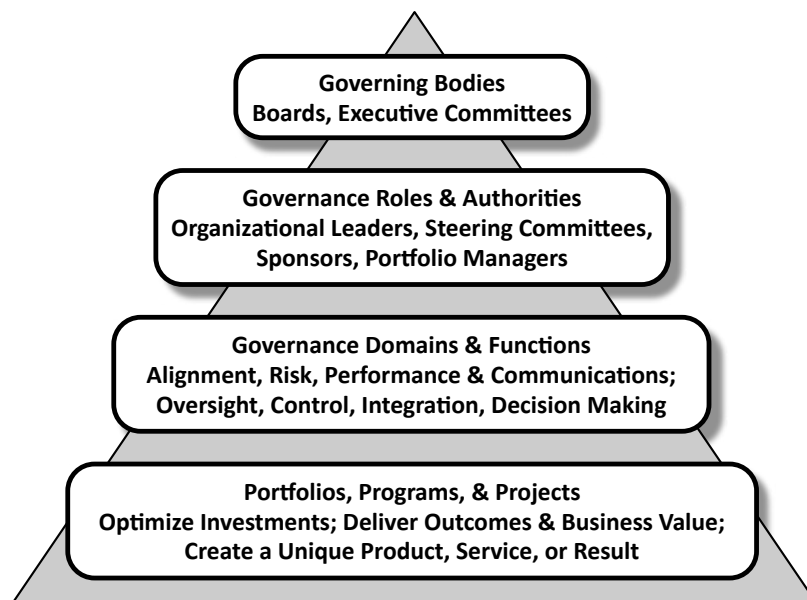


Figure 3-1: Governance Elements

3.1.2. Governance Functions

The four governance functions include:

- Oversight
Processes/activities for guidance, direction, and leadership
- Decision-Making
Processes/activities for structure and delegation of authority
- Integration
Processes/activities for strategic alignment of programs and projects
- Control
Processes/activities for monitoring, measuring, and reporting

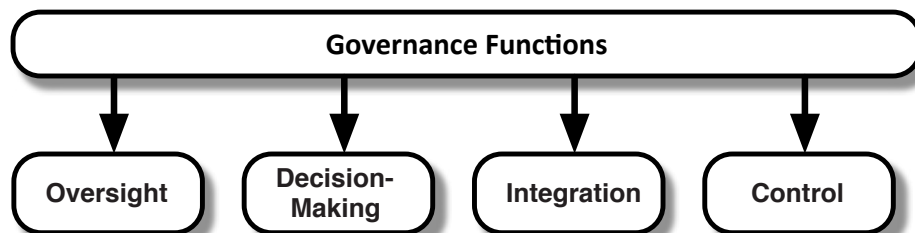


Figure 3-2: Governance Functions

3.1.3. Implementing Governance Framework

The four steps for implementing governance framework are:

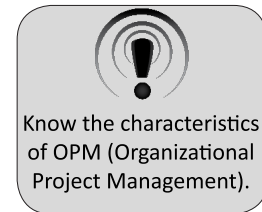
- Assess
To review and analyze the current state of governance
- Plan
To plan for the desired future state of governance
- Implement
To execute the governance plan
- Improve
To review the state of governance and identify improvement opportunities



Note the similarities between implementation of governance framework and Six Sigma's DMAIC (Define, Measure, Analyze, Improve, and Control).

3.2. OPM (Organizational Project Management)

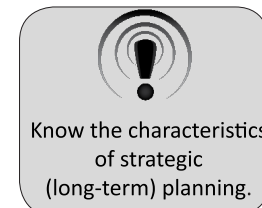
Organizational project management is a strategy framework that accommodates the alignment of project, program, and portfolio management practices with organizational strategy and goals. The framework can be adjusted as needed for the alignment of portfolios, programs, or projects with organizational goals.



3.3. Strategic (Long Term) Planning

Strategic planning is the practice of planning for the products or services the organization will need in the future (typically in **three to five years**). As the products or services are realized through projects, they are typically moved into organizational operations.

Projects can be created as a result of market demand, legal needs, technology updates, and customer or organizational needs.



3.3.1. The Relationships Among Portfolios, Programs, and Projects

Portfolio components are aligned with the company's strategy, can be prioritized, measured, and ranked, lend themselves to grouping so they can be more effectively managed, and derive from company investment.

Portfolio management identifies the interrelationships between programs and projects and allocates resources in alignment with company priorities.

Figure 3-3: Project, Program, Portfolio Relationship demonstrates how projects, programs, and portfolios interrelate with an organization's strategic planning.

