



Introduction to Portfolio, Programme and Project Management Offices (PMO)

White Paper

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Whilst *change* and *Business as Usual* (BaU) may be regarded as separate activities, they cannot survive without each other; also the transition from one state to the other must be actively managed.

One of the key benefits of using Portfolio, Programme and Project Offices (PMO) is that it provides the mechanism to ensure decisions are made at the correct organisational level in the context of BaU and the right mix of projects and programmes are delivered.

In this white paper PM-Partners give an introduction to PMOs, practical steps and approaches leading to successful deployment of one, and support it with a case study of establishing a PMO at a client's organisation.

Why Establish a Portfolio Management Office?

A PMO¹ can help organizations enhance their delivery capability by helping to Measure and Monitor, Mentor Train, Implement Standards, Coordinate and foster Collaboration of delivery efforts.

A wisely designed PMO can help overcome certain challenges derived from growth in number and complexity of projects combined with lack of standardisation:

- Establish common processes and management of interdependencies between related projects which result in eliminating of duplicative efforts, meeting deadlines and efficient use of project managers' time.
- Provide transparency and visibility for top-management via consolidation of project reporting data.
- Finally help increase project success rate – especially with progressing amount of projects and restricted Project Management resources.

Simply implementing a PMO model will not provide effective change governance support. It is the maturity of PMO that makes the difference.

Case Study Brief. PM-Partners have established a PMO in the IT department of a large international Oil & Gas company.

The organisation has had over 20% duplicative projects in different parts of organization; there were no clear control points which ensure project decisions are made in a controlled manner; project delivery time and budget were unpredictable and in most cases exceeded expectations in 2-3 times. The organisation has not had any guidance on how projects should be run.



The Customer profile:

- Major products: Crude oil, refined fuel products, fuel stations. Logistical services.
- Three principal markets: Europe, Russia, Latin America.
- Operating profit before tax in 2008 of \$6.2 billion
- Project portfolio - \$50 million a year; centrally managed projects - over 30 projects a year with the budget of over \$100 thousands.

Portfolio, Programme, or Project Office?

All of these can provide value at different stages of the portfolio, programme or project lifecycles.

In our consulting projects, PM-Partners use the models of PMO functions, displayed on the right.

One thing is important to realise when approaching implementation of a PMO is that there is no one solution fits all: every organisation would have its own combination of functions.

Real Life Example

The PMO of the Oil Company has bared the following functions:

- Prioritisation of Programmes Portfolio,
- Resource Allocation,
- Performance Monitoring,
- Training and Standardisation,
- Collaboration between projects and programmes.



¹ In this document we use the term 'PMO' interchangeably for Portfolio, Programme, and Project Offices.

What the PMO Means to Stakeholders

As one of the first steps in establishing a PMO, it is worth asking your stakeholders questions, such as:

- What issues in project management they rate most critical?
- How success looks like in their eyes?
- What currently works well for them?
- What role of the PMO they see?
- What value of the PMO they want to see?

It does not matter what model and functions of PMO the organisation decides to select: what is critical is that senior managers who will benefit from the PMO creation are identified and engaged. They need to feel comfortable that the planned changes and investment they are agreeing to will address their concerns, or they will not support the investment.

Executive Management / Steering Committees will benefit by being able to guide and influence project *prioritization*.

The prioritization should take into consideration business and strategic alignment. In some circumstances project overseers will want to monitor issues and statuses and use the information to objectively make decisions and remove obstacles. Ideally, a strong PMO helps the committee feel confident that they are maximizing value and minimizing the risk of the active portfolio.

Real Life Example

The PMO in the Oil Company has designed its prioritisation cycles by:

- Regularly performing project inventory and classification to identify duplications.
- Quarterly project prioritization workshops with top-management.
- Using sets of criteria evaluated based on: *benefits* (such as importance to sustaining operations, criticality to legislation, business KPIs, marketing advantage), *risks* (operational, financial and project), as well as *cost*.

Key success factor:

The decision about the objectives of the PMO and the choice of functions has been made during a series of workshops with **stakeholders** – top management of the company, senior members of steering committees and programme management leaders.

Another category of very important stakeholders is Project Managers – they will benefit by being able to clearly track, monitor and publish changes, budgets, status, and progress. Additionally the ability to collaborate presents an opportunity to have team members to work with a higher level of efficiency.

And finally, Project Team Member and their Line Managers - will benefit from a reduced task overbooking and eliminate frequent directional switches.

Program Management Office Value Proposition

Key questions to be addressed by a successful PMO are: “How will it work across organisational and business division boundaries?” and “What value will it add to the organisation?”

A successful PMO will recoup the money and time invested by delivering projects better, faster, and cheaper across the entire organization.

In fact the value is gained by **not only helping specific projects meet their expectations, but by implementing processes and practices** that allow every project within the organization to be delivered better, faster and cheaper.

Some KPIs across PMO models can be defined as follows:

- Reduction in projects started for the wrong reasons – number of projects stopped.
- Reduction in benefits loss - % increase in actual benefits delivered by the portfolio (rather than planned benefits).
- Predictability of delivery - % increase in number of projects.
- Reduction in overall resource costs to deliver the portfolio.
- Reduced staff turnover and subsequently - in recruitment and training cost.
- Reduced number of programmes and projects scoring amber or red.

Real Life Example

In our example, the PMO cost (which consisted of the salaries of 5 professional PMO officers) was weighed against the value it brought to the organisation. The PMO has helped identifying duplicative projects worth \$1.5 Mn in a year by running monitoring and prioritisation sessions with top-management.

The coordination function of the PMO allowed better scheduling between projects and saved additional \$200k due to eliminating idle time of project resources.

The Project Milestones of the PMO Deployment

Real Life Example

Depends on the set of functions selected for the PMO the steps for establishing could vary. In the example we are reviewing throughout this white paper we have undertaken the following plan, which we categorised in 3 groups.

Project management:

- PMO Charter designed outlining the PMO role based on expectations from business and expert advice
- Assessment of the current state that looked at the organization culture, enablers, barriers, project success rates, project roles, client attitudes, compensation systems, skill levels, standards, and working environment
- Project life cycle standardized, control decision points and reporting put in place
- Governance structure implemented in every major project
- Best practice project management procedures and techniques introduced and trained in.
- Related processes (ie procurement, budgeting) re-engineered.
- Project management IT system developed and implemented.

Portfolio Management:

- Project inventory and classification to identify duplications
- Quarterly project prioritization workshops with top-management

Resource Management:

- Project managers formally trained and certified
- Resource demand monitoring and forecasting in place
- Supply of project managers optimized (outsourced + received discounts on volume)
- Project staff recruitment

It Is All About Change Management...

The key to a project like implementing a PMO is to recognize that getting people to become better project managers requires them to do things differently, managing projects more actively, consistently, and rigorously. It also requires different behaviours of the people who work on projects and the management of the organisation, who are the clients of the projects. Because we're trying to change the way people do their jobs, this effort is an organizational change management initiative. It's all about trying to change the culture.

Driving culture change requires much more than simply teaching new skills, although training certainly plays a part. The PMO must evaluate aspects of the organization that drive behaviours. Processes that drive good project management behaviours must be reinforced; processes that are barriers to good project management must be changed or eliminated. Resistance to the change must be accounted for, expected, and then overcome.

Real Life Example

To overcome the change resistance, the project of creating PMO in the Oil Company has undertaken the following:

- We have conducted general awareness sessions to explain what is coming and why.
- Roll out of project management coaching services to help project managers use the training and templates effectively.
- Rewards and recognition systems was aligned by tying the staff's performance review and bonus criteria to the successful implementation and use of the project management methodology.

- Ongoing and random project audits and periodic organization assessments were established
- Advanced project management classes were introduced to focus on more sophisticated processes and templates such as quality management, metrics management, and risk management.
- Build a PMO support organization to handle the project management methodology on a long-term basis.

Key Findings

The desire to deliver projects on tight budgets, with limited resources, and with strategic goals in mind creates a tremendous opportunity to gain from implementing a Program Management Office.

And the following key findings should be considered:

- **Focus on adding value**
 - Run your portfolio like a business – A successful Program Management Offices act like business owners and are on a constant search to make improvements. This means they look for the right projects to execute at the right times.
 - Kill bad projects early – Don't waste time analyzing and prioritizing bad or duplicate projects. Duly note that they were requested and document why you cancelled them.
- **Master the basics, then - evolve** – Some organizations “run” at implementing a “total PPM solution at once”. These efforts frequently run into resistance and eventually fail.
 - Consider starting with two basic efforts: building a project inventory (portfolio) and asking project managers to publish status reports on a regular basis.
 - Don't collect too much data – the 80/20 rule applies to data collection. The majority of the benefit comes from only 20% of the data.
 - Implement a simple scoring model, eg: financial cost / benefit vs risk.

Doing these simple steps will go a long way to helping you understand what it is you are working on and maximizing the value you bring to the organization. As a side benefit, it will show executive management that you have your act together.

PM-Partners Role in the Project of Implementing PMO

- Overall project management.
- Requirements and inventory data gathering.
- Facilitation of prioritization workshops.
- Project management methodology development and implementation.
- Training and mentoring of project managers.
- Recommendations on PMO structure and staffing.

References:

- Deploying project management in a client's organization, Tom Mochal, 2002
- An Introduction to Program Management Offices (PMOs), John Glander, 2009
- Portfolio, Programme, and Project Offices, OGC, 2008