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Creating Organizational Value with a Project Management Office

Beijing - Sep 16th 2012

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Agenda 议程

- ⊕ **PMO in Perspective**
  - Speed of Change Today
  - Control of Changes
  - Right Balance

- ⊕ PMO Foundation

- ⊕ Value Proposition for PMO

- ⊕ PMO Roadmap

- ⊕ PMO Structure

- ⊕ PMO in the Organization

- ⊕ PMO Success Stories

- ⊕ Trends and Future of PMO

- ⊕ Closing

Speed of Change Today

- The world is changing
- Companies are changing
- Processes are changing
- Technology is changing
- People are changing
- ...

Changes are constant and fast!!

A Lot of Change Ahead

Control of Changes

...Fast Growths - Globalizations - Cultural Differences - Competition - Technology - Communication - Social Media - Labor Market - Financial Risks - Strategy - Merger & Acquisitions - Reporting...

Need for Control of Changes

Programs & Projects for Change Control

- Programs and projects will deliver (structured) changes in organizations

- Business value and investments of programs and projects are very high

- Programs and projects today are:
  - More complex
  - More virtual and cross-cultural
  - More focused on risk management, ROI and benefits delivery

Need for formal change control organization - PMO

PMO – The Right Balance

Define the right balance between

<u>change control</u>

and

<u>delivering business value</u>

Agenda 议程

- PMO in Perspective
- PMO Foundation
  - Definition
  - Types
  - Enterprise PMO
- Value Proposition for PMO
- PMO Roadmap
- PMO Structure
- PMO in the Organization
- PMO Success Stories
- Trends and Future of PMO
- Closing

PMO Definition

- The **Project Management Office** (**PMO**) in a business or professional enterprise is the department or group that defines and maintains the **standards of processes**, generally related to **project management**, within the organization.

- The PMO strives to standardize and introduce economies of repetition in the execution of projects.

- The PMO is the source of documentation, guidance and metrics on the practice of project management and execution.

- **Other names**: Program Management Office, Portfolio Management Office, Project Office (PO), Project Control Office (PCO), Central Project Office (CPO), Center of Excellence (COE), and Project Support Office (PSO)….

PMO Types

- **The Enterprise PMO – EPMO**

- **Organizational (departmental) PMO**

  ▪ Focuses on the specific projects executing within the organization and implements the standards, tools and techniques.

- **Special-purpose PMO & program-level PMO**

  ▪ Provides the administrative and project management support to projects within the program. Its scope and influence is limited to the program.
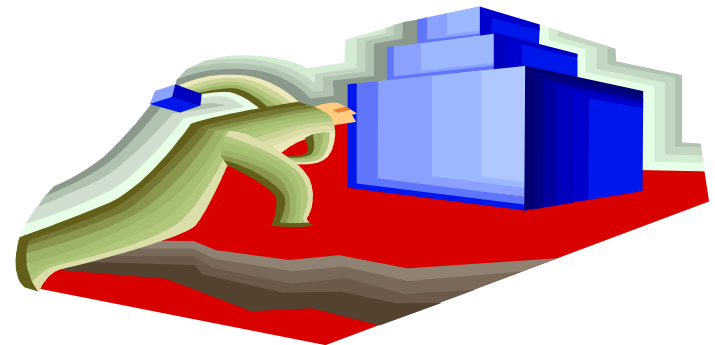
EPMO - Integration of Enterprise Functions

- Integrating portfolio planning, project management, resource & financial management, and benefits realization

- Supports transformation efforts with focus on voice of customer

- Focus on organization & strategy

- Strong business culture
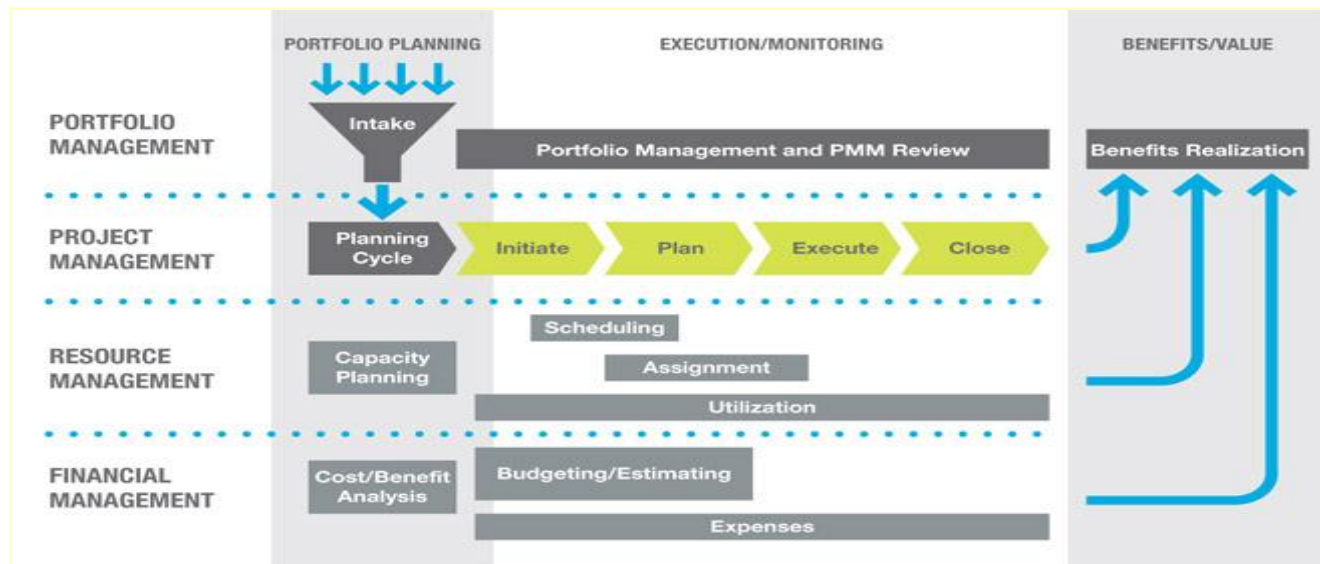
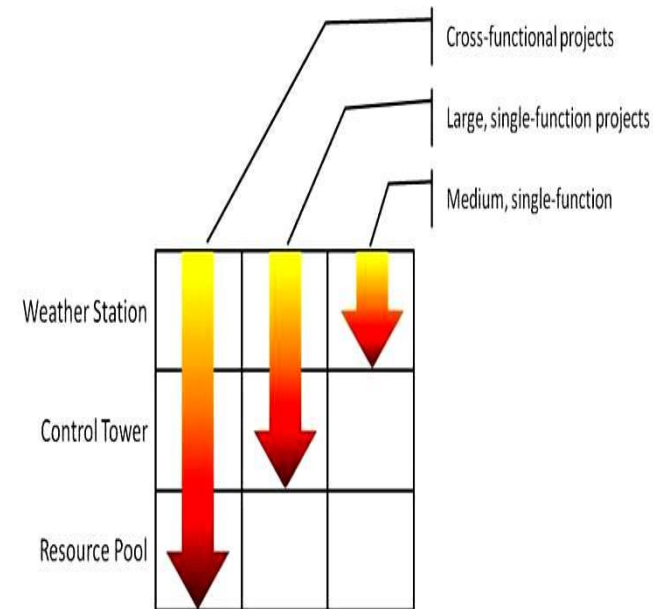# Other PMO "Types"

- The **Weather Station**
  - Reporting but no influence

- The **Control Tower**
  - Direction to project managers

- The **Command Central/Resource Pool**
  - PMs report to PMO management, not to project sponsors

PMO - Make the Right Choice

So what is the best project management office type?

The answer depends on the state of project management in the organization and on the required functions of the PMO.

Every PMO type requires different integration with organization.

Agenda 议程

- 🌐 PMO in Perspective

- 🌐 PMO Foundation

- 🌐 Value Proposition for PMO
  - ▪ PMO Status of Today
  - ▪ Challenges & Risks
  - ▪ Sources of PMO Value
  - ▪ Establishing Organizational Value

- 🌐 PMO Roadmap

- 🌐 PMO Structure

- 🌐 PMO in the Organization

- 🌐 PMO Success Stories

- 🌐 Trends and Future of PMO

- 🌐 Closing

PMO – Why?

- 70% of all IT projects fail to meet objectives
- Need for consolidated project reporting for prioritization and decisions
- More risk management needed
- Demand – increase in project workload
- Increase in complexity
- Mistrust of the project delivery organization
- Customer complaints
- Unclear project management objectives
- ...
- ...

PMO – Perception by Others

- "Slow ramp up"
- Inability to drive significant change..
- Inability to sustain change..
- Issues of direction
- Issues of identity
- ...
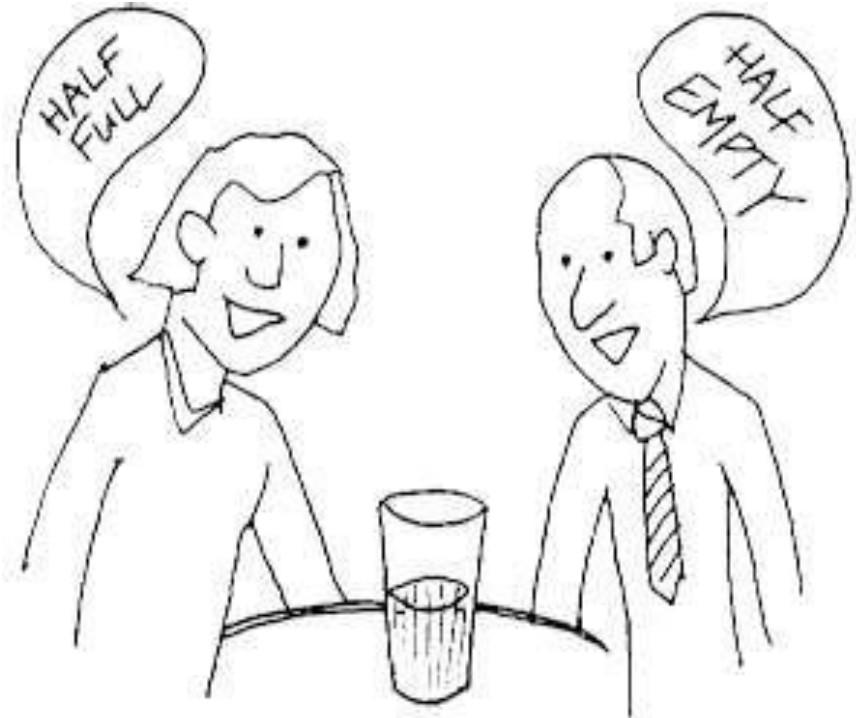
These perceptions often serve as roadblock to effectively positioning the PMO for long-term success and organizational value contribution.
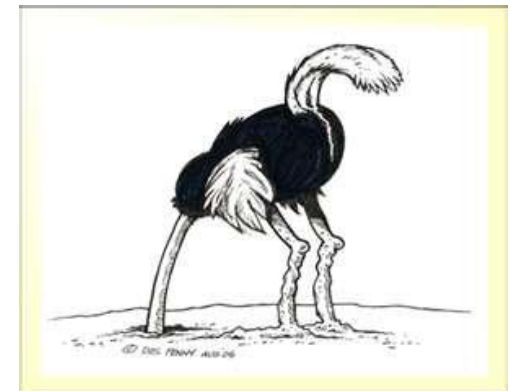
PMO – Challenges & Risks

- Demonstrating the added value

- PMO is seen as an "IT thing"

- PMO seen as high level of bureaucracy

- PMO can not deliver quick wins..

- Lack of support for formalizing project management procedures and reporting

- Unrealistic expectations

Do not forget the challenges and do not ignore the risks and perception of others!!
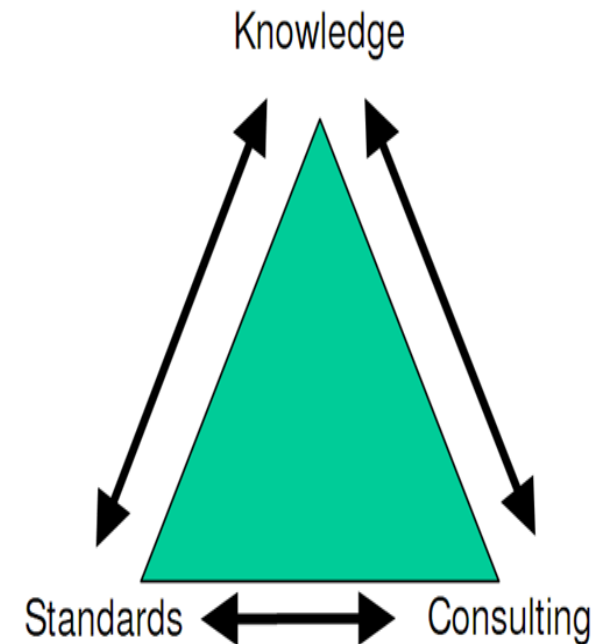
Sources of PMO Value

PMO Value Triangle (PMOVT)™

The value of a PMO can be summarized with 3 core areas:

- **Standards** – managing policies and procedures

- **Knowledge** – knowledge management and training

- **Consulting** – expert guidance for project delivery

Establishing Organizational Value

A Mission for Success

- Mission of transformation (change)

- Determine the role and focus area(s) of the PMO

- Beyond the mission:
  - Establish meaningful value measures for the PMO
  - Focus on current challenges, opportunities (<u>what</u>) and priorities
  - Focus on <u>how</u> to make opportunities reality – PMO objectives & timeframe
  - Define expected benefits

Formalizing the Value Proposition

PMO Value Proposition

- Ensuring that decision-makers have clear understanding of what the PMO will do and how it will create value
- Cost & benefits analysis
- Hard and soft benefits
- ROI (cost control, resource utilization)

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- 🌐 PMO Foundation

- 🌐 Value Proposition for PMO

- 🌐 PMO Roadmap
  - Setup as a Project
  - PMO Charter
  - PMO Roadmap & Plan
  - Key Success Factors

- 🌐 PMO Structure

- 🌐 PMO in the Organization

- 🌐 PMO Success Stories

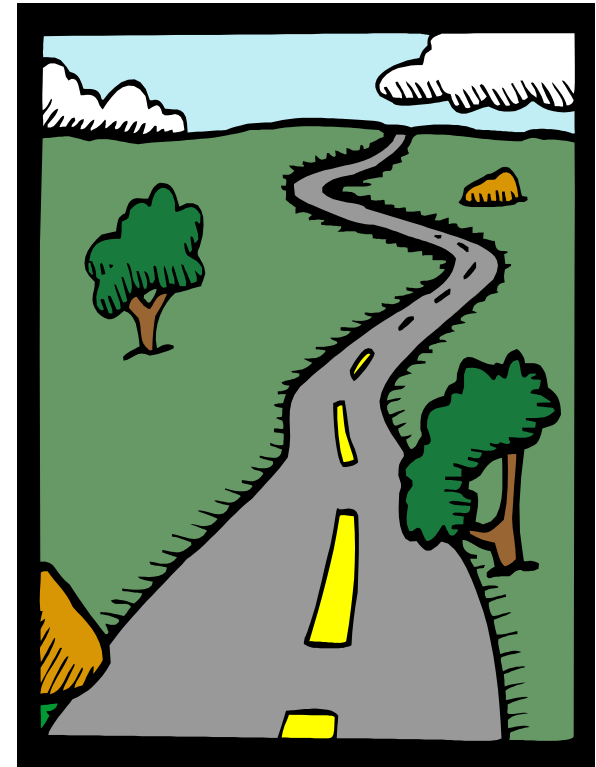- 🌐 Trends and Future of PMO
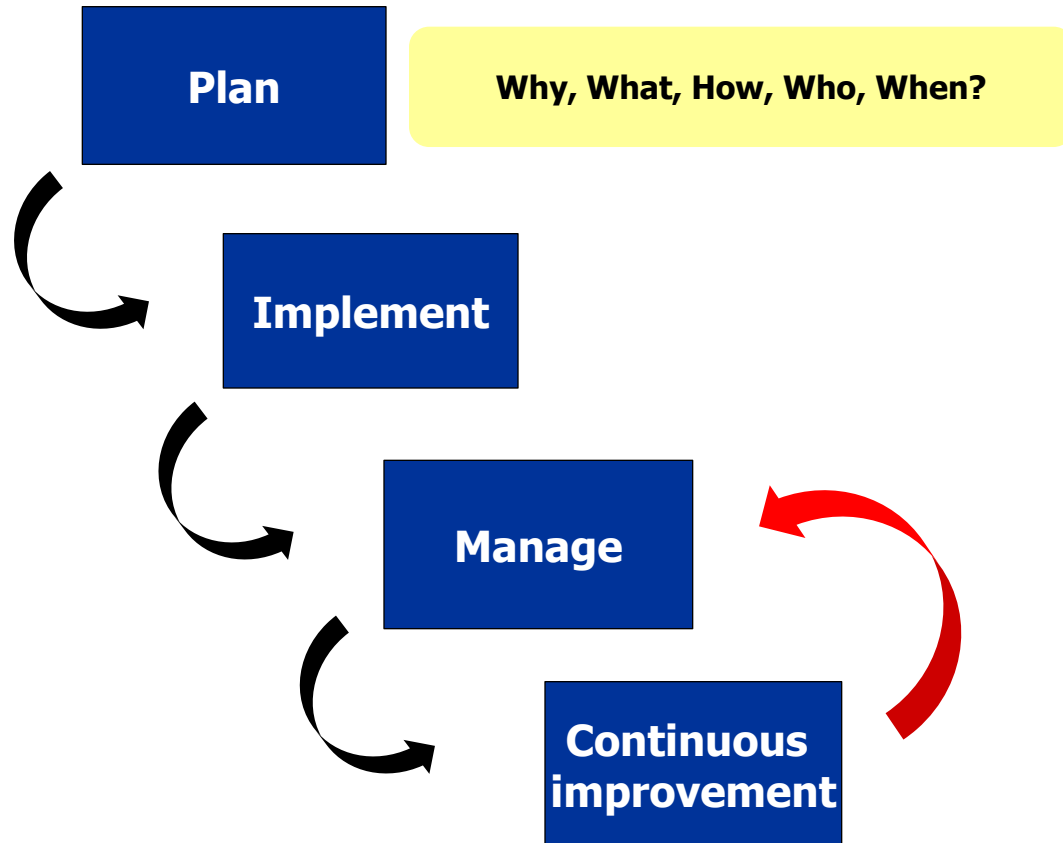
- 🌐 Closing

PMO Setup

Treat establishing a PMO like a project and journey

⊕ Every project requires clearly defined goals, a mandate from management to proceed and a plan by which to execute it

⊕ The Rocky Road...but Not Mission Impossible!

PMO Roadmap

Plan

Why, What, How, Who, When?

Implement

Manage

Continuous improvement
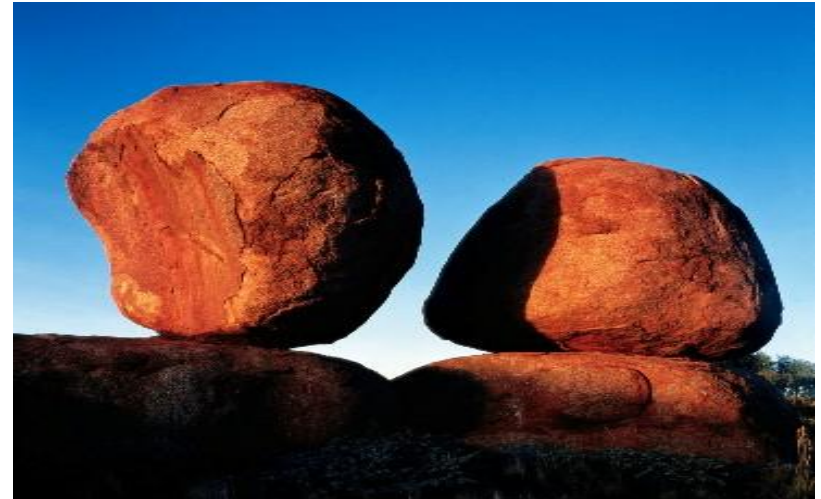
PMO Implementation in Waves

Use model that makes sense for organization

- Deploy in "waves" of phases
- Don't implement too much change at once
- Highest priority first

PMO Charter – Bringing it Together

Is the organizational mandate for the PMO to exist

- PMO mission & strategy
- Budget & value proposition
- Sponsor
- Customers
- Service offerings
- Critical success factors
- Metrics
- …

> *This is a lot of information!*
>
> *It is best NOT constructed in a vacuum*
>
> *Communication with key stakeholders*

The PMO Roadmap - Details

Phase	Key Steps					To Be
Assessment & Planning	Detailed Analysis	Steering Committee	**Value & Strategy**	Communications		Clear Understanding of gaps and approach
Initiation	**Business Case**	**PMO Charter** (Services, Metrics, Scope, Risk, Processes, Timelines)		PMO Workshops (all key stakeholders)		Organizational approval & strategic roadmap
Establishment & Development	Define PMO Plans	Define Tools & Processes	Define Governance Reports & Meetings	Job Descriptions & Hiring	Master Schedule	Implement PM methodology, standards, processes and tools

The PMO Roadmap - Details

Phase	Key Steps					To Be
Staged Implementation	PMO Project Plan	PMO Change Plan	PMO Tools & Processes	PMO Communication Plan	PMO Training Plan	PMO implemented with minimum impact and key stakeholder engaged
	PMO Orientation	Perform Process Integration	Implement Governance Reporting	Health Checks	PMO Pilot Projects	
Manage & Continuous improvement	PMO Metrics & Project Reviews	**Embedding PMO**	**Re-Validation with Senior Leadership**	Quick Wins	**Maturity Assessment & Development**	PMO provides visible value to business

PMO Roadmap - Key Factors for Success

- PMO charter
- **Leadership & Transformation**
- Senior management support
- Cover true needs of the organization
- **Identify Cultural change**
- Clear Implementation strategy – phases

PMO Roadmap - Key Factors for Success

- Staffing (In-house, contractors, hybrid)
- Customer focus
- **Communication & marketing**
- **Metrics & performance**
- Focus on improved project management practices

PMO Leadership & Transformation

Characteristics of a successful PMO leader

- Decisive and pragmatic
- Excellent at communicating & great with people
- Able to understand projects
- Promoting PMO benefits
- Able to influence key stakeholders
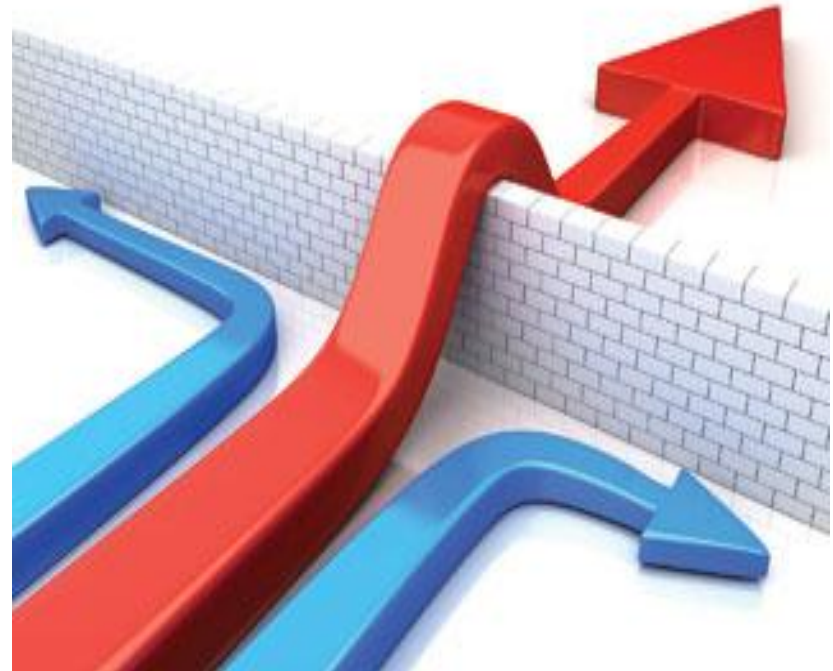- Able to understand the big picture and communicate the end goal

PMO Leadership & Transformation

A leader can transform the PMO into an effective and an organizational value generating entity

- Vision
- Alignment with business strategy
- Integration with organizational culture
- Continuous improvements
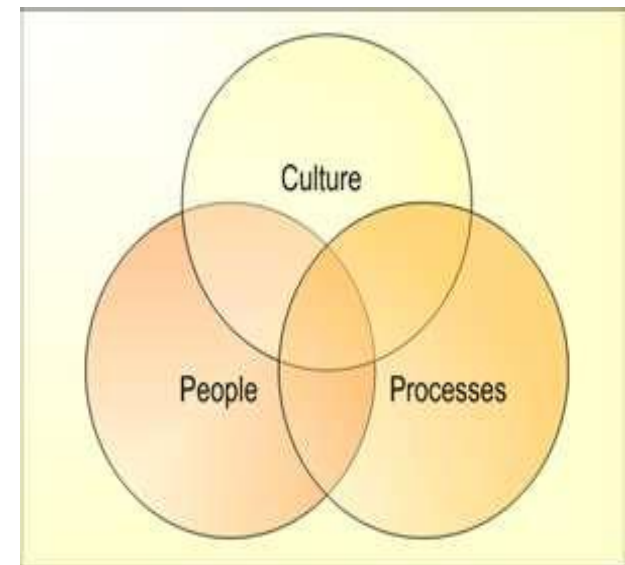
PMO - Understand the Cultural Equation

Organizational culture

◉ Is made up of the attitudes, values, beliefs and behaviors of its employees.

PMO introduction

◉ Organizations have natural resistance to change

◉ Change in political landscape

◉ Change management is critical

Establish a project culture to bridge gap between organizational culture and projects.

PMO Communication & Marketing

Develop a clear communication & marketing plan

- Selling the PMO concept (awareness, values, mission)
- Stakeholder management
- Build-up organizational commitments

PMO Metrics – Measure for Success

- PMO vs. Project Metrics
- Metrics important for growth and support – shows value

- **Business value metrics**
  - ROI, cost savings, revenue increase etc.

- **Functional performance metrics**
  - Project mngt, budget, resource mngt etc.

- **Service level metrics**
 - Turn around times, customer satisfaction etc.

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- PMO Structure
  - Structure & Ground Rules
  - Services & Functions
  - Stakeholders, Staffing
  - Governance
  - Standardization, Resource Management, Training
- PMO in the Organization
- PMO Success Stories
- Trends and Future of PMO
- Closing

PMO – Internal Structure
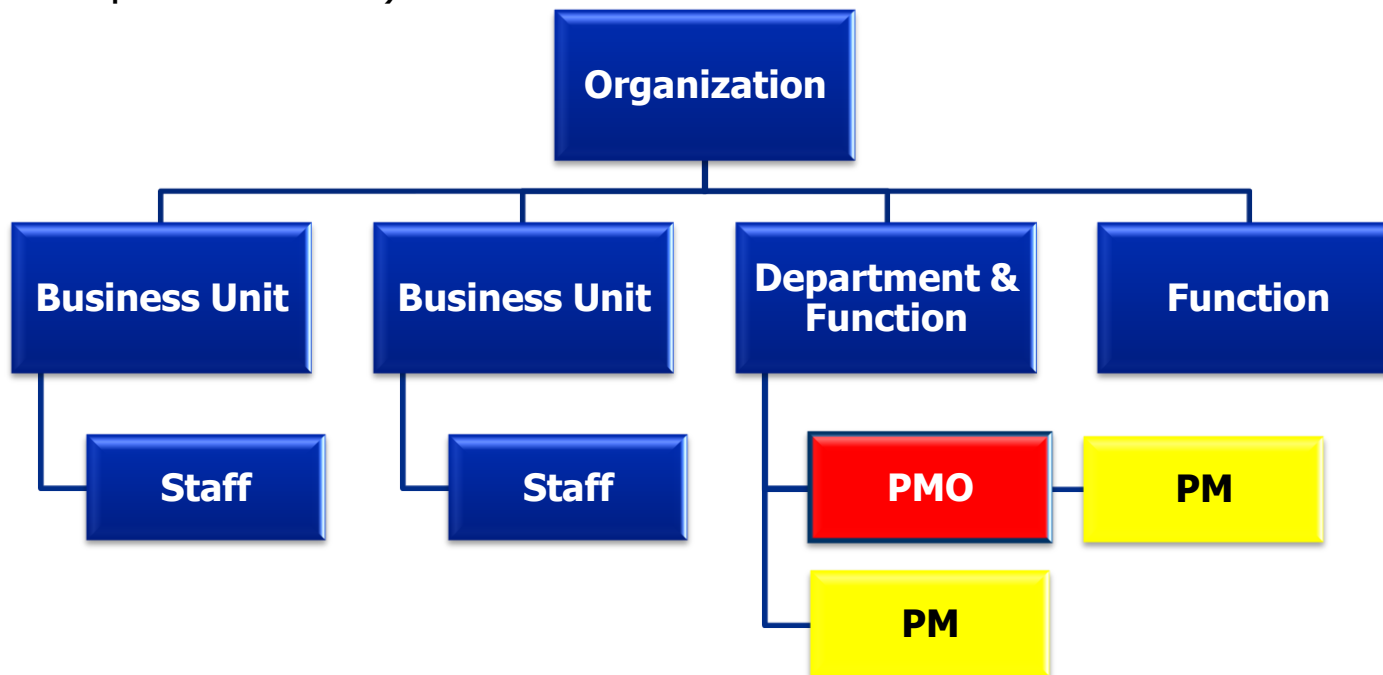
Position EPMO in the organization
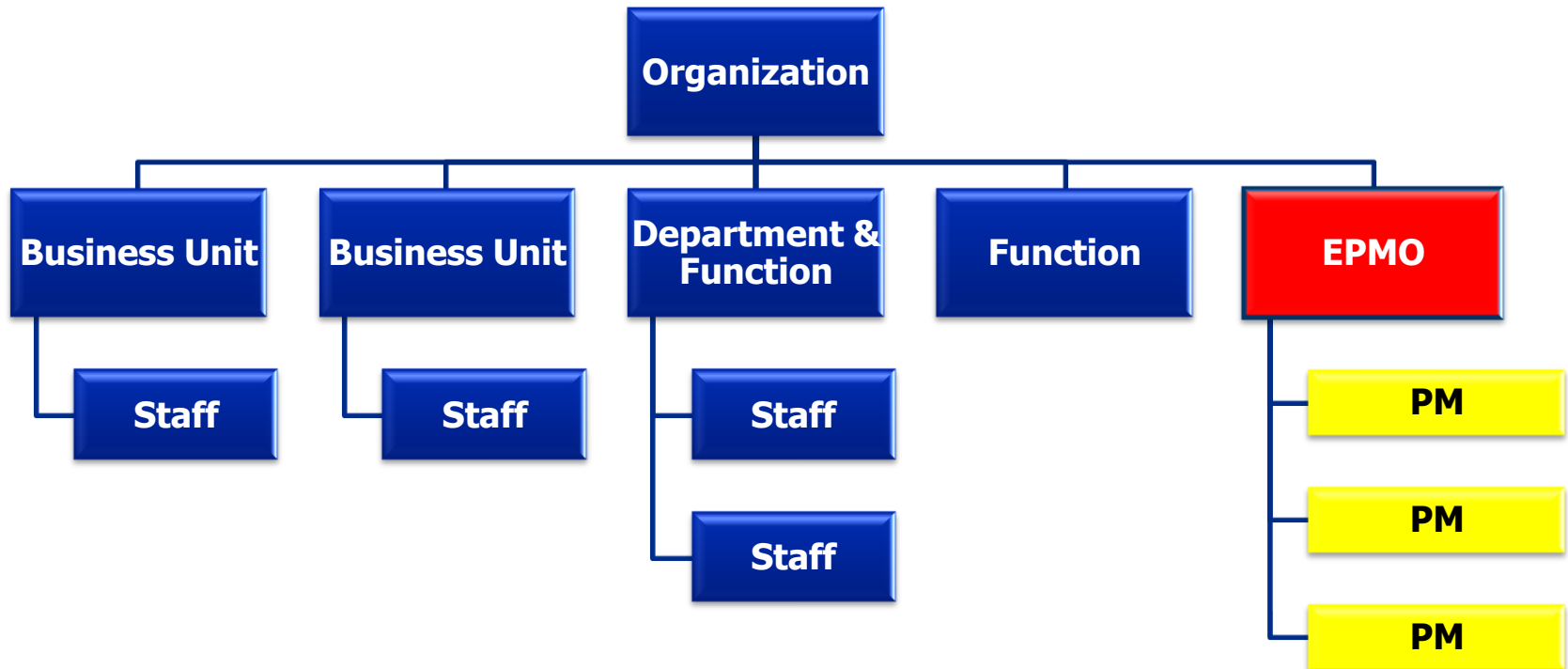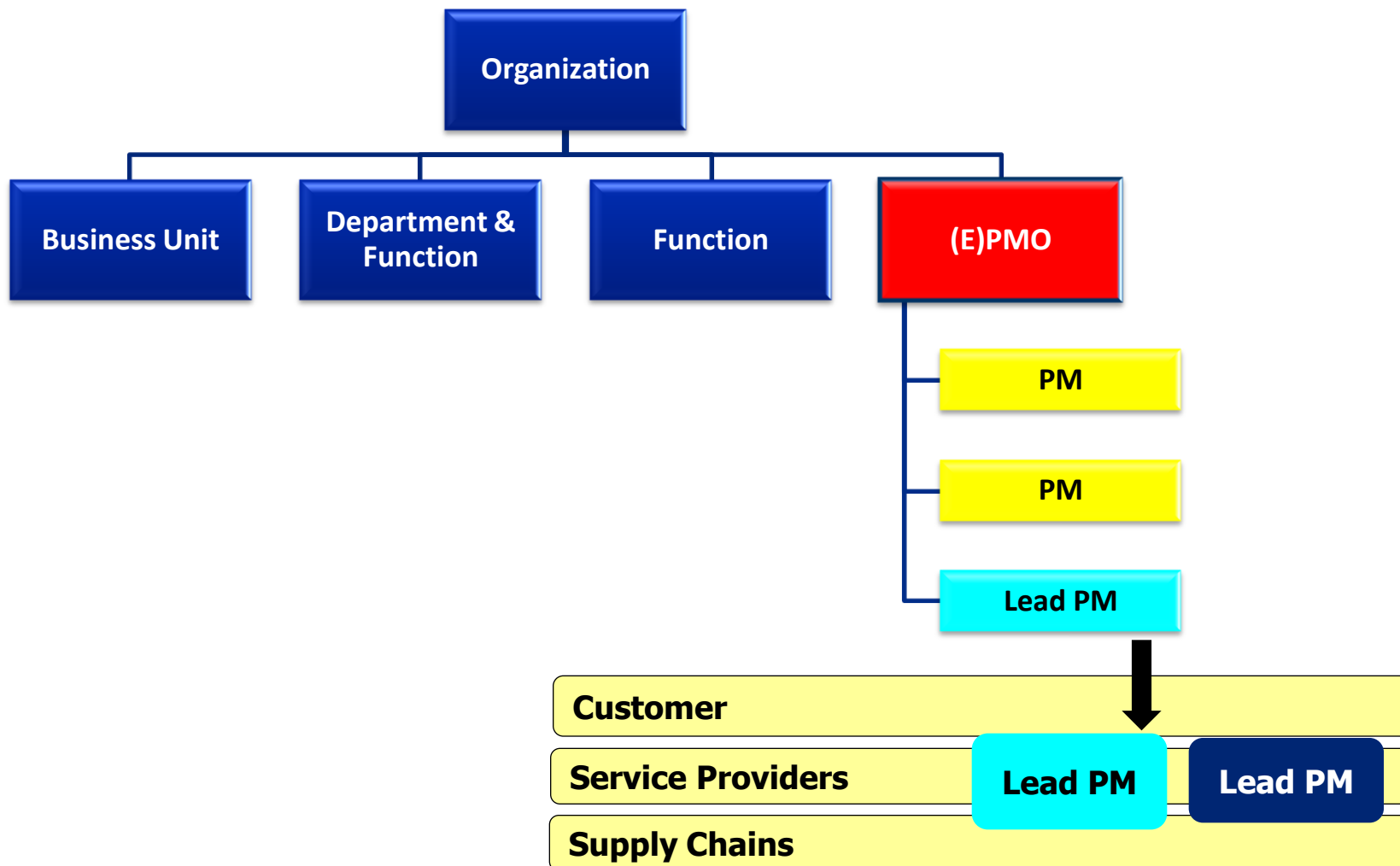
PMO – Internal Structure

Position PMO in the organization

🌐 Reporting line of PMO can be on various levels (COO, CFO/Finance, CIO Office, business departments etc.)
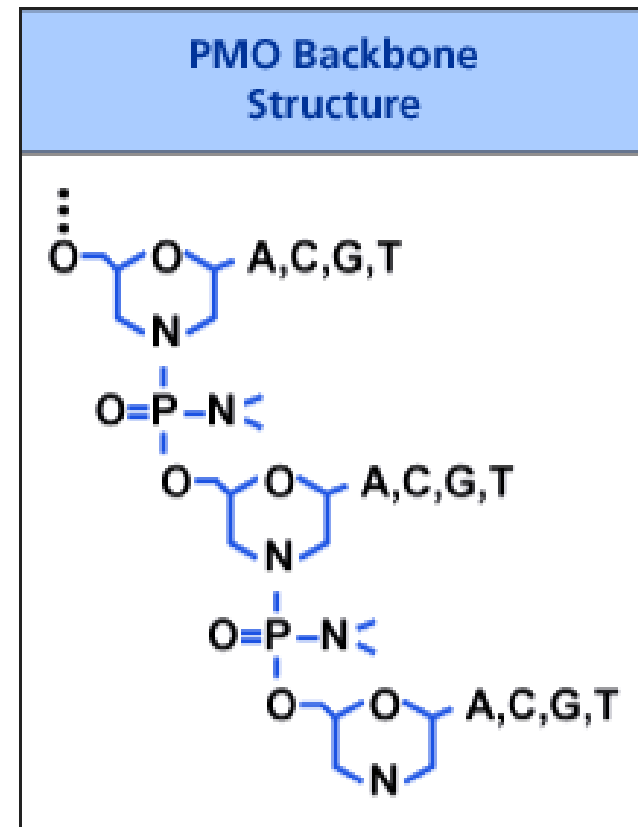
PMO – External Structure

PMO Structure – Ground Rules

⊕ Size and focus varies from enterprise to enterprise

- ▪ Business needs
- ▪ Project management maturity
- ▪ Organizational size, number of projects and resources

⊕ Tactical vs. strategic

⊕ Internal vs. external focus

⊕ Enterprise vs. department level

Not "one-size fits all solution"

PMO Backbone Structure

PMO - Roles, Services and Strategy

The PMO can have various roles: directive, controlling and supportive.

The PMO roles, services and functions have to mapped to organizational strategy.

Business Strategy Alignment

Methodology & Process Consistency

Collaboration & Knowledge Mgmt

Professional/Organizational Development

Resource Management

Project/Program/Portfolio Visibility and Coordination: Issues, Risks, Schedule, Costs, Quality…

PMO - Services & Functions

PMO services & functions are a combination of knowledge, support, controlling and reporting

PMO services & functions:

- Methodology management
- Competency enhancement
- Audits
- Document management
- Metrics collection
- Organizational assessment
- Earned Value Management
- Manage project dependencies
- Coaching & certification
- Project consulting

PMO Services & functions:

- Project management career path design
- Program management
- Project portfolio management
- Benchmarking
- Budget control
- Resource management
- ROI & benefits tracking
- IT asset management
- Issue tracking

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PMO - Stakeholders

Develop stakeholder participation is key for a successful PMO

- Focus on perception, risks, roles, influence etc.

- Different types of internal and external stakeholders
  - Internal project team stakeholders
  - Internal oversight stakeholders
  - Customer & vendor stakeholders

PMO - Staffing (Roles & People)

Staffing depends on PMO strategy, functions and size

⊕ **PMO Business Staff** – PMO manager, PMO function managers, and other operational leaders in the PMO.

⊕ **PMO Administrative Staff** – responsible for administrative activities.

⊕ **PMO Technical Staff** - develop, implement, and manage professional PM practices, as well as experts in technical disciplines.

PMO - Staffing Configurations

Many options for staffing configuration
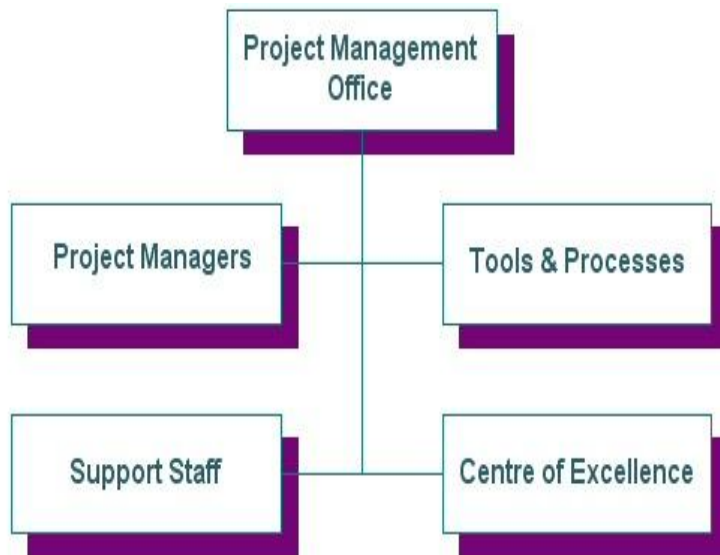
PMO - Governance & The DNA

⊕ Governance is the link between strategy & decision-making and execution & performance. Strategic asset for decision-making.

⊕ Governance establish change management procedures, resource allocation processes and PMO metrics/reporting.

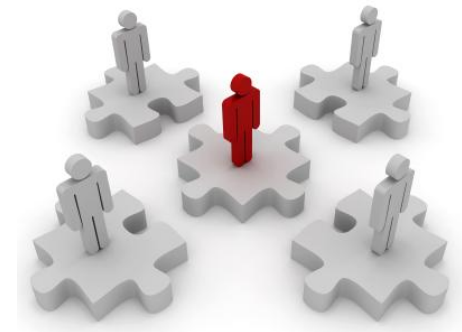# PMO - Standardization & Resource Management

Standardization is a very important role of PMO

- Status reporting & project estimating
- Tools to support decision-making
- Project templates

Resource management is one of the possible PMO functions with high cost-savings opportunities

- Forecasting
- Time Management
- Enterprise resource pool

PMO - Training

Delivery and development of trainings

- Project management
- PM software tools
- Leadership & soft skills
- PMP preparation

- Evaluate project management competency of project managers
- Coaching

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- PMO Roadmap
- PMO Structure
- PMO in the Organization
  - PM & PMO Maturity Assessment
  - Organizational Culture
  - From Cost Center to Profit Center
  - PMO Delivering Benefits
- PMO Success Stories
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Project Management Maturity Assessment

Assessing the project management maturity level is a valuable tool for establishing the PMO
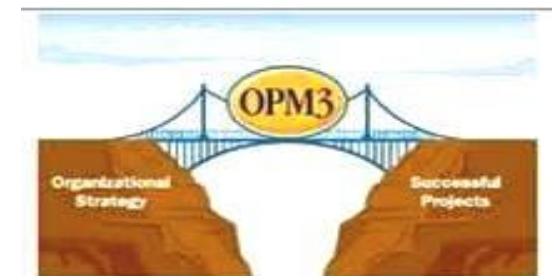
- Compare against best practices
- Organizational Project Management Maturity Model (OPM3)

OPM3
Organizational Project Management Maturity Model

Maturity level	Standardize	Measure	Control	Continuously Improve
Portfolio				
Program				
Project				

Increasing Maturity

OPM3

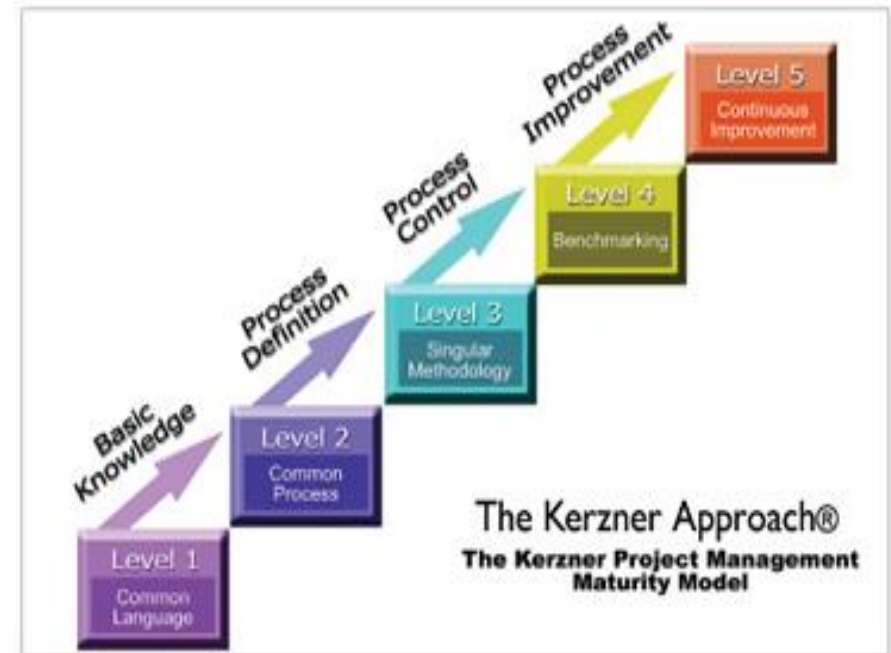Organizational Strategy — Successful Projects

Other Maturity Assessment Tools

- Kerzner Project Management Maturity Model (KPMMM)
- Capability Maturity Model Integration (CMMI)

CMMI Staged Maturity Levels / The Kerzner Approach® — The Kerzner Project Management Maturity Model
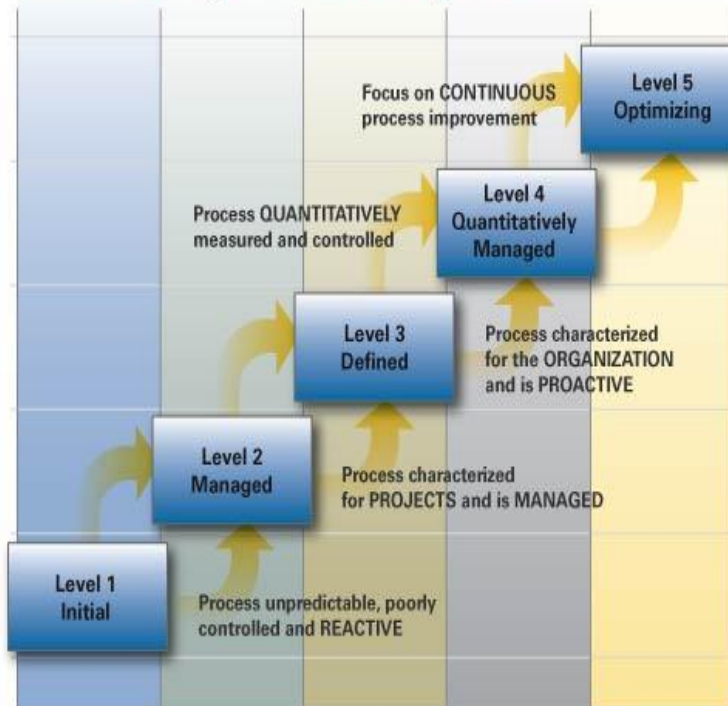
Developing Project Management Maturity

Developing project management capabilities and practices in the organization from PM light version to PMO and more...

Definition & Control

Benefits Management & Strategic Alignment

Level 1 PM Outsourcing

Level 2 PM Light

Level 3 PM Strategic Planning

Level 4 PMO

Level 5 Portfolio Mngt
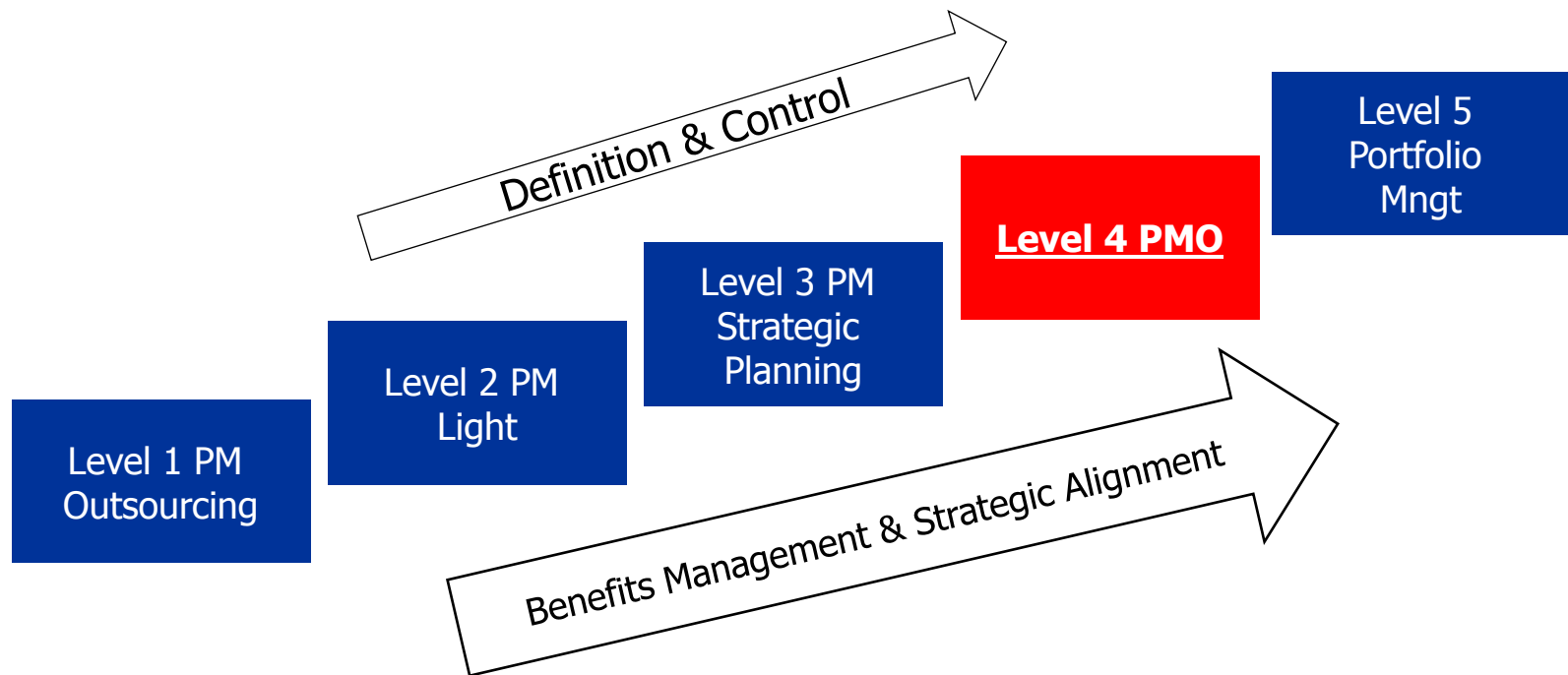
Measuring PMO Maturity

Organizations and project management processes need to mature. The PMO itself needs to mature as well.
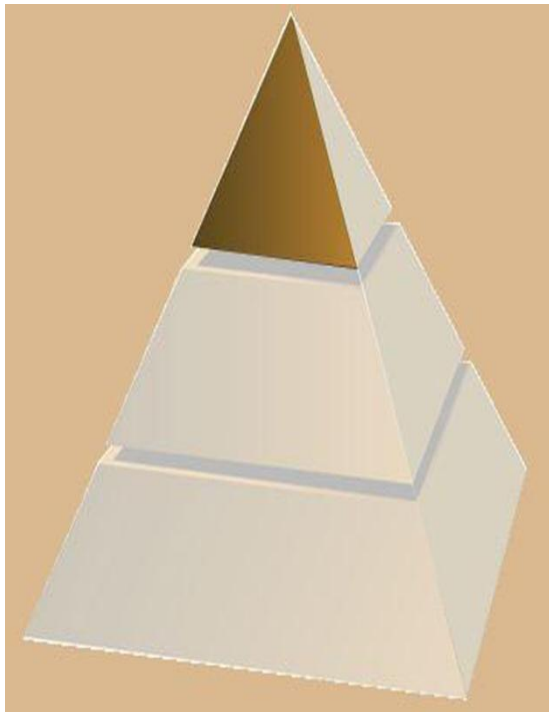
🌐 PMO maturity model could be used to define a development path

🌐 Every enterprise has a unique PMO development plan

🌐 Map selected PMO services to organizational process maturity level

Measuring PMO Maturity

Organizational Process Level	Key PM Processes	Effective Span	PMO Maturity Level
Integrated & Optimized Process	Continuous improvement processes-practices used enterprise-wide	Enterprise/Industry – strategy execution	**Best in class**
Managed	Standard portfolio management processes-practices used enterprise-wide	Multiple SBUs – strategic alignment	**Strategic**
Defined	Standard PM processes used across the enterprise	Multiple programs or portfolios	**Institutionalized**
Structured Process & Standards (stable)	Standard PM processes	Multiple projects (portfolio, programs)	**Established, need improvements**
Initial Process	Basic PM processes-practices (inconsistent)	Individual projects	**Basic, ad hoc processes**

PMO - Understanding the Impact of Culture

- Every organization has an unique culture - common values and work ethics

- Decision-making and conflict management in organization

- Management & reporting lines in organization

- "Status" of project managers in organization

- ...

PMO - From a Cost Center to a Profit Center

- ⊕ Focus on value definitions

- ⊕ ROI calculation

- ⊕ Alignment with business objectives

- ⊕ Develop key (new) competencies and services

PMO - Delivering Benefits

- Decrease in failed projects

- Project delivery delivered under budget and ahead of schedule

- Increase in customer satisfaction

- Improvement in projects aligned with objectives

- Better understanding of project management

- Better visibility (reporting)

- ...

Successful PMO =
Successful Business =
Successful You

PMO

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- ⊕ PMO Success Stories
  - ▪ Definition of Success
  - ▪ Success Stories

- ⊕ Trends and Future of PMO

- ⊕ Closing

PMO - What is definition of success?

PMO - What is definition of success?

All successful PMOs feature four basic components:

- The right processes
- The right tools
- The right people
- Executive level organization support

This is called transformational…

Portfolio — the right things

Project — the right way

Programme — the right order

PMO — the right team

PMO - Success Stories

PMO Case	Type & Purpose	Setup Duration	Challenges	Benefits
Healthcare Company (Asia)	Program Control & Administration	4 Months	Short timeline, multiple project control	Standardization or project rules, budget control
Pharmaceutical Company (Global)	Program Control & Administration	6 Months	Budget control, multiple project control	Standardization or project rules, budget control
Sports Wear Company (China)	Program Control & Administration	1 Year	Business acceptance, role definition	Standardization, business benefit tracking

PMO - Success Stories

PMO Case	Type & Purpose	Setup Duration	Challenges	Benefits
Wind Turbine Company (China)	Center of Excellence	6 Months	Business acceptance, limited project management skills	Development of project management skills, standardization
High-Tech Company (China)	Center of Excellence	1 Year	Knowledge development, internal procedures	Benefits tracking, budget control, knowledge pool
Oracle Catalyst PMO (Innovation)	Drives innovation	8 months	Timeline, prioritization, understanding profitability	Innovation process control, link to business value, results visibility

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  - Current Trends
  - Key Points for Future

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Trends and Future of PMO

- ⊕ Upward trend in number of PMO

- ⊕ More alignment with business objectives and strategic execution

- ⊕ Move up the organizational ladder

- ⊕ More engagement in performance measurement

- ⊕ More focus on resource forecasting and capacity management

- ⊕ More involved in training activities and managed of project managers

PMOs in high-performing organizations have more capability

PMO - Key Points for Future

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Why PMO?

A strategic partner..

..controlling and enhancing..

..delivery of business changes..

..with highest value and lowest cost and risk..

..to support competitive growth of organizations.