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EFFECTIVE PROJECT PORTFOLIO MANAGEMENT: THE CASE FOR AN ENABLING PMO

WHITE PAPER

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Executive Summary

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As the need for effective delivery and control of strategic and other projects increasingly becomes part of the must-do mix of enterprise capabilities, business leaders continue to look to the PMO model as a means to deliver fact-based data on an ongoing, real-time basis to support executive decision making, pro-actively direct staff resources based on changing priorities, and effectively forecast resource demand across a portfolio of projects.

Several factors contribute to an ability to do this, including on-going mentoring and consulting support for project teams, consistent and visible sponsorship from the executive level, and the use of appropriate technologies for data management and analysis. The approach taken to ensure adoption, deploy a Project Management Information System (PMIS), and establish an organizational portfolio management capability requires financial and political investment. The question then becomes, what approach makes sense, and how does one minimize the inherent risk, either through reducing exposure or ensuring against failure?
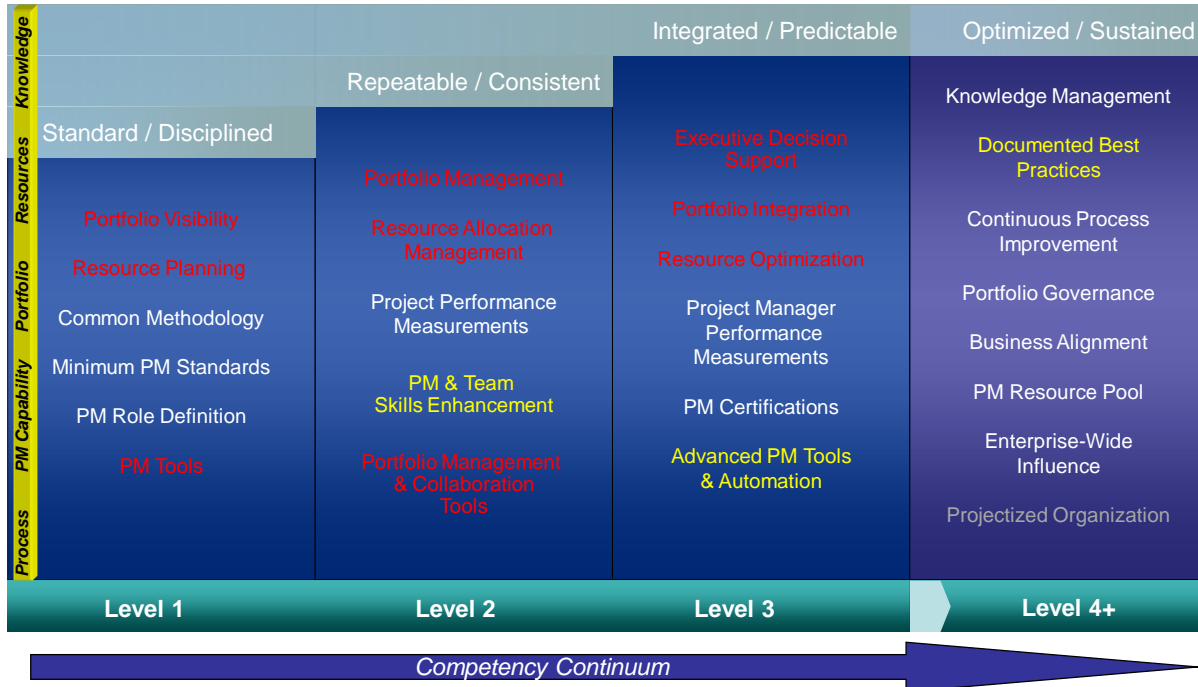
As an organization embarks on developing and maturing its project management and portfolio delivery competence, the positioning of existing capabilities can often serve as a platform for expanding on effective capabilities already established. Observation and 'marketing of' successes can also increase the desire to deploy a formal PMO and make the prospects for its success increasingly salient. Once the appropriate level of interest is established, the question of how and why to deploy a PMO is of great consequence for organizations considering such a move.

While many PMO's have proven valuable when implemented successfully, there are multiple factors that must be managed effectively for success. As a PMO is established and seeks to widen its scope of operations including the management oversight of project portfolios, the need to deliver value to the organization quickly is paramount. The establishment of tangible results for the organization is a critical first step.

In observing organizations as they proceed along the PM and PMO / EPM maturity curve, we have developed several insights into the difficult question of how to deploy a PMO, what type of PMO should be deployed, and what value a PMO can deliver. These insights have also been borne out through current industry research.

Enterprise Portfolio Management Maturity Model:
Delivering Organizational & Business Value

Capability development may not be linear although core competencies serve as a foundation for the next stage

Knowledge / Resources / Portfolio / PM Capability / Process	Standard / Disciplined	Repeatable / Consistent	Integrated / Predictable	Optimized / Sustained
	Portfolio Visibility	Portfolio Management	Executive Decision Support	Knowledge Management
	Resource Planning	Resource Allocation Management	Portfolio Integration	Documented Best Practices
	Common Methodology	Project Performance Measurements	Resource Optimization	Continuous Process Improvement
	Minimum PM Standards	PM & Team Skills Enhancement	Project Manager Performance Measurements	Portfolio Governance
	PM Role Definition	Portfolio Management & Collaboration Tools	PM Certifications	Business Alignment
	PM Tools		Advanced PM Tools & Automation	PM Resource Pool
				Enterprise-Wide Influence
				Projectized Organization
	Level 1	**Level 2**	**Level 3**	**Level 4+**

Competency Continuum

A seemingly obvious starting point is to pursue a standards-based approach by aligning with and deploying an industry-standard PM methodology. But before one considers moving forward with a traditional Project Management development program such as OPM3 or other standards based regimens from the Project Management Institute (PMI)®, Prince2, and similar bodies, one should consider whether or not such an approach is initially necessary or if it could instead prove to be disruptive to current project delivery capabilities and ultimately fail to deliver the value promised.

The reasons for the challenge to this approach are several and can be illustrated by posing the following questions:

1. **What is a Project?**
   Perhaps a simple question on the surface, but the answer provides great insight to the types of skills and team capabilities needed to deliver projects. PMI's standard definition form the Project Management Body of Knowledge (PMBOK)® Fifth Edition includes the following…

   "…a project is a temporary endeavor undertaken to create a unique product, service, or result."

   - Project Management Institute, A Guide to the Project Management Body of Knowledge, (PMBOK® Guide) – Fifth Edition, Project Management Institute, Inc., Page 3

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This definition is often used to differentiate a project from other ongoing, operational, or repetitive process activities. But in the case of some projects, the activities and procedures followed are most often unique only within the details of the 'product' context, while most 'project' and even product level context activities, deliverables, and procedures are not only repeatable but standardized in many respects. And, while applying a standard methodology at a high level may be important for overall alignment of the project portfolio, the application of significant process overhead will often prove to be a source of resistance and overall poor acceptance of the PMO, particularly in the early stages of deployment.

2. **What is a Program?**
While many organizations may endeavor to approach the concept of programs, it is worthy of review, as many organizations do not effectively engage in the process of program management formally or otherwise. Again, PMI provides the following definition…

> *"A program is defined as a group of projects, subprograms, and program activities managed in a coordinated way to obtain benefits not available from managing them individually."*
>
> *- Project Management Institute, A Guide to the Project Management Body of Knowledge, (PMBOK® Guide) – Fifth Edition, Project Management Institute, Inc., Page 9*

Based on this definition the practice of program management is readily apparent at many companies, as it commonly aligns directly with customers and the Account Managers role as a 'program manager.' Account Managers often have purview over ensuring the best outcomes for their clients, on-time delivering of 'new business' projects for existing clients, and ongoing 'operational services' already being delivered to their customers. In addition, Account Managers play several key 'Program Management' roles, readily apparent during project review meetings. These roles include:

1. Providing an escalation point for project / client related issues
2. Participating in the project / portfolio prioritization process
3. Ensuring project priorities within the program are appropriate
4. Communicating business risks, issues, and other pertinent information to internal staff
5. Communicating interim or changing customer needs to internal staff
6. Acting as a conduit to deliver project related communications to the client
7. Ensuring the greatest benefits for clients by delivering services as a coordinated program

This program management aspect becomes pertinent as we consider moving forward with a PMO, as supporting the needs of this Program Management / Account Management group should not be overlooked as an important customer for the PMO's services.

3. **What skills are needed to manage a project?**

While truly unique projects, such as product development, IT infrastructure, construction, event and other one-time only endeavors often require the full

breadth of skills typically provided by an archetypical PM, these skills are largely unneeded for certain types of projects. These traditional PM skills needs are based on the 'unique' project context, which focus on the ability to manage the often fluid 'project constraints' of cost/resources, time, quality, and scope. However, in some cases these projects constraints are largely fixed or simply not managed at the project level.

4. What else is required within the project delivery context?
Other key components in the archetypical project managers tool-box include Communications Management, Human Resource Management (such as team building, influencing, and needs-based interaction skills), and Project Procurement Management. These skills are widely recognized as useful and important for effective project delivery and for the development of staff for ever-increasing responsibilities. However, in some cases the need for these skill areas may also fall to others within the organization.

While these typical PM skill sets are considered to be at the core of any project management function, these areas do not directly support requirements typically stated from executive management. When evaluating the value of a PMO, executives are looking for reliable data, reporting, and metrics that answer basic questions: What is the status of a project? Is it on schedule? Do we have enough resources to meet the schedule? When will it complete? Can we add new project X? What will the impact be to other projects?

The ability to effectively answer these questions on a consistent basis relies on the ability of the PMO and its staff to effectively plan, schedule, and maintain project and resource data within the context of resource constraints, customer behavior, and other internal and external factors. This capability is at the heart of an operational capacity to forecast project delivery schedules, monitor and manage resource capacity and demand, and react to changing business priorities.

PMO Functions
Given this context, what type of PMO makes sense? There are many services and functions a PMO can provide. While more granular capabilities are often defined, these functions fall into 5 independent categories:

1. Monitoring and Controlling Project Performance
2. Development of Project Management Competencies and Methodologies
3. Multi-Project Management
4. Strategic Management
5. Organizational Learning

These functions have no direct correlation to the types of PMO an organization may endeavor to deploy, but rather server as an overlay of capabilities that may be employed to achieve organizational objectives.

PMO Models
There are also several models that are typically considered when planning to implement a PMO. Excluding Project or Program level PMO's which focus on delivering a specific project or set of related projects, 'enterprise' or portfolio level PMO's most often fall into one of the following categories.

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1. **The Policing PMO**
   The Policing PMO is the type most often sought when projects are out of control, resources do not respond to changing business priorities, managers are either unable or unwilling to take responsibility for department efficiency and output, and / or organizational cultural conditions dictate that managers protect their resources and agenda's from outside interference, including projects owned by other departments.

   This type of PMO is inevitably doomed to failure, as it is typically driven from a desire to fix inherent management problems, is almost always driven from the top down in an effort to get visibility to project and resource status, and is soon undermined by middle managers and others who view the required transparency and open communications as a threat. This type of PMO will languish sometimes for several years, attempting to collect project data, develop reporting and analysis, and attempting to prove to department owned PM's and functional managers that these efforts will be for the greater good.

2. **The Hands-Off PMO**
   The Hands-Off or 'Consulting' PMO, often referred to as a Center of Excellence, has no direct responsibility for projects or project personnel. Most often it is charged with developing and maintaining a standard methodology, and providing a portfolio reporting framework. It does not have any PM's report into it, has little or no direct influence on project owners, and therefore has little chance of ensuring compliance with the methodology or reporting requirements.

   These PMO's are sometimes in place for only a year or two, often providing one or more of the core PMO staff as 'loan-out' project managers when a critical project arises, and is usually deemed irrelevant within 2 or 3 years and disbanded.

   Conversely, these PMO's may also thrive and provide value, albeit intangible, as a resource to project managers and others through the development and communication of project management best practices, supporting the PM 'sub-culture' by delivering guidance, coaching, knowledge sharing, and mentoring services to the organizations PM community.

3. **The Portfolio Management PMO**
   The Portfolio Management PMO has grown from the need to manage the enterprise project portfolio from a strategic investment perspective. The ability to funnel, analyze and assist upper management to select from a plethora of ideas and projects for investment in the context of limited budget and resources is the primary focus of this type of PMO.

4. **The Monitoring & Enabling PMO**
   The Monitoring and Enabling PMO is perhaps the most difficult to build and the most valuable when implemented effectively. This PMO has the dual responsibility of monitoring and reporting on project and portfolio progress and resources, while providing substantive assistance to PM's and others to deliver projects within agreed upon parameters, usually cost and / or schedule. This PMO, therefore, is charged not only with collecting and analyzing project data to support management's needs, but also with supporting the project managers in managing and delivering that information, and producing successful projects.

This type of PMO cannot function properly without the ability to provide several key roles and services.

   a. A deep understanding of the business project domain including the ins and outs of delivering projects in the organization
   b. Access to a Project Management Information System (PMIS) for data collection, analysis and collaboration tools
   c. Direct authority over PM's or at least dotted line authority including regular input to all PM's personnel reviews
   d. Expert resources that can fill gaps in PM knowledge, typically in the use of scheduling software and collaborative communications technologies.
   e. Other skill augmentation areas that may include project cost management, contract management, process engineering, or business domain driven capabilities if needed.

This type of PMO will also have a much stronger level of authority, most often in the areas of resource allocation and planning, project prioritization, and project state and change control.

There are, of course, variations and permutations of these PMO models, most notably those that lean towards a project or program level PMO with direct responsibility for the delivery of special projects and larger programs. The other primary variable is the reporting line of PM's, which most commonly fall at either end of the spectrum, with either all or none of the organizations PM's reporting into the PMO.

PMO Performance Variables
Underlying these functions and models are several key performance variables that will influence the effectiveness and overall business value of the PMO. Though not an absolute indicator, the variance in these factors usually has an impact on the value realized from the PMO.

   ► Percentage of projects within the PMO's scope
   ► Percentage of Project Manager's within the PMO's scope
   ► Decision-Making authority or influencing level
   ► Supporting organizational culture
   ► Project Management maturity level

In general, the greater degree to which these factors are in place, the more successful the PMO is likely to be, as these factors are both circular and mutually reinforcing in nature.

Observations

A company, its employees and clients are best served by pursuing a PMO which supports and matures those capabilities critical to aligning with the overall goal of demonstrating organizational commitment, developing appropriate 'PM' competencies, and standardizing processes and methods to deliver greater predictability and efficiency in project and portfolio delivery.

While there are many factors that will have an impact on the overall effectiveness of a PMO, including developing and maintaining core PM competencies, the following focal points should be considered as well:

► **A Formalized PMO Charter**
Authorized and communicated by senior management describing the objectives and purview of the organization as well as the business value expected as a result.

► **Deployment of a PMIS / EPM System**
The overwhelming need to deliver actionable data to senior management in a timely manner makes the ability to automate and streamline reporting an essential component. If the executive team is unable to rely on the PMO for reliable project portfolio data, the value assessment of the PMO will almost certainly deteriorate significantly. Moreover, the volume and volatility of this data invariably makes it a significant challenge to maintain and support the informational needs of the varied 'customers' of portfolio data reporting services in any other way. While steps must be taken to ensure the deployment of such a system is well balanced in terms of complexity and value, EPM system deployment is most often successful when executed with an experienced implementation partner.

► **A Staff Development Program**
Focused on developing project and resource scheduling skills as the most common skill gap, the program should prepare staff for taking and successfully achieving one or more of the following industry recognized professional certifications.

- **Microsoft Certified Technology Specialist (Managing Projects)**
  Including preparation for Exam 70-632 - Managing Projects with Microsoft Office Project 2007 (Or Project 2010 equivalent)
- **Project Management Professional (PMP)**®
- **Certified Associate in Project Management (CAPM)**®
  Including preparation for the PMI CAPM Certification Exam
- **PMI Scheduling Professional (PMI-SP)**®
  Including preparation for the PMI-SP Certification Exam

These certifications will serve to provide a career development opportunity for BA's and burgeoning Project Managers, enhance internal skill levels, and perhaps most importantly provide clear business value with a demonstrative, competitive distinction when marketing the PMO's services capabilities.

► **SOP's & Procedures**
In order to pursue the stated goal of codifying best practices, some effort should be given to the creation of a company specific 'PM Handbook.' This collection of standard operating procedures, guidelines, checklists, and other actionable information can be used as an internal standard for the execution of projects, new-hire training, and process adherence including practical, applicable PMI standard best-practices tailored for the organization.

By formally chartering the PMO and moving forward with a focus on staff development, professional certification, codification of project delivery processes and procedures, and deployment of a PMIS / EPM System, the PMO will be positioned to deliver discernible commercial business advantage over the long-term and deliver tangible value to the

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organization and its leadership, establishing itself as a key contributor to the overall success of the enterprise.

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