



Extracting value from your PMO investment

By Karen Tregaskis, Managing Partner, Tregaskis Brown

Karen has written about the successful implementation of digital project portfolio tools aimed at those who are leading, managing or working in a PMO, which is also available on our website. This article is written for executives about how they can extract value from PMO investments. This article is an excellent companion piece to Karen's discussion in the short video titled 'PMOs – the good and the bad', which is also available to view on our website.

WHERE IS THE VALUE?

Organisations make a substantial investment in their Project, Programme or Portfolio Management Offices (PMOs) from which they expect a range of benefits. Given the scale of this investment, the executive team is right to be concerned when the PMO asks for increased resources, but appears unable to demonstrate the results achieved.

At Tregaskis Brown, we have become increasingly aware that this real or perceived lack of demonstrated value may lead to a decision to downsize or remove the PMO function altogether. In our view, this approach might be a very costly mistake. Rather than ditching the PMO when return on investment is not demonstrated, we believe the organisation should clarify the expected benefits for the PMO – and then insist on those benefits being delivered and proven.

MEASURING SUCCESS

PMOs, by their very nature, *should* be experts at describing the benefits to expect from the organisation's investment, and ensuring those benefits are delivered. Yet many appear to genuinely struggle to do this. We have observed two possible causes of this problem:

1. Current project and programme performance is not well understood or objectively measured. Therefore, the areas identified by the PMO for improvement are more about guess work than real fact.
2. The case for investing in a PMO is not well made, therefore the rest of the organisation sees no real need for it. The PMO becomes an agent for compliance, rather than an agent for business improvement.

METRICS TO CONSIDER

It's best to seek value from the PMO in stages, based on the current project and programme performance and maturity within the organisation. Some of the benefits you could expect to see from an effective PMO include:

- Sound prioritisation and well-informed decision-making because the PMO provides a clear reliable view of organisation project and programme performance
- Faster delivery and lower overall costs of project and programme delivery
- Reduced cost of project and programme resources
- Reduced turnover of skilled project and programme professionals with subsequent reduction in recruitment, induction and training costs
- Improved stakeholder and/or customer satisfaction



- Increase in predictable delivery. Time and cost overruns and failure to meet quality expectations become the exception. *Note: Research indicates that over 50% of all projects currently fail to fully deliver as planned.*¹

GETTING IT RIGHT

We don't pretend to have all the answers, but we do have some thoughts about how to extract higher value from your investment in a PMO and like most successful business improvement, it all starts at the top.

First principles - establish the mission.

Every function or group within a business performs much better when they have a clear mission and mandate. Yet many PMOs don't seem to have a clear purpose, mission or documented charter. It's not the document that matters, but a clear mandate for *why they exist in the context of the business*. If the executive team is not clear about what they need from a PMO, they are unlikely to get it.

Take time to focus on what the business needs from the PMO, this is critical to helping the PMO deliver. Then, as the business environment changes, review and change the mandate for the PMO as well.

Understand the needs of the business.

Senior managers in the business who are held properly accountable for project and programme success will be keen to have appropriate project and programme structures and support available.

Successful PMOs are tailored to meet the needs of the business. We are huge fans of methodology and practice that is consistent with well-regarded models, but only if these are tailored to ensure business success.

Application of PMO theory, without business context, will not deliver better project and programme results or business improvement. It tends to create a 'project police' function.

If you act like the Project Police, all you will do is create project criminals

People in the organisation will practise resistance, avoidance or minimal compliance if they don't see direct advantage from PMO-led initiatives. None of this is helpful in terms of programme, project and business success.

We suggest that the PMO should be expected to demonstrate the value to the business of every change introduced; i.e. do executives, managers and project and programme managers in the business support the change? Can they see the value to be gained from the initiative? We know from experience that consulting well with the business *before* PMO-led change is implemented can be difficult and time-consuming. It is also *more likely to produce improvement that endures*.

BE FLEXIBLE ABOUT STRUCTURE

The PMO structures you put in place need to be designed to properly address the organisation's programme and project maturity and needs. Some PMOs work better as permanent structures within the organisation – like an enterprise portfolio office. Others are better set up as temporary structures – like a PMO to support a specific change programme. Some large organisations will have a mix of PMO structures in place at any one time.

We believe there is a strong case for a mix of employment arrangements to staff a PMO. The ability of the PMO to adapt quickly to changing business need may be reduced if everyone is a member of the permanent workforce. On

¹ The CHAOS Report 2009 (The Standish Group) stated that only 32% of IT projects surveyed in the US were 'successful'. A local NZ Survey by KPMG in 2010 stated that "50 percent of survey participants observed that their latest projects do not consistently achieve what they set out to achieve, and many projects performed poorly in at least one of the following areas – lack of timely delivery, cost (project runs over budget), or inability to achieve the stated deliverables"

the other hand, a PMO comprised entirely of contractors risks expediency and short term decision making. Every PMO should be established with these considerations in mind.

The type of leadership and management required will change over time as business demand and programme/project maturity increases – so regular review of the PMO structure is critical to long-term success.

A GREAT PROJECT MANAGER IS NOT A PMO EXPERT

Understanding the goal, and how to best structure and manage a PMO to meet the particular needs of the business, requires the right expertise and experience.

We've seen many organisations appoint good project managers into the role of PMO Manager only to find that the demands of the role are beyond the experience and skill of the person appointed. Unfortunately, those who don't succeed appear to fall back on process compliance - and take the PMO down with them.

Sometimes the perceived 'seniority' of PMOs with regard to project and programmes gets in the way of common sense when it comes to value, and in particular, salaries. If you have a fabulous Project Manager who can safely deliver highly risky, complex and demanding projects, why not incentivise them to keep on delivering? In many sectors (e.g. health), there are many professionals who are paid more than their managers. The fact that a PMO Manager may have broader responsibilities and regular interaction with the executive team doesn't necessarily mean they should be paid more than an experienced Project Manager who consistently and successfully delivers complex, high risk projects.

BEWARE 'BEST PRACTICE'

We have become increasingly wary of the term 'best practice.' It implies that 'if you don't do it this way, you aren't doing it right' and that what works in one business will also work in another.

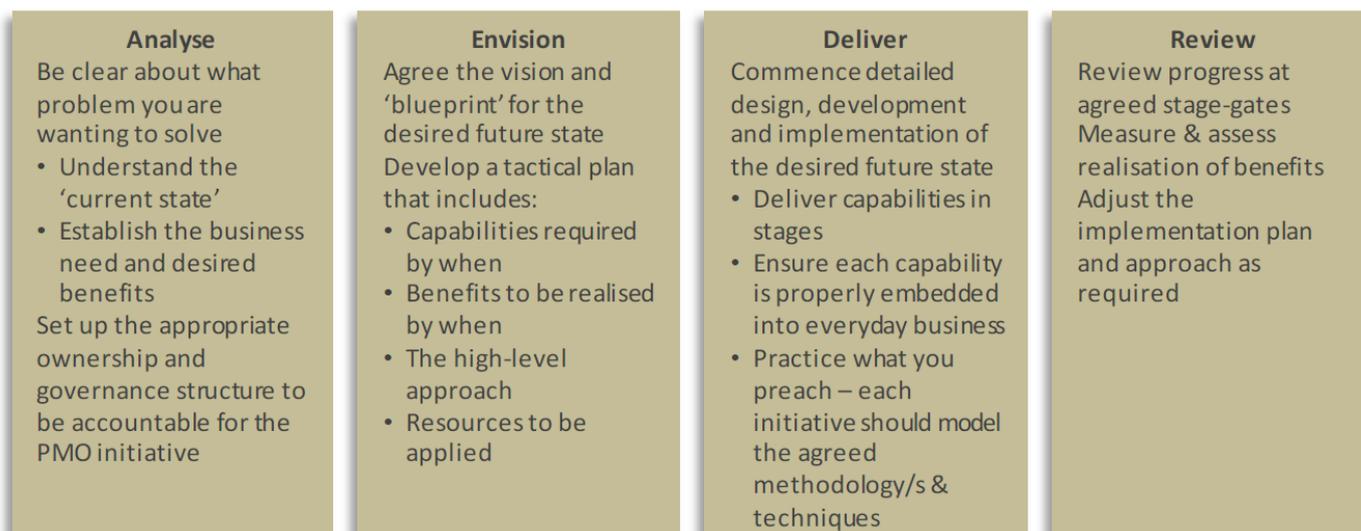
Knowing what has worked in other organisations is useful, as is having a sound theoretical understanding of PMO methods and proven good practices. However, being able to apply these lessons appropriately to a business, within its current context, is where the real expertise and skill lies.

Don't be bullied by 'best practice', be influenced by 'what works'

USE PROVEN BUSINESS IMPROVEMENT AND CHANGE TECHNIQUES

Refreshing or implementing a PMO requires good management of change to succeed. PMOs are not about techniques and templates. It is skilful and determined leadership and management that will deliver the programme and project maturity your organisation needs to support business success.

An implementation approach, loosely based on MSP™, may look something like this:



Activities required to deliver this approach may include:

- Analysis and evaluation of programme and project performance
- Organisational portfolio, programme and project maturity assessment
- Establishing and maintaining effective working relationships with all the key stakeholders and business leaders
- Developing and implementing, or aligning, appropriate systems, tools and processes
- Educating and coaching line managers, project and programme managers
- Providing reliable metrics and strategic advice to the governance group
- Providing reliable programme and project assurance
- Interpreting changes to the business environment or context and adjusting the PMO activity accordingly
- Developing, managing and coordinating project and programme management resources (employees and contractors) across the organisation.

SUCCESS DOESN'T HAPPEN OVERNIGHT...

Establishing and maintaining mature PMO functions within an organisation will not be achieved quickly. However, worthwhile benefits should start to accumulate along the way – even within 12 months some business improvement should be evident. This will only happen if the executive team are relentless in their desire to extract real business value from their investment in the PMO.

IF YOU'D LIKE TO TALK MORE ABOUT WHAT MIGHT WORK FOR YOU, PLEASE DON'T HESITATE TO GET IN TOUCH...



About the Author



Karen is the Director and Managing Partner of Tregaskis Brown, which she was instrumental in establishing in 2002.

Karen is a sought after advisor to executive teams on the governance and effective control of major programmes of change. She is valued by her clients for her ability to challenge their thinking and encourage fresh ways of looking at strategic issues.

Key clients have relied on Karen's expertise to re-design corporate and change governance models, improve the quality of investment governance and management, develop effective strategic and business plans and review underperforming areas of business.

Karen is one of New Zealand's most experienced accredited ILM (Investment Logic Mapping) facilitators. She is known for her pragmatism and commitment to finding solutions that are right for the client.