



Better, Faster & More Efficient Is Within Reach: How High-Impact PMOs Drive Operational Excellence

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If Magic Bullets Existed . . .

As companies around the world face tight markets, intense competition and constant pressure to operate better, faster, and more efficiently, it's no surprise they seek so-called "magic bullets" to help them navigate an almost unprecedented set of challenges. While nearly every executive on the planet and most management gurus agree magic bullets do not exist, there is a hugely undervalued and frequently overlooked resource already in place at many organizations that possesses many of the qualities typically associated with the mythical ammunition. In other words, many companies and public sector organizations could **make better decisions, improve the productivity of their people, shorten timelines, "operationalize" strategies more effectively, and boost returns on all investments** if they simply made better use of a single entity they already have. Organizations currently without this entity could establish one quickly and at relatively low cost.

That entity, or asset, is a Program Management Office.

Okay, we recognize that Program Management Offices (PMOs) aren't nearly as sexy as business process re-engineering, *kaizen*, total quality management, software-as-a-service or other hot management and technology trends. Indeed, it's the unglamorous nature of PMOs that causes otherwise broad-minded and forward-looking executives to so often overlook their value.

But, in our experience, there is no doubt that a high-performing PMO adds value to everything an organization does. PMOs can generate immediate value in the form of lower costs and faster completion of existing projects, and provide useful operational guidance and support as organizations seek transformation for sustainable, long-

term success. In combination with effective portfolio management and skilled project management (two related disciplines), they can help companies avoid big strategic mistakes, minimize the impact of operational missteps and ensure every dollar they invest is linked to the corporate vision or specific strategies. Doing the right projects in the right way with the right people using the right tools – that's not just the definition of high-performing PMOs; it's also synonymous with overall business success.

Organizations without PMOs have an opportunity to start from scratch, and to build them from the ground up, applying a growing list of best practices and lessons learned. Organizations seeking to turn around under-performing PMOs should start by reorienting staff, strengthening strategic alignment and deploying proven processes, tools, templates and workflows.

This *Infinitive Insight* will outline the value of PMOs, the role they should play in the overall management of successful organizations, and why they are worth the effort to establish.

PMOs are more important today because organizations invest in a variety of projects – new product development efforts, upgraded technology, mergers or organizational restructurings, process re-engineering, etc. Therefore, they need to understand how all these projects fit together and affect each other. It's not enough to just get them done individually, but to maximize their value as a whole. And companies which have thinned out their workforce need dedicated "units" like PMOs to establish this far-reaching and systematic view of their project portfolios.

Defining Our Terms

Program Management, Project Management & Project Portfolio Management

PMOs have become more prevalent in recent years as organizations come to realize the impact of underperforming projects. The name applies to a wide range of entities, with different charters, structures and sizes. In fact, a PMO can be almost anything. Part of the confusion stems from the close link between PMOs and project management, as well as the related discipline of project portfolio management. To clarify, here's how we see these each of entities playing a unique role in the organization:

» **PROJECT PORTFOLIO MANAGEMENT (PPM):** the overall selection, prioritization and management of the full range of projects organizations undertake; the goal of PPM is to ensure a corporation is doing the right projects by measuring and evaluating all the projects currently underway or being planned.

» **PROGRAM MANAGEMENT:** focuses on the efficient and effective delivery of key strategic programs, ensuring that organizations get projects, programs and change initiatives done in the right way; PMOs handle a range of tasks and include expertise in project planning and management, financial analysis, risk management, communications and decision support; they are also notable for driving standard templates, workflows, reports and tools.

» **PROJECT MANAGEMENT:** focused on the efficient and effective delivery of individual projects; project managers for individual projects can report up to PMOs or operate independently.

The most successful organizations excel in all three of these areas. Collectively, they equate to operational excellence (better, faster and cheaper performance in everything a company does) and strong strategic alignment (the organization invests in and executes its big-picture goals and vision).

What's Wrong with Your PMO

Many established PMOs are largely administrative entities that are underutilized and thus do not fully realize their potential. To some extent, this is true because program management is an emerging discipline. Its standards and best practices are just being formalized and captured. In fact, a recent study from the Project Management Institute highlighted the issue, citing a "lack of consensus on many critical aspects of PMOs and the need to articulate guidance" for this important area. It's a problem because as many organizations become more reliant on projects and special initiatives to drive important changes within their businesses, a huge number of projects – between 40-70% depending on which study you find most credible – fall short of their expected value or fail outright.

The standards gap is just one reason why many PMOs don't deliver the expected value. Others include:

- **Narrow Charter:** Individual PMOs are assigned to single projects, greatly limiting visibility across projects and missing out on opportunities to leverage skilled resources. Siloed PMOs have the same fundamental problems as siloed business units or functional areas.
- **Reactive Mode:** Many PMOs simply report the status of various projects, instead of playing a more proactive role in driving projects forward, identifying and mitigating risks, spearheading issue resolution, and enforcing standards across projects.
- **Inadequate Staffing:** A single overwhelmed project manager is expected to handle everything project-related.
- **Skills Gap:** Project managers lack the requisite financial management, analytical or communications skills to lead projects.
- **Lack of Authority:** PMOs are passive, with no influence over key decisions.

While organizations can and should make minor modifications to the structure and role of their PMOs, it's important to note that top-performing PMOs share a few

common characteristics: they are staffed with the right people, using proven processes, automated tools and reliable data, who are accountable for delivering multiple projects or single, massive, cross-functional projects on-time, on-budget, on-strategy and in a synchronized, coordinated fashion. See “*Know Your PMO*” sidebar.

Know Your PMO

Wondering if your PMO is a high-performing entity? Here’s a checklist of qualities:

- » Highly empowered, accountable and authoritative
- » Has oversight and influence over multiple projects or a single, large “mega-project”
- » Has standardized approach and tools for critical processes and tasks, like requirements definition, project launch, project gate reviews, reporting and performance reviews
- » Can provide ready access to project status and progress against goals
- » Appropriately staffed and resourced, either by internal resources or external consultants
- » Includes a wide range of skills and expertise, including project planning and management, financial and operational analysis, communications, change management

7 Ways PMO Create Tangible Value

So what exactly does a high-performing PMO deliver? In other words, what’s the business case for developing a new or strengthening an existing PMO? The benefits come at several levels, described below.

1. ON-TIME, ON-BUDGET OUTCOMES: First and foremost, effective PMOs improve the performance of individual projects, and thus the overall portfolio, by staying on top of key milestones and re-enforcing project management best

practices. The value is that more projects are completed on-time and on-budget. (They also help promote “on-strategy” completion of projects, a point on which we elaborate below.) Further, they greatly reduce the risk that projects will take on a life of their own or become “zombie” projects that refuse to die.

On-time and on-budget sounds so easy that it’s a wonder so many companies struggle to pull it off. The key is to combine hard, quantifiable milestones with repeatable review processes and a series of tiered “go/no-go” decisions on the future of projects. This is how to save good money from being thrown away after bad projects go hopelessly awry. For projects that are making sufficient progress against timelines but trending over budget, such review processes can offer the opportunity to modify resource allocation or adjust scope to keep ROI targets within reach.

High-performing PMOs hold down opportunity costs, too. By minimizing delays in delivery, they reduce delays in value creation and can ensure necessary resources and investments are reallocated as quickly as possible once projects are completed.

Even good projects run long or go over-budget. It happens. But effective PMOs make good projects great, and prevent bad ones from becoming full-blown catastrophes.

2. BETTER ROI FROM CHANGE INITIATIVES: Of course, it’s not enough to simply keep projects on-time and on-budget. The goal for some projects is to deliver tangible, sustainable improvements, like lower operating costs, greater efficiency or improved customer service. A few will be undertaken to deliver fundamental transformation, like shifting from a product focus to a service focus, or greatly increasing operational agility. See “*High-Performing PMOs in Action*” sidebar. The point is, effective PMOs go beyond on-budget and on-time project completion to the more compelling value propositions and breakthrough performance gains – like quicker time-to-market for a re-engineered product development process or full automation of order management from new technology implementations. This is how PMOs help companies more

actively engage and harness the power of change through the successful execution of multiple projects aligned to achieve larger program goals.

Specifically, by clearly defining and validating target benefits, identifying and ranking potential risk in terms of impact and likelihood and carefully tracking and reporting on milestones and outcomes, PMOs create a disciplined framework for managing change. In our experience there is a direct link between this level of detailed insight and the speed with which organizations realize the benefit.

High-Performing PMOs in Action: Fortune 500 Internet Pioneer

Migration to a new advertising platform amounted to a “bet the business” change initiative for the largest Internet service provider in the U.S. The company’s ability to grow in a highly competitive market hinged on successful execution. Specifically, it had to coordinate multiple workstreams and manage process, technology and organizational dimensions to ensure a smooth cutover and full adoption of an entirely new way of doing business.

A PMO was implemented to drive the project forward against specific benchmarks and milestones. New tools were developed and deployed to capture and manage project risks and issues, control scope changes and assess performance data. Because new processes reached across departmental and functional boundaries, new reporting, communication and decision-making lines were established. In the end, the project was a huge success – the company generated record revenue growth, reduced operating costs and fully realized its ROI targets. Plus, it gained long-term strength in program management to be applied to future performance improvement initiatives.

3. STRONGER STRATEGIC ALIGNMENT: Strategic alignment is one of those simple and powerful concepts that everyone agrees is a great idea, but few organizations actually manage to do. Why is that? For one thing, it’s a deceptively simple idea, and easy to forget when making decisions about resource allocation or project investments. In this sense, effective portfolio management sets the tone, and PMOs reinforce the necessary links to corporate strategies. It’s an especially useful skill set for organizations seeking to operationalize new visions or missions – a particularly useful skill for organizations embarking on long-term transformation or taking on new leadership. Similarly, it can help organizations focused on growth prepare themselves to handle the operational challenges that may result. See *“High-Performing PMOs in Action” sidebar*.

The key is to continually define performance metrics, align specific deliverables and allocate resources in such a way that translates – proportionately and in aggregate – to organizational objectives and differentiation strategies. Thus, companies seeking to be a low-cost provider won’t likely engage in expensive branding campaigns or the richest customer experience. Conversely, a company focused on service will invest more in training its personnel. Again, this sounds self-evident, but too many organizations fail to translate this idea into actual budgets and decisions. PMOs can help.

4. SMARTER DECISION MAKING: For many organizations, the failure to manage programs effectively is an outgrowth of sub-par decision-making processes and routines. In some cases, common metrics and reliable data for measuring performance are not readily available. Stakeholders may use their own information to support their favored course of action or protect their fiefdom. In other cases, there are few, if any, established points or structures to make necessary decisions about resource allocation, killing off projects or changing direction.

A culture of “management by instinct” reigns at other companies, with critical decisions made based on an executive’s “gut feeling” or, worse, wishful thinking.

Anecdotal evidence and past experience are as important as raw data and factual evidence. Relative to certain projects, a reluctance to admit defeat, take responsibility for previous mistakes or concede bad decisions made in the past, prevents some executives – or executive committees – from killing off or adjusting ailing programs. This is where human psychology and emotion become obstacles to effective leadership.

Compare these situations with effective PMOs, the best of which are notable for their commitment to data-driven, fact-based decision making. Clearly defined, quantifiable metrics and rigorous methods for analyzing program and project performance ensure that all stakeholders understand program and project triple constraints (scope, cost, schedule). Simply deciding in advance exactly how programs will be measured and where the thresholds lie can disarm political battles and neutralize cross-channel conflicts. Instead of ad-hoc and reactive decision making, performance management for projects should be a formal process – with PMOs providing standard reports and communication channels, financial pro formas and project “P&Ls.” There should be regular meetings attached to milestones or business cycles to actually make decisions. That’s how companies can become confident they have accurate insight into project ROI and value creation.

5. REDUCED RISK: At some organizations, when executives and managers think about projects, they think first about incessant scope creep, a steady drip of change orders, and budgets that spiral out of control. Even the worst-case scenarios – multi-year implementations of multi-million dollar systems that end-users never fully adopt or won’t integrate with enterprise platforms – are too well known. These nightmares usually occur as a series of small bad decisions or seemingly minor oversights accumulate into huge, nearly insurmountable challenges.

Imprecise business and technical requirements; inadequate risk analysis; poorly understood dependencies; lack of scorecards or performance review mechanisms; little or no communications, training or change management to support initiatives – while none of

these alone necessarily doom a project to failure, collectively they add up to a high likelihood of sub-par performance.

So how to avoid these scenarios? One, you create a disciplined process for the entire project lifecycle. Two, you establish accountability and make it the job of a small team (the PMO) to deliver. On the process side, a formalized approach for requirements definition, impact mapping and initiation ensure projects get off to a good start and fit well within the portfolio. These steps are not skipped or hurried because of a perceived need for immediate delivery. If you don’t have the time for these steps, you may not have the time to do the project at all. Or, you should factor in time to re-do the project in the overall plan.

Similarly, pre-defined “go/no-go” milestones and gates, standardized reporting and clear lines of accountability keep individual projects from going off the rails or damaging others. On the people side: because it’s the job of a small group of people to make sure projects are successful, fewer of them fall through the cracks, as often happens with projects that impact multiple functions or lines of businesses.

6. INCREASED SKILLS & TALENT: It takes more than strong, repeatable processes and effective tools for companies to excel at program management. People are a critical ingredient, too. PMOs can serve as a lab for developing the necessary skills and talents. It starts with an understanding of those specific skills – including financial management and analysis, project planning and management. A number of external groups now offer certification in various aspects of project management.

These curricula reflect, at a high level, the necessary skill sets for effective PMOs, though organizations may want to customize or extend them based on their unique needs and situation. External consultants may be able to “show the way” in terms of the human requirements of building a strong PMO. Some may even have the capacity to offer training or “build out” your PMO.

7. STRONGER, CLEARER LEADERSHIP: An underappreciated benefit of high-performing PMOs is their ability to promote and expand strong leadership. Specifically, senior executives can expand their reach, extend their mandates, and strengthen underlying cultures in line with long-term visions. By handling logistical matters and operational details, effective PMOs can also free up management time to focus on more strategic tasks and activities.

This requires leaders to understand and endorse the enabling best practices that make PMOs effective, and ensure that the PMOs themselves are a “central station” for important work and built for the long term. Specifically, only PMOs that are structured around formalized processes, standard workflows and regular communications, as opposed to ad hoc project management styles, can serve as strong leadership platforms. In other words, a disciplined, properly skilled and effectively positioned PMO can help leaders drive toward long-term transformation.

Conclusion: PMOs for the Long Term

Obviously, there’s no such thing as a magic bullet in business. However, in our experience, effective program management goes a long way towards providing the results so many companies seek when they go hunting for magic bullets. Those results are lower costs, higher efficiency and productivity, better ROI, and increased strategic alignment. Collectively, these qualities add up to “better, faster, cheaper” performance, and it’s somewhat ironic that the unglamorous PMO is the best means by which to deliver them.

In this sense, PMOs may be the best-kept secret of high-performing organizations. It’s a great way to strengthen execution, “operationalize” core strategies, and extend the high-urgency nature of critical initiatives to ongoing operations. Thus, it can offer a bridge to a high-performance culture that emphasizes operational excellence, accountability, visibility and an objective, data-driven management style.

High-Performing PMOs in Action: Leading Software Provider

If growth has a downside, it’s often when a rapid expansion outstrips an organization’s infrastructure and standard management practices. At a leading provider of learning software, sudden increases in customer activity and new products promised a big boost to the bottom line, but standard processes for performance review and decision-making cycles were at real risk of being overwhelmed. A PMO was established to coordinate insight and management across a suddenly diverse project portfolio.

Bolstered by outside resources, the PMO’s first tasks were to establish a consistent framework for managing projects. That required clearly defining milestones, timelines and precise scope for each individual project. Critically, PMO staff identified and mapped all project dependencies, so that issues in one wouldn’t unduly challenge others. Reporting and communications tools were standardized, as were organizational structures; that allowed the executives to focus their work, expending time and energy only on the projects most important to them.

In terms of PPM, the PMO defined criteria for robust cost-benefit analysis and developed business case templates for investment decisions so that future projects were funded according to their strategic importance and the current portfolio was properly balanced and prioritized. Overall, the consistent data-driven reporting, streamlined review processes and strong PMO structure offered immediate improvements in current projects, aligned the overall portfolio to key strategies and helped the organization realize its long-term vision.

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