# Extracting *Higher Value* from PMO and Projects.

## An RGP white paper.

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## Background

Organisations large and small are facing common challenges with existing PMO/Project capabilities particularly around poor initial planning and scoping, inexperience in managing large, complex, enterprise-wide programmes, lack of commercial awareness and ineffective resource management and prioritisation. Our experience shows that PMOs can sometimes be a project manager's worst enemy by being less 'enabler' and more 'audit or methodology police'. In some cases, the PMO is becoming less relevant as it has lost sight of the bigger, strategic picture and struggles to grasp business challenges and facilitate alignment to meet those challenges.

RGP hosted a Round Table discussion with a group of senior leaders and project professionals from some of the world's leading organisations to discuss some of these issues and causes and share their experiences and ideas to help others extract higher value from their PMO and Projects

**This whitepaper captures key themes and insights from that forum (supplemented by existing RGP client research) for wider circulation amongst transformation professionals.**

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EXECUTIVE
# Summary

The starting point of strategic value extraction from a PMO capability is a better definition of the mandate and the right level of sponsorship of the PMO itself. Taking time to focus on what the business needs from the PMO is critical in creating this mandate and helps the PMO deliver success.

Leaders define PMO as a capability or unit within the organisation that fundamentally exists to standardise and introduce economies of repetition in the execution of projects. Organisations often make the mistake of loosely referring to a group of Project Managers managing various projects as a PMO capability.

Leading organisations are starting to move away from heavy compliance, reporting, and metrics to higher value focus areas such as operational excellence, financial reform and transparency in decisions made. As a result of this shift in role, PMOs are being expected to subject themselves to the same types of performance measures they might require of a project or programme.

Use of creative models in the way the PMO is set-up, and operates, is helping achieve cost efficiencies and deliver predictability of success. And just like businesses have to constantly innovate, adopt and adapt, so do their PMOs if they are to continue to be a valuable business partner. This means evolution of newer operating models, catalogue of services and better ways to collaborate.

For PMOs to operate successfully, individuals with the appropriate skillsets and experience to manage it are a must. This necessitates cross-disciplinary experience within the team under equally strong PMO leadership. Also, organisational maturity is very important when trying to set up a PMO - it won't work if the organisation isn't ready for it.

Business leaders are focussing more on positive reinforcement as opposed to policing behaviours in getting the best out of the PMO team. PMO leadership and sponsors are also being rewarded for achieving success in attracting, retaining and developing high performing expertise and energy within the PMO.

**The following pages explore these themes in more detail.**

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## THEME one

The starting point of strategic value extraction from a PMO capability is better definition of the mandate and the right level of sponsorship of the PMO itself.

We observe that PMOs are struggling to define their organisational role and demonstrating their value, despite theory and "best practice" suggesting that PMOs offer a collection of benefits to organisations that promote them.

Effective PMOs have powerful support at the executive level, championing the value of project management and providing the PMO with both responsibility and authority. In cases where strong executive support has not been inherited since inception, then "recruiting" a sponsor consistent with the focus areas will give the PMO the greatest chance of success. For instance, this might mean having an operations focused executive from the functional area of the projects as a sponsor if execution excellence is a key focus area. Besides executive sponsorship, PMOs need meaningful leadership. In other words, someone who consistently promotes the PMO value and seeks out new opportunities to add value to the business using the PMO team. This leadership can change the perception of the PMO and its value in a very short period of time. Senior managers in the business, who are accountable for project and programme success, and keen to have appropriate structures and support available, can often provide this leadership.

In addition to the above, taking time to focus on what the business needs from the PMO is critical in creating the right mandate and helping the PMO deliver. As the business environment changes, this mandate needs review and change as well. Application of PMO theory, without business context, often does not deliver better project and programme results or business improvement and tends to inadvertently create a 'project police' function. And project policing usually creates project criminals!

## THEME two

"PMO" doesn't mean the same in every company or doesn't always manage projects directly. The value of a PMO can hence be less tangible or more subjective.

When it comes to criticism of the value derived from a PMO, a key root cause can be the definition of the PMO itself. Industry research confirms the abundant disparity in views and also the huge variation in the structures and roles of PMOs.

Leaders define PMO as a capability or unit within the organisation that fundamentally exists to standardise and introduce economies of repetition in the execution of projects. This could encompass all types of project support offices, programme management offices or enterprise project offices. Organisations often make the mistake of loosely referring to a group of Project Managers managing various projects as a PMO capability. As a result, stakeholders are often unclear about what to expect from a PMO and consequently, dissatisfied with its contribution to projects. In our view, a true PMO capability supports not just operational aspects of projects (implementation, benefits case management, resourcing and status reporting) but also strategic (continually improving project decision-making and governance) aspects related to the wider portfolio. PMOs should be independent of project managers and take responsibility of supporting project managers' efforts by educating and selling the value of consistent project management processes within the business.

In order to reduce the level of subjectivity around value being provided to the business, it is critical for PMOs to work with project managers in deploying and measuring value through organisation-wide metrics for individual projects, project management in general, and for the PMO itself.

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## THEME three

The principal transformational challenge to achieving PMO value is the need to adapt and measure its activities against the needs of an ever-changing business.

Leading companies are fast turning into *advanced users* of the PMO as a powerful tool for better decisions, information, and execution. They have a vision of what the fully functioning PMO will look like two and five years out and are increasingly turning the PMO into a change agent regardless of the business function of the projects in question.

It is interesting to see these companies moving away from the old project management obsession with heavy compliance, reporting, and metrics to higher value focus areas such as operational excellence (e.g. increase in user satisfaction), financial reform (e.g. reduction in cost as a percent of revenue) and decision transparency (e.g. percent of projects subjected to structured decision analysis or spending eliminated due to prioritisation in a portfolio). As a result of this shift in role, the PMO should be willing to subject itself to the same types of measures it might require of a project or programme.

This new world requires a new way of working. Sadly many PMOs see it as their mission to ensure that all projects fit into the signed off agreed methodology and go to some lengths to "shoehorn" them all in. This may not always be in the organisation's best interest. Too many restrictive rules or too much guidance hampers top performers. Progressive PMOs espouse flexibility (look at each project, listen to the reasons for deviating from the method and make an informed decision and waiver part of the methodology if warranted) as long as suitable governance is being maintained and the project is not a risk.

## THEME four

Use of creative models in the way the PMO is set-up, and operates, is helping achieve cost efficiencies and deliver predictability of success.

Experienced business leaders suggest that the first step in choosing a PMO model complementary to the organisation is to understand how the PMO will fit into the organisation's culture and also consider historical models of successful major change initiatives (authority, advocacy or grass-roots enthusiasm). A "command-and-control" type culture will probably respond well to a centralised, process driven PMO with project managers reporting into it whilst a decentralised culture may potentially have better success with a PMO based on voluntary collaboration of project managers reporting into the business or functional units. An environment of highly technical projects with "experts" as project managers may have success with a "community model" in which project managers select PMO members, who then propose processes and tools, but do not execute projects. Some companies have created offshore capability or partnered with specialist firms (managed service) to have all projects managed and controlled by trained and experienced 'offshore mature' project managers which reduces costs whilst driving greater standardisation of implementation across their global operations.

It is important to note that PMOs, just like businesses, have to constantly innovate, adopt and adapt if they are to continue to be a valuable business partner. This means evolution of newer operating models, catalogue of services and better ways to collaborate with senior management and project managers alike.

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## THEME five

It is imperative to have a strong level of business expertise and cross-disciplinary experience within a PMO under equally strong PMO leadership.

For PMOs to operate successfully, individuals with the appropriate skillsets and experience to manage it are a must. To do more with fewer staff, you want a diaspora of skills and experiences that you can flex and leverage.

PMOs are not about techniques and templates. It is skilful and determined leadership and management that will deliver the programme and project maturity that is needed to support business success. PMOs have to move away from "kid-out-of-college" resourcing to bring in individuals with gravitas, change agents and former line project managers with experience.

However, before thinking about how to staff the PMO, it is important to understand the context in which it will operate such as what it is going to do (train and guide vs manage delivery) or the types of projects or programmes and kinds of professionals it will oversee. Once the PMO's operational context is established, it's time to think about size. It may be tempting to think that a massive organisation requires a massive PMO but bigger isn't always better. The typical size of a lean PMO is three to eight members. It may be best to recruit the core PMO members and have them help build out the rest .

When it comes to PMO leadership, the ideal candidate would be a senior person who fits the corporate culture, understands the technological and structural challenges that projects face, speaks the language of the IT team and has access to directors and stakeholders. The best leader will, more often than not, also be determined by where the PMO sits within the organisation.

## THEME six

It is important to create appropriate structures and mechanisms to incentivise and reward the PMO to support a continuous improvement culture.

The term *continuous improvement* when used in relation to a PMO is often centred purely around faster delivery and lower overall costs of project and programme delivery. This in effect means that rewards and incentives are determined on what is termed as "incentive contracting" i.e. positive (or negative) incentives agreed upon for succeeding (or failing) to deliver a project according to specified objectives.

Leading organisations focus more positive reinforcement and getting the best out of the PMO team. They are adopting multi-dimensional structures to appropriately incentivise and reward PMO teams. These include criteria such as *strategic value creation* (e.g. sound prioritisation and well-informed decision making because the PMO provides a clear, reliable view of performance measured by things such as a positive stakeholder satisfaction/Net Promoter score), operational value creation (e.g. reduced turnover of skilled project professionals measured by reduction in recruitment, induction and training costs) and *individual value creation* (e.g. for instance development of individual specialism in contract negotiations, purchasing, staffing or project methodology training should be considered reward worthy successes). PMO leadership and sponsors are also being rewarded for achieving success in attracting, retaining and developing high performing expertise and energy within the PMO.

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# Conclusion

So what can organisations do to extract higher value from their PMOs and Projects? Here are a few ideas as a starter for ten :

- Be clear about the business objectives for implementing a PMO. Secure organisation wide acceptance of the PMO being a strategic resource through clear and focused communications.

- Get the PMO involved in the planning of strategic initiatives, not just in their delivery. PMOs should also regularly challenge and refine the wider programme portfolio with senior executives.

- Consider increasing the number of project managers reporting to the PMO and the PMO itself reporting to C level. This will lead to a more consistent and effective application of project management practices.

- Make your PMO a true change agent by giving it responsibility for enterprise-wide development including coaching, mentoring and advanced training on leadership and business alignment.

- Engage the PMO in wider resource forecasting and capacity management activities along with HR to attract and retain the best talent.

- Convert key learnings to best practices using an institutionalised knowledge management process owned, and managed, by the PMO. Consider the input of lessons learnt into the project planning stage as a formal acceptance criteria to be signed off by stakeholders.

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RGP is a NASDAQ listed, global consultancy with a Big Four heritage providing a high quality, cost effective alternative to traditional consulting firms. We operate through 70 global locations and have worked with 87 of the Fortune 100 and over half the Fortune Global 500.

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**SANJ VALANJU**
Director, Finance Transformation
UK
o. +44 20 7422 4173
m. +44 (0) 7585 977 154
Sanj.Valanju@rgp.com

**VENKAT RAMASWAMY**
Practice Director, Information
Management Europe
o. +44 20 7422 7784
m. +44 (0) 7771 868 981
Venkat.Ramaswamy@rgp.com

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