



CC44

Focusing on stakeholder value - reinventing the PMO



Centres of excellence club



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Introduction

PMI research suggests that PMOs go through a three- to five-year cycle of change and a question worth exploring is why this might be.

PMOs exist to resolve problems for groups of stakeholders. The value that they generate is through the resolution of these problems. The difficulty is that once a problem has been addressed the PMO no longer has any value to its stakeholders. In short, to endure, a PMO must change and evolve if it is to remain valuable.

A key to assessing the value of the PMO lies in understanding the problems that need to be addressed and whose problems these are.

The 44th CofEe Club took as its theme: "Focusing on stakeholder value – reinventing the PMO". Our hosts were M&G Investments.

With a broad representation of both private and public sector organisations taking part - as well as a variety of experiences in developing change practices - discussion was lively and engaged throughout the day.

Historically, PMOs have been established to service the 'supply side' of change. That is to say, the projects, programmes and their sponsorship.

The focus of this community of stakeholders is on delivery, resource (financial and human) and the potential risk to these. How much work can be pushed through and in what areas the threats to this work arise are their key problems and these drive the questions they ask of the PMO. The services they expect to receive will therefore relate to these areas.

However, we are now seeing an increasing maturity and/or ascendancy of the 'demand side' stakeholders. This community's problems hinge around embedding the change in operations and ensuring the capture of the benefits. Consequently they value the PMO from the perspective of its ability to answer the questions of how close and how likely are the benefits? What are the threats to them and what support can be accessed to ensure their achievement?





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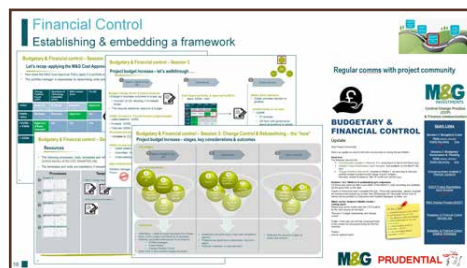
Journey from PMO to Central Change Practice

Mary Millar, M&G Investments

The analogy of a journey provided the back-drop for Mary Millar’s engaging presentation on M&G’s transition from a traditional Project Management Office to a Central Change Practice. Eighteen months previously the central PMO had comprised eight people who provided a control function of upward reporting to senior management. This was done in a theory x, process centric and abrasive manner. It was “there to do what was necessary at the time”; namely to provide senior management with the information on capacity and risks within the constraints. But this model was not assisting in change or leveraging any

value for delivery of the business cases that supported the portfolio. Without a clear value proposition, within six months, this unit had changed its title (to Change Assurance) and dwindled to two people. It was at this point that Mary set a new trajectory for the function. The fundamental insight that has driven this journey is that “...not being closely aligned with the business doesn’t assist you in delivering change...” It was this insight that led to a collaborative journey of continual development and improvement. Simplifying documentation and governance was one strand: an example

of which was the reduction of scores of formal documents to only three mandatory ones. However the real key was the engagement of the business and key stakeholders in the journey on the basis of what they valued; some of this has been technologically enabled, for example Yammer and on-line quizzes as engagement tools. The brand has shifted too, mirroring the needs of the business, to a Central Change Practice but, as Mary concluded “with continual improvement and development..your journey never ends!” <http://citi.uk/cc/44/MM>





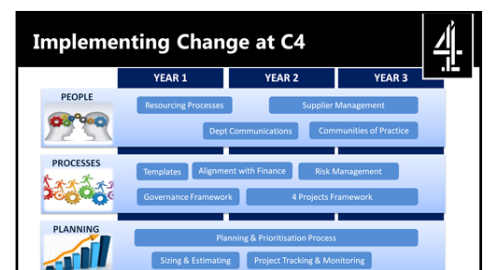
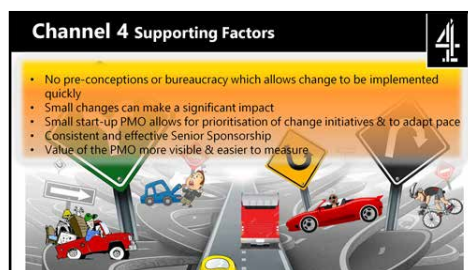
Driving Project Management Office Change

Sonia Sharma, Channel 4

Channel 4's IT PMO manager Sonia Sharma also described a journey in her vivid presentation that was both personal and corporate. Leaving Mars marked the beginning of this journey - moving from an organisation with mature and well-practiced control functions and processes, the challenge offered by the opportunity to develop a PMO on the 'greenfield' site that was Channel 4's IT department, all energy, creativity

and chaos, was a journey she readily embarked upon. Using an organiser of People, Processes and Planning, Sonia laid out a road map. Fearing that the early steps were possibly a bit too simple and small she was delighted and surprised by how rapidly and effectively they were assimilated and yielded positive results. It was not all plain sailing however and one of her key messages

was to take time and where necessary flex your planning in order to accommodate your key stakeholders – they must come on the journey with you. The particular techniques that she advocated were understanding the expectations of all the key stakeholders, identify the 'resistors' in operations (the real stumbling block to making improvements) and, finally, to keep thinking ahead. <http://citi.uk/cc/44/SS>





Value - a stakeholder perspective

Nick Dobson, CITI

In discussing PMOs, we need to take note of a further influential stakeholder in this environment; and that is the PMO itself. There is a significant choice to make. Should it reactively allow itself to morph and change in response to stakeholders' demands? Or rather should the PMO be active in leading the debate and in setting its own agenda and course? Given any specific problem or set of problems the job of the PMO is to render itself redundant. This is for two reasons: firstly there is the law of diminishing returns and which sets in rapidly. Most

people would recognise this as the Pareto rule. That is to say that 20% of the services that a PMO might offer to address a given problem will liberate 80% of the value that addressing the problem could realise. The question quickly becomes 'do you want to spend an increasingly large budget on rapidly diminishing rewards?' Secondly, the community itself (whether supply or demand side) that has had to adjust its behaviour (albeit under the guidance of the PMO) to address the problem, actually internalises the resulting processes and

behaviours which have worked to negate the problem and the role of the PMO therefore becomes redundant. This is not bad news. There will always be a "next, biggest" problem for the PMO to direct their attention towards. If manned by competent and enterprising personnel the PMO should find little difficulty in identifying the next most valuable problem to address and working out appropriate approaches. But this is the key to the earlier question of whether this should be reactive or proactive.

<http://citi.uk/cc/44/ND>

Inevitable change

PMOs change, cyclically over a three to five year period
(Source: PMI's PMO Pulse Report)

The business and the PMO?

The three stakeholders

- Strategy
- Markets
- Competitors
- Economics

Know where you're going

All PMOs should naturally work themselves out of a job.....

...but don't worry, there's always a next biggest problem.

Of course, the trick is staying ahead of the wave; knowing where you are going.

Rules and motifs

The three big rules:

- Keep an eye on your stakeholders and who is in the ascendancy
- Understand the problems coming at them in order to be able to proactively develop the function
- Know what decisions these key stakeholders will have to be able to make (and develop your services around these).

Workshops



Workshop one

Principles of lean governance and the PMO's role in ensuring these are applied

Ensuring that decision makers are well advised and decisions appropriately informed is one of the functions of many PMOs. However, this can lead to additional layers of governance and can delay the decision making processes.

Good governance is increasingly demanded by stakeholders, sponsors and external influencers, particularly within government departments and regulated sectors and this often sets the criteria for a PMO.

The governance of projects, programmes and portfolios should support compliance in these areas. However, if misapplied, additional or unnecessary governance on occasion leads to a bureaucratic, slow and expensive process.

Principles of good governance are that the process is a transparent and auditable one, the right people are making decisions and that there is an audit trail of activity.

Lean governance is focused on minimising overheads of governance and thus raising the agility of the initiative and return on investment in projects. This, however, requires a sound understanding of the complexity and difficulties facing each project.

The benefits of lean governance include the optimisation of investment and understanding why governance is important. This can motivate people to communicate better and understand the processes without too much bureaucracy, allowing sound decisions to be made in a safe way for the project and the organisation.

Within our groups, we collectively agreed that effective governance should:

- support efficient and effective decision -making by adapting it to the size and complexity of the project

- map the portfolio to hierarchy structure
- foster a culture of continuous improvement
- improve capability amongst the business areas allowing them to take responsibility and accountability
- develop coherent relationships within the project community
- add value to the management of projects and programmes

Ultimately, the understanding of governance and lean governance can be different within different layers of the organisation and it is important that there should be a common understanding throughout the project community on what governance is and why it is important – not to stifle but to guide and support the success of projects.



Workshop two

Portfolio orientation in project reporting; the PMO's function in achieving this

The workshop addressed the *PMI Pulse Report* concern that there is insufficient focus on portfolio reporting (PMOs predominantly focusing on project reporting).

The fundamental question was in what ways does reporting of portfolios differ from that of projects within your organisations?

The group initially seemed strongly to support the PMI assertion that there is little discrimination between project and portfolio reporting. The only differentiation between project and portfolio reporting seemed to hinge on the level of abstraction of aggregated information, published to management depending on their level of seniority. It was far from clear how this could be used to inform portfolio level decisions.

It also appeared to be a common theme that there wasn't a high degree of consensus over what portfolios were or whether they'd require any different reporting from projects or programmes.

Portfolio establishment mechanisms were discussed in terms of being collaborative between the affected stakeholders. However, after having agreed which project would constitute a five-year portfolio the assumption was that the constituent projects' benefits positions were a foregone conclusion and they simply required monitoring against resource utilisation to determine whether they'd need more or less than originally proposed. This delivery confidence reporting seems to be a 'scaled up' version of project reporting and, once again, it was far from clear how this would benefit management decision-making at the portfolio level. This was specially true as there was no effort to provide comparators against disparate benefits positions.

The group focused on what should be done more effectively and attempted to identify good practice:

- Measurement of benefit was seen to be key

- This necessitated stakeholders (or more helpfully the organisation) to clarify what is valuable to them.
- Key risk indicators, looking forward in terms of threats to the benefits, was felt to be something that the portfolio should focus on
- Business case focus and the capacity to balance benefits, costs and risks was also felt to be important (this would support the pursuit of a cogent portfolio strategy) but nobody had good examples of sound practice of this at the portfolio level.

The group also felt that it would be valuable to the organisation if the portfolio was explicitly related to the corporate hinge plan; however the reporting of this was still ambiguous.

JLP provided a number of interesting insights into their approach to portfolio reporting. Perhaps unsurprisingly, given the nature of the partnership, the portfolio governance structure does depend upon a consensus view between seventeen key stakeholders being achieved and maintained. It was recognised that this could give rise to individual project sub-optimisation but only for the greater good of the group and its cohesion.

In terms of reporting this group ensured that work in progress, particularly that spanning multiple projects, was related to strategic outcomes. Portfolio governance structure therefore was able to mandate areas of programme performance. Additional differences in portfolio reporting included an explicit differentiation of 'change costs' from 'capital spend' to ensure that the portfolio was bringing about the outcomes rather than simply delivering outputs.

Additional value was perceived as arising from thematic reporting, allowing the portfolio to make good the gaps and deficiencies in corporate processes and capabilities. There was also a fairly common

aspiration to identify and economise on the management of portfolio level risks.

Difficulties that the group perceived included prioritisation, particularly around stop/go decisions, because strategy often changes too rapidly to maintain a consistent view of the corporate priorities and the governance team is susceptible to overriding prioritisation mechanisms for 'political' ends.

More positively, there were several examples of effective differentiation of reporting at portfolio level giving rise to useful insights; for example, one organisation (presumably Agile-capable) was measuring velocity and throughput (key measures for a resource optimisation portfolio strategy). Equally, whilst business case reporting wasn't particularly helpful at the project level it was perceived to be valuable at the programme level and, potentially, for reporting upward on the portfolio (again important if the portfolio strategy hinges on benefits maximisation or risk minimisation).

There were also a number of examples of portfolio downward reporting to alleviate stresses at the project level which was felt to be valuable.

This group concluded by agreeing that the mis-direction of PMO resource to the wrong types of reporting or service did rob them of the opportunity to add more value.

Whilst there are several instances of good practice in differentiating reporting between projects and portfolios it is, as the PMI concluded, far from a mature and well developed discipline. Confusion over the differences between portfolios within programmes, corporate portfolios and discipline-based portfolios still persists as does ambiguity of the differentiated processes and governance structures they require. Whilst these misapprehensions persist there is little chance of effectively reporting what is required at the portfolio level.

Workshop three

The PMO's role in developing value systems and resources (business cases, capability

This workshop looked at the PMO's role in developing value systems and resources (business cases, capability and behaviours).

Ensuring that business cases align with the corporate value system/s and are able to measure or demonstrate a given level of achievement is vital to attaining strategic aims. The PMO can play a crucial role in this function. Either by assisting in their development or assuring those presented. Similarly the PMO can be instrumental in identifying and developing appropriate behaviours in terms of both competence and suitability. This poses a number of interesting questions:

The workshop explored how explicitly organisations viewed the value of PMOs and the importance of first ensuring the basics were achieved before layering

further value. Many felt that these operated as silos and that many suffered from poor definition and expectations. Senior management buy-in was also identified as a key consideration and its absence was recognised in a number of cases.

Mention was also made of how external political considerations affected many of the organisations and governed their approach. Understanding and even definition of the benefits was also explored as a theme and these were identified as often being unclear.

In assessing and matching capability to role participants in both groups reported that they had used online tools and found value in these. There was a danger that some matching has been led more by enthusiasm for new approaches and consequently these led to gaps in delivery as the resulting

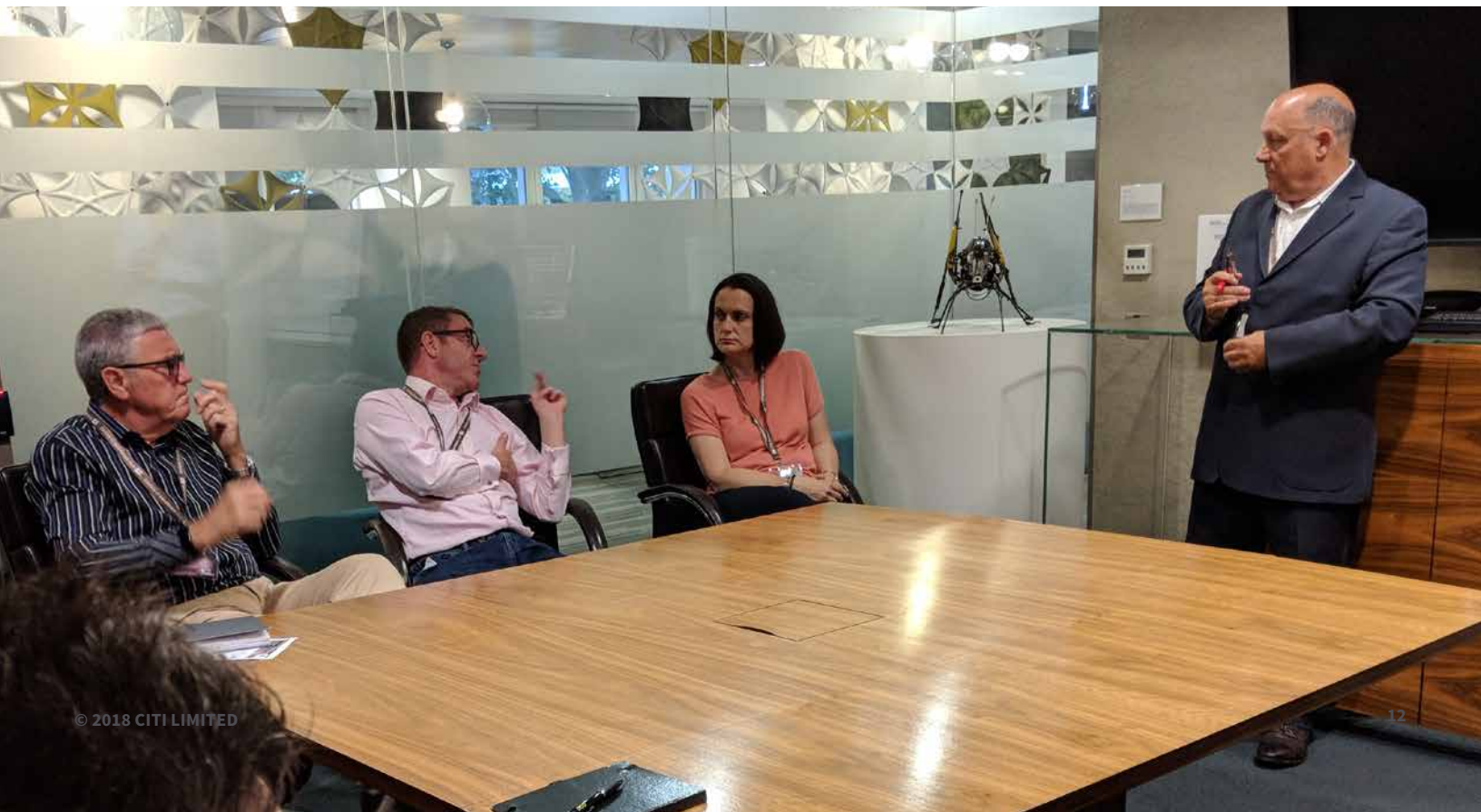
effectiveness was less where experience was not assured. More rigour was required in capability assessment and matching.

Continuing professional development was cited as a driver for refreshing aspirations of the PMO and participants commented on how sustained moves towards career development naturally militated against the one dimensional role of the PMO as a policing function.

There was a call for greater cross-pollination and effective lesson-learning.

Capability development was a key concern and participants identified a range of mechanisms, from courses, quarterly events and open days to learning apps and secondments.

The group also identified that successes should be both recognised and celebrated.



Summary

To maximize value to the organisation the PMO should be identifying the next problem it will need to address before the current problem is sufficiently resolved in order to ensure a smooth transition and maximum return on PMO investment. Understanding which stakeholders are, or will be, in the ascendancy (i.e. will bear the brunt of the responsibility for discharging the current and evolving strategy) is the first step. Once established, the next task is to work out which problems they will need to address and consequently what decision-making information and support services will be required. Once these have been clarified it is possible to determine what services to evolve and in what order.

In addition to ensuring maximum continual return on the investment in the PMO there are a couple of general 'motifs' for PMOs to operate against.

The first is to focus on the business and not the projects (or any other change delivery mechanism).

The second is to focus on analysis and stories - NOT on data and statistics. Remember that it is always worth asking how your PMO behaves towards its changing environment. If you would

like support in analysing this or if you have further views to add, please don't hesitate to contact CITI and speak to us.

Our next CofEe Club will be held in London in Autumn. The date and location will shortly be confirmed in discussion with our Centres of Excellence Advisory Board.

We will make decisions on the theme based upon feedback and wider consultation with participants and contributors. The events will continue to be free of charge to attend but as always we urge those

hoping to attend to register as soon as possible after receiving notification as the events are quick to fill.

Many thanks to all those who contributed to the day and, once again, we acknowledge M&G Investments' generosity in hosting such a rewarding day.



Richard Bateman

National Accounts Director





Thank you all for attending!

Engaging
Valuable
Interesting
Thoughtful
Value-add
Perspective
Insightful
Informative
Validation
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Cathartic Learning
Thought-provoking

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Story of firsts





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