Project Services Pty Ltd

SUPERSIZING PMO PERFORMANCE

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Dr. Lynda Bourne DPM, PMP, CMACS,
Director of Training, Mosaic Project Services Pty Ltd

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Introduction

Many technically competent PMOs are failing to maximise their value to their host organisations by focussing on technology, data, and processes. It is possible to transform the perception of the value of these PMOs from being seen simply as an 'administrative overhead' into a valuable and essential organisational resource, through appropriate communication and engagement strategies that provide effective support to the organisation at all levels.

To achieve 'supersized performance' the PMO is most effective when its structure has been designed by management to align with the maturity of the organisation. Maturity in this sense is the organisation's ability to translate business strategy to business benefit and competitive advantage through programs and projects. For its part, the PMO must recognise that project teams and senior management have different perceptions, expectations, and measures of success, and must customise its communication strategy to meet their different requirements. By using appropriate management and communication strategies, the PMO facilitates access to the information it needs, and has its reports and messages understood and acted upon. The relationship-aware PMO is trusted and relied on by both project teams and senior management, acting as an effective cultural translator between the two groups, and ultimately as a partner to senior management in achieving the organisation's goals. As a consequence, the PMO will be perceived to deliver exceptional value.

In its drive to achieve 'supersized performance' the PMO needs to be aware of its host organisation's current and evolving level of maturity and leverage its effectiveness by stages as it plays an increasingly important role in the organisation – helping the organisation to achieve success through its own successful participation in the business of the organisation.

This paper is organised as follows: firstly, a discussion of the nature and structure of PMOs as a means of support for delivering an organisation's strategic goals. The second section examines project/program success and failure and how this affects the organisation's success or failure in meeting its strategic goals. The third section describes two Case Studies to illustrate some common issues affecting PMO success within organisations, and finally a discussion of the chief enablers for delivering PMO value: communication and engagement, and how to build and maintain robust, dynamic, and mutually beneficial relationships between the PMOs and their constituents.

PMO Performance

Delivery of strategic goals through PMOs

Within many organisations, the three layers of project, program and portfolio exist independently and interdependently. A project is defined as: "A temporary endeavour undertaken to create a unique, product, service or result" (PMI 2004: 368); a program is defined as: "a group of related projects managed in a coordinated way to obtain benefits and control not available from managing them individually. Programs include elements or related work outside of the scope of the discrete projects in the program" (PMI 2004: 368); and a portfolio is: "a collection of projects or programs and other work that are grouped together to

facilitate effective management of that work to meet strategic business objectives" (PMI 2004: 367). Delivery of strategic business objectives through this layered structure is illustrated in Figure 1. The organisation develops a Vision, which is articulated as a series of Strategic Goals, which then become portfolios. Programs are established to achieve these goals; projects are authorised in line with these goals and generally organised within programs, normally to deliver one objective, or aspect, of the program's product, service or result that has been defined and aligned to achieve the organisation's strategic goals.

According to the PMBOK, the project management office (PjMO) provides centralised and coordinated management of those projects under its domain, while the program management office (PgMO) provides strategic and centralised support, "such that corporate benefit is realised by the sharing of resources, methodologies, tools and techniques, and related high-level project management focus" (PMI 2004: 369).
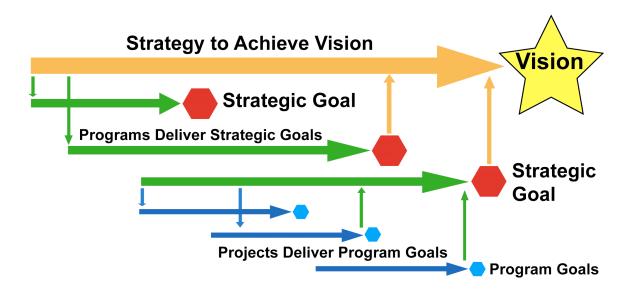

Figure 1 - The alignment of projects and programs to strategic goals

PMOs have been defined in terms of a continuum of maturity from 'project office' to 'centre of excellence' with functions that include, at various levels of inclusion and competency, support for: strategic planning; benchmarking and continuous improvement; training and mentorship for project managers; knowledge management in the form of lessons learned, estimating databases and PM experiences (Kerzner 2005: 101). The role of a PMO has been described as: "assisting both the project manager and the relevant organisation with the application of professional PM practices and the adaptation and integration of business interests into the management and successful delivery of projects and programs (Hill 2004: 45). In exploring these definitions and others it becomes clear that there is no common structure agreed for a PMO, or even a common definition, leading to a need to adopt the concept of 'PMO presence' as developed by Dai and Wells (2004). However, the concept of 'PMO presence' can only be a temporary measure, to hold the terrain until more precise definitions, role statements and structures are developed for the PMO.

This paper proposes a model of 'PMO presence' developed on two foundations: the first is the three-layered structure for delivering business strategy through projects as outlined in Figure 1; the second is based on the foundation functions of a PMO (whether supporting a project, program or portfolio): **m**onitoring, **m**ethodology and **m**entoring. These three categories of support are in accord with the early stages of the five levels of PMO maturity developed by both Kerzner (2005) and Hill (2004).

	1	2	3	4	5	6
	Monitor and Control	**Methodology and resourcing support**	**Mentoring and PM career support**	**Governance support/ Strategy alignment**	**Value delivery/ benefits realisation**	**Manage relation-ships**
Project - PjMO	R	R	A? / R?	A	A	R
Program - PgMO	R	R	R	A? / R?	R	R
Portfolio- PtMO	R	R	R	R	R	R

Figure 2 - a three layered model of PMO responsibility.

Figure 2 illustrates the model, where 'R' indicates some level of functional responsibility, and 'A' denotes need for awareness but no functional responsibility. In this model, a PMO, whether it is a PjMO, a PgMO or a PtMO, will deliver support within three major and common function sets: monitoring (and control); methodology (infrastructure support and resource management); and mentoring (PM training and career development). Additional functions should also be included when addressing portfolio support (always) and program support (sometimes). These additional functions are: improved corporate governance through strategic alignment of projects to corporate strategy and delivery of value through benefits realisation (KPMG 2005). There is a sixth function which is essential for PMO success and common to all types of PMO – managing relationships between the PMO and its stakeholders through focused and tailored engagement strategies. Further research is needed to assess the value of the model described in Figure 2 to organisations seeking to establish successful PMOs. This paper will focus on the importance of the sixth function, as key to overall success of any PMO, whatever its structure and function, and will explore the concept that if a PMO is successful in performing this function, achievement of the other functions will become easier.

Measures of success (and failure)

When projects or programs fail, the performing organisation is affected because some aspect of its strategic objectives will not be delivered as planned, scarce resources will be wasted and individuals and

groups (stakeholders) who had expected some benefit from the outcome of the project will be negatively impacted. The survey conducted by KPMG (2005) reported that in the twelve months prior to the survey:

- "49% of participants have experienced at least one project failure
- Only 2% achieved targeted benefits all the time
- 86% of organisations lost up to 25% of target benefits across their entire portfolio".

Research conducted over the last ten years (Canadian Management Accounting Society 1998; Jiang and Klein 1999; James 1997; Glass 1998; Lemon, Bowitz et al. 2002; Bourne and Walker 2003; Bourne and Walker 2005a; KPMG 2005) has shown that project, program and portfolio success is influenced by:

- The level of knowledge, skills, and experience of the project/program manager and team;
- Appropriate and consistent use of project management tools, processes and methodologies;
- Alignment of the outcomes of the project/program/portfolio to organisation strategy;
- Managing the expectations of stakeholders;
- Appropriate, timely and consistent involvement by users and managers;
- Timely management of risk.

Successful project and program management depends on balancing the conflicting requirements of managing within the constraints of time, cost and scope to deliver the defined strategic benefits to the performing organisation through a temporary organisational structure – *value delivery*. At the same time the needs and expectations of the project's stakeholders must be managed - *relationship management*, within an environment of uncertainty and ambiguity – *risk management*.

Value is delivered to organisations not just through managing a project or program schedule, budget, and quality/scope, but also through ensuring that the project/program meets the appropriate conditions for its benefits to be realised. An additional component is the provision of accurate, timely, and focussed reporting as the essential tool for communication to stakeholders. Defining, delivering and measuring the value to the organisation is the first of the three interlocking elements of success. The second element is the management of risk and exploitation of opportunity, within limits acceptable to the performing organisation. The third element is managing relationships within and around the project, program and portfolio, through balancing conflicting stakeholder needs and wants. All of these elements require the application of management skills and knowledge.

Figure 3 describes the interrelatedness of these elements of success and the importance of stakeholders to achieving success. Each of the 'elements' is essential for a project (program or portfolio) to be perceived as successful by its stakeholders, but none of them can be clearly defined in isolation to the others, nor can stand alone as more important than any other. Delivering value through managing schedule, budget, scope/quality, and the realisation of business and organisational benefits is not just about conformance to the project/program plan.

Figure 3- The three elements of project success

Delivering value requires managing relationships and managing risks by ensuring that the expectations of all stakeholders are met with regard to *what* is delivered as well as *when* and *how*. It is important for the project/program manager and team to understand how stakeholders perceive value and then to align management of the project/program and the performance metrics to the expectations generated from these perceptions: or to negotiate within the relationships to align expectations with feasible outcomes. These are areas where a PMO can add value. This concept of a balance of all aspects and no dominance of any one aspect is the starting point to an understanding of how PMOs can add value to an organisation.

When applied to portfolio management, the three elements of success become: *delivery of value* through *benefits management* – definition of the expected benefits a program will deliver; *relationship management* remains unchanged; and *risk management* becomes *program governance*.

The value of an effective PMO to its host organisation has been demonstrated in surveys, principally those conducted and published by KPMG, (2003) and (2005) with keys to success being:

- Executive sponsorship, management buy-in and acceptance;
- A clear mandate;
- All projects (business and IT) are included;
- Project benefits are understood, tracked and measured throughout the project lifecycle;
- Formal training to develop tool usage and project/program management competencies.

Two Case Studies

The basic role of the PMO is always defined by the performing organisation it supports, and it must operate effectively within that organisation's unique culture. These constraints make it impossible to design a 'one-size-fits-all' PMO. However, every PMO can 'supersize' the value it delivers and make a significant contribution to its host organisation's 'bottom line' by including an appropriate focus on relationship management within its way of working. Competence in monitoring, methodology support and mentoring is still a vital requirement for the PMO, if this is missing there is no point in communicating, but once competency issues are conquered, the difference between average and exceptional performance is found in the capability of the PMO leadership and staff to effectively relate and communicate up and down the organisation.

The first case study describes attempts to deliver PMO-style support within an Australian utility whose IT groups were structured to support projects at one level, programs at another and a 'Corporate Program Office' whose role would now be described as portfolio management, with the direct link between business functions and reporting derived from project and program levels. The structure of the PMOs reflected the organisational structure, with a PMO being established at each level within the IT Group. This was a relatively sophisticated concept for its time (late 1990s), but within nine months the structure was dismantled by the senior management of the utility and much of the management of the IT Group was taken over by functional managers from the business.

As manager of the PgMO, I assessed the reasons for the failure of the three-layered PMO structure as follows:

- Each PMO had been developed as a separate entity for support of that area only.

- In planning, no attempt had been made to consider methods for working together or for consistent reporting. Separate reporting tools were developed for each layer; these tools could not communicate electronically. An additional tool was developed to provide a means to gather data from the disparate layers and deliver reports to management. In the process of gathering and manipulating the data from each system, the fourth tool actually presented summary data that had no relationship to the data presented by each of the separate 'layers'.

- The managers of the other two layers had no desire to share data, to act cooperatively and appeared to be only focussed on 'winning' the battle of the software, management styles and political achievement

- This reflected the relationships of the MDs who were implacable foes, whose only mission in life was to destroy the other; this included destroying the reputation of the PMOs that they managed.

So although there was structure put in place to support functions 1, 2 and 3 as described in Figure 2, this particular implementation failed because of the failure to build and maintain relationships between each of the groups; the lack of robust relationships caused the PMOs to fail to deliver any support to the organisation. The concepts of functions 4 and 5 had not been widely understood at that time and may or may not have influenced the behaviour of the MDs, but certainly the poor implementation of function 6 was responsible for this particular failure.

The second case study describes program support for an implementation of software, process, and infrastructure of knowledge management capability within an Australian regional government department

in which I conducted some research. The Knowledge Net program was intended to support the Department's knowledge strategy by providing an online information exchange platform allowing the entire Department's Business Units to access information resources through a browser interface. Later stages were proposed which would enable access to others outside the Department. Stage 1 was focussed on developing the knowledge portal infrastructure and integration of platforms into a single access point, as well as systems development and integration, and Business Unit content delivery.

This program was characterised by project managers who spent a great deal of their time attending meetings, giving presentations, and developing 'ad hoc' reports for different managers throughout the department, reducing their ability to actually manage their project responsibilities. Within the Department there was a great deal of interest in the program, many groups would be impacted by its implementation. The program manager reported that he often would be at the same meetings as the project managers and had not been able to convince individual business managers that the program manager could represent them. In this program, communication was occurring but appropriate relationships and engagement strategies had not been developed to ensure that the PgMO provided support for its constituents (both senior/functional managers and project managers) to enable them to focus on their own roles.

While the first case study could only be assessed through the benefit of hindsight, without an ability to actually facilitate beneficial improvements, the second case study was able to benefit from the methodology and tool that was being studied in the research. Application of the *Stakeholder Circle®* methodology and tool enabled a rich description of the relationships occurring within and around Knowledge Net, and a strategy for improving the support provided by the PMO was devised and agreed by senior management. A description of this methodology and tool will occur in the next section. But how the tool was used to support the program will be described now.

Interpreting the Stakeholder Circle® Visualisation Tool

The *Stakeholder Circle®* plots the power and proximity assessment of a stakeholder along the radial axis and the team's urgency/importance assessment along the arc. The resulting diagram shows the relative influence of each stakeholder and offers a visual tool to facilitate decisions about the amount of effort the project team will allocate to managing the relationship with any given stakeholder. The overall size (or area) of a stakeholder's segment gives an indication of the overall influence of that person (or group of people) on the project. The outcome of the visualisation process is a diagram designed to facilitate decisions on where the project team need to concentrate their stakeholder management effort.

Colour coding is key to interpretation of the stakeholder community: senior managers – *upwards* - are coded orange, stakeholders external to the project are shown as blue – *outwards*, and the project team - *downwards*, are coded as green; the project manager's peers are coded purple. The relationships are summarised in showing priority number, the 'direction of influence' of each stakeholder of group and the nature of the relationship with the project.
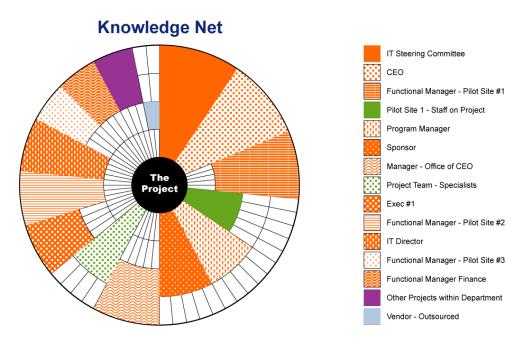
Knowledge Net

■	IT Steering Committee
▦	CEO
▤	Functional Manager - Pilot Site #1
■	Pilot Site 1 - Staff on Project
▨	Program Manager
▧	Sponsor
▤	Manager - Office of CEO
▨	Project Team - Specialists
▦	Exec #1
▤	Functional Manager - Pilot Site #2
▦	IT Director
▦	Functional Manager - Pilot Site #3
▨	Functional Manager Finance
■	Other Projects within Department
■	Vendor - Outsourced

Figure 4 - *Stakeholder Circle®* **for Knowledge Net**

Figure 4 shows the stakeholder community of the Knowledge Management program. The stakeholder community for Knowledge Net is top heavy with communication expectations from the many levels of management, all of whom had a major 'stake' in the success of this program. The nature of the stakeholder community was evident from the picture in Figure 4, and provided a graphic illustration of the stress on the team members. The major role of the PgMO in this instance was to consolidate the reporting requirements and support the most effective implementation of the program. The benefit of using the tool in this way was three fold:

- It identified key relationships within the program and allowed team members and stakeholders to identify the influences and power structures of the program;
- It identified a major management issue that was resolved through more effective engagement of stakeholders and management of their perceptions;
- It enabled the PgMO to provide practical support for the program and the organisation, at the same time showing the organisation that its usefulness went beyond the competencies needed to support functions 1, 2 and 3; it became a 'relationship-aware' PMO.

A relationship focused PMO understands the need to communicate effectively with its different stakeholders, in appropriate language, to facilitate access the information it needs and to have its reports and messages understood and acted upon. The relationship focused PMO is trusted and relied on by both project teams and senior management, acting as an effective cultural translator between the two groups. As a consequence, the PMO is perceived by both to deliver exceptional value. PMOs will benefit from this insight and the use of this methodology and tool in varying degrees, depending on their maturity, the maturity of the organisation and its culture and structure.

Enablers of PMO effectiveness

To achieve 'supersized performance' the PMO must recognise that project teams and senior management have different perceptions, expectations and measures of success. By understanding its stakeholders and customising its communication strategy to meet their different requirements, the PMO transforms their perceptions from being seen as an 'administrative overhead' into a valuable resource.

The *Stakeholder Circle®* is a relationship management methodology and tool that can be used by PMO management to facilitate the transition to a relationship focused organisation delivering 'supersized value'. The data presented will be drawn from research undertaken with five medium-sized Australian organisations where the *Stakeholder Circle®* was used to assist in identification and prioritisation of project stakeholders and development of appropriate engagement strategies to ensure the expectations of these stakeholders were understood and met, their perceptions managed. This research is reported in (Bourne and Walker 2005b; Bourne and Walker 2005c).

Given that a PMO has a structure, a culture, an authority base (as discussed earlier in this paper) AND stakeholders, it is appropriate to use the *Stakeholder Circle®* methodology and tool to support the building and maintenance of relationships within and around the PMO.

The *Stakeholder Circle®* is based on the premise that a project, or entity such as a PMO can only exist with the informed consent of its stakeholder community (Weaver and Bourne 2002) and that managing the relationships between the community and the project will increase the chances of project success. The stakeholder community consists of individuals and groups, each with a different potential to influence the PMO's outcome positively or negatively. The visualisation tool highlights the project's key stakeholders as a reference for the PMO manager and team, the stakeholders, and others, to understand who has been evaluated by the PMO as essential for its success.

Identification of Stakeholders

The process of identification of stakeholders uses the categories *upwards, downwards, inwards, outwards, and sidewards* to begin its analysis. This is followed by the identification of *mutuality* (French and Granrose 1995), defined in terms of what each individual or group *requires from the PMO* as well as a definition of the *significance to the PMO* to these individuals or groups. Asking these questions establishes the nature of the relationship between the PMO and the stakeholders and ensures that the needs of both groups are understood. This exercise is conducted through workshops with PMO team members and individuals from the organisation who are familiar with the PMO's responsibilities, functions and constraints, and with the organisation's structure and politics. The information collected in this workshop is input to a database, for the next step, prioritisation of the identified stakeholders.

Prioritisation of Stakeholders

The assessment of each stakeholder based on ratings from the PMO team members of their perceived *power, proximity* and *urgency*, produces an 'index' for each stakeholder. An inbuilt 'sort' function in the software produces the list of prioritised stakeholders as assessed by the team. This list with its associated data on each stakeholder supports the development of an engagement strategy, for ensuring the expectations of these key stakeholders are understood, acknowledged, and managed.

Maintaining Engagement

Defining appropriate responses requires an understanding of such elements as which stakeholders need to be involved in the day to day workings of the PMO, who needs more information to mitigate opposition, who are the key and relevant stakeholders. The strategy of the *who, what, when and how* of delivering the tailored messages defined for the stakeholders must be converted in to action. The communication plan should be part of the PMO's work plan and reported on through team meetings and regular reports to management.

The benefit of this methodology and tool is derived in part from the analysis process itself as well as from the ease with which a key stakeholder's influence on the PMO can be assessed once the unique *Stakeholder Circle®* is complete. The assessment should be updated regularly as the stakeholder community changes to reflect the dynamic nature of the projects being managed by the PMO and their relationships.

Stakeholder management should be regarded as an important part of a risk management plan. While stakeholder management or even communication management is not part of risk management, it contributes to the integrated whole that is successful project management (Bourne 2005). A thorough knowledge of each important stakeholder's risk tolerance, levels of support and expectations of the PMO, will drive appropriate communication strategies managed through the reporting and monitoring aspects of the Stakeholder Engagement Strategy in the same way that risk must be managed. Management of stakeholders' expectations through the development of targeted communication is a key part of the *Stakeholder Circle®* methodology.

Currency of the Stakeholder Community

The process of identifying, prioritising, and engaging stakeholders cannot be a once-only event. Stakeholders change as they move within the organisation or leave it; their relative importance to the PMO (or its projects) and their power and influence change. As each project moves through the project lifecycle or implementation stages, different stakeholders may have more or less impact on the project and consequently the PMO. The stakeholder analysis process may have to be repeated in whole or in part many times. To be most effective, the assessment should be updated regularly as each project progresses through the phases of its lifecycle or as the stakeholder community changes to reflect the dynamic nature of inter-project relationships.

As well as needing to understand and manage its own stakeholder community, the PMO can also implement and support the methodology and tool to enable each project, or program, to identify, prioritise and engage their stakeholders more effectively. This can be in the form of facilitation skills, of technical support, and or monitoring and controlling such activities.

Conclusion

A PMO will have a structure and set of functions defined by the organisation that it is established to support; the maturity of the organisation and the attitude of its senior managers will define PMO roles and will be key to that PMO's success or failure. This paper presented a model of PMO that would provide

support at three levels, project, program and portfolio to assist in the alignment of projects to an organisation's strategic objectives; further research needs to be conducted to build on this model.

The primary purpose of this paper was to show that no matter what the purpose and structure of the PMO, the key element of its success and longevity is related to the PMO's ability to build and maintain effective relationships with its stakeholder community. The PMO can also provide assistance to its constituent projects and programs to help them engage with their stakeholders more effectively and enhance their ability to succeed. One stakeholder management and engagement methodology and tool, the *Stakeholder Circle*® was examined as a means to achieve this.

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