



Organisational Efficiency and Effectiveness through
Virtual PMO Development

 **Algorithm**
CONSULTING

How to avoid Managers managing Managers to manage!

With the emphasis on ever increasing efficiency, organisations have to control change projects more closely than ever, and that challenge can be supported by introducing Portfolio, Programme or Project Management Offices, known individually or collectively as PMO, PPMO, EPMO or even P3O.

But don't be under the misapprehension that a PMO is just an admin function; if correctly embedded, and using proven methodologies, frameworks and repeatable processes, PMOs are able to provide the vital structure needed to both standardise project management practices and facilitate IT and Business portfolio management. Having a PMO in place can help projects complete on time, on budget, with fewer resources, and not destroy the existing operation in the process.

Recently however, especially with the increased globalisation of Operating Models, centralised PMO structures and Project Manager resource pools have been implemented without a clear understanding of the organisational concepts that will either underpin their success, or bring about their ultimate failure.

It is also concerning that, in a reaction to difficult times, PMO transformations are adopting a type of 'Organisational Kettling', in the belief that strict controls are the answer to delivering effectively (in the best way) and efficiently (with the minimum resource). The irony is that in reality this "centralisation with an iron fist" is having the opposite effect by fragmenting and disabling organisations at all levels.

Surveys now show that where there is criticism of a PMO, it could fall under one or more of the following broad headings. In many cases the solutions are already available through the organisational precedents that have existed for some time.

- ***if the creation of a PMO is a knee jerk reaction in response to perceived problems somewhere in the organisation***, then the over-reaction is to install a command authority based solely on rules, procedures and prediction calculations. Control that is based on authority and

command generally states the *minimum* expected (ie what is *not* allowed). This lowers efficiency, as well as *increasing* personal tension through closer supervision. When done centrally it further risks losing impact and becomes a 'mock' bureaucracy; where management or workers at worst feel free to ignore the rules, or at best just go through the motions.

- ***when a PMO over-simplifies the tasks of the organisation***, which they believe to be basic, repetitive and generic across functions (as evidenced by the overuse of *six sigma* as a management expression rather than a statistical exercise), they create their own standards rather than adopting any standards set externally by professional bodies.. As a result, rather than controlling and co-ordinating complex work, they create conflict, with the resultant waste of energy as the organisation tries to hold itself together.)
- ***ignoring where there is a greater depth of skill in the individual project teams*** than with junior PMO staff recruited into the function, and where the PMO is given higher authority, then there is a tendency for the competency levels to sink to the lower of the two through staff attrition. An organisation should tap the knowledge base already residing with its people. By adopting rules that are rolled out by 'experts' they then are acceptable to all members of the organisation, creating solidarity and participation.
- ***focussing on continuous improvement for just the project management disciplines or portfolio planning***; as these are areas where a PMO tends to be most confident. Successful organisations need to mature the entire Operating Model, of which these are just two elements, with a PMO that can expand and contract in line with other project activity. The danger is that the PMO becomes an inflexible self feeding bureaucracy- where many of its activities need to be undertaken just to maintain itself, not the organisation as a whole.

- **by bundling the unique aspects of portfolio, programme, project and organisational management together it creates confusion** as to its purpose, general mistrust of its intentions, and resentment of its perceived elitism. The diverse requirements of individual stakeholders should not be ignored.
- **where monitoring and reporting groundwork has generally already completed by projects**, a PMO merely increases an unnecessary overhead, whilst reducing staff empowerment. The subsequent delays whilst task level data is chopped in ever more complicated ways just results in out of date reporting and a further loss of credibility
- **focus is placed on creating bespoke financial stage gates or project management phases** but, due to a lack of broader knowledge, responsibility is avoided for the wider change lifecycle. For that to be achieved, all phases need to be defined using industry best practice - imposing ill thought out templates immediately loses credibility for the PMO.
- **pre-project activity is outscoped, but is just as important as the project itself.** Research has shown that that delivery success is dramatically improved if there is a collaborative approach to the pre-project work and solutioning activity (ie developing realistic business and technical ambitions) Whilst Portfolio management concerns itself with 'doing the right thing', this can become far more accurate when incorporated into a pre-project outline solution phase
- **Agile or Dynamic development can be at odds with the financial stage gates of a rigid PMO.** Putting aside branded methods (Scrum, DSDM etc) the generic iterative, incremental, time boxed approach has been proven to be highly successful. Where it fails is when an agile development is throttled back by an inflexible governance structure. Agile must run from Exec sponsor to tester, and a PMO needs to have the flexibility, collaboration and toolset to keep up, not hinder.
- **the enduring benefits of having a well defined framework for the Operating Model, and the 'Target Operating Model', are not understood.** The main issue here is one of ongoing ownership for such a far reaching entity (as it is generally accepted that ownership during a transformation lies with the programme). Responsibility should sit with the PMO otherwise it will be:
 - unable to assess the impact of the changes it has already made on the wider organisation, and the resultant lack of adoption
 - unaware of the whole picture, as other changes are being made piecemeal elsewhere
 - unresponsive to feedback that will change the status quo of the PMO processes, but are essential to mature the processes of the wider operation

The New Organisational Rules of a PMO

To overcome these criticisms it is worth pulling from the extensive research on both organisations as a whole, and PMOs in particular, to develop a set of organisational rules that we may apply to the transformation of PMOs

1. Whilst people feel comfortable working to a framework, it can no longer be based on strict governance, but instead needs to promote a collaboration and professional approach that creates solidarity and participation in a joint enterprise.
2. A PMO has to be instituted in a way that doesn't fly in the face of the existing culture. New rules should continue to fit the core values, and changes are implemented by respected 'experts'.
3. Whilst no two PMOs are the same, their core concepts are generic. People need to understand its purpose, and this needs to be communicated clearly to the organisation in terms that it can relate to
4. The PMO should be responsible for the Operating Model framework, ensuring that it is structured and controlled in line with the leadership strategy.
5. Industry standards should be adopted and tailored to suit the organisation wherever possible. All elements of the change and run lifecycles need to be covered, including pre-project shaping
6. Maturity of the Organisation should be through integrated change processes that are in place to review, agree and implement any element of the Operating Model. In addition, these organisational processes are subject to review (known as the 'change process for the change process')
7. Look on a PMO as just a logical label for a group of similar tasks, however the actual physical completion of many of those tasks can be completed by any function in the organisation, in effect virtualising the PMO.

The Virtual PMO Solution

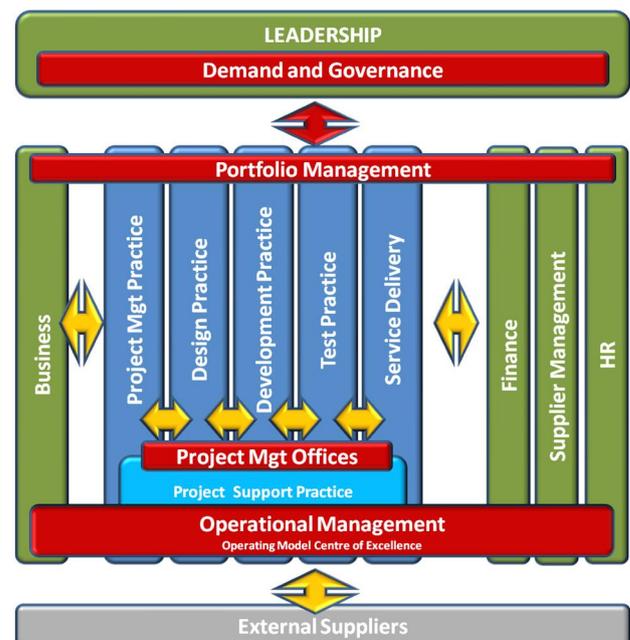
Creating a virtual PMO (vpmo) is one solution to achieving the full potential of a PMO, mitigating the criticisms, and exploiting the potential benefits of the new organisational rules outlined above.

Key Drivers

The unique design of a vpmo is enabled through two underlying principles:

1. the addition to the standard defined PMO attributes of Portfolio Management, Programme and Project Management, and Project Office there is a third element, Operational Management
2. the only hard-wired organisational functions (i.e. with reporting lines) relate to practice structures necessary for running and changing the business. Projects are temporary vehicles resourced through 'away assignments' from those practices, with responsibility for the remaining decision making activities being achieved through governance structures

Outline Design



The Physical Components

Business Areas

The Business areas drive demand. New products, new technology, even location changes, they all stem from the Business areas. Resources (time, financial or staff) are not unlimited however, nor are all ideas sensible to pursue. Even upgrades to existing technology will be driven by the non-functional business requirements of performance and availability.

Practices

Key competencies of the organisation are identified, and the staff with those skills allocated to a practice; agnostic of location or client.

The benefits of this approach are:

- a *wider* resource pool gives the ability to match supply with total demand for skills
- promotion opportunities are improved given a *deeper* resource pool
- cross skilling is improved as different client areas are supported
- 'Best Practice' is developed by the practice, for the practice
- with line management contained within the practice, performance reviews are undertaken by people who understand the role, but with the benefit of feedback from the 'away' assignment

The practice areas in the diagram are examples, however it is important that Project and Programme Management, which was part of the physical PMO, becomes its own practice delivering business and IT change.

External Suppliers

There will be a range of activities undertaken by external parties. The extent of this depends on the strategy, with outsourcing featuring strongly across many disciplines.

Shared Service Areas

Most organisations now have developed shared functions, similar to those in the diagram. The rationale is similar to the benefits in the practice model.

The Virtual PMO Components

Portfolio Management

Demand for change activity will always exceed supply of resources, and so the Portfolio Management function ensures that the organisations do the 'right' thing.

In a vpmo world the decision making doesn't sit with one area. That just creates the mistrust, horse trading, or workarounds that prevail in 'kettled' organisations when people try and get things done by other means.

Instead, a formal review board, or pipeline management board as it can be called, reviews all activity and new requests against the existing portfolio.

Portfolio management sits across the entire organisation and ensures that the correct information is fed to the review board as appropriate. This virtual function will therefore comprise the leaders of the respective physical functions, with long term support from a Project Management Office to collate data as necessary.

Project Management Offices

These are usually temporary structures, except for the long term support given to Portfolio Management, existing for the duration of a project or programme to collate and escalate reporting and support the project team. They are staffed by the Project Support Practice as an 'away' assignment.

Operational Management

Ensuring that the Operating Model continues to develop in the right direction is often ignored, especially in traditional PMO structures.

The Operating Model is the blueprint of an organisation, its reference point for how it should look. That starts with the strategy but incorporates every other aspect, for example functional and organisational design, process architecture, and management reporting. If any facet changes then the impact can be assessed and controlled through the control mechanisms that form the framework.

Everyone has a direct interest in all of the Operating Model components, and especially to understand the leadership strategy when making portfolio

decisions. As such the logical *responsibility* lies with the vpmo to mature the Operating Model (as distinct from the *accountability* which remains with leadership).

The practice model has already ensured that centres of excellence are created for Project Management, Business Analysis etc. The Operating Model Centre of Excellence pulls all those individual skills together into one structure. In many cases this becomes tiered, with sub groups developed within each practice to develop processes, training, tools etc; reporting back to the head of practice who then reports into the Centre of Excellence

Summary

This paper has looked at the benefits of a PMO, the criticisms of the traditional 'iron fist' PMO structure, and finally how to achieve the first but avoid the second by using a virtual PMO, or vpmo.

So to summarise the main points:

- a practice based structure gives a sense of 'home' to its people
- a collaborative environment delivers effectively, a silo structure does not
- a transformation approach that disregards the exiting organisational trajectory will fail
- a robust Operating Model framework will mature the individual components
- Industry standards (eg CMMI, PRINCE2 etc) have parts that are relevant to the organisation, but some that are not...choose carefully
- if control components are virtual across the organisation, they will achieve general acceptance, at a reduced cost

But the three keys to achieving success are ensuring that Operational Management is in place across the entire organisation, that achieving quality is in everyone's role, and that everything you do aligns to the culture and values of the organisation.

If you have found this paper helpful, then you may like to contact Algorithm Consulting for further reading on subjects from Programme Recovery to Operating Model Design