Creating Business Capability with a PMO

A Freshwater Partners White Paper

Whether you view the coordinated management of multiple projects as "program management", or "portfolio management", creating and enabling a separate organization within your company to address specific business opportunities can enable business, IT, customers and partners to work in an energy-charged, innovative environment. Building a PMO to address strategic initiatives can provide your company with a new, nimble organization that can quickly break through existing bottlenecks and allow you to quickly move to market with valuable solutions. Creating this kind of high-performance organization within your company can have far-reaching impacts as its practices are deployed throughout the enterprise.

This white paper describes some of the concepts and benefits around creating a PMO and provides a narrative that illustrates PMO benefits drawn from actual projects.

The PMO

Project, Program, or Portfolio Management Office. With reduced budgets and an emphasis on lowering corporate costs, why would a company create another task force to perform work that should already be done by existing company groups?

Creating a PMO is a way to allow a variety of business groups to collaborate in a team environment that focuses on results for the entire company, rather than results for a specific business group. A PMO can give executive leadership control and visibility over especially strategic projects. It can provide a neutral environment where multiple stakeholders can feel free to collaborate outside of day-to-day conflicts. It can provide a way to address the common needs of multiple business units. In general, it can be what your company needs it to be: a new, highly visible group that has the authority and energy to invigorate your business.

At Freshwater Partners we have assisted many companies in creating PMOs and other delivery organizations for many different purposes. This paper discusses many of the common elements of a PMO and combines elements from several of our engagements to provide a tangible example of a PMO and highlights its benefits.

There is no one-PMO-fits-all solution. The organization, processes and assets of a PMO need to be tailored to the specific needs and goals of a company. Indeed, PMOs that lack well articulated goals often fail.

A Hard Disk Manufacturer

A manufacturer of computer hard disks recognized that it had a tremendous opportunity to dominate its market by improving its OEM customer service through technology. Pilot programs showed that the elapsed time required for customer collaborative product development process could be reduced by as much as 50% through online processes and sharing of quality data. Sharing real-time sales forecasts with customers could optimize manufacturing processes and inventory levels. Joint marketing programs could allow customers access to better retail marketing information for the hard disks in their products. The benefits of the opportunity could be measured in the 100's of million dollars across the value chain for both the company and its customers.

However, the executives of this company realized that it was going to be very difficult to create the technologies required to realize this vision, because the company's business and IT organizations were already struggling to stay on track with existing programs and systems. Improvements in the business environment were made in small increments, which could not adequately address the significant changes needed to materially improve the company's competitive position. The IT staff was buried in system upgrade and enhancement requests, creating literally hundreds of small projects. The incentives provided to both business and IT were directed at keeping the current environment functioning as well as possible. Spending time or resources on dramatic new improvements would undoubtedly impact current operations and therefore negatively affect the metrics on which they were measured.

Another challenge the company faced was how to fund these new initiatives. The analysis of the opportunity by a leading consulting firm had delineated the opportunities based on a single scenario, but they needed to reach a greater level of detail, including contingency plans if forecast revenues fell short (or if demand was significantly greater than predicted.) Developing the actionable detail for the plan would require significant involvement from both the business and IT groups.

The company needed a solution that would allow it to take the newly allocated funds and achieve the new customer services vision.

PMO Governance

The leadership of this company decided, based on the early analysis, to commit a specific budget with personnel resources to a PMO organization, and charge the PMO with creating the most significant impact using the resources provided. The PMO was headed by a VP from one of the business units and initially staffed with two senior managers from both the business and technology groups. All of these "core" PMO members thoroughly understood the opportunities that the company faced and were in an excellent position to provide the company with guidance for the PMO's activities.

Specific goals of increased revenues, increased operating margins and increased customer satisfaction were provided for guidance. The overarching goal was to solidify their leading position as the preferred provider of storage products to their customers – mostly computer manufacturers. To accomplish this, the PMO would reduce new product time to market by:

- optimizing the product development process

- streamlining the purchasing processes
- implementing inventory visibility and shared inventory processes
- creating collaborative processes for marketing activities

Specific metrics were established as goals by the PMO itself in each of these areas.

The PMO created a list of initiatives, or projects, to accomplish the goals, none lasting more than 6 months. These projects were was presented to an executive counsel for approval. IT provided technical staffing, including project managers, analysts, architects, programmers, and QA engineers. The expectation was also set with business units that if projects were selected within their domains, their teams would work within the collaborative environment of the PMO.

The PMO was provided with dedicated working space where the new business/IT teams could work closely together on new projects.

Creating the PMO Processes

During a period of eight weeks, the company worked with outside facilitators to define the PMO. Given the mandate of the PMO: “to dominate the hard disk market by improving its customer service through technology”, the company defined the organizational structure, processes and assets that would operationalize the PMO.

The Freshwater Partners approach is to begin with descriptions of what the company needs to accomplish with the PMO, then follow with workshop sessions to define processes that accomplish those goals. The processes that the company defined are typical of many PMOs and included:

- Funding of projects
- PMO Governance
- Processes for strategic visioning
- Vendor/subcontractor management processes
- Project identification
- Assessing the business value of a project
- Assessing the organizational impact of a project
- Assessing the IT impact of a project
- Project Approval
- Project risk assessment and issue escalation and reporting
- Project schedule and effort estimation
- Project status reporting
- Project lifecycle
- User and customer involvement activities
- Architectural review board
- Source code management procedures
- Code inspections
- Company infrastructure and technical standards planning
- User acceptance testing
- Quality assurance
- Government and trade organization regulation conformance audits

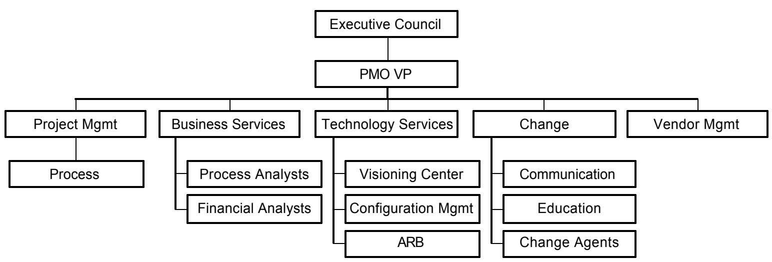
The processes are initially defined without regard to existing organizational structure to prevent organizational limitations from restricting the team’s thinking. Once the processes are defined, plans to create an organization to manage and facilitate the processes are formulated.

PMO Organization

The PMO was set up with specific organizational, process and tool elements to optimize the ability of the group to roll-out projects quickly and successfully.

The PMO began with only 6 dedicated people. As time progressed, others were moved to the group from within the business and IT organizations. It is important to note that despite the fact that the PMO was eventually structured into a few focused teams, the PMO group as a whole never stopped functioning as a unified team. This was a significant factor in its success. At the end of the first year, the PMO had the following structure.

PMO Structure



The PMO was lead by a VP from the product development organization who managed all of the activities of the organization. The VP reported to one group and managed five others:

- **The Executive Council** provided oversight of the PMO. It was comprised of the company CEO, CIO and business unit EVPs. They were responsible for meeting quarterly with the PMO leadership to provide guidance, and provide a more detailed review of PMO activities on a bi-annual basis. Members of the executive council could also track PMO activities through a project web site and provide input to PMO management via email on an as-needed basis.
- **Project Management** was responsible for tracking the projects, maintaining a project status website, staffing project management activities and managing the process that the PMO used to implement projects. This group also ran an ongoing risk profile on each project and assisted the teams in mitigating project risk. The project management group was staffed with business savvy technology managers and IT savvy business managers. A dedicated person maintained the process guides.
- **Business Services** consisted of a select group of business process analysts and financial analysts that helped implementation teams. By having the same analysts involved on many projects it was often possible to drive benefits between projects by way of common business processes. A single financial analyst was able to work with multiple teams to create consistent project metrics and business cases for senior management – giving them much desired "apples-to-apples" comparisons.
- **Technology Services** provided management and staffing coordination for technology issues. They worked with the existing IT staffing process to schedule the dedicated time of analysts, designers, DBAs, network specialists, programmers, QA engineers,

etc. They also managed and staffed a visioning center where cross-functional teams could participate in real-time prototyping exercises. Technology services maintained central software configuration management for teams on all PMO projects. This freed the PMO project teams from having to individually set up source control, test and integration environments. An ARB (Architecture review Board) developed policies for the PMO regarding a common technology platform, technology standards, coding standards, and a common security policy. The ARB also reviewed all project architectures and designs, and provided technical guidance to the teams.

- The **Change Group** assisted all of the teams in identifying aspects of their projects that might help or hinder acceptance, inside or outside of the company. The activities of this group typically focused on creating and implementing communication plans, identifying and running education for users or implementers, and providing in-house "consulting" for projects to identify and mitigate implementation risks. The change group also ran a PR campaign for the PMO itself, proving the company's CEO a weekly note that could be sent to employees and select customers.
- **Vendor Management** created common processes for selecting and managing relationships with business and technology vendors involved in PMO projects. They streamlined a process with legal to expedite contractual issues. They gathered information on existing vendor relationships for PMO project team use, and implemented metrics to measure vendor performance. They also created an abbreviated version of the PMO process training course specifically for vendors to instruct them on the processes of the PMO.

PMO Assets

Having determined the processes of the PMO first, identifying the assets needed to support the processes was relatively straightforward.

The working space for the PMO included offices for both full-time and "visiting" PMO members. Conference rooms were created for working sessions.

Two larger working rooms served as visioning centers. These rooms were sized to facilitate workshops of 20-50 people and included audiovisual equipment, computers and networking to allow quick prototypes to be assembled. The computers were equipped with the platform software that had been identified by the technology services team. Seating could be configured for both lectures and collaboration. The technology services team administered source control software to manage system configurations. They also set up a network-isolated lab of computers, networks and software that served as a common testing environment for all project teams.

Tools were purchased to support team processes, including:

- A web-based knowledge base system where project documents, prototypes and reports could be posted. This knowledgebase was available to all teams and individuals who participated in the PMO. PMO participants could view documentation and templates that described the processes of the PMO. Executives could view the status and issues of the PMO and its projects. Project team members could share documents and view examples of prior project work. Vendors could also be given access for collaboration activities.

- A variety of tools were licensed and placed on a “software” server to aid in many of the processes including: a business case development tool, a risk assessment and management tool, and a system feature/function/cost prioritization tool.
- An instance of the preferred selected technical platform was installed in the test environment for use. Online training was installed on the knowledge-base computer for the platform. A license agreement was established with the vendor so that project teams could quickly deploy new versions of the platform at a predictable cost. A similar arrangement was made with an integrated development environment (IDE) vendor to allow teams to quickly gain access to the training and tools that would be used to create applications.

Kick-starting the PMO

To begin its process of addressing its goals, the PMO team surveyed a cross-section of business groups to gather potential projects. Half-day seminars were given to many of the business groups to help them focus their thinking about potential projects. A list of potential customer service projects was created. PMO team members and executives also added potential projects to the list. Each potential project had a high-level business case listing rough estimates of benefits and costs.

After the project list had grown to roughly 50 projects, the PMO team began to hold workshops with many business and IT resources to review and prioritize the candidates. The purpose of the workshops was to gather cross-functional input on the different projects. IT team members responsible for networks, databases, security, applications, help-desk, etc. were able to ask questions of business team members and discover potentially hidden IT requirements. Business personnel were likewise able to brainstorm with customers and IT personnel on applicable technologies and refine their business processes to match customer processes and technical capabilities. After hearing each other’s ideas, needs, issues and concerns the entire group prioritized the initiatives by both benefit and cost/risk. The projects with the greatest benefits to cost/risk ratio were selected, using the provided budget as an operating limit.

The PMO leaders presented the prioritized projects in a matrix to senior management and had the first round of projects approved. The first round of projects filled the budget for the first year of the program and provided visibility to part of the second year.

The communication plan was also initiated at the outset of the PMO through a series of emails to the company from the CEO. One of the members of the communication team was selected to field questions about the PMO. A few paragraphs of the describing the PMO were also planned for the company’s annual report for later that year.

Running the Projects

Teams were assembled to conduct the projects. Project managers were drawn from the PMO project management group. The PMO also provided part-time or full time business analysts and architects as required for the project. Business personnel were drawn from the operating units as needed by the projects and IT personnel were drawn from the IT organization as needed. Each project team attended a weeklong course on the processes of the PMO that included team-building activities in preparation for their project.

The full-time PMO members served as process facilitators and experts for the entire team. Project managers met on a weekly basis with the PMO VP to coordinate the projects, manage cross-project risks, and refine the new processes of the PMO. The ARB conducted regular technical reviews with the teams and provided technical guidance. Over the period of the first few months a number of small adjustments were made to the initially defined processes to optimize them.

Reviewing the Projects

The executive council held a few extra review meetings as the PMO was getting started to review early issues. The first full review of the PMO was performed after three months. A tremendous amount of learning had taken place during this time in the areas of customer needs, business capabilities, technical capabilities and personnel skill gaps. The prioritization matrix was updated to reflect these new learnings and a few changes were made to the nature and prioritization of various projects. Because all of the projects were defined as to not last more than six months, it was possible to rework the future plan with minimal impact on current projects.

The PMO staff adopted a few small process improvement projects to improve the structure and processes of the knowledge base. The technology services team published some of the more successful technical designs that were emerging from the projects into a "technical best practices" section on the knowledge base as well.

Project Hand-offs

Upon completion of the projects the results – primarily new business processes and new systems - were integrated into one or more business units. Because members from the business units and IT had participated on the project teams there were expert project personnel to help in the operation of the new programs.

As team members returned to their groups, they brought the best practices and philosophy of the PMO back with them, both creating positive interest in the PMO's activities and providing new ideas to improve the operational capabilities of the exiting business units and IT organizations.

Benefits

By creating a separate entity to run these selected projects, this company was able to implement a large number of high impact projects using new and effective processes.

- The executive team was able to closely manage the use of their strategic funds and constructively worked with the project teams.
- Customer collaborative product development processes and tools were rolled out quickly and successfully. Products are being released to market faster, and customers are more likely to select the company for new business. Furthermore the PMO provides customers and structured way to work with company to further improve the product development process.
- Creating an organization from a fresh start allowed it to use new and effective processes that increased collaboration, sped implementation delivery and reduced risks.
- The neutral environment created an environment that made

business, IT and customer collaboration easier. This drove more innovative and valuable solutions.

- The common assets provided by the PMO sped delivery and reduced costs.
- Providing vendors a process (and requiring their conformance) that allowed the project teams to work in a coordinated way, and that allowed the company to manage its risk, increased the success of vendor contributions.
- Providing staff to PMO project teams reduced IT staffing and created impetus to prioritize their maintenance activities.
- PMO best practices were absorbed into the rest of the organization through end-of project hand-offs, thereby providing process benefits to the entire organization.

Conclusion

The description listed above draws on examples from a few different PMO implementations. The final end-state of each PMO was actually very different. In one case the PMO ran for about 2 years, after which time the PMO's processes were incorporated into the operation of the overall company. In another case the PMO is still running as an independent entity after 2 ½ years, focusing on ebusiness initiatives. In a third case, after defining the PMO, the organization decided that the new processes would immediately benefit the entire company, and worked the new processes directly into existing company organizations.

In all cases, a key to PMO success was to start small, with a focused group of people with a clear mission that were empowered to draw on resources from the rest of the organization to achieve their mission. The PMO organizations themselves grew naturally as a result of thoughtful planning and the activities that they were performing to achieve their mission.

Such an organization can change your company and even your industry.

About Freshwater Partners, Inc.

Freshwater Partners is an education and consulting firm that helps companies adopt processes to innovate and execute business plans. We maintain a library of best practice processes that allow companies to optimize their business by leveraging information technology. We use a practical approach of assessment, alignment, education, coaching and measurement to guide our customers through improving their capabilities. We employee veteran business managers and technologists who have sucessfully assisted many companies.

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Freshwater Partners, Inc.
2 Whittier Court
Andover, MA 01810
main: (978) 409-1136
fax: (508) 861-1707
email: info@freshwaterpartners.com
http://www.freshwaterpartners.com