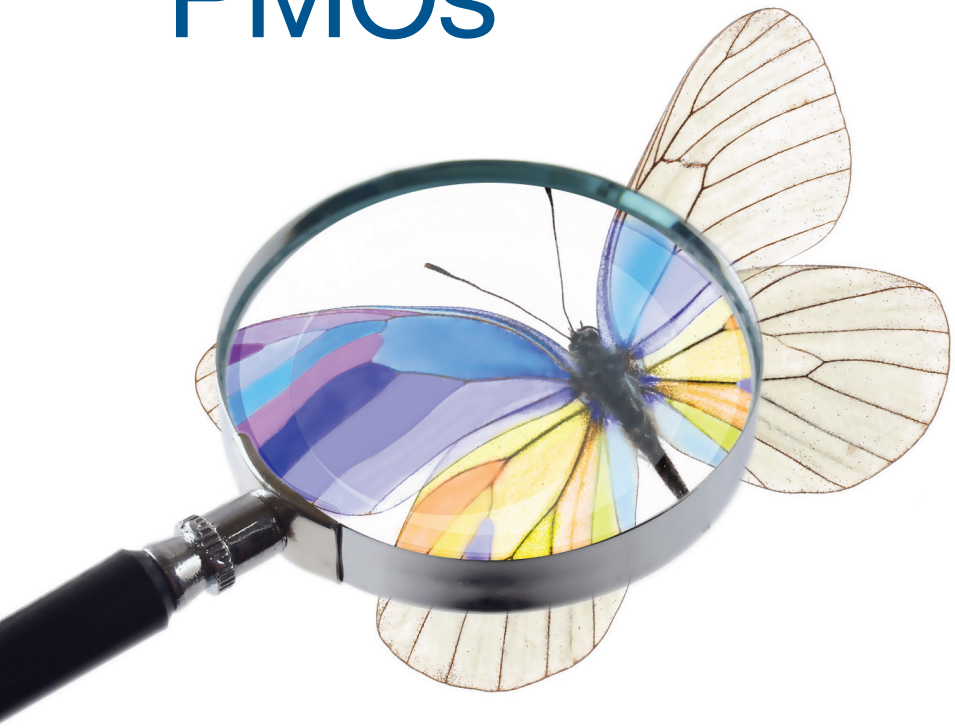
PM SOLUTIONS RESEARCH

AN INSIDE LOOK AT

High-Performing PMOs



J. Kent Crawford

with Jeannette Cabanis-Brewin

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FOREWORD

In the spring of 2000, I attended my first Project Management Benchmarking Forum. There were eight people present, in addition to myself and the organizer, Dr. Frank Toney of the University of Phoenix. One of them had established a Project Office within the IT function, and the rest of us listened to her admiringly, as if she were an explorer returned from the top of Everest.

I offer this anecdote to underscore the revolutionary nature of the idea behind the Project Management Office: that the discipline of project management, when properly supported by an appropriate organizational structure, can transform not only the way projects and programs are managed, but also has the potential to affect the entire organization … and just possibly, the business world itself. We are used to technology revolutionizing business practices over a short time span; but the PMO is the only organization design I can think of that has performed a similar transformation. In just one decade, we have seen:

- The Project Office morph into the Project Management Office, a significant change in terminology because it tells us that we are creating a process center, not merely managing projects.
- The divisional (usually IT) PMO evolve into an Enterprise PMO.
- The Enterprise PMO take on more and more high-value, strategic tasks, from advising senior executives to participating in portfolio selection.

What's next? As the Enterprise PMO becomes the Office of Strategy Management, or the Office of Planning and Innovation (just two of the titles held by recent PMO of the Year finalists), long-time project management watchers can be gratified that the "projectized" organization long imagined is becoming a reality. The best-practice organizations that are described in these pages offer us a glimpse into a future that is already under way.

Jeannette Cabanis-Brewin
Editor-in-Chief, PM Solutions Research
July 2011

PREFACE

What High-Performing PMOs Have in Common

... And How We Identified Them

RECENTLY, a reporter from a major business magazine interviewed one of the principals of PM Solutions about one of our research studies. The questions were the usual drilldown into what the study results mean for the publication's readers, but at the end, she appended a somewhat hardball question. *Why,* she asked, *should we trust the findings from this study since they do, after all, support PM Solutions' business strategy?*

That's a question that we are happy to answer, because the story of PM Solutions' research program can only underscore the value of the data contained in this book, which is the outgrowth of our PMO of the Year® award program, now in its sixth year.



First, a little history. The award program is the culmination of a decade of original business research by PM Solutions' research division. Business research, as opposed to the kind of pure research carried on by scientists and academics, seeks to answer specific questions, and to answer them in ways that provide immediate, actionable information.

Therefore, naturally, firms that carry out business research ask questions to which they need answers. It's not surprising that the majority of actionable business research comes from the research departments of consulting firms because consulting firms provide, primarily, two intellectual commodities: information and strategies.

Information alone isn't enough. Sometimes it helps to know how many other companies, for example, train project managers, or how many of them they train. But what would really help would be to know *why* and *how* they train them and what business results they derive from that investment. That understanding is what separates usable information from raw numbers.

Strategy alone isn't enough, either. Unless there are sound business benefits behind a business improvement project — whether that is a change in infrastructure, a training program, or an investment in tools — none of these strategies should be undertaken. What's more, when a strategy that is not based on information — hard data about the condition of the organization beforehand, or benchmark data about what other companies have achieved — you'll never know if you succeeded because of the strategy or by sheer accident or due to a change in the business environment.

So what consultants need are strategies based on information. Fifteen years ago, the fledgling consultancy PM Solutions determined that no one was asking the research questions about project management that our consultants needed the answers to, and that therefore consultants and practitioners both were being hindered by the lack of actionable data. We set out to fill that gap, providing at first survey-based research on a wide variety of project management questions, and then, in 2002, stepping into the role of host for the Project Management Benchmarking Forums, where we added action research to the

surveys. Yes, our research studies have supported our business strategy … because that strategy is based on the research findings and evolves along with the research as new trends and practices emerge.

In 2006, increasingly impressed by the achievements of the project management leaders who attended the Forums and discussed the innovative ways they were implementing project, program, and portfolio management in their organizations, we conceived of The PMO of the Year award as a way to spotlight the business value of project management and the role of the professional PMO leader. The practice examples included in this book are largely drawn from the applications of winners and finalists for the award, who represent a broad spectrum of organizations from Fortune 500 companies to government agencies, and from around the globe. The competition is fierce, and applications are judged by an independent panel of volunteer judges — researchers, academics, and practitioners — on an array of criteria developed to assess how well the PMO delivers business value to their organization (see Appendix B for details on the judging criteria). That's why we can confidently state that the winners and finalists who emerge are "the world's best PMOs," and recommend their practices to our readers.

The State of the PMO

We have focused our survey research efforts on PMOs, creating *The State of the PMO,* a recurring study that examines trends and benchmarks practices across a variety of industries. Building on the 2005 *Strategy & Projects* research study, these surveys, published in 2008 and 2010, show distinct trends in the ways that PMOs are structured, staffed, and utilized within organizations. For example:

- PMO maturity is up. Average maturity is 2.3 (on a scale of 1-5), with 14% immature (compared with 26% in 2008) and 52% established (34% in 2008).
- PMOs demonstrate significant value. In particular, they've contributed a 31% decrease in failed projects on average, a 30% increase in projects delivered under budget, a 21% improvement in productivity, a 19% increase in projects delivered ahead of schedule, and cost savings of $567,000 per project.
- There's a direct correlation between the maturity of a company's PMO and the value it provides. More mature PMOs are far more likely to meet critical success factors. They also demonstrate significantly greater improvements in cost savings per project, decrease in failed projects, schedule and budget performance, and productivity.
- Companies with PMOs have significantly more mature project management capability than those without. In fact, 30% of companies without PMOs have only ad hoc processes (Level 1 project management maturity) while only 6% of companies with PMOs are still at Level 1 maturity.

While the award and the surveys are quite separate, the award applicants do provide a living laboratory where the trends that emerge from the data are demonstrated. For example, when we see a PMO like the 2010 award-winner, IBM's PM Center of Excellence, emerge as a winner, we have a concrete example of the finding that it is PMO *maturity* that counts.

Meanwhile, there's been an increasing amount of research attention paid to the PMO by other experts as well. Studies by Planview, Inc., Forrester Research, and Gartner, Inc. have add-

ed to or bolstered our own findings. For example, Planview in 2006 coined the term "PMO 2.0" to describe a "full-service PMO that supports and aligns strategic, tactical, and operational considerations." This vision of an enterprise entity that could optimize scarce resources also emerged as the "Investment Opportunity PMO" in a Feb. 2011 article on TechRepublic.com, as well as in a Forrester Research white paper cited in April 2011 in CIO.com as the "transformational PMO."

Quoting Forrester analyst Margo Visitacion — a long-standing member of the PMO of the Year judges panel — the article pointed to the development of the project office into the program office — an emphasis shift "from separate, distinct project planning to holistic, integrated initiative planning and execution."

Most recently, Gartner Inc. analyst Audrey Apfel noted that a "strategy execution office" was the pinnacle of PMO maturity. She also decried the model of the PMO as a compliance auditor concerned with "documenting the train wreck" and called for a new definition of PMO accountability based on value metrics that demonstrate results over time, leading to executive satisfaction.

The PMO of the Year award winners and finalists model this new style of transformative PMO. Even six years ago we found that those who rose to the top in the awards program had already understood the need for business results and had taken on the mantle of accountability. They were actively seeking ways to improve overall organizational performance, as well as ways to communicate performance improvements across the enterprise. In short, they had not waited to be told what a best-practice enterprise PMO should be doing: They invented it. Any organization that depends on projects and programs for growth (and who doesn't?) can benefit from their example.

In the following five chapters, we will take a look at how high-performing PMOs deal with issues in five practice areas:

- Project and Program Management: The Ground Floor.
- Strategic Alignment and Portfolio Management: Taking Project Management to the Executive Suite.
- Performance Measurement: How PMOs Prove their Value.
- People Management: Those Hard Soft Skills…and the Value of Training.
- Infrastructure and Organization Design: Technology and Structure that Support the PMO's Work.

In Chapter 6, we'll take a look at how the winners from previous years have continued to grow and change in spite of extremely challenging economic times.

Finally, we'll gaze into our crystal ball and make some predictions for the future of the PMO; a future that is already taking shape at this writing in organizations around the world, where next year's — and next decade's — PMO of the Year applicants are getting down to business.

ACKNOWLEDGEMENTS

THIS BOOK is the culmination of the efforts of many people who have contributed in various ways to the program of original project management research that PM Solutions has been carrying out over the past 12 years. Needless to say, they are too numerous to name on this page, but the efforts of all are remembered and appreciated.

In particular, we'd like to thank PMI's PMO Community of Practice (formerly the PMO SIG) for being our partner in presenting the PMO of the Year award each year since 2010. It's just one of many ways the organization supports the growth of knowledge and expertise for PMO leaders.

The hundreds of PMO leaders who have nominated their organizations for the award over the years also deserve our appreciation. Applicants for the PMO of the Year, whether they place in the competition or not, go through a process of self-examination that cannot fail to be helpful to their organizations. Only with the willingness of PMO leaders to undertake this process can the award continue to gain in prestige and hold up the achievements of PMOs to public awareness.

As for the judges in the competition, past and present, we cannot thank them enough. They volunteer countless hours to pore over hundreds of pages of essays and documentation about PMOs, giving their time and expertise purely out of love for the profession.

Thanks also to the PM Solutions consultants who have contributed in many ways over the years to the research studies and benchmarking events, as participants, researchers, and

writers — as well as testing our assumptions "in the field" in their work with clients.

Much of the action research we have engaged in through benchmarking forums and other events over the years had its genesis in the efforts of Dr. Frank Toney of the University of Phoenix, who helped to create the Project Management Benchmarking Forums in the early 1990s and passed the baton to us in 2002. We were honored by his trust and strive to continue to create useful, actionable benchmarking information for project management practitioners.

Thanks also to the PMO of the Year program team at PM Solutions, who administer, manage, and publicize the competition: Mary Yanocha, Michele Stephano, and Jeannette Cabanis-Brewin, who also serves as writer and editor of the annual e-books about the finalists.

Finally, we would be truly ungrateful if we did not acknowledge the contributions of James S. Pennypacker, the founder and director of PM Solutions' research program. Our research studies, events, books and PMO of the Year award during its first decade are a testament to his vision and energy.

J. Kent Crawford
CEO, PM Solutions
July 2011

CHAPTER ONE

Project and Program Management
The Ground Floor

IT GOES WITHOUT SAYING that the world's finest PMOs must be excellent at the discipline of project management. In fact, the PMO of the Year application stresses that merely excelling at the nuts and bolts of project management is not enough for consideration in the award. The disciplined management of time, cost, and quality is simply expected of a world-class PMO. Nevertheless, there are lessons to be drawn from how these PMOs laid down the foundations of their project management practice.

It is striking how many of the PMOs who enter the competition are relatively new: some less than a year old. And even many of those who achieve finalist status describe a rocket-launched path from clean slate to trusted strategic partner. Often formed as a response to failure — either past or under way — the PMO has to ramp up quickly. New PMO leaders frequently are challenged to bring project management rigor to departments where "project management" is an undefined quantity and where the culture resists the application of standard methodology. A high-performing PMO does not skip over the crucial step of laying this foundation, however. In comparing the application essays of dozens of award finalists, we find three central themes in their approach to establishing project management:

1. Use a Standard Language. This can mean something as simple as a shared lexicon for working on projects (in which terms like "plan," "schedule," and "requirement") have been precisely defined. At the other end of the scale, it can mean a methodology or multiple methodologies that connect industry best practices with project management standards.
2. Educate Broadly, then Deeply. Smart PMO leaders train widely: giving support staff, line managers and executives the basics of project management to build a supportive organization around the PMO, then focusing training on the project managers and staff to bring their practice in line with the requirements of the organization.
3. Collect Data Rigorously. Most, if not all, PMO leaders today realize that the value of the PMO must be quantified. The time to set up measurements is at PMO implementation kickoff; this allows the PMO to later show, in hard numbers, the value derived from process improvements.

Program Management Competence

Not only project but also program management excellence is required for the high-performing PMO. As Forrester Research's Margo Visitacion noted in a 2009 white paper, "Many organizations mistakenly equate project management with program management, but … the disciplines are quite different." With its entry into program management, the PMO takes a step towards a more strategic role, as (again, according to Visitacion) "programs are by nature more strategic than projects."

Whether comprising tangible initiatives such as a major project launch or the building of a hospital facility, or intangible ones such as changing organizational culture, programs

call for both a longer-term view of the enterprise's goals and a broader scope of expertise. Generally, PMOs managing programs also have larger staffs, which include those who specialize in the "science" of project management: the schedulers, planners, and analysts. Hence they require more in the way of human-resource-management skills from the PMO leaders. Visitacion makes the point that the Program Management Office is a logical organizational stage between the Project Office and the Enterprise (or Strategic) PMO.

The brief case studies that follow detail some of the project and program management innovations and best practices of seven former PMO of the Year finalists. As you will see, they span the gamut from new product development support functions to application development powerhouses, from nonprofit organizations to manufacturers. The common denominator lies in their having implemented sound project and program management basics rapidly, often in an environment unfamiliar with the discipline, and quickly winning organizational buy-in and accolades. Here's how they did it.

CPS Energy Information & Communication Services (ICS) Program Management Office

2008 FINALIST

CPS Energy provides natural gas and electric service to approximately a million customers in the City of San Antonio. The need for formalized project management was identified in 2004, but as with many organizational improvement initiatives, initial PMO start-up efforts encountered a myriad of unplanned obstacles. In operation just over a year and a half at the time of the award, the ICS PMO began their journey by developing a six-phase Implementation Strategy (Master Plan):

1. First, they established a functional project management office within the Information Communication Services (ICS) Division. After determining issues of organizational structure, they created a communication plan to engage stakeholders. To this end, they developed and communicated a high-level methodology for managing projects — a roadmap to success based upon a standardized, simple, repeatable process.
2. Next, they established a program to implement project management best practices within ICS. They developed common tools and templates. The ICS PM Methodology implementation consisted of three major deliverables: modified PMI processes; realistic project management deliverables for the project lifecycle process; and a way to tailor it to the type and size of the project(s). Implementing internal and external benchmarking provided the checkpoints for successful project management and guided in the continuous improvement actions. Developing and implementing a resource planning process provided an important input to the portfolio management effort. (Previous efforts had revolved strictly around the availability of budget, without appropriate consideration as to the availability of resources.) They also implemented metrics to validate project performance. Finally, a practice of continuous improvement was put in place by identifying and implementing project management improvements within ICS.
3. A strategy to implement program/portfolio management best practices was next (and still evolving at the time of the award).
4. Project management and quality assurance, since they are intertwined in many aspects of projects, needed a

tighter linkage. Standards, inspection guidelines, process adherence, product reviews — just about anything that is done under the project management umbrella — can be monitored, assessed, and improved in quality.

5. Project management training and development was planned. It included training in process knowledge as well as coaching in the people management skills that make up project management.
6. Metrics were put in place to determine degree of success. The ICS PMO measures and equates success to budget impact (dollars), schedule impact (dates), and the quality of the product.

CPS Energy's project management practices were based upon three standard concepts:

1. Establish project management professionalism. All project managers assigned to the PMO are experienced PMPs. This means basic terminology is a "common denominator" among the individuals responsible for managing projects and interacting throughout the core team.
2. Sell the goals/objectives associated with the project management benefits. As the process matured and more individuals recognized the benefits, buy-in increased.
3. Understand the roadmap (process methodology). CPS's project management roadmap is the standard PMI development lifecycle, modified into a five-phased lifecycle. Their approach was to start out simple with an easy-to-follow methodology, along with a set of basic tools and templates maintained in an accessible document management system. Standardization among the projects is based upon this combination of process, tools, templates, and a standard repository.

National Council on Compensation Insurance Program Management Office

2007 AND 2008 FINALIST

NCCI Holdings, Inc., based in Boca Raton, Florida, is the most experienced and largest provider of workers compensation insurance and employee injury data and statistics in the nation, providing a variety of data products to over 900 insurance companies and nearly 40 state governments. NCCI has won numerous awards, including placing twice as a finalist in the PMO of the Year competition.

The cornerstone of the company is the data and the systems supporting the data. Over a decade prior to applying for the award, the company had doubled the number of IT applications it used from approximately 65 to 134. This environment of growth spawned the need for a PMO.

NCCI's PMO evolved over approximately nine years, from a business unit PMO that provided rudimentary information on project methodology, standards, and templates, to a PMO department combined with two business unit project teams and reporting directly to the CIO, to today's Strategic Project Office. A core strategy leading to the success of the PMO is in recognizing when to encourage "purist" project processes and when to soft sell processes, thus encouraging adoption that will later be built upon to increase the maturity of the organization. Business leaders are not expected to understand the nuances of Microsoft Project, but are offered Microsoft Excel versions of project plans of those projects managed by resources whose core competency is business analysis, not project management.

Standard Methodology and Metrics. Repeatable PMO processes are the cultural expectation at NCCI and are integral to the success of the PMO. To that end, they have developed a comprehensive set of 36 templates, ranging from vision state-

ment and project charter to business requirements and detail design through to a traceability matrix and metrics calculation. Metrics are based on three aspects of the triple constraint (budget, schedule, and scope).

Resource Evaluation and Planning. The PMO developed a robust relational portfolio database management system with reporting capability to manage periodic capacity reviews with business and IT counterparts. The goal was to proactively managing resources based on analyzing the available resources for strategic corporate and/or divisional initiatives aligned with the PMO Annual Plan.

Resource evaluation and planning looks across all IT initiatives — investment (large strategic projects), discretionary (small enhancement projects), and baseline ("break-fix") projects — to detect capacity and/or skill-set stress points within each division. Capacity is then smoothed by making adjustments to project start dates, schedules, and scope. Capacity constraints are mitigated and managed as a project risk. The implementation of the PMO Project Data Analyzer tool allows project managers to use in-house historical project information to validate project estimates from resource, cost, and schedule perspectives.

Project Management Consulting Center. The PMO is the seat of governing responsibility for project management. As such, it operates as a consultative organization, providing project management with direct oversight and responsibility for all investment projects with regard to budget, schedule, and scope, regardless of where the project originates in the organization. Based on the results of a risk assessment completed by the business and IT teams, the PMO assigns a project manager to high risk projects. For medium- and low-risk projects, the division manages the project with the assistance of a technical project manager. Upon completion, the PMO audits a sample of projects for each division and finds the work satis-

factory or unsatisfactory. Unsatisfactory findings are expected to be remediated within 30 days.

Knowledge Management. The PMO facilitates lessons learned sessions prior to the close of each project. All project documentation, including lessons learned, is stored in the PMO repository. The lessons learned knowledgebase is analyzed on a quarterly basis, resulting in the initiation of Software Engineering Process Groups (SEPGs) on targeted topics. The SEPGs recommend and deliver process improvements in the form of templates, processes, and systems. Many new PMO initiatives arose from SEPG recommendations.

The methodology rests upon development of standard templates of all types for the effective introduction and application of core organizational competencies including:

- Implementation of the project vision statement template, which ensures early development of the business case and general agreement that the proposed project has merit.
- Implementation of the project charter template for the refinement of the business case, approved course of action, and a commitment of resources.
- Establishment and maturity of detailed project plan templates, including defaults for duration, work, predecessors, successors, and resources for investment, discretionary, and baseline projects.
- Development of standardized project structures for project scope definition and as a base for enhanced project schedule and cost estimates.
- Enforcement of rational, detailed business requirements as the basis for achievable design elements. One Software Engineering Process Group's activity resulted in embedding detailed prompts into the business requirements template for consistency of design, development, and delivery.

- Creation of two electronic PMO reference guides—one for the investment project life cycle and one for the discretionary project life cycle—detailing all aspects of the project lifecycle with links to internal and external sources of information.

Integrating Quality and Project Management. Working with the Quality Council and the PMO process team, the PMO developed a seamless interface and mutually supportive set of tools and techniques between the Quality and Project Management Systems. This interface and set of tools, known as the Quality Management System (QMS), is now being used throughout the organization as part of organizational development.

R. L. Polk & Co. Enterprise Project Office

2008 FINALIST

In 2000, the senior leadership of this major automotive industry player created a core team to assess the benefits of utilizing project management. The team put together a business case that included:

- Pros and cons of project management.
- Project office short- and long-term goals.
- Infrastructure requirements (people, process and technology).
- Roles and responsibilities.
- Training requirements.

After assessing the business case and understanding the benefits that a formalized project office could bring, Polk's senior management quickly approved the implementation of an Enterprise Project Office (EPO) in July of 2000. The EPO

name was chosen to make an impact on the entire company by signifying that project management could benefit the entire organization, not just certain departments.

The EPO team began with a staff of seven, excluding the team lead. Some members had been part of the core team, while others were recruited from other company departments. The team members were relatively inexperienced in applying true formal project management practices, and to make the situation even more challenging, some project managers resided in remote office locations.

The team developed a three-phase strategy with aggressive timelines, deliverables, resources required, value-added requirements, risk, and measurement. They also developed Polk's project management methodology, Project Management Process Model (PM2), which consisted of the first iteration of project templates, tools, and processes.

The Polk Process Model. The Enterprise Project Office's most successful and repeatable innovation has been the development of PM2 — Polk's project management process model. It was developed and customized to fit Polk's needs. Here is a high-level look at the phases of PM2.

- R&A (Initiate) — Defines the initial project scope, timing, estimate, and architecture.
- Plan — Gathers detailed business requirements to fully understand the business needs and the size of the project.
- Design — Supports the SLC (Software Life Cycle) process and facilitates the functional identification, system design, and technical modeling of the new system.
- Execute — Consists of the project team accomplishing the tasks outlined in the previous phases.
- Transition — Transitions the technical support into maintenance, production, or operation.

- Close-out — Conducts a post-project analysis which can be divided into three distinct components: project (objectives were met), project methodology, and the team's performance.

In terms of organizational value-added, the PM2:

- Provided a standard approach to effectively manage projects while ensuring they were conducted in a disciplined, well-managed, and consistent manner.
- Provided a project methodology concerned with the management of "how" the organization did things in order to be successful.
- Promoted the delivery of quality projects that were completed on-time and within budget.
- Clearly defined expectations and results so all stakeholders had the same understanding of the work being performed.
- Identified, incorporated, and tracked all required tasks from inception to completion so the needed resources could be identified and secured early on in the process.
- Created and facilitated strong cross-functional teams so all resources worked together in unison and minimized or eliminated an "us" versus "them" mentality.
- Identified problems, challenges, and roadblocks early on to increase the chances of meeting the committed delivery date in spite of the inevitable surprises that surface in every project.
- Effectively managed the impact of changes to the project so customers could understand the effect of requested changes with respect to time, cost, and resource allocations.

The EPO identified a need to implement a Process Improvement Team (PIT) to develop new practices while enhancing current practices or removing practices which were adding minimal value. As a result of the PM2 innovation, the following best practices were implemented and utilized consistently on all projects:

- Project Schedule — This is a template that was customizable for any project type.
- Project Log — This log evolved into an Excel spreadsheet which consists of multiple tabs (action item, issue, risk, change log, and decision).
- Lessons Learned Process — A custom built "lessons learned" database was created. This enabled data to be centralized and provided the project manager with an opportunity to research past projects.
- Status Reports — Status reports allowed project managers to report on the current status, issues, risks, financials, and overall status (red, yellow, and green).
- Change Request — This process was utilized for managing the project's scope. It provided the team with an opportunity to understand the impact (resource, timeline, cost, etc.) before proceeding.
- Meeting Minutes and Agendas — These artifacts are simple in nature but were key for facilitating team meetings. Stakeholders became reliant on the meeting minutes to validate that everyone was on-track moving forward.
- Charter — A charter was created for every project and signed by top management to ensure a common understanding of a project's scope.

All PM2 development and training work was done in-house and in conjunction with managing projects. As a result, the team was commended for their effort and commitment to the evolution of Polk's project management methodology, which was also integrated with Polk's Software Development Life Cycle (SDLC). Significantly, they trained not only the EPO staff but also the Polk community-at-large about the value of project management. Outside experts presented various project management topics during quarterly forums that not only provided additional company visibility but also afforded an opportunity for senior management to be actively involved.

Australian Securities Exchange Ltd. Global Program Management Office

2009 FINALIST

The Australian Securities Exchange, ASX Limited (ASX), one of the top 50 listed companies in Australia and top 10 exchanges in the world, plays a crucial role in the Australian economy. Created by the merger of the Australian Stock Exchange and the Sydney Futures Exchange in 2006, ASX functions as a market operator, supervisor, central counterparty clearer, and payments system facilitator. It promotes good corporate governance among Australia's listed companies and helps educate retail investors.

The ASX PMO is an enterprise-wide function dedicated to project, program, and portfolio management. It performs a critical function, ensuring that ASX's strategic and tactical change program is managed in such a way that market service levels and integrity are maintained at all times, regardless of whether the project involves major system enhancements or the launch of new products.

Because of the integral role ASX and its key systems play in the domestic and international financial markets, where unplanned system outages are not acceptable, the PMO must achieve a consistent level of high-quality deliverables.

The PMO comprises a group of experienced professionals in the fields of project management, business analysis and project administration. It has 39 full-time staff members, including program managers, project managers, business analysts, and project officers. One of the distinguishing characteristics of the ASX PMO is its capacity to undertake any type of project, whether it involves technology, legal or regulatory, market supervision, business or product development, marketing initiative, or a combination of these. Continuous improvement is a priority, and an assessment in April 2008 revealed key areas to be improved:

Project "Lite." By removing the definition phase and reducing the number of deliverables, substantial improvements in time can be realized on less complex projects. Resource flexibility will remove the constraint on project managers and business analysts and may provide a career path for project officers. This leverages the existing investment in tools and infrastructure (e.g., project server) deeper into the organization, further unlocking value. It promotes visibility of smaller initiatives with high value but does not represent a significant departure from existing process, tools and culture.

Requirements Gathering. A requirements management tool was planned to achieve the following outcomes:

- Automatic generation of documents from standardized templates.
- Opportunity for re-use of requirements/system flows from previous projects where appropriate.
- Improved version control; universal reviewer visibility.

- Automatic interface with Mercury Quality Centre for creation of test cases/scripts.
- Automatic interface with Microsoft Team Foundation Server to facilitate requirements.

The PMO regularly conducts reviews though a formal post-implementation review and closure report process to examine stakeholder satisfaction, cycle times, and achievement of agreed project scope and objectives. Valuable lessons learned are then fed back into the project management framework, ensuring further continuous improvement.

Regence Blue Cross Blue Shield Enterprise Program Management Office

2009 FINALIST

Regence (encompassing four Blue Cross and/or Blue Shield Plans in the Pacific Northwest and Mountain states) manages more than US$8.3 billion in member premiums annually. The company's executive leadership realized early that a robust competency in project, program, and portfolio management would support the company's evolving strategic and operational objectives. Most evident were gaps in program and project management competence, methods, and tools. To address these deficits, the EPMO was founded.

The EPMO faced several daunting challenges, including a dearth of professional project management, program management, and business analyst expertise; and lack of a single, commonly recognized project management methodology — including standards, tools, and processes — to support such an ambitious task.

Consequently, the EPMO had to be staffed, organized, and resourced while simultaneously developing new, industry-

leading products and consolidating businesses, systems, and cultures. Clearly, this was to be an exercise in "building and servicing an airplane while in full flight," according to the assistant director of the EPMO.

Nevertheless, in under three years, the Regence EPMO established project standards, developed requirements and business analysis expertise, initiated project status reporting, enabled project time tracking, revamped testing operations and methodology, improved project forecasting, and expanded project portfolio governance.

The EPMO division comprises four departments:

- The Project Portfolio Management Department oversees project and program governance to maximize project portfolio outcomes in support of corporate strategies and objectives.
- The Project Scope and Requirements Department ensures that projects and programs are clearly defined and ready for formal project initiation. In addition to defining scope, this team executes a consistent and repeatable process to develop and document business requirements for ongoing projects.
- The Project Delivery Department delivers projects and programs that support the company's overall business objectives and provides ad hoc leadership and project management support for smaller-scale corporate initiatives.
- The Project Support Services Department creates and maintains the process and technology infrastructure needed to support the company's large project portfolio, including project and program methods, tools, metrics, and support services.

The Regence EPMO has assembled a complement of expert project and program managers, together with a program services team that provides management with just-in-time information about project, program, and portfolio performance. It has launched an internal consulting unit to oversee the identification, development, and delivery of formal training, as well as act as mentors and coaches for project managers and business analysts.

Rockwell Automation Software Program Management Office

2009 WINNER

In 2005, as Rockwell Automation was planning the rollout of a new SAP business system, the company recognized the need for a new, common product development process that was based on company best practices combined with industry best practices for product development.

This effort resulted in a Common Product Development (CPD) process that allowed for enterprise-wide adoption. Sixteen different product businesses ranging from high-volume component suppliers to complex continuous process control systems solution suppliers now use the same high-level process framework for their new product developments.

Since project managers are instrumental in the execution of a product development process, it was quickly realized that introducing an end-to-end process to a company built from many related but very different product businesses would require consistent application of project management across all the product lines. A formal Project Management Organization already existed (established in 2004) and was capitalized upon to support this effort. James C. Brown, hired in 2004 to

help implement the PMO, called the project management environment "a clean slate." Nevertheless, Rockwell's new PMO ramped up quickly, getting everyone PMP-certified within two months, which caught the attention of the Senior Vice President for the division. From there they began establishing processes and methodologies, establishing scorecards and metrics, and deploying tools in support of new product development and services. They moved from a waterfall approach in managing projects to an Agile approach, reducing process documentation from 20+ pages to fewer than 5 pages and moving from notebook binders to electronic media.

The driving force behind management's commitment to implement this new process was the vision of a common, consistent methodology for new product development across the enterprise. This consistency was prioritized from the top down (direct management involvement in stage-gate reviews) in order to realize benefits as soon as possible.

The PMO has been instrumental in Rockwell Automation's quest for increased predictability, productivity, and visibility. By delivering a major release (4 programs and 20+ projects) on time and under budget — for the first time in the company's history — the organization proved its business value.

The Doe Run Company Enterprise PMO

2010 FINALIST

Based in St. Louis, The Doe Run Company is a privately held natural resources company. Dedicated to environmentally responsible mineral and metal production, Doe Run operates the world's largest, single-site lead recycling facility.

Prior to 2006, The Doe Run Company had no formal portfolio or project management processes in place. Projects were funded based on historic financial allocation by area, regard-

less of the current business situation. Project funding approvals were based on a one paragraph scope description. While project performance was not routinely tracked, there were instances of projects completed up to 200% over schedule and budget. After years of troubled projects, ownership had lost confidence in Doe Run's project management capabilities.

In 2006, as the company struggled with a large enterprise resource planning implementation, frustration drove company management to look for a better answer. Despite an initial resistance to "adding bureaucracy," the Project Management Office was created in 2006 on the recommendation of the CIO.

The mining company had been using the same operational processes for more than 140 years, so driving the adoption of new processes was anticipated to be tough. To encourage user adoption, a portfolio and project management team was formed with key stakeholders from throughout the company. The first action of the team was to identify pain points and number one was the slow turnaround time for project funding approvals which was delaying critical projects. The goal of the team was to restore management confidence through improved project performance.

The team provided a more detailed format for project requests with guidelines for more accurate cost estimates and project schedules. Doe Run purchased a project management methodology designed for the mining market and customized it. This Project Delivery System provided a set of flexible processes, tools, and templates designed to manage a project through its lifecycle. The PMO Manager visited divisional operations on a regular basis with the message "the PMO is here to help," rather than taking an approach of a distant unit in the corporate office formed to "enforce policy."

Doe Run also adopted standard cost estimating practices from the Association for the Advancement of Cost Engineer-

ing International (AACE). Project managers were trained on the amount of planning documentation required to arrive at the desired cost accuracy.

In establishing common portfolio and project management processes, it is important that all stakeholders speak a common language and use terms that business leaders can understand. Education on the project management methodology, best practices, and terminology was provided through regularly scheduled training classes offered by the PMO.

A brief overview of the project management methodology and practices was included in the orientation program for all new managers. Project sponsors attended a three-hour overview on their role in project success. Guidelines were provided on what a project sponsor should expect from a project manager, and tools such as standard status report formats and "key questions to ask about the project" were provided to project sponsors. This training helped project sponsors become comfortable with their role in holding project managers responsible for project delivery.

CHAPTER TWO

Strategic Alignment and Portfolio Management

Taking Project Management to the Executive Suite

THE ENTERPRISE-LEVEL, STRATEGIC PMO has two primary missions: To improve the organization's project management maturity and to link the organization's projects to its strategic plans. The latter of these two—linking strategy to projects—remains revolutionary thinking in some organizations, but for the high-performing PMOs in our research group, it often underlies their planning from the very beginning of implementation.

Perhaps that is because, like many who have labored long in the project management trenches, these PMO leaders know all too well how painful it can be to execute a project perfectly only to find out it is considered a failure because it does not meet a business need (or perhaps because the business need has changed since the project was launched). Too often, projects are chartered that have little or no connection to the corporate strategy formulated by top management. The reason for this is simply the lack of an organizational entity with responsibility to map strategy to projects and to monitor projects and portfolios to ensure that they continue to address strategic initiatives, even as those initiatives change over time.

Enter the strategic PMO. The PMO not only provides services to individual projects and department-level project offices, it serves as the critical link between executive vision and the work of the enterprise. By providing a standard organizational methodology for planning, executing, staffing, prioritizing, and learning from all the projects that comprise today's organization, the PMO gives organizational life a coherence that has long been lacking. In particular, the discipline of project portfolio management (PPM) serves as a nexus for strategy and projects.

To what extent does integrating corporate strategy with project portfolio management contribute to organizational success? To seek an answer to this question, which has significant importance for executives and project managers alike, PM Solutions' research arm conducted a survey in 2005 targeting a broad spectrum of organizations. Representatives of 87 leading companies responded. The results? Companies using identified "best practices" most consistently also had the highest rates of project and organizational success.

The best practices identified in that study included:

- Strategy performance is measured, compared to objectives, and activities are redirected or objectives changed where necessary.
- There is an understanding of the impact of projects or project management activities on the creation and implementation of strategy.
- The organization's strategic plans cascade down from corporate strategy to business unit strategy to portfolio, program, and project strategy.
- Corporate and business units assemble a strategic portfolio of programs and projects and measure the strategic contribution of a program or project and adopt or reject programs/projects based on this information.

- As strategy cascades down the organization, performance measures are established at each level (business unit, portfolio, program, project) to link up with the strategic performance expectations of the entire company.

The most often used practice by high-performing organizations is having strategic plans that cascade down from corporate strategy to business unit strategy to portfolio, program, and project strategy; conversely, using project and program performance feedback to manage strategy execution is also a best practice engaged in by high-performing companies. The use of these two mutually reinforcing practices makes the difference between high performance on the enterprise level and just getting by.

Because the PMO of the Year award grew out of our *Strategy & Projects* research study, the criteria established for the award reflected our findings that the use of these best practices would correlate with improved organizational performance. Thus, those PMOs that score highest in the competition provide examples of organizations that have succeeding in elevating the PMO to a strategic resource. Here are a few of their stories.

EDS Office of the Multi-Year Plan

2006 WINNER

EDS founded the information technology outsourcing industry more than 40 years ago and, until 2008 when the company was acquired by Hewlett-Packard, EDS delivered a broad portfolio of IT and business process outsourcing services to clients in the manufacturing, financial services, healthcare, communications, energy, transportation, and consumer and retail industries as well as to governments around the world. The core portfolio comprised IT applications and business process services, as well as IT transformation services.

The EDS Office of the Multi-Year Plan was the PMO that supported a corporate global transformation program, ensuring that strategic investment decisions were made and managed at the enterprise level. This represented a major change within EDS: that investments supporting strategic work were to be decided and controlled centrally. This change had an impact on cultural norms within the company, which had grown up with an entrepreneurial "account manager is king" model where the leader who dealt directly with the client could do anything he or she felt was necessary to meet the client's needs. This model resulted in myriad variations of product, software, and processes, often requiring major effort. Each year many investment dollars were spent keeping this complex mixture together rather than used to develop or enhance offerings.

As a result of embracing the Multi-Year Plan, the company no longer supported "one-off solutions." If something new was required, the solution would be designed, as much as possible, for use by more than one customer, making each solution of long-term benefit to the enterprise.

The PMO established a 5-step feedback model called The Measure and Act Control Loop, which allowed the team to have clear visibility to all the stages that were needed for success:

1. Understand your target.
2. Measure the performance.
3. Compare performance to target and report. As part of that reporting, commit to future results:
   - If your plan says date so-and-so, will you make it?
   - If your project status is not green, when will it be green?
4. Produce remedial plans if needed and execute them.
5. Repeat steps 1 through 4.

The key point about the Control Loop is that measurement and reporting is easy — everyone does these steps all the time. Doing something about it is much harder — generally harder than people expect — and therefore it is often not given adequate energy and fails to make the difference hoped for. This is why the full name of this concept is the Measure and *Act* Control Loop.

One of the main benefits offered by the Office of the Multi-Year Plan was visibility to the status of projects within the program and to the results that ensued. The Office of the Multi-Year Plan also achieved compliance with a large number of processes in teams that previously did it "their way" without considering that an alternative existed. To ensure that the necessary actions to achieve success were taken, said Ruth Williams, director of the Office of the Multi-Year Plan, "The PMO introduced best practices and automation that minimized administration and maximized available effort for productive work."

This change was a cultural revolution in parts of the company and was met with major resistance, which had not been fully resolved at the time of the award. However, Williams noted that she had received a call from the field saying "this document didn't come from your office — how do I know it is right?" which was an excellent sign that the new system for aligning daily work with corporate objectives was taking hold. In addition, then-COO Ron Rittenmeyer congratulated the Multi-Year Plan team for the PMO of the Year award, saying, "Strong governance is one of the key supporting elements of the EDS strategy…. The Office of the Multi-Year Plan has a difficult job in keeping the company focused on our strategy and building on our successes, and we are proud of their positive impact on operating efficiency."

In Chapter 6 we consider whether the activities of the Office of the Multi-Year Plan had any bearing on the handsome price paid by Hewlett-Packard in the subsequent acquisition.

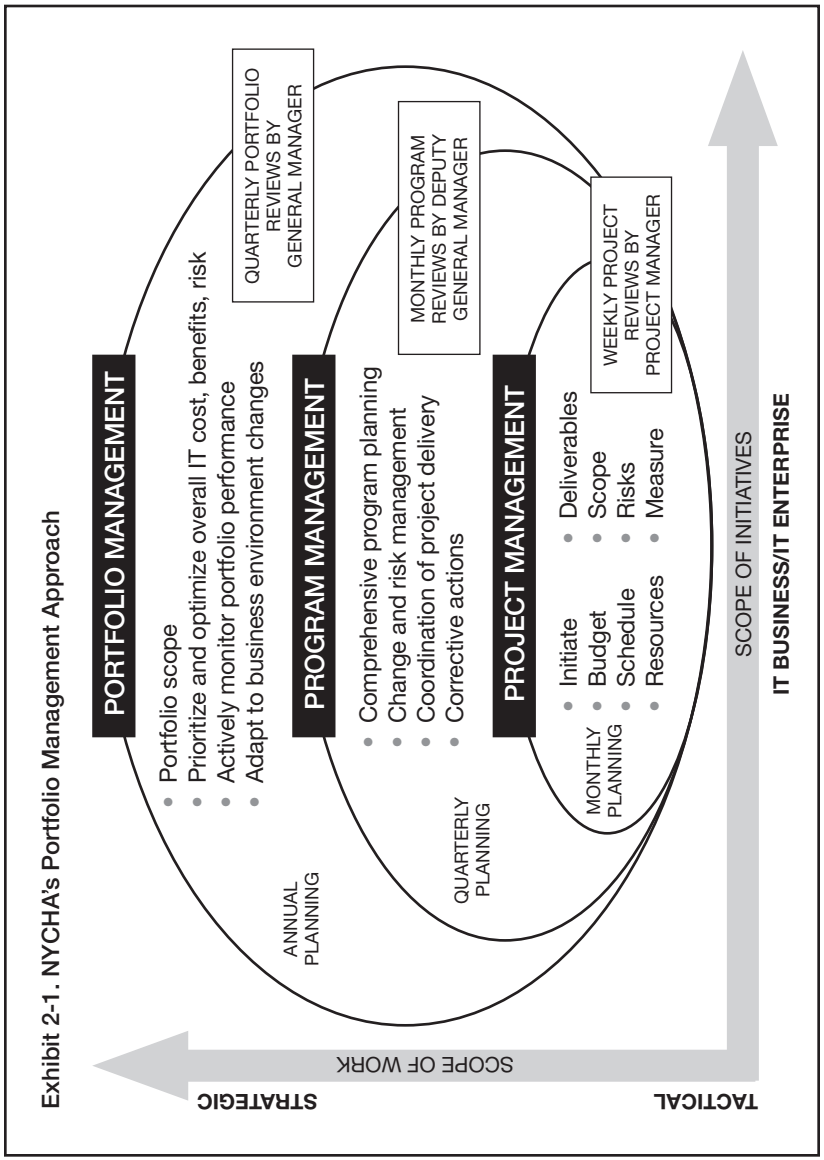
New York City Housing Authority Virtual IT PMO

2007 FINALIST

The New York City Housing Authority (NYCHA) provides affordable housing in a safe living environment for low- and moderate-income residents throughout the five boroughs (Manhattan, Brooklyn, Queens, the Bronx, and Staten Island). To fulfill this mission, NYCHA must preserve its aging housing stock through timely maintenance and modernization of its developments. NYCHA also works to enhance the quality of life by offering residents opportunities to participate in community, educational, and recreational programs, as well as job readiness and training initiatives.

NYCHA was created in 1934, and as of January 2007 was the largest landlord in North America, with approximately 13,100 employees serving about 174,325 families and 408,850 authorized residents — approximately 8% of New York City's population. Naturally, an operation of this size entails a large number of IT services and projects. In 2004, NYCHA's Virtual IT PMO was developed to address a number of existing challenges in the management of NYCHA's IT portfolio including lack of senior management ability to mitigate delays, failures, and financial losses in a timely fashion.

NYCHA operates under a number of constraints including limited budget and staff resources, as well as limited project management process maturity. Then-director Ron Rigores proposed a four-phased approach in which Phase 1 consisted of an enterprise-wide governance portal that leveraged a shared-


Exhibit 2-1. NYCHA's Portfolio Management Approach
PORTFOLIO MANAGEMENT
Portfolio scope
Prioritize and optimize overall IT cost, benefits, risk
Actively monitor portfolio performance
Adapt to business environment changes
QUARTERLY PORTFOLIO REVIEWS BY GENERAL MANAGER
ANNUAL PLANNING
PROGRAM MANAGEMENT
Comprehensive program planning
Change and risk management
Coordination of project delivery
Corrective actions
MONTHLY PROGRAM REVIEWS BY DEPUTY GENERAL MANAGER
QUARTERLY PLANNING
PROJECT MANAGEMENT
Initiate
Budget
Schedule
Resources
Deliverables
Scope
Risks
Measure
WEEKLY PROJECT REVIEWS BY PROJECT MANAGER
MONTHLY PLANNING
STRATEGIC
TACTICAL
SCOPE OF WORK
SCOPE OF INITIATIVES
IT BUSINESS/IT ENTERPRISE

server environment to create an online repository of tools and materials to support project managers. Phase 2 of this portal leveraged the Microsoft Enterprise Project Management (EPM) suite and other products to provide a web-based project management application. Phase 3 consisted of a comprehensive training program. Phase 4 introduced the IT PMO Knowledge Portal, where e-learning and training tools for the Virtual IT PMO reside: help guides, documentation, and helpful links to external and internal project management resources.

Today, the Virtual IT PMO manages IT portfolio selection, project management methodology, project lifecycle approach, and project management discipline through IT governance, mentoring, and coaching. It reports information directly to the governance board. They utilize comprehensive process flows, templates, online tools, and collaborative techniques to standardize IT project selection and management throughout the organization, driving innovation through governance and high performance. This approach has led to increased productivity, reduced costs, improved resident satisfaction, and has enhanced NYCHA's ability to make informed decisions about strategic, business-aligned IT programs. Among other benefits, NYCHA saw the following results:

- Generated US$1.2 million in cost reductions.
- Increased business-unit satisfaction and collaboration with IT.
- Streamlined the business and IT five-year strategic planning process.
- Improved level, quality, timeliness, and cost effectiveness of strategic IT programs.
- Significantly increased the amount of capital spending allocated to IT projects.

NYCHA's Virtual IT PMO framework was cited in Gartner's March 2006 report entitled "Taking Your PMO to the Next Stage."

Accident Fund Insurance
Department of Innovation and Planning

2006 FINALIST, 2008 WINNER

Accident Fund Insurance is a provider of workers' compensation and disability insurance — the 15th largest such company in the U.S. A wholly-owned subsidiary of Blue Cross Blue Shield of Michigan, the 97-year-old company has a proven track record of success — a reputation that it planned to carry into its next phase of development, which included refining its project portfolio.

In 1999, a project management role was created within the Information Systems (IS) department at Accident Fund. The demands of the role increased over time until a formal PMO was established. Then, in 2003, the PMO team was combined with an organizational unit focused on researching and implementing new e-business strategies. The combination of these two groups created a new department called Innovation and Planning, which reported directly to the Executive Team through the Vice-President of Planning. The I&P team was a hopper for business ideas from the executive team and from staff and customers. I&P owned these ideas right from initial research and exploration. The investments that were deemed worthy were prioritized for resources, passed through several decision gates, and implemented as part of the enterprise strategic plan.

The PMO was consciously moved to be independent of both IS and any specific business unit within the company

in order to maintain focus and objectivity. In addition to this direct channel to the strategic planning process, Innovation and Planning was given its own department budget for staff, space, and tools, and more importantly, many of the budget dollars associated with implementing these strategic projects. Accountability and authority for these strategic projects was placed specifically with this new department.

In 2005, Innovation and Planning decided that, to continue to raise the bar on project performance, a PMO improvement initiative was called for. Over the next 15 months, they:

- Created a project governance process and steering committee for funding and prioritization of projects within the portfolio.
- Aligned the budget planning process, strategic planning process, and portfolio management and project planning processes.
- Staffed the PMO with capable project managers empowered to lead enterprise project teams.
- Integrated enterprise project information, along with department projects and other IS systems work into a single portfolio.
- Implemented a portfolio management tool to serve as a repository of information necessary to integrate these activities together.

The broad portfolio of strategic business projects and programs that I&P was responsible for included:

- Large systems development projects.
- Business expansion for all product lines.
- Mergers and acquisitions projects
- R&D activities.

Some of the unique differentiators of this strategic PMO included:

- A clear linkage to and ownership of the five-year strategic plan through each annual planning process.
- Responsibility for linking the annual plan (a subset of the five-year strategic plan) process directly to the annual budgeting process across the enterprise.
- Responsibility for the post-project benefits realization process.
- A sub-team (the Vendor Management Office, or VMO) within I&P that managed key enterprise vendor relationships, contract negotiations, RFPs, SLAs, vendor audits, and creative sourcing opportunities. The negotiated cost reductions and recoveries that the VMO team provided in 2007 funded the entire I&P Department.

T-Mobile USA Enterprise Program Office

2010 FINALIST

In parallel to the formation of their EPO in 2009, T-Mobile USA was poised to introduce a new phone and operating system. Delivering this complex product to existing and prospective T-Mobile customers required a laser focus across the company, and the new EPO was at the center of this critical company initiative. The information delivered by the EPO was viewed as the "steering wheel" of the delivery initiative, driving key scope, business realization, schedule, and financial insight and dialogue. This type of centralized, consensus-driven exchange of information was a first for the company and helped drive home the value proposition behind the service offerings and resources the EPO offers.

Prior to the EPO's involvement, projects/programs and their associated financial investments were approved by a variety of individuals, on a case-by-case, first-in, first-out basis. Additionally, the disposition of in-flight initiatives and the subsequent return on these investments proved difficult to demonstrate and quantify. To achieve a better planning and governance model, EPO leaders teamed up with key executives and leaders across T-Mobile to demonstrate the need for and value of a governing body/committee whose charter was the development, governance, and management of an enterprise plan. From these discussions, an Enterprise Planning Authority (EPA) was formed. Comprising the CEO, COO, CTO, CFO, and CMO, the EPA met regularly to review and govern the portfolio of active project/program work, and reviewed new business opportunities and considered any implications to the existing portfolio of work. The EPA was facilitated by the EPO portfolio management team, which brought forward and array of data that drove EPA decisions and recommendations. For example, for proposed initiatives, the EPA provided:

- A clearly articulated statement outlining the business/market opportunity and the scope of work to be performed within the project to address it.
- A comprehensive assessment process managed by the EPO portfolio management team in conjunction with its partners across the enterprise to understand the costs associated with delivery of the requested initiative.
- A comprehensive resource demand and capacity management service to ensure that the key delivery teams required were able to deliver as requested. If resources were not available, this data enabled trade-off and prioritization discussions.

- Data on the benefit and return on investment targets (as stated at the time an initiative was approved), which was measured, managed, and displayed throughout the lifecycle of the project/program to the leadership and stakeholder community.
- A read-out on the return on investment after the initiative was delivered. This practice further drove accountability to stated benefits and results, as well provided leadership the opportunity to review any lessons learned throughout the planning, delivery, or fulfillment processes.

Successful delivery of this initiative dramatically impacted the company's customers, market presence, and bottom line. Since the initial product launch, the EPO successfully leveraged the same collaborative and innovative delivery model within many other programs and initiatives.

Cisco Services Office of Strategy & Planning

2009 FINALIST

Cisco Services supports thousands of mission-critical networks around the world every day, employs 9000+ people, and generates US$8 billion in revenue through technical support for products and other services. In such a large corporation, executives cannot make every decision necessary for the business to run, and in the past this limited capacity was impacting the speed of business. Instead of appointing next-level executives as decision-makers and making the PMO merely a tracking function, Cisco placed its confidence in teamwork and collaboration instead of command-and-control, and pushed decision making as far down within the organization as possible, reserving top executives for the most strategic decisions.

The Office of Strategy & Planning's (OS&P) collaborative model employs a matrix of cross-functional governing councils (led and manned by vice presidents and directors) that are accountable to the Board and representative of all functions and geographies within Cisco Services. The councils shepherd strategic initiatives—projects that, for example, develop new services and business models in response to customer demand or improve internal systems and processes. The OS&P team helped leaders gain consensus around what investments are critical, and also achieved commitment from functions to contribute a percentage of their budgets toward strategic initiatives.

The Services PMO, established in April 2008, is the latest step in the evolution of Services' collaborative governing model. In conjunction with the planning and strategy teams within the OS&P, the PMO drives the work to shape and plan the strategic investment portfolio. From a strategic investment portfolio perspective, the PMO has established a trusted partnership with the initiatives and provides direct feedback to improve their internal processes. In order to satisfy the need for valid data, the Services PMO created a rhythm of reporting status on a bi-monthly, monthly, and quarterly basis, which not only provides needed data but also creates and maintains an atmosphere of accountability for timeliness and data accuracy.

Prior to the Services PMO, the Services Executive Board lacked comprehensive visibility to the performance of the strategic investment portfolio. Every year, millions of dollars would be invested without a formal or consistent way to track the return on investment.

Leadership recognized that more frequent analysis and greater oversight to initiatives would enable greater accountability, but moreover, the data gathered would allow the Services group to quickly re-allocate resources when necessary to support the highest priorities. There was a desire to move to a

continuous planning cycle, exercise more control, and manage the business like a portfolio.

To establish a baseline for improvement, the Services PMO conducted an assessment of the portfolio's performance. It was determined that, in the last fiscal year, the initiatives within the portfolio under-invested by 9%, achieving only 80% of their KPI goals and 64% of their financial goals. The Services Executive Board approved the formation of the PMO to oversee this strategic investment portfolio. The PMO had a clear strategy to aggressively establish and operationalize best-in-class capabilities to improve the performance of the portfolio.

First, the PMO recommended centralizing funds for the portfolio. As is typical in large corporations, initiative investment at Cisco is funded by contributions from each function within the company. In an unprecedented move of this scale, the Services PMO secured approval to pool all initiative spend into a protected central investment fund. This quarter-billion-dollar fund would be overseen and managed by the Services PMO to optimize the strategic investment portfolio and maximize returns.

Next, the PMO allocated funds directly to initiative teams. No longer would teams have to "beg" around the organization for funding. The PMO established a new funding model where each initiative had its own department, with the leader of the initiative being the owner of that department's budget. Fundamentally, this changed the initiative landscape within Cisco Services. Since initiative leads now directly hold their budget, they can control all activities within their initiative and be held fully accountable for performance.

Working with the initiative teams, the PMO created improved portfolio visibility via standardized monthly performance reviews. Today, initiative performance is reviewed in detail, including triple constraints (schedule, scope, and bud-

get) and key performance indicator (KPI) visibility. As a result, the PMO is tracking performance against a plan of record and improving accountability.

The Services PMO made significant progress to optimize its strategic investment portfolio in less than a year. This included improving investment utilization by 20%, from 85% investment utilization in the prior year to 102% investment utilization today.

The Cisco PMO story provides an ideal bridge to our discussion of performance measurement in Chapter 3.

CHAPTER THREE

Performance Measurement

How PMOs Prove Their Value

PERFORMANCE MEASUREMENT is one area where the high-performing PMOs really set the standard for future project management practice. Yet even among top PMOs, less than a third, according to our 2010 *State of the PMO* study, implement systems that analyze and report on the benefits realized to establish the value of improvements to the enterprise as a whole. The step from performance measurement to value measurement is one that PMOs must take to secure their place at the strategic level. And the best PMOs know this; that's why "improving performance measurement" is on their list of the top five priorities for this year.

As we saw in Chapter 1, all high-performing PMOs focus on project performance as a fundamental. The focus on performance metrics related to project schedule, budget, and quality is often a new PMO's first priority, as it allows them to identify where improvements in processes or training will make the most difference. Yet only the most savvy PMOs, at this early stage, also set up a measurement system and record the baseline results that will allow them to measure their value to the organization as a whole.

Both performance and value measurement help organizations achieve one or more of the following goals:

- To identify the business impact of implementing project management improvement initiatives.

- To compare costs to the benefits of project management improvement initiatives.
- To determine if a project management improvement initiative is accomplishing its objectives.
- To assist in marketing future project management improvement initiatives.

The key difference in performance measures versus value measures is the rationale behind the measurement program and the time window over which results are gathered and compared. While performance measurement is necessary and effective to tell us if a certain project is achieving its goals, value measurement tells us if the program or PMO has delivered the benefits the organization hoped for when it made its investment.

In measuring performance, you are gathering information to help you make management decisions based on actual results. Measurement identifies what is working well, as well as what changes need to be made in order to improve performance.

In measuring value, you are demonstrating that decisions you made to implement change, improve processes, or manage resource demand have indeed added value to the organization—increasing profits, reducing costs, improving customer satisfaction or employee morale, and so on.

Alignment to Strategic Goals

The barriers to setting up a successful measurement program are largely behind a PMO once they have the foundation of good project and program management in place and have begun to link projects with corporate strategy (usually by implementing portfolio management processes). Those bar-

Exhibit 3-1. Examples of Value Measurements

- Return on Investment
- Cycle Time
- Cost of Quality
- Cost Performance
- Schedule Performance
- Customer Satisfaction
- Productivity/Resource Utilization
- Requirements Performance
- Employee Satisfaction
- Alignment to Strategic Goals

riers, after all, are largely created by the failure to grasp how projects and programs support organizational strategies and objectives. Once the PMO and senior management both realize how measuring the business value of project management improvements can help tune up key business processes, the question "Why invest in measurement?" has its answer.

High-performing PMOs often choose a strategic initiative to measure as a test case, as you will see in the examples in this chapter. They then vigorously "prune" a list of those measures that best communicate to executives how well the activities serve the organization's stated goals. Naturally, many of these metrics are financial, but wise PMO leaders create measurement structures that show more than costs saved. They understand that, as Peter Drucker once said, "Enterprises are paid to create wealth, not control costs."

American Power Conversion Availability Enhancements Group

2006 FINALIST

Until American Power Conversion was acquired by the European firm Schneider Electric in 2006, the Availability

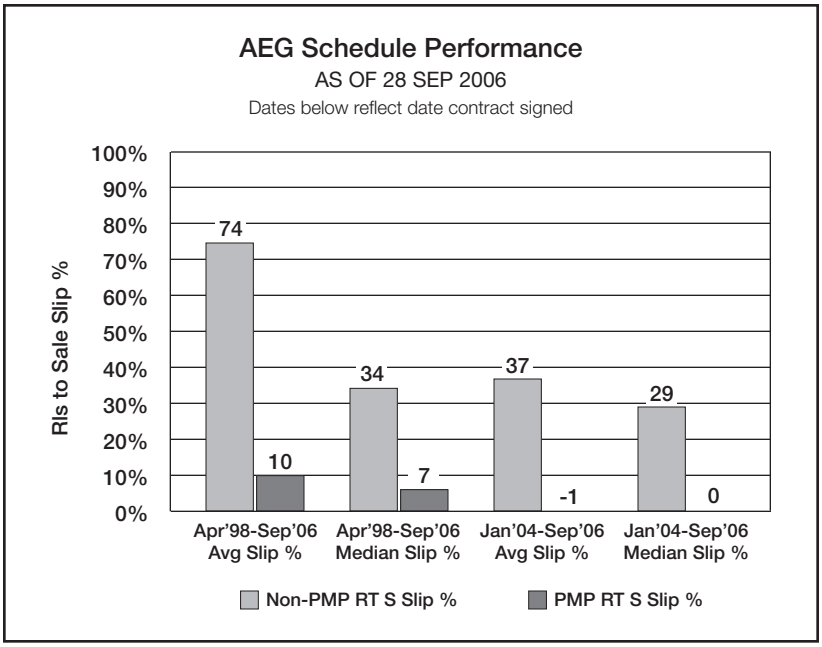


Exhibit 3-2. A comparison of the performance of APC Availability Enhancements Group projects managed by project managers with PMPs to the performance of projects managed by non-PMP project managers.

Enhancements Group (AEG) was the largest of four engineering groups within the company. The 450-person organization was responsible for the development of new products such as computer room air conditioners, console port servers, rack power distribution units, datacenter equipment racks, battery management systems, physical threat monitoring equipment (cameras, sensors, alarms), and the software management applications that support APC products. At the time the PMO of the Year award was applied for, AEG had a US$56 million portfolio of over 60 active new product development, IT, and physical infrastructure projects.

The PMO began by measuring project performance, and the picture was bleak. In 2002, only 21% of new products shipped within 10%of contracted schedule. The PMO instituted an aggressive program of improvement aimed at the skills of project leaders, with PMP certification for all as the eventual goal. Continuing to track successful schedule performance, they found that, in 2005 and 2006, 51% of projects shipped within 10%of contracted schedule.

But that improvement metric was not enough for this measurement-savvy PMO. To be certain that these gains were related to formalizing the role of the project manager, the PMO gathered data to compare the performance of projects led by PMPs to that of projects led by non-PMPs. (A project was considered PMP-led if the project manager was certified at the time the project was launched.) The graph in Exhibit 3-2 shows a comparison of the performance of projects managed by non-PMPs to those managed by PMPs. This powerful graphic is, in itself, a best-practice example of clearly and simply communicating results.

CPS Energy Information & Communication Services (ICS) Program Management Office

2008 FINALIST

CPS Energy also began to show early in their PMO's history that they were realizing the benefits associated with formalized project management. Like APC, they developed graphical ways to communicate those benefits to management. The two charts on the following pages compare project performance in the period prior to the implementation of the PMO to the period just prior to their application for the PMO of the Year award. Using the same measures for comparison, the differ-

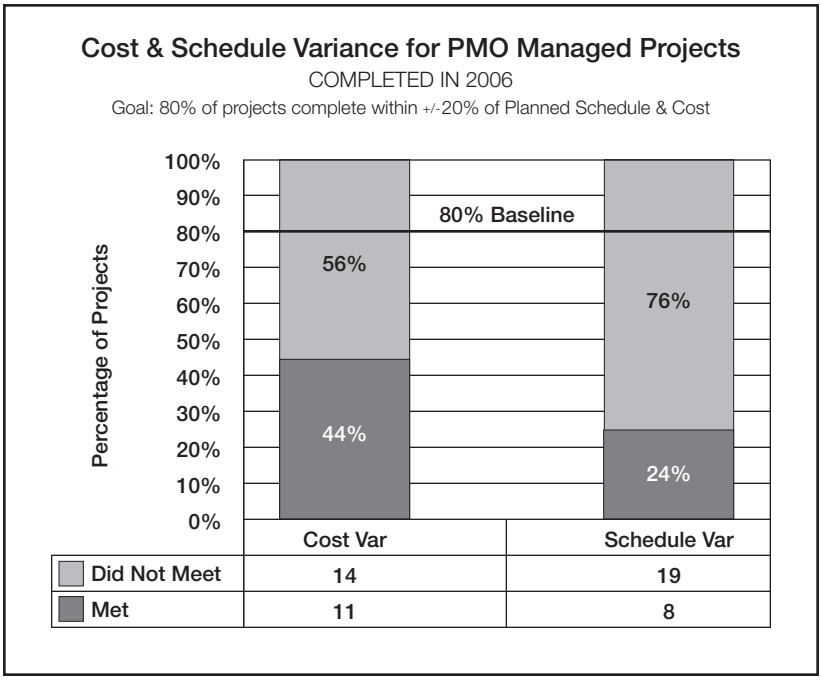


Exhibit 3-3. Of the 25 projects completed during the performance period prior to the PMO implementation, 56% did not meet the cost baseline and 76% did not meet the schedule baseline.

ence is evident: standardized project management practices resulted in a substantial improvement in budget and schedule performance. The initial goal established was that 80% of projects would be within +/-20% on cost and schedule; in fact, the PMO far surpassed that goal. All that remained was to translate the whopping project performance improvement into organizational value terms: what it meant for the bottom line or, in the case of this public utility, regulatory and community satisfaction.

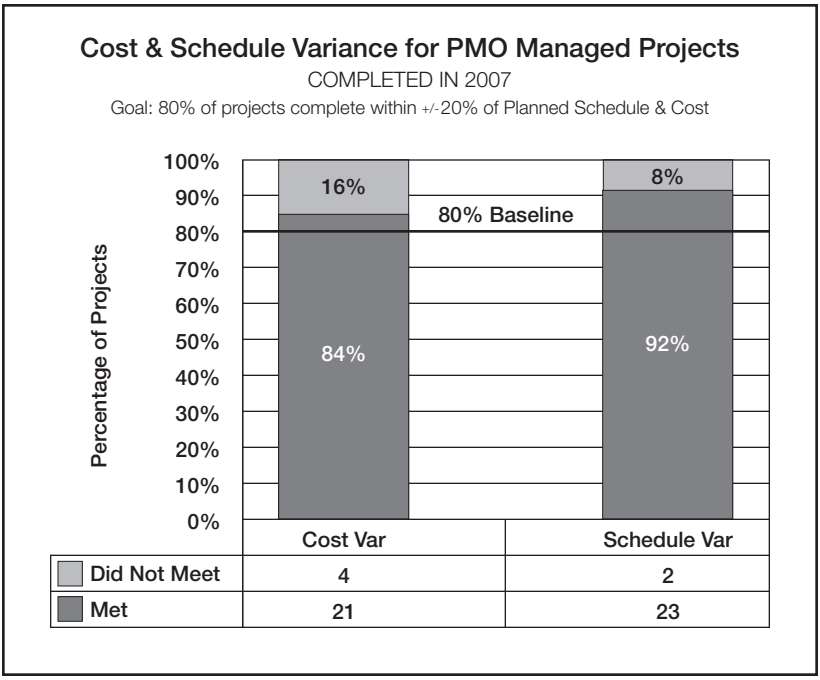


Exhibit 3-4. Though simplistic, the comparison of the cost variance between performance periods shows almost a 40% improvement as well as a substantial improvement in schedule performance. Granted there are factors that could account for some of the differences, but for the most part this improvement was based upon methodology, standardization, and increased accountability.

National Council on Compensation Insurance Program Management Office

2008 FINALIST

NCCI (also discussed in Chapter 1) laid the groundwork for value measurement early on. Their primary metrics of success

increased an overall 29.6% from when metrics were first initiated. The score in 2007 for service delivery was:

- Budget 91%
- Schedule 82%
- Scope 100%

NCCI is a not-for-profit organization, so the usual business measures don't apply. Yet there are several indicators that the PMO is yielding important benefits. First, NCCI's customers and Board of Directors recognized and praised the dramatically improved products developed through enhanced and sophisticated project management and control procedures. In fact, they received a score of 8.43 (on a 10-point scale) in an executive survey of their member insurance companies. In addition, through the development of organizational efficiencies and effectiveness, NCCI has been able to consistently return annual funding to their "owners," the insurance companies they serve.

Regence Blue Cross Blue Shield Enterprise Program Management Office

2009 FINALIST

Although concerns about overhead costs always rank high when a company implements a PMO, Regence has shown that, as its EPMO gains maturity, these costs plummet.

Since 2005, it has reduced the percentage of the portfolio budget dedicated to project management from 25% to 14%, while adding critical services and improving project delivery. The progress in efficiency is also evidenced by a five-year trend in costs per member per month, which has fallen by more than 13%.

VSP Vision Care Enterprise Project Solutions

2011 FINALIST

Founded in 1955 in Oakland, California, VSP provides vision benefits to more than 56 million members nationwide through an exclusive network of 28,000 private-practice doctors. In the 1990s, VSP experienced unprecedented growth, which drove the individual divisions within VSP to employ project managers and business analysts to support project efforts. Initially, there was minimal cross-divisional knowledge sharing and little project and business process coordination. They established a virtual PMO that, while providing a good start to VSP's project methodology, lacked the enterprise vision that would allow VSP to fully leverage the opportunities derived from its acquisitions.

In 2008, international expansion made a formal Program Management Office (PMO) structure a necessity.

As change agents, the Enterprise Project Solutions PMO has been the single largest unifying force in developing an enterprise view through influencing — leading cross enterprise projects, bringing all parties to the table, and encouraging cooperation among the lines of business. The projects led by the PMO can radically change business direction, systems architecture, and VSP's relationships with its publics, requiring true leadership to help VSP Global through the ensuing transition. To make sure that this leadership is making good decisions based on useful information, VSP incorporated multiple feedback loops into their projects and business units. These included project performance feedback involving the project managers, business analysts, sponsors, and teams, as well as operational readiness, intake process, and annual enterprise-wide employee engagement surveys. This information is used to hone existing processes, develop new ones, and determine education needs. As a result, VSP achieved the following improvements from 2009 to 2010:

- 8.6% improvement in sponsor satisfaction with project management.
- 4.7% improvement in team satisfaction with project management.
- 10.9% improvement in team satisfaction with business analysis.
- 6.2% improvement in sponsor satisfaction with operational readiness.

In addition, the PMO instituted Metrics Driven Quality Improvement in which project managers and projects are measured and evaluated on goals such as meeting project hours and duration estimates within a 10% variance from their second baselines. In implementing these metrics, the PMO put more rigorous and consistent change control practices in place. This ensured greater visibility to changes in scope or schedule/budget outside the approved variance. Since putting these measures in place, 67% of 2010 projects closed within budget. By framing this improvement as an improvement in service quality rather than simply a process improvement in project management,VSP leaps the bar from performance measurement to value measurement.

Through continued improvement efforts and use of metrics to track success, VSP has reduced the number of projects closing late and over budget by 50% from 2009 to 2010. Measurable results and continuous success have increased business partner confidence, not only in VSP but in project management as a discipline. In the past, the business did not understand the benefits of involving a project manager in a project. Now, demand has outstripped availability, prompting VSP to hire 17% more project management staff in an economy that has seen flat or decreasing headcount in most industries.

California Technology Agency Program Management Office

2011 FINALIST

California is the 8th largest economy in the world; the state government, in order to serve a diverse population, manages an IT project portfolio of approximately US$5 billion. In 2007, economic pressures, a shrinking state budget, and growing complexity in its technology environment forced the state to rethink and revolutionize how it managed its IT portfolio to ensure sustained superior results. Between 2007 and 2010, the State of California revolutionized how it managed its IT portfolio, moving from a mere project approver to a holistic portfolio manager that manages the state's IT portfolio in one place, end-to-end, for the long term. To achieve these objectives, the PMO needed to build a project management infrastructure across the state, including policies, practices, and standardized methodologies, while developing project managers and sponsors who could effectively plan, develop, and implement projects.

Stakeholders now view the PMO as trusted business partners, the source of information on the state's IT projects, and the state's project and portfolio experts. While the PMO's improved efficiency is significant, the most important accomplishments are in bottom line savings to California's state government. The PMO's impact on state operations will grow as the processes and cultural change reach their full potential. The numbers below demonstrate the PMO's impact to date:

- US$694 Million — Costs avoided through turning down projects that did not meet state smart investment criteria. With the information and enterprise plans available and the PMO's knowledge of departments' needs, expert project staff stopped bad projects before they started.

Departments conducted more stringent reviews of their own operations and submitted fewer projects that did not align with the state's goals or meet its success criteria.

- 15% Reduction in Project Rebaselines — California's new practices reduced the need to rebaseline projects. The percentage of projects needing rebaselining is expected to decrease even further as new projects are initiated using the state's standardized processes.
- 46% Reduction in the Number of Projects — The PMO and departments better prioritized projects to ensure that the state implemented the right projects with its limited resources.

CHAPTER FOUR

People Management

Those Hard Soft Skills ... and the Value of Training

ONE WAY TO EMPOWER PEOPLE is to remove the barriers that keep them from succeeding. These barriers are generally structural: functional silos, chains of command, restrictive job descriptions, cultures that hoard information and power rather than sharing it, incentives that inadvertently reward the wrong behaviors. In the project management field, these barriers are perhaps more visible than they are to people working in more operational jobs within functional areas, because project managers and teams are by nature "boundary spanners" who operate outside the usual organizational hierarchy.

Thus the PMO is a "place" — even when virtual — where the usual lines between finance, IT , R&D, HR, and executive management often begin to blur. Our research on trends in the PMO shows that top-performing companies are usually those that not only implement enterprise PMOs but also pull into the PMO a variety of roles to support project managers, including roles with responsibilities related to human resource management. For instance, the top performers in our *State of the PMO* study, far more frequently than low-performing companies, perform resource identification; develop processes

for assigning resources; manage a staff of project planners and controllers within the PMO; and do their own training, professional development, and performance evaluations. Among the top ten PMO functions, according to the study, coaching and mentoring project managers ranked third, with 81% of the responding PMOs performing this function.

One of the striking changes in project management practice over the past decade has been our increasing recognition of the importance of the so-called "soft skills." No longer an afterthought, the skills of communication, facilitation, negotiation, and conflict resolution are now considered to be core competencies, especially for project managers who aspire to lead business-oriented, enterprise PMOs. Although PMOs continue to train personnel in the "science" of project management, they don't stop there. Training on leadership topics is on the increase, and employees frequently request training on communication and interpersonal skills, teamwork skills, and advanced project management skills. Additionally, the value of soft skills in the area of stakeholder management has come to be more appreciated.

Our most recent study on *The State of Project Management Training* reveals the impact that focusing on both the art and the science of project management can have:

- Firms invest in project management training to meet a variety of needs. The top five are: avoiding missed project deadlines, providing basic project management skills, developing professional project managers, improving quality, and reducing project failures.
- Firms saw an average 26% improvement in eight measures of performance due to their project management training initiatives (see Exhibit 4-1 for details).

Exhibit 4-1. Business Results Due to Project Management Training

29% Improved stakeholder satisfaction
27% Improved schedule performance
26% Decrease in project failures
25% Improved budget performance
25% Improved quality
25% Improved productivity
25% Improved requirements performance
24% Improved time to market

Another trend is the increasing use of career paths for project management. As the staffing of PMOs becomes more complex, the opportunities in project management multiply and become more diverse. Those who desire a career in executive management may now aspire to it from their roots in the PMO, as they participate in portfolio management and strategic execution; likewise, those who prefer to focus on the science aspects of the discipline — scheduling, planning, analysis, metrics, methodology — have many opportunities for growth in a mature PMO.

American Power Conversion Availability Enhancements Group

2006 FINALIST

One of the first tasks for the APC PMO was to better define the role of project manager within the organization. With eight locations and 25–30 project managers reporting to 15–20 different managers (most of whom had no real project management experience), this was a challenge. The PMO defined the project manager role and set expectations for what a *proactive* project manager does:

- Ensures clear requirements exist before committing to schedules, budgets, product costs, staffing plans, etc.
- Uses process to evaluate, analyze, and approve any proposed requirements changes before changing scope.
- Continually identifies and manages risks.
- Keeps all project stakeholders informed; uses communication plan.
- Looks ahead to eliminate problems.
- Uses Crystal Ball (a homegrown portfolio management tool) and new product development process to their full extent as vital communication tools.
- Reports true project status early and often.

This role was agreed to by the project managers and executives. However, giving the project manager responsibility and authority was problematic in a predominantly matrixed organization with most people working multiple projects. The PMO addressed this challenge by establishing a process where the project manager completed a brief performance evaluation at project close-out for each project team member. The evaluation covered how well the project team member provided accurate schedule and cost estimates for their tasks, completed tasks on schedule, delivered a quality product the first time around, kept others informed of progress or problems, and worked effectively with other team members. This evaluation was provided to the project team member and his or her manager for consideration in the annual project performance review.

To ensure compliance with new roles and tasks, the PMO also needed a form of authority over the project managers, who often reported to engineering managers, directors, or general managers who did not necessarily buy into the concept

of standard project management practices. To meet this challenge, the PMO established a performance feedback mechanism for project managers based on:

1. Demonstrated knowledge of project management best practices (e.g. obtained PMP certification, demonstrated proper use of project management tools).
2. Demonstrated actual project performance. The PMO maintains data, by project manager, on the number of projects run, average schedule slip, and average product cost deviation.
3. PMO director ranking of each project manager's personal competencies, such as leadership, following and enforcing process, and proactive problem solving.
4. Project team members' completion of a brief performance evaluation on every project, indicating how well the project manager seeks input from team members, communicates information and changes, is responsive and available, advocates for the new product development process, demonstrates project ownership, and demonstrates leadership.

In addition, the PMO established the practice that no project managers would be promoted without having obtained PMP certification. When that goal was achieved, a trip to a project management summit was offered to all PMPs as a reward. They celebrated success, identified current problems, shared project management knowledge, learned more about company products, and heard a motivational speaker on leadership. This was the first time that all AEG project managers had gathered in one place … and the first time that many had ever met each other face-to-face.

Norton Healthcare
Enterprise Program Management Office

WINNER 2007

Norton Healthcare began as a group of charity hospitals founded in the 1880s by several Louisville churches. These roots in the faith community are reflected in the not-for-profit organization's key values of respect and compassion for patients. Norton Healthcare is also the leading partner of the University of Louisville School of Medicine, helping to train more than one hundred medical residents each year. With five hospitals, two medical centers, eight immediate care centers, 35 physicians' practices, and more than 2,000 doctors and 3,000 nurses serving 40 locations across the region, Norton is Kentucky's largest healthcare provider. The organization cares for over 1 million patients a year. With these kinds of patient care numbers, it is not surprising to learn that Norton Healthcare is also one of the area's largest employers, with a payroll of more than $340 million.

This portrait shows the complex web of stakeholders that the organization must balance and serve. As director Janet Yackey wrote in her application essay, the Norton Healthcare EPMO is a small group supporting a large organization, and one in which there are a variety of organizational "subcultures," from nursing to HR to marketing/communications to IT. In this complex environment, the EPMO has striven for user-friendliness in establishing project management throughout the enterprise. They must demonstrate a high degree of cultural sensitivity. They evaluate each subculture as to the degree of change they can handle, while introducing more effective ways of conducting business. "We walk a very fine line between implementing innovative techniques and moving too fast to the point of misunderstanding and revolt," says

Yackey. "In working with various groups in the organization, we have learned to be flexible and tailor our approach to our audience." For example, while those in IT appreciated structure, a clear methodology and documentation, those on the clinical side feel they have plenty to do already and can view processes as make-work if not carefully introduced. A key question in the portfolio selection process is therefore "Will this impact hospital staff?" To their credit, the EPMO has found that each team they have worked with has become a believer in project management and in the organizational changes they have initiated.

One metric that shows the culturally sensitive approach worked was employee turnover, which is a serious problem in the healthcare field. Despite national heathcare worker shortages, Norton's turnover was down by 42 percent, and the company has won numerous HR-related awards.

National Council on Compensation Insurance Program Management Office

2007 AND 2008 FINALIST

NCCI made significant strides in the area of resource evaluation and planning. The identification of projects for initiation is only as good as the corresponding identification of the resources necessary to support them, so the PMO took the lead in managing corporate resource evaluation and planning, an iterative process throughout the course of each year. A rather complex effort, it involved the detailed identification of individuals for each current investment, discretionary, and baseline project in terms of not only assignment but also the extent of each assignment and the corresponding skill set required by the project. The assignments for current projects were then stacked and compared to the needs for projected efforts. The

resulting gap analysis was fed back into periodic reviews with the PMO Operations Group and the PMO Steering Committee and, ultimately, the future year strategic planning process. Capacity constraints were actively managed. At the direction of the PMO Steering Committee, project initiations may be delayed or schedules adjusted to address constraints.

To strengthen resource evaluation and planning activities, the PMO focused on project estimating processes. Utilizing credentialed staff experience — members of the staff hold advanced degrees in mathematics, statistics, and industrial engineering, not to mention a professor who regularly consults with the FDA and the IRS — NCCI developed an estimating tool they call the Project Data Analyzer, based on 53 completed projects from 2004–07. As additional projects are completed, they are added to the tool to expand the base of NCCI historical project information.

While this all may sound like project management "science," there is an important human capital benefit to this process. Having a rational method of allocating resources helps to prevent overload and burnout, bolsters morale, and improves productivity.

Alcatel-Lucent
Global Program Management Office

2009 FINALIST

Both Alcatel and Lucent were already in the midst of major efforts to revitalize project management at the time that they merged in November 2006. Both organizations had already researched best practices in project management, and the discipline was given priority by the new company leadership. In defiance of the poor track record of dealing with employee development and morale that has been displayed

by most companies in the throes of merger or acquisition, the new enterprise-wide Global PMO focused first on the 2000+ project managers who oversaw the turnover of new solutions to customers.

They developed The Project Manager Development Framework, a nine-piece integrated model that recognized the interconnectedness between such key project manager development elements as a competency model, a career path, project management training, industry certification, internal accreditation and recognition, and project management skills management. The GPMO set stringent targets for PMP certification for their project managers. Alcatel-Lucent was featured in PMI's *Leadership in Project Management* annual for their work in this area. The company's depth of commitment to providing a supportive environment for project managers is illustrated by a number of programs, including:

- Project Management Professional Accreditation. Alcatel-Lucent has its own program of accreditation, above and beyond the PMP certification, which honors excellence in deployment of external customer projects. It requires the completion of an extensive case-based set of advanced project management courseware and is subject to extremely strict criteria, including a formal jury. This certification ensures that project managers have the experience and background in projects in the telecom field to support customers.
- Competency Model. The heart of the Project Manager Development Framework is a competency model that takes the best from the heritage of Alcatel and Lucent. This is a living model, updated every year to keep up with changes in the project management discipline as well as the telecom business.

- Resource and Skills Management System. The RSMS facilitates project managers' abilities to monitor their own progress in development, using their job profile as a basis for identifying skills gaps and suggesting development options to fill those gaps.
- Alcatel-Lucent University. As a PMI Registered Education Provider, Alcatel-Lucent University provides access to a wide array of web-based and instructor-led training, some of which is highly customized and case-based to allow project managers to learn from real, successful projects.
- PMP Study Groups. The GPMO now has 27 PMP study groups. A PMP instructor guides the group, which meets at a frequency of their own choosing via teleconference and completes study using a recommended book and set of practice questions.
- International Project Management Day Symposium. This annual event featuring presentations from seven countries on project management topics has received excellent feedback scores.

IBM Corp.
Project Management Center of Excellence

2010 WINNER

In the early 1990s, IBM identified project management as key to reliably delivering complex business solutions to its global customers. They developed a strategy to transform IBM by raising project management to a core competency and chartered the Project Management Center of Excellence (PM/COE) as the change agent for this transformation. The strategy's centerpiece can be summarized as "qualified project managers as-

signed to all significant projects." The company has developed its own in-house certification along with a vibrant community of practice. They were an early adopter of project management career path structures. According their award application, they thrive by putting people first: "Methods and tools are only enablers to effective project management. A pipeline of experienced, knowledgeable, qualified, and motivated project management professionals is the most critical success factor."

The IBM project management professional career path allows employees to grow from an entry level position to an executive management position. Validation of a professional's skills and expertise is accomplished through the qualification process composed of:

- Accreditation — The entry level into the qualification process consists of a documented self-assessment of skills and experiences against established requirements, which is then validated by the professional's manager.
- Certification — Intended for more experienced project managers, it requires completion of a formal, internal certification package assessing the candidate's skills and experiences against rigorous criteria in addition to education and giveback requirements. Attaining a PMI PMP is a prerequisite to IBM certification.

The PM/COE offers quality project management education and training to its practitioners. The multi-tier curriculum consists of:

- Project management basics courses that address the fundamentals of project management.
- Project management enabling courses that add general business skills and provide project-based tools and techniques to manage large projects and programs.

The PM/COE manages the curriculum development, delivery, and deployment through a global Curriculum Steering Committee (CSC) with business unit and geography representation. E-learning courses are accessible worldwide, 24 hours a day, while classroom courses are delivered the same way in every country using the same materials with certified local instructors.

Dell Services Healthcare and Life Sciences PMO

2011 WINNER

The Dell Services Healthcare and Life Sciences (HCLS) PMO (formerly The Perot Systems Healthcare PMO) was established in 2002 to support healthcare accounts throughout the United States. The HCLS PMO manages a leveraged project manager pool consisting of a 12-member team of elite project managers who are chartered to rescue troubled projects, manage high-profile "can't fail" efforts, provide PMO startup support, mentor junior project managers, and provide consulting and sales support. Project managers wishing to join the team must be PMP-certified and P3MM Master certified, an internally developed certification program requiring that: 1) each of the project manager's prior projects be subjected to a thorough artifact review by a master project manager; 2) a committee of master project managers interview and approve the project manager; and 3) all project sponsors rate the project manager no worse than 5.75 on a 7-point scale in the areas of leadership, communication, and organization. Due to the rigorous acceptance process, there is both a queue of requests and applicants.

The elite, leveraged pool provides a significant value to some 40 Dell Healthcare and Life Science Accounts. Each account is, essentially, an independent business with an account

PMO Leader reporting to a Client Executive. Account PMO Leaders are responsible for project manager staffing, project delivery, and application of Dell Services best practices (governed by the HCLS PMO). Engaging an elite project manager assures a certified resource, trained in Dell Service best practices and available at a reasonable cost.

HCLS PMO's Project Management Optimization Initiative consists of three major human-resource-focused components:

1. Certification of project managers based on skill level. At Dell Services, project managers are rated in one of four skill categories: Beginner, Performer, Master, or Mentor. The HCLS PMO recently completed the challenge of classifying all 120 healthcare project managers. A firm set of objective requirements was developed for each classification. For example, Performer candidates had to, among other things, demonstrate that they had successfully managed two medium-sized projects. This involved an HCLS PMO review of project schedule artifacts to ensure that the candidate could capably manage a baselined, fully linked, fully resourced project schedule.
2. Identification of project manager capacity and utilization metrics. Skill level serves as the basis for project management capacity planning. That is, how many projects can a Mentor/Master project manager capably manage? A Performer? How much effort can an average Beginner project manager oversee before becoming overwhelmed? At what point is it necessary to hire additional project managers? These are tough questions and there was a surprising lack of research in the area. The HCLS PMO attacked the problem systematically. Following project manager certification and classification, a thorough review of all completed projects was

conducted. Successful projects were placed in one bucket and unsuccessful projects in another. The results implied that the single most important metrics in predicting project success or failure were: 1) the skill level of the project manager; and 2) the average number of effort hours managed monthly. To put it another way, projects had the greatest likelihood of success when:

- Mentor/Master project managers managed no more than 1,600 effort hours (10 FTEs) per month.
- Performer project managers managed no more 1,200 effort hours (6–8 FTEs) per month.
- Beginner project managers managed no more than 500 effort hours (2–3 FTEs) per month.

This analysis helped several accounts rightsize their project manager staff and made Dell Services better at proactive project management.

3. Implementation of an elite leveraged project manager pool. The Dell HCLS PMO certification and classification initiative helped identify the most talented project managers and the utilization approach helped determine which project managers (if any) had available capacity. What could be done, however, if there were simply no project managers available on a given Dell HCLS account to manage a complex project? To resolve this issue, the HCLS PMO implemented an elite project management team. All project managers on the team were PMPs and internally certified at the Master (or Mentor) level. Among other functions, the team was available to rescue troubled projects, manage full life-cycle critical projects, and mentor less-experienced project managers. Unlike many of their peers, this team of project manag-

ers was not dedicated to a particular client or account, but was assigned to multiple projects (often for multiple clients) — until they reached capacity. In addition to reducing project startup costs (contractor rates and training, new-hire training, etc.), the risk of failure and reduced project quality was diminished since the elite, leveraged project managers were already familiar with the Dell Services culture and could be counted upon to uniformly apply best practices. All of the elite project managers were 100% billable and ran an astounding 94% utilization in the first year of operation. Within Dell HCLS, engaging an elite project manager is tantamount to a *guarantee* of project delivery success.

CHAPTER FIVE

Infrastructure and Organization Design

Technology and Structure that Support the PMO's Work

IT'S DIFFICULT TO UNTANGLE IT BEST PRACTICES from organizational structure and design these days. In many large companies, the organization (especially a Center of Excellence-type PMO) functions as a virtual entity, existing primarily as a web portal, an online community of practice, a SharePoint site, a series of web conferences. In a very real way, IT has *become* the bricks and mortar of the projectized organization. It makes our organization structures possible—and then makes them efficient.

For organizations with a broad and complex web of stakeholders, such as government agencies, this "permeable" organization holds benefits in excess of mere efficiency. Some of our younger readers may not even recall the days of standing in line for hours at the license-plate office, now that motor vehicle "paperwork" has become nearly paperless. It's hard to think of a state or federal agency that has not entered the digital age, bringing simpler access to citizens. Each of these steps toward virtual infrastructure is, of course, the result of complex projects and programs.

The role of IT in aligning project and program activities with corporate strategy is underscored by findings from our 2005 *Strategy & Projects* research. Information technology best practices in particular set high performers apart. The top-performing companies in the study used the following best practices far more consistently than companies identified as low performers:

- IT tools integrate strategy execution management, portfolio management, program/project management, and performance management functions.
- IT tools are used to develop alternative strategic and project portfolio scenarios.
- IT tools provide information on the availability of resources.
- IT tools provide the capability to monitor and control risks, issues and financials across portfolios.
- IT tools enable appropriate communication of strategy and strategic performance throughout the strategic management chain, both top-to-bottom and bottom-to-top.

Among the low performers, these practices were used infrequently, if at all. And, another identified best practice — "Information about strategy and projects flows freely between business units facilitating strategy execution" — was among those least practiced by the low performers.

High-performing organizations use information technology best practices more than other organizations, consistently and significantly; and they are significantly better than average at having IT tools that integrate strategy execution management, portfolio management, program/project management, and performance management functions, followed by having IT tools that are used to develop alternative strategic and project portfolio scenarios.

Finally, the role of contractors in developing PMO infrastructure continues to be an important one. In developing the infrastructure for good project management, high-performing organizations look to expert help in order to get up and running. The way award-winning PMOs use contract staff mirrors the findings of the *State of the PMO* 2010 study, which indicated that less-mature PMOs use contractors nearly three times as often to manage PMO operations. This is a smart strategy for the less-mature PMO to bring its personnel and processes up to speed more quickly.

Oklahoma Department of Human Services Data Services Division PMO

2006 FINALIST

"Stronger families grow brighter futures," is the motto of the Oklahoma Department of Human Services (OKDHS), which oversees 26 programs benefiting children and families, the elderly, and the disabled. The agency's more than half a million "customers" include adopted children, adults and their families in adult day services, persons with developmental disabilities, elderly in meals programs, Medicaid recipients (mostly children) and, in 2005, thousands of Hurricane Katrina victims. Naturally, records in such numbers cannot be processed or organized effectively without top-notch IT project management.

In 2002, the Dept. of Data Services (DSD) formed a PMO to organize and standardize IT projects. Like most newly developed units, DSD had no internal expertise in building a PMO, so OKDHS's CIO found qualified contract personnel to get the project off the ground. This "quick-start" method allowed them to transform the organization in under four years.

The PMO focused on a customer-centric approach to project management. Every project manager was schooled in the importance of servant leadership and what that means both for the leader and for the team. Customer satisfaction skyrocketed as communication skills and project management practices improved.

Indicative of the central role of IT solutions, even in a customer-focused organization, the PMO knew that, to be successful in reporting project metrics, project time (both in-kind and capital) would have to be systematically captured, and in 2006 they implemented Microsoft Project Web Access for time tracking. The OKDHS CIO mandated that all DSD employees — over 200 IT professionals — log their daily activities. Though a huge culture change for the staff, this process allowed the PMO to better manage resource estimating and leveling.

EDS Applications Program Office

2007 FINALIST

EDS Applications Program Office (APO), established in April 2006, was the EDS organization responsible for coordinating, consolidating, and analyzing Applications Delivery (AD) initiatives, programs, and projects. AD is responsible for the maintenance and development of system software, project management, and consulting services for clients throughout all EDS's regions.

In global organizations, inherent differences in time zones, country laws and regulations, language, culture, calendars, and holidays make effective collaboration a significant challenge. Despite shared vision and common goals, the successful management of an organization's financial investments and key deliverables requires oversight by a single entity that applies strong program management discipline. This was the

rationale for implementing the APO. Thanks to the aggressive plan set in motion to establish a program office, the APO was operational within just four weeks.

To help "mobilize the troops," and communicate a common direction and expectation, the APO:

- Established a website to house APO processes and procedures.
- Established a knowledge management repository for collateral utilizing Microsoft SharePoint technology.
- Instituted a series of quick-start meetings to engage program managers and provide guidance and assistance to them in setting up their 10 programs in a consistent manner.
- Provided newly created (and some existing) templates to program and project managers to use in submitting status reports, quarterly executive status reviews, scope statements, and executive scope summaries.
- Established a governance process including a Change Advisory Board (CAB) as a decision-making forum.
- Immediate results occurred on a global scale. Some of the more notable results included:
- Consistent, single source reporting provided to executive leadership.
- Identification, analysis, resolution/escalation of program issues and risks.
- Timely development of mitigation/"go-to-green" plans to address issues and risks.
- Changes to program scopes, schedules, deliverables are monitored through a change request process and approved through the governance process.

Hewitt Information Technology Services Project Management Office

2008 FINALIST

Hewitt Associates is the world's largest provider of multi-service HR business process outsourcing. The initial Information Technology Services (ITS) PMO was formed in 2001 and had an immediate impact on the success rate of projects in the organization. In a 2006 reorganization, ITS was aligned to a broader group called Global Business Services (GBS). As part of this restructure, the ITS PMO grew to include the enterprise application development project managers to help meet the changing needs of the business.

As the ITS PMO grew through 2007, its work expanded to include the broader management of GBS projects in addition to ITS projects. The ITS PMO was chosen to take on these additional responsibilities due to its established reputation: the PMO had made a name for itself as the subject matter experts on project management who were in high demand to manage enterprise wide, critical projects and/or programs.

Today, the ITS PMO is part of the Office of the CIO. Projects are funded based on a top-down approach looking at the portfolio of work that is needed to be done. They divide work into two main areas: external projects and internal projects. Exhibit 5-1 shows the role of the ITS PMO within the organization.

The ITS PMO plays an important role in helping the organization reach its goals because a majority of initiatives or projects include some type of technology. ITS PMO members are responsible for managing high-priority projects: those that have significant financial or organizational impact or are highly visible.

As Hewitt moved from a private to a public company, new challenges directly impacted ITS's ability to deliver projects on time, within budget, and to quality standards. Beginning

Exhibit 5-1. Organizational Position – ITS Project Management Office Within Global Business Services

February 2007, the PMO kicked off a series of initiatives to address these challenges. Primarily, the ITS PMO planned to continue to emphasize and expand its roles as planning consultants and delivery experts and reduce its roles as project administrators and score keepers. This was accomplished by focusing on three core strategies: Client-Focused Approach, Strategic Sourcing and Role Definition, and a Lean Governance Philosophy. The Lean Governance Model was a streamlined approach to governance. And the Strategic Sourcing strategy allowed them to create five distinct roles and disciplines so that the most qualified and senior resources worked with customers to deliver key programs and strategies, while the business-as-usual projects and administrative functions were properly controlled and managed. This alignment led to more repeatable results, and gave the project management skill set a logical career path.

Auckland (NZ) City Council Program Office

2010 FINALIST

Auckland is New Zealand's commercial hub and home to nearly one-third of the nation's population — a population that is expected to grow to nearly 2 million by 2031. An independent review of portfolio, program, and project management practices concluded that it was unlikely the City Council would be able to meet these challenges without significant organizational change.

A business case was developed to establish an enterprise PMO, which would lead, facilitate, and deliver activities at the portfolio and project levels across the organization. The creation of the PMO supported the Council's strategic direction toward becoming an efficient, capable, and user-friendly council.

Upon its establishment, the PMO created a five-year roadmap of change to build project portfolio management capabili-

ty across the Council. The PMO, although relatively small, was promoted and positioned as a center of best practice methodology, expertise, and training with organization-wide influence. To deliver to its roadmap of change, three teams were established: Portfolio Leadership, Methodology Leadership, and Organization Development. The PMO recognized that influencing senior management would be key to its success and developed a stakeholder relationship and management strategy at the outset. This strategy became an integral part of the PMO team's operational management practices, and managing stakeholder relationships quickly evolved as a key discipline for the PMO management team.

In addition, the PMO established a quality assurance service to undertake assurance reviews across the Council's major projects. The PMO implemented a successful organizational development portfolio, delivering large, complex, cross-functional projects on time and within and scope. Through this portfolio, they demonstrated the type of project success that can be achieved by following good practices and utilizing capable and experienced resources.

The PMO created a center of excellence fronted by the project management knowledge center, an online, one-stop shop for the latest updates on project management tools and process and links to project information globally. The center also provided discussion forums and an opportunity for feedback.

This structure allowed the PMO's capacity to deliver capital investment to increase from US$85 million in 2005/06 to over US$240 million in 2009/10. This was achieved with no significant change in people resources. The Council's culture, values, and processes were transformed to customer-centric through the Customer First program. The PMO became a trusted advisor to the executive team with over 95% of improvement recommendations being accepted.

Nationwide Enterprise IT Delivery Services PMO

2011 FINALIST

Before the transformation to the current centralized Program Management Office, Nationwide operated 10+ Program Management Offices, each with their own priorities and governance processes. In May of 2009, approximately 300 project managers, managing over 500 programs and projects, were centralized into a PMO organization named Delivery Services (DS).

The organization was funded by all business areas that needed IT project management services. It currently provides project management services to projects totaling over US$450 million in project spend.

The PMO's two-year journey was planned and focused around operational efficiency and effectiveness:

2009 Accomplishments

- Created a centralized model aligning PM Coaches and PM Service Owners (15:1 associate-to-coach ratio) that face off to CIO areas.
- Created a standard operational plan and procedures (had varying operating models coming into centralized model that had to be revised and agreed upon and rolled out).
- Focused on organizational change and communication of the new centralized model both internally within DS and to partners.
- Created a process for demand/resource management and a method to manage it via a dispatch meeting.

2010 Accomplishments

- Developed SLAs and health metrics and began consistent operations reviews; began to focus on the high number of project manager transitions.
- Created a consistent feedback process with partners and project team members, but no mutual feedback process existed.
- Ensured there was a consistent performance management process, including promotion and demotion activities.
- Realigned headcount achieving a 70:30 associate-to-contractor ratio.
- Developed and executed a vendor strategy across all locations; reduced the number of vendors from 19 to 9 in 9 months and managed to reduce project manager and requirements analyst contractor rates.
- Created common roles and expectations for all project managers and requirements analysts.
- Utilized lean management practices and tools to streamline demand management and resource allocation processes.

In implementing the new PMO strategy, Nationwide transformed how they leveraged their program and project management talent. This included the centralization of the entire project manager staff. Prior to implementing this change, project managers were aligned across company business areas (de-centralized) to PM Competency Coaches within their IT organization. In the new centralized model, project manager assignments were based on the capability and skill of the resource which was matched to the size and complexity of the project. Project tier definitions were used to categorize projects. Projects were assigned a tier level based on various

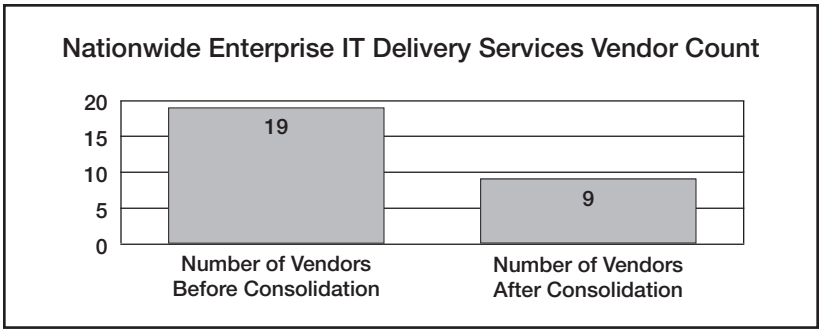


Exhibit 5-2. Improvement in vendor management due to centralization.

factors including project size, complexity, team size, organization impact, interfaces, etc. Project managers were endorsed to a maximum tier level and staffed accordingly.

One area where the efficiency was measurable is in the number/cost of external staff augmentation vendors. The improvement can be seen graphically in Exhibit 5-2.

The number of external staffing vendors created high levels of variability with contractor performance and on-boarding time. There were approximately 20 vendors who supplied contractors, all with varying process and techniques.

To become more efficient, the PMO approached nine vendors to be future strategic vendors with an offer that guaranteed a larger share of staff augmentation business in exchange for a fixed rate. Nationwide realized administrative cost savings and decreased project delays associated with incorrect skill-sets or poor performance on a project and gained productivity, consistency, and healthier project teams.

The new structure successfully delivered over 600 projects with a combined budget of US$450 million with lower delivery risk and increased delivery predictability. In addition, employee engagement metrics improved significantly, while stakeholder satisfaction rated 4.4 (on a 5-point scale).

CHAPTER SIX

Where Are They Now?
PMO of the Year Award Winners and Finalists

Since the PMO of the Year award came into being in early 2006, the economy has been through a whirlwind, and our notion of what a mature PMO should consist of has—well, matured. More than ever, PMOs are proving their value, helping their companies to thrive in challenging economic conditions. Doubtless that is why the 2010 *State of the PMO* study found that 83% of PMO leaders say the value of their organization goes unquestioned by executives.

Still, a global economic crunch and all the personal and corporate changes it entails makes it a bit of a challenge to track down not only the individuals who steered PMOs five years ago or more but, in some cases, the PMOs themselves.

EDS, for example, placed in the awards twice, winning with their Office of the Multi-Year Plan in 2006 and placing among the finalists in 2007, for their Applications Development PMO. Then, along came what Time.com named one of "the top ten business deals of all time." Hewlett-Packard acquired EDS for US$13.9 billion in 2008, looking to add the EDS expertise in services to round out their existing business. In 2010, the investment blog Seeking Alpha mused:

> With the HP-EDS deal, the results are already out, and going down to the nitty-gritty of it, HP would've performed dismally this 2009 if they hadn't acquired EDS. According to the 4th quarter company results for

> 2009, it was their 'solid performance in services' largely stemming from the EDS merger that allowed the company to attain 'record profit.' … By and large, I'd say *Time* hit the mark … 2009 could have been a better year for HP EDS, but if you think about it, it could've been much worse.

In 2011, HP placed among the semifinalists, for their Office of Digital Strategy, and we wondered if this was a legacy of the excellent PMO leadership of the past. But we couldn't find any traces of our award-winner within HP's project management structure. Former Office of the Multi-Year Plan director Ruth Williams, now an independent consultant, told us that the disappearance of her PMO was the ultimate sign of its success:

> The [MYP PMO] was set up to manage a transformation and once that task was complete was disbanded.… There was no long-term future planned for that particular PMO — it completed its task, then ceased to exist. The members of the PMO continue to deliver similar value in other projects, and in my case I now coach clients in the setup of strong PMOs and well managed programs.… [O]ne of the biggest challenges for all project managers is the executive assumption that because it is easy to describe what a project manager does, it therefore must be easy to do. 'Easy to say, hard to do' is a true statement in my view.

Other winning PMOs, while going through mergers and changes of staff, have remained essentially intact — a testament to their organizational value. The Global PMO begun by Aaron Coffman within the Availability Enhancements Group at American Power Conversion not only survived the buyout by European manufacturer Schneider Electric but became the

PMO for the new, larger organization. Coffman, who continues as the PMO Director, was right when he made this prediction back in 2006:

> I am optimistic that the PMO will continue and perhaps even expand.… We have merged four engineering groups into one, so that the original 450 people in the division has expanded to over 1,000. I'm eagerly awaiting what the final organizational structure will be; meanwhile, we're continuing as if the PMO is going to be expanding to the enterprise level.

The Office of Innovation and Strategy at Accident Fund Insurance, one year after its 2008 award, was in the capable hands of its former assistant director Marsha Fenton, who was featured in a 2009 *PM Network* article on how PMOs can prove their value, saying:

> Our department is always focused on strategic projects that will make the company more efficient, gain business or cut costs.… The only thing that's changed about our role in the current economy is that we take a harder look at the projects to make sure they align properly.

Norton Healthcare, the 2007 winner, went on to have two banner years in a row, according to Janice Weaver, EPMO AVP. Despite the economic downturn, this nonprofit healthcare organization built three new healthcare facilities more or less concurrently and to rave reviews:

> Without a doubt our greatest achievement was Norton Brownsboro Hospital. Creation of NBH was one of the biggest opportunities and achievements in Norton Healthcare's history. The program was completed on schedule (August 2009), under budget, and with a high degree of quality and satisfaction from the staff, physi-

> cians, and community. The NBH program was one of the top three finalists in PMI's 2010 Project of the Year Award competition. This was a great honor!
>
> On the heels of this accomplishment was the creation of Kosair Children's Medical Center that broke ground in 2008 while NBH was also underway. This also was completed on schedule, under budget, and is a positive icon in the community, meeting financial goals ahead of plan. In addition, we opened a new cancer treatment center in downtown Louisville in July 2010. The same project and program management tools and techniques were used for all programs. Feedback we received from the architectural firms and construction firms was that these were the most well-run, organized assignments they have ever had the pleasure of working on.

All this was accomplished while challenged by their inability to replace departing staff members due to a hiring freeze — a testament to the efficiency possible with an enterprise PMO. Now, says Weaver, "I have no plans to grow the size of the EPMO. I firmly believe one of the keys to our success is our size. In a company of 12,000 employees, that's 1 project manager for every 1,714 employees, or a PMO that represents .06% of the employee population. Less is more. It's when the PMO starts to become its own fiefdom that eyebrows are raised during budget cuts."

Sometimes it was necessary to read between the lines to discover how the companies that have placed in the award have been faring. Case in point: Hewitt's ITS PMO. Hewitt had gone public just a year before placing in the PMO of the Year competition — an unlucky time to enter the stock market. Yet, in December 2008 after all the shouting had died down, *Management Consulting News* reported that, despite the generally

lousy state of the top ten publicly-traded consulting firms the organization tracks, only Hewitt had managed to hold onto a gain in its stock price over the period of the previous two years. From the inception of the MCN Index in January 2007, Hewitt's stock price had gained almost 6%, while all of the remaining companies took heavy losses in their stock values.

Did Hewitt's innovative management of information technology globally and their application of project management problem-solving techniques to the challenges of going public help drive these business results? It's a good bet that great project and portfolio management has allowed this HR outsourcing and consulting firm to do the things that less-savvy businesses are now scrambling to implement: resource optimization, portfolio management, aligning strategy with action via projects. None of these processes can be well managed without a PMO, so companies that hope to thrive in lean times should take a leaf from Hewitt's notebook.

Finally, just before this book went to press, we heard from the former director of Rockwell Automation's Software PMO, the 2009 PMO of the Year. Looking back on his tenure there, he reflected that the organization he helped to establish went on to exert influence across the entire Architecture and Software (A&S) division of the company, after a rigorous review of their achievements by executives:

> The hard work of the Software PMO was being reviewed at the time the PMO of the Year award was given to us. The challenge was to leverage the methodologies, framework, processes, and tools across five other businesses within the A&S division and to convince those businesses, and in some cases existing project managers, to allow changes and visibility into their organizations. Change management is the hardest

part and was the most challenging whenever project and program management tools and methodology is involved.

Doubtless there are great stories of continued success as well as hair-raising challenges left to tell. We'll continue collecting these and post them to our website on the *Strategy & Projects* blog.

CHAPTER SEVEN

What Does the Future Hold?

"Wish I could say 'a long vacation in Tahiti,'" Norton Healthcare's Janice Weaver wisecracked when we asked her this question. But she faces a situation with which most of the hardworking leaders of project management in high-performing organizations can sympathize. With increasing organizational clout comes increased responsibility … but less in the way of human and financial resources than would be ideal.

Weaver described the future for the Norton EPMO this way:

> With the changes in health care that have occurred and more to come with Accountable Care Organizations, electronic medical records, high tech act, competitive pressures, etc., our work continues to rise (but our FTEs do not). So we must work smarter not harder.
>
> We will be targeting any "little added value" processes or deliverables. In addition, we are implementing Microsoft Project Server 2010 as the foundation for project portfolio management. This implementation is also giving us an opportunity to review our current processes as well as implementing new processes which will take us to project portfolio management.
>
> Healthcare in particular is under the gun to improve our processes. Reimbursements are declining from

> Medicare and third party insurance providers. Volumes are not increasing for services due to the economy. In tough economic times the general population will put off a non-life threatening surgery.
>
> We are also implementing a new (and very expensive) clinical information system to meet government requirements due in 2013 because of healthcare reform. This has taken all capital dollars we have and many human resources being extracted from their normal job to implement the system over the next 2–3 years with no backfill. It is critical that we make the best use of the resources we have left. This will mean saying "no" to a lot of project requests. Project portfolio management is the only way we can do that in a methodical manner.

While specific to her industry, this description of the world facing today's PMO is broadly applicable. New business and regulatory challenges combine with a slack economy to put organizations of all types in a defensive stance. Obviously project management can be a tool in the arsenal of "working smarter," and the high-performing PMOs described in this book will lead the way in showing how much is possible.

Meanwhile, the value proposition for the PMO, while less questioned than in the past, must always be examined, proven, and renewed. Recently Gartner's Audry Apfel made this prediction in a keynote at a Gartner Summit:

> By 2014, less than 20% of today's PMOs will become an enterprise function centered on…strategy execution. Those that evolve to this level will get there by becoming directly accountable for program or portfolio level results; making the process fit the work, making the approach fit the culture; [and] focusing on internal PMO process improvement…

She held out little hope for PMOs that focus on compliance and administrative overhead, or get bogged down in pushing the adoption of expensive software tools. Instead, she opined, Level 5 maturity for the PMO will be as a "Strategy Execution Office."

Likewise, Forrester Research is predicting that PMOs will continue to rise to the top of organizations — but only if they prove themselves to be capable of transforming their organizations. To do this, says Margo Visitacion, they will need to display:

- Consistency — through repeatable project and program management practices.
- Transparency — through the compilation and sharing of project and program data.
- Flexibility — expressed by the ability to adapt to business needs as they arise.
- Agility — by adopting the high-level philosophy of Agile and Lean methods.

Finally, they will need to promote and administer a learning environment within the PMO and throughout the enterprise. We have seen, over the years of research studies we've conducted, the trend towards a PMO as not only a Center of Excellence, but a Center of Education. PMOs today sponsor training, create communities of practice, act as mentors to the entire enterprise, and develop the capabilities of likely project leaders.

One thing is certain: the environment in which business, government, and the helping professions operate is now undergoing major change. In those cases where PMOs can help their host organizations become more adaptive, they will continue to rise in perceived value. Success in the future requires continuous improvement — in processes, people, and performance.

APPENDIX A

The State of the PMO 2010 Research Summary

During the past decade, PM Solutions has been actively gathering data on project management trends. In that time, we've seen a steady climb in the influence of project managers and project management. Nowhere is this increased influence more notable than in the prevalence and roles of the PMO.

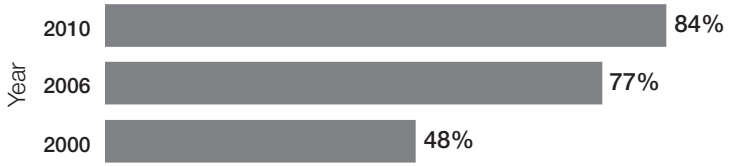
The upward trend is unmistakable, both in sheer numbers of PMOs and in the rising organizational clout. In our 2000 research on *The Value of Project Management,* only 47% of companies had a project office. In 2006, our research on *Project Management: The State of the Industry* showed that 77% of companies had PMOs; *The State of the PMO* 2010 research shows that 84% of companies have PMOs.

Our research clearly demonstrates that the PMO is fast becoming an organizational fixture that provides significant value. And in our analysis we've identified three key factors that are playing major roles in the current state of the PMO:

- The growing strategic value of the PMO.
- The increased role of the PMO in training.
- The ever-present challenge of resource management.

Understanding these factors will help us explain how PMOs provide value to their organizations today. The research

Exhibit A-1. Percentage of Firms with PMOs



Growth in the number of PMOs signifies their rising infuence in companies.

also reveals best practices that, if implemented, will lead to ever-greater business success.

The PMO: A Valued Strategic Partner

The findings of this research describe an organizational entity whose time has come; compared with research from previous years, the PMOs responding to the survey have expanded their influence and moved up the organizational ladder. Of the companies in the study, 74% are large firms with over US$100 million in revenues; that 15% of the individuals responding to the survey are at the Vice President level or above in these organizations tells us something about the importance and visibility of the new PMO. Well over half of PMOs now report to the highest levels of executive management, with 29% reporting to an Executive Vice President and another 27% reporting to the C-level. Obviously the days when project management did not have the ear of the executive are waning.

The vast majority of PMOs work on high-value strategic tasks: implementing or managing the governance process (72%), advising executives (64%) and participating in strategic planning (62%). PMOs track portfolio performance (72%) and 36% even participate in portfolio strategy formulation. The PMO is

Exhibit A-2. Improvements Due to Contributions by PMOs

- Decrease in failed projects 31%
- Projects delivered ahead of schedule 19%
- Projects delivered under budget.....30%
- Cost savings per project (% of total project cost).....17%
- Improvement in productivity 21%
- Increase in resource capacity 13%
- Cost savings per project .....US$567,000

looked to as a resource for understanding how the company is doing: 67% manage a portfolio dashboard or scoreboard.

Another trend — the PMO's contributions are valued by executives; 64% say they have executive sponsors who appreciate their strategic value. For 83% of respondents, the value added by the PMO goes largely unquestioned, and among mature PMOs that figure rises to 94%. Of course, this trust has been hard-won. PMOs are highly regarded because they deliver value and continuously improve processes. Over a third of responding PMOs (34%) rate themselves at a maturity level of 3 or above, with 9% rating themselves at Levels 4 or 5; 61% say the PMO leadership displays business acumen in addition to project management expertise.

In our experience, not everyone measures business value. But of those in this research that do, 31% report a decrease in failed projects, 30% report projects delivered under budget; 21% report improvements in productivity; 19% report projects delivered ahead of schedule and 17% report cost savings … an average of US$567,000 per project.

As PMOs grow in maturity from Levels 1-2 to 3-5 (see page 10), more of them perform portfolio governance and oversight (73% compared to 48%) and portfolio performance monitoring (84% compared to 66%). These mature PMOs are rewarded

Exhibit A-3. Percentage of PMOs Responsible for Training

- That have a project management training program in place..... 54%
- That evaluate the project management competency of project managers 65%
- That offer the following types of project management training:
  - Project management basics 84%
  - Advanced project manager skill development.....57%
  - Project management software tool training.....55%
  - Soft-skills training (e.g., teambuilding) 47%
  - Leadership training.....39%
  - PMP preparation.....33%
  - Project management certificate or degree program.....12%

with bigger budgets (twice the budget of the average Level 1-2 PMO). More project managers report to them, and they manage a higher-value portfolio of projects — worth 40% more on average than lower-level PMOs. By successfully managing these high-value tasks, they are entrusted with increased responsibility.

Mature PMOs also have more people, with more varied roles. Notably, they are almost twice as likely to have a metrics analyst … because being appreciated for adding value is at least partially due to measuring the value that you add.

PMOs: In Training for the Future

One key piece of this improved capability and accountability is undoubtedly the amount of training that PMOs today engage in. More and more PMOs are responsible for training and development functions: 75% are responsible for PM coaching and mentoring, 64% manage project managers, 63% are responsible for PM training curriculum development and coor-

dination, and 58% are responsible for providing the training. Mature PMOs are responsible for these functions to a significantly higher degree.

Over half of respondents (54%) have a training program in place; among mature PMOs, this figure is dramatically higher — 65%. The vast majority are training for basic skills, with over half also training for advanced skills and software skills (57% and 55%, respectively). Leadership and other soft skills training is on the rise: 86% are training in these areas.

Nevertheless, there is room for improvement; only half of PMO staffers are PMPs on average, and training averages only eight days per year. Only 59% meet the critical success factor of PMO staff having formal qualifications and hands-on experience.

Another area where improvement is called for is in measuring and developing project manager competency. While 65% report that they evaluate PM competency (77% in the higher-maturity PMOs), only 26% meet the critical success factor of having a formal process for developing competency. Again, far more of the mature PMOs (39% vs. 19%) have competency development processes.

Mature PMOs are training less in basics and software, and more in advanced skills and leadership … getting ready for the next phase of PMO development. Far more of the mature PMOs meet the critical success factors of having formal PM qualifications and extensive knowledge and experience (77% to compared to 49% of the less-mature PMOs),

Over the next 12 months, a major priority for PMOs is to enhance core PM processes — with 59% planning to do this. Since they have already been training heavily in basic skills, and none of them report lacking technical skills, it may be that companies have been hard hit by job losses over the past two years and are now having to replace skills that were lost with

Exhibit A-4. Top 5 Priorities for the Next 12 Months

1. Improve resource planning and forecasting process
2. Implement/enhance core project/program management processes
3. Implement/enhance reporting, analytics, dashboard tools
4. Implement/enhance performance measurement process
5. Implement/enhance governance processes

layoffs. This conjecture is supported by some of the findings in the resource management portion of this research.

Resource Management: Still A Challenge

A top priority for 64% of PMOs over the next 12 months is to improve resource planning and forecasting. This is wise because, across the board, resource management continues to be the biggest challenge for PMOs, despite a marked increase in strategies designed to improve it. Fewer than half of PMOs engage in skills identification, capacity management, demand management or resource identification/selection; fewer than one third do resource risk assessment. Only 24% meet the critical success factor of having a resource management process for estimating and allocating resources optimally.

Companies are facing all sorts of resource management challenges. When asked to pick their greatest resource challenge, companies are all over the map, with no single issue drawing more than 14% of the vote (resource contention).

Whereas less-mature PMOs have many challenges, for the mature PMO, resource management stands out as the most significant problem area. Only 37% of mature PMOs have a resource management process for optimally estimating and allocating resources. Resource contention issues and conflicting authority are, by far, the greatest resource management challenges for mature PMOs.

Exhibit A-5. Summary Findings

- Most companies have a PMO (84%). Of the few that don't, half are looking to implement one within a year.
- The value of PMOs is no longer seriously questioned.
- PMOs are still strongly focused on performing program/project management functions, although a bit more than half are performing portfolio management functions as well.
- PMO staff are highly experienced (avg. 10 years); 50% have PMPs.
- More than half of PMOs use contracted resources to manage projects.
- Resource management is the greatest challenge for PMOs. The biggest resource management challenges revolve around decision-making: resource contention, conflicting authority, and competing priorities.
- Half of PMOs have training programs in place.

As a resource management strategy, less-mature PMOs use contracted resources slightly more often than mature PMOs to manage projects and programs; but they use contractors nearly three times as often to manage PMO operations. This is a smart strategy for the less-mature PMO to bring its personnel and processes up to speed more quickly. And it's understandable since having inadequate project management skills is the top resource management challenge facing these less-mature PMOs.

Over half of PMOs plan to improve performance measurement this year, by implementing or enhancing reporting, analytics, tools and processes. Given that fewer than half reported having developed key performance indicators, this is doubtless another area where the PMO will need the assistance of contracted experts.

APPENDIX B

PMO of the Year Award Program Details

The PMO of the Year® award is presented to the PMO that best illustrates — through an essay and other documentation — its project management improvement strategies, best practices, and lessons learned. Additional support documentation — such as charts, graphs, spreadsheets, brochures, etc. may not exceed five documents. While providing additional documentation is encouraged, each eligible PMO must clearly demonstrate its best practices and lessons learned in the awards essay.

A panel of independent judges review the applicant's essay to consider how their PMO links project management to the organization's business strategies and plays a role in developing an organizational project management culture. The essay is judged on validity, merit, accuracy, and consistency in addition to the PMO's contribution to project and organizational success.

Types of best practices judges look for include:

- Practices for integrating PMO strategies to manage projects successfully.
- Improvements in project management processes, methodologies, or practices leading to more efficient and/or effective delivery of the organization's projects.

- Innovative approaches to improving the organization's project management capability.
- Practices that are distinctive, innovative, or original in the application of project management.
- Practices that promote an enterprise-wide use of project management standards.
- Practices that encourage the use of performance measurement results to aid decision making.
- Practices that enhance the capability of project managers.

Best practice outcomes might include:

- Evidence of realized business benefits — customer satisfaction, productivity, budget performance, schedule performance, quality, ROI, employee satisfaction, portfolio performance, strategic alignment.
- Effective use of resources.
- Improved organizational project management maturity.
- Executive commitment to a project management culture expressed in policies and other documentation.
- A PMO that exhibits an organizational business results focus.
- Effective use of project management knowledge and lessons learned.
- Individual performance objectives and potential rewards linked to measurement of project success.
- Project management functions applied consistently across the organization.

Completing the Essay

The Essay comprises three sections. Incomplete submissions disqualify the entry, as will submitting entries that exceed the limits on word count and numbers of supporting documents, detailed below.

SECTION 1:

Background of the Project Management Office

In no more than 1,000 words, the applicant must describe their PMO, including background information on its scope, vision and mission, and organizational structure. In addition, the applicant must describe:

- How long the PMO has been in place.
- The applicant's role within the PMO.
- How the PMO's operations are funded.
- How the PMO is structured (staff, roles and responsibilities, enterprise-wide, departmental, etc.).
- How the PMO uses project management standards to optimize its practices.

SECTION 2:

PMO Innovations and Best Practices

In no more than 1,500 words, the applicant must address the challenges the organization encountered prior to implementing the new PMO practices and how they overcame those challenges. The applicant must describe clearly and concisely the practices implemented and their affect on project and organizational success.

SECTION 3:

Impact of the PMO and Future Plans

In no more than 500 words, the applicant must describe the overall impact of the PMO over a sustained period (e.g., customer satisfaction, productivity, reduced cycle time, growth, building or changing organizational culture, etc.). If available, the applicant should provide quantitative data to illustrate the areas in which the PMO has had the greatest business impact. Finally, the applicant must briefly describe the PMO's plans for the future and how those plans will potentially impact the organization.

How to Apply

The applicant needs to download the PMO of the Year Application Form from the PM Solutions website (www.pmsolutions.com/pmoaward/) which contains four sections to complete: Registration; PMO Background; PMO Innovations and Best Practices; Organizational Impact, and Future Plans.

Assemble Supporting Documents. The applicant is limited to 5 Supporting Documents, which can include charts, graphs, spreadsheets, presentations, or other materials. Note that all Supporting Documents must be clearly labeled with the organization's name.

The applicant must e-mail the completed PMO of the Year Application Form and Supporting Documents to pmoaward@pmsolutions.com.

Frequently Asked Questions

What is the PMO of the Year® Award? Presented by PM Solutions and the PMI® Project Management Office Community of Practice (PMO CoP), the award salutes a PMO that has demonstrated excellence and innovation in developing and

maturing an organizational structure to support the effective management of projects. It is a showcase for PMOs that have demonstrated vision and business acumen in implementing new ideas, methods, or processes that led to measurable improvements in project management realizing business benefits for their organizations.

Who is eligible to participate? To be eligible to receive the PMO of the Year Award, the applicant must be the director or manager of the PMO nominated. All corporate and government PMOs are eligible for nomination. Submissions from third-parties on behalf of a PMO are not eligible.

If your PMO isn't an enterprise PMO are you still eligible to participate? Yes. Enterprise PMOs as well at IT PMOs, New Product Development PMOs, or other Business Unit PMOs are eligible to participate.

Can more than one PMO from an organization participate? Yes. The award is to the PMO, not the organization. Competition from multiple PMOs within an organization is welcome.

Can consulting, training, or other third-party providers submit an entry on behalf of an organization's PMO? No.

Is there an entry fee? No.

Who will judge the entries? An independent panel of industry practitioners and experts.

How are the winners notified? Semi-finalists will be announced in July, and the PMO of the Year award winner will be notified by e-mail in early August. Formal announcement of the winner will occur in September.

What exactly does an award winner get? The PMO of the Year winner will receive an expenses paid trip for one (1) member of the winning organization to attend the PMO Symposium (attendance by a representative of the winning PMO is required). The winner will be honored with a presentation of the PMO of the Year Trophy at the event. They will also receive recognition by giving a presentation (20-30 minutes) as part of a panel discussion at the event. Each finalist will receive a significant discount to attend the Symposium and a commemorative trophy honoring their efforts.

What will be done with the information submitted in entries? All entries will be kept in the strictest confidence. By submitting an entry, you agree that PM Solutions and the PMO CoP may highlight information contained within your submission to honor the award winner and finalists via media coverage such as press releases, articles, and publications. You will have the opportunity to review any materials issued by PM Solutions and the PMO CoP or its affiliates prior to public distribution to ensure any proprietary information is excluded from them. With permission from participating organizations, PM Solutions and the PMO CoP may use information from entries in future newsletter articles and publications. Materials submitted will not be returned.

Who may I contact with any further questions? Please contact pmoaward@pmsolutions.com for more information.

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About PM Solutions

PM Solutions is a project management firm helping organizations execute, govern, and measure their portfolios to improve business performance. We are the leader in applying project and portfolio management processes and practices to drive operational efficiency for our clients.

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PMO structure and process are only part of the overall picture. It takes people to adapt to the cultural shifts that result and embrace PMO operations. Because we have our own training division, the PM College, we incorporate training, professional development, mentoring, and coaching, which are integral parts of making a PMO "stick" and become a valued organizational entity to the business.

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