PMO as Change Agent

Brian M. Horgan, Project Director, The United Illuminating Company

Abstract

A Project Management Office ("PMO") is an agent for change in furtherance of strategy. This paper will discuss how change was created by a PMO and how that same change ultimately reshaped the PMO itself. By linking projects to strategy, PMOs execute change. However, any change agent is challenged by longevity. This is the story of how a PMO was born at a small investor owned utility, grew to maturity and was then re-born into a new form as business strategies changed. The paper will identify how to make project management strategic, how to show results and how to maintain relevancy.

Introduction

At many Project Management Institute ("PMI") meetings I was bombarded with stories of frustration from individuals who felt his or her company did not fully appreciate the value of project management. Despite the value shown by delivering projects on time and within budget, companies seem to fail to internalize project management discipline as a key to repeated success. The stories came from very accomplished and intelligent individuals so it was clear the problem was not the people. So why was it that these individuals could not affect the change they so dearly desired? This paper will highlight a PMO that achieved that change and was ultimately caught up in change.

Drivers for Change

The common theme to the stories I heard was the expectation that someone else, some unidentified leader(s) only known as "They", should be leading this change to project management adoption. However, it was the lack of ownership in leading change from the inside that led me to develop this paper.

In reviewing how the Project Management Office ("PMO") I led at a small investor owned electric utility created an environment for change, I discovered the key was making project management strategic, not tactical. The easiest way to do this was to demonstrate how projects are change, and how change is critical to the evolution of strategic execution. It would then be natural for the PMO to be accepted as a strategic office.

Strategy is defined as "…an adaption that serves as an important fuction in achieving evolutionary success." Webster's Ninth New Collegiate Dictionary (1988). Strategy is the primary function of senior management. Thus, identifying work as strategic tends to draw senior management attention. The challenge is to make projects and project management strategic.

Unfortunately, just calling projects and project management strategic is not enough. The PMO needs to build the case for the link between project management and strategy. Creating change is the driver for this link. Without change a company cannot move along its strategic plan which

Originally published as a part of 2010 PMI Global Congress Proceedings – Washington DC

is typically encapsulated by the mission and vision. The mission is the reason the company exists now, but the vision is the reason why the company will exist in the future.

Projects need to be seen as the key agent for achieving strategic change and moving the company along its vision path. Therefore, doing projects well is not the end; it needs to be the means to the end. The true end is strategic execution via projects. Success in project execution needs to go beyond the triple constraints of schedule, scope and budget and into the furtherance of strategic goals and objectives. The PMO can champion this pursuit through two key functions: initiative and resource management.

The PMO's Strategic Role

After all operational requirements are met companies must decide how best to invest in the pursuit of its vision. These investments are referred to as strategic expenditures. They typically are projects like new product development, infrastructure additions and/or information technology enhancements.

A guide to the project management body of knowledge ("PMBOK"®), identifies the PMO as "…an organizational body or entity assigned to various responsibilities related to the centralized and coordinated management of those projects under its domain…" *A guide to the project management body of knowledge (PMBOK®)* (4th ed.) (2008) Newtown Square, PA: Project Management Institute. While this is a very good tactical definition it does not reference the PMO's strategic role of establishing why the projects are worth doing in the first place and how doing them well benefits the company. Expanding the definition with these responsibilities creates the concept of initiative management.

Initiative management focuses on doing the right projects. It does so by identifying, prioritizing and managing the strategic investments. A PMO is well versed in these functions but it cannot do this work by itself. It will need to partner with the key departments aligned with strategic development. In my example those departments were Finance, the funding source, and Strategic Development, the visionary.

To create the partnership with Finance the concepts of portfolio management were extremely helpful in developing a shared understanding and goal. Both groups want to maximize company resources, in this case financial resources, by putting those resources on the initiatives which produce the most value. This approach is the basis for resource management through portfolio management. In my case the common ground was the net present value ("NPV") benefits provided by each project investment. While calculating benefits was not always easy, templates identifying various cost and value creation ranges were established to at least capture the cost for each investment.

However, portfolio management under initiative management views projects not just for their alignment to the triple constraints of scope, schedule and budget but adds the fourth dimension of strategic alignment. Strategic alignment focuses on the value proposition produced by the finished project. The value is determined by the strategic goals and objectives of the company.

Integration with strategic goals and objectives produced the link with the Strategic Development group. In creating the need to integrate with Strategic Development a scoring system for projects based on strategic goals and objectives was created. The scoring was primarily based on financial results but also included “soft” benefits such as improved customer satisfaction. It looked at both the benefits created by pursuing the project but also the risks created by not pursuing the project.

This approach benefited Strategic Development by establishing a tangible manifestation of strategy that allowed employees to understand how their work impacts strategy. Each project now became part of strategy. Thus, it was easier to make strategy a reality instead of an academic concept.

For its part Strategic Development made project portfolio management a standing agenda item at all strategic planning meetings. The visibility provided to projects and the PMO, in its role as manager of the portfolio, reinforced the idea that project management was strategic.

Measuring The Change

There is a famous saying “Be careful what you ask for, you may get it.” This saying captures where our PMO was at this point. We had established projects and project management as strategic. Now we had to produce results to validate the importance.

Following the same strategic approach to measure results, the company’s balanced scorecard, ("The Balanced Scorecard - Measures that Drive Performance", Harvard Business Review, Feb. 1992) was the perfect place to track our progress. The balanced scorecard (“BSC”) is our primary tracking tool for strategic advancement. Its varied points of reference: financial, customer, operations and capability; provided the breadth of scope to cover all projects.

As a regulated utility, our earnings are aligned to the capital infrastructure in service. The poles, wires and other equipment required to provide electricity was the foundation of our growth. Installing and forecasting these infrastructure additions and replacement are critical indicators for our earnings. Quality estimates and predictable project results are critical skills to indicate our company’s profitability into the future. The skills are also important in acquiring the funding required for our capital program. Therefore, creating metrics to demonstrate these skills became our focus for the BSC.

The two metrics created to track our ability to estimate and perform were:

1. Quarterly accuracy of estimates
2. Annual project completion against original estimate

The basis for establishing the appropriate targets for each was historical information collected by our Finance group. By evaluating our past results and comparing them to our strategic goals we were able to develop a road map to success. Since the pursuit was strategic, we had the benefit of a time based approach which did not require drastic change. Instead positive, predictable progress was the objective.

To bring about the change, project portfolio management was used to identify the changes which would be required to advance our initiative. We quickly identified resource management, of the human kind, as the key process to enhance. In reviewing our labor intensive capital expenditure program, we realized our internal resources were being stretched to a point of diminishing returns. The utilization of external contractors was a growing facet of our workforce. As this workforce performed, so did our portfolio. Therefore, if we could manage our contractors better we could improve results.

While this task seemed daunting given the one hundred plus portfolio of projects, it was manageable if only the critical large projects were monitored. Using Pareto's Law (*A guide to the project management body of knowledge (PMBOK®)* (4th ed.) (2008) Newtown Square, PA: Project Management Institute at p. 211) we realized there were about a dozen projects which constituted over eighty (80%) percent of the contractor resources. By tracking these projects we could influence results for the entire portfolio.

To track performance we established monthly report indicating performance against baseline. We also established a working group with the Vice Presidents from the business areas housing the top projects. At the working group sessions past performance was analyzed and risk based adjustments to future work were made based on this performance. Adjustments were made to the portfolio to supplement projects which were under-performing or to increase investment in those projects which were exceeding expectations.

The message of timely, accurate estimates and success performance were also taken to the project managers. Using project manager forums the project managers were updated on goal performance and educated on the vital role they played in achieving success. The group was deputized as a critical player in executing strategy. The heightened value of projects had increased the project managers' value as well. The project managers did not want to squander this opportunity so buy in was wide spread.

The results were outstanding and rewarded the executives for their trust in this process. Over the eight (8) years covered by this paper results met or exceeded expectations. The performance weathered changes in strategy, leadership and market volatility. As shown in Exhibit 1 the confidence established in meeting targets allowed the target to be ratcheted up to levels unprecedented in the past.

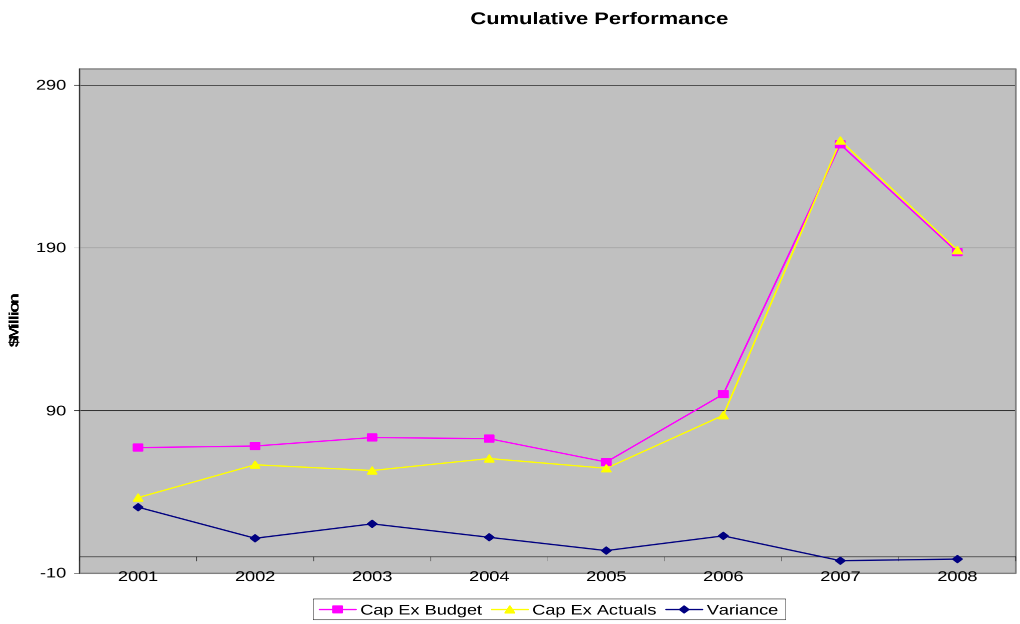

Exhibit 1

Adjusting For Change

One thing we did not plan for was our own success. While we were confident we would be successful, we did not fully prepare for the organizational changes which occurred. Our plans focused on continuous, gradual improvement not transformative change. However, we found once change begins to occur the PMO needs to change along with it. Sometimes this change will be transformative and redefine the PMO itself as the strategy changes.

In hindsight, we needed to create an organizational transition plan to manage success. By heightening the awareness and visibility of projects the company strategy became more project centric. Capital investment in the regulated portion of the business had become the chief growth strategy. Suddenly the PMO was not a facilitator to strategy, but a large contributor to the strategy.

This change in direction caused a realignment of management. As stated earlier, strategy is the domain of executives. With project management, now a key part of strategy, it was natural that it elevate to the executive level. Thus, a new Vice President position was created to direct and lead projects. The PMO was expanded and folded under this new position. My role moved from leading to supporting and my group was absorbed into a larger PMO organization.

The increase in PMO staffing and scope was necessitated by the increasing size of the capital expenditure portfolio. While this increase was known and is visible in Exhibit 1, the organizational response was not anticipated. However, there were leading indicators of this type of response.

The main indicators were:

- Change in Leadership,

- Change in Strategy,
- Increased Executive Interest,
- Loss of Key Talent

None of these indicators are surprising since they all involve change. Responding to the change is the challenge and complacency is often the inhibitor to a timely response.

The PMO needs to be prepared to address each of these indicators aggressively. This approach may mean breaking from past practices. The PMO must understand that as a change agent, its role is not to institutionalize but to revolutionize. Herein lies the true challenge to change organizations. It is a type of planned obsolescence.

By realizing and comprehending that as a change agent the PMO must be prepared to be transformed as time passes. Loss of key talent is a good place to illustrate this point. The PMO should be the incubator of future company leaders. The link to strategy provides a solid basis for this assumption. Thus, when key staff from the PMO moved into other areas of the company, e.g. Strategic Development, this was a sign the PMO was ready for another transformation. The messages from the PMO had become internalized to a point where it was accepted as a required skill within the business. The business areas started to staff this skill themselves, some times raiding the PMO for this talent. While the PMO, as structured, could provide the talent, it could not provide the single point of accountability for project portfolio performance since it did not have budgetary responsibility for all projects.

This is the point where organizational change now becomes an option. The need created was a single source of accountability with both strategic and budgetary responsibility. In my case the focus of the PMO moved from a corporate support group into a business area with budgetary responsibility of the capital expenditure program. Looking at the business objectives, strategies and organization of projects triggered this re-alignment so greater accountability could be placed on the entire portfolio.

The result is a re-born PMO. The new PMO is based on many of the concepts already in place. The major change was structuring the PMO to have finite deliverables (projects) under a budgetary constrained environment. This approach was a further evolution of doing the right projects not just doing projects right. This new organization has been in place under a year and is experiencing its own growing pains. The organization does benefit from the increased visibility of its efforts and has been afforded time to further project management with excellence.

Conclusion

In retrospect, linking projects and the PMO to strategy is the absolute right thing to do. However, it needs to be understood that strategy is tightly intertwined with change. This change will follow the PMO itself. Therefore, the goal of the strategic PMO needs to be both internalization of its precepts and also an understanding that change is inevitable. The PMO needs to realize that to remain relevant it may have to be rebuilt as strategies change. However, if done successfully, the PMO will turn over its staff to better opportunities within or outside the company and not make reliance on a status quo PMO a necessity.