



# INSIGHTS

## The Program Management Office

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### Introduction

Executives are under a lot of pressure to deliver better products and services at lower prices to customers. At the same time, upper management is asking them to enhance operations using new technology to improve visibility into the sales pipeline, integrate systems, and provide real-time reports. In response to these mounting pressures, executives are launching several performance improvement projects. These projects entail new technologies, processes, and organizational structures as well as acquisitions and liquidations of business units. As a result, executives and project managers are struggling to find the best way to manage multiple projects. Executives frequently find it difficult to obtain the right information to facilitate decision-making and determine how to prioritize projects. Project managers often lack a consistent, repeatable management methodology and struggle to deliver projects with over-allocated and mis-managed resources.

As companies continue to rely on projects to carry out their corporate strategy, it has become essential that these businesses have a control center for project activities and management. Every other function from finance to engineering reports through a structured function, therefore it is logical for project management to do so as well.

### The Program Management Office Defined

What is a program management office (PMO)? Although there are several widely used definitions to describe a PMO, the simplest way is to identify the functions a PMO can serve. PMO functions can be classified as:

- Project management
- Portfolio management
- Developing and promoting projects
- Managing business objectives

Based on these four functions, the typical roles performed by PMOs are:

- Provide structure and leadership for project management
- Bridge the gap between project managers and executive decision-makers
- Create project managers skilled in the art of managing
- Serve as a repository of project expertise, models and standards
- Enforce uniform planning, tracking and reporting

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- Maintain awareness of the overall company objectives
- Ensure the results of each project are aligned with the business plan
- Manage the information technology (IT) portfolio, for both an enterprise project management (EPM) and an IT governance function
- Monitor priorities and resource allocation
- Align resources across functional boundaries
- Develop and sell projects with expected business results

Based on these functions and roles, a PMO is defined as the business unit created to support the collaborative development, prioritization, planning, executing and monitoring of projects under taken to achieve a stated business strategy.

### Why Implement a PMO?

More business objectives are being executed through project-based initiatives and are led by project managers. As project management becomes a highly important and strategic business function, companies should consider a more formalized structure to help manage these project-based initiatives.

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Most organizations have come to grasp the concept of utilizing projects to achieve business objectives, but have not yet realized the importance and benefits associated with managing projects and project managers under the same structure as any other function in the company. In addition, with the numerous interdependent and often un-coordinated projects being executed concurrently in many companies, it is essential that control over these projects be centralized.

For example, imagine if Chicago O'Hare airport did not have an air traffic control center. During peak-hours one plane lands or departs from Chicago O'Hare airport every 30-40 seconds. Consider the chaos that would ensue without a central control to guide planes in and out, coordinate take-offs and landings, ensure the runways and gates are being used to their maximum potential, and manage circumstances when issues arise that affect all planes. Many companies are operating in a project environment without a central traffic control. The consequence of having multiple, concurrent projects operating independently without a control tower can result in ineffective projects and complete failures.

### The Expanding Role of the PMO

As stated earlier, the primary functions of a PMO are project management, portfolio management, developing and promoting projects and managing business objectives. Let's examine each function more closely.

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## Project Management

In many companies, project managers run individual projects. The responsibility of the PMO is to instill a level of structured leadership and methodology across all projects and make the best use of resources. The objective of a PMO is to promote consistent, repeatable practices that result in successful projects and use business resources efficiently.

The manager of the PMO is responsible for identifying and adopting a company wide protocol that brings consist methodologies and practices, saves time for executives and project managers, and supports better decision making. Project managers need to learn and utilize consistent practices for initiating, planning, controlling, executing and concluding projects. In addition, project managers need the knowledge and tools to manage the risk and scope of their project.

A PMO is also responsible for utilizing resources efficiently. Complex projects often require a wealth of resource participation from all over the organization, and the project manager may be at a disadvantage since they only have visibility into their own project needs. The use of external resources like consultants may also be needed. The PMO manager has visibility across the entire portfolio and is in a better position to allocate project resources, make hiring decisions, and budget for external resources.

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## Portfolio Management

Projects help support the overall success of companies. Each year projects can consume a significant percentage of a company's capital expenditures. These projects entail utilizing people (employees as well as contractors) to carry out process improvements, reengineering, technology implementations and more. The projects usually require companies to invest in manpower and technology to make positive business transformations. However, people and technology are not cheap, and with increasing complexity, costs, and lengthy implementations companies cannot afford to make mistakes on critical projects. It is imperative that a company's knowledge and technology assets are fully aligned and in support of the business needs and vision.

One recent trend is to utilize the practice of project portfolio management. Project portfolio management focuses on providing decision makers with information on the risks, yields and benefits of a project. Traditionally, projects have been decided strictly on costs and projected return on investment (ROI). Portfolio management takes this a step further by looking at the cost of investments upfront as well as the on-going costs, the ROI, yields or returns, strategic alignment and the risk involved. The result is a mechanism to allow businesses to invest

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in projects that provide the most reward at a managed level of risk. In addition, portfolio management becomes a key tool to assist with making trade-offs between competing projects. Finally, portfolio management forces regular reviews of projects and investments. This provides business leaders with regular reports and ensures projects are on track.

### Developing and Promoting Projects

Before projects are started, the real issues need to be identified and evaluated. The PMO plays a major role in the process since it works to establish the high-level scope, costs, benefits and requirements. Think of the PMO in terms of a financial analyst. The analyst does the research on prospective investments and presents recommendations on which opportunities should be invested in, forgotten, and watched for future consideration. The PMO presents the investment opportunities to upper management and assists with the decision-making process.

Once projects are identified and approved, the PMO is responsible for helping to promote the project within the company and breaking down organizational barriers. Project managers can quickly become so involved in the execution of the project and focus on the technical and process details while neglecting to communicate the true benefits to the business. The role of the PMO is to fill in the gaps between execution and strategy by communicating the business benefit and value each project will have on the company, which is difficult for the project manager to achieve alone.

### Managing Business Objectives

The final function of the PMO is to manage the portfolio of projects to meet the defined business objectives. As stated previously, projects need to be developed and executed as a group of initiatives that are aligned with an overall business strategy. They are also usually managed and judged individually so no one may be focusing on whether the entire portfolio of projects is fulfilling the business strategy. To improve this mindset, the focus of the PMO is on meeting specific objectives. The PMO defines the metrics that measure the business results. The portfolio of projects must work together to achieve clear business objectives and remain in-line with the overall corporate strategy. By serving this function, the PMO acts similar to the way a financial manager would when managing an array of investments. In the event the objective may not be reached, the PMO identifies and recommends corrective action.

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### Conclusion

As a relatively new concept, establishing a PMO may seem like a daunting task as it takes time and effort to initially establish. However, executives need to con-

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sider the fact that many other departments within their own company like finance and engineering may function in the same manner as a PMO. They should also consider that the investment in a PMO could serve as an asset by helping to centralize, organize and prioritize specific company initiatives. By aligning investments with corporate strategy and practices the PMO can greatly improve the ability to achieve business objectives.

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