Building a PMO
to align with enterprise strategy

LEVERAGING STRUCTURE AND A STRONG CHARTER TO BUILD THE PMO FOUNDATION

Whether you are enhancing, revamping or building your Program Management Office (PMO) from the ground up, the cornerstones of getting underway include a strong charter for the PMO and a structure that aligns to the organizational culture and strategic plans for growth.

Establishing key constructs now will help guide your vision and set performance standards of your PMO to further evolve your Portfolio and Program Management (PPM) system within your enterprise.

ESTABLISHING A STRONG CHARTER

Establishing a clear PMO charter with emphasis on a competent and useful support structure is the primary focus toward successful execution of the enterprise's portfolio of project work. This is the critical foundation prior to choosing and building out your PMO structure.

A strong charter begins with an overarching scope and includes the following critical success factors:

- Portfolio Alignment to Strategy
- Successful Execution
- Common Project Management Practices
- Requirements Quality
- Effective Metrics and Reporting
- Organizational Readiness

Portfolio Alignment

At the outset of your PMO charter development, there needs to be emphasis on a portfolio development and management capability that ties into executive team planning (e.g., annual planning and quarterly business reviews). Systemic alignment with corporate strategy is a critical success factor for the PMO. Ideally, an organization that plans iteratively on a quarterly basis, with an outlook of at least 6 quarters, including a coordinated cadence with the PMO for portfolio changes in work content and prioritizations, exemplifies a less disruptive approach, eliminating the need for less dynamic annual planning efforts.

Successful Execution

The primary focus for the PMO is on being a catalyst for efficient and repeatable project execution successes. Project success factors include holding to minimum tolerances associated with scope, schedule and budget changes, in addition staying below expected minimum defect levels, and achieving the ROI goals which are measured after deployment. The PMO should be perceived as an enabler to help project teams perform at their highest levels. Too often PMO's are perceived primarily as governance organizations which add burden to the project teams. It is important to strike a balance and communicate how the governance disciplines lead to better results over time by providing metrics and trend analyses to support the continuous improvements that are evident in the aforementioned project success factors.

Common Practices

In defining the governance aspects within the PMO charter, it is important to establish a common Portfolio and Program Management (PPM) system which includes deliverable standards, common methods, uniform tool usage, and well executed change management capabilities. Once again, the focus within governance is to help project teams to execute and perform at a higher level and with more repeatable, predictable results. Emphasis on efficiency via re-use of project artifacts and end-to-end traceability are just a few of the project level objectives key to higher performing PMO's.

Requirements Quality

Requirements Quality should be a major focal point within the PMO charter, as this important aspect of business analysis within a project life cycle is at the heart of delivering what the enterprise needs in order to achieve its strategy. Requirements excellence is at the very core of achieving success across the portfolio of work for the enterprise. Within a PMO it is often advantageous to have a Requirements Management Center of Excellence (RMCoE) which specifies the processes and artifacts that are the essential components of work expected of the Business Analysts (BA's) supporting projects.

Effective Metrics & Reporting

Additionally, the PMO must develop and manage key performance indicators (KPI) of your business critical metrics and reporting for use by all levels of the enterprise in order to make portfolio execution progress and post deployment value highly visible. It is preferable to use information already captured by the project teams within the project management system, hence, minimizing the reporting impact on these projects to the extent possible. Using these metrics to show how the PMO brings continuous improvement results to the projects is vital toward gaining and expanding adoption of the PMO.

Organizational Readiness

Finally, and perhaps most importantly, are the organizational considerations associated with decision making, providing transparency across the enterprise, and ensuring organizational readiness – both prior to and during the project life cycle, as well as, after deployment of key initiatives.   The highest performing enterprises are those which have the CEO and all executives involved in the development

and prioritization of the portfolio of work that is focused on delivering to the strategic objectives set by those same individuals. A successful PMO represents all of these constituents in a way that ensures a balanced enterprise-wide PPM system. The PPM system delivers and governs in alignment with the prioritization as established and maintained at this executive level. The next level of organizational consideration for the PMO is to establish centers of excellence for Program Management/Project Management (PPMCoE) and for Requirements Management/Business Analysis (RMCoE/BACoE). The most stringent way to control these critical disciplines is to limit the use of these roles and only have such roles report into the PMO. It is not always practical to organize this way in every enterprise, so exercising influence with regard to the PPMCoE and RM/BACoE in other ways is critical to successful PMO execution and effective, repeatable performance.

Organizational readiness is perhaps the most important, but often the most frequently overlooked PMO responsibility within the PMO charter. It begins by creating transparency via effective communications at every stage of project lifecycle management. This critical component of business transformation success must be managed carefully in coordination with each major deployment to ensure that all stakeholders and impacted personnel are trained and prepared to operate successfully with the "new normal" changes that are launched and productionalized.

CHOOSING AN APPROPRIATE PMO STRUCTURE

Once a PMO charter is understood, agreed, and accepted at all appropriate levels within the enterprise, it is then time to decide on a PMO structure most suitable to deliver on that charter.

There are several structural options when choosing to establish your PMO structure that best suits your enterprise. The PMO structure you employ may depend on how and where you operate your business. For example, a global organization which operates differently in various geographies would typically not be able to be successful executing all of their transformation projects under the direction of a single PMO. Likewise, a smaller enterprise with a concise set of project work might be best suited to have a single PMO primarily focused on work prioritization, execution, governance, and reporting. PMO structure is best to follow enterprise structure, and must be formed in consideration of corporate culture and complexity. The PMO structure should be thought of as a planning and execution overlay of the enterprise with linkages from the executive level down to the operational department level. Below, you will get additional context regarding PMO types (or PMO levels) and PMO models which include one or more of those specific types.

When considering how PMOs are leveraged by more mature enterprises, one or more of three distinct types, or levels, come into play:

1. The **Enterprise level PMO (**EPMO), operates at the highest level of the enterprise, and is responsible for the full breadth of portfolio planning and business level program and project execution. In most cases, and for more complex enterprises, the most effective leverage comes from an EPMO structured to meet the evolving needs of your organization. A new EPMO can begin with a smaller staff and take on mostly passive activity, much like that of a Reporting-only PMO, and can be enhanced over time to incorporate additional, more "active" functions. Active

functions could include running multiple levels of governance, managing all projects, and conducting portfolio planning and management functions in conjunction with the business strategy organization within the enterprise. Managing change regarding scope prioritization and organizational/staffing impacts are additional capabilities of more advanced EPMO teams. Generally, the EPMO is governance oriented and is concerned with alignment of work with strategy.

2. A **Program level PMO** is often set up for a large, complex, multi-project, and possibly, multi-year business initiative. It should be well coordinated with the EPMO, if one exists, and follow similar methods and governance approaches as the EPMO.   The Strategic PMO or Strategic Initiative Office (SIO) is a type of Program level PMO which is established to drive a specific set of projects or work streams deemed to be at the core of how the enterprise, will deliver on its strategy (business objectives). Generally, smaller projects which fall strictly within a single operational team, or business unit, are not managed via this SIO unless they are mission-critical to the enterprise strategy. Program PMO's are execution oriented and concerned with the implementation of new or enhanced business capability in support of a large business initiative.

3. An **IT PMO** is found in many enterprises, even if EPMO and Program PMO structures do not exist. The IT PMO is generally leveraged as the execution arm for technology projects which have to coordinate complex technology changes with the business enterprise and across multiple disciplines within the IT organization itself, including application development & maintenance, solution architecture, QA, data management & analytics, infrastructure/security, and IT operations. Having a coordinated IT-level PMO capability that takes direction from the EPMO relative to methods, tools, templates and governance is also seen in more mature enterprises that are committed to strategy-aligned, project-driven transformation.

Illustration 1 (below) represents a fully functional view of a balanced PMO structure employed in a larger enterprise. Simpler variations of this three-tiered portfolio and project management structure are often used for beginning PMO structures within an enterprise and for smaller enterprises as well. A two-tiered structure, or even a single-tiered PMO, is an option for enterprises requiring less complexity in managing their portfolio of work.

EPMO
- Portfolio Management & Strategy Alignment
- Governance & Process Methods Leadership
- Executive Reporting & Work Prioritization
- Resource & Tools/Technology Management

Program PMO 1
- Business Prep & Process Changes
- IT Enablement Sub-project

Program PMO 2
- Business Prep & Process Changes
- IT Enablement Sub-project

Program PMO 3
- Business Prep & Process Changes
- IT Enablement Sub-project

Program PMO N...
- Business Prep & Process Changes
- IT Enablement Sub-project

Other project work
- Business Prep & Process Changes
- IT Enablement Sub-project

IT PMO
- Application Development & QA
- Data Management & Analytics
- Infrastructure, Security & Operations

The EPMO level in this hybrid-federated model is positioned as the governance structure which develops, prioritizes and oversees the portfolio of work in alignment with corporate strategy. The Program level PMO is aligned to business initiatives and is focused on launching new or enhanced capability across business operations. A Program Management Life Cycle (PMLC) is followed by the Program PMO to ensure all aspects of business change are assimilated successfully. In some organizations, the Program level PMO is folded into the EPMO to keep to a two-tiered structure. The IT PMO will generally drive the technology components of change which support the business initiative level managed by the Program PMO.

One or more of the PMO types noted above may come together in forming the PMO structure deployed by an enterprise. Three forms of PMO structure are commonly used, which may be characterized as decentralized, centralized and hybrid (or federated) models. Each has its own distinct advantages and disadvantages and the model you leverage within your organization can determine overall effectiveness of planning and delivery. *[1]*

1. **Decentralized PMO** – A number of PMOs exist, operating autonomously and often focused on a specific function or major program of work. While this enables a clear focus on specific business needs, there is the risk of redundancy, inefficiency and inconsistency in discipline and the application of methods, tools and governance.
2. **Centralized PMO** – A single, enterprise PMO (EPMO) centralizes the approach with tight integration of systems and processes. This model can enable economies of scale and tighter control over procurement and deployment, but can be overly conservative and unresponsive to the needs of individual business units. This single EPMO approach can be effective for small to medium sized companies which operate primarily from a single geographic location or region.
3. **Hybrid or Federated PMO** – A central EPMO has authority to set the strategy and common standards, while satellite PMOs manage to the more specific goals, priorities and local oversight. This balances enterprise priorities for consistency with business unit priorities for delivery. The strength of the EPMO as a part of this model is directly related to how effective this hybrid structure will be in executing to the enterprise's strategic objectives. The management and control of project budgeting is also a key driver of success within this model.
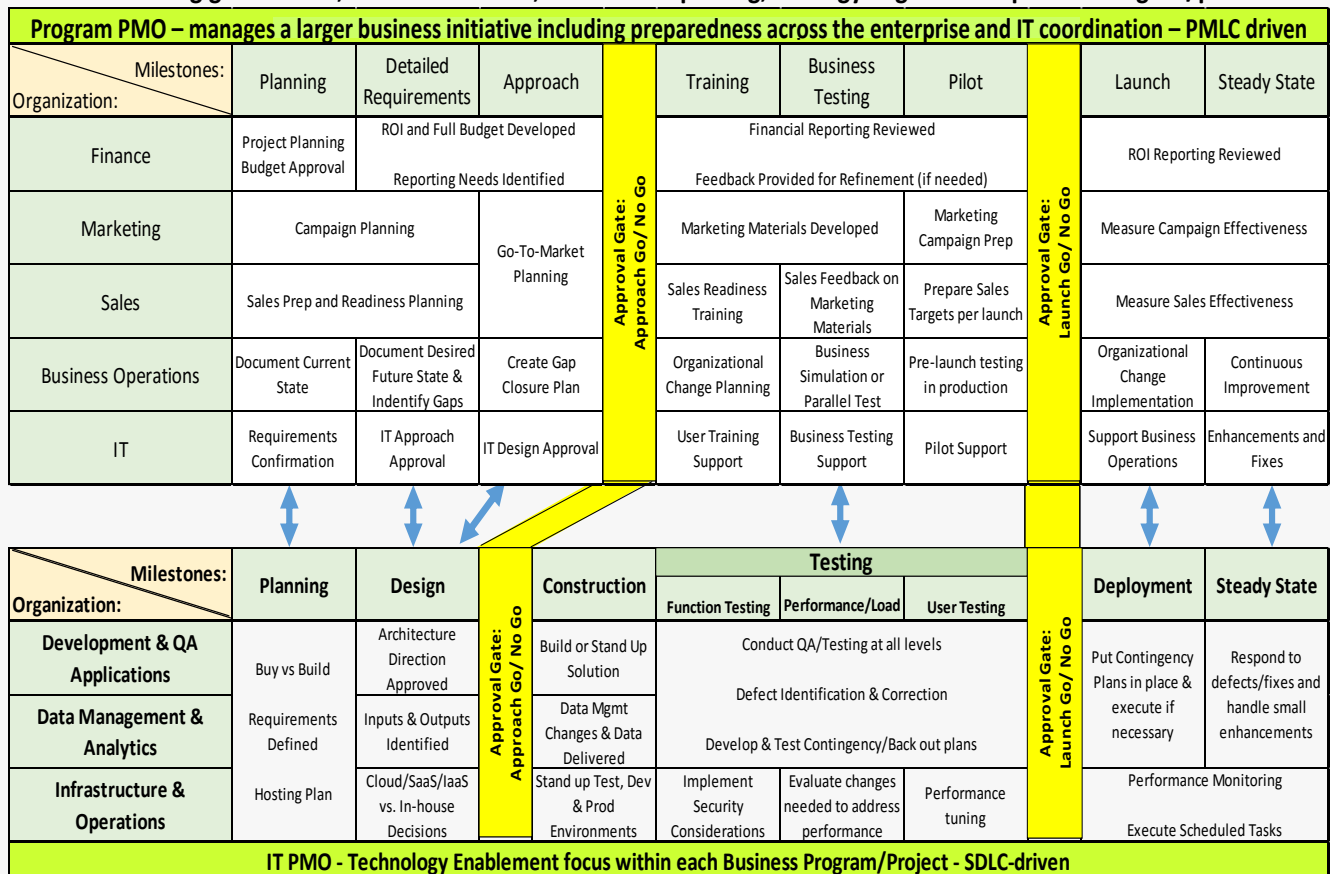
At Magic Hat Consulting, we prefer to see a Hybrid-Federated PMO structure employed at most medium to larger enterprises, while a Centralized PMO structure -- single EPMO with Program PMO and IT PMO coverage -- is deemed adequate for smaller organizations.

Well-coordinated Program PMO and IT PMO processes become essential in most enterprises, given the ever-increasing role that technology solutions play in the support of key business initiatives. In some cases, the IT solution may be at the core of a transformation program for an enterprise. These technology-led transformation initiatives often drive significant organizational and process changes, as would be the case in an implementation of a new ERP solution. Other examples may include company-wide business process management (BPM) solutions, or the replacement of core administrative support systems, to cite a few.

Functioning under the governance of an EPMO, the Program PMO typically operates using a Project Management Life Cycle (PMLC) that covers the business phases of a product and/or service from planning to launch. PMLC phases could include the Marketing Campaign plan execution, Financial ROI expectations and measurements, Sales and Customer Care training needs, IT enablement needs across the business, as well as any point-of-sale process considerations. In a similar fashion, IT generally manages the enabling subprojects associated with the business initiatives using a System Development Life Cycle (SDLC) which covers technical architecture and approach, detailed design, solution construction (buy and/or build), various testing phases, and coordinated deployment aligned to business readiness and launch timing.

Illustration 2, below, is a depiction of how the Program PMO would coordinate across the PMLC phases of a business project in coordination with the IT PMO which follows SDLC phases in producing its deliverables. Both of these PMO entities, of course, perform under the purview and guidance of the EPMO leadership structure.

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EPMO – overarching governance, methods & tools, executive reporting, strategy alignment & portfolio mgmt./prioritization

Program PMO – manages a larger business initiative including preparedness across the enterprise and IT coordination – PMLC driven

Milestones: / Organization:	Planning	Detailed Requirements	Approach	Approval Gate: Approach Go/No Go	Training	Business Testing	Pilot	Approval Gate: Launch Go/No Go	Launch	Steady State
Finance	Project Planning Budget Approval	ROI and Full Budget Developed — Reporting Needs Identified			Financial Reporting Reviewed — Feedback Provided for Refinement (if needed)				ROI Reporting Reviewed	
Marketing	Campaign Planning		Go-To-Market Planning		Marketing Materials Developed		Marketing Campaign Prep		Measure Campaign Effectiveness	
Sales	Sales Prep and Readiness Planning				Sales Readiness Training	Sales Feedback on Marketing Materials	Prepare Sales Targets per launch		Measure Sales Effectiveness	
Business Operations	Document Current State	Document Desired Future State & Indentify Gaps	Create Gap Closure Plan		Organizational Change Planning	Business Simulation or Parallel Test	Pre-launch testing in production		Organizational Change Implementation	Continuous Improvement
IT	Requirements Confirmation	IT Approach Approval	IT Design Approval		User Training Support	Business Testing Support	Pilot Support		Support Business Operations	Enhancements and Fixes

Milestones: / Organization:	Planning	Design	Approval Gate: Approach Go/No Go	Construction	Testing — Function Testing	Testing — Performance/Load	Testing — User Testing	Approval Gate: Launch Go/No Go	Deployment	Steady State
Development & QA Applications	Buy vs Build	Architecture Direction Approved		Build or Stand Up Solution	Conduct QA/Testing at all levels — Defect Identification & Correction — Develop & Test Contingency/Back out plans				Put Contingency Plans in place & execute if necessary	Respond to defects/fixes and handle small enhancements
Data Management & Analytics	Requirements Defined	Inputs & Outputs Identified		Data Mgmt Changes & Data Delivered						
Infrastructure & Operations	Hosting Plan	Cloud/SaaS/IaaS vs. In-house Decisions		Stand up Test, Dev & Prod Environments	Implement Security Considerations	Evaluate changes needed to address performance	Performance tuning		Performance Monitoring — Execute Scheduled Tasks	

IT PMO - Technology Enablement focus within each Business Program/Project - SDLC-driven

BUILDING A HIGHER PERFORMING PMO

Is your PMO performing at the level you need it to be in order to achieve your strategic objectives each year?

If you are concerned that your PMO is more of a constraint to project delivery than an effective engine used to improve your project delivery success rate, then it's possible your PMO is not operating at optimal levels that you need to fulfill your strategic objectives. If your PMO charter is more passive in nature and limited to reporting (keeping score) and enforcing standards, then that is what it will be consumed with doing. This model has the tendency to make your project core teams feel constrained, because they are not a part of that PMO, and do not see the potential value of executing to standard methods. In this scenario, all the PMO can do within its charter is further refine and produce more standards and additional reporting demands, because that is what that organization then perceives it must do to sustain itself. Obviously, this is not the path to a higher performing PMO.

If your PMO is not responsible for the full spectrum of delivering on your strategy, beginning with the translation of business objectives into prioritized project work-streams, and ending with the full project management responsibility of implementing those projects, then you clearly have some weakness associated with the charter of that PMO. As you may have surmised by now, I am a strong proponent of an EPMO-led project management system in every company, even if the organization is small and requires a much lighter level of capability in this regard.

EPMO performance and effectiveness begins with a proper charter and an organizational structure to support that charter. If you have project management and/or business analysis resources which operate outside the governance of your EPMO, then you have potentially hampered your ability fully leverage your EPMO for project success.

At Magic Hat Consulting, my practice area is focused on the disciplines called for within a higher performing PMO. We have broken these down as follows:

- more strategic level capabilities, that you would expect from your EPMO in aligning the portfolio of work to enterprise strategic objectives, and
- execution level capabilities, that you would want to see from your Program PMO and IT PMO bodies.

If you are concerned with any of these capabilities within your existing PPM organization, we can help you develop a plan to identify gaps and to build a desired future state that is the most effective for your enterprise, along with an execution plan to get you there.

We pride ourselves on our ability to provide you with the help you need at a strategic level to help you achieve your objectives, and at an execution level to help you implement the changes necessary, in order to achieve *real results*.

1: **PMO structure models** – "The agony and ecstasy of choosing the right PMO structure" by the Program Delivery Effectiveness Group – PA Consulting Group (John Hall)

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