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The Ultimate Guide to Business-Driven Project Management Office Success

Introduction	1
What Is a Business-Driven PMO?	2
The Six Critical Business Alignment Success Factors	3
Business Power Base Alignment	3
Business Strategy Alignment	4
Business Metrics Alignment.....	5
Customer Alignment	6
Business Maturity Alignment	8
Business Culture Alignment.....	9
What Are the Implications for PPM Systems?.....	10
Conclusion	12

Introduction

Staying the course, even with consistently strong operational performance, is no longer enough for competing and surviving in a world characterized by rapid change. Organizations and their leaders must adapt to intensifying competition, business climate change, and customers that are constantly demanding more for less. As a result, executives won't sleep well at night until they are more comfortable with their organization's speed and agility with respect to business strategy course adjustment and execution capabilities.

Strategic projects, programs, and initiatives are the agents of change within an organization. As a result, business-driven project management offices (PMOs) charged with enabling or delivering successful transformational projects and programs can make the difference between thriving organizations and those that fail to survive.

The problem is that project portfolio management (PPM) initiatives and PMOs don't have a consistent track record of success. Their failures can be traced to their inability to identify and address six critical business alignment success factors. This white paper defines business-driven PMOs, contrasts them with traditional PMOs, and describes the six critical business alignment success factors. The paper addresses the following questions:

- What is a business-driven PMO?
- Do we need a business-driven PMO?
- What are the six critical business alignment success factors?
- What are the implications of business-driven PMOs for PPM systems?

What Is a Business-Driven PMO?

A business-driven PMO enables business change with a business-stakeholder, value-oriented mindset supported by

- Business leadership such as executive-level or line-of-business management or business-driven CIOs
- Business strategic objectives, goals, and initiatives, including an understanding of associated risks
- Business value delivery metrics and scorecards such as ROI, time to market, time to value, and customer satisfaction



Figure 1. A business-driven PMO is supported by business leadership, business strategy, and business metrics.

Thus, at the highest level, PMOs are about enabling change by using projects, programs, and portfolio management and execution as the vehicles for change. Business-driven PMOs are about enabling strategic or even transformational change. The key to success is having a business-driven approach or mindset as well as the perception of being on the outside looking in.

This contrasts with the traditional PMO mindset of an inside-out organization focused on tactical outcomes such as improved project and portfolio management practices. Traditional PMOs are sometimes referred to as theory-driven and are frequently viewed as being overly administrative and bureaucratic or—even worse—the compliance police.

There is nothing necessarily wrong with traditional PMOs, provided that

- Your organization's major PPM-related issue is either project and task execution (time, budget, scope) or incremental/continuous improvement of existing PPM processes
- Your business environment is relatively stable or changes slowly
- There is no significant opportunity to provide a leadership role in business change or transformation

However, the traditional PMO model is broken for most organizations, due to the speed of business change, which drives successful PMOs to provide new capabilities, exhibit new strengths, and address new requirements, such as

- Strategy execution and alignment agility
- Institutionalization of innovation
- Systems thinking with respect to programs, portfolios, and initiatives
- Business intelligence and analytics—not just reporting
- Ability to enable a cultural shift

A key implication of accelerating business climate change is the need to retool PPM processes for smaller, shorter-duration projects. This is necessary to increase success rates and ensure project outcome relevance. Longer project lifecycles increase the risk of failure and the chance that the desired benefits will no longer be important by the time the project is completed and its outcomes are operationalized.

The Six Critical Business Alignment Success Factors

The six critical success factors for business-driven PMOs are

- Business power base alignment
- Business strategy alignment
- Business metrics alignment
- Customer (project managers and teams) alignment
- Business culture alignment
- Business maturity-level alignment

Business Power Base Alignment

Successful grassroots (“build it and they will come”) PMO deployments are few and far between. The overwhelming empirical and anecdotal evidence suggests that leadership support is imperative. Here are some warning signs that your PMO is out of alignment with your business power base:

- Your PMO steering committee is not represented by key business executives such as the chief information officer, chief financial officer, chief operating officer, vice president of human resources, or line-of-business general managers.
- A functional manager responsible for championing PMO/PPM success has not been appointed or is not represented in your steering committee.
- Large and complex projects don’t have a clearly designated business sponsor or champion.
- Your PMO director has not built strong executive-level alliances.

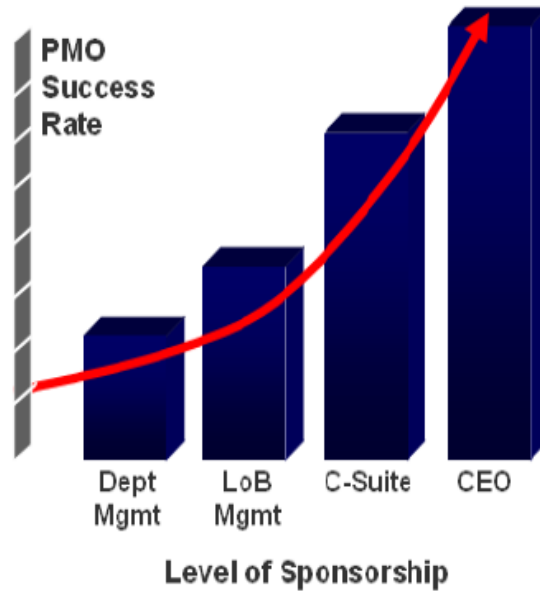


Figure 2. The PMO success rate is strongly correlated with a high level of business leadership support and involvement.

Business Strategy Alignment

There are three levels of business strategy integration. Most PMOs start at Level 1—strategy alignment—but it is critical that you achieve Level 2—strategy execution—to be a successful business-driven PMO and aspire to Level 3—strategy formulation—to position yourself for long-term success.



Figure 3. These are the three levels of business strategy integration.

Level 1. Strategy alignment answers the question “What strategies does this project align with?” It is an after-the-fact process that assumes the existence of a project idea or an in-flight project. If executed properly, it is a useful approach in the project selection or ongoing justification process and as a practice for providing a bottom-up line of sight between project activity and corporate strategic priorities. It is subject to abuse, however, because claims of alignment with key objectives may be used to justify pet projects.

Level 2. Strategy execution answers the question “What projects need to be executed to implement this strategy?” As such, it is in effect a top-down and before-the-fact project ideation process. This top-down, outside-in approach to driving project activity is critical to business-driven PMO success, because it starts with business stakeholder needs to drive the highest-priority business strategy outcomes.

Level 3. Strategy formulation decision support answers the question “What strategies should be pursued, given what we know about resource capacity, execution and portfolio risks, program interdependencies, and so on?” The new frontier for business-driven PMOs is strategy formulation and decision support. If your PMO has maximum power base alignment, including a seat at the business strategy development table, your PMO will be in a unique position to attain trusted advisor status and influence corporate strategy with your unique institutional knowledge of project- and portfolio-related strategic inputs that only the PMO can provide.

Business Metrics Alignment

From a metrics perspective, the key to business-driven PMO success is evolving from project-centric metrics to metrics based on business results such as successful execution of strategic initiatives and programs and portfolio-level outcomes. Table 1 illustrates some of the key concepts inherent in this mindset shift.

TABLE 1. TRADITIONAL PMO MINDSET COMPARED TO BUSINESS-DRIVEN PMO MINDSET

	TRADITIONAL PMO	BUSINESS-DRIVEN PMO
Theme	Efficiency of project/task execution	Business outcomes and results (benefits and value delivery)
Focal point	Projects	Strategic initiatives, programs, and portfolios
Sample metrics	Project-level schedule, budget, scope, and risk, plus training certifications	Benefits realization, customer satisfaction, contribution to revenue/ROI, time to market, time to value, and business/investment risk
Role of tools	Project and portfolio dashboards and after-the-fact reports	Real-time business intelligence for business performance monitoring and benefits realization and before-the-fact analytics for strategic investment planning

Note that the role of tools will need to evolve in business-driven PMOs from a focus on reporting “what happened” to “what’s happening now” and ultimately to “what’s going to happen.” PMOs could get away with managing based on what happened (that is, by using only their rearview mirror) when the road ahead is relatively straight and predictable. However, for most organizations, this is becoming more challenging, due to the speed of business change. The unpredictability of the road ahead will require real-time business intelligence instruments to understand what is happening right now as well as analytics to better plan for future scenarios.



Figure 4. Tools will need to evolve in business-driven PMOs from a focus on reporting on “what happened” to “what’s happening” and ultimately to “what will happen.”

Customer Alignment

The “customer” referred to in this critical success factor is not the business stakeholder but, rather, the project management community that is a customer of your services. There are three major strategy platforms for winning the hearts and minds of the project management community: motivation communications, collaboration, and processes/tools. Within and across these platforms, several practices may be critical for success in your environment, depending on your culture. They loosely map to the customer alignment strategy platforms as follows:

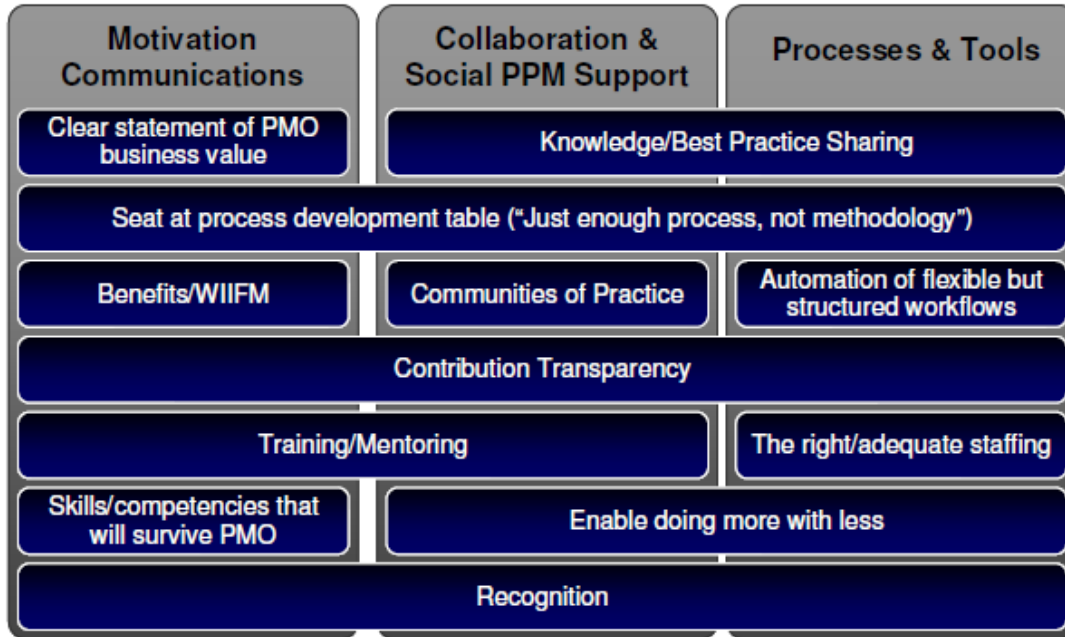


Figure 5. There are three major strategy platforms that loosely map to customer alignment strategy platforms.

Of the 12 practices identified above, perhaps the 3 most critical ones for successful business-driven PMOs are

- **A clear statement of PMO business value.** The root cause of many, if not most, PMO failures is lack of clarity about the PMO purpose, business value, and authority. It is critical that business value is documented, communicated, and understood not only by the business stakeholders but also by the project management community. It is equally important that the PMO's authority to carry out its mission is recognized by the various stakeholders. This involves unambiguous communication of the key executive sponsor and functional champion(s).
- **A seat at the process development table.** Another critical success factor is not only giving the project management community a voice in the PMO development process but also ensuring that it is an equal partner in a collaborative effort to define the new business-driven PMO processes. This ensures buy-in and reduces the risk of defining processes that are too onerous or burdensome to adopt or—worse—that result in prescriptive methodologies that will be uniformly rejected by the project management community. If your PMO is viewed as a source of administrative overhead and unnecessary bureaucracy and compliance requirements, it will fail.
- **Communities of practice.** The consensus among the PPM industry analyst community and leading PPM luminaries and consultants is that the existence of vibrant communities of practice will be an increasingly critical success factor. PMOs that focus on cultivating and facilitating communities of practice will win the hearts and minds of the project management community.

Business Maturity Alignment

There is no shortage of maturity models in the PPM arena that are very tactical in nature. From a business alignment perspective, it is useful to talk about PMO maturity in terms of three dimensions: approach, scope, and impact.

This also serves to clarify the vocabulary involving the terms *business-driven PMO* (associated with the approach dimension), *strategic PMO* (associated with the impact dimension), and *enterprise PMO* (associated with the scope dimension). These dimensions are defined as follows:

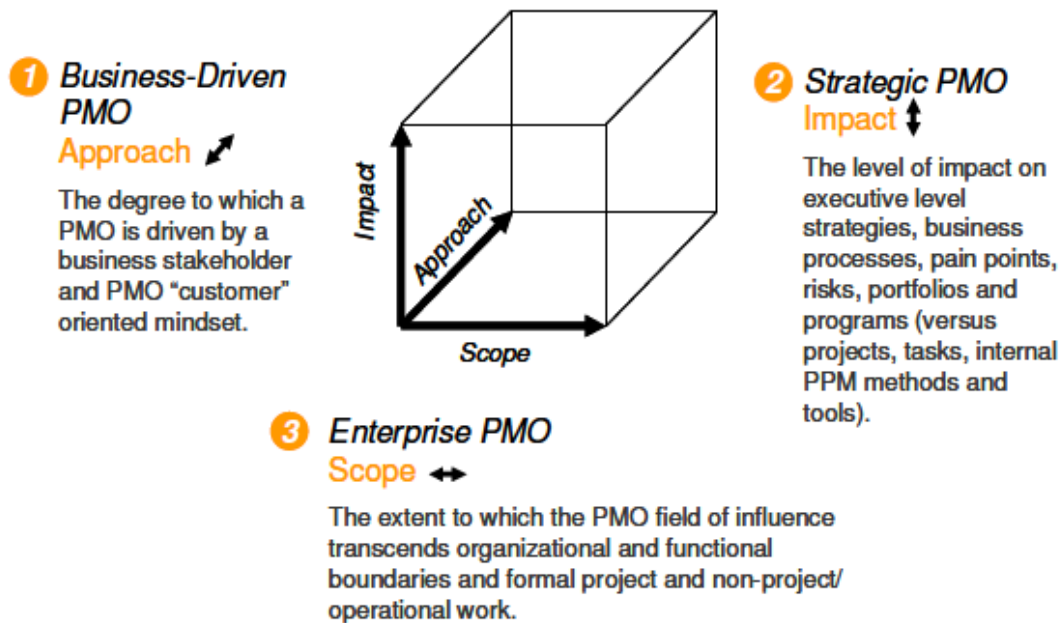


Figure 6. PMO maturity can be defined in terms of three dimensions: approach, impact, and scope.

To summarize, *approach* is about mindset, *impact* is about strategic versus tactical effect, and *scope* refers to having influence across functional areas as well as organizational boundaries and the spectrum of formal and informal project work.

The key message here is that it's important to keep these maturity vectors in balance. For example, if the goal is a high level of strategic impact, the focus will be on strategic initiative and program execution rather than project execution. This drives movement along the enterprise PMO scope to execute strategic programs, which typically transcend organizational boundaries. This focus, in turn, assumes a more business-driven approach supported by business leadership and an understanding of strategic objectives and metrics.

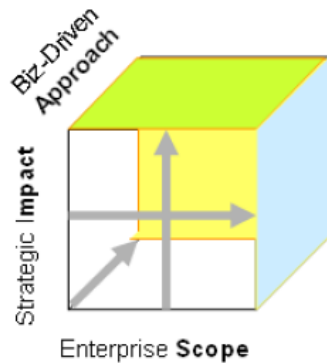


Figure 7. It is important to keep the maturity vectors (approach, impact, and scope) in balance.

Business Culture Alignment

The key to culture alignment is to balance the need for flexibility and consistency. Business-driven PMOs need to be flexible to support the unique needs of various project-intensive environments such as IT, product development, continuous process improvement, capital expenditure planning, mergers and acquisitions, and sustainability. Typically, they will each have unique idea-and-request intake processes, project team member roles, project methodologies and tools, metrics, reporting needs, and so forth.




<i>Be Flexible in terms of:</i>	<i>IT</i>  <i>Technical</i>	<i>Product Dev</i>  <i>Creative</i>	<i>Operations</i>  <i>Analytical</i>
In-Take	<i>Demand, Requests, Proposals</i>	<i>Ideas, Business Cases</i>	<i>Charters, VoC</i>
Roles	<i>PMs</i>	<i>Product Managers</i>	<i>Black Belts</i>
Methods & Tools	<i>WBS, PMBOK, Agile</i>	<i>Stage Gate</i>	<i>Lean, Six Sigma, DMAIC</i>
Metrics	<i>Cost</i>	<i>TTM, ROI</i>	<i>Benefits</i>

Figure 8. Business-driven PMOs need the flexibility to support the unique needs of various project-intensive environments.

While supporting culturally acceptable practices in various project-intensive environments, PMOs must also deliver value by enforcing consistency in the execution of several high-level processes. Figure 9 suggests some areas in which consistency should be the goal.

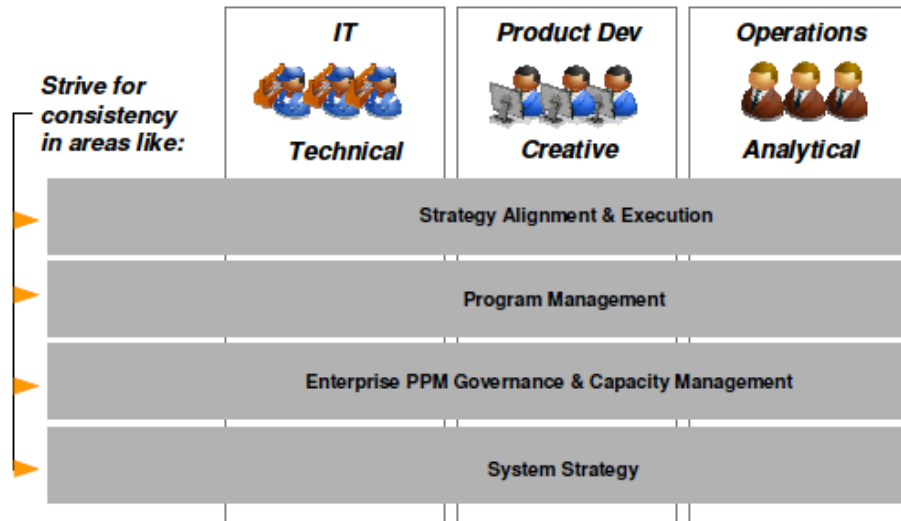


Figure 9. PMOs should strive for consistency in the execution of high-level processes.

What Are the Implications for PPM Systems?

The implications for PPM system selection and operation are as follows:

TABLE 2. IMPLICATIONS OF BUSINESS-DRIVEN PMOS FOR PPM SYSTEMS

BUSINESS ALIGNMENT SUCCESS FACTOR	IMPLICATION
Business power base alignment	PPM system must be easy for executives to use and generate executive-personalized reports and business intelligence.
Business strategy alignment	System should support bottom-up strategy alignment, top-down strategy execution, and what-if decision support/analytics.
Business metrics alignment	System should support a robust set of financial and nonfinancial metrics and have the ability to cascade and roll up metrics in a strategy hierarchy or tree.
Customer alignment (project managers and teams)	System should support project manager and team productivity and success with social PPM/collaboration, knowledge sharing, and automated yet flexible process workflow capabilities.
Business culture alignment	System requires extensive configurability supporting unique roles, terminology, metrics, project roadmaps and templates, financial models, and so on to achieve cultural acceptance in a variety of project-intensive environments.
Business maturity alignment	System requires extensive configurability to enable just enough processes to support increasing process maturity levels across multiple project-intensive environments over time.

In addition, from a tool perspective, a key challenge business-driven PMOs have to deal with as they expand their influence or level of maturity along the scope dimension is the islands of PPM processes and automation within various project-intensive environments. Having disparate project tracking processes and systems leads to

- Inconsistent and unreliable data
- Difficulty in reporting
- Weak executive visibility
- Lack of accountability for results
- Inability to drive and align projects with corporate priorities
- High TCO



Figure 10. One challenge for business-driven PMOs is the islands of PPM processes and automation within various project-intensive environments.

This argues for a single-system approach to achieving the key goals of most business-driven PMOs:

- Strategy execution improved by ensuring of executive visibility into project activity and project team alignment with and accountability to business priorities
- Program execution and risk management facilitated by tracking of programs that depend on projects spanning multiple business units
- Optimized resource utilization across portfolios
- Reduced TCO via consolidation of PPM silos



Figure 11. A single-system approach can achieve the key goals of most business-driven PMOs.

Conclusion

In short, business-driven PMOs should consider enterprise PPM solutions that address multiple PPM environment use cases whenever possible. In particular, cloud or software as a service (SaaS)-based enterprise PPM systems promise some significant advantages for business-driven PMOs, including limited dependency on IT for upgrades; reduced administration due to cloud-based hosting; and even lower funding, because monthly SaaS subscription pricing can be paid for out of operational rather than capital budgets.

Looking out into the near future, PMOs need to prepare for the following additional key system trends: First, the intersection of social and collaborative technologies will extend the influence of business-driven PMOs from formal to informal projects and from quantitative to qualitative data management. Second, as indicated above, prepare to live or die by your business intelligence and analytics. Third, multiple-initiative configurability and usability will be a crucial vendor selection criterion as business-driven PPM goes beyond IT PPM into new-product development and other strategic PPM environments and initiatives. Cultural acceptance and adoption across a diverse set of user environments will determine the fate of PMOs and PMO system vendors alike.



For more information contact Project Partners
at www.ProjectP.com or +1.650-712.6200



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Oracle Corporation
World Headquarters
500 Oracle Parkway
Redwood Shores, CA 94065
U.S.A.

Worldwide Inquiries:
Phone: +1.650.506.7000
Fax: +1.650.506.7200

oracle.com



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