The Need for a Modern PMO

How to thrive in a rapidly evolving world
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Defining the PMO

What exactly is a project, program or portfolio management office (PMO) today? The answer depends on whom you ask, what industry they’re in, their role and how their organization engages PMOs. While we think of a PMO as a function, historically it has been more of an umbrella term for a lot of diverse functions. As the pace of business increases across nearly every industry, the PMO is playing an increasingly central role in delivering value to the organization. And while it can be hard to define the PMO role, there has been increasing clarity and agreement about what traits are most valued in a modern PMO. Recent trends have seen PMOs move from:

- Project focus to business focus (up and out, not down and in)
- Output–driven to value–driven (benefits, not deliverables)
- Tactical to strategic (portfolio, not project)

There is also strong evidence that—when built around these principles—PMOs work. In a recent CA survey, 31.6 percent of organizations who manage more than 80 percent of their project budget through PMOs regularly achieved all of their business goals, compared with just 23.6 percent of those who manage less than 20 percent of their project budget through a PMO model. This has led to the emergence of strategic, enterprise PMOs focused on bridging organizational strategy and project execution to effectively and efficiently deliver on business goals. Yet just as this methodology and this ideology are becoming the established norm, they are becoming outdated. It’s time to look at what will define the PMO of the future, because in many cases, the future is now.

The Need for a Modern PMO

Today’s established PMO models are commonly built on project portfolio management (PPM) principles. They were created to help project teams focus more on benefits and less on constraints, embracing the reality that the achievement of business goals is far more important than nominal compliance with artificial targets like schedule, budget and scope. These PMOs were also structured as vehicles for the management and oversight of the portfolio, at least for that subset of the portfolio that exists between project selection and completed delivery.

However, they were still predominantly based on a waterfall or traditional project execution model, and they were generally seen as an overlay to the existing planning and approval process. As a result, they still viewed the portfolio as an annual entity, because that was the schedule on which most organizations planned. They had a tendency to exclude “non-core” initiatives within the portfolio because they didn’t fit the narrow model for what a project should look like. Another major downfall was their inability to absorb information from, or provide value to, projects delivered using agile techniques, and they struggled to identify ways to leverage agile to improve the quality of project delivery. Forrester points out that this sequential, annual planning approach “prevents companies from pivoting when business changes” and “hinders innovative thinking.”

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In today’s world, that’s simply not a sustainable model. Organizations have already moved beyond thinking of agile as just a project delivery function. They are evolving and integrating agile principles into the way they operate their entire business and creating a new baseline for modern business management. This new model is based on managing the business as a dynamic and constantly evolving entity rather than as a stable structure that only changes occasionally. In some cases, this sees companies adopting some form of enterprise agile methodology, but in others it is simply a recognition that planning needs to happen on a more regular (or continuous) cadence instead of once a year.

As Gartner recently noted, “Effective project and program management offices, PMOs and EPMOs, enable accelerated, well–managed change. To adapt to a new future, program and portfolio management leaders must go beyond the traditional and respond with clear business intention, minimizing friction, to deliver constant value.”

The Future Project Delivery Environment

To build a modern PMO, there must be some understanding of what the future holds. Macro level trends for organizations are actually fairly clear with regard to project delivery, and those trends span all areas of PMO accountabilities. First, organizations need to continue working to shorten their planning cycles. The technology–enabled global economy has increased competition in virtually every vertical. Organizations have been forced to move from a cycle of major transformation every few years, to near constant gradual evolution in order to respond to the threats and opportunities within their operating environment.

From a project standpoint, that is manifesting itself as a shorter strategic planning cycle—quarterly is rapidly becoming the norm in many industries, and many are evolving toward a more continuous planning model, with ongoing updates to and management of the product backlog. The result is that fewer initiatives are approved at any one time, and large–scale programs are often broken out into self–contained elements that can be executed independently of one another. These factors are combining to fundamentally change the project delivery landscape, and it’s happening in every industry and every department, not just in technology–heavy verticals.

Even within quarterly planning cycles, there is a need for projects to adapt more rapidly to upstream changes in the organization’s environment, variances in execution and shifts in the expected benefits. This results in a continuous planning and re–planning cycle that manifests itself as a series of small–scale adjustments to individual projects and across the integrated ecosystem of organizational initiatives.

The factors driving these shifts can include:

- Shifts in priorities and goals
- External challenges to the ability to deliver those goals
- Variances from plan in project execution
- Underperformance in terms of cost of value (not generating an acceptable return for the effort and financial outlay)

Agile project delivery approaches are already well established in many organizations. Agile should be considered as just another project delivery approach, to be chosen when appropriate for the individual
circumstances of the initiative. However, we can expect to see an increase in agile principles within all project delivery techniques in response to the shortening of planning cycles, as discussed above. With projects being proposed, reviewed and approved on a shorter and more dynamic cycle, and with changes to those projects being identified in an almost constant stream of adjustments, the ability to respond more effectively and efficiently becomes paramount. On top of that, strategic goals and objectives are hardly static: They are impacted by competitive pressures and related external forces, putting even more pressure on organizations to respond quickly and effectively to change.

The ability to strategically and effectively pivot when opportunities or threats arise will significantly impact an organization’s success. This shorter, more dynamic cadence can provide a more efficient and value-driven process, but it demands that leaders maintain more comprehensive visibility into both project delivery and strategic insights.

In traditional project delivery models, this results in changes in processes and functions, but it also changes the way projects are overseen and managed. Formal change control processes with cumbersome approvals simply won’t work in the future. Teams must be empowered to identify, initiate and deliver change in order to ensure the evolving needs of the project are met and to improve and maintain alignment between project purpose and project outputs. Collectively, these smaller-scale, execution-level pivots are the drivers and enablers of the strategic pivots mentioned above.

This “autonomous control” approach requires project teams to:

- Understand how each individual initiative contributes to the organization’s goals
- Identify how variances in projects impact the ability to achieve those goals
- Prioritize compromises that can be considered to ensure the goals are achieved
- Remain informed when changes occur in the organization’s environment
- Be integrated with one another, ensuring those working on similar or related goal contributions are focused on successfully delivering results as one team

This is the project delivery environment already emerging in many industries, and it’s exactly what the future-ready, modern PMO—in any industry—must be capable of managing.

The Modern PMO

If there is a unifying theme for the modern PMO and the modern business management environment, it is adaptability. The PMO that is built to succeed in this environment must be able to adapt to shifting organizational priorities and shorter strategic planning cycles. It must also be agile in its own operations, in order to understand, assess and react to changes in the integrated project ecosystem that makes up portfolio delivery. It must create a culture of adaptability in all project teams that includes embracing almost continuous change and being comfortable with uncertainty. Finally, the modern PMO must embrace agile project delivery methods as seamlessly and effectively as traditional approaches (and adapt them as projects demand). This is a fundamental shift in mind-set.

As Forrester notes, “PMO leaders must adopt a servant/leader mentality and view themselves as a results-management organization.”

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The other side of this coin is that the organization must adapt as well. The PMO of the future must be a trusted and valued partner of the leadership team when it comes to planning. It cannot be bolted onto the end of the planning cycle, trusted only with the delivery portion of the portfolio. It must be integrated into the regular planning cadence and empowered to contribute to approval decisions in terms of capability and capacity, risk containment and distribution, independent and related work, and more. It should be recognized as the window into the execution of strategy execution projects and must be empowered to control that environment.

Beyond initial planning, the PMO must have an even more engaged role in the process of adjusting and adapting the portfolio—a process which will become much more common and important as the time between decision and delivery shrinks. It must be the conduit for accurate, complete and timely information on the work currently underway, and it must be able to assess the impact of proposed changes on that work and its outputs. The data that drives those decisions can be managed effectively through the latest generation of PPM software solutions, but the future PMO must have the skills to leverage that data and turn it into actionable information that improves the organization's chances of success. When that occurs, the organization benefits from:

- **Cost to value measurement:** Everyone knows exactly where the largest net contributions are coming from, and where results are falling short.
- **Faster response times:** The sooner decision makers have actionable information, the greater the opportunity to maximize opportunities.
- **Higher-confidence decisions:** Better supporting information leads to consistently better choices.

To achieve this level of understanding, the modern PMO must have mastered its understanding of how portfolio initiatives interrelate, because it's the management of the overall product portfolio that drives benefits over the long term. That is very different from the traditional project focus, and it requires the PMO to be much broader in its scope and range.

The future PMO is much more than an oversight function for project delivery; it is a coach, mentor, enabler and solution provider. It must create an environment for agile project delivery regardless of the delivery approach being used, and it must also create an environment where change is not merely tolerated but encouraged and embraced. The PMO must ensure it is providing clear and complete communication from leadership down to the teams. That allows changes to be made with an understanding of the full context surrounding them, and it allows the PMO to add explanations around benefits dependencies that come from the portfolio itself. The PMO must act as subject matter expert on technical project delivery elements like agile and evolutionary change, and it must also provide portfolio and enterprise subject matter expertise to help ensure teams always understand the environment they're working in.
The Modern PMO Skillset

To achieve all of this, the PMO needs to evolve, and we need to change our current view of what makes the function effective. Business focus and value-based delivery will never stop being important, but those elements must be refined further. The PMO of the future will be lean and focused and will encourage the same behavior in the teams it leads. That doesn’t mean it will be about reducing staff and lowering costs, it will be about eliminating wastage, minimizing churn and optimizing the ability to change direction. That will manifest itself in the quicker and smaller evolutionary changes discussed earlier, but also in the ability to rapidly pivot to capitalize on new opportunities. It will involve a shift toward smaller and shorter initiatives and more active management of project backlogs. It will also involve developing project teams that can adapt more quickly to change, not just in terms of functionality, but also in terms of priorities, team structures and culture.

The PMO must also own, manage and leverage the inventory of project data. Regardless of whether the data is generated from traditional or agile projects, it must be able to develop a single cohesive perspective on the state of portfolio delivery in the organization, and it must be able to convert that to actionable recommendations for leadership. It’s imperative that the PMO be able to identify and act upon trends early, and therefore it must be able to conduct analyses of different options for top-down and bottom-up adjustments to the project mix. It must also ensure the tool infrastructure is supporting project delivery effectively, and that includes everything from enabling collaboration (across project teams, portfolios and stakeholders) to automating workflow and managing single data entry.

Conclusions

The modern—and future-proofed—PMO will be built around a small number of business-focused, project-driven individuals who combine the ability to thrive in uncertainty with the skills to create an engaged and empowered project delivery structure. They must be comfortable with the ambiguity that comes from being responsive to internal and external factors (especially the customer) and also balancing customer needs against strategic objectives. They must be ruthlessly focused on value and true cost of value, and they must encourage the same behavior in others—both upwards to leadership and downwards to project delivery. The leader of the modern PMO will have one of the most challenging and rewarding roles in the modern organization. He or she will be leading the “hub” that the entire enterprise can pivot around to deliver true business agility.

In the introduction we saw how PMOs had evolved in recent years to become business-focused, value-driven and strategic. As adoption of this approach grows, we can expect to see that evolution continue further:

- From project-focused to business-focused to business-driving
- From output-driven to value-driven to cost-of-value-driven
- From tactical to strategic to differentiating
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