

# THE ENTREPRENEURIAL PMO

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**TABLE OF CONTENTS**

Executive Summary ..... 3

Project Management Office Trends..... 4

A Recap: Where We’ve Been ..... 7

What’s Next: Performance and Risk Management..... 8

**SCHEDULE PERFORMANCE..... 9**

**COST PERFORMANCE..... 10**

**PROCESS PERFORMANCE ..... 11**

**RISK MANAGEMENT ..... 12**

**PERFORMANCE AND RISK REPORTING ..... 13**

**IMMEDIATE ACTIONS FOR THE ENTREPRENEURIAL PMO ..... 13**

Resource Management.....14

**DEMAND MANAGEMENT ..... 15**

**SUPPLY MANAGEMENT..... 16**

**CAPACITY PLANNING ..... 17**

**SYSTEM OPTIMIZATION..... 18**

**IMMEDIATE ACTIONS FOR THE ENTREPRENEURIAL PMO ..... 19**

Business Value Management.....19

**OPERATIONS IMPROVEMENTS..... 20**

**NEW USE AND REUSE OF DATA AND SYSTEMS ..... 21**

**ENHANCING STRATEGIC OPPORTUNITIES ..... 22**

**PORTFOLIO OF INNOVATION OPPORTUNITIES..... 23**

**IMMEDIATE ACTIONS FOR THE ENTREPRENEURIAL PMO ..... 23**

Conclusion.....24

## Executive Summary

This is the third and final paper in a series about maturing your Project Management Office (PMO) to step up to the challenge of making the connection between project and business success. These papers can help you prepare a business plan for your PMO. The first paper, *“Creating a PMO,”* provided a framework for creating a PMO—a startup primer. The second paper *“Maturing Your PMO,”* identified five dimensions of maturity, and elaborated on the first two of them:

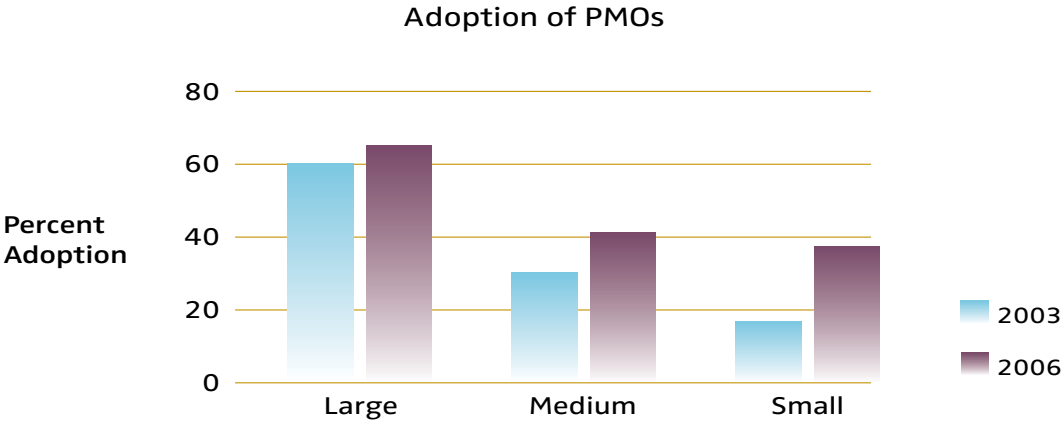
- Governance and Portfolio management—tools for choosing the right investments.
- Benefits and cost management—tools for maximizing the financial potential.

This paper, *“The Entrepreneurial PMO,”* discusses the final three maturity dimensions:

- Performance and risk management—executing well, measuring, and tuning.
- Resource management—investing the right human capital and other assets.
- Business value management—identifying value opportunities with business partners.

## Project Management Office Trends

If you are part of a Project Management Office (PMO), you are in a growth industry! Enterprises of all sizes have adopted PMOs in growing numbers over the last three years, with small companies showing the most dramatic relative increase<sup>1</sup>.



During that same period, the role of the PMO has definitely been in the spotlight. The major consulting firms have created how-to manuals for PMO activity; and books on the subject have proliferated. The role of PMO Manager is becoming an accepted executive role. Many universities now offer courses in structuring and managing a PMO, in both executive programs and graduate and undergraduate studies. The PMO has become an accepted standard of management.

We know that projects are critical to organizational success, whether at the functional, business unit, or enterprise level—they are the means by which an enterprise “refreshes” itself. Projects tend to “pull away” from business as usual, in terms of both focus and resources, and this dynamic tension leads to a natural concern about the health of the project portfolio.

We have long-standing, accepted measures for the success of business as usual, but measures for project success are less standardized. Moreover, project measures used most often—such as on-time, on-budget—are not necessarily relevant to business impact. Project success is a determinant of enterprise course-change success. Little wonder, then, that executives are disturbed by the disconnect between project execution and the realization of business results.

<sup>1</sup> CIO Insight, 2006

These days, executives are looking to the PMO to “step up” and make this connection. The PMO that is able to bridge the gap between traditional ideas of project success and the immediate need for business impact must be much more than the keeper of processes, standards, and lessons learned. The PMO must be plugged into the business, with a clear understanding of the enterprise value chain, and how projects in the portfolio can make a difference at each link. Especially in the IT arena, the ability of the PMO to mature and focus on strategic rather than tactical activity is crucial in transforming IT from a support function to a market differentiator.

Executive managers are looking to PMOs to provide assurance that their project portfolios are healthy, well managed, and on track to deliver value. A 2006 study of 500 PMOs found that over 80% were involved in keeping upper management informed, 65% were monitoring project performance, 60% were advising senior management, and 49% were managing project portfolios<sup>2</sup>.

The volume, complexity and cost of the projects in the PMO’s purview are all growing. The PMO’s involvement in corporate compliance activities is also growing. And despite the increased expectations placed on PMOs and increased demand for their services, studies show PMOs are not growing in headcount or budget.<sup>3</sup>

To meet these challenges, PMOs must *quickly grow* in maturity, and the tools they employ must keep pace with their growth.

Are PMOs meeting the challenge? At best, PMOs are getting mixed reviews; at worst, the value of some PMOs is being questioned. In a recent study, CIOs reported that the need for improvement in their IT organizations was not in technology areas, but in project management and execution, risk management, business case discipline, portfolio management, and value demonstration—all arguably the domain of the PMO. CIOs lamented about the woeful record of delivering predicted business benefits (less than half delivered), and the elusiveness of aligning IT with the business. Most concerning, they complained of the lack of business acumen among their PMO teams<sup>4</sup>.

The opportunity is ripe for PMOs to move to the next level of participation in business transformation. But PMO leadership must step up and aggressively pursue maturation of traditional PMO skills,<sup>5</sup> while exercising an opportunist, entrepreneurial drive to exploit the current positive climate for PMO contribution.

<sup>2</sup> Brian Hobbs, University of Quebec

<sup>3</sup> CIO Executive Council, 2005

<sup>4</sup> CIO Executive Board, 2005

<sup>5</sup> See the previous paper in this series, “Maturing Your PMO” (November, 2004) for a discussion of the traditional skills of a PMO

The entrepreneurial PMO leader will make sure the PMO team develops traditional skills, but will also:

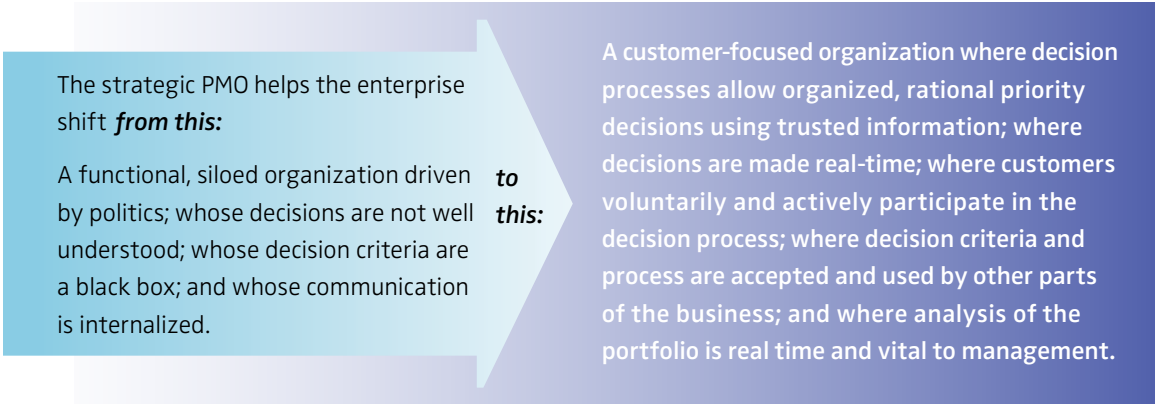
- Have a concise and compelling statement of the business value of project and portfolio management, and take advantage of relationships to share that message.
- Engage in natural and constant marketing of what is being achieved by the PMO, in stories, testimonials, and through factual data.
- Develop a simple, understandable business model and roadmap to maturity, starting with a self-assessment and developing clear goals.
- Make “the ask” for resources that will add value, and can support the value/cost proposition, using the same analysis applied to other investments.
- Take appropriate risks to make things happen, both in the occasional big win, and frequent small opportunities.

Sounds like a formula for business success, doesn't it? In fact, operating the PMO like a well-run, growing business is the key to gaining acceptance *from* the business.

## A Recap: Where We've Been

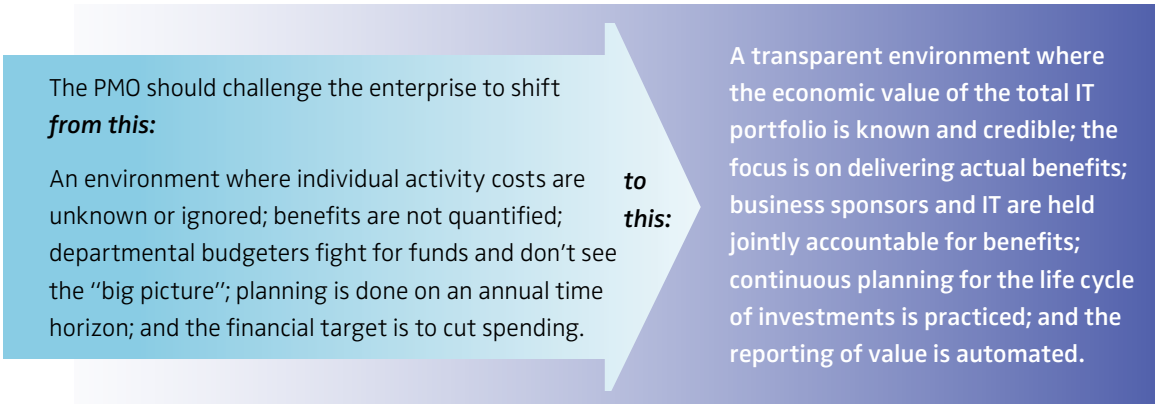
As previously discussed in the white paper "Maturing Your PMO," the first of the five dimensions of PMO maturity is **governance and portfolio management maturity**—developing the capability and tools to assist the enterprise in choosing the right investments. The ultimate goal for the PMO is:

- to be organized along customer lines
- to bring the voice of the customer to the planning process
- to support a move to continuous planning
- to institute a transparent decision process with accepted decision criteria
- to make use of online real-time planning and prioritization tools



The second dimension is **benefits and cost management maturity**, maximizing financial potential available to the enterprise. The PMO's goal is:

- to implement a consistent benefits/cost model to forecast portfolio benefits
- to focus on achieving benefits, not just controlling cost
- to create a portfolio repository where benefits accountability can be transparent
- to move the organization to life-cycle thinking about benefits and costs
- to bring the focus of the organization on value



## What's Next: Performance and Risk Management

A diverse IT portfolio of constrained assets critical to business success requires watching, and tuning for value and risk. That's why the PMO must become a skilled cultivator of **performance and risk management maturity: prodding the enterprise to execute well, measure the health of the outcome, and continuously tune.**

Investment theory tells us that our goal is to maximize value with a certain level of risk, and that the means to reduce risk is diversification. So we know "value" and "risk" are the two things we should be measuring, and optimization of performance is about achieving an acceptable balance between value and risk.

When we measure the performance of a financial investment, we look at how the cost compares to the earnings; risk is the volatility of this measure.<sup>6</sup> This information, however, is not easily available for a *project* portfolio.

What we can generally measure, however, is "project health." A continuum of measures is possible, from subjective perception to sophisticated empirical calculations, with many permutations in between.

Some measures of "project performance" or "project health" are:

- team perceptions of "red-yellow-green" status
- comparisons of cost, schedule, or function, to forecasted values
- comparisons to benchmarks
- risk "scores"
- earned value calculations<sup>7</sup>

These health measures don't really measure either value or risk—certainly they are not analogous to the measurements used for a financial portfolio. Therefore it cannot be assumed that because a project is "healthy" and can be executed "on-time, on-budget, on-function," business value will be inherent.

What *can* be assumed is the converse: unhealthy projects will not deliver to their full value potential. Measures of health are very useful, because what they DO predict is potential value "leakage" from poor execution. And while executing on time, on budget, and on function won't *fill* the "value reservoir," plugging value leaks by responding to health indicators is still critical to maintaining predicted value.

All of the various approaches to performance and risk measurement are "good." The goal of the PMO is to determine what is right for the times, right for the type of investment, right for the current level of maturity, and right for the culture of performance and risk management in the enterprise. The PMO needs to provide the enterprise with the tools for measurement and interpretation, and demonstrate how to grow in using performance data to tune individual projects and the portfolio to get better outcomes.

<sup>6</sup> For more information on accepted measure of value (price earnings ratio) and risk (beta, or relative volatility), see <http://stocks.about.com/od/evaluatingstocks/a/pe.htm> and <http://stocks.about.com/od/evaluatingstocks/a/beta120904.htm>

<sup>7</sup> For a concise discussion of earned value management, see [http://en.wikipedia.org/wiki/Earned\\_value\\_management](http://en.wikipedia.org/wiki/Earned_value_management)

What are some maturity areas the PMO can target?

### SCHEDULE PERFORMANCE

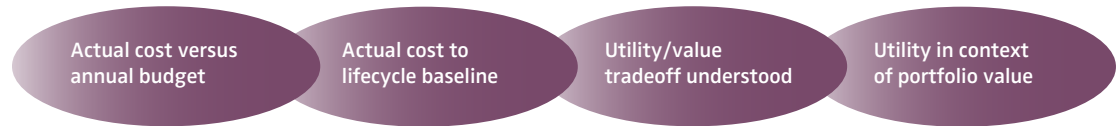
The PMO starts by helping Project Managers make good plans and meet deadlines. Then the PMO can gradually shift the focus away from “always being on schedule” to an understanding that time is only one component of value. “On time” can be traded for other components of value.



- Ending on time is one of the first goals of performance management. IT must be predictable and hit deadlines to earn the perception of being a well-run machine. The maturing PMO helps project managers make good plans, with realistic assumptions.
- By fostering better planning, the PMO teaches the concept of breaking big efforts into smaller ones, and hitting deadlines for “chunks” of effort that deliver “chunks” of function or value.
- The PMO gathers good information to demonstrate the tradeoff between delivering on time, and delivering optimal value. Sometimes being late is better, if business partners understand that delay is required to deliver the full value.
- The mature PMO successfully demonstrates that time is relevant as a component to the optimization of net value, in the context of a portfolio. Some investments are delayed so others can produce value more quickly.

## COST PERFORMANCE

The PMO instills the initial discipline of delivering “on budget,” but moves toward giving the business choices to “purchase” increased utility and business value by investing more.

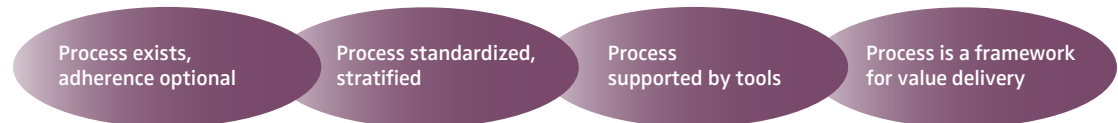


- The most common measure of activity performance is being “on budget.” The PMO can maintain the repository of portfolio information that captures the “true budget” for each project on an annual basis, and the actual costs for each project for comparison (if the finance function can’t provide this information). The more mature PMO pushes techniques for projecting costs throughout the year for comparison to budget. The goal is no surprises at year end.
- The first big stretch is to capture lifecycle costs of an IT system, or even a business process.<sup>8</sup> This allows investors to understand the total cost of their investment. The ultimate goal is to understand the cost of the “utility” (or, in IT-speak, “functionality”) provided to the enterprise. The PMO can configure the portfolio repository to accomplish this, provide the business rules to enable it, and the intelligence to interpret the results.
- The next step is to show business investors the tradeoffs between utility and cost (not possible without lifecycle costs). Now investors can begin to make informed decisions about individual investments never before possible. For example, understanding the total cost of providing numerous changes in manufacturing specifications to suppliers might lead to a decision to allow suppliers controlled access to the design process, despite the expense of security requirements.
- Finally, the mature PMO can aggregate these tradeoffs into portfolio level decisions. Multiple business partners can begin to make decisions in the best interest of the enterprise as a whole.

<sup>8</sup> The references regarding activity based costing and its use in improving the value chain of an enterprise are too numerous to mention. A simple discussion can be found at [http://en.wikipedia.org/wiki/Activity-based\\_costing](http://en.wikipedia.org/wiki/Activity-based_costing). A formal approach to activity based costing is not required to get valuable information from calculating the total cost of providing certain functionality to users of an IT system, such as calculating the trend in total cost per paycheck from a payroll system over time.

## PROCESS PERFORMANCE

Most PMOs are comfortable with process. For many of the PMOs I've worked with over the years, this is the preferred starting place: describing and promulgating a project management process. The maturity goal is to moving the culture toward the perception that process is a framework to ensure the delivery of value. If this is accepted, it will lead to a natural adherence to process.



- The most accepted function of a PMO is to document existing project and program management processes, and improve them according to accepted standards where possible.
- The more mature PMO tailors process to different types of activities and puts significant effort into selling the results of adhering to process, using case studies and improvement statistics. They make the process easy to understand, and focus on areas that can benefit the project manager. What they lack in authority, they make up for with evangelism.
- The mature PMO learns project and portfolio management tools are a servant to good process, and not the other way around. Building a set of streamlined and supportive tools requires consistently involving users in the evolution of process. The mature PMO also learns that good portfolio management tools accelerate their own productivity.
- When the refined process becomes accepted as a framework that ensures value delivery to the enterprise, you've reached an advanced understanding of the true purpose of process. Discussions between the PMO and the business shift from prescriptive ("You must hold your required launch meeting before we will fund your project") to supportive ("When can we get our pre-launch briefing so we can begin to consider our investment alternatives?").

## RISK MANAGEMENT

Another widely accepted domain of PMOs is improving risk management at the individual project level. For the PMO that wants to step up, the maturity goal is expanding to a more investment-oriented definition of risk, and developing a portfolio risk approach.



- Getting people to worry about risk is a good start. The PMO can help by showing teams how to identify risks, to get people asking, "What is the next step?"
- The PMO can show how risks can be assessed, or "scored" in a way consistent with the culture. Once the risks are quantified, teams are likely to want to head in the direction of active management, so the PMO should be prepared to institute common risk management techniques.
- The next leap is a little harder for both the PMO and their customers. Risk "scores" should be designed to estimate the variance a project might experience, starting with cost, schedule, or utility (function). Risk means we may not get what we expected. The PMO wants to move to thinking about ranges of outcomes, how those ranges can be tightened, and situations in which a wide range is acceptable. The PMO can introduce the idea that different groups of investments have a similar "risk profile." Grouping things together can be useful in predicting how they might behave in a given set of circumstances. For example, some groups of projects or systems may have a big jump in cost given a growth in the market of the enterprise. Others may have a high fixed cost that will not shrink when the market shrinks.
- A further leap of maturity is realizing the real measure of risk is variance in *value*: benefits less the cost to produce them. We are still thinking about ranges of outcomes, but now there is new potential. We can tighten the range of variance, we can accept wide ranges in some cases, and we can seek strategies to pursue the upside variance. We can also begin to see how allocating our investment in the categories that have different risk profiles can reduce our overall portfolio risk.

## PERFORMANCE AND RISK REPORTING

Communicating health and performance is the final aspect of this dimension of maturity. The goal of the PMO is to move to decision-focused reporting that provides useful information for decision making.



- Most PMOs start with a project- or activity-level status report in which the team reports their perception of health to their sponsor. The PMO may help develop a common taxonomy of what performance indicators mean. There is a distinct opportunity to leave the world of “good” versus “bad” performance, and move into a less judgmental distinction, “doing okay” versus “help needed.”
- Begin to lead away from perception to objective data. The PMO will need to engage customers in the important effort of identifying what data and how often it is needed. A key for successful PMOs is building credible measures; most often this derives from ownership by those being measured.
- Automating indicators is harder than it sounds. Not only must the PMO develop the infrastructure to enable this, the reporting users must provide consistently reliable data. This needs to be done in a way that supports the users’ everyday work, so the outputs occur naturally. This means the system should support everyday project management, time reporting, task assignments, and the like.
- The mature PMO demonstrates the behavior of managing from data at every opportunity. This can take the form of examples, case studies, and training sessions. But nothing is more effective than modeling by example. The PMO should lead meetings, demonstrate how to draw inference from data, and provide decision alternatives.

## IMMEDIATE ACTIONS FOR THE ENTREPRENEURIAL PMO

There is plenty of room to grow in the area of performance and risk management. What can the entrepreneurial PMO do RIGHT NOW to step up and fulfill executive expectations?

- Communicate the difference between value creation and project performance or health, so your audience knows clearly what you are measuring.
- Demonstrate the “value leak” of poor performance through examples and statistics.
- Have a clear roadmap for evolving health monitoring, starting simple, but with stretch goals.
- Ask. Ask a business unit or function to let you try monitoring and reporting.
- Go out on a limb to provide services to projects identified as “troubled.”
- Provide information no one has asked for, and then show how it can be used to solve problems.

## Resource Management

The next maturity dimension is **resource management: investing the right human capital and other assets in portfolio projects and activities**. Traditional IT resource management is “effort” supply and demand—understanding the available human capacity, then meting it out in an economy where effort is usually the scarce resource. The PMO may act as either a driver or passenger in this process, depending on what other participants exist, such as dedicated resource managers.

Some IT shops apply sophisticated algorithms to plan for hardware and network capacity,<sup>9</sup> but few apply the same sophistication to planning for people. People have an added complication: desires and ambitions of their own. One benefit of human capital management is being able to positively impact the development of individuals.

The view of all resources as an integrated system is seldom achieved. Frequently the impact of IT activities on human resources outside our span of control, such as user communities that must absorb IT outputs, is overlooked. Optimizing multiple constrained resources such as people *and* bandwidth requires sophisticated multi-attribute analysis, and is considered out of reach.

Another area with room for growth is assigning correct prices to outputs and services. Value pricing<sup>10</sup> has remarkable potential to influence the way IT resourcing decisions are made.

In all of these areas, there are examples in other industries that show the way. The maturing PMO needs to decide how far to go in resource management capabilities. The PMO can set maturity goals for attaining competency on both the supply and demand side of the capacity planning equation. A stretch goal is to strive for the role of capacity broker, with both the understanding and the skills to broker “utility and constraint trades.” The PMO should be an evangelist for the potential benefits of striving for advanced skills in capacity planning, pricing, and system optimization.

<sup>9</sup> For a practical approach to hardware capacity planning, see *Performance by Design: Computer Capacity Planning by Example* by Daniel A. Menascé, Lawrence W. Dowdy, and Virgilio A. F. Almeida. For more esoteric explanations of using heuristic or genetic algorithms to solve complex capacity planning problems, you’ll find many examples in journals like IEEE Computer Society, or SpringerLink.

<sup>10</sup> Value pricing is a strategy in which a product or service price is actively dependant upon its demand (in contrast to prices based on what a product or service costs to produce). Value pricing is successfully used in situations where there is congestion (such as traffic on toll roads or cell phones) so is sometimes referred to as congestion pricing. An interesting article on the ups and downs of value pricing by an internal department can be found in the HBR case study *The Cost Center That Paid Its Way* by Julia Kirby, April 2002.

## DEMAND MANAGEMENT

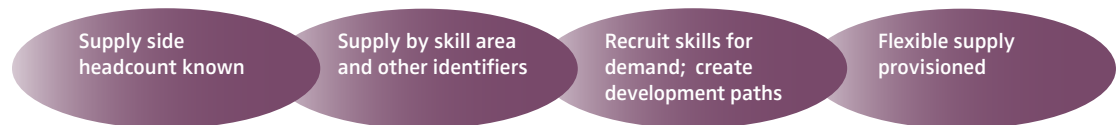
Traditional demand management involves maintaining an inventory of all sources of requests for work. Getting a handle on this is an important PMO endeavor. The ultimate PMO goal is to reliably predict not just demand for human resources, but for all resources, and to understand the relative usefulness of the various services demanded, for comparison.



- The starting point for resource management is usually, “we have too much to do, and we don’t know what it is.” One of the first tasks of the PMO is to plant the seed of the benefits of a better understanding of demand.
- The PMO should begin to work with business partners and internal resources to develop a high-level demand forecast for a specific category of resources and a specific category of activities, such as the demand for people by upcoming projects. The aim is to institutionalize that forecast so that it is constantly refreshed, and improve its reliability and level of detail with each iteration.
- Over time, the PMO moves toward forecasting the demand for all types of resources by all activities from all sources. This can be a big challenge for “baseline” or operations activities, requiring tools to automate the process and improve the reliability of information. At this point, the PMO should begin to associate the demand with the utility or functionality that the use of resources is expected to provide to the business, and demand schedules should be adjusted for the relative value that various opportunities provide. Remember, delays can be acceptable and even beneficial, when the schedule is only one component of value.
- The mature PMO is able to provide business partners with explicit utility and cost tradeoffs for their forecasted demand, so that they can make informed purchase decisions.

## SUPPLY MANAGEMENT

On the supply side, the PMO starts resource management with understanding capacity, usually beginning with human capacity. This understanding is broadened by adding other types of resources to the mix (such as physical assets), and deepened by identifying more specific characteristics of the resources (such as skills and skill levels for human resources). The ultimate goal is to enable a flexible pool of resource supply with the right characteristics and availability.



- The supply side of the human effort economy usually appears more easily understood than demand, at first glance. “We have X people working X hours, this is our capacity.” Delivering this information regularly is a good starting point for the PMO.
- The PMO soon learns that it’s not that simple. We have X people with X skills, and we need Y people with Y skills. Also, we have requests for specific people, regardless of their skills. The maturing PMO will develop a good understanding of the real capabilities of the organization, and identify bottlenecks.
- The PMO will provide tools for matching supply with demand, and broaden the algorithm to provide development opportunities for individuals (who are not, after all, chess pieces). Resources with certain skills or characteristics will be recruited.
- The mature PMO will have strategies for mixing flexible supply sources<sup>11</sup> with permanent employees in a workable mix.

<sup>11</sup> There is a substantial amount of information about how to predict the need for flexible supply in the context of supply chain management, primarily as it relates to manufacturing, see [www.scdigest.com](http://www.scdigest.com). Similarly, there is a logjam of material about offshore and onshore providers of temporary resource assistance. APQC’s *Offshore Ready* is considered a practical guidebook to provisioning offshore IT services. There is also a large body of literature on Workforce Planning, primarily concerned with industries like healthcare which have a pronounced worker shortage. Many articles are available on the impact of the aging of the workforce on future resource provisioning at both [www.workforce.com](http://www.workforce.com) and the Society for Workforce Planning Professionals ([www.swpp.org](http://www.swpp.org)).

## CAPACITY PLANNING

Capacity planning is greater than the sum of demand management and supply management. It is an integrated set of concepts and analysis designed to predict future capacity needs based on a chosen capacity strategy (lead, lag, or tracking<sup>12</sup>). It has long been used in manufacturing circles, and more recently in sizing hardware and network deployments. The concepts are certainly applicable to other constrained IT resources. The PMO should educate itself and then the enterprise to apply this body of knowledge to extend the boundaries of resource management. Along with capacity planning, the PMO should explore how services are charged to the business, and make sure that, at a minimum, customers are charged based on their relative consumption of resources.



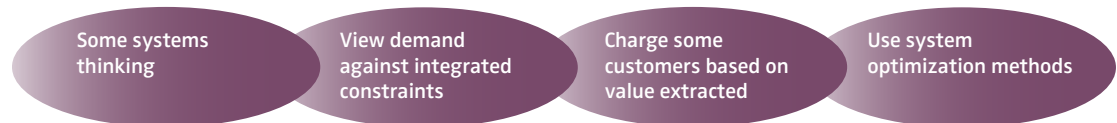
- The PMO should first work to identify other constrained resources. Perhaps the real human constraint lies outside the IT organization, in the domain of subject matter experts from business partners, or in the time of tightly scheduled end users who must absorb training and change. Perhaps there are infrastructure or management constraints as well.
- The maturing PMO should study the vocabulary and theory in capacity planning literature.<sup>13</sup> After theory comes practical application—creating ways to measure and communicate capacity requires a good understanding of other areas of the business.
- Once the PMO has a good handle on most constraints, charging models can be developed that make the scarcity of resources implicit in the price, by charging based on use of resources. This is an area of low maturity for most PMOs, and in fact, most IT organizations.
- Additionally, the PMO can look to other industries (or perhaps within their own backyard) for instances of capacity planning that might be applicable to the unique resource model of their enterprise.

<sup>12</sup> These are the traditional capacity strategies. The “lead” strategy is applicable when customers can be easily lost, and plans capacity to stay ahead of demand. The “lag” strategy is appropriate when customers are very loyal, adding additional supply only when the system is at 100% capacity. The “tracking” strategy is between the two, adding supply in small increments as demand changes.

<sup>13</sup> There is probably no better primer on capacity planning than the chapters on the subject in the massive *Handbook of Manufacturing Engineering* edited by Jack Walker. It is widely available in online bookstores. I recommend you re-read the books on Theory of Constraints by Eliyahu Goldratt, *The Goal* and *Critical Chain*.

## SYSTEM OPTIMIZATION

With the information the PMO has gathered about supply, demand, and capacity strategy for human and other resources, a system view should start to emerge—inputs, outputs, and constraints. The PMO should decide how it will work with Enterprise Architecture to develop the system view and optimize the various aspects of system-wide performance<sup>14</sup>.



- The first step in moving toward system optimization is to think of IT assets as a system, with inputs, outputs, and certain constraints and business rules. The PMO team and Enterprise Architects are uniquely positioned to open the door to this kind of thinking. The first activity will probably be brainstorming—describing the system and thinking of ways to exploit this information.
- The PMO may have to expand the demand concept, in the context of all the system resources that have been identified.
- Since system thinking identifies outputs and the relative value of outputs, the PMO can propose billing for IT services in a new light, based on value extracted from the system, rather than cost. This will have a radical impact on the way customers think about services. Tread carefully here, and engage customers in the development of this approach.
- The PMO can develop its own expertise, or look to experts such as University partners to help in solving system optimization problems. If you are not interested in engaging in the mathematics of systems optimization, just discussing the implications of the system can lead to some practical insights about the consequences of decisions.

<sup>14</sup> Systems Optimization is the process of varying input parameters of a complex system in order to get a target output, given certain known constraints of the system. It is usually accomplished by simulation, or complex analytics such as Heuristic Algorithms, Genetic Algorithms, or Memetic Algorithms. Don't let that scare you—system optimization software handles the math, or simulations can be done in Excel.

### IMMEDIATE ACTIONS FOR THE ENTREPRENEURIAL PMO

So much can be accomplished in the domain of resource management, and some of it is rather daunting. But the potential for BIG WINS is probably highest in this area. What should the Entrepreneurial PMO do to capitalize on the potential?

- Quantify the potential WIN from the easy steps of identifying demand to the more difficult steps such as pricing based on value. Be prepared to explain the potential in concise, simple terms—“I believe your business unit could save \$X by working with us to inventory and aggregate your demand for services, and \$X more by reducing service levels on some non-critical services based on a new pricing scheme.”
- Capture baselines NOW for items like constrained resources that are creating bottlenecks, so you can do comparisons later.
- Decide on some realistic and stretch goals in this area, and meet with Enterprise Architecture to ascertain (or seed!) their goals as well. Lay out a two-year plan of attack.
- Ask for time and training dollars to study this important area, by attending training courses and ordering books.
- Take the risk of bringing in a scholarly speaker to introduce this topic to management.

### Business value management

Despite our best efforts, sometimes we aim and miss. Our portfolio governance process chose the most valuable projects, and we designed them to maximize financial benefits. Our project performance indicators look good, things are on time and budget, and we have adequately resourced the more valuable projects. All the indicators look good, but we still aren't getting the business outcomes that we or our business partners want.

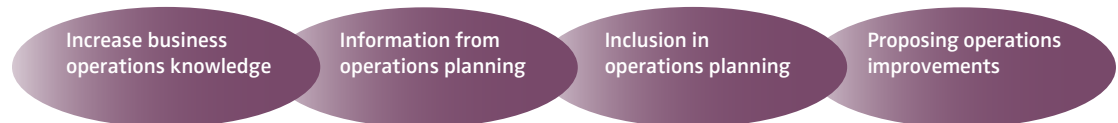
The PMO improves its chances of getting the desired outcomes by pursuing the final maturity dimension, **business value management: identifying opportunities with and ahead of our business partners**. This capability is derived from the PMO's understanding of the business, its value chain, business drivers and the competitive situation. This understanding must be coupled with a vision for how IT can contribute.

Business value can be increased by identifying ways to improve management of day to day activities to optimize existing business. Value can be derived from better utilization of existing data, assets and systems. Supporting the business in achieving its strategy is another source of value. Perhaps the most overlooked source of value is true innovation to tease out the opportunities of the future in the context of business growth or change opportunities.

There is no way to understand the business and its environment in a vacuum. The two best sources of that information are business partners and the rest of the world. The Entrepreneurial PMO will have to get out there, forming relationships, learning and growing, and applying knowledge at every opportunity.

## OPERATIONS IMPROVEMENTS

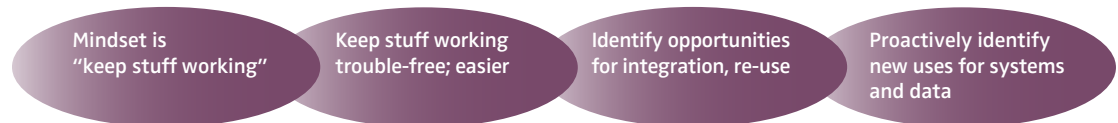
The world's best Project Management professional will not be able to optimize her value-add to the enterprise without complementary business knowledge. The PMO team should deliberately and quickly expand their knowledge of business operations, seek information, create relationships, participate in planning, and begin proposing ways that IT can improve the efficiency of operations.



- Most PMOs start at the point of limited business knowledge. They know IT, or they know project management. They may have pockets of knowledge about some business functions. A first step is to deliberately increase the knowledge of the PMO team. Relationships must be formed and doors must be opened. The PMO needs to be organized in a way that permits the maximum business interface.
- The PMO should take the next step of soliciting information for operations planning exercises to improve their understanding of “how IT can help.”
- If the relationship can be deepened and PMO team members can be included in operations planning activities, even better.
- With a good understanding of business operations plans and IT capabilities, the PMO team can propose specific improvements to optimize operations processes. These proposals can be fed into the portfolio governance pipeline.

### NEW USE AND REUSE OF DATA AND SYSTEMS

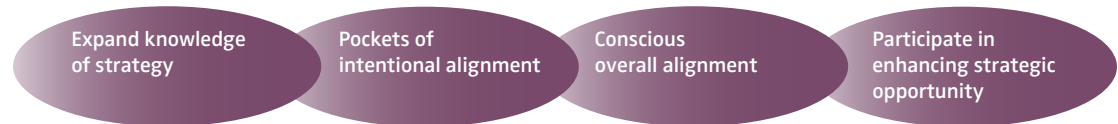
It is unrealistic to undertake major business reform projects when the IT services already being offered are not working well. Once things are working well, then the PMO can begin to look for ways that existing systems might be easier to use. Possibilities for data re-use and increased user adoption should be explored in conjunction with Enterprise Architecture.



- The PMO must help IT clean its own house, starting with a mindset of keeping the lights on dependably. Because of the PMO's access to performance data and its goal to demonstrate how to manage with data, the PMO can help to identify problem areas and opportunities.
- The next step is to find areas where current systems can be more easily and productively used. The relationships developed with operations can be used to identify these opportunities and build credibility.
- The PMO is in the best possible position for identifying areas for integration of projects. Working with Enterprise Architects and operations, the PMO can identify opportunities for legacy system consolidation and elimination, and data consolidation.
- The mature PMO will develop a vision for how existing systems can be used in new ways, or user adoption can be increased to make the most of the sunk investment.

## ENHANCING STRATEGIC OPPORTUNITIES

If the PMO Team can gain credibility with business operations, the next step is making the most of strategic opportunities by aligning IT support early in the strategy development process.



- Over half of the PMOs I have worked with tell me, “We can’t align with strategy, the business doesn’t tell us their strategy.” Most PMOs are forced into the position of deriving the strategy from presentations, discussions, and observations. This is still a great starting place. Articulate this strategy, even if you are wrong, and draw a picture of how the current portfolio of applications and projects intersects with it, even if you are wrong. Identify gaps, even if you are wrong. Give business management an opportunity to correct you.
- The PMO can begin to identify opportunities to increase alignment, based on the best-guess strategy.
- The goal, of course, is for the PMO to move the organization toward a conscious effort at overall alignment, and to provide a process to respond with flexibility as strategy changes.
- If the relationships with the business are viable, the mature PMO hopes to be invited to participate in strategy building sessions, to help identify strategic opportunities based on a joint knowledge of business opportunities and IT support possibilities. The PMO contributor should anticipate IT responses to strategy changes, and suggest them in planning meetings.

### PORTFOLIO OF INNOVATION OPPORTUNITIES

The portion of the IT investment where high risk is most acceptable is the innovation portfolio. The PMO will want to push IT management past the skunk works investigation of rogue technologies by a handful of people, to the deliberate cultivation of innovation ideas in a managed pipeline, funding for innovation opportunities, and a managed portfolio of innovation projects.



- One of the PMO's roles is to evangelize for innovation. Usually this first takes the form of skunk-works or time set-asides to do investigation.
- The PMO can move to create an innovation "suggestion box" or other pipeline to cultivate ideation and put investment opportunities in front of decision-makers.
- Soliciting management to include a reasonable set-aside for unidentified opportunities during budgeting is often a task for the PMO. The PMO can help to create "rules" for how these funds will be awarded.
- The mature PMO can create a governance process for managing a portfolio of innovation opportunities in the context of strategy development and operations improvement.

### IMMEDIATE ACTIONS FOR THE ENTREPRENEURIAL PMO

Business value creation is grounded in credible relationships with business leaders. This plays well with the Entrepreneurial leadership dimension of stepping up the communication of value by building business relationships. What can the Entrepreneurial PMO do RIGHT NOW to start down the path of value management?

- If you do not already have strong relationships with business leaders, consciously develop them. Ask for an opportunity to present what the PMO is doing with four or five business leaders, and use that opportunity to begin the process of looking for operations improvement areas, strategic support areas, and innovation support. Create a schedule (for instance, meeting with four business leaders every month) and stick to it.
- Begin measuring how much is being spent on operations improvement, strategy support, and innovation NOW. These baselines, even if imperfect, will be useful for later comparison.
- Complete this thought: "With regard to business in value creation, in two years I want the PMO to be \_\_\_\_." Describe how you will get there, in six month increments.
- Ask for the opportunity to observe operations planning meetings.

### Conclusion

There is no time like the present to set new goals and direction for your PMO. An easy but effective way to do this is to take the "spider diagrams" in Figure 1 and enter your self-assessment for each maturity dimension by making a colored dot on the cross-hatch that best matches your current state. Connect those dots with lines, and you've made a picture of your current "coverage" of the maturity dimensions. Then place another colored dot for where you want to be a year from now, and yet another dot for where you want to be two years from now. Use that diagram as a simple representation of your PMO business plan, and flesh it out with how you will get from point A to point B.

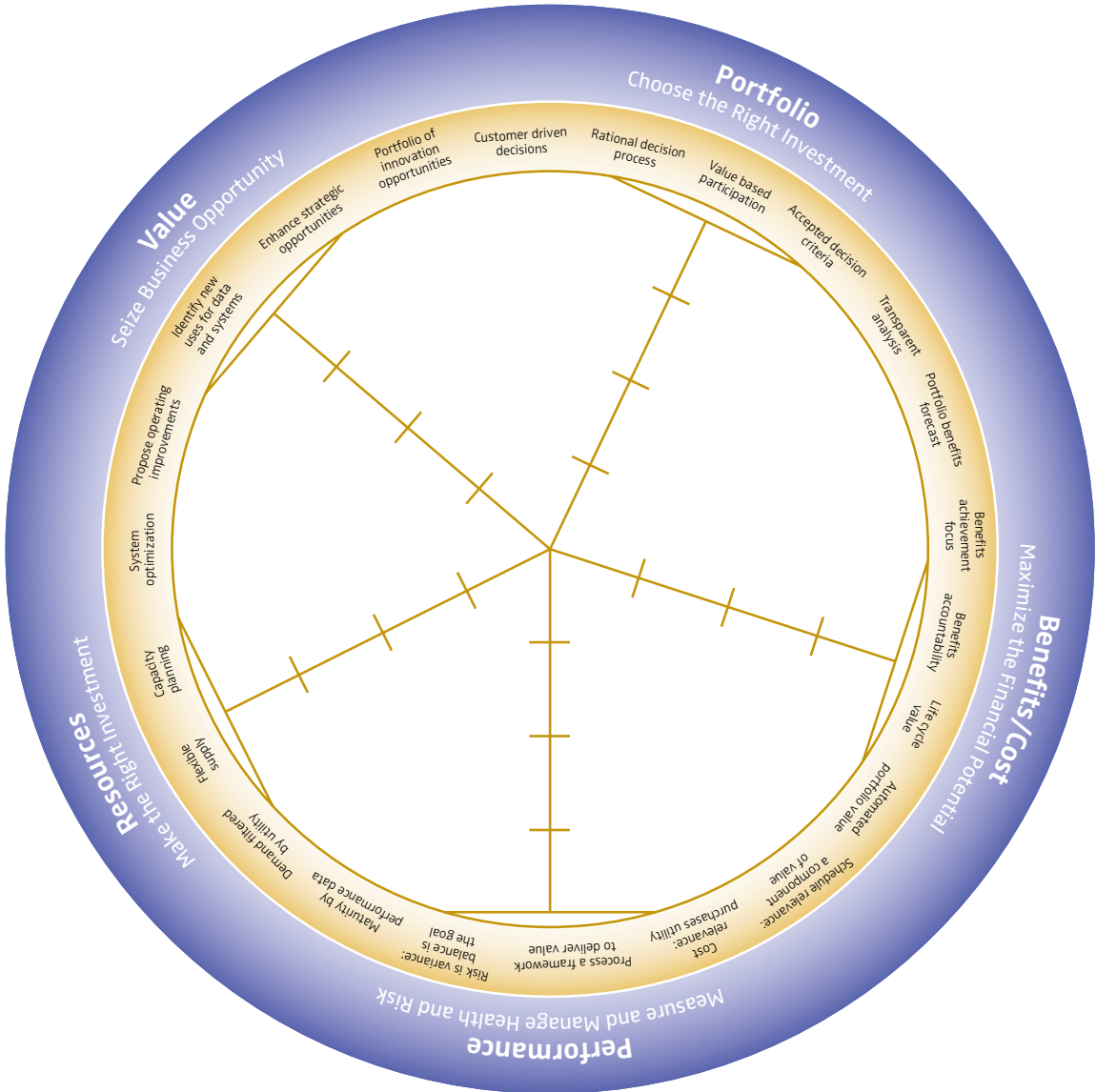


Figure 1: Traditional PMO Skills Inventory

I suggest you do a similar exercise for the Entrepreneurial leadership skills using Figure 2, especially for the PMO Manager. Identify the areas for personal growth and improvement.

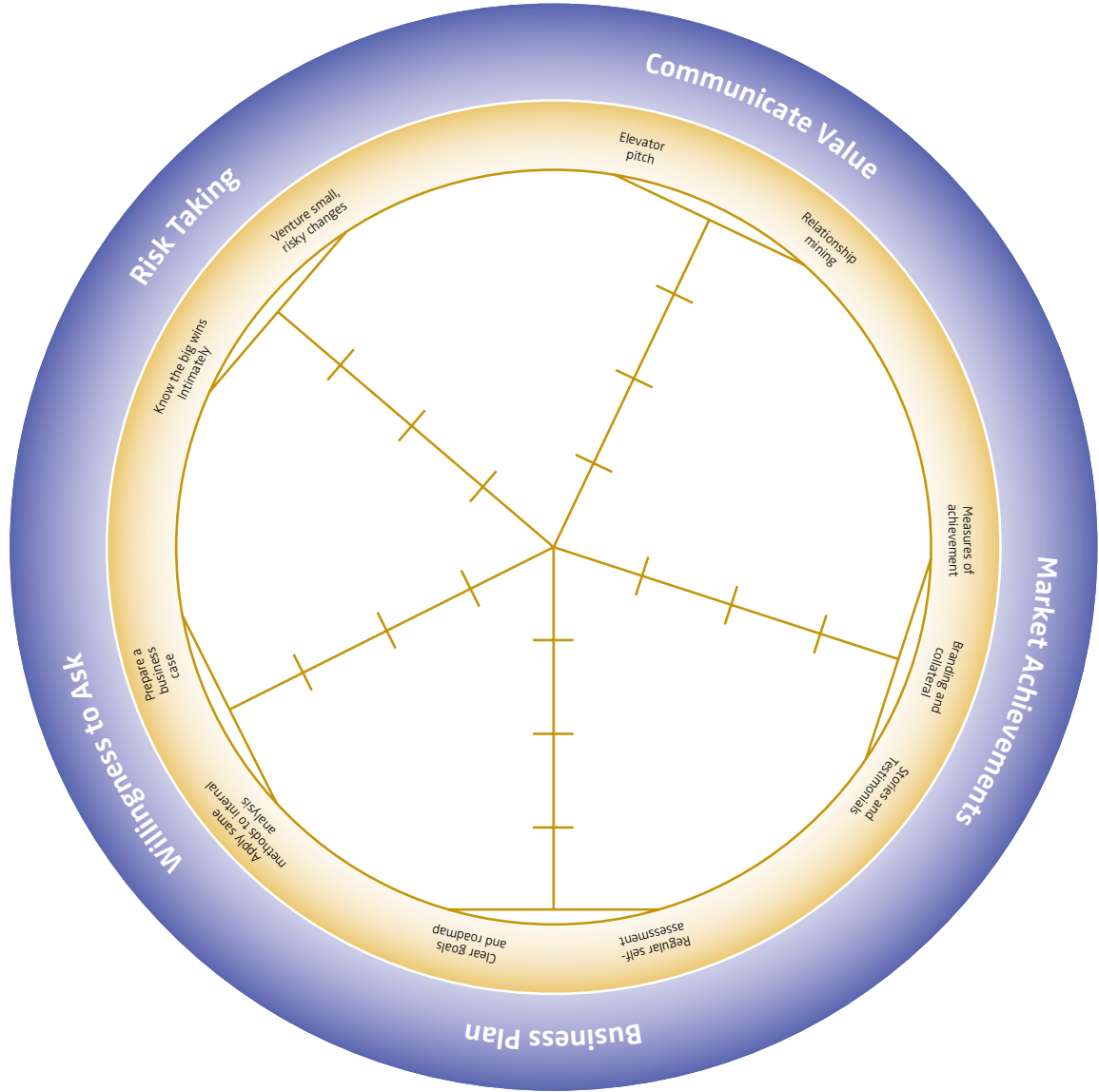


Figure 2: Entrepreneurial Leadership Attributes

You might ask yourself or your team the following questions as you complete Figure 2:

- Are you convinced of the value of what you are trying to accomplish? Do you believe that a PMO will really provide value to the enterprise?
- In one sentence, what is the value your PMO will provide this year? Next year? Five years from now? Why are you important to the success of the enterprise?
- What are your three best relationships with business leaders? Are you capitalizing on these relationships to accomplish your development goals and provide value to your counterpart?
- What is the best example or story of value your PMO provided last year?
- What one measure of PMO achievement do you want to reach next year?
- Who exactly are your customers? Which groups are happy with what you do for them today? Which are not so happy? What are three things you could do to make them much happier?
- Does your PMO need more money or people? Are you afraid to ask for it? What is the value you would return to investors if you had more money/people? What would happen if you ask and are turned down?
- Is your PMO positioned and organized to recognize opportunity and jump on it?
- What is one big risk you would be willing to take to incite some change in your organization? What are three small ones? When are you going to take them?

To support your efforts and gain efficiency, look for a Project and Portfolio Management (PPM) solution, such as **Serena® Mariner®**, that delivers integrated portfolio, project, resource, demand and financial management. A solid PPM solution will provide the necessary decision-support framework to help you maximize value and return on your IT investment.

Best of luck to you as you mature your PMO and your own entrepreneurial skills! Remember that the Entrepreneurial PMO can only be accomplished by those with an entrepreneurial spirit.

**JANE WALTON** is Managing Director of Clarity Decisions LLC. Ms. Walton was formerly IT Portfolio Manager for Schlumberger, is recognized in the business press as an expert on IT portfolio management, has spoken at numerous conferences on the subject, and is a participant in the PMI task force to write the standard for Project Portfolio Management.

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#### ABOUT SERENA

Serena Software, the Change Governance™ leader, helps more than 15,000 organizations around the world—including 96 of the Fortune 100 and 90 of the Global 100—turn change into a business advantage. Serena is headquartered in San Mateo, California, and has offices throughout the U.S., Europe, and Asia Pacific.

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