HOW PPM, PMO AND PM WORK TOGETHER

Understanding how an integrated approach to project, program and portfolio management drives improved visibility, governance, productivity and control

Topics included in this paper

- Defining the roles of PPM and PMO
- The functions and benefits of the PMO
- Major PMO models
- The functions and benefits of PPM
- How the PMO and PPM work together
- The strategic role of technology in PMO and PPM

Defining the roles of PMO and PPM

The goal of this paper is to help simplify the alphabet soup of Project Portfolio Management (PPM), the Program Management Office (PMO) and Project Management (PM). A big part of the problem when trying to work through the myriad details of PMO, PPM, and PM, is the complexity and confusion involved, not only by the acronyms themselves, but also with the many different definitions of these disciplines provided by industry experts.

For example, it's not unusual to see PMO described as both an oversight function and the key project execution engine. Worse yet, PPM is tasked by different groups with exactly the same deliverables as the PMO. KeyedIn™ has a great deal of experience in this area and in this white paper we will help to clear up a lot of the confusion.

In order to eliminate some of the confusion, we are first going to define the differing roles of PPM and PMO. Next, we will talk about how these different functions can best work together to serve the corporate mandate. We'll talk about the specific deliverables of PPM, the PMO, and PM. Then we will explore why you need both a strategic and operational focus to be effective and, finally, we will briefly share how KeyedIn Projects can help you to achieve your objectives.

The functions and benefits of the PMO – Project Management Office

The most important responsibility of the PMO is to provide dedicated resources to ensure that project delivery teams are in complete alignment with the organization's strategic objectives. They also ensure a consistent level of reporting on progress and how the resources are utilized. PMO's are also charged with oversight in these key areas:

- All linkages, dependencies, enablers

- Risk identification and tracking

- Resource utilization

- Communications

Depending on your specific model of PMO (more about this later), it will be responsible for monitoring the on-time and on-budget project execution with the primary goal of achieving business benefits.

What the PMO is NOT

On the opposite side of the coin, let's look at what the PMO is not. The PMO is not a centralized bureaucracy that imposes overly onerous controls and procedures. The PMO's purpose is to enable progress, never to impede progress.

Likewise, the PMO is not a parallel or redundant project management operation focused on day-to-day business activities and should not be considered a total solution for all that prevents you from on-time and on-budget delivery of projects.

PMO functions and business benefits

According to results reported in the "State of the PMO" report by PM Solutions, here are the top ten functions of the PMO:

1. PM methodology, standards implementation/management

2. Project policies, procedures, templates implementation/management

3. Project/program monitoring and controlling

4. PM coaching and mentoring

5. Project/program initiation

6. Governance process implementation/management

7. Multi-project coordination

8. Project/program closing

9. Project performance monitoring/controlling

10. Dashboard/scorecard implementation/management

As you can see, in general, PMOs focus on project management functions and oversight, including implementing PM standards and policies, monitoring performance, and coaching and mentoring.

Note that the majority of PMOs do not engage in resource management functions. We'll cover this area in our discussion of project portfolio management. It will also become clear in the next section that the greater the capability and performance of the PMO the greater the number of functions in which it engages.

We talked earlier about how the proliferation of acronyms can be an issue. The term PMO can refer to:

- Program Management Office

- Project Management Office

- Portfolio Management Office

Some organizations have only one PMO, others may have a handful, or even dozens. A PMO can be temporary or own a permanent place in the organization. Unfortunately, some so-called "permanent" PMOs may become temporary because they cannot fulfill their mission or prove their value to the organization.

While a common practice is to view PPM as a process and the PMO as a place or department, this is not always the case. Although you can organize any way you like, it is very helpful to have an effective and understandable organizational framework to make sure you are delivering maximum operational and financial benefits.

While it is important to understand the functions of the PMO, the primary goal is to deliver tangible and meaningful business benefits and it is extremely important that you be able to show how your PMO delivers these benefits. Here are five of the most important:

Benefit 1: The entire portfolio of projects will be managed with an eye toward future strategy.

Benefit 2: The PMO will help ensure that programs are delivered on-time, within budget, and according to scope across the organization.

Benefit 3: You will better understand the linkages and dependencies between various projects in the program portfolio. An effective PMO may be the only place this information resides in the organization.

Benefit 4: Vastly improved communication within the program team and among all stakeholders.

Benefit 5: You will see an increase in the awareness and perception of the value of your PMO, in the executive suite and across business units.

Major PMO models

I mentioned earlier that there is some confusion about what the PMO is and what it does. One of the reasons for this is that different organizations have different levels of requirements from their PMOs. Although there are dozens, if not hundreds, of PMO permutations, TechTarget (www.techtarget.com) does a good job of organizing the spectrum into three major categories; the Project Repository, Project Coach, and Enterprise PMO.

FEATURES	PROJECT REPOSITORY	PROJECT COACH	THE ENTERPRISE PMO
Information	✔	✔	✔
Project Methodology	✔	✔	✔
Standards	✔	✔	✔
Communication Coordination		✔	✔
Permanent Structure		✔	✔
Supervisory Responsibility		✔	✔
Governance Process			✔
Assess Scope			✔
Allocate Resources			✔
Verify (time, budget, risk, impact)			✔
Funding Source	Line of Business	Mostly LOB	PMO and LOB

Major PMO Models

source: www.techtarget.com

Note that at the first level, as the name implies, the PMO is simply a repository of project information, plus the keeper of the official project methodology templates and standards.

Moving up a level, we have the Project Coach. The coach model adds a few items to what the repository does, including coordination of communications, supervisory oversight, and creating a permanent structure for project success.

The third and most comprehensive model is called Enterprise PMO. This model greatly extends the repository and coach models by adding governance, scope assessment, resource allocations, and verification of issues like time, budget, risk, and spending (actual vs. projected). Also, the Enterprise PMO usually has its own budget and is not wholly dependent on budget from the line of business divisions of the operation.

The functions and benefits of PPM – Project Portfolio Management

In its simplest form, PPM can be described as "the management of a collection of projects and programs in which a company invests to implement its strategy". PPM is not only about doing projects right, it's also about doing the right projects. However, this is more than simple individual project selection; it's about the entire mix of the business' portfolio of projects.

PPM is also concerned with the balance within this mix including short, medium, and long-term projects as well as low risk and high risk projects.

Remember that there is a fine balance between the actual detailed management of the projects themselves and the portfolio perspective required to inform the business of their impact.

PPM allows you to gain visibility into failing projects and to make mid-course corrections on under-performing projects. It also helps you to make subjective and rational 'go/kill/hold/fix' decisions and eliminate those pet projects with perceived rather than actual value. Above all, PPM is about maximizing the contribution of projects to the overall welfare and success of the business.

Identifying the "right projects"

One of the most important deliverables of PPM managers is to maximize the mix of projects to drive the highest possible corporate value. Generally, projects will fall into one of four categories:

- **Fill activities** – Activities that have low reward but also demand little effort. These are worth doing only if you have project execution people on the bench and need something to keep them occupied.

- **Not worth it** – Projects that require lots of effort but produce little reward. The best thing you can do is to identify these early and eliminate them from the portfolio. Unfortunately, some of these can fall into the "pet projects" category I mentioned earlier.

- **Major projects** – Projects that require much effort but produce large rewards. Examples of this type of project include a product launch or implementing a major software application. These projects need to be managed carefully to make sure the business results justify the time and financial expense.

- **Quick wins** – Our favorite projects, ones that require relatively low effort but still reap big rewards. An example of this type of project would be launching an existing product into a parallel marketplace. Quick win projects make everyone look good so it is best to identify them quickly and launch them aggressively.

Defining the portfolio

The portfolio definition process is where you define the terms, scope, and definition of your portfolio and gain agreement on your basic portfolio model. There are four basic steps in this process:

Step 1: Gain early agreement on the scope of organizational coverage:
- Groups, units, divisions, departments
- Functional area and teams
- Product/service types

Step 2: Understand the scope of work included within the portfolio:
- Tactical projects
- Administrative projects
- Strategic projects
- Innovation projects
- Future vision projects

Step 3:   Define the project categorization scheme. Is it:
- Mandatory
- Strategic
- Business support
- Experimental
- Infrastructure
- Maintenance
- Cross organizational

Step 4:   Define the portfolio's key performance indicators (KPIs):
- Net present value
- Productivity index
- Earned value analysis value added
- IRR internal rate of return
- Cost/ benefit analysis

PPM is a shift in thinking

So what's new about PPM and how does it differ from traditional thinking on project delivery? PPM is spearheaded and influenced by executive and senior management sponsorship and responsibility. It straddles the gap between the projects themselves, the management process, and the project team's accountability to the business.

PPM is the bridge between the strategic and the operational. It changes the project-by-project orientated focus to planning and brings attention to the broader, more integrated approach, which subjects projects to wider and more strategic organizational considerations. This allows the business to see which projects are delivering on the corporate strategy.

How PMO and PPM work together

Let's look at the relationship between portfolios, programs, and projects.

Portfolios represent the collection of programs and projects. The process of PPM involves strategic oversight, management, and control of these components as well as providing a structured environment for deciding which projects to fund, to sustain, or to eliminate.

Program Management is the process of managing multiple, on-going, interdependent projects and distilling strategic goals into operational initiatives that enable realization of business value. Program Management is focused on business outcomes rather than outputs and is concerned with business management as well as technical management.

Projects are a series of planned activities with defined start and end points and clearly defined deliverables. Projects manage the estimated and actual start and complete dates for project tasks as well as interim deliverables.

The difference in PMO/PPM focus

Throughout this paper we have talked about the description, focus, and the roles of PMO and PPM and even how they work together. There is a simple way to differentiate the two disciplines. Notice the subtle changes in the following statements.

PPM is primarily responsible for ensuring that the organization has chosen the right projects to work on, based on things like business priorities, alignment with corporate goals, and return on investment.

By contrast, the PMO is tasked with making sure that the projects selected are done right using the proper methodologies, processes, and technologies.

The diagram below explains the relationship between PPM, PMO, and projects in terms of four important aspects.

Focus: PPM deliverables are linked to strategic objectives, while the PMO is linked to multi-project deliverables, and PM is linked to specific project deliverables.

Scope: PPM staff work with all projects inside a portfolio or across portfolios. The PMO can work across multiple portfolios and projects and the PM team works within single projects.

Communication: PPM touches multiple parts of the business, ranging from single project teams through line of business management and the executive suite.

Organization: PPM usually falls under something called the Project Portfolio Management Team, while the PMO is a self-contained unit, and PM staff fall under specific project teams.

ASPECT	PROJECT PORTFOLIO MANAGEMENT (PPM)	PROGRAM MANAGEMENT (PMO)	PROJECT MANAGEMENT (PM)
Focus	Deliverables linked to strategic objectives	Process to create deliverables	Deliverables
Scope	Selects, prioritizes, and optimizes entire project portfolio	Multi project and interdependences	Single project
Communication	Across the business	Among projects	Within a project
Organization	PPMT	PMO	Project team

Best practices in synchronizing PMO, PPM and PM

We've shared a lot of information about the differences between PMO, PPM, and PM and also how these functions work together from a big picture perspective.

Fortunately, we've been able to work with companies who excel in these areas by following these specific best practices:

1. Choose your preferred PMO model: Project Repository, Project Coach or Enterprise PMO. This will define your scope and what you do on a daily basis.

2. Make sure your PMO and PPM efforts are fully in synch with corporate priorities. This is critical to earning and retaining executive support.

3. Be careful not to over engineer your processes. Keep things as simple as possible, especially for those who are not process experts, and have other priorities.

4. Gain executive sponsorship early in the process. Don't wait for the inevitable bumps in the road or full-blown crisis.

5. Establish clear and meaningful metrics and reporting.

6. Tailor your focus on programs and projects to the complexity and urgency of the problem. The ability to do this is the hallmark of an effective PMO and PPM strategy.
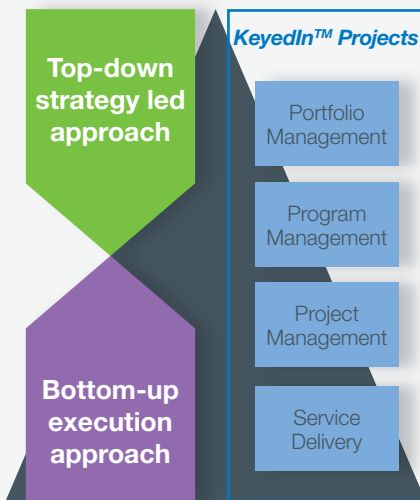
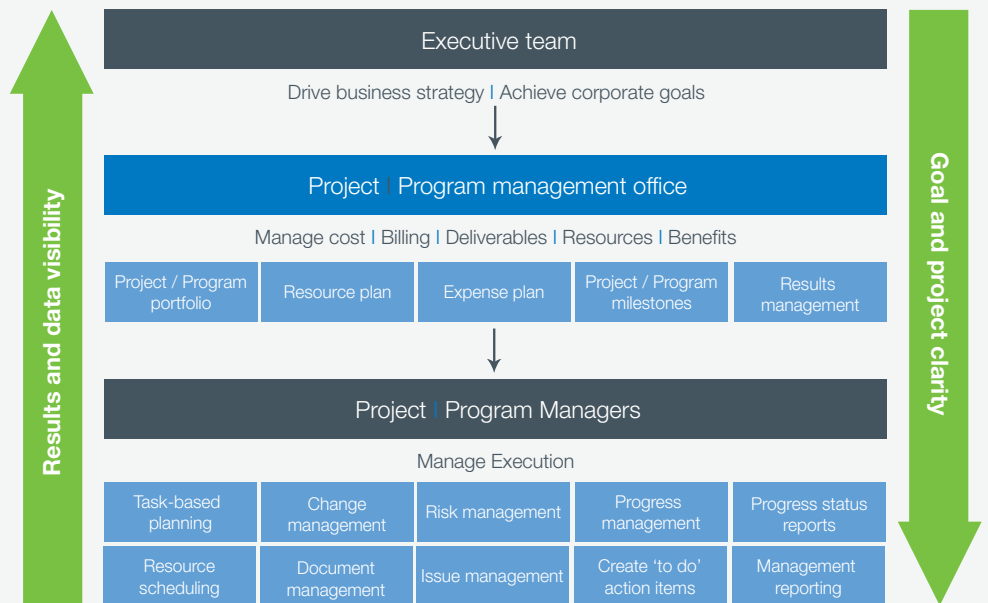# The strategic role of technology in PMO and PPM

To get every aspect of your PMO and PPM strategy right, you need great information such as best practices and you also need a software solution that is designed to create business value. Preferably, you want a solution that enables project management, portfolio management, and program management. This is a far better concept than buying individual solutions for each discipline. Equally important is to use a system that enables both a top down strategic approach and bottom-up execution led approach.

Strategy focused design

To achieve this we recommend adopting a simple business strategy-led approach. After decades of working with organizations to help them achieve the desired outcomes, we believe we've made an important discovery – and our customers agree. By providing the PMO and executive team with a pragmatic, information focused solution that manages costs, people, delivery, billing, and benefits; we are able to step into the chaos and quickly start to deliver clarity and visibility. By focusing only on what the team needs to know to make decisions, we are able to implement and start adding value in a very short timeframe.

As the graphic illustrates, planning is based around breaking down the project into elements – defining milestones that are deliverable and focused and ensuring all planning, measurement, and control is focused on delivering results and not merely effort. Effort doesn't count – results do!

We believe that this approach delivers deployment of a PPM and PMO solution in such a way that users are more likely to adopt the tools, and therefore, drive additional value, without the "stick" associated with other systems.

Top-down strategy led approach

Bottom-up execution approach

KeyedIn™ Projects

Portfolio Management

Program Management

Project Management

Service Delivery

The KeyedIn™ comprehensive PMO model

The KeyedIn value proposition

As mentioned before – KeyedIn software focuses on driving business results. That means that our system provides an executive view into the organization's project or program portfolio – tying projects and programs to overall corporate objectives and strategies, but also giving leaders a way to monitor and measure accountabilities.

And while competitive offerings have adjusted their existing applications for the web, we re-wrote our project management solutions for Cloud/SaaS deployment. They are true, native, and multi-tenant SaaS-based applications. We took our decades of project management domain experience and combined it with the unique technical requirements of SaaS to ensure performance, usability, and scalability.

We built a product for you that is easy to use and fast to implement – all at a fraction of the cost of on premise systems. And we've done so for small businesses with a handful of projects and global enterprises with thousands. More importantly, we have done so by delivering functionality that makes it efficient and fast for everyone.

About KeyedIn™ Solutions

KeyedIn Solutions is focused on helping organizations simplify processes, improve performance and drive results. The company's Cloud-based software systems not only offer greater flexibility, but effectively scale as business needs dictate and can be implemented quickly, delivering a measurable ROI months, or even years ahead of on-premise systems. And KeyedIn offers a true SaaS model, making its solutions affordable for every budget.

KeyedIn Manufacturing is an ERP system that helps custom manufacturers work smarter so they can increase productivity and bring new products to market quickly, for a distinct competitive advantage. KeyedIn Projects, the company's project management suite, helps businesses and professional services organizations improve everything from project initiation to execution by managing programs based on top-line strategy and delivering profitable projects to the bottom line. And when new solutions need to be developed quickly, KeyedIn clients turn to KeyedIn Flex, the company's rapid application development (RAD) platform for affordable applications designed just for them.

When businesses need results fast, they look to the Cloud – and turn to KeyedIn Solutions. You should too. Keep up with us at **www.keyedin.com**

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