The Four Controversial Practices within the Project Management Office Lifecycle (PMOLC): Two Case Studies & Analysis of these Controversial PMO Trends

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Abstract

It is quite common to have controversies within each discipline; project management and PMO are no different from other disciplines. There are many controversies still surrounding the Project Management Office (PMO) practices, the author will focus on the following four areas of PMO practices:

- PMO in-sourcing and out-sourcing
- PMO as a temporary organization or permanent
- PPM is a practice within PMO or managed separately
- Project management precedes PMO or PMO is catalyst to building project management.

This paper presents two case studies, part of multi case studies search that explores the controversial practices within PMO pertaining to four specific practices. The research represents different industries and organization culture. The cases presented in this paper are conducted in the insurance and payment industry in Canada. The case studies present each organization practices, and how these organizations have dealt with these four areas to ensure the success and sustainability of their organization PMO.

The results strengthen the similarities in practice in each of the cases regardless of organization size, challenges, and culture.

Keywords

PMOLC, set-up, build-out, sustainability, PPM, Outsourcing

Research Questions

- Is your organization in-sourcing or out-sourcing the PMO?
- Is your PMO a temporary organization or a permanent one?
- Is Portfolio Management managed within the PMO, or managed separately?
- Did project management exist before having a PMO or PMO was a catalyst to building project management practice?

Research Methodology

The analysis is broken into two sections: general analysis and specific case studies analysis. The general analysis section is targeted to share general description to each case, similarities, and differences before detailing each case study and focused on obtaining general information on the respective organizations, their practices, structure, background to project management, and challenges.

The specific case studies analysis covers details pertaining to the four practices and inquires about whether they had project management practice before PMO, or PMO has created the project practice; whether PMO was a temporary or a permanent function; whether the PMO insourced or outsourced, and whether the PPM practice is part of the PMO or a separate function from the PMO. The third and last group of questions address the sustainability elements and the impact on perceived value-add.

Semi-structured interviews were used to collect initial data on the type, functions and expected benefits of the model chosen. The selected cases had common characteristics such as multiple stakeholders with similar organization structure – Matrix and project delivery plays a major part in structuring internal cross functional initiatives. Further, they all have project management practices whether formal or informal prior to setting up and building their PMO's.

Following the advice of Yin (1994, p. 128), "*a smart investigator will begin to compose the case study report even before data collection and analysis has been completed*."

Following this advice, each case study will be reported using a standardized format that loosely follows the flow of the semi-structured interview as follows:

- Description of the case organization
- Description of their four practices
- Sustainability elements and value-add
- Benefits and Summary

The results which will be detailed in the next section show that all case studies have shown that project management must exist even in its basic forms and can be informal practice prior to having the need to create a PMO. While the case organizations have differed in the status of their PMO, the PMO is a permanent function within the organization. None of the cases below is fully outsourced nor insourced, they are hybrid and leverage both. As for PPM, the two case studies have PPM embedded in the PMO and operate as a function within PMO.

The Case Studies

Case Study 1: Aviva- Canada

Description of the Aviva Organization

Aviva operates in the insurance industry. Globally, Aviva is in the Property and Casualty (P&C), Life, Annuity and Pension Funds. In Canada, Aviva's market is strictly in the P&C space, with $3.5B in sales per year. The sales in Canada can be split into two segments: Personal Lines and Commercial Lines. Personal Lines business represents two thirds of revenues and Commercial Lines business represents one third. In regards to Aviva's competitors, Intact-AXA, is the number one player in Canada when it comes to market share. Intact-AXA owns approximately 16% of the market share, and Aviva holds 8%, we are a dominant player in Canada. Aviva does not sell directly to consumers, instead 100% through its broker distribution channels; this is the main differentiator. http://Avivacanada.com/content/member-companies

Aviva had multiple PMO's, where every PMO was slightly duplicating some efforts. Organization leaders were seeking efficiencies and consolidation of efforts as well as standardization across all functions. Hence, the concept of EPMO was born to denote the start of Enterprise wide PMO, one unit with one standard to methodology building, and project delivery. EPMO sits under the IT Organization, reporting to the EVP and CIO. EPMO is about 2 years old; previously we use to have 4 PMOs. EPMO consists of 30 people including contractors.

The EPMO is structured as a function, but operates in a projectized fashion with a Vice President of the PMO who operates as head of PMO and head of analytics. All staff indentified as part of the delivery (PGMgrs, PMs, PCs, BAs, and Sr. Project Financial Analysts) are assigned through our demand and supply of initiatives. Once the delivery staff is assigned, the Program or Project Manager is then assigned to its Executive Sponsor and Project Owner where they temporarily report to them in a project structure. And for all escalations, issue resolutions, and their own respective development and reporting relationship, they continue to report to their line managers. More precisely: AVP, Portfolio Management and Delivery for the PGMgrs, PMs and PCs, then the Sr Mgr Portfolio Planning and Reporting for the BAs, and then the Mgr EPMO Finance for the SPFAs.

Description of Aviva's four (4) practices:

Project management was practiced prior to having EPMO; as a matter of fact there were four PMO's and one of the EPMO mandates was to consolidate the various PMO's. Project management as a practice existed before EPMO at Aviva and what motivated the creation of EPMO in addition to consolidation are the unification of standards in methodology, reporting, and opportunities to better assess demand management across the organization.

1. PMO vs. Project Management

Project management was practiced at Aviva prior to having PMO's. Then separate PMO's were created to promote the delivery of project management. Finally EPMO existed to consolidate and improve standards of effectiveness. In general, project management was practiced at large prior to building PMO's.

2. Temporary or Permanent

The EPMO is a permanent function and prior to it the four PMO's were permanent functions within their organizations. The drivers for a permanent PMO are the size of budget, resources, complexity, and ambiguity of indicators. Further, allow Aviva to tailor processes and governance to fit organization structure and culture. Although the EPMO is permanent, there are specific PMO mandates around large and complex initiatives (i.e. program), the PMO with the program structure can be required. For example, if one Program Lead with multiple project stream, executive sponsors, business owner's and vendors coming together as one delivery management team is critical for success. This setup also allows tailoring enterprise assets and processes to be fit for need, within agreed boundaries. Just like the initiative that has a start and end date, the PMO within a program is dismantled once the initiative is completed.

3. Outsourcing vs. Insourcing

EPMO within Aviva is mainly insourced. PMO outsourcing isn't considered because of the EPMO reach and its strategic nature. However, the model EPMO uses to maximize benefits from various resources and functions within PMO led through hybrid model. Project resource loaded is assessed and assigned to projects as required with contractors. PPM Administration hybrid (i.e. Level 1 request outsourced, Level 2+ insourced). PPM tools are outsourced (SaaS). Contractor Management and sourcing outsourced. Project managers are insourced, others outsourced. Training and career development is outsourced to career development as well as in-house on the job training programs. Everyone has 70 / 20 / 10 personal development plan. More precisely when it comes to learning, 70% is on-the-job-training through assignment and involvement in other activities, 20% provided externally, 10% that is self-initiated.

4. Project Portfolio Management ("PPM") vs. PMO

PPM resides within EPMO and is not a separate function. PPM sits in EPMO – to ensure project to program to portfolio linkages; leveraging SaaS offering to streamline planning and reporting. PMO assumes the responsibility of PPM planning and prioritization, and reviewing monthly results with executives. The main important drivers for having PPM embedded within the PMO are: based on the strategic position of the; additionally, PMO is set at the C level and there are no other functions that do similar work and all described functions report into the head of EPMO. The benefit is centralizing the PPM under one governance structure and better collaboration on handover between the functions relating to projects.

Sustainability elements and value-add

PMO value-add was visible immediately with closing close to 40 medium to large scale projects. All initiatives are reviewed and approved by Executive Committee. PPM process is reviewed on a monthly basis with financial view of all initiatives. Tiered governance allowed for smooth decision making empowering employees at the various levels to make decisions. Visible capacity planning and transparency across the organization are major wins and value-add. EPMO value based was visible in the human resources value and customer value as in

a. HR factor: Full demand and supply view FTEs vs Contractors based on the project demand BoW (Book of Work). Tiered governance allows junior staff to be assigned to initiatives that match their skill sets and experiences. Support career path (i.e. PC to Jr PM to PM to Sr PM to PgMgr). Support company-wide expense challenge discussions (who are assigned to what – therefore, what initiative should stop).

b. Quality factor: BoW fully visible and transparent, refreshed every month. Status and progress rolled up monthly to a portfolio view – “Step to Green” for Amber and Red initiatives published and visible

   Dollars: budget vs actual vs forecast always available, hence, where resources ($, people, assets) are consumed always transparent. CAR and PAR issued to project core management team; they are tracked against employees’ personal objectives – tying to their respective bonus structure.

c. Delivery factor: Because of transparency, and because employees can’t work on initiatives that are not approved, throughout has increased as a result of having reduced the ‘work-in-the-dark’ projects.

   RAG status well understood by everyone; four dimensions to RAG - two objectives and two subjective. Objective: Cost is derived from CPI, and schedule derived from SPI. Subjective: Resources and Scope. Overall RAG: two ambers, overall amber. One red, overall red.

d. Cost factor: Dollars in budget vs actual vs forecast always available. Hence, where resources ($, people, assets) are consumed always transparent.

Benefits and Summary

In summary, EPMO has achieved its objectives in consolidating PMO's, running a successful PPM and ability to apply hybrid models between outsourcing and insourcing were it best fits their needs. While EPMO is a permanent strategic function, there are temporary project functions that run large size and complex programs. Below is a summary of the benefits EPMO achieved.

Quantitative:

- Portfolio is able to deliver around 10-15% below plan every year because of strong financial management, status and progress visibility company-wide, and re-assign FT resources to work contractors are assigned to (reducing the premium we need to pay as a result of using a contractor).
- Contractor to FTE ratio is about 1:4; managing our corporate knowledge as a critical asset (to not go beyond 30%).
- Delivering 35-40 change initiatives per year – consistently for the past three years (inclusive of present).
- Using "one" Managed Service Provider for all contractor needs has reduced our total contractor spending by 20%.

Qualitative:

- Benefits realization embedded – on closeout activities, finance business partners update respective business unit cost center.
- Motivated staff as everyone is aware of the change agenda.
- Attract talent throughout the organization as people want to be part of the success stories.
- Country – Regional – Global Portfolio roll-ups available; create synergies across the globe on similar initiatives.

Case Study 2: Interac – Canada

Description of Interac Association

Interac Association (the "Association" or "Organization") is a recognized leader in debit card services. The Association is responsible for the development and operations of the Inter-Member Network (IMN), a national payment network that allows Canadians to access their money through Automated Banking Machines and Point-of-Sale terminals across Canada. Formed in 1984, the Association is now composed of a diverse group of members, including banks, trust companies, credit unions, caisses populaires, merchants, and technology and payment related companies. Today, Canadians coast to coast associate the INTERAC® brand with leading electronic payment services that are trusted, secure and reliable. The Association is a not-for-profit organization, governed by a 14-Member Board of Directors, appointed annually based on the business sector and the volume of transactions processed. More information about Interac Association may be accessed at http://www.interac.ca

The Organization, which has grown tremendously in recent years in terms of budget, number of employees and number of initiatives, is matrix in structure. In particular, all business units of the Organization work in a functional manner and are organized around major competencies (Product, IT, Sales, Legal, Compliance & Regulations, etc.). The Organization continuously seeks to improve its product offerings to continue to compete with other payment networks and to offer better service to Canadians. With these objectives in mind, the Association astutely identified the need to organize its delivery of new or enhanced product offerings in a projectized fashion to keep up with increased initiative demand and to deliver on associated commitments.

As a result, the Organization's executive management decided to create a project practice to address these demands among other challenges and needs including the following: increased project load and need to commit to project delivery; need for increased insight into capacity and demand management planning; and the need for objective project prioritization based on specific measures. The Organization also recognized that a lack of standardization could have led to unnecessarily prolonged planning cycles which could have negatively impacted its ability to take advantage of potential opportunities and its credibility.

In summary, it became prudent to introduce (i) more rigors to manage both Organization wide and individual initiatives and (ii) a standard method of delivery starting with the right project selection criteria. Accordingly, the Organization's executive champion initiated a needs analysis and assessment of requirements to find the right skills to build a Project Management Office ("PMO") practice and to obtain buy-in from the executive committee.

The new PMO is structured as a function, but operates in a projectized manner with a total of five (5) project managers, two (2) of which report into the PMO with the other three (3) reporting to their respective business areas. There is also one (1) process and tools specialist and the PMO head. The PMO in turn reports directly into the Organization's Enterprise Strategy Department that reports into the CEO's office. The PMO reporting structure was established in this manner because it allows the PMO to sit at the corporate level to streamline project delivery and ensures consistency of this delivery across all other functions. In addition, this structure was established to ensure no conflict of interest between the PMO and any particular business unit or units as the enterprise function drives strategic goals for the Organization that touch all business units.

The PMO was set-up and built-out with the goal of being a center for project excellence and a permanent function to serve the Organization. Prior to establishing the PMO, the Organization did not have formal project practices, although informal project management was visible. More specifically, some large impact initiatives were run as projects and were complemented by consultants and internal staff. Formalized project practices also existed in the client implementations area.

Description of the Organization's Four (4) Practices:

Project management at the Organization was lightly practiced and mainly informal. Prior to having a PMO, there were some formal attempts to structure implementations work or requirements work within one business unit which sometimes widened the gap between business units. The PMO was expected to build project management practices along with hiring project management professionals and implementing processes and supporting tools. The PMO was also given the charge to build strategic initiatives alignment. Since the Organization did not have formal project management practices, the PMO existed to create these practices. Organizations often benefit when they identify the need to have project management to structure project delivery and when they are able to formalize it as early on as As a result, such organizations put the requisite practices in place and grow discipline in a standard manner.

1. PMO vs. Project Management

Despite the vague and light project management practice at the Organization, project management elements did exist. That being said, the PMO was required to broaden the project management vision and to formalize the supporting practices. Although the Association is small in size, its reputation, impact, and reach in the market is substantial; hence, the need for a sustainable entity to become the custodian of project management practice.

2. Temporary or Permanent

When the PMO was charted to be built, the vision was not to have a temporary function surrounding a particular project, but more of a strategic corporate function to oversee the delivery and alignment of executive initiatives based on board direction and internal capacity. The decision was to have a permanent in-house department reporting into the Enterprise Strategy Department which in turn reports to the CEO. The positioning of the PMO and the permanent nature of it were the two elements that provided success to the Organization's PMO. First they ensured neutrality and executive presence oversight in governance. Second, they ensured adherence to set processes and standards. Finally, centralized ownership allowed the PMO to drive and audit the performance of the project portfolio assets and project delivery. In addition, some of the resistance and challenges in introducing the PMO function would likely not have been appropriately addressed unless there was a PMO on the ground overseeing the project practices and ensuring value-add. This resulted in the Organization making the position permanent to continue with the sustainability journey.

3. Outsourcing vs. Insourcing

The set-up, build-out and ongoing sustainability of Association's PMO is completely owned by the Organization. As an essential function that oversees the Organization's project portfolio assets; the knowledge being provided by the PMO needed to stay in-house. The PMO was built as a full time function to ensure continuity in building and honing the standards and supporting framework. Establishing the PMO as a full time function resulted in better compliance and internal adoption and ownership. Project managers however, are insourced and outsourced depending on projects and capacity planning. There are functional managers as well who are trained as project managers to manage certain initiatives.

4. Project Portfolio Management ("PPM") vs. PMO

PPM practice is a corner stone in the PMO build-out. Establishing the PMO at the strategic level meant that the PMO encompassed the PPM function. It also meant that the PMO was responsible for the main functions of project delivery, methodology and processes, tools and training, project resource management, and portfolio management. The main important drivers for having PPM embedded within the PMO were the following: the Organization's small size (based on the size of the Organization a separate function was not required); the PMO's strategic level placement (the PMO was set at the enterprise level); there were no other functions that do Portfolio identification and selection; and all described functions reported into the head of PMO. The benefits to embedding PPM in the PMO included centralizing PPM under one governance structure, and better collaboration when handing over the associated functions relating to projects.

Sustainability Elements and Value-add

The PMO value-add was visible in the early stages of set-up and build-out when standards reporting brought in comparable pictures of project health checks, project traffic light colors, and standard templates helped project managers and stakeholders set the right expectations and read the information and measures in similar manner which improved collaboration and minimized interpretations. . The PMO value-add was visible in the human resources value and customer value as outlined in the bullet points below.

a. HR Factor: Full project demand management. Training and rollout of standards and processes helped improve adoption. Project manager career path and centralization of artifacts added value and contributed to the PMO's sustainability.

b. Quality Factor: The improvement in quality of data and accuracy of project planning, tracking of project status, and execution enforced a higher level of quality that also contributed to the PMO's sustainability journey. Complete transparency in projects with guidance on color coding projects depending on health of golden triangle. Executives actively involved in taking action and holding their teams accountable to ensure projects stay on track.

c. Delivery Factor: The PMO sustains performance through annual goals and objectives from senior leadership, that is translated in the PMO roadmap and direction which itself includes required updates, additions, and changes. While new components might be integrated, their integration is based on leadership thought process and they are neither radical in nature, nor transformational, but build on successful foundation from the set-up and build-out, to ensure the sustainability and growth of the PMO.

d. Cost Factor: Improving alignment cycle of annual budget planning and estimation and projection of the cost of initiatives keeps all project funding visible. This area is still evolving as the Organization continues to be time and resource conscious and cost has recently played a major factor in justifying and measuring the success of projects.

Benefits and Summary

The PMO was sought by the Organization from its top level to formally establish standards and strategic drive for the Organizations' initiatives. Hence the PMO needed to be in-sourced. Below is a summary of the quantitative and qualitative benefits the PMO achieved for the Organization.

Quantitative:

- Improved PPM turn around by full quarter, closing on all approved prioritized projects before a fiscal year kick-off;

- Improved annual resource estimations and projections by 50% through alignment of initiative and resources;

- Improved project planning by 50% through standard project rigor. All enterprise initiatives have a charter, project plan, resource plan, resource planning, and standard report; and

- Delivered (and will continue to deliver) 15-25 initiatives per year with complete transparency to all initiatives.

Qualitative:

- Improved morale as teams' awareness of the big picture and projects continues to progress;

- Improved alignment and quantification of business demands and improved value-add to the business; and

- Improved ability to track and understand the progress of projects throughout the project life cycle which resulted in complete transparency into project reporting.

Conclusions

This paper summarizes the work and the results of a qualitative study. The case studies outcomes have answered the four questions this paper intended to address. PMO was completely in-house due to its strategic reach. It was a permanent function within each of the organizations' cases. The portfolio practice is part of the PMO and managed under the head of the PMO. Finally project management was practiced and many PMO's existed prior to having an enterprise PMO.

References

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