Advanced Project Portfolio Management and the PMO: Multiplying ROI at Warp Speed

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Co-published with International Institute of Learning, Inc., 2003
(A book review by R. Max Wideman)

Introduction

Advanced Project Portfolio Management and the PMO is reportedly coauthored by Steve Rollins and Gerry Kendall. However, it appears from the *Acknowledgements* that Steve did most, if not too much, of the writing while Gerry spent a lot of time keeping him on track. So goes the typical project! But the authors also had a special weapon in their armory in the form of the well-known Dr. Harold Kerzner, who provided them with extensive mentoring to help shape the book's format and content.

It is hardly surprising then that Harold could write in his Foreword:

> "Today, the marketplace finally has a textbook [that] is not only the most comprehensive textbook ever published on the subject, but should certainly become the standard for PMO development for years to come."

And

> "Throughout the text, Kendall and Rollins provide real-world examples of how to make a PMO work effectively. It is always better to learn from the success and failure of others than to learn from your own mistakes. With the importance of the PMO expected to increase significantly over the next decade, this textbook should be in the personal library of all project managers." [1]

That's nice to know. It is also nice to know that the book is supported by supplementary templates, worksheets, etc. available from the Web Added Value Download Resource Center website (http://www.jrosspub.com) established by J. Ross Publishing, Inc. Some of the downloads are free to purchasers of the book, such as Asset Portfolio Template; Basic PMO Communications Plan; Business Case for Implementing a PMO; Generic EPM Tool Selection Matrix, for example, all in PDF format. Steve also hosts a web site, http://www.pmousa.com on which he provides free information, templates and plans. You have to register to access the information but registration is free.

Book Structure

Advanced Project Portfolio Management and the PMO contains thirty chapters divided up into four sections. The chapters are too numerous to list all of them here, but the sections with a sampling of chapters that caught our attention are shown below.

Part I: Setting the Stage for a Successful PMO Implementation (covers four chapters)
Chapter 1. Introduction – Building a PMO That Executives Embrace
Chapter 2. The Right People, the Right Tools, the Right Data, the Wrong Result – Why PMO Implementations Fail

Part II: Strategic Planning – Choosing the Right Project Mix (covers six chapters)
Chapter 7. The Eight Major Subsystems that Strategic Planning and Project Management Must Address
Chapter 8. The 4x4 Approach to Strategic Planning

Part III: The PMO in Detail (is by far the largest section and covers 14 chapters)
Chapter 11. The Governance Board and Prioritization Management
Chapter 14. Project Portfolio Management
Chapter 19. PMO Organization Models
Chapter 20. PMO Roles and Responsibilities
Chapter 22. PMO Measurement System

Part IV: Implementing a PMO (covers six chapters)
Chapter 25. The Executive Proposal in detail
Chapter 26. Obtaining Executive Buy-In
Chapter 28. The Road Map to Implementing a PMO Executives will Embrace

The book includes an Appendix A in which an eight-level maturity model is described for a project management office.

Each chapter concludes with a summary and a set of review questions.

What we liked

This book is well organized and threads nicely through its content. It starts with the evolution of a project management office by first establishing the right environment and then establishing the right design. This is followed by identifying all the bases that need to be covered, and finally ends with implementing the plan. The text is written in clear and simple language that makes the material easy to follow and digest.

In particular, every chapter is laced with copious bulleted or numbered lists. These have the advantage of conveying a lot of critical information in a very short space. They also have the advantage that these lists are things that you can skip over on first read, but once you know they are there, they are very convenient for quickly referring back to when you truly need the details – working "under fire"! We really like bulleted lists. If the lists are solid you have confidence that the authors know their stuff.

In the following paragraphs we have selected a number of "gems" which we feel are particularly worth reporting.

Gems from Part I - Setting the Stage and Part II - Strategic Planning

Part I - Setting the Stage

> "There is far more time spent on reviewing project budgets and focusing on cost aspects than there is on decreasing the cycle time of a project. We claim this is incorrect. A project is created to bring benefit to an organization [and] the benefit is not realized at all until some major milestone of the project or the entire project is complete. The faster the project is completed, the sooner the company realizes the benefit. . . . In many projects we have examined, using resources *inefficiently* to complete the project would have delivered more benefit than a focus on efficiency or project budget would deliver."[2]

While we agree with this in principle, we have seen companies that (a) don't know how much their projects are costing and (b) have no means of determining the benefits being returned.

Citing a well-known production company, the authors observed:

> "Upon understanding the problems caused by too many projects, the executive cut the number of projects in half. By having fewer active projects, they were able to complete more projects per year. This is sometimes counter-intuitive. To complete more projects, you must decrease the number of active projects. It is like watching logs floating downstream, coming to a narrow spot. If there are too many logs, they will jam and sit there in the same spot all day without assistance. However, if you put the logs through so that they all are no wider than the narrowest spot, the flow is much faster."[3]

Me thinks one of the authors must have worked for a logging company! Interestingly, the same can be true of crowding a project with too many people!

On the subject of supply and marketing sides within a PMO [Supply side is defined as that part of the organization responsible for support and delivery, while the marketing side is responsible for provision of sufficient services to generate ongoing funding for the organization.[4]]:

> "A PMO that has been established on the supply side of the organization over time may fail to bring enough focus onto the market side. A PMO that does not have significant marketing and sales skills within the PMO is fated to lose executive interest when the organization loses revenues or market share."[5]

Part II - Strategic Planning

On inappropriate metrics:

> "For cost centers that produce or provide products or services, we often encounter metrics such as "performance to budget" or "efficiencies". For example, in a manufacturing environment, parts produced per hour per work center is a common measurement. In a consulting firm, utilization of the consultant's hours is a common measurement. These types of efficiency measurements are often in conflict with achieving flow (getting the right products out to customers). This places the operations function in direct and constant conflict with sales, engineering and finance."[6]

In chapter 8, the authors focus on corporate strategic planning and introduce their "4x4 Approach". Essentially, this is an eight-day executive management workshop in which the first four days establish a "deep understanding" of the organization's "supply chain". As they observe: "Strategy should promote team play, tying the functional areas together like players in a football game. Sometimes having one area operate inefficiently leads to the best results for the team."[7] The second four days is directed towards establishing a detailed strategic plan as a project, i.e. "before the end of the session, there is a project plan to implement the strategy with specific commitments from each participant to time frames and sequence of implementation."[8]

Gems from Part III – The PMO in Detail

In a section titled "Performance to Budget – Leaving money on the table", the authors observe:

> "Without a PMO, it becomes every function for itself, with the CEO trying to referee. However, most CEOs do not have the time, patience or project management skills to track all of the organization's projects against the organization's goals. . . The worst shock of all from senior executives is to find out how many active projects are not directly tied to any of the organization's strategic goals."[9]

In discussing "Project Portfolio Management",

"The four biggest universal problems in project portfolios are:

1. Too many active projects (often double what an organization should have)
2. Wrong projects (projects that will not provide value to the organization)
3. Projects not linked to strategic goals
4. Unbalanced portfolio [e.g. Too much on the supply side, not enough on the market side; or Too much short term and not enough long term, etc.]"[10]

On PMO Roles and Responsibilities:

"Every role [should be created] from a value based perspective. . . If your PMO creates a staff position that is not contributing directly to the throughput of the organization, the executive team will quickly see it as unnecessary overhead."[11]

On measuring the PMO:

"A PMO provides many separate values to its customers. The values should show up in three major elements of a measurement system:

1. Reduced project cycle times
2. More projects completed during the fiscal year with the same resources
3. More tangible contribution to the organization's goals in terms of reduced costs, increased goal units (revenues or some other measurement), and better ROI"[12]

"Recommendation"

"As you begin to plan the PMO implementation, seriously consider establishing visible value to senior management from the get-go. Go after the low-hanging fruit that helps everyone win and the PMO will be on its way. . . Build a PMO that will 'Deliver Value Now'."[13]

Gems from Part IV – Implementing a PMO

Chapter 25 presents a general proposal template in considerable detail, suitable for presentation to the corporate executive. The template starts out with the executive summary commitment letter proposing to

" . . .accomplish the following key objectives:

1. Produce an executive-sanctioned, prioritized enterprise project portfolio
2. Build knowledge and skills to improve delivery performance
3. Track, report, analyze, and improve project portfolio performance
4. Replace deficient project management processes with standard and best practice tools, methods, and processes
5. Drive higher value from project management training skills development
6. Implement PM help desk"[14]

The template goes on to describe the Business Case; the Scope of the PMI implementation project; the Approach, the Risks; and the Costs and Benefits.

"A PMO must be launched with comprehensive top executive buy-in in order to be successful. Otherwise, your PMO will languish into obscurity. This buy-in must be obtained because:

- Executives are at the root of the multi-project nightmare. Without their full understanding and support, you will never solve the constant fights over resources and reprioritizations

- Cross-functional executive support is an absolute must to make the PMO work in every aspect of what it does
- There can be no meaningful governance without top executive participation"[15]

To summarize, the authors point out that to implementing a healthy PMO:

"The basics involve the following critical success factors:

1. Continuous pursuit of project delivery value, in the eyes of the key stakeholders, especially the senior management
2. Acceptance of the discipline of consistent, timely, and useful project portfolio and progress information, reporting, and feedback
3. Encouraging project teams to embrace and seek help from the PMO
4. PMO capability to capitalize on project delivery opportunities and help avoid threats
5. Full senior management support for the PMO establishment"[16]

Downside

The authors do explain that "central project management coordination units" are known by different names such as Program Management Offices; Project Management Offices, Project Offices; Enterprise Project Offices; Enterprise Program Management Offices and so on.[17] But the focus of the book is essentially on Project ***Portfolio*** Management as the title suggests. Therefore, we would have thought that the obvious recommended title for the centralized office would have been ***Project Portfolio*** Management Office.

This might be viewed as a matter of semantics, except that we have a strong feeling that there is a growing acceptance that the duties of an office required to handle the management of a project portfolio are not the same as those required to handle program or project management. And further, that the reason for the difference is that possibly different types of people with different skills are required to fulfill the functions of each.

Indeed, the authors themselves observe: "What we are describing is different. It requires much broader coordination across more functional areas. It requires significant research and work outside of the product development."[18] In any case, it is unreasonable to make the project manager responsible for the selection of the project – that is corporate management's job. The job of the project manager is to get it done.

Although the book is packed full of information we found little to criticize. We did however find some of the diagrams a little mystifying, such as the "PMO Continuous Loop" throughput model, serving to confuse rather than clarify.[19] However, this did not detract from the message in the text. In this connection, the authors state:

"In the Throughput Model, unused budget money can be given to new projects as a means to deliver additional value without having to raise planned fiscal year budget projections. Or it could simply reduce project investment, yielding a better ROI on existing projects. . . . As a result of each cycle of reporting to the Governance Board, several things may change:

- Relative priorities of projects
- New projects may be added

- Active projects may be stopped or cancelled
- Decisions may be taken that will affect specific project work plans or investments"[20]

All of that may well be true, but should not be tinkered with lightly. Considering the *average* duration of an IS/IT project is maybe one to three months, that environment could be pretty demoralizing for the project teams. If I was on one of them I might be inclined to take the position: "I'll put my back into it once they make up their b****y minds!"

Throughout the book there is the presumption that all the projects are executed internally and for the organization's own benefit. That precludes all those who undertake projects under an arms-length contract as a service to others – including in the IS/IT industry. Even outsourced projects for an organization's own benefit may have to be handled somewhat differently because of the legal implications.

Because the book is discussing relatively large numbers of projects in relatively large organizations, we found a tendency to treat throughput of projects like the production throughput of widgets, albeit widgets of varying sizes and duration. Consequently, the discussion is not really about project portfolio management but about "job shop" management. In such circumstances, "Job Shop Management" is a more likely source of useful information than project management.

The book does not include a Glossary of Terms. Given the differences of opinion throughout the project management industry on the meaning of many terms, we think that the absence of a Glossary to enable correct interpretation of terms in management books is a serious shortcoming. However, the authors do provide many definitions in the body of the book. Unfortunately, some of them are repeated – but inconsistently![21]

Summary

It should be noted that the background of author Gerry Kendall is as a consultant, strategic planner and public speaker, while Steve Rollins's interest is in Enterprise Program/Project Management Office/Project Office startups and improvements. The focus of both authors is on the information systems/information technology sector projects in large functional organizations where significant numbers of such projects abound. Consequently, the book is of primary interest to senior managers and executives in the IS/IT business, people concerned with the complexities of managing large numbers of corporate administrative projects. That is certainly a lucrative market for consultants but is not necessarily for every reader.

Whether or not either author has actually managed any of the large-scale projects where of they speak is not exactly clear. But both authors have served a large number of respected client companies and they have observed and listened well. As a consequence, the book is packed full of good advice, check lists, illustrative examples and/or case studies.

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[1] Kendall, G. I., & S. C. Rollins, *Advanced Project Portfolio Management and the PMO*: J. Ross Publishing, Inc. & International Institute of Learning, Inc., 2003, Foreword
[2] Ibid, p6-7
[3] Ibid, p12
[4] Ibid, p10
[5] Ibid, p26
[6] Ibid, p95
[7] Ibid, p121
[8] Ibid, p122
[9] Ibid, p156
[10] Ibid, p207
[11] Ibid, p300
[12] Ibid, p316
[13] Ibid, 290
[14] Ibid, p345
[15] Ibid, p359
[16] Ibid, p383
[17] Ibid, p24
[18] Ibid, p408
[19] Example: Figure 2.1 PMO Continuous Loop, p27
[20] Ibid, p28
[21] Examples: The definitions for Throughput, Investment and Operating Expense on pages 62 and 99 are repeated but not the same. The definition of Critical Chain on page 102-3 is repeated on page 262 but is not the same.