

4

The IT Portfolio Management Office

4.1 Defining IT PMO

4.1.1 Project Offices

When a project becomes large enough, the numerous and complex project management tasks can get overwhelming for a PM. So that the PM can keep a bird's eye view of the project, tasks such as risk management, scope management, resource support, and rollout management could be delegated to the staff of a project management office. Figure 3.1 showed an example of a project that has three release iterations delivering three different functional sets. If these three iterations of one project were, in fact, three separate projects with three different leaders, then the leader of this project set would be referred to as a program manager. In this case, the program manager would have the option to create and staff a program management office. The need for program and project management offices can depend on more than just the size of the related projects. For example, the strategic importance, integration needs, environmental complexity, resource instability, and budget/time constraints can all convince a project or program manager to establish a project or program management office. The higher the

levels of any of these factors, the more an autonomous office would be needed to drive project or program success [1].

The IT PMO is the highest layer that provides support to all of the unrelated projects and programs. The IT PMO won't negate the need for program or project offices; rather, it simply helps these more focused offices be successful. Another way to refer to these is as level 1, 2, and 3 project offices [2]. Where a level 1 project office is focused more on individual project success, the level 3 project office is focused more on portfolio support and project prioritization. Others have referred to the PMO as the enterprise project management office (EPMO) [3]. This book will refer to the level 3 project office, or EPMO, as the IT PMO.

4.1.2 IT PMO Requirements

Three key categories of elements are necessary to allow an IT PMO to operate smoothly: people, process, and tools [2]. Figure 4.1 shows that within each of these categories, certain elements should be satisfied to guarantee IT PMO success.

We can then map these essential PMO elements to the building blocks of an IT PMO we introduced in Chapter 1 to get Figure 4.2. This

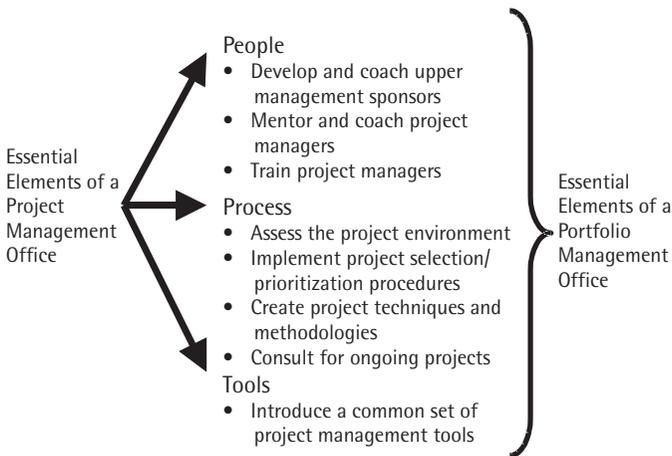


Figure 4.1 Mapping essential elements of a project management office to a PMO.

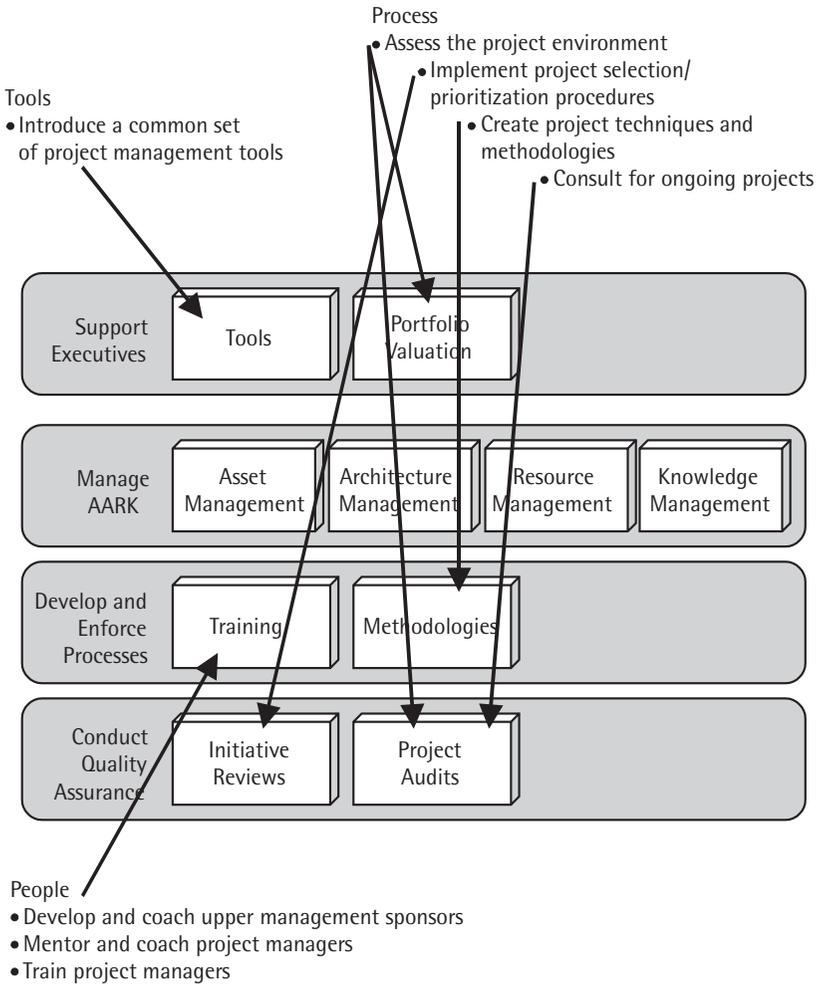


Figure 4.2 Mapping essential elements of a PMO to the PMO building blocks.

figure shows how support for the executives, development and enforcement of processes, and quality assurance all link to the key elements of the traditional PMO. But, because the IT PMO is in the unique position to provide support for the various project and program offices, AARK management provides an additional set of elements important for IT PMO success. Management of AARK is a core piece of an IT PMO that will be discussed further in Chapters 5 through 7.

4.1.3 Tailored PMOs

When times are good for a particular industry, companies tend to allow central control of IT projects to diminish—they disperse power across the business units. Such decentralization empowers middle and lower levels of management so that top managers can focus on strategic planning [1]. A side effect is that while executives are forming and then preaching corporate strategies, middle management has done the same with business unit–level strategies. Figure 4.3 (top) illustrates how different business units approve projects that best fit with their microstrategies. This isn’t a problem as long as these microstrategies

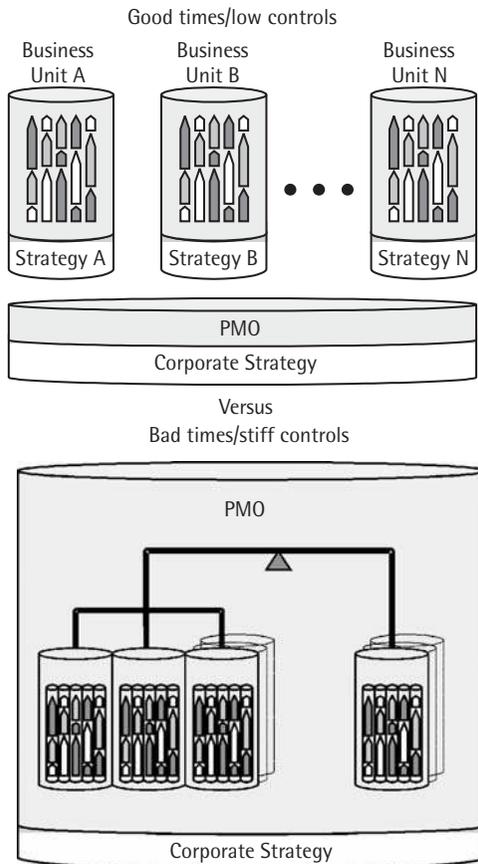


Figure 4.3 Distributed versus centralized IT PMOs.

stay in alignment with the central strategy. One way of ensuring continued digression of these microstrategies from the central strategy is for the IT PMO to become disengaged from the business units.

Once economic times take a turn for the worse, companies tend to centralize control of new business initiatives to better control expenses (see Figure 4.3, bottom). As the IT PMO tries to balance the project portfolio, it realizes that many initiatives are not just out of alignment with the central strategy, but the initiatives are being realized as out-of-control projects. They find out that business units have been implementing technical initiatives independently and without IT governance or support. And, because different business units were approving and running initiatives differently, there is no consistent way to measure initiative health between business units. So, without a way to compare initiatives, management has been forced to clean up the project chaos created by the IT spending and typified by good times and lax controls.

New market demands can require that the executives start slashing outlays for expensive technical initiatives. To do so without damaging the growth of the company, they need to prioritize all of the proposed and ongoing initiatives. Yet, it is difficult for upper management to discern which projects will potentially move the company in the desired direction more efficiently. Control of this chaos can be realized by centralizing control through an IT PMO. The IT PMO can ensure that when IT initiatives are cut, it is done so that there is a balanced portfolio of IT projects across the various business units (see Figure 4.3).

4.2 Virtual PMO

One fear that many companies have in creating a new central organization is that it will act as just another bureaucratic wall to efficiency. It is common for the IT PMO director “to be viewed as someone who is empire building” [2]. To diminish this perception, PMOs need to focus on building relationships and gaining early bang-for-the-buck successes rather than building large organizations. If a PMO is allowed to grow out of control, then it can become unresponsive and inflexible, and won’t deliver the economic benefits to business units [4]. To

combat this, companies that embrace the need to install a project support group, such as a PMO, use the virtual PMO or the PMO-light version.

Before a PMO initiative can start, the PMO team must realize that such an initiative is a type of corporate reorganization. Change-averse middle management in the business units will need to alter the way they propose business initiatives that require technical implementations, application designers will need to justify their designs to a central architect committee, and PMs will need to follow consistent methodologies when running their projects. As with any major organizational change, the PMO initiative needs to be driven and advocated from the top.

If executive management does not christen the PMO team, the sometimes-monumental task of getting top management to provide support for the effort calls for skillful articulation and great persistence [5], and none should be articulated to more persistently than the executive staff. Without their support, the business units will never jump in line. They will continue to develop siloed solutions that will, in turn, stop any portfolio valuation effort. The best way to tackle such an enormous marketing task with limited staff is to break the message up into subtasks and allow different groups in the organization to get involved in the PMO creation through special portfolio management committees. By getting stakeholders involved early, through portfolio management committees, a sense of PMO ownership will prevail over a sense that the PMO is dictating new policy.

4.2.1 Committees

When creating a PMO, “since the PMO will affect all parts of the organization, all parts of the organization should be represented” [1]. Therefore, the next step after establishing the executive committee is to establish a few cross-organizational teams to support the goals of the PMO. While an independent team will staff and build the core PMO, three committees need to be established early: the business unit committee, the PM committee, and the architect (EA review) committee. These three groups must be made up of representatives that are sponsored by upper management. For example, a good business unit

committee would have middle to upper managers from the human resources, marketing, finance, operations, and manufacturing departments. The PM committee would have a random sampling of PMs from projects of varying cost and risk. And the architect committee would have architectural specialists such as senior systems administrators, database administrators, ERP architects, telephony managers, and eBusiness architects (see Figure 4.4). As AARK management is introduced in Chapters 5 through 7, specialized subteams in the IT PMO will be defined to better coordinate these committees.

As the IT PMO team guides these three groups in the development of the virtual PMO, organizational change inflexibility will become more apparent. Each of these groups wants to continue their current processes unhindered. The business units will want to continue to fund all business initiatives (regardless of strategic alignment), the PMs will want to continue to maintain autonomy (regardless of ROI), and the architects will want to continue to play with new toys (regardless of system redundancy). Such inflexibility can be diminished if these groups feel that they have a say in the development of the PMO.

There is a reason for having middle managers make up the team that represents the business units. The organizational support derived

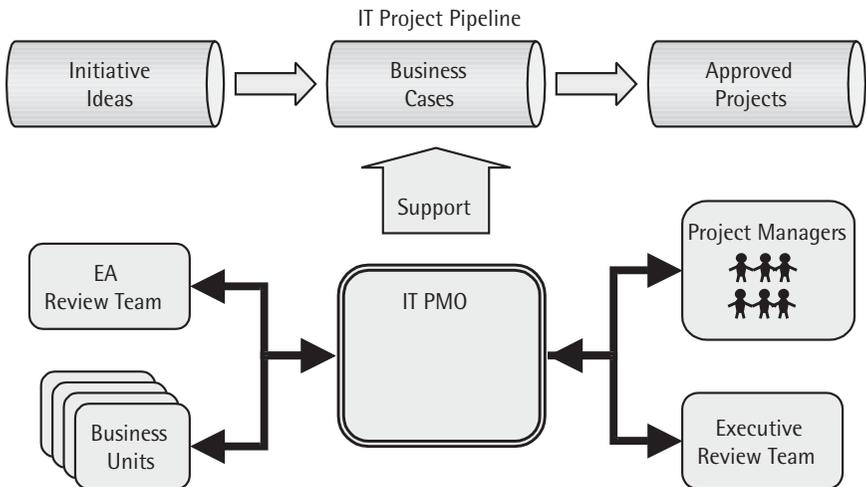


Figure 4.4 Virtual IT PMO—overall view.

from these middle managers will be the lynch pin to success. Middle managers are power sponges and are the root of most friction that a PMO will have when developing organizational acceptance. With so many initiatives clawing for money, it would be easy for the business unit leads to paint a bloated PMO as a good source of funds. This is why the PMO staff level should be kept as small as possible without sacrificing results. Though the business unit and PM teams will serve more advisory roles, the architecture team can provide support that will reduce the resources required to manage AARK. Not only does a virtual PMO team keep the size of the PMO small, and not only does it encourage corporatewide participation, it helps reduce business unit piracy. The case studies at the end of this chapter show how two companies use different approaches in making a central IT PMO-like organization appear larger than it seems. There is also a short PowerPoint presentation on the accompanying CD-ROM that reviews the basics of a virtual IT PMO.

4.3 PMO Structure

4.3.1 Large, Project-Centric Companies

Once the target audience of middle managers has been organized, a plan for rolling out the benefits of a PMO needs to be defined. But before the three PMO extension teams can be organized, the core PMO team needs to be formed. And, again, because of the support of the extension teams and the benefit of minimizing bureaucratic growth, the PMO team should be kept small.

Donald J. Reifer, author of “Making the Software Business Case, Improvement by the Numbers,” gives an example of how to staff a group that is redesigning an organization’s business and IT processes [6]. He feels that such a group would need a leader that is well connected and respected as a veteran by the company’s upper management. Such a familiar leader is needed because business unit managers have spent a lot of effort on complying with the success-ranking system a company already has in place. If this system changes, business managers can risk losing any ground they’ve gained with the old system. Such upheaval, no doubt, will bring a severe backlash unless new process

rollouts are treated with the utmost care. If the point man on such a rollout is not some outsourced newcomer and is instead someone who has a proven track record of making others successful, then middle management will have more early adopters. After establishing a core team of four, the leader can then recruit other veterans on a part-time basis. Academics can help the core team with methodology development and training and retired managers can help with interbusiness unit collaboration and PMO marketing.

Figure 4.5 shows how the resources would overlay some of the building blocks of a PMO. This figure illustrates how the core team members will each be responsible for one of four baseline building blocks. Other building blocks, which may require periodic support, would have resources cross-trained and rotating through them. For example, the bulk of the work required for tailoring methodologies and developing training material would be at the front end. These building blocks, supported by part timers, would get additional support from the various virtual PMO committees as the responsibilities of the PMO grew.

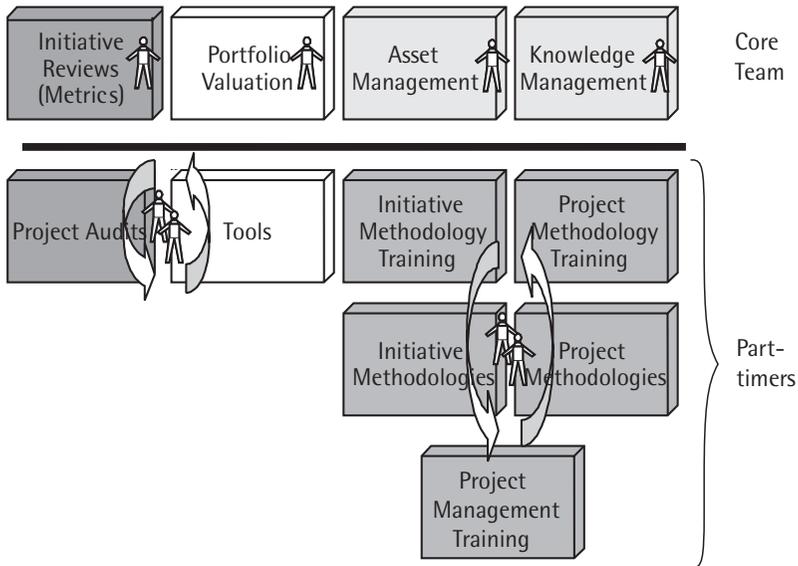


Figure 4.5 Staffing the IT PMO with rotating (cross-trained) duties.

Another way to look at this is to apply the IT PMO resourcing model in Figure 4.5 to the set of PMO building blocks we introduced in Chapter 1. Table 4.1 maps core PMO duties to the number of full-time people needed to implement and maintain these duties from scratch. The number of resources in Figure 4.5 is based on personal experience with a company that ran more than 220 concurrent IT-based projects. The accompanying CD-ROM has two staffing calculators that can help determine IT PMO staffing levels based on projects outstanding and initiatives in the pipeline.

Because the support needed by each building block varies independently over time, staff members will need to be able to support more than one building block (flow arrows in Figure 4.5). Initially, cross training can be focused on the PMO goals. As the PMO's work load increases, fresh faces will be rotated in and veterans will be trained to support other areas or be rolled back out to IT and the business units. Figure 4.6 shows how the resources listed in Table 4.1 would overlay the complete set of PMO building blocks. This figure also shows how, by implementing a virtual PMO approach, a large group of extreme part timers will exist to support PMO rollout. Extreme part timers are those

Table 4.1
Estimating Staff Requirements for an IT PMO in a Large Organization

<i>PMO Goals</i>	<i>PMO Building Blocks</i>	<i>Resources</i>
Executive support	Collaboration tools	
	Portfolio valuation	2
Manage AARK	Architecture management	
	Asset management	
	Resource management	
	Knowledge management	3
Quality assurance	Auditing—third party	
	Initiative reviews	2
Process	Methodology development	
	Training	2
	Total	9

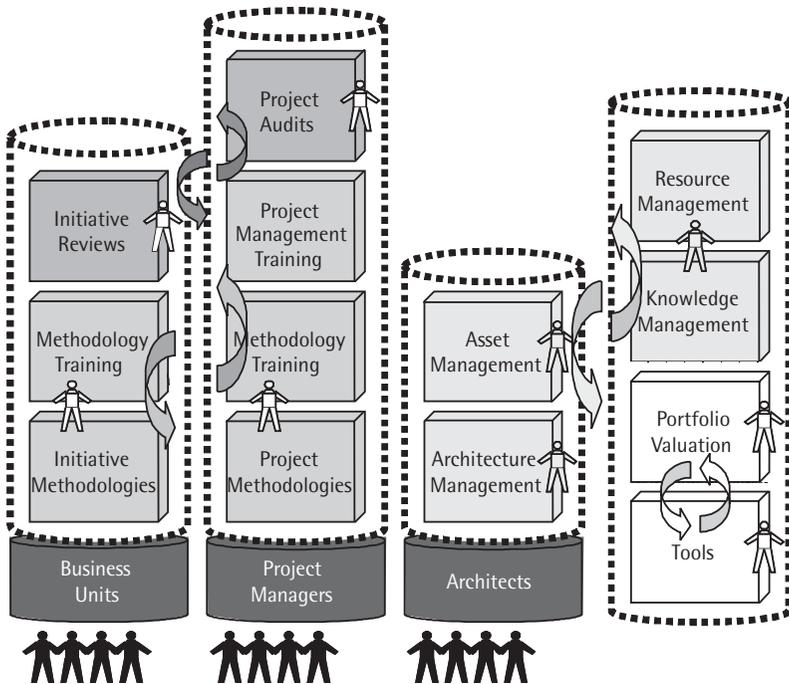


Figure 4.6 Virtual teams to support the IT PMO staff with rotating (cross-trained) duties.

resources who have very little time (and, initially, very little desire) to contribute to a new PMO. But if the PMO rollout is designed to show how it adds value with early wins, these part-timer committees can be quickly sold.

4.3.1.1 Executive Support

IT PMO support software exists that allows IT PMs to enter values for the health of their projects. After the IT PMO includes the prioritization of IT-based business initiatives and the results of project audits, executives can view prioritization lists. If no tool exists to monitor and update aggregate project health, then one to two resources will be needed to gather requirements, configure the system, and roll it out. Once it is released, one to two resources will need to stay on to ensure security, proper usage, and bug fixes. Such IT systems that support portfolio

prioritization will be covered more thoroughly in Chapter 9. There is also a list of companies that sell such software systems on the accompanying CD-ROM.

4.3.1.2 AARK Management

The corporate architecture changes as projects propose new technologies. A dedicated staff will be needed to ensure that everything works together, nothing is left unused, and the overall design doesn't conflict with the corporate strategy. One of the duties of architecture management is to research new technologies and negotiate lowest cost solutions. One of the duties of asset management is to manage the inventory of purchased hardware and software licenses between projects. Though the architecture team will do the grunt work here, managing these duties alone will require two resources. Resource and knowledge management can be automated for the most part with Web-based utilities. But back-end support would take at least another resource. While architecture management requires high-tech research, asset, resource, and knowledge management can be automated. And as any of these become more automated, resources can shift to support other aspects of AARK management.

4.3.1.3 Quality Assurance

The amount of work required for both project audits and initiative reviews are directly related to the number of projects currently underway. By the time a dedicated auditor is staffed, there are usually more projects underway than one auditor is able to audit. Where all initiatives need to be reviewed before funding, project auditing can take an "IRS approach." This approach allows an auditor to review all high-risk and high-ROI projects and then take a random sampling of the rest. Two measures of when to add auditors depends on how many audits the PMO wants included in the random sampling and how detailed the audit should be. An audit by an expert PM should take no less than three days [7]. But because the average auditor will be one with less than an expert background, five days to complete an audit would be closer to reality. Table 4.2 shows how one can calculate how to staff for audits (column F) given other variables, such as number of ongoing projects and duration of audits.

Table 4.2
Calculating Staff Requirements for the IT PMO Audit Team

<i>Number of High-Risk/ROI Projects</i>	<i>Number of Other Projects</i>	<i>Average Audit Duration (Man Days)</i>	<i>Average Project Iteration Time (Weeks)</i>	<i>Number of Auditors</i>	<i>Percentage of Projects Randomly Selected for Audit</i>
B	C	D	E	F	
5	100	5	6	3	13%
5	50	5	6	3	26%
5	100	10	6	3	4%
5	100	5	4	3	7%
5	100	5	6	2	7%

A = Total man days = 5 days per week \times E \times F

Z = Man days for high-risk/ROI projects = B \times D

% of projects randomly selected for audit = (A - Z / D) / C

For example, if there were five high-risk/high-ROI projects, 100 other ongoing projects, and three auditors, we would need to also look at the duration of each project iteration and the time it takes to conduct an audit. If project iterations are longer in duration, the audits can be spread out; if they are shorter in duration, then audits would need to occur more frequently. Given our current example scenario, if the average time between project iterations was four weeks, and it took the average auditor five days to conduct an audit, then the IT-PMO would only have enough manpower to conduct random audits on 7% of the projects in the portfolio. But, if the average time between project iterations were six weeks, then the IT PMO would be able to increase the number of auditable projects to 13%. (The staffing calculator on the accompanying CD-ROM helps automate this.)

This sort of calculation helps the IT PMO director understand the tradeoffs that need to be made when staffing the IT PMO audit team. For that matter, if either of the two IT PMO core teams (initiative review and project auditing) become understaffed and overburdened, the IT PMO can easily morph into just another bottlenecking nuisance for business initiatives. While the extended teams of the virtual IT PMO

can support the IT PPM processes of AARK management (see Chapters 5 through 8), the core IT PMO teams need to be well maintained.

4.3.1.4 Process

Larger companies can have a large number of projects underway, each using some tailored version of the methodologies supported by the IT PMO. Because the IT PMO can only audit a set percentage of all projects when it reaches a methodology's audit points, there needs to be another way to ensure quality of projects. By developing and running methodology training sessions, the IT PMO can make sure that the PMs and the business case writers understand the core IT PMO methodologies. Then, as long as the predetermined audit points and metric requirements are unaltered, they can mold the methodology templates to the specific needs of the project or initiative proposal. As well as conducting methodology training, the IT PMO methodology team will also need to coordinate the PM committee and the business unit committee when reviewing new project and initiative methodology proposals, respectively. With such flexibility in methodology usage and involvement in methodology selection, the project stakeholders can move forward with confidence.

4.3.2 Smaller or Less Project-Centric Companies

Whether a company is simply small in size or has cut back on the number of running projects, the size of a PMO staff will vary over time. And because of the uncertain demand levels for IT projects, PMOs can be staffed by a rotating group of people. A core group of one to three people can be staffed by a permanent leader and a couple of retiree consultants (see Table 4.3). So, how would the goals of a PMO map to a limited PMO staff when few projects are underway and only a trickle of initiatives is being proposed?

4.3.2.1 Executive Support

Though fewer projects can minimize the workload of a PMO, it by no means eliminates the need to adhere to the goals of a PMO. Where larger companies would use enterprisewide project collaboration tools to valueate the project portfolio, smaller companies simply define and

Table 4.3
Estimating Staff Requirements for an IT PMO in a Small Organization

<i>PMO Goals</i>	<i>PMO Building Blocks</i>	<i>Resources</i>
Executive support	Collaboration tools	
	Portfolio valuation	~ 0.5
Manage AARK	Architecture management	
	Asset management	
	Resource management	
	Knowledge management	~ 1
Quality assurance	Auditing—third party	
	Initiative reviews	~ 0.5
Process	Methodology development	
	Training	~ 0.5
	Total	~ 2

adhere to structured communications such as weekly e-mail and status report updates. With so few projects, executive support tools may not be needed. However, upper management still wants to know the relative health of the one or two IT-supported projects that are underway. By focusing on regular, structured communications of these matters, the IT staff will be developing an early framework for advanced PMO executive support as the company grows.

4.3.2.2 *Manage AARK*

The IT department needs to manage assets and the corporate architecture very early to prevent problems. But because the IT staff may be small, resource management will show itself more as outsource management. Also, the need for a knowledge management database could be replaced with a file base of project postmortems or high-level business architectures (process flows and structures). If a standard format is defined for these postmortems and architectures early, then the IT department will be better prepared when the company grows and needs a more robust knowledge base.

4.3.2.3 *Quality Assurance*

With only a few projects and initiatives, the IT manager can usually audit them regularly. But as the pipeline grows, she will need to delegate this task. The person eventually in charge of this task will work with the growing need for executive support to come up with support tools.

4.3.2.4 *Process*

While methodologies are important for any IT project, training can be handled by the lead IT manager. With a small company, if one methodology is not chosen, then a methodology used by an outsourced company would be used.

4.4 Organizational Change

4.4.1 Impediments

There are nine main impediments to success that need to be addressed aggressively if the PMO initiative is to succeed. These barriers can be categorized as related to either lack of organizational support or lack of PMO deliverables.

As can be seen from Table 4.4, the organizational impediments to early PMO success can outweigh the deliverable impediments to success. These impediments (or risks) and the phased approach to eliminating them is the subject of Chapter 10. Phasing in the PMO will not only allow a small PMO team to build a solid foundation for future PMO functionality, it will also allow the team to manage expectations and nurture organizational support. Because an IT PMO requires a large effort in managing organizational change, results can be difficult to timeline. “A guaranteed no-win situation is when management sets a deadline for you to turn everything around” [8]. Early wins coupled with an ongoing effort to grow support will help overcome these barriers to success. Once the impediments to success are eliminated, PMO benefits can be realized in later phases of the PMO rollout.

4.4.2 Benefits

There are four keys to the successful rollout out of a new IT PMO:

Table 4.4
Impediments to Organizational Change During PMO Rollout

<i>Organizational Support</i>	<i>PMO Deliverables</i>
<p><i>Lack of top-level support.</i> Executive support needs to be gained at the very beginning by forming an enthusiastic executive committee.</p>	<p><i>Lack of project methodology.</i> Chapter 3 showed how a set of methodologies is important to allow for healthier, more flexible projects that can be audited consistently. This is a deliverable that needs to be available early to see quick wins for the PMO marketing campaign.</p>
<p><i>Underestimation of the dimension of the change project.</i> The introduction of a PMO can drastically change the way a company approves initiatives and maintains its health. If the PMO lead isn't aware of this, they may not apply the proper urgency to acquiring organizational support.</p>	<p><i>Insufficient efforts to develop project professionals.</i> While methodologies can be restrictive for those who are experienced in project management, they can be confusing for those who are beginners. If the PMO ignores the opportunity to train new PMs, then a valuable support base will be lost.</p>
<p><i>Inadequate management of the change project.</i> Once support is gained in the beginning, it must not only be maintained, it must grow. Others need to jump on the bandwagon once early benefits of the IT PMO are advertised.</p>	<p><i>Lack of initiative methodology.</i> If business initiatives that don't include standard metric maps or iterated releases are allowed to be submitted, then the PMO will have no way to audit, and the company will be at the mercy of inflexible projects.</p>
<p><i>Bad timing.</i> If the company is in the middle of a downsizing and all IT projects are on hold, then this would be an extreme example of when not to start an IT PMO initiative. Be sure the company is in a position to embrace this concept before diving in.</p>	<p><i>No prioritization tool leverage plan.</i> An efficient way for executives to quickly see the health and the prioritization of their portfolio is essential early on. A release of such a system can gain rock-solid support from the executives who will now be able to see, in real time, how their company is reacting to the shifting marketplace.</p>
<p><i>Lack of corporate strategy.</i> Without a strategy, the IT PMO will not have any way to prioritize or balance the portfolio to the goals of the company. Instead a chaotic portfolio will cause widespread dissention of the PMO concept.</p>	

Source: [5].

1. *A good business case.* The PMO needs to practice what it preaches. As the central consolidator and reviewer of business cases for new initiatives, it has to also be accountable for its own success. A business case should be written with measurable ROI milestones. Meeting such milestones and proving ROI to the company will further validate the need for the PMO. And because PMOs are constantly under scrutiny, such winning hurdles are critical. Let the numbers do the talking. The organization will support any believable proposal that helps get its products out the door cheaper, quicker, and better [6].
2. *Organization's cultural readiness.* Are different organizations in the company willing to provide resources to the PMO? Can the management team support a redistribution of authority? These are just a couple of issues that should be listed in the risk assessment section of the PMO business plan. Mitigation steps should also be outlined for any organizational change barrier that may be expected.
3. *Sizing/tailoring of project office.* This flows directly from Dr. Markowitz's theories of proper portfolio management. That is, PMOs should be customized to particular companies. One cannot take the blueprint and rollout plans from the PMO of another company and use them for their own company. Even if the companies are the same size and are in the same industry, communication plans for executive or middle management can be drastically different between the two companies.
4. *Executive commitment.* Because there will be conflict when rolling out the PMO, clear and prompt executive support is mandatory. It will need to be made crystal clear to the troops that the PMO is central to the success of the company [2]. "To get their support and sponsorship, you must build a bulletproof business case that justifies your proposed investment of time, talent, and energy in terms of benefits to individual project (their projects). To win funding approval, you must generate near-term results" [6].

Overlaps can be clearly seen between the conclusions we reached from looking at the negative as well as the positive influences of PMO rollout. But what is most striking is the continued predominance of the need for organizational support.

4.4.3 Governance

4.4.3.1 IT PMO Governance

There are two main components of corporate governance [9]:

1. The decision-making mechanisms that are created (e.g., committees, review boards, and written policies);
2. The assignment of decision-making authority and accountability.

The PMO will create the written policies, and it will coordinate the virtual PMO committees and the initiative review board. But what sort of authority and accountability should be given to the PMO? First, it will be accountable for maintaining a healthy IT portfolio through the implementation of the PMO building blocks. How the PMO can prove that it has improved the health of the portfolio will be addressed in Chapter 9. Second, it will have the authority to grade initiatives and ongoing projects for the prioritization list presented to the executive review board. At any time, this board can institute a policy that cancels a bottom percentage of projects according to the initiative's or project's position on the prioritization list.

“Authority and accountability must be equivalent within an agency” [10]. Where an organization has little authority, there should be little accountability. Conversely, where an organization has significant authority, there should be significant accountability. If the executive committee is going to hold the PMO accountable for a healthy suite of projects that move the company in the chosen strategic direction, then the committee needs to also provide the PMO with a reasonable level of authority. And this authority should rest in the initiative and project review process.

It should be understood that the executive review board can override PMO recommendations at any time, but the more it does so, the

more irrelevant the PMO will become. This is an area that the PMO organization needs to address to ensure legitimacy in the eyes of the business units. As time passes, the PMO needs to communicate clearly to the business units how the executive committee is using the prioritization list. This approach combines management of business unit IT projects by reward (those projects that are doing well will continue to be funded) and management by fear (those projects that are doing poorly can get cancelled). Then, by proving to the executive committee that the portfolio has improved, it will be less inclined to go around the recommendations of the PMO.

Sometimes, in the face of extreme strategic shifts, the PMO will need to split itself up in order to maintain continued organizational support. Keep in mind that centralization of corporate governance is more in line with company strategies focused more on improving productivity than those focused more on growth. One survey of 40 companies found that “companies that do well in terms of return on assets tend to have tight, centralized governance mechanisms, while companies looking to maximize their market caps tend to push IT decision making out to the local business unit or end users” [9]. To continue with an IT PPM concept in a company that is giving more IT project control to the business units, satellite IT PMOs should be set up for each business unit (see Figure 4.7). Then, if the company decides to switch back from a high-growth-oriented strategy, the PMO itself has been designed to be flexible enough to easily transition back to one that supports more of a productivity-oriented strategy.

4.4.3.2 *IT Governance*

Because the IT PMO relies so much on the IT department to be successful, the line of authority between these two organizations can be difficult to see. One way to view this is by including the other organizations with which the IT PMO shares responsibilities. Figure 4.8 shows the PMO as the central organization that not only has its own unique deliverables (review boards, training curricula, prioritization tools), but also binds elements from three other groups. The IT PMO relies on:

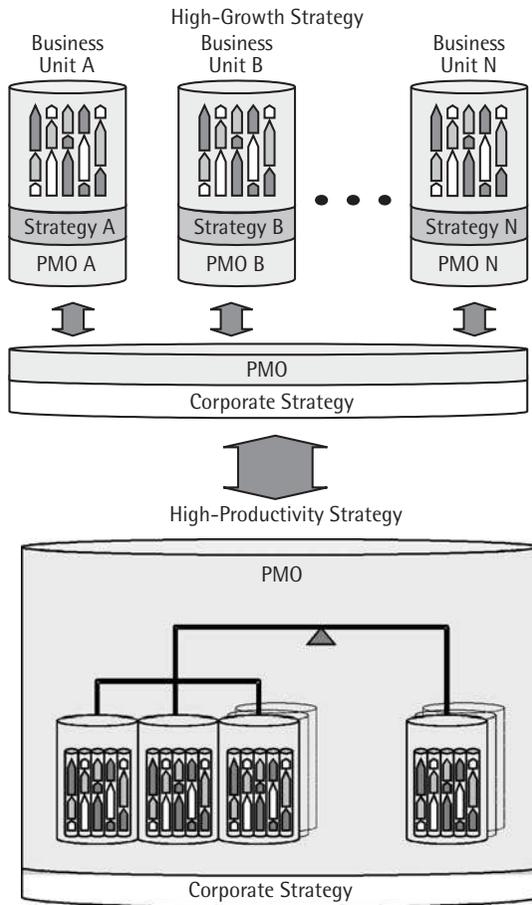


Figure 4.7 Types of corporate strategies applied to distributed and centralized IT PMOs.

1. The pool of PMs (who are drawn from all business units including IT) to help develop project methodologies and to ensure project audits run smoothly;
2. The business units to help develop IT-based initiative methodologies and to run initiative reviews;
3. The IT department to partner in the management of IT architecture, assets, resources, and knowledge.

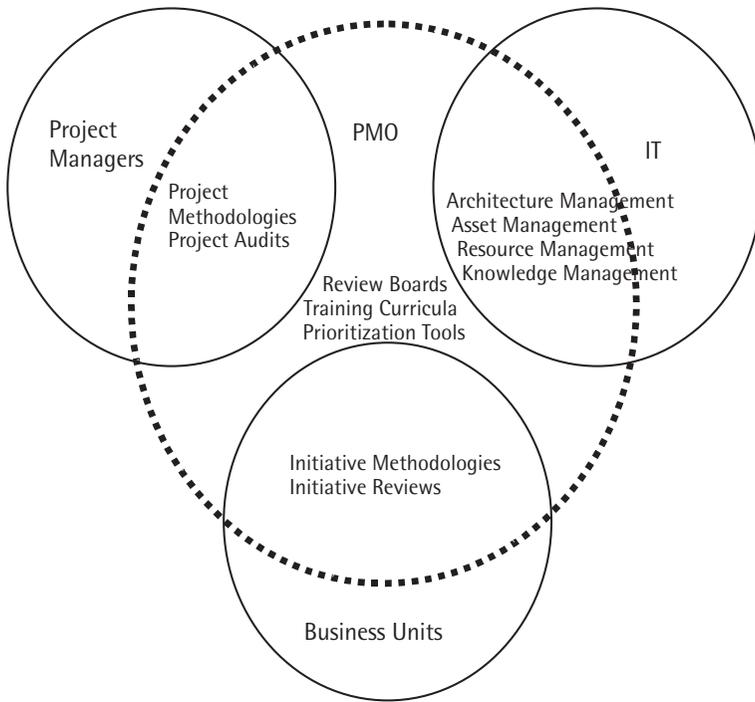


Figure 4.8 Distribution of virtual IT PMO deliverables.

Each group contributes its own strengths to the IT PMO to help ensure the overall health of the project portfolio. It just so happens that the IT organization contributes more to the IT PMO than do the other organizations.

IT governance drives decisions in three main areas: IT strategy, investments in IT projects, and IT architecture [9]. PMO governance drives decisions only in investments in IT-based business initiatives/projects. IT's footprint on the stream of these projects is seen when technical and organizational risks are solicited from the PMO by the business case writers. The IT PMO relies on the architecture committee, staffed completely by IT personnel, not only when presenting risks, but also when prioritizing initiatives and projects (see Chapter 5). But the biggest contribution by IT is in the form of its assets and resources.

Traditional IT governance uses various methods when making decisions on IT project investments. The most common methods are

those that attempt to make IT less of a cost center [11]. The IT department can impose a “tax rate” on each department that uses IT services for projects or utilities. It can impose a fee for service, similar to a time-and-materials approach used by many IT outsourcing firms. Or, IT can use an allocation of costs approach, which varies the IT charge on departments based on their usage of IT resources. If the IT department already has sound programs in place that track where its assets and resources are distributed, then the IT PMO should leverage these. If such programs are nonexistent or substandard, the IT PMO should work with the IT department to make such tracking mechanisms robust (see Chapters 6 and 7).

To avoid any appearance of favoritism when prioritizing initiatives and projects, the IT PMO director needs to report directly to the executive committee. If the CIO is on the executive committee, then the IT PMO director can report to the CIO. If the CIO reports to the CFO, then the IT PMO director should report to the CEO. As soon as the IT PMO director reports up through a particular business unit lead (e.g., the CFO), then the image of objectivity in initiative and project prioritization will be sacrificed. If the CFO controls the prioritization process, a project on accounts payable automation, for example, could move up the priority list over an IT-based project on lead generation collaboration. It won't matter which is the better project for the company. If the former wins out over the latter, the resulting perception could demoralize the idea generators.

With prioritization being one side of the PMO accountability coin, project portfolio health is the other side. To accomplish this second major task requires seamless cooperation with the IT department. Because the IT PMO will need to effectively monitor IT assets and resources between projects [3], it would make little sense to create an organizational barrier between the CIO and the IT PMO director. The PMO needs to know when resources become available or unavailable and when assets are being fully used or are unused. Therefore, to create an IT PMO that most effectively supports projects with the fewest barriers with the IT department, the IT PMO director should report directly to the CIO.

Table 4.5 is a matrix that shows how the IT PMO can be affected by who its director reports to in the company’s organizational chart. The optimal scenario would be if the director of IT PMO reported directly to the CIO to reduce the barriers to resource and asset management, and for the CIO to report directly to the CEO to eliminate perceptions of favoritism when prioritizing the portfolio. This is shown in the upper left quadrant of the table. Any other organizational approach will negatively affect the ability of the PMO to be successful in both of its primary tasks: prioritization and project support.

4.5 Summary

Because rolling out an IT PMO results in enterprisewide organizational change, its structure needs to be designed to ease this difficult rollout and to ensure continued support. One approach is to keep the IT PMO small and to leverage the skills and authorities of various senior employees. Such a virtual PMO will, in turn, require the IT PMO organization to staff small teams to support various committees drawn from the ranks. The executive committee will support the initiative/project review process, the business unit committee will approve the EBA (discussed in next chapter) and the initiative methodology, the architecture committee will approve the enterprise IT architecture (EIA) and review project proposals for technical risk, and the PM committee will approve the project methodologies. Then, based on the size and type of the company, the staffing of the IT PMO should be tailored accordingly.

Table 4.5
IT PMO Governance Matrix

	<i>CIO Reports to CEO</i>	<i>CIO Reports to Business Unit Lead (e.g., CFO)</i>
<i>IT PMO director reports to CIO</i>	Prioritization process = unbiased Project support = efficient	Prioritization process = biased Project support = efficient
<i>IT PMO director reports to CEO</i>	Prioritization process = unbiased Project support = inefficient	Prioritization process = biased Project support = inefficient

Specifically, to avoid initiative review bottlenecking, the core initiative review and project audit IT PMO teams need to be well monitored for proper staffing levels. Finally, it should be clear to the organization that the IT PMO is not infringing upon the “turf” of the IT department. Rather, the IT PMO is creating a support structure that will better market the strengths of IT and support a smoother flow of business initiative ideas to successful IT project deliverables.

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Appendix 4A: Case Studies—HCA and Harrah's—Virtual IT PMOs

4A.1 Harrah's

It took Harrah's seven years to develop a system and an IT PPM culture within its various business units. They approached the problem in classic IT PPM style by creating a core IT PMO staff backed up by *governance* teams from the various business units. These governance teams met monthly and quarterly to approve funding for small projects and to review the health, alignment, and balance of the project portfolio. The governance teams were an extension of the IT PMO and staffed by IT personnel, business leaders, and accountants. Any projects with a budget greater than \$250,000 would be forwarded for approval by a corporate capital committee made up of the CEO, chief operations officer (COO), CFO, CIO, and other senior vice presidents. This layered approach to project funding reduced executive bottlenecks and helped streamline the project approval process.

Before initiatives are proposed, their IT PMO's "business office" provides support to business case writers on how to choose metrics that can be used to audit the eventual project's health and ultimate ROI. The chosen metrics are then used in a software tool to keep track of the project portfolio. This portfolio management tool allows management to segment the ongoing projects and the IT-based initiatives by business unit, product, life cycle stage, revenue growth, cost reduction, or marketing channels. According to Heath Daughtrey, vice president of IT services, this IT project portfolio tool "provides one integrated version of the truth."

With a heavy reliance on business cases, organizationwide IT PMO support, and an embraced IT project portfolio tool, Harrah's has created an environment of structured flexibility. According to CIO Tim Stanley, such an approach to their IT project portfolio allows them to "have crisp operating procedures and structures" while at the same time maintaining "flexibility to constantly align with the business" [12].

4A.2 HCA

As the largest provider of health care in the United States, HCA has a constant need to improve its use of technology to cut costs and grow

beyond its 200 hospitals and 80 outpatient surgery centers. Unfortunately, CIO Noel Brown Williams saw that many of the ongoing IT-based projects weren't aligned with the direction of the corporate strategy. To resolve this misalignment, Williams created five new "solution leader" positions (called relationship managers by research firm Gartner, Inc.) that would become closely involved with the day-to-day activities of the various business units.

These solutions leaders work for IT but attend business unit meetings. In this way, new IT-based initiative ideas are created that are aligned with not only the business but the IT architecture as well. A collateral duty includes helping out other idea generators with the technical metrics written into their business cases. Not only does this help IT get involved earlier in the project design, it allows IT to become part of the build versus buy decision. Williams even includes a way to rate their performance by including the business leaders in the performance evaluations. According to Jim Gabler, research director at Garner, Inc., these relationship managers are "a very powerful way for IT to be very responsive to the business" [13].

These two approaches to extending the IT PMO are equally valid. Where Harrah's created explicit business unit committees to prioritize and recommend projects for financing, HCA created implicit business unit committees by sending solution leaders out to business unit meetings. The former had authority to make portfolio decisions, while the latter acted only as a means of aligning IT with the businesses. Neither of these approaches, however, addressed some of the extended elements of IT PPM, such as formal resource management, architecture management, asset management, or knowledge management. To do so, Harrah's and HCA would need to create committees out of the PMs and the architects. They may also need to implement some software tools that would aid in asset, resource, and knowledge management.