Project Management Office / Executive Co-Dependence

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Tangoing Your Way Through the Executive/PMO Relationship

Introduction

"It takes two to tango." This idiomatic expression, which originated in a 1952 song by Pearl Bailey and was later popularized in 1982 when President Ronald Reagan quipped about Russian-American relations, is an accurate description of the relationship between a project management office (PMO) and an executive. At the end of the day, success for either of them is dependent on the other. Executives depend on the work accomplished by project management offices for their own success, just as project management offices depend on executives for their success.

In a provocative 1999 article in Fortune magazine that addresses why executives fail, the authors get directly to the point and state that the number one reason for executive failure is "bad execution…as simple as that…not getting things done…not delivering on commitments." The article also states that executives who do not deliver are three times more likely to get fired than their counterparts who are delivering. Think about it. What is the dominant purpose of a project? Getting things done! Projects deliver products and services, and they do so according to a schedule. Projects deliver on commitments. Executives need projects so they can deliver on commitments, thus avoiding the number one reason for executive failure.

The opposite is equally true. Projects need executives. The scope of projects and the judgments made about their success have expanded over recent years to the point where project success is almost always beyond the sole control of those running the project. Project success is highly dependent on the availability of resources typically not under the direct control of the project manager. Similarly, the project manager does not have direct control over the networks and systems that their project must fit into. Really, the project manager doesn't have direct control over much of anything upon which the project's success depends. The days of the small, relatively simple, stand-alone project are mostly over. These dependencies, which are essential for the success of the project, are less often in the domain of the project manager and more often in the domain of the executive. The project manager must establish a PMO that is run with a direct two-way supportive relationship with the executive.

A Real Story

To illustrate just how pronounced the dependence between executives and project management offices is, and needs to be, let's consider the following story. This story illustrates just how effective a strong co-dependent relationship can be. Prior to the creation of the PMO with a co-dependent executive relationship, trouble was the norm. After the creation of the PMO with a co-dependent relationship, the situation improved. The story is associated with responsibilities that the co-author of this article, Michael O'Brochta, had when he worked as an employee of the Central Intelligence Agency (CIA). He spent decades there managing hundreds of projects, managing project managers, and leading efforts to advance project management within the organization. The story begins with a strategic need within the organization and an executive who recognized this need and made a commitment to take action. Note that this is not a unique story. In a 2009 book by Brian Hobbs, PhD, PMP, titled "The Project Management Office (PMO): A Quest for Understanding," he highlights a global study of project management offices and describes the PMO best practice of tailoring the PMO function to match the needs of the executive, just as happens in this CIA story.

"I don't understand it; I have staffed my new organization with hundreds of highly-skilled project managers, yet even after our first year in business, we can't seem to deliver enough projects on time or to the satisfaction of our customers."

These were the words that O'Brochta first heard when the director of the organization asked for help. He went on to describe the gap between his vision for his organization and the current reality: "I'm confident that running this organization as project-based is the way to go, but I never thought it would be this hard," said the director. "I periodically review project schedules, and find them to be ever changing. No one is happy about a moving target — not me, and least of all, not the customer. Quite frankly, I do not see why anyone would come to my organization if they had a decent alternative."

The project-based organization described here was formed to advance the mission of the CIA. The best engineers, the best information technology professionals, and the best project managers were combined into a single organization focused on delivering new and better intelligence analysis systems and capabilities. One of those systems, named Fluent, was described a decade ago in a Reuters article titled "CIA Using Data Mining Technology to Find Nuggets." This was cutting-edge technology focused on critical CIA mission needs at the time.

Finally, the director got to the point of the conversation: "Will you come and help?"

During the following year, O'Brochta built and ran a strategic-level Project Management Office. Although the published knowledge associated with successful project management offices was rather limited at the time, enough was known for him to select a couple of starting points. O'Brochta started with one initiative focused on the project managers and one initiative focused on the executives. For the project managers, he led the building of a standardized project life-cycle methodology complete with milestones and documentation tailored specifically for the nature of their work. For the executives, he led the building of a standardized governance system complete with reviews, decision-making criteria, and change management strategies tailored specifically for their work.

Previously, the role and actions of the executives and the project managers were out of sync. Project managers were doing their best to draw upon their extensive backgrounds to create and follow project plans, but no two were the same. Likewise, executives were doing their best to support the project managers with resources and decisions, but inconsistency and unpredictability were common.

O'Brochta routinely met with executives and others in the management chain to ensure that decisions about the PMO's focus matched its needs; he did the same with project managers and the various PMOs. Both the executives and project managers learned that each group performed equally important, but different, roles. The executive's role included supplying a standardized project life-cycle methodology for the project managers to use and holding them accountable for using it. The project managers' role included tailoring the provided life cycle methodology and putting it into practice. The executives established and followed a routine for project reviews and associated decisions. The project managers prepared for each of the project reviews with the information needed to support the scheduled decision-making. Predictability and consistency became the norm. Effort that had been directed toward "figuring out what to do" was now directed toward more productive activities associated with running the projects and meeting mission needs.

Initial Reaction

Because of the success of the initiatives, the value of the project management office was established. Other initiatives followed, all targeted at the co-dependent relationship between the executives and the project management offices. These initiatives included training for both the project managers and the executives. They reflected the maturing of project management within the organization and the value of strengthening the co-dependent relationship between executives and project management offices. It was learned that this relationship is, in and of itself, a project that can be planned and managed within a PMO for the strategic long-term benefit of the organization.

What's Next?

As satisfying as it might be to establish a successful PMO, the question arises about how to keep them going. This is a serious question. It appears that keeping a PMO going is not so common. A 2007 PMI-sponsored report titled "The Multi-Project PMO: A Global Analysis of the Current State of Practice" states that PMOs are frequently closed or restructured with only about half of them surviving for two years. That's a grim statistic. Executives need projects, project management, and PMOs. Yet, the PMO often struggles to survive. Why? According to the same study, the successful PMOs were the ones that responded to and adapted to the ever-changing needs of the organization. In other words, the successful PMO's performance was matched to the needs of the organization. Key performance indicators were established and achieved. And not just any key performance indicators were achieved, but ones that were relevant and meaningful to the executives with whom the PMO had a co-dependent relationship.

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Key Performance Indicators for the PMO: Metrics for Success

Introduction

The Project Management Office (PMO) is an office with the capacity to institute a wide variety of positive changes within a company. Indeed, many organizations understand the co-dependence between the executive and PMO, and act to establish PMOs for just this reason. Unfortunately, it is often one of the most incorrectly managed and underutilized portions of an organization. Findings presented at the 2010 Gartner ITxpo indicate that nearly half of all PMOs result in failure. The question, then, is why do such a drastic number of businesses feel that their PMOs do not deliver value?

There are a number of answers that need to be explored, but given the highly individual nature of each PMO, it is difficult to provide a definitive list of failure points. However, an issue that pervades nearly every PMO across the board is a problem of metrics. Too many PMOs do not measure their success with the appropriate key performance indicators (KPIs), and due to this failure, high-level executives can easily question the PMO's worth, particularly the results-driven chief financial officer. The PMO, with its emphasis on measuring process and protocols, can fail to focus on KPIs that are relevant to the overall progress of the business. Because of this failure to properly document its success, many otherwise productive PMOs are being shut down.

Key Performance Indicators

The following is a list of important potential KPIs by which a PMO might measure its productivity in the context of overall company success. This list has been extracted from a 2002 study conducted by the Center for Business Practices and documented in the book "Justifying the Value of Project Management." These specific KPIs are particularly relevant to executives and have been found to improve the practice of project management.

It is important to remember two things here. First, as previously mentioned, the role of a PMO is (and should always be) very specific to the needs of a particular company. One should not try to apply these KPIs directly. Rather, they should be tailored to reflect the PMO's prescribed role. Second, too many KPIs can lead to a muddled sense of where accomplishment truly lies. Like having too many gauges on the dashboard of a car, measuring too many indicators of success can be tricky and confusing. It is better to pick a couple of KPIs that fit your company well and focus attention on those rather than trying to measure a plethora of indicators that will lead to hazy results. With those factors in mind, let's take a look at some KPIs that you can use to demonstrate the effectiveness of your PMO.

1. Time to Market

Time to Market = Elapsed Time from Idea Conception to Delivery
Alternate Time to Market = Actual Completion Time – Budgeted Completion Time

The PMO can improve a product's time to market in two ways. First, it can increase the speed at which projects are completed. The benefits here are obvious, as a project that is

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completed faster generally means greater customer and company satisfaction as it will be available for distribution sooner. The PMO also improves time to market by promoting better adherence to project schedules. Doing so promotes customer satisfaction, improved trust in the project team, and a greater ability to accurately predict future project lifecycles. More importantly, it ensures that a time-dependent product, such as a video game with a pre-Christmas release date, will not miss a deadline that would result in drastically reduced or nonexistent sales. PMOs that consistently improve time to market can streamline processes. For example, projects can be rolled out on time without having to hastily skip steps in the development process.

2. Service Availability

Service Availability=Actual Start Time-Optimal Start Time

Service availability refers to the time it takes to start a project compared to the desired start date. It differs from time to market in two ways: first, it can measure the time that is allotted for specific tasks as opposed to only referring to the completion date of a final product and second, it can be measured at numerous points during project development. As a reference point for a business, it makes sense because it measures the capacity to complete more projects or allocate more time to valuable projects. Further, having a good measure of service availability allows the PMO to divert resources to critical path tasks should the need arise. The PMO specializes in increasing service availability by streamlining tasks and accurately scheduling future projects. If the above equation has a lower number, that means a higher service availability. However, a business must be careful not to have such a high amount of availability that resources are being benched. Wasted resources can drain just as much money from a business as a poorly managed service schedule.

3. ROI

*ROI= (Revenue-Investment)/Investment*100*

The PMO contributes to a company's ROI by making sure that projects are successfully completed according to the specifications laid out by the parent company and other key stakeholders. Because of this, examining ROI as a KPI offers an incomplete view into the productivity of the PMO. This is because the PMO does not generally influence financial returns directly. Rather, it provides the framework upon which success can be built. ROI, then, must be looked at in combination with other metrics to determine the specific influence of the PMO on the overall performance of a business. ROI can be used to measure success, but it should be looked at on a per-project basis to determine the actual impact of the PMO.

4. Sales Growth

Sales Growth= (Current Sales- Previous Sales)/Previous Sales

The PMO contributes to sales growth in much the same way that it influences ROI. It does so by providing an environment that allows sales to grow more effortlessly, often by improving the other metrics in this list, such as time to market and service availability. Still, measuring sales growth does not specify the PMO's role in the improvement of that growth. Nonetheless, improving sales growth will likely appeal to high level executives, and in particular CFOs, because it is something savvy investors look for in a company. As such, and despite its obvious limitations, sales growth is an important metric because improvement in this area creates more financial opportunities for a business, and can convince many nonbelievers of the importance of a PMO.

5. **Service Utilization**

Service Utilization= Billable Hours/Total Hours

In addition to streamlining tasks by increasing service availability, service utilization allows a PMO to ensure that time is being used efficiently. Here, service utilization means looking at the resources assigned to a project, and in particular, the human resources. An advanced PMO will not only be able to decrease the number of people who are over or underworked, but they will be able to assign people to the tasks that they are best at, thus maximizing the value of their time. Increasing the quality of service utilization means a better quality project outcome in the same amount of time. This will optimize customer and employee satisfaction, and will guarantee that a business is getting the most value out of their hires and contracted labor.

Conclusion

Demonstrating improvement in these KPIs can help show the success of a PMO in a company. Ultimately, the PMO has not yet been accepted as a necessary component in many businesses, and so it is up to the office itself to prove the value it provides. It bears repeating, however, that since each PMO is unique, these KPIs must be looked at with an eye to the specific needs of a company. Nonetheless, armed with these measurements of success, a PMO can gain the executive support necessary to survive in a competitive business environment

About The Authors

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Michael O'Brochta, PMP, has been a project manager for over thirty years. He is an experienced line manager, author, lecturer, trainer, and consultant. He holds a master's degree in project management, a bachelor's degree in electrical engineering, and is certified as a PMP®. As Zozer Inc. President, he is helping organizations raise their level of project management performance. As senior project manager in the CIA, he lead the maturing of the project management practices agency-wide. Since his recent climb of another of the world's seven summits, he has been exploring the relationship between project management and mountain climbing. Mr. O'Brochta's papers and presentations at PMI national, international, and regional conferences have consistently been popular and well received; his last three PMI Global

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Curt Finch is the CEO of Journyx. Founded in 1996, Journyx automates payroll, billing and cost accounting while easing management of employee time and expenses, and provides confidence that all resources are utilized correctly and completely. Curt earned a Bachelor of Science degree in Computer Science from Virginia Tech. As a software programmer fixing bugs for IBM in the early '90's, Curt found that tracking the time it took to fix each bug revealed the per-bug profitability. Curt knew that this concept of using time-tracking data to determine project profitability was a winning idea and something that companies were not doing – yet… Curt created the world's first web-based timesheet application and the foundation for the current Journyx product offerings in 1997. Learn more about Curt at http://journyx.com/company/curtfinch

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