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Preparing CIOs for the Future of the IT PMO

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Executive Overview

In this white paper we look at the changes that IT organizations are facing in their PMOs – some of the trends will see the way that technology projects are delivered change in ways that couldn't be imagined only a few years ago. We look at what CIOs can, and need to do now in order to prepare themselves to not only survive these changes, but to take advantage of them and build a project delivery mechanism second to none.

Introduction

The last decade has seen a tremendous shift in the influence that IT has had within organizations. After Y2K we quickly saw the bursting of the dot com bubble and the subsequent shift to business units controlling the direction that technology needed to move in – business programs and initiatives that had been on hold during the technology driven years, on either side of the new millennium, came back to the fore. This was quickly followed by the corporate scandals that drove an increased need for corporate governance in order to meet regulatory and shareholder demands. This resulted in even more expectations from technology projects, but also created additional reporting, process and auditing requirements on IT. Of course most recently we have seen the global recession and the havoc that has caused organizations, with technology spends being major casualties.

Well, the next ten years are going to make the last decade seem like child's play – CIOs are in for a wild ride. We are already seeing changes become evident in a number of areas that are going to have significant and permanent changes to technology departments and initiatives:

- The 'cloud' is becoming reality
- Social working and Web 2.0 tools are no longer niches for only the most progressive of companies

- The recovery from the recession is going to be a long road that will require continued fiscal prudence and optimal efficiency.

This will fundamentally change the way that businesses see the IT function and it will change the way that employees expect to work. That in turn will drive change into IT departments, and into PMOs in particular.

Other aspects of these changes are already becoming well established in many organizations – the traditional view of IT as a standalone department that owns the technology elements is giving way to a shared services model where IT acts as a service provider to multiple business units – effectively becoming a vendor of technology services and requiring a whole new focus on effectiveness and efficiency that has not been so prevalent in the past in order to meet customers' needs.

This has brought additional focus to IT PMOs, but it's not the only established change. IT is no longer a complex and confusing world that is left to specialists. Employees of all departments are becoming increasingly tech savvy and are demanding greater involvement in defining technology projects on an individual (initiative based) and collective (PMO) basis. IT PMOs are being driven more mainstream and these trends will not only continue, but accelerate.

PMOs today

There is no single model for PMO success today. Some PMOs have complete control of project functions – training, process, resource management, auditing, reporting, etc., while others will only manage a subset of these functions. Some organizations have a single Enterprise PMO (EPMO) while others have department specific PMOs. Some organizations have still not implemented PMOs at all.

It's not always been a smooth ride – many PMOs were implemented without due consideration of the objectives that they were expected to achieve and have gone through a number of iterations. Others had unclear scopes and spans of control and had to evolve until they met the needs of the business.

While each company has found its own model for PMO success, one thing has become increasingly clear – PMOs work. They aren't a silver bullet that guarantees project success, but they improve compliance with standards, provide consistency across projects, match the right resources with the right initiatives and ultimately drive better deliverables. The PMO is here to stay and is evolving to reflect the changing approach to projects, especially in the technology space.

The CIO who does not yet have a PMO in place needs to seriously consider implementing one in the short term or risk losing control of project execution for good.

The IT PMO of the future

The changing face of IT is going to require significant evolution of PMOs, and when combined with the changing needs of the business as a whole, that evolution can quickly become revolution. There are four significant and distinct trends that will shape PMOs in the coming years and those are discussed in more detail below. Organizations need to ensure that their PMOs are ahead of these trends so that they can control the way that those PMOs respond to the challenge. Otherwise they will be caught in reactive mode when the changes are already occurring.

The key trends are:

- Progression towards a centralized, business driven, EPMO model where IT projects are merely a subset of all projects that need to be managed using business driven processes and tools. The need for consistency, repeatability, efficiency and project effectiveness will drive more and more organizations towards a centralized PMO handling all initiatives. There will be a focus on what is common across all projects (rather than on why IT projects have to be different) and the approach will be defined based on that commonality. The unique

requirements of individual initiatives will be managed by appropriately skilled project managers within a common framework.

- An increasingly dispersed staffing and knowledge model. Alternate working arrangements are nothing new, but modern technology is increasing the practicality of people working remotely, especially with relatively solitary tasks like software development. Additionally, tech savvy workers expect to be able to work when, where and how they want, and those technologically aware resources are no longer only in technology roles. At all levels of the business there is much more influence on IT as understanding of the function increases – effectively creating a dispersed influence and decision making model based on knowledge workers in key roles throughout the organization.
- A shift in focus from micro level process to macro level standards supported by appropriate process. As the demand for improved efficiency and flexibility in project execution increases, the traditional way of doing things – slowly evolving project methodologies in small steps driven from lessons learned will begin to change. Instead there will be a shift to establishing common project execution standards with key process areas supporting them, but much more flexibility at the detail level of project execution. This will create a need for balance between the structured framework that traditional project management needs and the flexibility required by increasingly aggressive demands for improved project execution and greater involvement of knowledge workers in the process.
- An increased focus on portfolio effectiveness. More and more companies will look to manage their projects at the portfolio level, and this won't simply be a convenient way to consolidate initiatives and track annual spend. Instead the portfolio will become the unit of measurement for PMO efficiency, focusing on immediate metrics like resource utilization as well as year over year measurements of how the PMO is improving execution.

A centralized PMO

CIOs don't need to be sold on the benefits of consolidation, and it shouldn't come as a surprise that a centralized PMO model is evolving to seek out the benefits of consolidated project execution. The Enterprise Project Management Office or EPMO provides the ability to manage all initiatives and process from a single control point. It is also a business function and not a technology function, and as such will be staffed with a growing number of business resources. As a shared service provider IT needs to comply with the standards and controls that are driven by the business units – effectively creating additional customer requirements around the way that projects need to be managed.

Consolidating the PMO into a single corporate function will naturally also lead to a centralized pool of project managers – specialists in project management discipline rather than in the functional areas that they manage projects for. This delivers flexibility to the PMO, allowing Project Managers (PMs) to be moved to initiatives for different departments and their functions as workloads demand.

As a very simple example, consider Agile development – it used to be a niche approach used predominantly in R&D projects or startup companies. Now it's accepted as a perfectly legitimate way of developing products, especially when that end product is still somewhat undefined when the

initiative is launched. While not an IT exclusive approach, Agile is definitely IT-centric and it's unlikely that an EPMO will consider the unique needs of such approaches unless IT is represented at the table during the development of the EPMO model. Even here though, the execution of an Agile approach will again drive a greater influence by the business. Agile cannot be effective without a significant amount of involvement by business stakeholders – an EPMO driven Agile process may be designed for IT projects but it will impose requirements and create roles and responsibilities for all stakeholders in order to maximize the likelihood of the business goals being met.

Consider also the way that technology is integrating with the way that business is done. Over the last ten years IT and business functions have moved closer together, becoming a partnership rather than competitors for limited resources. This isn't coincidental, it's a reflection of the way that business is changing – technology now impacts virtually all aspects of a business, which has been one of the drivers towards a shared services model – IT services consumed by multiple business unit clients. The next logical evolution is a consolidated PMO – the EPMO.

Before an IT PMO can be transformed into part of a larger EPMO, there needs to be an accurate understanding of where it is today – what is the current project approach, how appropriate is it for the way that the organization works, and how effective is it? This will help create the 'baseline' of the current project methodology and establish the work necessary to move from there to the desired end state as part of an EPMO. For example, if the IT PMO already has processes that allow for appropriate business driven checkpoints and reviews then that is an aspect that can likely be incorporated into an EPMO with little additional work. On the other hand, if the project processes haven't been reviewed and updated to reflect the recent shift in IT from product owner to shared services provider then there may need to be a requirement for comprehensive process reengineering rather than simple evolution.

A dispersed staffing and knowledge model

Remote workers are not a new concept. Whether it is an offshore project team, a geographically distributed company footprint, or simply a home worker, IT has been managing dispersed resources for years. However, with modern technology advancements this is going to become even more pronounced.

The combination of increasingly powerful portable devices and the ready availability of secure network access virtually everywhere is slowly making the traditional office location obsolete. Workers who use technology almost exclusively to complete their daily tasks see no need to spend time each day commuting to or from a central location when they can be just as effective in their home or local coffee shop. Similarly, they don't want to be tied to the restrictions of a 9am – 5pm working schedule – they want to work hours that are convenient for them.

This is not an IT exclusive development, technology specific knowledge workers are becoming the norm in all aspects of the business, and that imposes demands on IT projects. With technology departments now fulfilling the role of vendor in a shared services model, they need to recognize that their customers – the business units, are changing the ways that they wish to consume those services and it is their responsibility to ensure that those changing business needs are met – during project

selection to execution (greater involvement by the business in planning, monitoring and control), in the delivery of the services (the right services, at the right time, delivered in the way that the user wants to consume them), and in the support of those services (out of hours and out of office).

It's easy to see how this can quickly become difficult to deliver – a distributed workforce trying to meet the needs of a distributed user base. Communication is obviously the key, but this has to be more than simple status meetings and conference calls. It needs to include meaningful collaboration between IT and business teams as well as within the project execution team. That requires 'active' technology tools that allow resources to work together in a central technology based community, rather than the simple 'passive' tools of a status report or similar one way communication approaches.

PMOs need to ensure that they provide a technology framework to support these new ways of communicating and collaborating, that there are project and program specific communities and that the processes that they provide support a dispersed workforce – allowing team members to provide updates to centralized plans online for example, or allowing business stakeholders to interact with the team in reviewing prototypes.

PMs need to recognize that schedule, task and people management needs to evolve in this environment. PMs need to work with their resources on a more individual basis, either directly or through team leads, and communication needs to be the method that works best for the resource – minimizing their time away from the task. That will require PMs to track progress through online collaboration and reporting tools, and to focus that reporting on whether the task will finish on time (rather than its current completion percentage).

Micro to macro level

Currently project methodology, processes, procedures and tools focus on providing detailed guidelines for how projects should be managed. The goal is to provide a relatively rigid framework that brings consistency to each project, allows for comparisons to be made across projects, and delivers repeatability in each project execution. Implemented appropriately they work well, but they are inconsistent with the changes that are coming to PMOs.

There is no doubt that extremely well structured processes can help a PMO to deliver successful projects, but they do create their own overhead. The traditional argument is that this overhead is offset by the reduction in risks that they also deliver, and this is true, but those benefits are eroded if the project approach is inflexible. The business focus is on overall project efficiency and effectiveness – the right projects, at the right time, and at the right cost (dollars, resources and risk). The balance will be different for each project, and that in turn requires the ability to be flexible in the project approach in order to meet those goals..

The answer is not to try to completely reengineer the existing project processes to work in the evolving environment – that will be a never ending process that consumes a lot of resources and frustrates project managers and their teams. Nor is it to create multiple processes that can be selected on a project by project basis – that will simply lead to confusion for the business and the execution team. Instead, the shift will be upwards – away from detailed project execution processes and to a looser framework within which project managers have more freedom.

PMOs will manage standards – the governing principles that each project is managed under. Some of these will be consistent across all projects, and some will be supplemental project specific initiatives. Examples of possible standards include:

- **Common**

- Every project must have a charter reviewed and signed off by all stakeholders before the project is considered approved
- Every solutions design must be reviewed and approved by a senior architect before development begins
- Every project schedule must have an approved baseline before project execution begins

- **Project specific**

- Contingency reserve for this initiative must not exceed \$1,000,000
- If more than five risks are considered ‘critical’ at any time then an internal risk audit must be performed
- Delays in excess of ten working days must be communicated to the client

Implemented effectively the standards can still ensure that the PMO has management control over each of the projects that it is accountable for, but individual project managers are less tied to regimented approaches that dictate the ‘how’ of their project management activities.

Minimizing prescriptive processes allows PMs to better support alternative approaches to project delivery and it gives them the flexibility to manage dispersed teams.

A successful macro level standards model will require a shift in the way that the PMO is constructed. Much more care must be taken to hire and develop project managers who can be successful in a less structured model – a shift away from PMs who excel at detailed process and towards those who can thrive in (and prefer) a more flexible environment where they need to manage their own activities without as much process control.

It will also require a PMO toolset that can help organizations balance their current use of a more structured approach while they evolve to a less structured approach– a PMO that relies on individual status reports being delivered at standard times and in standard formats for consolidation into a standard portfolio level report will have difficulty adapting to a standards based model where comparison is made on the results, not on the way that those results were achieved.

Portfolio effectiveness

Portfolio management is not a new discipline, but it is not yet universally applied across organizations, and it certainly isn’t as effective as it might be in organizations that have not yet considered an EPMO model. Most PMOs are still focused on the project or program level where the goal is to deliver a defined set of deliverables, when they are supposed to be delivered, for the price agreed to, and at the standard previously determined.

Portfolio effectiveness goes much further; taking a business focused strategic view to the overall effectiveness of the suite of programs and projects. It looks not just at performance of projects against constraints, but also whether the project deliverables achieved their goals, whether the selected projects align with the corporate objectives, etc.

Just as an EPMO is a logical next step from department level PMOs, so portfolio management is a logical next step from project and program effectiveness. Organizations should first focus on delivering the correct projects and ensure that they can consistently deliver the expected results. This becomes far easier in a central control function like an EPMO because you already have centralized management of the initiatives that make up the portfolio, but having an EPMO is not a requirement for portfolio management.

Portfolio management introduces a broader approach to managing the business – looking at performance over time, considering returns on project deliverables beyond the project closure phase, planning for future needs, etc. This will become increasingly important as organizations continue to drive towards improving efficiency and effectiveness, but it will take adherence to governance processes to achieve lasting results.

While the PMO itself is becoming more centralized, the resources and functions are becoming more distributed, stakeholder groups are increasing in size and becoming less obvious as knowledge workers increase throughout business functions and the shared services model brings new IT / business relationships into play.

This will require portfolio management to become part of the PMO environment – it needs to be considered as part of the foundation of how PMOs operate rather than a series of metrics that can be overlaid. For example, projects consider the need to measure the benefits that their outputs deliver from the outset – the metrics are engineered in to the management of the initiative rather than tracked and measured after the fact.

Similarly, project managers will be expected to become increasingly skilled at general management tasks, viewing projects as businesses in microcosm where they are responsible for the management of more than just their constraints.

What the future IT PMO will look like

These changes aren't going to happen overnight, but they will happen, and CIOs need to be ready for them. The IT PMO in a few years may not even be a PMO; it may well be a section within a corporate wide EPMO. IT as a business unit will be a shared service provider to an increasingly diverse set of business users as organizations seek to benefit from centralized functions as much as possible. This will result in an increasingly diversified project portfolio with an increasingly distributed set of stakeholders. The number and complexity of knowledge workers throughout all departments will increase and drive even more demands on IT projects and their management.

PMOs will be managing a resource pool that is more distributed than ever before – in fact there may not even be a central office for staff to go to on a daily basis. Projects will be executed in a number of different ways, with the demands of the project dictating the most suitable approach for each initiative.

Project managers will be operating with more freedom and so will their teams; the PMO will still be monitoring, controlling and reporting. Yet for all of these changes there will still be similarities with today's PMO. The PMO will still provide a central point for managing project execution. It will still be a support tool for project managers and will define how projects need to be managed.

Projects now account for a significant part of the annual corporate spend, and PMOs will play an increasingly strategic role in the management of their organization.

Conclusion

CIOs face significant changes in their departments in the years to come, and PMOs will be a significant part of that change. PMOs need to evolve to support the business at a more strategic level and the number of EPMOs will be increasing considerably. This in turn will drive a need for more strategic management of the project portfolio – beyond the tactical, initiative driven approach that exists today to a much broader management approach that sees each initiative as a part of the overall picture, not just a self contained entity requiring management.

The changes coming in IT will drive changes to the way that people expect to work and the individuals and group that they work with. Project resources will expect to take advantage of that just like their colleagues in operational areas. This in turn will drive changes to the overall project management approach to provide the flexibility needed to manage projects while still maintaining the overall standards that the PMO needs to demonstrate compliance with. Finally, this will require project managers with the skills to succeed in a more complex and less structured environment, where changes may be considerable from one project to the next.

Today there are many different successful PMO models. In the future there will still be many different models, but they'll be significantly evolved from today and CIOs need to prepare their PMOs for the changes ahead.



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