Whitepaper

Linking the IT PMO to the Business

Establishing a Value Center

What are the important questions in your organization?

If yours is like most companies today, the questions are about two central – and not coincidentally, interrelated – issues:

- Growth: Growing the business in a volatile global economy

- Customers: Retaining and attracting customers with innovative products and experience

Now ask yourself: how often are the business leaders in your organization coming to you to help find solutions to these issues?

If your company is like most, probably not that often.

Executive leadership sees growth and customer satisfaction coming from the transformation of the business[2]. Innovation, digitalization, commercialization: these aren't buzzwords, they are survival strategies.

The IT PMO is ideally positioned to help make these strategies real, but is rarely perceived in this light. Linking the IT PMO to the business means changing perspectives and focusing on value delivery in a new way. This paper provides a real-life, prescriptive approach to turning that perception around.

Read on to learn more.

Relevance: Your company's – and your own

Right now, the matter of relevance is top of mind for CEOs. Consider:

- 82% of CEOs worry that their offerings will be irrelevant to customers in three years[3]

- 41% of CEOs expect to be running significantly transformed companies in three years[4]

- 50% of CEOs believe that their industries will be almost unrecognizable within five years[5]

These are concerns. These are also opportunities for the savvy IT PMO.

But first, let's examine the issue of perception.

How is your PMO perceived? How does your relevance compare to these concerns?

Most companies see the IT PMO as a cost center. From a financial and reconciliation perspective, IT and PMOs show up as a line item in budgeting and reporting. That halo of "cost" is therefore attached to the PMO, and that's hard to shake.

How can you change the general perception so the business understands that this is what the IT PMO does and is?

Become a value center. Value centers deliver outcomes that contribute to revenue and add to relevance.

It's time to change perceptions and link to the business.

> To sum it up: Shift from a cost center to a value center and achieve greater relevance.

The gap between the business and IT PMO

There's a fundamental gap between the business and IT and IT PMOs specifically. While IT often sees the PMO as solely focused on keeping the lights on; the PMO becomes frustrated with IT's dodging of process.

It's likely that the truth has gotten lost in years of mis- and non-communication. Meanwhile, silos, standard ways of working, and other issues have led to misperception.

In a recent survey[6], Forrester Research found that 31% of business decision makers and 53% of technology decision makers feel that IT accelerates business success.

While it seems that both groups feel there's room for improvement, it's equally clear that there is a large gap between how much value IT PMOs are working to deliver, and how much they are seen to deliver. What is the reason for this disparity?

According to Gartner surveyed business stakeholders, 67% agreed PMOs should monitor portfolios of projects and programs to ensure value is delivered while only 38% said their PMOs perform this function.

While this may or may not be indicative of the actual work PMOs perform, it is likely indicative of what business units *perceive*.

While these perceptions are frustrating, they also give reason for hope. The goal is to build on what's good while learning the reason for this disconnect.

It starts, simply enough, with a conversation.

Talk with your team: where do you think we stand? Have a frank look at how the team works, what's happening in the industry, and what the company needs. What are we good at, and where do we need to improve?

Talk with your business stakeholders: where do you think we stand? On what projects recently have we delivered value, and how? When did we not, and why? What metrics would you like to see? When, and how often? In what format, and channel?

These discussions start to give you and your team an understanding of how you can shift perception of being a cost center to a value center and create a link to the business. Hopefully it will begin to uncover easy ways you can make small process changes – the timing of a report, the way a scoping document is filed – that represent big wins for the business. The key is to show the business that the IT PMO is its partner and collaborator.

The missing ingredient: connecting strategy and execution.

> To sum it up: Talk to your team and business stakeholders to identify what information is needed to make business decisons.

Building bridges between strategy and execution

What matters to your CEO? If you do nothing else tomorrow – at the office, that is – find this out. Write it down, pin to your wall, and share it with your team. His or her top concerns for the organization are yours.

Recent surveys by most major market watchers and analyst firms, such as this one from Gartner[7], have consistently borne out that growth and customers top the list now and for the coming years.

Figure 1. CEO Top Business Priorities for 2017 and 2018
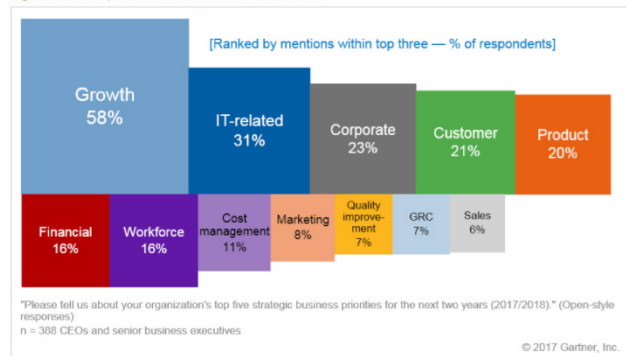
If growing the business is important to your CEO, then this is a goal for the business units you support. Therefore, if you can find a way to demonstrate that your efforts support company growth, you are showing alignment to corporate goals. This will modify the cost center perception greatly.

If establishing a customer retention strategy is a top goal for your company, demonstrate that your programs are tuned to improving the customer experience. Tie your efforts directly to strategic goals just as you would projects. This will go a long way toward establishing the IT PMO as a value center.

Digitalization and the CEO

One key way to create the value perception in these and other areas is by showing your ability to lead in innovation efforts. CEOs see digitalization as the way to achieve goals in both growth and customer acquisition and retention; few functional units are as ideally set up as IT PMOs to help make these strategies real. CEOs believe the value of digital product features will grow by nearly 20% over the next several years[8], and for the well-placed IT PMO, that spells big opportunity. Now is the time to right-set perceptions and show the real value that PMOs deliver.

Need another reason to build that bridge to the CEO? As they make digital transformation the cornerstone of

their plans to drive their companies forward, many are choosing to head up these initiatives themselves[9]. The IT PMO that is perceived as savvy, aligned and consistently delivering value can expect to be the CEO's go-to in this critical endeavor; those who fail to build the bridge will continue to be relegated to non-innovation activities and suffer increased irrelevance.

> To sum it up: Know the CEOs top concerns, tie efforts and outcomes to strategic impact.

Outcomes, not activities, build bridges

Traditionally, IT PMO have focused on cost cutting and efficiencies. In fact, 75% of business leaders do not think IT can support innovation or transformation.[10]

A recent Gartner survey reveals that patterns and processes learned over time have resolved into the metrics that IT PMOs track.

Gartner PPM Summit, June 2016 KPI and Metrics for Communicating PPM Success and Effectiveness," Lars Mieritz

On-budget and on-time delivery are the number one and two check boxes that IT PMOs measure on projects and programs. But why?

Efficiency and savings don't differentiate a brand.

Focusing on time and budget is no longer meaningful: what matters is getting the right the products and services delivered to the marketplace that support corporate strategy.

> To sum it up: IT PMOs must execute on the right projects at the right time to remain relevant.

1. Project/program results directly support a major business strategy

2. Full delivery of the project's/program's value was captured in the original business case

When the IT PMO aligns work with corporate goals, it will result in outcomes that support key initiatives and whose value is inherent. And when the original business case document includes the goals and intended value of the project/program, it empowers the PMO to make better business decisions if and when priorities change, and work with the relevant stakeholders to identify ideal change scenarios.

Changing focus

The question is not if IT PMOs deliver value. The question is *how* to show the business that they do.

One problem is that the business does not always understand the full workload of the IT PMO, perhaps because they do not see the full workflow cycle end-to-end.

While PMOs understand the significance of process, developing standards, monitoring projects, allocating resources, and so forth, not all of these activities are viewed as "valuable" to the business. Right or wrong, in a recent survey, of 18 identified PMO responsibilities, business stakeholders identified these five to have positive value:

Planning Activities

1. Needs identification: Managing demand against capacity; quantifying the benefits of a project/ program and determining the potential impact on strategy

2. Transparent investment: Providing an objective prioritization process that ensures that projects/ programs are prioritized into the queue and are resourced, and communicating this appropriately

Execution Activities

3. Organizational change management / Business Process Re-engineering: Managing and derisking the work process, and continual process improvement that improves delivery and repeatability metrics

4. Application development: Whether maintaining, innovating, or both, this is the area often top of mind for many business units

5. Measurement: Delivering just-in-time metrics in the right channel and medium for the right stakeholders

Consider that these are only five of 18 responsibilities . That means the majority of a PMO's responsibilities don't deliver value from the business's perspective. The key is not to drop the 13 other areas that make PMOs run smoothly (obviously). It's simply to ensure that you put the focus on the five that are so valued by business units.

To sum it up: Communicate with your business stakeholders to determine what they need. Implement planning and execution activities that drive the most value to your organization.

Prioritizing strategy

Prioritization

When it comes to project/program prioritization, it's unsurprising, given their area of expertise, that the vast majority of IT PMOs have a prioritization process in place[11]:

• 83% of IT PMOs score new project requests.

Of these:

• 44% use scoring based on business objectives
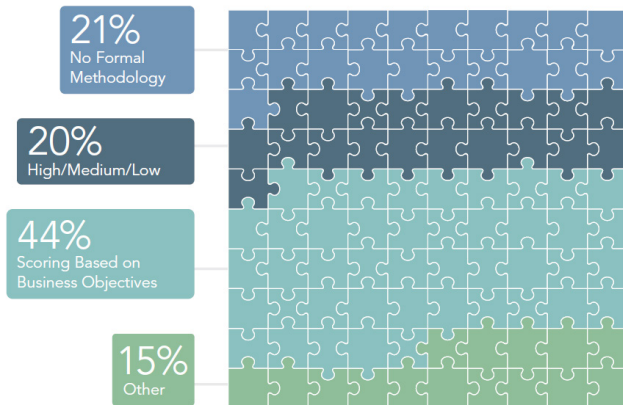
• 20% use high/medium/low scoring

If your PMO group uses high/medium/low scoring, consider developing a business objectives-based methodology. While high/medium/low scoring does offer an initial approach to prioritization, it generally isn't granular enough to enable reporting back exact value to the organization, or connect with specific metrics. Business-based scoring, meanwhile, is specific to strategy, and supports tying a project/program to goals and metrics.

Alignment to strategy

More than half of PMOs feel they lack alignment to their companies' strategic goals. That means that the very organizations tasked with approving and prioritizing projects and programs, and assigning resources to work,

aren't sure if the work that's being done on their say-so is work that should be done.
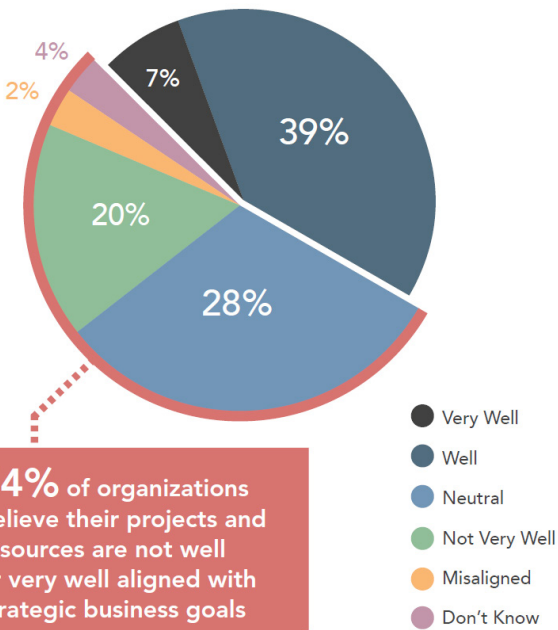
HOW DO YOU ALIGN AND PRIORITIZE YOUR PROJECTS?

21% No Formal Methodology

20% High/Medium/Low

44% Scoring Based on Business Objectives

15% Other

Source: Innotas, The Project and Portfolio Management Landscape, 2017

If the PMO is not aligned to strategy and is mapping priority to other issues, this makes changing the value misperception doubly difficult. Taking small steps and involving your business stakeholders can make a big difference in addressing this misalignment.

Examples include:

Portfolios/Initiatives: Innovation vs Maintenance. Both are needed in any organization, but what's the ideal balance for yours? See your business stakeholders as partners, and get their input.

4%
2%
7%
39%
20%
28%

54% of organizations believe their projects and resources are not well or very well aligned with strategic business goals

- Very Well
- Well
- Neutral
- Not Very Well
- Misaligned
- Don't Know

n=191

Source: Innotas, The Project and Portfolio Management Landscape, 2017

Prioritization: Work up to an objective aggregate model, and get their buy-in to use it when requesting work. Quantify alignment to corporate or organizational goals, and have them score each requested project on a scale from 1 to 5 for each goal. That makes it easy to gauge the true need for each project, and removes politics, squeaky wheels, and gut feel from the equation.

To sum it up: Partner with the business to prioritize projects that align to strategic objectives.

A prescriptive approach to adding value

As discussed, the reality is that the IT PMO is already adding value to their organizations. The goal is to change perceptions by highlighting those areas that are of high importance to the business, while learning to focus more on what matters to leadership.

It doesn't require retooling your entire organization: small steps every day can create big results, and can start to build the bridge from your organization to the business. Invite business stakeholders to participate as partners when appropriate and make IT PMO team members part of the success journey.

Start with the strategy, build into execution, and feed the learnings back into a loop that increases the value each time.

Planning Activities

Step 1 Strategy: Alignment to what matters

Does the IT PMO know the corporate plan and goals?

Is the organization doing work that matters?

Step 2 Portfolio Investment Planning

Prioritization based on maximizing value and optimizing resources

Is the IT PMO scoring work coming in by the right methodology?

Execution Activities

Step 3   On-time and on-budget delivery

Iterative and continuous

On-time and on-budget are relevant now that the right work can truly be delivered

Step 4   Measurement and reporting

Communicate outcomes and business impact

Did the completed work have the outcome and impact expected and captured in the business case?

This feeds back into strategy: the IT PMO's goal should be to always improve, which will continue to advance the perception of value delivered.

Next steps

Where do you go from here?

Linking the PMO to the business remains vital and keeping the value perception alive is an ongoing activity. As the PMO team becomes more tightly aligned with the goals of the company and its leadership, the business will look to the PMO more and more to help support innovation. Balancing transformative programs with maintenance requires a deft hand with process and resources. It's not always easy, but a necessary component in becoming a value center and strategic driver for the business.

If you'd like to learn more, these resources are designed with the IT PMO in mind:

- Research Report: Project Portfolio Management Landscape Report 2017

- Analyst Report: Gartner 2017 Magic Quadrant for Project Portfolio Management, Worldwide

- Whitepaper: The Savvy PMO Guide to Priortization

To learn more about Planview Project Portfolio Management Software, visit **Planview.info/ITPPM**

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