The PMO Lifecycle: Building, Running, and Shutting Down

By William D Dow, PMP, ITIL, CSM, SA, PMPO

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Dedication

When I thought about dedicating this book, I wanted to focus on one person this time: my wife, Kathleen Dow. It has been a rough year with some medical issues for us, and so I want to take this time and say Kath, without you, I would not be who I am today. You are my rock, my support mechanism, my life. You are everything to me. I want to thank you for being you, and I could not have done it without you!

I also want to thank my mother and my brothers and sister and of course my son William Dow. Billy, I am so proud of you and you mean everything to me.

About the Author

William Dow, PMP, is a recognized expert in project management by the Project Management Institute (PMI) for developing and managing project management offices (PMOs.) His extensive experience with project management and PMOs has enabled him to co-author several comprehensive books (available from **Amazon.com**).

Bill has taught at the college level for more than 15 years in Washington State, as well as in British Columbia and Ontario, Canada. He has worked at Microsoft for more than 10 years. He has spoken at multiple PMI conferences, breakfasts, and events nationally. **ProjectManagement.com (http://www.projectmanagement.com)** and PMtimes **(http://www.projecttimes.com)** host numerous articles by Bill.

As a PMP and subject matter expert, Bill is available to author white papers, articles, and blog posts on specific topics relating to trends in project management. He is also poised to deliver training, however basic or complex, in project-management methods.

Books by William Dow

The PMO Lifecycle: Building, Running, and Shutting Down (2017)

Project Management Communication Tools, co-authored with Bruce Taylor (2015)

The Tactical Guide for Building a PMO (2012)

Project Management Communications Bible, co-authored with Bruce Taylor (2008)

Courses by William Dow

The PMO Lifecycle: Building, Running, and Shutting Down Online Course (2017)

The Tactical Guide for Building a PMO Online Course (2017)

Details found here**: https://www.dowpublishingllc.com/courses/**

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Chapter 6

The Lean-Agile PMO

Review Questions

1. How does your PMO add value to project delivery in your organization?
2. Which elements of the PMO service catalog are important to your organization?
3. Which tools or capabilities will the Lean-Agile PMO provide to facilitate project execution?
4. How can you start to redefine your PMO charter?
5. What are the essential steps to build a Lean-Agile PMO to provide organizational value?

This chapter covers the principles of a new type of PMO: the Lean-Agile PMO. Building a new Lean-Agile PMO is a question of identifying its purpose and clarifying why your organization should invest in one. There are several factors to consider in this process, but the primary one is simply this: How will it add value to the organization? This chapter presents a blueprint for a Lean-Agile PMO, summarizes the typical processes, and identifies the cultural challenges presented by the implementation.

Note:
I love the fact we are covering Agile PMOs in this book. Even more, I love the fact that we are covering Agile PMOs in a chapter written by Jon Ward an expert in this area.

Lean and Agile

Most organizations want to improve operational efficiency and demonstrate strategic agility. Recently, many of these organizations have begun to focus on the way in which they deliver change to improve the bottom line. Specifically, C-level managers want change that is faster, costs less, and is less risky to adapt to altering market circumstances, realize opportunities, and respond to new regulations. For this reason, they have begun to place greater emphasis on running projects using Lean and Agile techniques.

As you probably know, Lean techniques focus on minimizing waste while maximizing value. Agile techniques involve rapid delivery with minimal documentation by a self-managing team. Both these approaches present challenges not only to project teams, but also to the project-delivery infrastructure, which includes the PMO.

Historically, PMOs have been seen largely as a reporting function, often described as "project police" or the "reporting engine." But your PMO should be more than that. A modern PMO should deliver services that enhance the speed of project delivery, reduce the risks involved in project execution, and increase organizational agility through the proactive management of the project portfolio. Taking on these responsibilities will make your PMO more valuable and more successful than a traditional PMO.

We call this new type of PMO a Lean-Agile PMO. It's Lean in the sense that it concentrates on eliminating wasteful activities and seeks to maximize the value of the PMO to the business. And it's Agile in that the PMO provides services that enable the organization to execute the right change with strategic agility. We have found that the Lean-Agile PMO concept has application in organizations where waterfall, Agile, release management, or a combination of delivery processes is used.

This chapter discusses how to transition or develop the PMO function into the Lean-Agile model. But beware! Transitioning a PMO from a reporting function to a modern business support function is no small task. It involves massive change in terms of both culture and process.

Updating the PMO Charter

When transitioning to a Lean-Agile PMO, you must start by updating your PMO charter. No longer should your charter state that the main function of the PMO is reporting. Instead, it should list functions along these lines:

- Ensuring the successful completion of projects
- Providing meaningful information to key stakeholders to show that their investments in change are wisely spent
- Facilitating the prioritization of the change portfolio to deliver projects expeditiously and efficiently
- Enabling project teams to increase the pace and quality of delivery

This charter achieves two key objectives. One, it puts successful project outcomes first. Two, it qualifies the informational role of the PMO. Essentially, it proves what value you can add. For more information about each of these functions, read on.

Ensuring the Successful Delivery of Projects

In organizations where Agile prevails, each team defines and continuously refines its delivery process. Likewise, the PMO must forego its rigid framework. The question facing every PMO is, how does this function encourage and ensure the successful delivery of projects? Answering this question often provokes a radical rethink of the PMO's staffing, operation, and approach.

Providing Meaningful Information to Key Stakeholders

Many champions of Lean-Agile claim that project reporting is obsolete. From a project-delivery perspective, this stance is understandable. But all organizations have rules around CAPEX and OPEX expenditures—even Agile organizations. And senior executives always want to be informed about the status of their teams with regard to delivering products or services to their customers, as well as the challenges they face.

So, what do I mean by "meaningful information"? Well, what I *don't* mean is simple project status reports. The Lean-Agile PMO should offer independent assessments, draw conclusions, and indicate cross-project implications beyond what appears in a normal report. The Lean-Agile PMO must also provide key stakeholders with its view on the challenges and opportunities in the portfolio. Both these practices will help the PMO to prove its value.

Facilitating the Prioritization of the Change Portfolio

The Lean-Agile PMO provides senior executives with the assurance that the change investment portfolio is being well managed. Broadly, the objectives are to launch the right projects at the right time, and to make sure they succeed.

Enabling Project Teams to Increase the Pace and Quality of Delivery

Many traditional PMO functions reduce delivery pain points by applying an inflexible delivery framework with a robust stage-gate process. On top of this, they use specific—often pointless—artifacts as a primary

means of evaluating status and reporting on project execution. Usually, the consequence of this behavior is that the PMO function acts as a brake on delivery rather than an accelerator. In contrast, a Lean-Agile PMO is designed to facilitate the swift and successful completion of projects. To do this, it must redefine its service catalog, the way it operates, and more importantly, how it engages with stakeholders and project teams.

Updating the PMO Service Catalog

Lean reduces waste and seeks to maximize business value. Agile delivers solutions quickly, without the overhead of long-term plans or detailed specifications. Neither of these statements describes a typical PMO!

To adopt a Lean-Agile approach, the traditional PMO must be transformed and its service catalog redesigned. Traditional PMOs in organizations of any size use a spoke and hub model with three levels or types of PMO: enterprise, portfolio, and program. The Lean-Agile PMO model has the same three levels, but using the Lean philosophy, each level has its own distinct responsibilities:

- **Enterprise:** At this level, the focus is on financials, budget allocation, project initiation, and the like.

- **Portfolio:** Here, the focus is on managing and reducing the business risk associated with the impact of change on business operations.

- **Program:** At this level, the PMO focuses on progress, delivery risks, and dependencies.

Where resource allocation, supplier quality assurance, and purchasing approvals fit in the hierarchy will vary from organization to organization.

A fundamental purpose of the Lean-Agile PMO is to increase the number of successful initiatives while also increasing the pace of change delivery. It does this in two ways: by encouraging teams to continuously improve and by providing teams with information that promotes learning and the improvement of delivery.

The PMO service catalog must be adapted to include both these objectives. It should also include the specific provision of information services to provide support for estimation and risk management as a means of learning from past projects.

Lean-Agile PMO Responsibilities

The responsibilities of the Lean-Agile PMO break down into four broad areas:

- Managing project financials
- Managing the portfolio
- Facilitating project execution (enabling more to be delivered faster)
- Providing information to stakeholders

The Lean-Agile PMO is designed to facilitate and enhance the speed of change delivery with minimal impact on Agile and waterfall program and project teams.

Figure 6.1 shows overlaps among the main PMO responsibilities. (Note that I have used the disciplined Agile stage model to depict project team actions, but this could be any delivery model, including a traditional program or an Agile program using SAFe.) The process goal statements that follow clarify these commonalities. For example, it is hard to separate some aspects of managing the financials from managing the portfolio, as portfolio management has financial, risk, return, and resourcing implications. Similarly, facilitating project execution depends on project assurance. This is undertaken predominately on behalf of stakeholders, but can also can be used by the Lean-Agile PMO to accelerate the cycle time for project outputs.

Figure 6.1: Overlap of PMO responsibilities
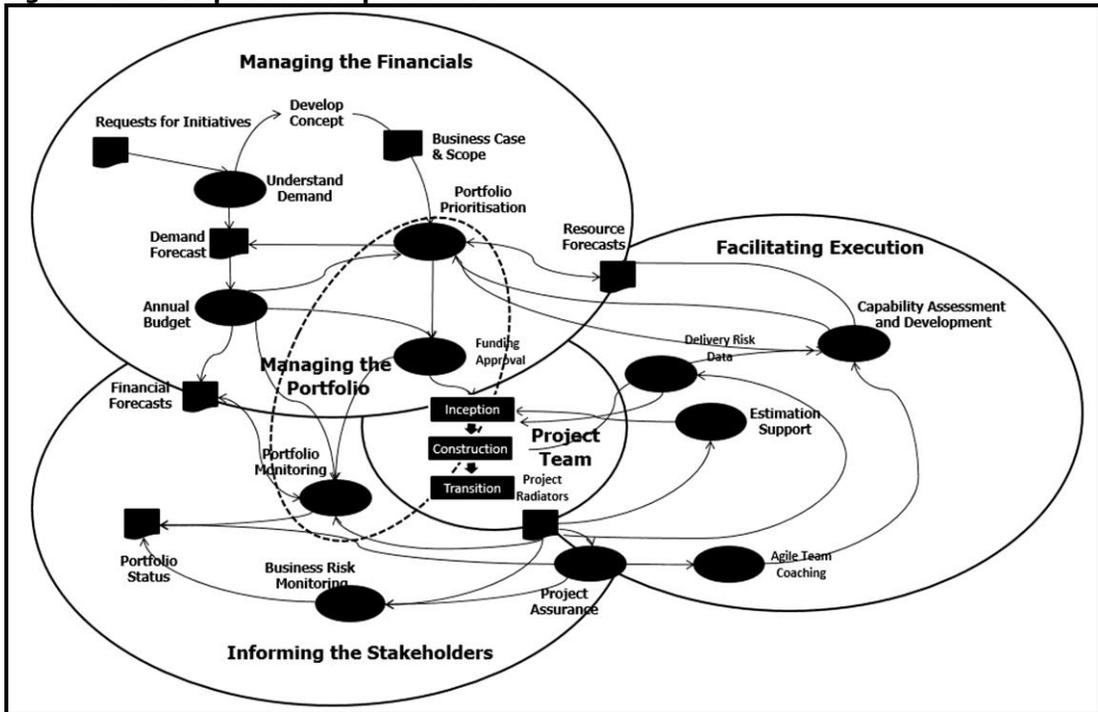
Managing Project Financials

The Lean-Agile PMO must establish a minimum set of financial figures, budgets, expenditures, and forecasts to fulfill the organizational fiscal requirements. It must then ensure that the projects produce this information as needed, following the principle of "just enough." Specifically, managing the financials involves the following process goals:

■	Obtain the request for an initiative	A request for an initiative (project or program) indicates a business desire to do something. Typically, the information available at this stage is somewhat scant; often, the idea needs to be developed or fleshed out. Key data for the PMO includes who is sponsoring the program and who in the organization is accountable for the benefits to be delivered.
●	Understand the request	This is captured in the demand forecast (discussed next). For those requests that are unclear—either in meaning or significance—you must initiate concept development. The output of this is an Agile business case and scope, which are inputs in the portfolio-prioritization process.
■	Prepare the demand forecast	Most organizations demand a financial view of the project work as part of their annual planning process. The demand forecast is an ideal-world view of the changes requested by the business. During the business-planning process, this ideal-world view is modified by budgetary and resource constraints.
●	Prepare the annual budget	The annual change budget is defined at the beginning of the financial year. The portfolio-management process then allocates this budget to in-flight and upcoming initiatives.
■	Prepare the financial forecasts	Organizations typically expect a monthly statement of expenditures and a forecast of potential expenditures.

A disciplined Agile process is well-suited to stage funding as practiced by many organizations. Lean-Agile PMOs are actively involved in the portfolio review and the allocation of funding for projects. These PMOs are also involved in backlog grooming—that is, evaluating whether the project request is still valid or if it could be merged with another request to create synergy or reduce risk.

Managing the Portfolio

When managing the portfolio, the Lean-Agile PMO manager must accept that some projects may use an Agile approach, others might use a waterfall approach, and still others could use continuous delivery.

Note
Lean-Agile PMOs still run waterfall projects. The key is to understand which model to use when. Some Agile PMO managers fall into the trap of avoiding waterfall delivery at all costs, which is not always a valid option.

Portfolio management in the Agile world is similar to portfolio management using traditional waterfall frameworks. However, there is no detailed definition of scope. Instead, PMOs must look to the Agile release schedule and minimum viable product definitions. They must also place greater emphasis on the value delivered on preserving desired business outcomes.

Managing the portfolio responsibilities of the Lean-Agile PMO includes the following process goals:

Portfolio prioritization — Portfolio management uses a risk-value analysis to establish the priority of initiatives in the portfolio backlog or work slate. This activity places demands on the Agile business case and scoping statements to provide the necessary information.

Projects that have fixed external deadlines, such as non-discretionary regulatory requirements, tend to be exempt from the prioritization process. Others are ranked and are allocated funding and resources to enable the company to take the necessary steps toward its strategic goals.

The resulting discretionary portfolio should be balanced between strategic objectives and continuous improvements and make logical sense with regard to timing, risk, and resources. On a quarterly basis, the Lean-Agile PMO should be involved in backlog grooming.

Funding approval — A disciplined Agile process is as well-suited to a staged funding approach as the waterfall processes practiced by many organizations. The Lean-Agile PMO is actively involved in the portfolio review and the resulting allocation of funds for projects. The PMO is also instrumental in stopping projects that no longer meet investment or business goals.

Portfolio monitoring — The primary objective of portfolio management is to balance benefits with financial and resource investment and the appropriate business and delivery risk level. Regularly reviewing these aspects enables the PMO manager to provide independent analysis and observation of the overall health of the portfolio. This analysis includes budget; actual spend; forecast, timeline, and business risk impact; forecast benefits; and actual benefits realized. Typically, the PMO manager provides portfolio status reports to the investment committee or the body that approves expenditures and the allocation of resources to projects.

Note
Check out Chapter 10, "Portfolio-Management Methodology," for more information about portfolio management.

Facilitating Project Execution

Facilitating the execution of projects is the *raison d'être* for the Lean-Agile PMO. For the PMO manager, providing information and process guidelines in the spirit of collaboration and with full cognizance of the self-managed team principles of Agile is a key role.

The Lean-Agile PMO, by its actions, must build a culture of trust and cooperation with the project and program teams to earn their respect. These teams must see the PMO as adding value to the delivery process rather than simply acting as project police.

Bill's Thoughts
Whether you build an Agile PMO or a generic one, you must avoid becoming project police. Once you fall into that trap, it is often very hard to get out of it!

This is no small feat. Typically, organizations that use Agile exercise more discipline than those that use a waterfall approach. For example, the Lean-Agile PMO plays a key role in ensuring that the most capable personnel undertake the most complex or risky projects. However, few organizations have enough

capable people to meet their project agenda. The Lean-Agile PMO, therefore, must assess and develop delivery capabilities across all the delivery skill sets. This places an onus of continual evaluation on the PMO function—something that requires considerable discipline.

The process goals for facilitating project execution are as follows:

●	Capability assessment and development	This process accepts inputs from the project-planning and project-inception phases to evaluate the demands of in-flight and potential projects on the resource pool. Preparing coaching, support, and training plans furthers efficiencies in project delivery. (Chapter 19, "PMO Capabilities Assessment," covers this topic in more detail.)
■	Resource forecasts	Resource or head-count forecasts are outputs of the demand forecast. They provide inputs to HR or provide justification for hiring or subcontracting.
●	Delivery risk management	Agile addresses some aspects of project delivery risk management. The Lean-Agile PMO provides information to project teams on risks encountered by other teams. It assists with risk-mitigation planning and provides an independent view of the current project-delivery risk levels.
●	Estimation support	Some Agilists argue that estimation is pointless. However, when considering the justification for a proposed project, the PMO manager must understand potential costs and resource implications in advance to determine whether it is worth the investment. For example, when launching a new or improved product to market, PMO managers need some idea of when significant features might be ready for release so they can plan associated activities. Similarly, when the PMO manager is prioritizing work, the product owner must understand the cost, and the team must understand the value, of each story (or backlog item).
●	Team coaching	As the center of excellence for Agile project execution, the Lean-Agile PMO manager has a role in coaching, challenging, and encouraging the project team toward continuous improvement. This often happens in a "show and tell" process, during which the proactive Lean-Agile PMO manager provides analysis of team metrics and insights from other Agile teams. Additional insights may be gained from the Lean-Agile PMO's project-assurance activities and stage-gate reviews.

Providing Information to Stakeholders

The Lean-Agile PMO manager must interact with and provide information to stakeholders so the project team can focus on the creation and delivery of business value. At times, project teams will create and execute the stakeholder communication and engagement plan so they can drive the desired organizational change. However, the Lean-Agile PMO manager will keep groups such as compliance, procurement, legal, finance, and HR informed on status, problems, and performance issues.

The process goals for providing information to stakeholders are as follows:

■	Project radiator	The status of Agile projects is presented in the form of a project radiator. In geographically diverse organizations, this is likely a document. In less geographically diverse companies, it might be a wall chart.
		Every PMO is interested in status trends rather than a single-point assessment. The Lean-Agile PMO, therefore, must capture status information that can be used as reference points for trend analysis based on the metrics produced by the team.
		The status reports and radiators are used for portfolio-performance monitoring and provide input into the Lean-Agile PMO project-assurance activities. When the team begins to realize the business benefits of the project, these documents show the status of the realization process.
●	Portfolio monitoring	Using the principles established in disciplined Agile, the Lean-Agile PMO will establish a series of explicit lightweight milestones. These milestones are logically linked to funding points or solution-deployment points.
		In portfolio monitoring, the Lean-Agile PMO evaluates the current financial status, the benefits realized, and the resourcing challenges involved in delivering the project portfolio. It documents its deliberations and independent views in portfolio status reports.
●	Project assurance	The emphasis of project assurance for the Lean-Agile PMO is on project health. In this activity, the Lean-Agile PMO manager is involved face-to-face with the Agile team. The PMO manager uses the Agile metrics to evaluate the health of the project. However, because less is written down, greater use must be made of observation and conversation. Assurance consideration must be given to deferred functions or features, particularly if these have high-value scores, as these items could affect the benefits forecast from the project.
		In some industries, external regulators require organizations to undertake assurance so they can verify that projects are being properly managed and that, on implementation, they will not adversely affect consumers or other businesses.
●	Business risk management	In some industries, the Lean-Agile PMO has a role in ensuring that the project has engaged with business risk owners and has properly assessed the impact of the project on the business risk levels, the business risk appetite, and the business risk-control environment.
		The Lean-Agile PMO must also help to ensure that the project team has embraced the needs of business risk management and has adequately considered the impact of deferred features and deployments on the risks

and controls environment.

PMO Competency and Cultural Change

The role of the PMO manager in a Lean-Agile environment is radically different from the role in the traditional model. The staff in the Lean-Agile PMO must act as a center of excellence and have the appropriate skills to execute. With this new approach comes a greater emphasis on PMO decision-making and judgment.

The difficulty in changing from passive monitoring to active facilitation should not be underestimated. The skill set and tools used are radically different. Implementation of this concept requires respect between the project team and the Lean-Agile PMO. For the Lean-Agile PMO, shifting the focus to facilitating the speed of change while still providing the level of discipline and control demanded by the organization and industry is a big step.

The PMO Target Operating Model

The starting point for implementation is to develop a target operating model that is appropriate for the organization. This model will define the levels of PMO needed by the organization and how the hub and spoke responsibilities should be divided.

Experience shows that organizations tend to have one of two types of PMO: an administration function or a center of excellence for projects and programs. Clearly, the uplift in skills required from an administration-focused PMO is greater than the additional skill set required in the center of excellence. However, the behavioral change required may be equally significant for both. The administration-focused PMO will need to become more proactive and consultative to make use of professional judgment.

The center of excellence, which previously operated as project police, may need to become more supportive and encourage continuous improvement. Not only do PMOs need to change, but the customers of the Lean-Agile PMO must also understand the new remit and working methods. In revising the PMO service catalog, the cultural shift in the deployment stage cannot be ignored. Implementing the cultural shift depends upon the current PMO *modus operandi* and the relationship between the PMO function and the project teams. The starting point will be different in organizations with a command-and-control culture and disrespectful or adversarial relations than in organizations in which the PMO already acts in a coach or mentor role.

The key to a successful implementation is to start by illustrating the benefits and then continue to demonstrate the added value of the PMO function to manage the cultural change.

Illustrating the Value

Showing the potential to add value is a way of building a consensus to alter the PMO charter and function. Many organizations initiate projects based on business cases prepared merely as a means to justify the expenditure. If the organization is to improve its strategic agility, the executed projects must deliver the business outcomes identified in the business case. (This assumes that business cases are prepared to execute elements of the strategic plan.)

Research indicates that organizations that measure benefits realized achieve more than 75 percent of their targeted business outcomes. Those who do not realize as little as 40 percent.

In many organizations, the value delivered by Agile methods has been clearly recognized at the project level. However, portfolio and PMO issues can sometimes be exposed when the portfolio contains a mix of Agile and traditional projects.

Managing the Cultural Change

When changing the remit of the PMO, I recommend using the ADKAR model, as it is a well-tested and supported model for cultural change. This model provides a structure for building momentum toward the new culture. As shown in Figure 6.2, the model has five stages, summarized by its acronym ADKAR.

Figure 6.2: The ADKAR model
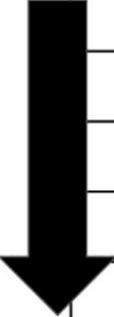
A	**AWARENESS** of the need to change
D	**DESIRE** to support and patriciate
K	**KNOWLEDGE** of how to change
A	**ABILITY** to implement the change
R	**REINFORECEMENT** to sustain the change

Tip
The web is full of information on the ADKAR model. Articles, videos—you name it, you can find it. I suggest you become as educated as you can about this model.

- **Awareness:** The awareness stage builds appreciation for the rationale for the change among those affected. This stage involves the use of an early communications plan that relates the reasons for changing to the Lean-Agile PMO, discusses how things might change, and points toward the intended journey.

- **Desire:** The desire stage is about creating the desire to engage and participate in the change. Many people will embrace the Lean-Agile concepts. However, others may be resistant to changing their behavior. The change plan will include activities to encourage adoption and manage resistance.

- **Knowledge:** The knowledge stage is about the sequence of steps that will be taken to implement the change and how the change is expected to develop. It, too, is supported by the communications plan, but also by an increasing emphasis on the possible adoption of the new practices, the provision of training, and the new coaching role of the Lean-Agile PMO.

- **Ability:** Training and coaching, supplemented by revisions to the change-management framework and improvements to the delivery infrastructure, drive the fourth step in the ADKAR model: the ability to change.

- **Reinforcement:** When the organization institutionalizes the adoption of Lean-Agile practices, it re-enforces the change to keep the new working practices and behaviors in place.

By identifying the required change-management outcomes or goals, ADKAR becomes a useful framework for deployment teams in the planning, execution, and control of their work.

Summary

This chapter outlined how successful a PMO can be in assisting the organization to execute the strategic plan. In the provision of services that encourage project and program teams to deliver faster and more efficient change, the Lean-Agile PMO facilitates the greater strategic agility desired by many C-level managers. In doing so, the PMO becomes a more successful part of the organizational framework.

In my experience, cultural change of this nature is not easy. However, I have found that a Lean-Agile PMO—whether running projects using Agile or traditional waterfall methods—can add great value to an organization and significantly improve the rate and quality of project delivery.

PMO Build Decisions

1. Decide if you will have an Agile PMO?
2. Decide if your customers will accept and work within the principlas of Agile?
3. Decide if your management will operate in an Agile environment
4. Decide if your PMO resources have the background and experience in the Agile environment and/if training will be required.

Company Profile Information Questions

Earlier in the book, we also presented a set of questions to help you define the profile of your company. It is a best practice to review these again while you are filling in your PMO build decisions.

If the company's profile information has changed since you first answered the questions, make sure to update accordingly. Failing to keep the company profile information current, could cause you to make PMO build decisions, that are out of date or not tailored to your business.

Answers to Review Questions

1. You must clearly understand how your PMO adds value to your organization. The answer to this question will be subtly different from organization to organization, and will depend on the type of PMO you are operating. The key question is how your PMO improves project delivery in your organization. This could be by providing historical estimation data or guidance on recently encountered issues; by aiding in risk management; by providing an independent project-assurance capability; or by coaching less-experienced PMs or scrum masters.

2. Which elements of the PMO service catalog are important to your organization often depends on the time of year. For example, during the annual budgeting process, validating project financials and providing estimation support will have greater importance than, perhaps, project-assurance activities. However, providing information about the status of the portfolio will be more important for the quarterly investment committee review.

3. The tools and capabilities provided by the PMO to facilitate project execution will depend on the type of project-delivery environment used by your organization—waterfall, Agile, or a blend of the two. The key is what tools the PMO can provide to help project teams. This is well beyond the provision of a flaccid lessons-learned process or milestone-tracking capability. It is about designing the tools and data resources in such a way that they are accessible to project teams *and* help those teams become more efficient and effective in delivering their projects.

4. The starting point when redefining your PMO charter is often to prove what value you can add. You accomplish this by asking questions rather than presenting a *fait accompli*. Allies can be found in other parts of the organization—for example, from HR by looking at resource profiles or from finance by looking at financial forecasts. Rarely can a PMO charter be changed simply by

adopting new working practices. You will need to recognize that changing the PMO will affect the organizational culture that surrounds project delivery.

5. A friend of mine once said, "If I was going to start this project, I wouldn't be beginning from here!" But life is life, and you must decide on the steps to build a Lean-Agile PMO based on the existing culture and project-delivery processes in your organization. However, in this journey, it is essential to broadcast the steps you plan to take and to illustrate the enhanced and continued organizational value.