

## White Paper October 2009

### Business Benefits of P3O® Implementation

#### Today's Business Challenge

In today's climate of cost cutting and efficiency targets, delivering the change portfolio more effectively is a key objective. This means delivering the right mix of programmes and projects, consistently and well, faster and at less cost.

The need to deliver business strategy whilst ensuring value for money with reducing resources has focussed attention on ensuring that investment is spent on things that matter to an organisation.

At the same time that an organisation is delivering change, it still has to operate business as usual and continue to generate income to balance the books or improve the bottom line.

In order to achieve these stretching goals, governance boards face difficult decisions every day and the need for better quality information to drive those decisions is paramount.

A P3O model will equip an organisation with the structures, tools and techniques it needs to ensure it has the right programmes and projects in place, that business and change priorities are balanced and it has the resources and capability to deliver them consistently and well. Figure 1 illustrates the scope of P3O support to Business Change Governance.

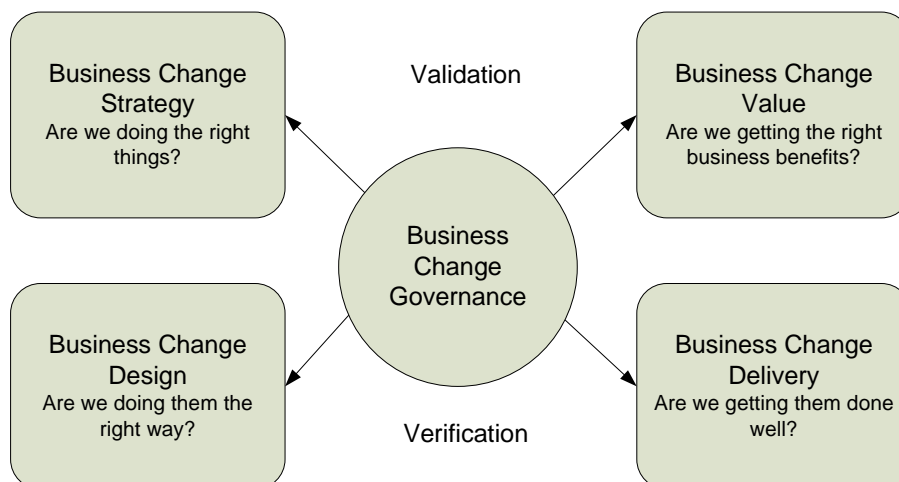


Figure 1 – Business areas where P3O can add value

#### How can P3O help?

Rather than answer the question directly – I'd ask senior managers if they can answer the following questions themselves:

- Are all your programmes and projects really necessary?
- Which ones will help you to deliver our strategy? What benefits will they give you?
- How much is your change portfolio impacting the business?
- How much is it costing you?
- If your budgets are cut, which programmes or projects could you cut or put on hold - what would be the impact on the business?
- Do you have the right people and skills? Are they available when you need them? When is it more appropriate to hire in contract staff rather than do it yourselves?
- Are your managers delivering your programmes and projects consistently and well?

If you can answer these questions, then your organisation probably already has a P3O model in place or has the key components of it. If you can't answer them but would like to, then you should seriously consider implementing P3O.

## Why implement P3O?

The typical questions most people ask when they want to know more about the benefits of implementing P3O are very practical:

- What is a P3O model? How is it different to what we do now?
- How does a P3O model help in implementing strategy and support the balancing of change with business as usual priorities?
- We've had a Programme Office (or PMO) for a couple of years but it hasn't made a difference, what should we be doing differently? What services and functions should we be offering?
- How do I get senior management to invest in P3O or to understand how it could pay for itself?
- What benefits could I get from implementing P3O?

### Question 1 – What is a P3O model?

Portfolio, Programme and Project Offices (P3O®) is the latest guidance to be published about portfolio, programme and project management. It covers the set up and running of support offices for all levels of change within an organisation. It offers advice to organisations on current Best Management Practice thinking on what previously has been referred to as PSO (Programme or Project Support Office) or PMO (Programme or Project Management Office).

Let's start with the official definition of a P3O model as per the guidance.

*"The P3O model will provide a focal point for defining a balanced portfolio of change and ensuring consistent delivery of programmes and projects across an organisation or department.*

*It will help establish, develop and maintain (in some cases - re-energise) appropriate support structures that will facilitate:*

- *Informing senior management's decision making on prioritisation, risk management, deployment of resources across the organisation to successfully deliver their business objectives (**Portfolio** management)*
- *Identification and realisation of outcomes and benefits via **programmes and projects***
- *Delivery of **programmes and projects** within time, cost and quality and other organisational constraints*

*This may be provided through a single office or through a linked set of offices, which exist across an organisation, some of which are permanent, whilst others are temporary linked to a specific programme or project."*

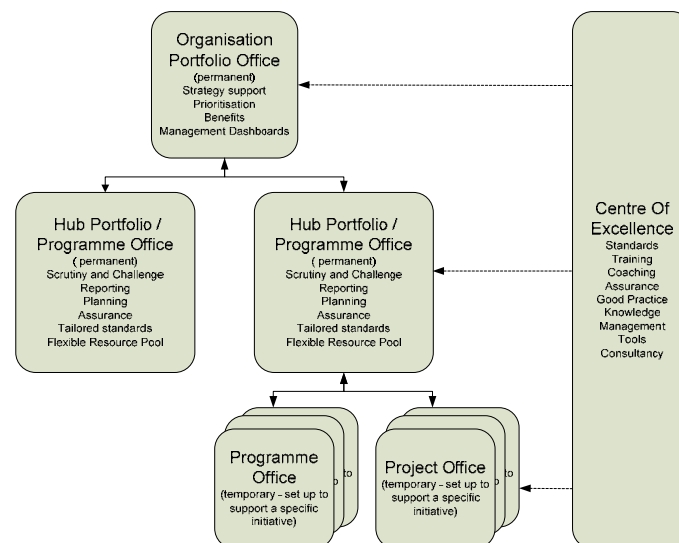


Figure 2 – Large organisation P3O Model

The phrases “doing the right programmes and projects” and “doing programmes and projects right” are often used to describe the role and focus of an individual office within the P3O model.

- The former phrase describes the need to ensure business investment is spent on the things that matter and that the focus is on delivering programmes and projects that enable achievement of the corporate strategy.
- The latter phrase describes the need to deliver programmes and projects consistently and well.

The first of these – “doing the right things” is a key focus of the portfolio office function within a P3O model, whereas the second – “doing things right” – is a key focus of centres of excellence functions or temporary programme and project offices set up to support a specific change initiative.

**Portfolio Office** - A key component of the P3O model is a Portfolio Office which develops a realistic overall picture of the organisation’s portfolio, supported by standardised reporting, rolled up into management dashboards.

**Centre of Excellence (COE)** – Supports the improvement of P3RM capability across the organisation through standards, knowledge management, staff competency and education and assurance.

**Programme and Project Offices** - Temporary offices set up to support specific programmes or projects, which will be disbanded when delivery is complete.

## **Question 2 - How does a P3O model help in implementing strategy and support the balancing of change with business as usual priorities?**

A P3O model can significantly increase an organisation’s chances of successfully delivering its strategy, reducing benefits loss and delivering programmes and projects more cost effectively.

It can do this in a number of ways:

- Maintaining a “big picture” understanding of the business change portfolio
- Providing decision support to ensure the right programmes and projects are launched
- Providing standards and processes to ensure consistency of delivery
- Providing independent oversight, scrutiny and challenge to ensure things are done well (and right 1<sup>st</sup> time more of the time)
- Providing assurance, coaching and mentoring to build a competent workforce capable of first class programme and project delivery
- Providing a single source of truth reporting function with management dashboards to focus decisions and management interventions
- Reducing the likelihood and impact of events that would have a negative consequence; and, (conversely) increasing the likelihood and impact of events that would have a positive consequence
- Improving organisational accountability, decision-making, transparency and visibility
- Identifying, understanding and managing multiple and cross-cutting risks and issues
- Protecting revenue, spend and enhancing value for money
- Executing change more effectively and efficiently and improving organisational programme and project delivery
- Protecting reputation and stakeholder confidence

Without the involvement of a P3O in a strategic change management model these goals may still happen, but in a fragmented or unstructured way that generates significant threats to the best use of scarce resources and achievement of required outcomes.

### Delivering Change versus Operational priorities

P3O bridges the gap between the strategy and policy makers and the delivery arm of the organization. It covers both the question of “what are the right programmes and projects to help us achieve our business strategy” and the question of “how do we balance change with operational delivery and ensure that change is delivered consistently and well”.

Both P3O and OGC’s Portfolio Management guide introduce the concept of “run the business, change the business”, where portfolios, programmes and projects need to co-exist with Business as Usual and ensure that change is introduced whilst allowing the organisation to continue to thrive and deliver its operations effectively. All too often change is delivered to suit the resource constraints and timescales of the delivery teams instead of considering the impact on business as usual, e.g. delivering a new call centre process or system at the busiest time of the year or putting in a new finance system at year end. A P3O looking at the “big picture” can help balance the need to deliver change whilst maintaining focus on operational delivery.

**P3O aligns Portfolios, Programmes and Projects**

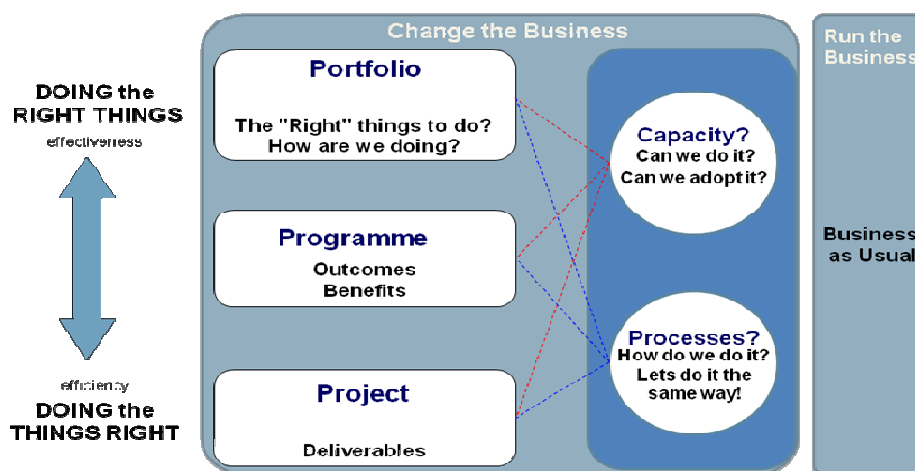


Figure 3 – Run the Business, Change the Business

A P3O model supports the environment in figure 3 in several ways:

At the Portfolio level, P3O professionals will work with senior management teams to consider what change programmes and projects are required to deliver the organisation’s strategy. This will involve mapping strategy against current business as usual processes and capacity to develop a balanced portfolio of change programmes and projects, providing information to support “what if” scenario planning and balancing the organisation’s ability to finance and deliver change.

They will also ask the difficult questions of key stakeholders - do we have the investment funds, which changes are worth it, do we have the capacity - can we deliver it and are we in a position to adopt the changes.

Once a change portfolio is underway, the P3O will collate and amalgamate project and programme data from across the organisation to provide a single management dashboard, enabling senior management decision making and answering the question – “are we on target to deliver the strategy?”

At Programme and Project level, the Centre of Excellence function within P3O can help to define consistent processes and ways of working, develop the capability of staff to deliver the change and assure that the change is delivered consistently and well. The P3O can also provide trained people to start-up and support the delivery of programmes and projects.

Finally, the P3O supports the governance backbone of the organisation ensuring that: decisions are made at the right level; risks, issues and requests for change are dealt with at the right level or are escalated or cascaded as appropriate; information is generated once, amalgamated and escalated or cascaded for multiple users. It can also ensure programmes and projects governance is aligned with strategic and operational governance.

### **Question 3 – We’ve had a programme office for a couple of years but it hasn’t made a difference, what should we be doing differently?**

You may have started with the wrong terms of reference or your organisation may have evolved but your P3O model hasn’t - You need to ask yourself some key questions? These apply for first timers as well as established offices looking to re-invent themselves.

- What problems are we looking to solve?
- Are there any business drivers we must meet? e.g. credit crunch - reduction in initiatives
- What will be the scope of the office or model? What do we currently have? Is it valued? Will it cover the whole business or have a departmental / division or geographic focus?
- Who will be its customers? – Main board, programme and project managers, business as usual, other key functional departments such as finance?
- What outcomes / added value are we expecting and how will we measure its success?
- What are the key services that we need to offer? You may have a very long shopping list so consider what are your priorities – carry out a MOSCOW analysis

The services and functions that you offer will depend on the answers to the questions outlined above, what benefits you want to realise and the change maturity of your organisation. There is no use putting in place a best in class P3O model if your organisation still struggles with the concept of projects. Services and function that add value typically come in three flavours:

**Strategic planning or portfolio support functions / services** – these focus on supporting management decision making and may include alignment with strategy, prioritisation, benefits realisation management, reporting through management dashboards, support for escalated risks, issues, changes and information and the provision of oversight, scrutiny and challenge. They are key functions at the portfolio level but may rely on supporting information from programmes and projects. They may be provided by a separate team within an organisation wide portfolio office or exist in a separate business planning or strategy support unit. In large organisations where decision making is decentralised to local business units, departments or geographical units, they may exist in hub units supporting local decision making.

**Delivery support functions / services** – these focus on supporting the delivery of change and may be provided through a central flexible resource pool of delivery staff, with capacity planning and HR management processes. The central pool of staff may be permanent or contract, dependent on local resource management policies and how work is planned. The type of delivery staff within the central pool may be programme or project support people deployed to work on specific programmes and projects as they are launched. Alternatively they may be internal programme or project consultants who are deployed at programme or project start-up to ensure a fast track and consistent start-up or deployed throughout a programme or project’s lifecycle to provide inputs of expertise e.g. planning, workshop facilitation etc. In some P3O models, the central pool of delivery staff may also include a pool of professional programme and project managers, deployed temporarily to specific programmes and projects to manage their delivery.

**Capability Support or COE functions / services** – these functions focus on the development of standard methods and processes, developing consistent working practices and ensuring they are deployed appropriately and well. They may include capability support through training and coaching, internal consultancy (the creation of standards and help, advice and guidance on their tailoring), knowledge management, tools support and independent assurance.

You may already have these services and functions in your organisation e.g. the portfolio support may be provided through a strategy or business planning team, but they may not be delivering effectively, be joined up or focussing on the wrong things. Remember your P3O will be unique, the most common mistake I see is where an organisation has tried to copy a model from another organisation where it has worked well. Transferring that model to your organisation can fail due to differing levels of maturity between the organisations, different business drivers or capability.

#### **Question 4 - How do I get senior management to invest in P3O or to understand how it could pay for itself?**

In setting up a P3O model, the mistake is often made of focussing your requirements on a narrow set of stakeholders. All too often the Head of P3O or Programme Office only considers the needs of the programme and project managers in an organisation, forgetting that their investment comes from senior management. The resulting P3O is one or two dimensional, based on providing centre of excellence functions and delivery support personnel. These P3O models are often seen as “overheads” and are prone to cost cutting or disbanding when the going gets tough and budgets are cut. They are lacking the strategic support element where the largest returns on investment in P3O can be found. Senior management provides the investment for P3O and will want to see some personal success as an incentive for supporting the initiative.

So, in order to answer this question you have to put yourself in the shoes of senior management. When we look at the senior management drivers behind most P3O set up or refreshes, the common themes or questions they want the P3O to provide answers to are:

- Is our change portfolio aligned to business needs – can we get rid of all rogue / pet projects, ensuring alignment of all change to strategy
- We're doing too much and never deliver anything well – we need to prioritise spend on Programmes and Projects - the ones that matter!
- We want visibility of progress - “No surprises” during delivery - are we meeting our commitments (are we likely to meet them)
- We want consistency and predictability of delivery - what will be the impact if we miss a key milestone
- Are we at risk of not achieving financial targets – under as well as over spend
- Can we take on this programme or project – do we stop something, have we the resource to deliver
- Is there an opportunity to deliver early
- What are our top priorities – MOSCOW
- What will happen if a key resource leaves or goes on long term sick – where are our weak points in skills levels and “tribal knowledge”
- If we had more money and people – what would it do to our delivery schedule
- Can we have clarity of roles / responsibilities – who does what?
- Clarity of decision making and escalation - where do decisions get made and who makes them – lets make a decision swiftly at the right level and stick to it. This also includes escalation and cascading of information, risks, issues and changes.

#### **Growing your business through P3O services**

Another senior management benefit of implementing P3O is that it enables business growth as well as sustaining operational delivery through change. It does this through:

- Increasing throughput rate
- Strengthening the weakest links in the change delivery chain
- Reducing the programme and project delivery timescales – quicker to operation (and to market)
- Achieving higher customer satisfaction (repeat business)
- Identifying the bottlenecks – resource, decision making etc.
- Supporting complex decisions at multiple levels – reducing time to decision cycle, ensuring decisions are taken at the right authority level with no need for ratification

#### **Question 5 – What benefits could I get from implementing P3O?**

The key benefits can be summarised as follows:

**A more focussed, balanced portfolio aligned to strategy** – fewer projects and programmes started for the wrong reasons – “pet” projects don't survive in the P3O “oversight, scrutiny and challenge” culture. It fosters a culture of “holding individuals to account”, with nowhere to hide for bad decisions or failure to deliver.

**Visibility of progress** (and issues / problems and failure), reporting of progress is presented in a summary fashion by key P3O professionals – allowing for early decision making focussed on invention management – making the most of scarce senior manager's time. P3O staff can interpret data, consider the knock on effect of delays and assure the consistency of traffic lights through scrutiny and challenge. They can also identify trends and bottlenecks and pinpoint projects in trouble earlier.

**Predictability of delivery** in terms of time and cost – leading to better resource management and relationships with business as usual – if you say you will deliver in May, then BAU can gear itself up for transition / new capability. It also means you are quicker to market, improving returns on investment.

**Reduced start-up / mobilisation timescales** - a good internal COE / consultancy base of experts along with collaborative working through facilitated workshops can reduce start-up / mobilisation timescales – typically from months to weeks, saving money and maintaining the interest of key stakeholders.

**Consistency of approach and delivery** - a good COE / programme office that develops and operates central standards leads to consistency of approach and delivery with a common language and ways of dealing with things, reducing start up time and meaning less misunderstandings, particularly where partners are involved. It also ensures time isn't wasted in re-inventing the wheel.

**Clarity of decision making, escalation rules and routes** - a mature P3O structure with embedded governance – clarity of decision making, escalation rules and routes (for risks, issues and changes) leads to faster and appropriate decision making and an emphasis on empowerment. It can also align change governance with existing organisation governance. All too often change boards duplicate existing governance bodies' responsibilities or decision making or make decisions which need to be revisited or ratified by operational boards or groups, thereby wasting time and inviting conflict.

**Clarity of delivery and improved resource utilisation** - a P3O that looks at the helicopter view or big picture can have further benefits in terms of cutting the double counting of benefits leading to better business cases. This can also improve delivery into BAU – balancing the pace of change with least disruption to BAU and allow for better capacity planning and resource management – deploying your scarce resources to better effect with less reliance (and cost) on external consultants / contractors

**Integrated assurance** – The portfolio of programmes and projects may be subject to intense scrutiny and challenge from both internal and external review bodies, including Gateway and NAO in central government. P3O can help in developing an integrated risk based approach to independent assurance and reviews. If the normal externally driven industrial strength approach of multi agency reviews is allowed to take over, then external assurance may prove a severe distraction from delivery.

**Consistent stakeholder engagement and information management** - P3O can help in building a repository of information for stakeholders across all programmes and projects, ensuring appropriateness and security of access. It can also support cross programme and project communication to the stakeholder community, ensuring consistency of message and ensuring key messages are not missed through "too much information". P3O can also act as a directory of contacts or "dial a friend" function, ensuring key functions with an organisation or in supplier / customer organisations are engaged with appropriately.

**Financial balance** – ensuring money is spent effectively across a portfolio of change, supporting management decisions to move budgets between change initiatives to suit late decisions etc. This helps in both over and under spend scenarios.

## **Overcoming barriers to realising benefits**

It can seem quite daunting looking at a blank piece of paper and designing a P3O model from scratch, even more daunting being set the unenviable task of re-energising an existing P3O, which may be perceived as failing or adding little value to organisation.

In the first scenario – you have no pre conceptions or previous baggage to deal with, when you are re-energising an existing model – there may be a lot of bad press or perceptions of what you do or the value you add, which have to be overcome.

The following tips will increase the likelihood of realising benefits from P3O implementation:

1. Ensure continued senior management commitment – as mentioned earlier in this paper, senior management provide funding for P3O and will need to see a personal return on their investment – ensure you solve their problems as a priority.
2. Manage the resistance to change when implementing a P3O model. Typical strategies include:
  - Retain what works well already
  - Stakeholder engagement – “walk the talk”
  - Hold workshops and working parties (including partners)
  - Create a PPM Forum for stakeholder engagement and continuous improvement
  - Make the time to support individuals
3. Don't let the P3O get a reputation for being the “Templates Police” – this often happens where the P3O overly focusses on process and templates rather than supporting people in key principles and providing hand holding to individuals.
4. Don't wait until your portfolio reporting is perfect until you provide senior management with portfolio management dashboards. It will take time to develop consistent quality information flows of quality portfolio information, so go with what you've got and refine over time, “hand hold” individuals and challenge reports. Just by engaging in a consistent reporting regime, the holes in plans and weakness in capability of individuals will emerge and can be tackled.
5. Getting the right P3O team, especially the Head of P3O can be a challenge, so think outside the box, look for internal talent (senior Programme / Project Managers or Business Planning staff who have experience of the organisation as well as P3RM). Build a small focussed team of coaches rather than an army of administrators or “paper pushers” and support the team initially with a external mentor.
6. Consider what the offices in the P3O model are called – it is quite important what you call yourself - branding is very important – if you are the project support office, people automatically think in terms of projects only and usually think you're a bunch of administrators or paper pushers. Whereas the term portfolio office is new and conjures up visions of strategic support, oversight, scrutiny and challenge, staffed by senior people, who are capable of engaging with directors. By changing your name as part of a re-launch you can lose some of the old baggage or expectations about what you do or could deliver.
7. Finally – consider the maturity level of the organisation in portfolio, programme and project management – there is no use designing and rolling out a state of the art, top flight P3O if the organisation has only just got to grips with the fact that projects are different to BAU.

## **Acknowledgements**

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