Bridging perceived value gap between business stakeholders and PMO

By Dwaraka Iyengar

Overview

Business sponsors are generally organized based on their functions and hence have a wholesome group when it comes to performing their function. A different story emerges when businesses have to execute projects to meet corporate objectives and goals. Businesses no longer have the resources to be fully self-sufficient and hence have to depend on other parts of the organization to make their projects successful. Business has never had to integrate the various departments until now to carry on with their regular functions. They now rely on the Project Manager to perform the integration function and thus fill the gap. In large/semi large organizations PMOs supply businesses with PMs for this function. The PMs however sit in the PMO organization and from a business standpoint ‘do not belong’ to them. Frictions and cracks appear as the engagement progresses and business does not seem to be happy with the situation. This paper attempts to identify and analyze these gaps and proposes solution for the benefit of both the PMO and the business.

To achieve this objective, the paper will begin with a definition of the value of PMOs to business, measures of value and how intangibles affect the measures of value. The paper will continue to provide some case studies from PMOs in various industries and then conclude with ideas for closing the gap of the lack of perceived value to business.

PMO and its value

The Boston Consulting Group recently identified the following four imperatives for successfully delivering strategic initiative implementation. The PMO will serve a critical support function in these imperatives. The imperatives are:

a) Focus on Critical Initiatives – Provide senior leaders with true operational insight through meaningful milestones and objectives for the strategic initiatives

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b) Institute Smart and Simple Processes – Through the use of the above mentioned milestone and objectives, communicate progress and identify issues early without adding undue burden to business

c) Develop leadership skills and capabilities within the organization and
d) Institute change management as a real competitive differentiator

Additionally PMO provides intangibles such as:

i) Enhanced communication and collaboration
ii) Alignment of values, goals and strategies within different parts of the organization
iii) Improved efficiency in work cultures
iv) Improvements in decision-making and problem solving capabilities
v) Improved transparency, clarity of roles and responsibilities

Values can be measured in terms of tangibles such as: Cost savings, increased revenue, increased customer share, customer retention, reduced rework and write-off etc. Intangibles on the other hand can be measured in terms of improved competitiveness, greater social good (going green), improved quality of life, more effective human resources, improved reputation, staff retention, improved regulatory compliance etc.

Now let’s look at some of the aspects of constraints that contribute to the gap in the expectations of stakeholders and PMO and the way PMOs bridge those gaps.

Environmental Aspects

Organizational structures vary from industry to industry and also within industries organizations can be different. Except for the construction and information technology industries and pockets of other industries, most organizations are functional or balanced matrix organizations. These types of organizational structures could result in verticals or silos within the organizations. These different verticals generally work within their own conclaves and perform the functions that they are responsible for. For the functions they perform within themselves they find the expertise within their own organizations and produce deliverables to the adequate satisfaction of their stakeholders. Although adequate, in these types of structures too there is always room for lots of improvement whether in terms of processes, communications, expectation management etc.

The same could be said to be true of projectized organizations such as those found in the construction and information technology industries. Here too intra project efficiencies leave a lot to be desired in terms of the stakeholders’ expectations.
Thus the common theme in most organizations is a lack of good communication skills, stakeholder expectation management, team dynamics or lack thereof etc.

To overcome these obstacles organizations have employed various different strategies that includes having cross functional teams, tiger teams, product based teams and others that all have pros and cons in terms of execution of the objective.

**Cross Functional Teams**

Cross functional teams are made up of specialists from various areas of the organizations who are brought together to jointly make design and manufacturing decisions. Decisions and design are done in parallel and hence there are fewer chances of rework and redundancy. Sequential tasks are now overlapped and at time performed entirely as parallel tasks. Knowledge transfer delays are eradicated. Cross functional teams are typically used to develop a total quality culture, procure goods and services, study a product/program problem, improve product and service quality etc. For this model to work, ideally, a cross functional team will be a small group of key people from each affected functional area who have been carefully chosen for complementary skills and who are committed to a common goal. Each member of the team is responsible for the success of the project/team.

By definition, cross functional teams operate well in a projectized environment, however, in reality, most organizations are forced to operate such teams within the boundaries of a functional organization. This being the case, in most organizations, superimposing a cross functional team, has resulted in costly consultants and detailed plans. Restricted access to information or disseminating information on a need-to-know basis is the hallmark of functional organizations and is very counterproductive in cross functional teams. Leaders of such functional organizations are designated as leaders in cross functional teams and with the exclusionary mindset that they bring to the team, such teams find it difficult to succeed. Departmental managers will need to lose control and influence of their staff for project related activities in a cross functional team. This is because members of the cross functional team working in a project environment need to be dedicated to the project and also are accountable to several leaders within the teams as opposed to a single authority in the functional organization.

An advantage of such cross functional teams is that they are flexible and can be disbanded once the project is completed. The forming and the breaking of such teams are done in a manner that enhances the permanent structures and processes. However, members of cross functional teams suffer from an identity crisis as they do not seem to have common values and perspectives. For such team members the only bind is the project itself.

The nature of cross functional teams allows members of such teams to perform multiple roles and functions. This may be seen as a threat to the functional
department's domain and hence members of that functional department may try to protect their role and their department causing inefficiencies and mistrust amongst team members. Such turf issues are commonplace especially in the formation stages of the teams. To overcome such turf issues, cross functional teams may need to be empowered and the downside of empowering is that the transfer of such decision-making authority from functional managers to cross functional leaders becomes a major hurdle.

Since communication issues are the biggest deterrent for functional organizations to manage projects that need resources from other departments, the cross functional teams will need to ensure that information flow is transparent to all members of the cross functional teams. Project related information must be disseminated early in the process to build confidence levels of functional managers to make this new era of management successful.

In the table given below, several other pros and cons of functional vs cross functional teams are discussed.

<table>
<thead>
<tr>
<th>Attributes</th>
<th>Functionally Aligned Department</th>
<th>Cross-Functional Team</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational Structure</td>
<td>Departmental: Serving one functional area</td>
<td>Matrix/cross-functional: Serving more than one (often several) functional areas</td>
</tr>
<tr>
<td></td>
<td>Pyramid structure with leader at top</td>
<td>Circular structure with leader at center</td>
</tr>
<tr>
<td>Organization Type</td>
<td>Permanent organization with history</td>
<td>New, temporary organization</td>
</tr>
<tr>
<td>Project Ownership</td>
<td>1 &quot;boss&quot; who &quot;owns&quot; all work in that department</td>
<td>&gt;1 &quot;sponsors&quot; who share project ownership and responsibility</td>
</tr>
<tr>
<td>Turf Issues</td>
<td>Turf barriers</td>
<td>Turf is unlimited</td>
</tr>
<tr>
<td>Chain of Command</td>
<td>Clear, direct chain of command</td>
<td>Shared/consensus authority within team</td>
</tr>
<tr>
<td>Information Flow</td>
<td>Information channel constraints (up and down rather than out or across)</td>
<td>Information flows in all directions (circular structures) and in and out of team from all areas</td>
</tr>
<tr>
<td>Resource Ownership and</td>
<td>&quot;Owns&quot; resources (staff, funds)</td>
<td>&quot;Borrows&quot; resources (staff, funds)</td>
</tr>
<tr>
<td>Delegation</td>
<td>Departmental product has top priority</td>
<td>project is viewed as &quot;extra&quot; to business or departmental products</td>
</tr>
<tr>
<td>Individual member</td>
<td>Title/promotion conscious members</td>
<td>Disregard for title/dept. status of individual members- more focus on what value each member brings to the team</td>
</tr>
<tr>
<td>status</td>
<td></td>
<td>Team product and teamwork performance/reward focus</td>
</tr>
<tr>
<td>Assessment/Reward</td>
<td>Individual performance/reward focus</td>
<td></td>
</tr>
</tbody>
</table>

**Project Owner Interactions**

Project Owners have both the power over the project because of their financing abilities and also a primary interest in the receiving benefits from the project. These interests and goals may differ from that of the PMO and the PM within that PMO.
The PM’s goals would generally be delivering on time and budget as contrasted to the owner’s interest of contribution to company’s goals or strategies. Project success depends on the interaction between the project owner and the project management team. Project owners’ measures of project success may come from the perspective of purpose of the project to the product deliverables. On the other hand, a Project Manager’s measure of project success will be the achievement of well-defined goals at the completion of the project. These differences in perspectives would give rise to different attitudes towards risk. Project Managers will try to avoid all risks that may possibly harm the project management success of the project whereas the Project Owner may take more risks with the individual project. Such contrasting views on risk management will give rise to conflicts between the owner and the manager and thus create gaps in the relationship between these two key players. Studies have shown that there are primarily four major stakeholders that contribute to the success or demise of projects.

These major stakeholders and their approach/adherence/affinity to risks are shown in the Figure 1 below. The figure explains that the project owner and external stakeholders are aligned to strategic objectives and strategic risks whereas the project managers and the operations and maintenance staff are more focused on operational objectives and their corresponding operational risks.
The relationship between project owner and project management team is decisive for good management of a project. Understanding the different perspectives and establishing frequent touch points to communicate the progress of the objectives and giving ample space for each stakeholders’ perspective goes a long way in removing the hidden conflict of differing views.

Principal-agent theory implies that the project may have a weaker performance than necessary due to the following problems:
• Project owner knows less than the project manager and hence must trust that the project manager’s knowledge is used to make the right choices on behalf of the owner

• The project manager will basically serve the manager’s own interests, and will only serve those of the project owner if the two are aligned

Both of the above problems will be reduced by closer cooperation between the two parties. Also, controls imposed by the owner’s and management’s organizations will be effective and efficient ways to reduce the problems. Trust between these two parties is paramount.

Other sources of conflict between the two groups are as follows:

a) New members entering the team  
b) Goal or priority definition  
c) Managerial and administrative procedures  
d) Resource allocation  
e) Schedules  
f) Technical opinions  
g) Utilities and planners  
h) Specifications  
i) Team setting and contractual agreements, etc.

These conflicts will need to be managed proactively to preserve the positive effects while mitigating the negative effects.

Conflicts can arise due to either task conflicts or process conflicts or relationship conflicts. Generally in projects process and task conflicts are relatively high as compared to the number of relationship conflicts.

Task conflict generates positive effects at low levels and offers value to the client.

Process conflicts have a disruptive effect on cost and quality outcomes and subsequently time outcomes.

Relationship conflicts are generally disruptive and need to be resolved using one-on-one meetings.

In conclusion, gap between PMO and business arise due to management problems and they can be addressed by first recognizing that we have a problem, and the right people should be put in a war room to resolve the conflicts based on the research findings discussed earlier in the paper.
About the Author

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Dwaraka Iyengar, PMP has over 30 years of IT management consulting experience in the government, health, housing, insurance, manufacturing, finance, retail promotion and transportation industries. Dwaraka is a Senior Manager, IT-PMO, at MoneyGram International Inc, a global leader in the financial service industry enabling money transfers. In this role, Dwaraka is in charge of mentoring Project Managers, establishing standards and ensuring IT delivers business value to the organizations. Prior to this, Dwaraka was Assistant Vice President, Technical Communications at Innodata, a publicly traded Content Management Solutions consulting service organization. At Innodata, Dwaraka stood up a global Program Management Office and also headed the business development and delivery wings of Technical Communications Practice. He is also a part-time instructor at Collin County Community College District.

Dwaraka manages and leads large development projects and has also successfully done so for Fortune 500 transportation and retail promotion companies. Dwaraka was primarily responsible for implementing offshore projects and processes in those engagements. Prior to the offshore engagements, he had served as an Engagement Manager for Syntel Inc., an outsourcing IT company that consulted to Ford, AIG and Blue Cross Blue Shield among its clients. Dwaraka received his PMP certification in 1998 and served on the award winning PMI Dallas Chapter education committee since then. Dwaraka is a Past President of the Dallas Chapter of the Project Management Institute (PMI®) and is currently a member of the Governance and Admin Best Practices committee at the Region 6 level of PMI.

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