

Behind the Plan

By the time you read this I will away in New Zealand – and might not make the next conference – so what to cover was my dilemma – well two things contributed to the selection of this subject – first it's a new year and also before I went I attended the first meeting of the PMO specialist sub group in Stratford (M&SPOF) and found this was a hot topic.

Its time to update your Terms of Reference and the Business Case for your PSO/PMO! The start of the New Year and resolutions etc. make this the topic of this month's Behind the Plan.

All PSO/PMO need not just to have these vital documents, but also to update them and or at least review them every year to reflect the inevitable changes in demands for your services that have occurred or just happened.

So what should these look like – First of all they must match – i.e. the Terms of Reference describe what you are doing and how you are to be measured – whilst the Business Case shows the benefits or worth of those services to the organisation and thus the costs that can be expended in delivering them. It is vital that these documents match and are kept in synchronisation.

So what should these documents contain –well each organisation will have its own standards but if not (and anyway as a useful checklist) try these:

Terms of Reference

Background

In this section of the Terms of Reference you must state the background to the PSO/PMO - why was it set up and what is it designed to do. This sets the context of the PSO/PMO. This statement not only defines the situation now it also provides the ability (when reviewing the PSO/PMO at a later date) to see if this background is still valid – if not then of course the whole of the Terms of Reference should be updated.

What does this look like? – Something like this!

"This organisation uses programmes and projects to make changes to its existing business products, services and processes in order to deliver the business strategy and associated targets. The effective management and support of these programmes and projects is critical to the organisation being able to deliver the required business strategy and targets.

The PSO/PMO been established to assist the organisation in two ways:

Firstly to assist in defining what programmes and projects are to be commissioned and ensuring that where relevant all the all elements of the business strategy and targets have a programme/s and or project/s commissioned that will enable that strategic item or target to be obtained. Also that the during the development of those programme/s and project/s they are effectively monitored and controlled in respect of their contribution to their planned contribution to the business strategy.

Secondly to assist in ensuring that programme/s and projects are managed correctly by providing an effective and project support infrastructure which produces added value reports and information to business departments and to programme and project Managers.”

Objectives

The objectives statement must define the performance indicators or service levels that are set for the PSO/PMO. It is vital to select and include in this section those that represented and are acknowledged to reflect the purpose of the PSO/PMO and can be measured.

The more detailed performance measures for individual activities should be defined in a service level agreement document which should also be referred to in this section of the document. This section may look like this.

“The PSO/PMO's objectives are:

- 1. To help the Management Board ensure that the contribution that all commissioned programme/s and project/s make to the defined business strategy and targets is agreed, defined, regularly reviewed and updated to reflect changes in the business strategy and targets*
- 2. To provide the management team defined for each programme and project with the information of which a defined percentage is directly applicable and used in that programme and or project as follows.*
 - Programme and project management control documents (90%)*
 - Programme and project plans 70%*
 - Example deliverables for each component in that plan 75%*
 - Estimates for each deliverables for each component in that plan 75%*
 - A list of Hints and Tips from previous programmes and projects directly relevant to that type of programme or project and used 25%*
 - Provides the agreed progress and other reports to each of the divisional managers to the agreed timescale 100%.*
- 3. Provide other services as defined in the prevailing PSO/PMO service level agreement meeting the agreed targets overall for 90% of all occasions*

Scope

The scope statement explains the extent of the PSO/PMO services. This statement can define that scope either in terms of the processes that are supported, the people or the parts of the organisation that they support. In most cases it's a combination of all three. In addition it is worth stating what is not within the PSO/PMO Terms of Reference.

“The information provided the PSO/PMO directly supports the following staff:

- The Board of the organisation in respect of the portfolio of programme/s and project/s commissioned*
- Programme and Project Management Teams in respect of programme/s and project/s plans etc.*
- Systems development teams in respect of example deliverables hints and tips, tools and templates etc*

In addition the PSO/PMO indirectly supports the following processes

- *Procurement – By supplying information on the probable requirements of each programme and project.*
- *HR - By providing a forward projection of required skills in the forthcoming year and analysing shortfalls.*
- *Service delivery –By providing information to the service delivery team about what programmes and projects will impact the existing infrastructure and when they will need to be tested and adopted by the service delivery teams”*

Assumptions

The assumptions section is used to define any working arrangements that the PSO/PMO will adopt. The most common one in this area is to define the relationship between the PSO/PMO and line management in particular in respect of who is responsible for disciplinary matters.

This is particularly important as otherwise it is unclear as to who is responsible for dealing with programme or projects that do follow either the standards that have been agreed or the recommended advice of the PSO/PMO. In addition this establishes whether what the organisation wants is support from the PSO/PMO or a policing role. I personally believe the policing role is not one the PSO/PMO should take on as having such a role can make the provision of support and advice problematic. Thus typically this section looks like this

“The PSO/PMO will operate under the following assumptions:

The PSO/PMO is responsible for assisting programme and project managers and other members of the programme and project management teams to use the relevant components of the programme and project support infrastructures. In addition they are responsible for facilitating the updating of the support infrastructure to ensure that meets the organisations needs.

In performing this function the PSO/PMO will be supported and assisted by the programme and project management teams and also the relevant directors of that part of the organisation.

The line management of programme and project managers are responsible for the enforcement of disciplinary and other measures related to any non conformance of programme and project management team members in following the agreed standards and processes. The ultimate responsibility for ensuring that these standards and processes are used rests with Mr XXX XXX manager.”

Reporting

The reporting section of the Terms of Reference must define both the line management reporting i.e. to whom the PSO/PMO reports in the organisation - often colloquially referred to as “pay and rations” and also the department or committees that it provides reports to. This section may look like this

“ The PSO/PMO is part of the Operations Department and reports direct to the Operations Director.

It also functionally reports to the following managers and committees

- *To the programme and projects commissioning committee for the provision of the agreed reports on the contents of the programme and project portfolio and the progress and analysis reports*
- *To the head of procurement for the provision of reports on the required procurements by the programmes and projects so that the procurement department can effectively and efficiently procure the required items.*
- *To the director of HR for the provision of reports which summarise the requirement for skills in excess of the existing resources for the programmes and projects in the portfolio.”*

Infrastructure

This final section of the Terms of Reference defines the infrastructure or knowledge that the PSO/PMO will store and hold on behalf of the organisation.

This section is optional because the contents of the infrastructure may already be defined in other sections or in the Service Level Agreement that accompanies these Terms of Reference. If it is included then it may look like this:

“The PSO/PMO will store, hold and facilitate the updating of the following information:

- *Programme and Project Management Processes.*
- *Programme and Project Control Documents.*
- *Template Programme and Project Plans.*
- *Library of previous programme and project deliverables.*
- *Estimating guidelines.*
- *Advice on the techniques used by Programme and Project Managers*
- *Hints on tips and lessons learnt from previous programmes and projects”*

Summary

Without Terms of Reference the PSO/PMO and the organisation stands little or no chance of understanding what the PSO/PMO was commissioned to do.

The Terms of Reference will need to accurately reflect the true situation – If the Terms of Reference are defining what the PSO/PMO will be - it is vital to ensure the current services are also clearly defined as well.

The structure of the Terms of Reference must follow the organisations standards – however it is vital that the Terms of Reference defines the performance levels that the PSO/PMO will be judged against.

These performance levels must reflect what the PSO/PMO does and also the value added services it provides **“Helping programme and project managers deliver successful programmes and projects”** is not a true measure of the success of a PSO/PMO.



This is because that even if the PSO/PMO does supply the programme or project manager with all the support possible they can still make a mess of the programme or project –

The PSO/PMO must be measured on how they supply useful things not their use.

Now for the Business Case – again this must follow the organisations standards and match the Terms of Reference – the one I have included in this article is different to the Terms of Reference above because I felt it was an interesting example as it covered the initial development/set up, as well as the operation of the PPSO, all the figures are of course fictional.

Business Case

Introduction

The following document describes the business case for the operation of the Programme and Project Support Office (PPSO) for XXXX. This document has been developed in conjunction with the proposed Terms of Reference for the PPSO attached as annex XX.

The Aim of the PPSO

The PPSO will perform the following major functions:

1. Support the masterplan committee in ensuring that XXX has a portfolio of programmes and projects that will enable it to meet its strategic goals and targets.
2. Support the masterplan committee in monitoring and controlling the agreed portfolio.
3. Supporting programme and project managers in using the organisation's programme and project support infrastructure.
4. Act as the custodians of the programme and project support infrastructure.

Options Examined

The options examined in this business case operating this service are:

1. No nothing - do not have a PPSO.
2. Set up an internal PPSO .
3. Outsource the operation of the PPSO.

Option One has not been evaluated as it has been established that without the PPSO the required benefits will not be obtained.

Operation of the PPSO

The PPSO will provide the following services.

1. Maintenance of the masterplan, including progress reports.
2. Support of the masterplan committee.
3. Research work for the masterplan committee.
4. Provision of information to other business departments.
5. Provision of coaching to programme and project managers.
6. Assistance with planning and using other parts of the programme and project support infrastructure.
7. Maintenance and updating of the programme and project management infrastructure.

Operation	Man Days
1. Maintenance of the masterplan, including progress reports.	200
2. Support of the masterplan committee.	100
3. Research work for the masterplan committee.	100
4. Provision of information to other business departments.	50
5. Provision of coaching to programme and project managers.	100
6. Assistance with planning and using other parts of the programme and project support infrastructure.	100
7. Maintenance and updating of the programme and project management infrastructure.	50
Contingency 12.5%	100
Total Man Days	800

Benefits

Quantitative 1	Current	Future	Saving	Direct Financial Benefit
Increase in number of projects managed by each project manager.	Each manager looks after 1 project.	Each manager looks after 2 projects 1 large and one small.	Elimination of recruitment of 3 project managers	3 x £60,000
Reduce number of programmes and projects	Current portfolio is 150	Estimated to be £100	Reduction in number of contractors required	10 x £100,000
Elimination of unnecessary programmes or projects	Currently £3 million expenditure	Reduced by 10%	10% of £3 million	300,000

Quantitative 2	Current	Future	Saving	In Direct Financial Benefit
Reduction in effort in correcting repeated mistakes.	Currently approx. 1000 man days per year	Reduced to 250	750 Man days	750 x £200
Time spent by staff developing standards.	Currently 75 man days per year	Eliminated	75 man days	75 x £200
Reduction in external audit requirements.	Currently 40 days per year	Time spent on each reduced	10 man days	10 x £1000
Reduction in the time new project managers take to "bed in".	Currently 6 weeks	Operational (with coaching after one week)	25 man days x 1.5	25 x 1.5 x £300
				£186,250

Cost Profiles – External Developer £700 per day, External Operation £500 per day, Internal Developer £300 per day, Internal Operation £ 250 per day, Users £200 per day

Cost Benefit Analysis

Option Two	Year 0	Year 1	Year 2	Year 3
Costs				
Development	475,000			
Operation	100,000	200,000	200,000	200,000
Total Costs	575,000	200,000	200,000	200,000
Benefits		1,136,250	1,136,250	1,136,250
Net Cash Flow	(575,000)	936,250	936,250	936,250
Discount Factor	1	.909	.826	.751
Net Present Value (NPV)	(575,000)	851,051	773,342	703,123
Cum NPV	(575,000)	276,051	1,049,393	1,752,516

Option Three	Year 0	Year 1	Year 2	Year 3
Costs				
Development	475,000			
Operation	200,000	400,000	400,000	400,000
Total Costs	675,000	400,000	400,000	400,000
Benefits		1,136,250	1,136,250	1,136,250
Net Cash Flow	(675,000)	736,250	736,250	736,250
Discount Factor	1	.909	.826	.751
Net Present Value (NPV)	(675,000)	669,251	608,142	552,923
Cum NPV	(675,000)	(5749)	602,393	1,155,316

Risk and Sensitivity Analysis

The major risks to this Business Case are:

1. Delayed realisation of the benefits (up to 6 months).
2. Only achieving 50% of the benefits.
3. Initial development and subsequent operation costs are 25% more than budget.

Effect of Risks on the Cost Benefit Analysis

Baseline	Approx. Cum Year 3
Option Two Cum NPV	1,752,516
Option Three Cum NPV	1,155,316
Risk One	
Option Two Cum NPV	1,652,516
Option Three Cum NPV	1,055,316
Risk Two	
Option Two Cum NPV	48141
Option Three Cum NPV	(549059)
Risk Three	
Option Two Cum NPV	1,577,516
Option Three Cum NPV	1,155,316

As a result of the evaluation of the impact of the risks – It would be unwise to proceed with Option three.

Recommendation

The recommended option is two - internal staff operate the PPSO.