

Showing PMO Value Through Reporting

By Marlies Shipman, PMP

Reporting the results of what your PMO achieves helps define the value that your PMO provides. Here are some tips on how to produce meaningful reports for a variety of audiences. Note that in this article, “PMO” can mean project, program or portfolio management office.

Your organization has an existing or newly established PMO. You need to produce reports showing the organizational value of the PMO. Where do you begin?

The eventual reports you produce depend on a range of considerations:

- Is the PMO a *project* management office, a *program* management office, a *portfolio* management office, or a hybrid of these?
- Is the domain of the PMO a functional area like IT or new product development or is it enterprise-wide?
- What is the nature of the services the PMO provides? For example, does the PMO manage projects, provide project management consulting and mentoring, develop project and program management standards or methodologies, provide training, disseminate best practices, or maintain or support a hierarchy of portfolios, etc?
- Are you expected to report on portfolio-oriented metrics, individual project- or program-related metrics, all of the value elements of the PMO (e.g., the return on investment [ROI] from the infrastructure costs vs. the benefits achieved in project throughput), or some combination of these?

Despite the differences that may result in the content you report, there are common approaches to metrics collection and report production.

Which Metrics Should You Gather?

Keep it simple. You can maintain a core, basic set of project and portfolio data to produce a variety of reports with a balanced view of financial and non-financial measures:

- For project attributes consider: project ID, project name, business unit, project sponsor, project manager, budget (planned and actual), status (red, yellow, green), staff-days (planned and actual), supported investment category (e.g., mandatory, discretionary, continuity), scores for weighted evaluation criteria (e.g., revenue generation, cost reduction, customer retention, risk), overall project score, project phase, start date, go live date, end date, business case financial measures (e.g., ROI, net present value, or internal rate of return), state (e.g., active, on hold, closed).
- On the portfolio level, consider fiscal year measures like total investment available and desired budget split across investment categories.
- Additionally, gather metrics on resources for capacity planning/forecasting and consider data from customer satisfaction surveys.

It is critical that you get agreement on the definition and production of the core set of metrics on which you will base all your reports. This agreement needs to come from the executives and the people responsible for producing the metrics. Without this agreement, everything falls apart.

How Should You Report on the Resulting Metrics?

The key to success for your entire portfolio, as well as for individual projects or programs, is driven by two fundamental needs:

- Does the portfolio/program/project support the goals of your strategic plan?
- Will your portfolio deliver the anticipated value?

The answers to these questions should be apparent in your collective reports to an audience and should help them determine:

- If a new initiative should be approved;
- Whether a troubled project should continue; and
- How to balance the flux of projects in the portfolio and schedule them to achieve strategic alignment and value realization while working within the constraints of the resource capacity.

“ You can maintain a core, basic set of project portfolio data to produce a variety of reports with a balanced view of financial and non-financial measures. ”



A representative sample of reports from consolidating the core metrics in various ways is as follows:

- Project reports: Status (red, yellow, green)—overall, as well as for risks, budget, scope, etc.; status trend; planned vs. actual budget; planned vs. actual time; business case forecasts vs. actual results (e.g., net present value); customer satisfaction survey results.
- Portfolio reports: Health—status of all projects; throughput—# of projects per year with same or reduced resource capacity; number of halted low-value projects, i.e., those lacking strategic alignment; resource forecast/capacity planning; utilization; risk spread across investment categories; time-to-market.

With your emphasis placed on strategic alignment and the realization of value, how you further present reports depends on your audience, their needs, and the resulting actions your audience should take. This sounds like common sense, yet my colleagues and I frequently come across PMOs that produce at least some reports that no one heeds or no one takes action on to address adverse results or to ensure that good practices continue. This may be due to the wrong content or frequency. An example of such a report is not necessarily appropriate, since it may be irrelevant in one organization and could be highly relevant in another. Know your audience!

The breadth and level of detail differs by audience. At higher levels, such as an executive board, reports should be broader in nature with less depth and frequency than at the business unit levels, for example. Business unit audiences desire more detailed information specifically focused to that business unit. However, the supporting detail should be available at all levels, especially for projects that may be in trouble, such as those with high budget or time overruns.

You should also include an analysis of the information, with recommendations geared to the report recipients' focus and required level of decisions or actions. For example, many make the mistake

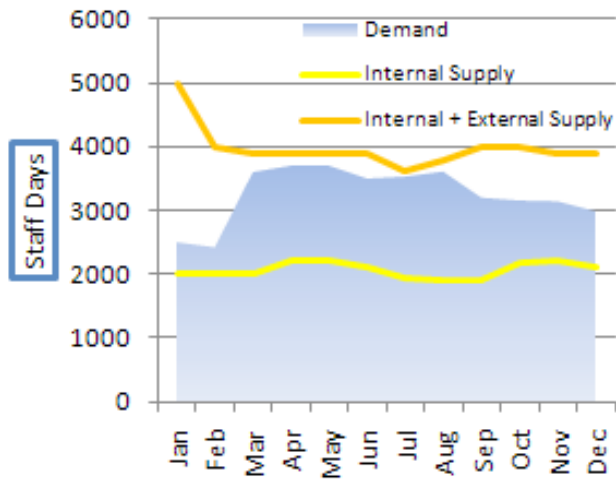
of merely showing the data that indicates a project is running over budget and unlikely to bring the expected benefits. Don't expect even senior managers to see the implications of your data—call out your conclusions, which might be a recommendation to halt the project prematurely or to adjust the scope to deliver at least some benefit. This provides real value in reporting.

What About Showing Improvements?

Several groups of your audience will be interested in seeing improvements from the PMO efforts. Improvements in the portfolio can be seen through items like cost reduction, more accurate project estimating, reduced cycle time in the project pipeline, timely delivery of projects, or better risk management. This is best highlighted through reports presenting trends. In order to support trend reporting, you'll need to gather and maintain historical data, which our experience indicates is generally lacking in organizations. Maturity models focus on metrics and improvements at higher levels of maturity, but you cannot improve what you do not measure. Start collecting those metrics now to establish a baseline—they'll become really useful to report trends and improvements in the future!

Is Data Accuracy and Completeness Important?

Yes, this is a key dimension of reporting. According to Bryan Maizlish and Robert Handler (2005), "Research indicates that 90% of all business decisions are sub-optimal because of data quality. Ironically the biggest data quality complaint does not pertain to the accuracy of the data but the completeness of the data" (p. 151). Accuracy and completeness is required for both simple and complex reports. For example, one of the most standard, simpler reports in portfolio management relates to the "health" of the portfolio in terms of project status (red, yellow, green). If the status of a project has not been updated in a timely manner, then the resulting portfolio health report will be inaccurate.



A more complex report is one on resource forecasting. For this you would need among other parameters, the planned and/or estimated project hours for different resource types together with resource availability. Incomplete input data may consist of missing plans or estimates for some projects, partially complete project plans, incorrectly classified resources, or unaccounted for resources. This incomplete data would result in over- or under-estimating the capacity needs to support the portfolio of projects.

Checking data accuracy and completeness can be a very time-consuming task, but therein lies some of the value of a PMO: supporting optimal decision making.

Who Can Support You to Do All This Work?

Many different components that go into reporting have been discussed here: the basic data to be collected, accuracy and completeness of inputs and outputs, historical data and trends, presentation, results analysis, and recommended actions. This requires a lot of effort, even if you use supporting portfolio management tools.

A PMO will have a set of regular reports to produce daily, weekly, monthly, quarterly, and annually. Additionally, I have yet to come across an organization where there aren't requests for ad-hoc reports, which may come from management, finance, internal audit, or elsewhere. These are often the most time-consuming reports to produce and usually come with a high level of urgency. This additional resource demand puts a strain on most PMOs.

It is very valuable to consider off-shoring elements of report production. You can have an off-shore partner assemble your baseline reports, maintain historical data, develop trend reports, and perform some of the data accuracy and completeness checks. This will provide your PMO staff the time to conduct the value-added activities such as analyzing results and recommending actions. However, even that is a function for which the first cut can be conducted off-shore. Where time differences are not a hindrance to the urgency of ad-hoc report requests, an off-shore partner can also ideally assist in assembling and formatting reports. Using an off-shore model results in a cost reduction for your PMO and frees up your scarce resources to provide additional value-added services, thereby supporting your PMO's overall value proposition.

In summary, valuable PMO metrics reporting comes through knowing your audience, ensuring data accuracy and completeness, indicating improvements through trends, providing analyses of the results, and complementing your PMO resources with an off-shore model.

Reference

Maizlish B., & Handler, R. (2005). *IT portfolio management step-by-step: Unlocking the business value of technology*. Hoboken, NJ: John Wiley & Sons Inc.

About the Author

Marlies Shipman is a managing consultant at Headstrong. She is an experienced project manager and consults to clients on their PMO and project portfolio management implementations.