

**Whitepaper 004:
PMO Framework To Measure Decision Effectiveness**

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Introduction

We all know that Business Intelligence (BI) is the delivery of accurate and useful information to the appropriate decision makers, within the necessary timeframe, to support effective decision making. This fulfils the PMO's BI mandate but it does not complete the PMO's highest mandate.

PMO's must go further than just furnishing management with information to make decisions. The PMO must establish a framework to monitor and report upon the effectiveness of those decisions made against the defined business benefit.

Problem Statement

Organizations are often able to make sound decisions with the support of a mature PMO BI solution. Nevertheless, actions resulting from these decisions may become diluted and effort may stray from the original decision and intent. Whilst sound decisions can be made, most organizations lack a cohesive framework to link a strategic level decision to the appropriate actions and deliveries at the tactical level. Even fewer organizations have an effective framework to monitor the "butterfly effect" of a decision made at the tactical level which may have strategic consequences.

How do PMO's measure the effectiveness of decisions? What type of framework does a PMO establish in order to monitor decisions? How can PMO's measure the alignment between decision intent and the actual delivery? How can PMO's identify those agencies impacted by management decisions?

The aim of this article is to describe a PMO perspective of the decision framework in order to maintain an alignment between strategic intent and tactical delivery.



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The PMO Framework

The PMO framework must recognize that management decisions have to be made, monitored and reported upon at different levels of the organization.

Decision Levels

The levels of decisions are:

- Strategic
- Operational
- Tactical

Strategic Decision Levels

Strategic decisions are based on changes to Business Drivers and their subordinate Executive Plans.

A Business Driver is a descriptive rationale which is measurable and used to support a business vision. It must also clarify why a change or completely new direction is necessary. An example of a business driver is to establish a market penetration of 30% within 2 years into a new geographical region in order to out-compete the emerging competition.

Therefore, the defining characteristics of a measurable business driver should include an owner (for accountability), the Key Performance Indicators (KPI) of; Planned and Actual Cost, Planned Start and Actual Start, Planned Finish and Actual Finish, Planned ROI (30%) and Actual ROI. It must also contain an inventory of plans to achieve the Business Driver benefit. The plans at the strategic level are defined as Executive Plans

There can one or many Executive Plans required to support different aspects of the specific Business Driver. Executive Plans may represent different areas of the organization or different goals to support the business driver. These goals may include cost take out, increase in

productivity, increase in market share or improved cashflow. Executive Plans must have the same measurable characteristics of Business Drivers (ownership and KPIs). However, Executive Plans must also describe in high level terms the following; Key partnerships, Key Activities, Value Proposition, Customer Relationships, Customer Segments, Key Resources, Channels, Cost Structure and Revenue Streams.

The PMO is responsible to furnish this information, from the appropriate agents, to strategic management. Furthermore, PMO's must also be confident that they have the means to monitor, measure and report upon those same strategic characteristics after decisions are made which influence business drivers and executive plans.

Operational Decision Levels

Operational Decisions are the designed to influence the execution of the Executive Plan on each impacted investment / asset group (the portfolio).

Portfolio management is the first level of operational management. It is the collection point of relevant investment initiatives and the formulation point of appropriate programmes to bring the organization into alignment with changes required by the Business Drivers. Portfolio initiatives are spawned from approved Executive Plans. These initiatives will have a business case and will identify those programmes necessary to meet the goals of the Executive Plans. Again, the measurable characteristics of change at portfolio level are: ownership for accountability, Performance Indicators (KPI) of; Planned and Actual Cost, Planned Start and Actual Start, Planned Finish and Actual Finish,



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Planned ROI and Actual ROI. In most circumstances, a portfolio experiencing change will have one or many programmes within its investment initiative.

Programmes are necessary as “temporary organizations created to coordinate, direct and oversee the implementation of a set of related projects and activities in order to deliver outcomes and benefits related to the organization’s strategic objectives” (OGC Portfolio, Programme and Project Offices). Effectively, a programme will also be measured by ownership and KPI’s.

Tactical Decisions Levels

Project Management is the tactical level in the PMO’s framework for decision linkage. The project is a limited endeavour designed to deliver a specific output in order to contribute to the stated business benefit of the programme. Whilst it does have ownership and similar KPI’s for PMO’s to monitor and measure, the emphasis is more on measuring the defined deliverables on the basis of cost of effort, logical execution of activities, measuring milestone variances and the quality of the deliverable.

Summary

The existence of BI inside a PMO often serves management at all levels. The PMO BI is a means of providing accurate and timely information for management to make sound decisions. This PMO capability only reflects a portion of the holistic mandate placed on mature PMO’s. PMO’s must establish a framework to monitor and report upon the effectiveness of decisions at all levels.

The best way for PMO’s to measure the effectiveness of decisions throughout an organizational change is to ensure linkages exist between strategic, operational and

tactical delivery levels and that each level has measureable characteristics that PMO’s can monitor and report on.