

Performance Management for the Project Management Office

by Craig McQueen

A project is a planned undertaking to achieve a given goal. Within the context of a business this goal typically supports a strategic objective such as increasing revenue, launching a new product or streamlining operations. Since the achievement of the strategic objectives is dependent on these projects, there is a direct correlation between project success and an organization's success.

Implementation of a project yields the anticipated benefits to an organization and is delivered according to stakeholder expectations (schedule, budget and quality).

Projects are often complicated and involve many people with various roles. What is required is a way to align these roles so that their efforts are directed at achieving the project goals. Performance Management is a framework that can make this happen.

This article discusses a Performance Management framework for running projects within an organization. Most large organizations would center this responsibility in a Project Management Office (PMO) responsible for

establishing shared methodologies and processes, training and support of project teams and overall project governance.

Roles in a Project

Figure 1 provides a typical overview of the stakeholders related to a project. The Customer is the Business Project Sponsor and the



Figure 1 - Project Stakeholders

Business Portfolio Manager. The Delivery team is responsible for making the project a reality. The Senior Management Team ultimately has responsibility for ensuring the project delivers business goals.

Table 1, below, provides a summary of the roles along with sample goals, the frequency that they require information and the level of detail that they need it.

Table 1
Sample Information Needs by Role

Role	Sample Goals	Frequency	Detail
Senior Management Team	Track the ability of the organization to meet its strategic objectives.	Quarterly	Portfolio
Portfolio Manager	Effective use of available resources. Ensure business objectives are met.	Monthly	Project summary
Project Sponsor	Ensure that the project will deliver ROI stated in the business case.	Weekly	Project
PMO Director	Ensure that the customers of the PMO are satisfied.	Monthly	Project Summary
Project Manager	Accurately capture the current state of the project. Manage the project through communication and resource allocation.	Weekly	Project
Team Member	Complete the current priority tasks within the allocated time.	Daily	Tasks



Balanced Scorecard

A performance management framework is required to align and manage all the roles contributing to project success. The Balanced Scorecard methodology is the framework we use to incorporate Performance Management into project management. Balanced Scorecards are used as a measurement system, a communication tool and for strategy management.

The Balanced Scorecard is a performance management framework with demonstrated success for aligning business strategy with job function. It considers both tangible and intangible areas required for success across four perspectives: Financial, Customer, Internal and Learning/Growth.

Financial Perspective

The Financial perspective tells whether the strategy execution is leading to bottom-line results. It is focused on traditional measures such as profitability, revenue growth and asset utilization.

The Financial Perspective shows the end result of an organization's effort. The other perspectives need to be considered in order to tell where we are headed.

Customer Perspective

The Customer Perspective deals with knowing if the customer is getting the value that they were promised. For an organization, typical questions are:

- Who are the target customers?
- What is the value proposition in serving them?
- What do these customers expect from the project team?

Typical measures widely used today are:

- Customer satisfaction
- Customer loyalty
- Market share
- Customer acquisition

Internal Perspective

The Internal Perspective corresponds to the business processes required to make the organization a success. In a traditional business this may include product development, production, manufacturing, delivery and support service.

Learning and Growth Perspective

Learning and Growth (also sometimes known as Learning and Innovation) feed an organization to make it better for the future. The objectives and measures in this perspective are the enablers of the other three perspectives.

Traditional measures include:

- Employee skills
- Employee satisfaction
- Availability of information
- Deployment of enabling information technology

Projects are often very self-centred in that they only care about their own success. By measuring the learning and growth during the execution of a project, visibility is given to the improvements made to the organization.



Strategic Objectives

The four perspectives address the areas an organization needs to perform well to be a success. The next step is to determine the strategic objectives within each perspective which will move us towards our Mission or Vision.

Each organization will have different strategic objectives. There are common themes with respect to project delivery from which we can derive sample strategic objectives. The following graphic in Figure 2, forms a starting point from which an organization can derive their own specific strategic objectives with respect to the PMO.

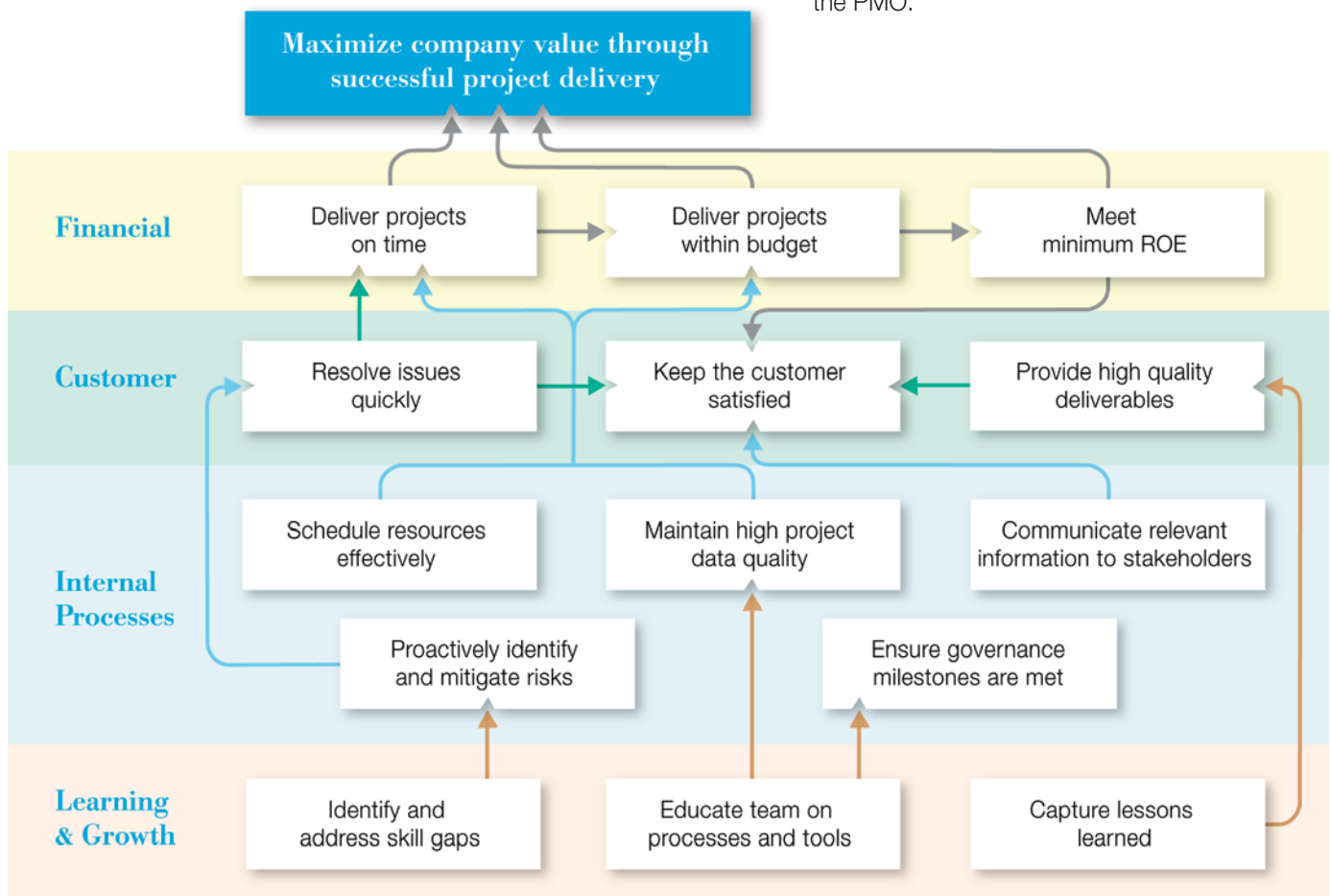


Figure 2 - PMO Strategy Map

Each strategic objective impacts one or more other objectives and all lead to the ultimate goal of maximizing company value.

Objective	Context	Sample Metric
Deliver projects on time.	The project manager is the person responsible for assessing the project state.	Forecasted end date – Baseline end date
Resolve issues quickly.	The project manager is the one who can escalate issues to get them resolved.	Number of issues without resolution > 7 days
Maintain high project data quality.	The project manager produces much of the data that drives other metrics.	Number of days overdue for publishing the project plan Number of unscheduled hours Number of resource late on time submission
Capture lessons learned.	The project manager facilitates the collection of lessons learned.	Number of lessons learned submitted by the project team in the past month

Table 3 - Project Manager Metrics

Metrics

In order to provide feedback and drive behaviour in each role in a project, we need to provide metrics about project performance that are tied to the strategic objectives.

As a guiding principle, we will provide people only the information that will impact their behaviour and their decision making.

Once the metrics are decided target values are required. Open ended targets such as “make as much money as possible” make it difficult to direct behaviour. A target requires a specific value with some tolerance around it. An example target would be “deliver the project within 5% of the original budget.”

Bringing it Together

Pulling these concepts together shows the roles, the strategic objectives they would care about and metrics supporting those strategic objectives. This is done for each role, but we’ll look at the Project Manager as an example.

The Project Manager will have the most metrics with respect to a project. The project manager typically monitors the metrics on a weekly basis although some metrics may be looked at daily to initiate change as quickly as possible.

In Table 3, above, we have shown sample metrics for the Project Manager with one drawn from each project perspective.

Dashboards and Scorecards

To be useful, metrics need to be consolidated and presented in a way that is meaningful to the user. Metrics are consolidated into a scorecard which categorizes metrics by Perspectives and Strategic Objectives. Each user group has metrics in their scorecard that are applicable to them.

Metrics that indicate an exception require a way for the user to determine the root cause of the issue (or more optimistically, what is causing



Performance Management for the Project Management Office continued

something to go really well). This analysis is supported by linking the metrics to tables and graphs related to that metric. For instance, if the metric was the number of projects currently over budget, the metric could link to a list with the names of all the current over budget projects.

Together a scorecard and the associated reports form a dashboard. The dashboard is the single place that the user group would go to for the information representing their portion of the business. Figure 4, below, shows an example of a dashboard for a Project Management Office. The scorecard is depicted on the left with further analysis through graphs on the right.

Deploying to the team

Some of the data will be easily available in an organization and some will not be available at all. Building the scorecards is an ongoing process which starts with the data that is

easily available, usually results based financial information. Predictive metrics based on intangibles in the organization may not be available at all. If information is not available, there is a cost to obtaining it. Assessing the business value of the information vs. the cost provides a way to prioritize the collection of new information.

Undertaking a performance management initiative within a Project Office clarifies what factors are important to each of the groups participating in the delivery of projects. It allows those factors to be measured and tracked. This provides insight not only about how to improve the organization but also what needs to change to ensure the projects are heading in the right direction.

Successfully delivering projects ultimately leads to the overall success of an organization.

For more information and to access a full whitepaper on this subject, please visit our website at www.agorainc.com/business_intelligence

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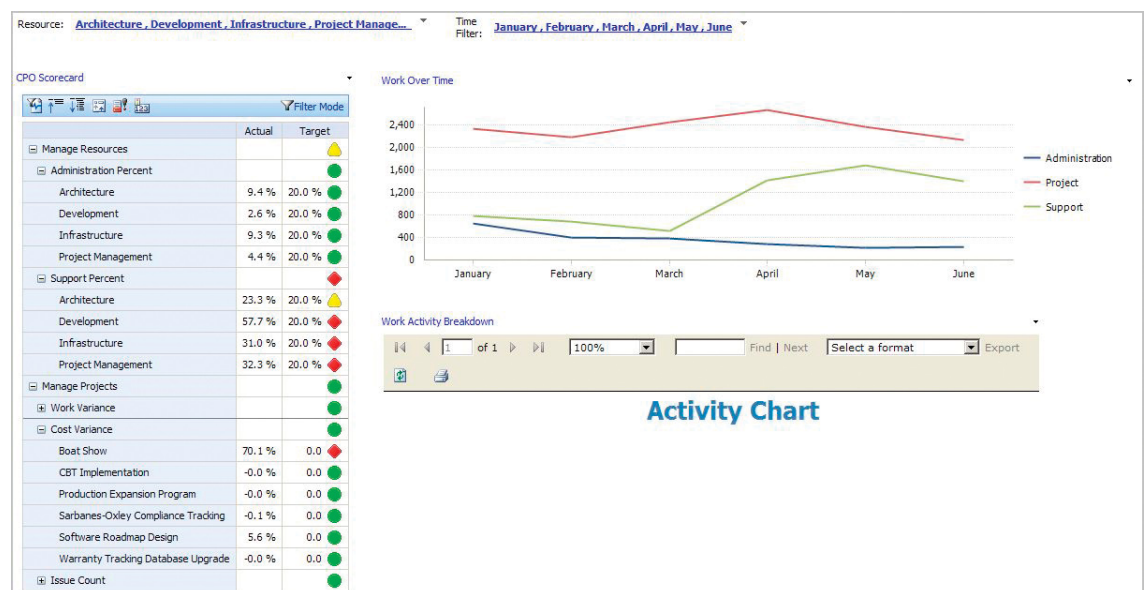


Figure 4 - Sample PMO Dashboard



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