

# Project Management Office (PMO), Programme Management Office (PgMO) or Enterprise Portfolio Office (EPO)?

## Selecting the best option

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### **WHITE PAPER**

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**NONSUCH  
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## 1 EXECUTIVE SUMMARY

- What is the difference between a Project Management Office, a Programme Management Office and an Enterprise Portfolio Office?
- What are the responsibilities, functions and benefits of each?
- Should the office be a temporary or permanent unit?
- Should it be a centralised or de-centralised service?

There are many factors to consider when selecting the type of project office to set up in an organisation. The first and key difference between the various options are outlined below:

- A Project Management Office (PMO) is established to support a project and by its very nature and focus is a temporary organisation with a single purpose – supporting the Project Manager with control and reporting of a project. In some cases, a PMO is established more than one Project Manager and therefore more than one project. The focus is supporting the Project Managers to deliver successful projects within the Time, Cost, Scope & Quality constraints and expectations
- A Programme Management Office (PgMO) is established to support a programme and is less temporary than a PMO. Once established, it can exist and operate for several years to support a rolling programme of work. As with the PMO, the focus is on control and reporting along with the additional focus areas of Business Change and Benefits Realisation activities
- An Enterprise Portfolio Office (EPO) is established as a permanent body designed to support an organisation's executive team with portfolio management services. The focus of these services is to help the executive team work out what the right projects are for the organisation. These services also include ownership of the organisation's project delivery and programme management approaches. The EPO also provides an enterprise wide view of all change activity and helps support an organisation's approach to project prioritisation and portfolio optimisation in place

Decisions also need to be made about how far reaching the responsibilities go, the kind of management approach and how should it be structured. Each has its own pros and cons; the challenge is to find the right balance that suits the needs and project maturity of the organisation.

Several factors will contribute to how a Project Office should be set up, including:

- Targeted goals (what is the organisation trying to achieve: strategic outcomes, transformation, transitioning of new offerings, services or capability etc.)
- Current strengths in the organisation, and
- The culture of the business.

Often a combination or variation of the options is required to meet the needs of the business.

These decisions should not be made by one person alone; workshops and discussions with key executive members and leaders in the business will be required to decide on the ideal makeup to ensure long-term buy in.

Common sense is key, there is no "right way" to structure a Project Office, work with what you have and what is within the organisations capability. Small managed steps are better than trying to boil the ocean and attempting to achieve what will in the end be regarded as the impossible.

## 2 INTRODUCTION

Every organisation is unique, and a tailored approach is required to ensure the long-term success of a Project Office. Do you know the answer to the following questions?

- What is the current level of Project Management maturity in your organisation?
- What is the model, approach and structure you want your Project Office to take?

Knowing the accurate answers to the above two questions puts an organisation in the box seat when electing to mobilise or restructure a Project Office. Project Offices can vary widely in structure, roles, responsibilities, reporting lines, resource and authority. Time and effort must be applied up front, in the decision making and planning for the implementation and ongoing success of an organisation's Project Office.

This paper is Nonsuch Consulting's second in a series of white papers on Project Offices. The first paper "Project Office – What is it and does my Organisation need one?" explored the following themes:

- What a Project Management Office (PMO) is, its core functions, key challenges and the benefits of having one
- Key points to consider when considering implementing a PMO in an organisation including understanding the organisation's current project maturity level, and
- Key high-level steps to implementing a PMO.

In this paper, two further types of Project Offices are introduced in to the mix, the Programme Management Office (PgMO) and the Enterprise Portfolio Office (EPO).

This paper also explores the many options to consider when planning the look and feel of a Project Office and some tips for success.

Please note: in this document the term "Project Office" is used as a general term to describe all three types of offices, namely the PMO, PgMO and EPO.

## 3 WHAT IS A PROJECT MANAGEMENT OFFICE (PMO)?

A Project Management Office or PMO is a formal body that manages and provides an organised approach to projects and project management.

### 3.1 Key Responsibilities

The key responsibilities of a PMO usually include:

- Setting and maintaining consistent project management standards through the implementation of a project management framework (often PRINCE2<sup>1</sup>, PMBOK<sup>2</sup> or Agile<sup>3</sup> or a combination of these)

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<sup>1</sup> PRINCE2 (Projects IN a Controlled Environment) – a project management method covering the management, control and organisation of a project. PRINCE2 refers to the second major version of this method. Created by the Office of Government Commerce (OGC) in the United Kingdom.

<sup>2</sup> PMBOK (Project Management Body of Knowledge) – an internationally recognised standard providing the fundamentals of Project Management, created by the Project Management Institute (PMI).

<sup>3</sup> Agile - a disciplined project management process that encourages frequent inspection and adaptation, a leadership philosophy that encourages teamwork, self-organisation and accountability, a set of engineering best practices to allow for rapid delivery of high-quality software, and a business approach that aligns development with customer needs and company goals.

- Being the owner and steward of an organisation’s project management processes, methodologies, documentation and toolsets and/or systems
- Ensuring the successful delivery of projects and benefits delivery to the organisation, and providing support to Project Managers and other project stakeholders

### 3.2 Core Functions

The core functions of a PMO include:

Project Management Function	Description
Governance & Organisation	Ensure projects are properly formed based on a sound business case. Implement the overall framework for managing and governing projects consistent with the organisation’s standards
Training & Mentoring	Train, develop and support Project Managers
Project Management Tools	Implement standard tools, templates and systems for planning, delivering and monitoring projects.
Quality Assurance	Implement a regular project audit/health check process, assess project performance and provide constructive and independent feedback.
Planning & Scheduling a whole of portfolio view	Implement standards for the planning and tracking of projects. Provide a consolidated portfolio view of all projects.
Risk & Issue Management	Implement risk planning and management processes and ensure the mechanism for dealing with issues is robust.
Review & Reporting	Track the status of projects and provide a consolidated view of progress across projects.
Cost Control	Ensure project finances are being managed and reported.
Change Control	Develop and implement a process for cohesively identifying, assessing and approving changes to project scope through effective project governance
Resource Management	Build and maintain an overall project resource plan. Align the supply of resources and skills to the demands of projects
Benefits Management	Plan and track the delivery of benefits arising from projects
Stakeholder Management	Implement the discipline of engaging and managing stakeholder input to projects
Vendor Management	Ensure there is rigour in the procurement and management of third party products and services

### 3.3 Key Benefits

The key benefits of having an established and successful PMO include:

- Cost savings achieved through better resource management, reducing project failures, finishing projects on time/budget and realising benefits
- Increased customer satisfaction through successfully delivered projects
- A consistent and professional approach to delivering projects through the development and refinement of reusable processes, tools and templates
- Development of skills and competency through dedicated training, development, coaching and support
- Visibility across an organisation and/or department of all projects, and
- Projects delivered in a more efficient, controlled and focussed way.

For further detail about PMOs or Project Offices, including the key steps on how to implement one, please refer to the Nonsuch Consulting white paper "Project Offices – What are they and does my Organisation need one"?

## 4 WHAT IS A PROGRAMME MANAGEMENT OFFICE (PGMO)?

A programme is a group of interdependent projects, managed in a co-ordinated way to obtain benefits and control far greater than if the projects were managed separately. Whereas projects focus on the delivery of a certain outcome or product, programmes on the other hand focus on the direction and delivery of a strategy along with the accompanying benefits.

A Programme Management Office or PgMO is a body, within a department or organisation that ensures all programme delivery requirements are completed correctly. A PgMO is an important and mandatory element for any organisation attempting a series of major transitional programmes or a major transformational programme. The management and governance over a Programme will help an organisation's executive team gain a deeper, clearer and timely understanding of progress, success and issues.

### 4.1 Key Responsibilities

The key responsibilities of a PgMO include:

- Setting and maintaining consistent programme management standards
- Owning and delivering an organisation's approach to Change Management & Benefits Management
- Being the owner and steward of an organisation's programme management processes, methodologies, documentation and tools and/or systems
- Ensuring the successful delivery of programmes, and
- Providing administrative and management support to Programme Managers.

### 4.2 Core Functions

The core functions of a PgMO include:

- Coordination and maintenance of information, communication, monitoring and controls activities for programmes
- Providing assurance and supporting governance across the programme/s
- Quality management
- Ensuring adherence to the organisation's programme management methodology or framework
- Meeting compliance requirements, and
- Providing the infrastructure to enable project teams involved in a programme to be productive.

### 4.3 Key Benefits

The key benefits of implementing a PgMO are:

- Structure and certainty around the delivery of a specific programme of work
- Coordinated approach to managing interdependent projects, and
- Focus on strategic direction and benefits realisation.

### 4.4 Temporary or Permanent?

It is important to remember that Project Management Offices (PMOs), discussed earlier, are usually set up as a temporary entity, to support the delivery of a project, and are disestablished once the project has

been delivered. In contrast to this, a PgMO is usually a permanent or more long-term body, often attached to a division or business unit or can report to a key executive role.

- In practice, a PgMO can be either temporary or permanent; A temporary PgMO supports the delivery of a specific programme and is disestablished once the programme is delivered successfully; A permanent PgMO supports the delivery of all projects and programmes within an organisation or business unit e.g. IT, Operations or special projects.

## 5 WHAT IS AN ENTERPRISE PORTFOLIO OFFICE (EPO)?

An Enterprise Portfolio Office or EPO takes an organisational wide approach to Project Management by focusing on “doing the right projects”.

An EPO provides decision support to senior management to ensure that an organisation is investing in projects that accurately align with and deliver benefits towards the corporate strategy and goals. It will advise on the composition of projects and programmes that represent the best investments for an organisation, ensuring its investment in initiatives are aligned to the business strategy and deliver the greatest value within acceptable levels of risk.

An EPO operates at the highest level of an organisation with its reporting line directly to the CEO or a Senior Executive. An EPO is a permanent body and can be set up to either directly support all projects for an entire organisation or oversee multiple subordinate PMOs within an organisation's business units or divisions while focusing on its core responsibility of prioritising and optimising the entire collection (portfolio) of projects.

An EPO can be comprised of one person or a team dependent on the size of the organisation and the complexity of the strategic landscape and maturity. It is strongly recommended that an EPO is not established in a virtual sense (i.e. resourcing is provided to the EPO on an as required basis by staff who have other primary positions in the organisation). When this approach is adopted there tends to be a lack of accountability and in many case, responsibility for the failure of the organisation to command the funding and delivery of the right projects.

### 5.1 Key Responsibilities

The key responsibilities of an EPO include:

- Ensuring the portfolio of projects chosen by an organisation align to the organisation’s desired strategic goals
- Implementing and maintaining the overall framework and methodology for identifying, prioritising and optimising portfolios, and
- Ensuring that the company is investing in the right projects.

### 5.2 Core Functions

The core functions of an EPO include:

- Aligning all projects with corporate goals and values to deliver expected business benefits
- Assessing performance across a company’s entire portfolio of investments
- Balancing budget and resource requirements across projects to ensure an optimal portfolio by ensuring capacity and utilisation is understood and recorded while accounting for new demand
- Actively assessing project portfolio risk and deciding on the appropriate risk appetite
- Assessing and communicating, at the executive level, whether the right projects are being undertaken and project investments are aligned with strategic objectives, and
- Assessing whether the business is realising or can expect to realise benefits from the projects.

### 5.3 Key Benefits

The key benefits of implementing an EPO are:

- Assurance around the delivery of the 'right' projects for the organisation
- An understanding and specific alignment to the strategic direction of the organisation
- Investment in projects that balance value to the business with risks and other constraints, and
- One central point of reference for all projects in an organisation.

## 6 GENERAL OPTIONS TO CONSIDER WHEN SELECTING THE RIGHT PROJECT OFFICE

When planning the setup of a Project Office, three key aspects should be considered:

1. The reach.
2. The approach, and
3. The structure.

To ensure the success of a Project Office, it is critical that the chosen options within each aspect align to the organisation's size, goals and culture. Each of the aspects with the respective options to consider is explained in more detail below.

### 6.1 The Reach

The first aspect to consider when setting up a Project Office is the *reach*. The *reach* refers to the scope of a Project Office's responsibilities – projects only, projects and programmes or projects, programmes and portfolios.

In the case of PMOs and PgMO's, the *reach* also refers to where the office sits in the business. Will the office sit at the organisational or at the divisional level?

The scope of each *reach* is summarised below.

#### **Portfolio**

Choosing and prioritising the right projects by aligning them to strategies and considering risk, proposed budget and resource pool. Regularly reviewing and making investment decisions to stop, start or continue projects based on alignment with organisational priorities and the potential realisation of benefits

#### **Programmes**

Choosing and grouping multiple projects that are best managed as a programme to maximise the potential benefits they will deliver. The programme level includes specific actions and activities to address Change Management and Benefits Management.

#### **Projects**

Delivering projects in the right manner. This level of *reach* is about delivery of outputs and products.

A decision on the best *reach* option will directly influence the type of Project Office that a business requires – a PMO, PgMO, EPO or a combination. It also establishes how extensive the Project Office influence is over change delivery in the organisation. The broader the reach, the more powerful and larger the size of the potential contribution the Project Office can make to the organisation.

#### **Organisational**

A Project Office that sits at the organisational level is responsible for the entire project portfolio – all projects and programmes in the business.

The key benefits of an organisational level Project Office are:

- The delivery and use of consistent project management processes, tools and templates across all areas of the business
- The selection of right projects, resolution of intra-organisation conflict, support of shared leadership team view
- One central point of reference for all projects in an organisation, and
- A collaborated project approach to customers, vendors and contractors.

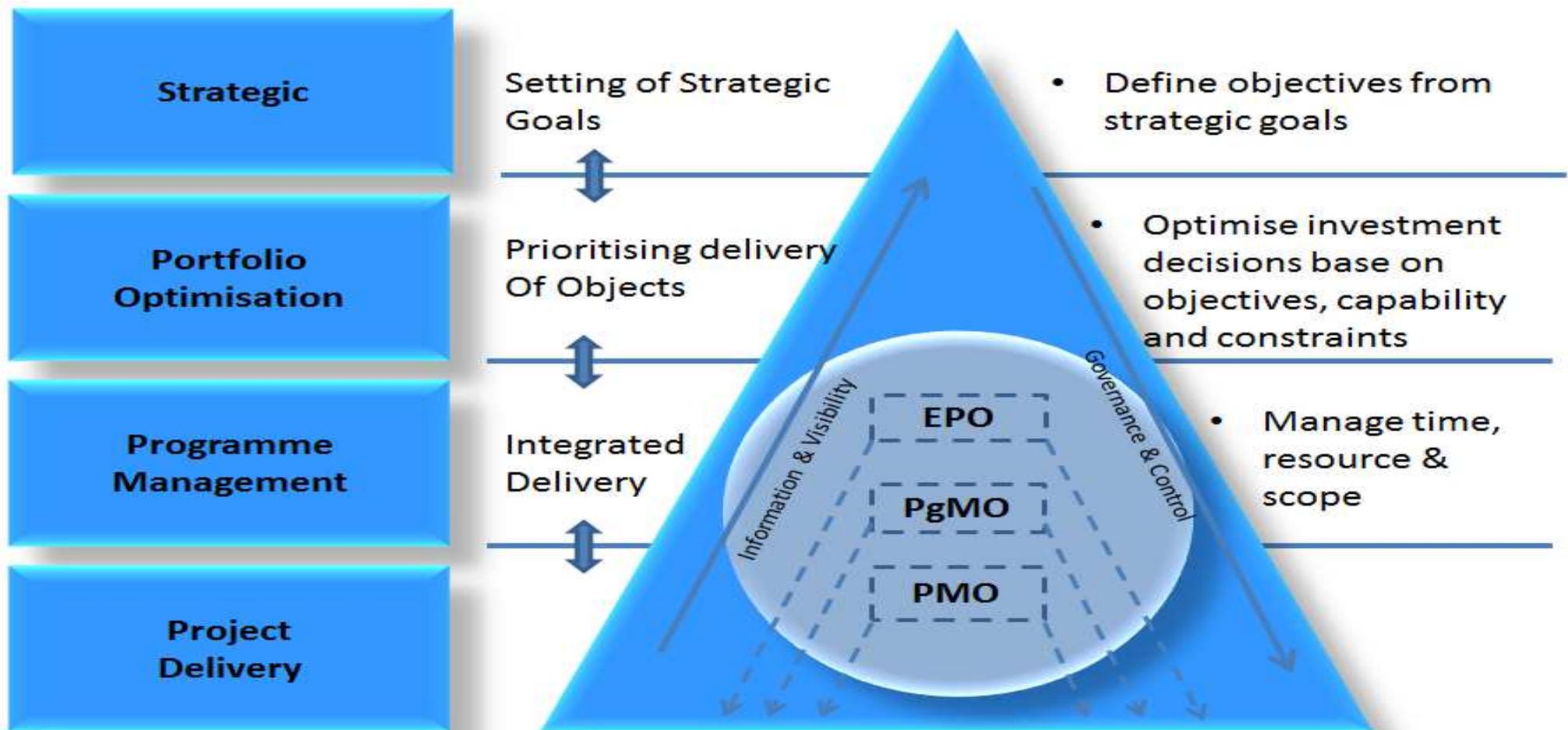
### ***Divisional***

A Project Office that sits at the divisional level of an organisation takes a departmental or business unit view of projects/programmes, dedicated to a business unit that manages a significant number of projects and programmes. It is not uncommon to have several divisional level PMOs or PgMOs in the one organisation.

The key benefits of the divisional level Project Office are:

- Support of the specific business interests in each division/department, and
- A specialised understanding and familiarity with the business interests of the division/department.

Divisional or business unit level PMOs/PgMOs should be considered mandatory in large organisations. In this situation it can support improved governance and support of a broad programme of work and be better placed at a divisional level to support the co-ordination and the delivery of specialised skills across organisational boundaries



**Figure 1 - The relationship between project office reach and project office type**

The diagram above (Figure 1) displays the corresponding relationship between the Project Office reach and each type of Project Office, including their role and authority level.

## 6.2 The Approach

The second aspect to consider in setting up a Project Office is the *approach*. The *approach* is the management method that a Project Office employs – a policing / auditing approach or a coaching / mentoring approach? Choosing the best or optimal approach for an organisation depends on the current needs and project maturity of the business. Each of the approaches is explained in more detail below.

### ***The Policing / Auditing Approach***

Policing / Auditing Project Offices are directly responsible for all projects and programmes of work in the division or organisation. With this approach the Policing / Auditing Project Office “owns” the projects in the organisation, is accountable for their success and enforces the project management methodology and framework.

The key benefits of implementing a Policing / Auditing approach are:

- The ability to adopt and drive best practice amongst all Project/Programme Managers
- Consistent use of templates, standards and processes
- Consistent project management maturity across resources, and
- The ability to identify and manage cross dependencies between projects.

More specifically, the Policing / Auditing Project Office can enforce standards, escalate non-compliance to the organisation's Executive for appropriate disciplinary actions. This approach owns the complete authority of project delivery including the cancellation, suspension or realignment of projects. This approach also owns the responsibility for the direct employment and development of Project staff within the organisation.

The Policing / Auditing Project Office is responsible for the selection, implementation and ongoing commitment to the Project Management Information System (PMIS – an organisation's enterprise toolset for the storage of all project related information).

### ***The Coaching / Mentoring Approach***

The key difference between the Policing / Auditing approach to a Coaching / Mentoring approach is accountability.

As the name suggests, the Coaching / Mentoring approach employs a consultative and mentoring approach, the Coaching / Mentoring Project Office owns the methodology and project framework in the organisation but is not accountable for individual projects or programmes of work.

A Coaching / Mentoring Project Office is responsible for ensuring best practices are documented and shared with all Project Managers. It is the central source of information on project methodology, standards and tools.

The key benefits of implementing a Coaching / Mentoring approach are:

- Training, consulting and mentoring Project Managers in the business to maintain and improve their skills and capabilities
- A source of information on all project methodology and processes
- Assisting in project set up and post implementation reviews, and
- They can be implemented with minimal resistance from most businesses organisational structures and cultures.

Some organisations use the Coaching / Mentoring approach as a first step to achieving a Policing / Auditing approach. This evolutionary step is not always desired or recommended. In most cases, it is

advised that active measures are taken to discourage Coaching / Mentoring PMOs from morphing into Policing / Auditing Project Offices.

It is important to also point out that the above choices are NOT mutually incompatible. It is perfectly possible and proper to have a Project Office with Policing / Auditing / Coaching / Mentoring capability. In some organisations, both above approaches are implemented, with the Policing / Auditing often playing the role of Project Assurance to the organisation.

### 6.3 The Structure

The final aspect to consider when setting up a Project Office is the structure. The structure refers to how the office is structured within the business – centralised or decentralised?

#### ***The Centralised Structure***

In a centralised structure, all Project Managers sit inside the Project Office and have direct reporting lines to it. The accountabilities of a Project Manager in a centralised Project Office lie within the Project Office.

A centralised Project Office is responsible for all Project Managers, the training, the methodology and the toolset. Effectively, this is the 'one-stop project management shop'.

The key benefits of implementing a centralised structure are:

- The ability to adopt and drive best practice amongst all Project Managers
- The ready availability of skilled project resource to all the business
- The variety of project work for Project Managers, creating a cross skilled group of Project Managers and the ability to share learning and knowledge about the business
- Creating a sense of community for Project Managers, and
- Clearly defined roles and responsibilities for the Project Office and project delivery.

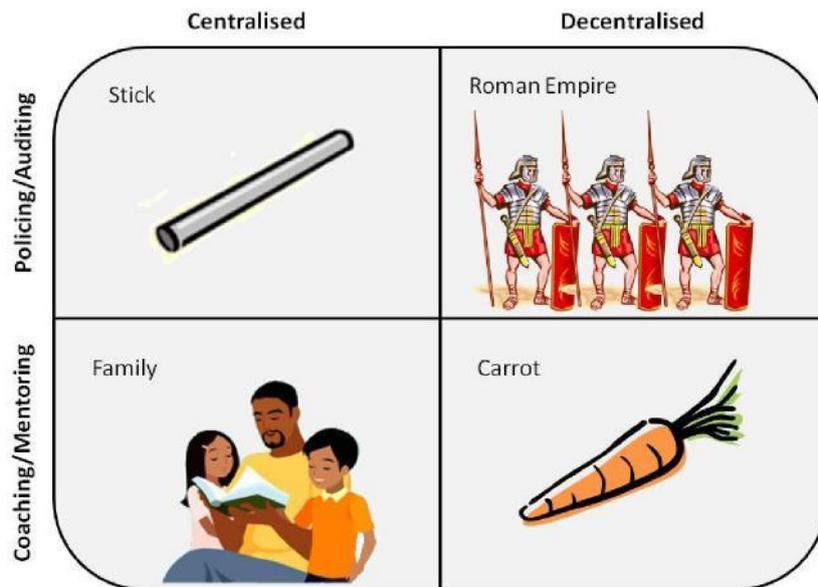
#### ***The Decentralised Structure***

The Decentralised Project Office structure describes where Project Managers physically sit in the business and have direct reporting lines to the business managers but also have a dotted reporting line to the decentralised Project Office.

The decentralised Project Office structure often has fewer Project Office staff and has responsibility for ownership of tools, methodology and reporting. They provide oversight and support to the Project Managers and other project specialists distributed amongst the business.

The key benefits of implementing a decentralised structure are:

- Project Managers sit within the business and therefore understand the intricacies and nuances of their department or business unit. This leads to a greater depth of understanding of the department's or business unit's subject matter expertise
- The Project Management capability runs through the courses and veins of the organisation. The organisation is less likely to treat Project Management as a commodity
- Quicker and easier to set up and maintain than a Centralised structure, and
- Often a lower cost solution due to lower headcount and impact on the organisational structure.



**Figure 1**

Figure 2 – The different management styles of a Project Office

The diagram above (Figure 2) illustrates the varying styles of management a Project Office can take, depending on the structure and approach selected.

## 7 TIPS FOR SUCCESSFUL PROJECT OFFICES

Below are some tips to implementing a successful PMO, PgMO or EPO

- Use your best project people to set-up and run the Project Office
  - Perhaps the most important single element in achieving success is the calibre and experience of the people running the Project Office, assign true champions for project management, not just administrators.
  - There is no 'right way' to structure a Project Office – implement whatever makes best use of the expertise you have.
- Don't get hung up on processes, focus on outcomes
  - Formal methodologies must be tailored with experience and common-sense in to what works for your organisation but the more important principle to apply here is ensuring your organisation speaks a common language when delivering, a language easily understood.
- Balance 'Project Policing' with 'Project Support'
  - There is a fine line to tread between project compliance and project assistance, success lies in getting the mix right, while focusing on the desired outcomes.
- KPIs are "key"
  - How do you prove you are adding value to the organisation?
  - Can you measure the maturity of project/programme/portfolio management in your organisation today and do you know the capability of your people?
  - How will you know if you are moving towards your desired state?
  - What are these measures?

## 8 REFERENCES

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## 9 ABOUT NONSUCH CONSULTING SERVICES

Nonsuch Consulting Services is a New Zealand owned independent provider of project, programme and portfolio management consulting and delivery services. First established in 2013, we offer a broad range of services including;

- Portfolio Management – the art of managing the entire collection (or Portfolio) of programmes and projects in a typical organisation. Services include the mobilisation of:
  - Portfolio Management (including Portfolio Prioritisation, Portfolio Governance, Portfolio Management collateral and templates, Portfolio Management toolsets)
- Programme Management- the ability to group a like-minded collection of projects into a programme where the focus is on Benefits, Change, Dependency, Resource and Integration Management. Services included the mobilisation of:
  - Benefits Management – (including Benefits Management methodology, Benefits Realisation framework with templates and training)
  - Change Management – (including methodology and training)
  - Dependency Management – (including methodology, templates and training)
  - Resource Management – (including methodology, templates and training)
  - Integration Management – (including methodology, templates and training)
- Project Management – Delivery, Rescue, Mobilisation, Methodology Development, Estimating, Stakeholder Engagement, Communication, Scheduling Management, Crash Costing, Risk Adjusted Budgeting, Independent Quality Assurance, Health checks
- Project Office Management – PMO, PgMO and EPO Mobilisations, Project Office Reviews, Project Office Management Backfill, Outsourced Project Office Management
- Project & Programmes Reviews, Independent Quality Assurances (IQA) services
- Coaching & Mentoring in Project, Programme and Portfolio Management

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