

WHITE PAPER / **STRENGTH OF A PROJECT MANAGEMENT OFFICE AND PROGRAM MANAGEMENT**

EXPLORING THE MERITS OF MERGING PROGRAM MANAGEMENT WITH PMO

BY Thomas Rosenbaugh

Despite unique functions and benefits, project management offices (PMOs) and program management services are sometimes viewed as interchangeable. Rather than choosing one over the other, utilities can capitalize on even more expansive advantages by coupling a PMO with ongoing program management execution.



Facing an increasingly competitive landscape with diversified generation, transmission and distribution portfolios and engaged stakeholders, including ratepayers, regulators, and environmental and cultural resource groups, utilities are recognizing the long-term value of program management. By bundling projects for efficient and cost-effective execution, utilities can be more diligent with capital budgets. Unfortunately, a well-organized program management approach is not universal and automatic. To fully realize the benefits of program management, utilities should couple that approach with a project management office (PMO).

In a crowded field of capital delivery approaches, it's fairly common for a utility to have either an in-house PMO or a variance of internal and external program managers. This separation is often driven by the misconception that one approach can function at full capacity without the other; however, the benefits of each are quite different — and become even more expansive when interconnected.

UNDERSTANDING THE PMO VALUE PROPOSITION

By connecting project planning with strategic initiatives, a PMO streamlines schedules, costs, scope and project integrations within a business line or department or throughout an enterprise to achieve consistent and predictable outcomes. Implementing a PMO can also provide actionable intelligence for continuous improvement, leading to elevated performance overall.

Essentially, a PMO sets up the standards and framework for uniform project execution, including process, procedure, strategy and execution models. These standards determine what key performance indicators (KPIs) to include in reports or interactive dashboards and at what frequency, what technology platforms are to be used and how, with whom and how information should be shared, and more. This provides a perpetual organization structure across all projects, programs and portfolios for an entire utility. It also helps optimize every aspect of decision-making such as financial forecasts and budgets, issue management, resource management, schedules, contracts and risk management.



UNDERSTANDING THE PROGRAM MANAGEMENT VALUE PROPOSITION

While a PMO is an internal mechanism for project standards and governance, program management is the execution model over a group of related projects that achieve a common goal. In addition to project coordination, program management professionals administer contracts, track schedules and budgets, assist with labor relations, implement safety programs, coordinate with government agencies and manage public relations — all to effectively execute the collective grouping of projects within the program.

Because programs are associated with specific projects, program management efforts have a definite start and end date to complete execution, and many separate programs can be in varying stages of completion at any time. This divided nature often means different teams, whether internal program managers or third-party

firms, focus on the inner workings and success of their individual assignments. Improving project performance and adhering to budgets and schedules might be the goal for all teams, but the process to achieve those goals could vary with each program the utility implements. This could make continuous improvement, comparison of performance and data analytics, and other challenges difficult. Therefore, having a robust and flexible PMO in place could alleviate this ongoing challenge.

EXPANDING BENEFITS WITH A COORDINATED EFFORT

Connecting a PMO with program management efforts can streamline execution strategies across an entire utility. Being able to standardize the execution of every project and program — no matter the manager, location, department or decade — is a very powerful asset with its own advantages:

- Benchmark certainty for cost, schedule, rate of return and return on investment based on historical data from comparable projects or programs.
- Consistency in processes, reporting, expectations and the execution approach.
- Efficiency from project or program initiation because teams don't have to create their own approach.
- Repeatability for future projects or programs because a road map for execution is in place.

These benefits cannot be achieved to the fullest extent, however, without a properly established PMO working in tandem with ongoing program management efforts — a concept that is frequently misunderstood. A utility may have a PMO in place and assume that resource will also function as program manager, which it is not set up to do. Or a utility may think hiring more program managers, whether internally or externally, can provide structure without a PMO, a strategy that often results in inconsistencies and potential risks for the programs.

Either way, the need for effective project and program execution is not slowing for utilities, so halting these ongoing inconsistencies and establishing a concrete path forward should be an immediate priority. The sooner a

framework is agreed upon and used on an ongoing basis, the sooner expansive programs begin collecting and reporting benchmark data the same way across the board. The initial effort to retrofit current work into a new model will be extensive, but that effort would only continue to grow as more programs are started without a cohesive approach. And once in place, a coordinated PMO and program management will make the ongoing lift of robust programs easier — which translates into cost savings.

HARNESSING EXPERIENCE FOR AN ENDURING FRAMEWORK

While the benefits are clear, standing up a flexible PMO to guide effective program management is a delicate and detailed task. A PMO needs to be sized to fit a utility's unique and specific needs such as the type, size and volume of the projects to be governed under it. After all, intricate project management processes that work well for a \$500 million program will weigh down smaller projects. Utilities may also need organization change management assistance to garner comprehensive internal adoption of a PMO that adjusts long-standing processes that employees are accustomed to.

Functioning as an extension of the utility, a firm that specializes in PMO and program management services can assist with establishing this process. Through this partnership, specialists can identify what currently exists and works for the utility — utilizing and enhancing those efforts to save money and resources. With experience from past implementations, and preferably extensive knowledge of the utility industry, these specialists not only can stand up a PMO or optimize an existing one to last a long time, with slight tweaks as the utility grows or changes, but also meld the adoption strategy. Rather than driving forward with drastic changes immediately, an experienced firm could instead recommend a gradual strategy to progress toward the end goal that allows employees the opportunity to adapt.

By using this gradual approach, focused on successful adoption, utilities may be able to see results faster from a PMO. With predetermined KPIs in place to evaluate progress, the PMO will be able to provide tangible metrics on efficiencies gained, such as a reduction in engineering hours, which eventually equate to capital saved.

CONCLUSION

Both PMO and program management are invaluable services to enhance efficiencies with execution of utility projects; however, having both in place can even further improve ongoing performance. With a planned approach and upfront investment, a utility can effectively set up a lasting PMO to strengthen all future program management efforts.

BIOGRAPHY

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