Execution Aligned to Strategic Goals: How a Transformation Management Office (TMO) can enable strategic program’ success

**Theme:** Strategic & Innovative Practices Portfolio, Programs & Project (PPP) Management for Redefining India

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**Abstract**

In complex transformations, with multiple work streams and demanding execution phases, even the most experienced program managers can lose sight of the business goals they’re trying to achieve.

This paper explores ways in which support offices can be redesigned and empowered to retain focus on strategic objectives. Organizations that evolve and extend the program management office (PMO) into a transformation management office (TMO) can ensure that business goals are not obscured by day-to-day requirements to manage project dependencies and track project outputs.

Citing a real-world case study of a mining company’s complex transformation, this paper describes how, by extending the program management office’s role, the program was put back on track and positioned to achieve sustainable results. Additionally, the paper evaluates an effective benefits realization management framework and proposes an easily implementable design of the TMO approach which can help realize programs objectives while maintaining consistent cross-dimensional alignment with-in the Organization.
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1 Introduction

The fundamental reason for undertaking a program is to realize benefits through change.

There is a logical business case behind all large organizational transformation programs. Other than the requirements driven by statutory processes of regulatory or Government authorities, many of these programs have, besides, solid commercial case but also of other organizational dimensions like People, Processes and Technology as ‘drivers’ for the justification of budgetary sanctions.

Business benefits are central to designing project and program management frameworks. Targeted benefits are the starting point for a program to be sanctioned and initiated by management. But once the program is in the execution phase, realizing benefits, whilst maintaining vertical as well as horizontal alignment, should remain the focus of every program review at all tactical and strategic layers of the organization. Unfortunately, this is not the case with every large organizational program. Practitioners battle the daily grind of program and project management at the operational level and often ignore the well-developed benefits-management framework and industry best practices. As a result most programs, regardless of size and complexity, encounter hurdles.

Sophisticated program and project management methodologies, standardized and implemented by the PMO, are often cited as an answer to such issues.

A PMO is a group or department within a business, agency, or enterprise that defines and maintains standards for project management. It supports initiatives from launch to finish by tracking, monitoring, and reporting activities. The PMO can also evolve and transform to play a controlling or directive role to achieve the desired business objectives. A typical benefits management life-cycle from any project and program management literature would illustrate the potential for an extended and evolved role for the PMO. This can act as a catalyst to achieve planned program or project results in-line with strategic goals of the Organization.
2 The Traditional PMO and Its Role in Projects Delivery

The PMO plays a critical role in the delivery of large projects or programs. In the Project Management Institute’s (PMI’s) 2012 ‘Pulse of the Profession’, the survey results reflected a positive trend in the popularity of PMOs. The proportion of organizations that have a PMO now stands just above the two-thirds mark (67%), and similar percentages (63 percent) have standardized their project management practices across all or most of their enterprise. Frequent use of change and risk management techniques remains high, as does the use of formal program management.¹

The trend clearly reflects that organizations increasingly see efficient PMOs as one key enabler among a wide variety of means to drive their projects and programs.

A PMO’s degree of control and influence depends on its role and structure within the enterprise. PMOs can be supportive and play a consultative role; they can be controlling and demand compliance; or they can be directive and manage projects. The type of PMO is specific to the organization, its culture and history, which defines what works and what does not in that organization. A PMO’s typical responsibilities are to implement a common methodology, standardize terminology, introduce effective and repeatable project management processes, provide common supporting tools, and improve the levels of project success within the organization.

The primary focus of PMOs has always been the effective and efficient delivery of project outputs. The project outputs, when transitioned, add value to the business by producing the benefits stated in the business case. However most PMOs do not, usually, govern and control the application of outputs in business operations.

In our experience of large-scale transformational efforts, we found that a focused PMO is critical for the successful completion of major projects. While it is important to implement project management standards; getting varied and diverse constituencies on the same page is even more essential. Despite the obvious advantages of a PMO, and its standards and output-focused role, it is often incomplete implementation of Project or Program Management framework that limits their effectiveness. As a result traditional PMO frameworks may have been proven ineffective at managing programs to achieve desired objectives and bringing value to the business.

There is some un-learning and re-learning required to re-think the extended, evolved, or transformed role of PMOs to ensure holistic alignment of all project variables, from outputs to outcomes, and help the transformation owners to focus on sustainable business results.
3 Solution: A Results-driven Support Office

Traditionally, PMOs were focused on tracking, monitoring, and reporting, and not on managing outcomes with a clear focus on results. They are often not empowered to influence program direction, nor are they involved in managing program objectives or expected benefits. To remain relevant and beneficial to the business, a PMO’s role and focus must be transformed or extended. It must be aligned with business objectives, and have a benefits-driven approach.

The traditional role of the PMO can be extended or evolved into a Transformation Management Office (TMO), depending on the scale of the organizational change it oversees. The TMO operates with a clear focus on benefits based on Outcomes and is better equipped to achieve program objectives aligned to strategic goals.

An extended PMO, or TMO, has clear and strong executive management support. It understands the organization’s priorities and aligns the program’s objectives to them. It incorporates program-specific domain knowledge, and emphasizes the importance of organizational dynamics and human factors in achieving program objectives. The TMO course-corrects throughout the transformation to ensure project outputs align with business objectives. It does this by measuring benefits against key performance indicators (KPIs) defined in the program’s planning stages. The empowered TMO can also manage traditional PMO activities such as managing risk, schedule, cost, and scope, more effectively.

The TMO is superior to the traditional PMO approach and ensures the success of large strategic projects. Table 1 outlines the key distinctions between a traditional PMO and a results-driven TMO.
A brief explanation of a typical Benefits Management life cycle from the Project and Program Management literature (and also from what we practiced for our customer assignments); lays the strong foundation for the proposed TMO Design for the success of the large strategic Projects or Programs.

### 3.1 Typical Benefits Management Framework

The benefits management guideline is a collection of activities, frameworks, and tools designed to realize business value from programs. It achieves this through key phases, each with its own purpose and outputs. Figure 1 depicts the phases in a benefits management framework and their relationship to the program’s lifecycle.

<table>
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<tr>
<th>Characteristics of a Traditional PMO</th>
<th>Characteristics of a goals-focused TMO</th>
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<td>Output-driven</td>
<td>Outcome-driven and results-based</td>
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<tr>
<td>Administrative and reactive</td>
<td>Strategic, agile, and proactive</td>
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<td>Efficiency-focused</td>
<td>Effectiveness-focused</td>
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<td>Standards and processes-oriented</td>
<td>Collaborative, communicative, and dynamic as per the needs and context of the organization and program</td>
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<td>Schedule, cost, risk-driven reporting</td>
<td>Benefits-driven reporting</td>
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<td>Task assignment-driven approach</td>
<td>Outcomes-driven; Participative in business transitions</td>
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Table 1. Distinction between PMOs and TMOs
A. Business Case:
The first formal document inspired by the project mandate which predicts and articulates the return on investment in view of the current known risks. The business case examines the compelling need to invest resources to fulfill and achieve specific business needs and benefits. A strong business case in favor of the initiative triggers the ‘identify’ phase of the benefits realization management (BRM) framework.
B. Benefits Identification and Analysis:
The BRM's strategy documentation, created in this phase, takes cues from the program business case and elaborates upon the following points:

- Description of the Program's benefits and where in the organization they will occur (People, Process and Technology dimensions, besides the corporate financials);
- Benefit model showing interrelations and dependencies, amongst intended benefits;
- Functions, roles and responsibilities of individuals in the Program and in the larger organization, as the recipients and the owners of the intended benefits (for benefits planning and realization);
- Quantification of the benefits in terms of measurable units. Metrics, which can be tagged to each identified benefits along with Straw Model, would facilitate drawing up of relationships amongst these benefits

The benefits that lead to other benefits can be identified and classified as intermediate benefits. The end benefits are the ones linked to program objectives, which are aligned with the strategic objectives of the organization.

C. Benefits Planning:
A tangible plan is created in this stage. It includes details such as the owner, the targets to be achieved, and the metrics to measure benefits using deliverables from related projects. This plan also includes the necessary arrangements and infrastructure needed to realize the benefits.

In order to align program management phases with those of benefits management, any benefits realization plan should be dovetailed to the program plan. This will ensure that activities related to monitoring & controlling benefits accrual are integrated with the program plan.

D. Benefits Realization:
The preparation for realizing benefits begins before the project outputs are ready. The business operations need to be sustained before, during, and after the project outputs have been transitioned and deployed. The benefits start becoming apparent during the transition into the business, indicating that the desired outcome has been achieved. The realized benefits will need to be consistently monitored and measured by the PMO or the business change team. The outcome or the new state of business, when sustained, will produce more benefits.
E. Review and Reconcile:
The PMO then measures the change process results using pre-defined KPIs to ensure that the planned benefits have been realized. The reconciliation process involves checking for opportunities to realize other benefits not planned for, as well as any potential harm caused by mismanagement. Throughout this process, the business case should be updated and maintained. Inevitably, there will be differences between what was initially proposed and what is attainable as the program progresses.

The PMO owns the reporting of the measured benefits based on data supplied by various business teams. Although, like the PMO, the TMO is also responsible for execution, it is more results-driven and participative in nature. The subsequent section explains how the overall design of the TMO, irrespective of top-down or bottom-up alignment ensures that the focus on business objectives is never lost.

3.2 Easy-to-Implement TMO Design

The TMO elevates the PMO by focusing on benefits and enabling outcomes while maintaining the effective balance between the traditional trio of cost, schedule, and scope. A holistic set of benefits is achieved only when all relevant departments or divisions within the organization are aligned with the strategic vision. The TMO extends the PMO’s reach and delivers cross-functional as well as vertical alignment. Figure 2 illustrates an easy-to-implement, high-level design of a TMO which can be customized to suit an Organizations’ different operating variables such as structure, culture, risk threshold etc.
Figure 2. Design of a Results-driven TMO

There are four key directional efforts in the TMO design as depicted in Figure 2.
A. Align

TMOs can ensure alignment of program objectives with company strategy through a well-defined directional effort. The program’s objectives and the benefits must be clearly delineated. The benefits should also be included in the business case and detailed in the benefits mapping stage. A clear set of KPIs and metrics with baseline values must be set against each benefit. Additionally, the TMO drives the cross-functional alignment of various constituents affected by the transformational initiative. This activity is central to effective business operational effectiveness.

B. Deliver

The TMO aligns the execution of constituent projects with program components. The level or scale of delivery and support to the execution process depends on the TMO’s organizational context, maturity, and empowerment. Acting as a traditional PMO, the TMO establishes and unifies the standards, procedures, tools, templates, and policies for program execution. Additionally, the TMO manages project-level dependencies to maximize benefits from the initiative. Delivery support also involves managing the program tranches and business transition, as well as tracking and measuring benefits.

TMOs prepare the organization for transitions, sustain operations during the transition period, garner support, and manage transition risks. The supportive and participative approach of TMOs before, during, and after the transition ensures project and program execution.

C. Manage and Optimize

As part of its PMO functions, the TMO plays an important leadership role. It oversees the management and optimization of various projects to ensure timely delivery of outputs. PMOs generally play a variety of roles, including advisory services. They advise loosely organized sets of projects on risk management, reporting templates, and quality. The TMO needs a strong PMO function to manage the intricacies and dependencies of a set of related projects. The TMO will provide a mechanism to initiate and accomplish quick, efficient change when needed. In addition, TMOs strive to meet their objectives rather than simply tracking and reporting on cost, schedule, and scope.
D. Review and Reconcile

The TMO’s results-centric approach to project variables, along with appropriate review and reconciliation processes and techniques, ensures consistent alignment and early warning of misalignment. This facilitates proactive, corrective, and preventive actions. The TMO closely measures and reconciles the benefits achieved against the ones originally planned for.

Additionally, the TMO focuses on all stakeholders from the outset of the program and not just before the go-live phase. In the initial stages of a new process or transition of an existing one, TMOs conduct stakeholder analysis. This evolves into the stakeholder engagement strategy. Reconciliation of stakeholder support or resistance makes the engagement strategy contemporary and contextual. The stakeholder engagement strategy influences the change strategy and this will have an impact on the business. It may delay or reduce program benefits. The TMO’s focused approach keeps all people-specific variables balanced, and this ensures minimum impact on outcomes and benefits.
Case Study – A Middle Eastern Metals and Mining Company revives its Business Transformation Program and earns an additional $120 Million

A leading metals and mining company in the Middle East wanted to develop mining as a pillar of industrialization in its nation’s economy. At the same time, the company wanted to grow into a world-class organization. To work towards this vision, the mining giant engaged an external consultant to launch a strategic transformation program. The program, however, lost focus during the execution phase, hampered by the misalignment of program and business objectives. In addition, standards and practices were not followed consistently across projects within the program, and project outcomes failed to transition into business operations.

The company felt the need to build a result-oriented, dedicated PMO. Realizing the urgent need to bring the transformation program back on track, the company engaged TCS to provide consultation on maximizing the chances of the program’s success.

The team conducted an in-depth analysis to identify gaps in program initiation and suggest corrective actions. A ‘values to behavior’ initiative was launched to ingrain company values and encourage work ethics that would enable and sustain the transformation.

The team assisted the company in formulating its annual business plan to ensure alignment between the organization strategy, objectives, and business plan of each business unit (BU), as well as the Program Master Plan. A performance measurement mechanism was implemented and resources, including funds, were budgeted in to each BU’s business plan to ensure commitment to each program initiative. These fundamental yet critical corrections were necessary to enable performance measurement and capability management, and to garner employee support.

Additionally, a full-fledged TMO was put into place by extending the role of the PMO. A new business change (BC) organization was created and it drew on the resources from each BU’s operations, integrating them with the TMO. Various communication events were conducted to spread awareness and garner support for the planned changes.

The TMO team managed the deployment of project deliverables into business operations and assisted the BC organization in managing risks to business operations, and in measuring and reporting the benefits achieved. The TMO team adopted an outcome-driven and benefits-focused approach with just-in-time project delivery.
Key Results

The mining giant revived its business transformation program by aligning program objectives with those of the business. In addition, the company achieved some tangible benefits through various successful initiatives:

- The phosphate business unit gained $120 million in annualized EBITDA; there was $21 per ton reduction in cash costs, and a 20 percent improvement in both production and mineral beneficiation.
- Capital productivity of major mining projects improved through risk evaluation and value engineering, with an estimated savings of $138 million in capital expenditure.
- An annual savings of nearly $6 million in operational expenses was achieved through the strategic category management approach that led to better supplier relationships and ability to negotiate.

In addition, the TMO also established effective standards and procedures for collecting and recording geo-science data compliant with international JORC 2012 standards (Joint Ore Reserve Committee, an Australasian code for reporting of exploration results, mineral resources and ore reserves). The company also achieved Diamond 3 excellence level in Environmental, Health, and Safety (EHS) standards. Organizational capabilities were enhanced in areas such as procurement, operations, exploration, and capital productivity.

A Research and Development center was established to facilitate, explore, and support the development of new business and technological opportunities. Human resources strategy and processes for sourcing, recruiting, and on-boarding were streamlined, integrated, and institutionalized to support the organization's growth.
5 Conclusion

An effectively designed TMO focuses on the outcomes and results of a program, and aligns them to organizational needs. This significantly improves the odds of success of the strategic Initiatives.

A TMO’s effectiveness in achieving the desired results can be measured and quantified using a number of parameters. The TMO can tweak the change strategy by continuously measuring stakeholders’ acceptance of project outputs. In order for a program to succeed in the long term, the stakeholders must not only support it but also embrace the change the program initiates.

The TMO extends the role of the traditional PMO by providing strong and effective management. It oversees the delivery of project outputs while effectively managing the interdependencies of projects. The business and benefits-driven approach percolates down to the projects. In keeping with the terms of standards and governance, TMOs effectively manage projects within the allocated budget and on time.

An effective TMO consistently and continuously aligns strategy, people, processes, and technology with a common set of goals and milestones to achieve desired objectives. It is essential to the overall success of the transformation program.

6 References