
Cercle de Discussion

Creation of a PMO

**through the specific example of an R&D Project
Management Office**

Thierry Verlynde

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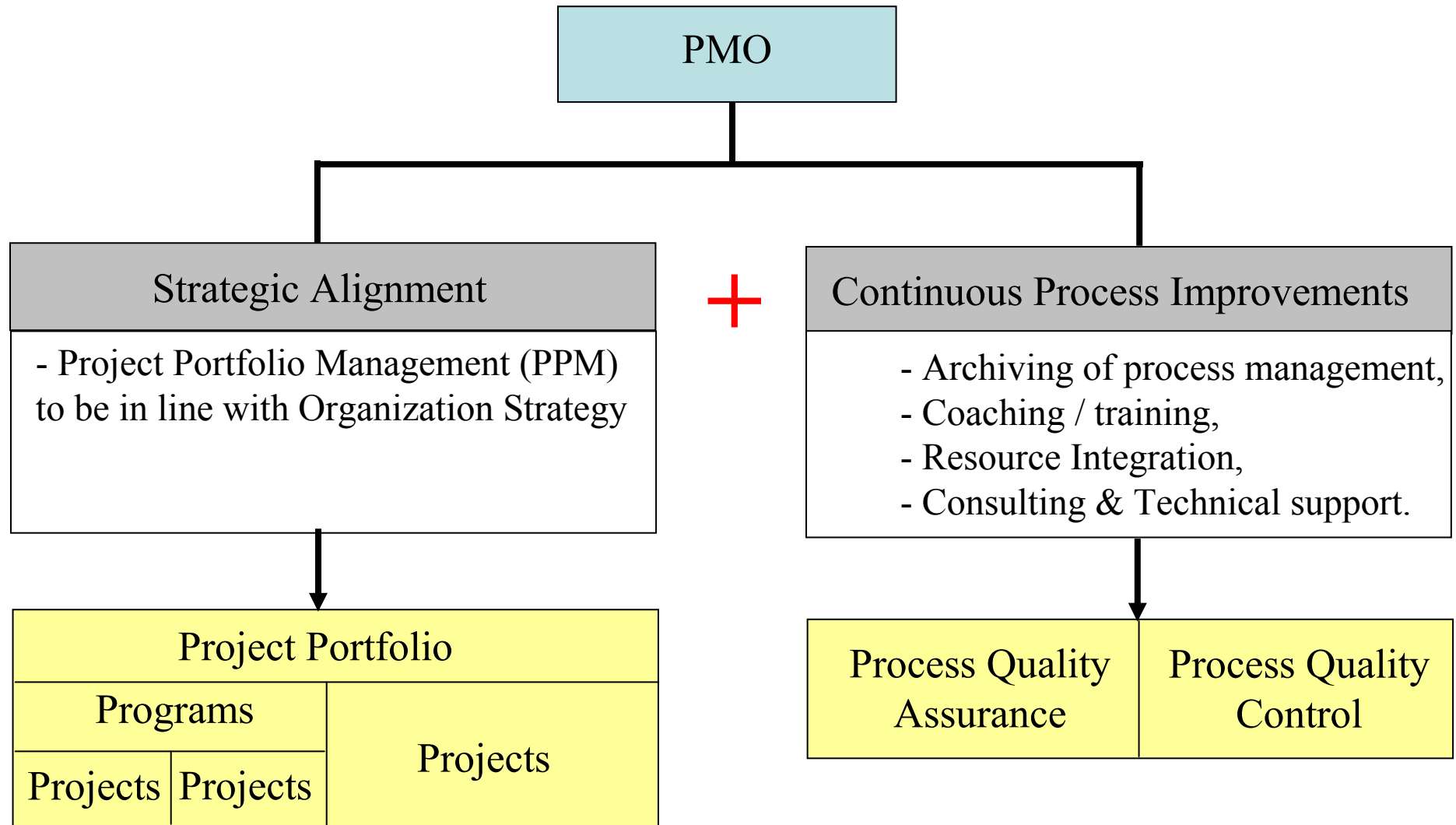
- Background:
 - MS in Industrial Organization
 - MS in Strategy & Finance
 - PMP
- Career Highlights:
 - Omsyc : Director of Strategic Studies
 - Thomson : Competitive Intelligence Manager – Business Strategy Organization
Marketing & Communication Manager – Technology Group
Project Coordinator – CTO Office
- Motivation:
 - At ease working with Senior Managers as well as CFOs, CTOs, Marcoms, HRs
 - Work in a matrix of cross-functional groups across globe
 - Increase efficiency of Organizations

Outline

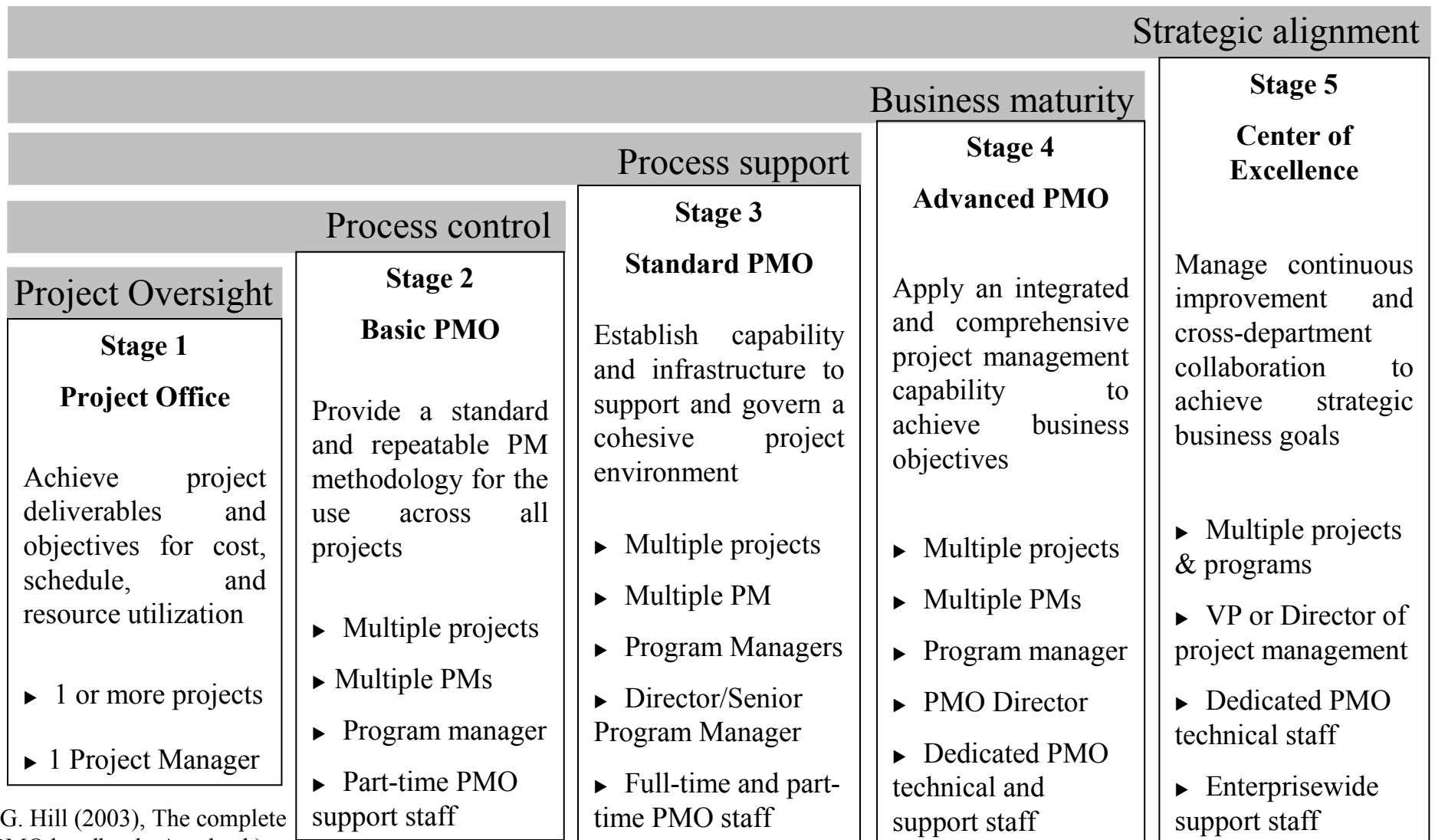
- 1. About PMOs
- 2. Why a R&D PMO
 - Context of the Company
 - CEO's Decisions
 - CTO Office's Decisions
- 3. How a R&D PMO
 - Develop a Unified R&D Organization Vision
 - Implement a company-wide reporting process
 - Structure the R&D Project Portfolio
 - Align Project Portfolio with Strategic Portfolio
- 4. Lessons Learned

1. About PMOs

What is a PMO?



The 'Competency Model' Continuum



(G. Hill (2003), The complete PMO handbook, Auerbach)

The 'Value Model' Continuum

- 2 approaches:
 - The 'cost-containment' approach: contains project costs
 - The 'Throughput' approach: meets organizational goals
- 4 Models within each approach:
 - Project repository model
 - Coach model
 - Enterprise model
 - 'Deliver Now' model

Mapping the PMO Functions with Models

	Archives	Coaching / Training	Resource Integration	Consulting & Technical Support	Project Portfolio Management
Competency Model					
Project Oversight					
Process Control					
Process Support					
Business Maturity					
Strategic Alignment					
Value Model					
Project Repository Model					
Coach Model					
Enterprise Model					
Deliver Now Model					

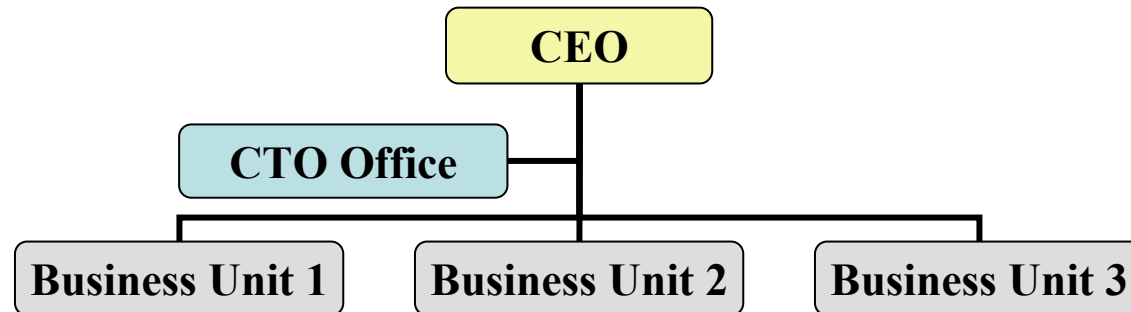
2. Why a R&D PMO?

Context of the Company

- The company has drastically modified its scope of activities in three years by:
 - Selling its historical businesses totalling nearly half of its revenues and headcount
 - Entering new markets through mergers and acquisitions
- A new strategy has been defined
- New technologies have to be monitored
- Increase of 50% over two years of the expenditures devoted to Research
- An investment fund becomes one of the main shareholders
- The company decides to implement the Sarbanes-Oxley regulation

CEO's Decisions

- Validate that R&D resources allocation is in line with Company Strategy
- The Chief Technology Office which has corporate functions over R&D activities will be in charge of this assessment:



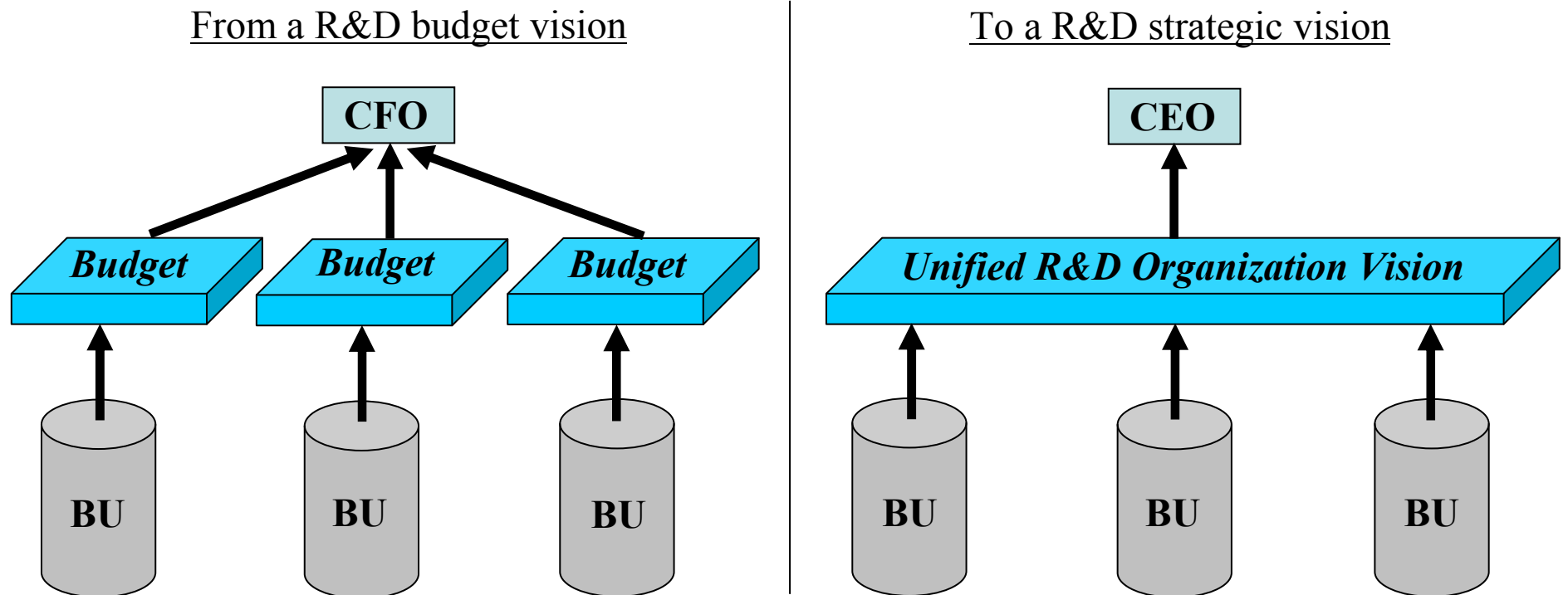
- A Technology Committee managed by the CEO is created to approve the assessment and to recommend actions to undertake during the coming year.

CTO Office's Decisions

- Appoint 'a project coordinator'
- Define its actions:
 - Develop a unified and project-based vision of the R&D organization
 - Implement a company-wide reporting process
 - Structure the R&D Portfolio
 - Align Portfolio with Corporate Strategy
- Monitor the scope of the R&D PMO:
 - 320-350M€ of annual budget
 - 46 locations worldwide
 - Over 3,000 people concerned
 - 750 projects

3. How a R&D PMO?

Develop a Unified R&D Organization Vision (1/3)



Develop a Unified R&D Organization Vision (2/3)

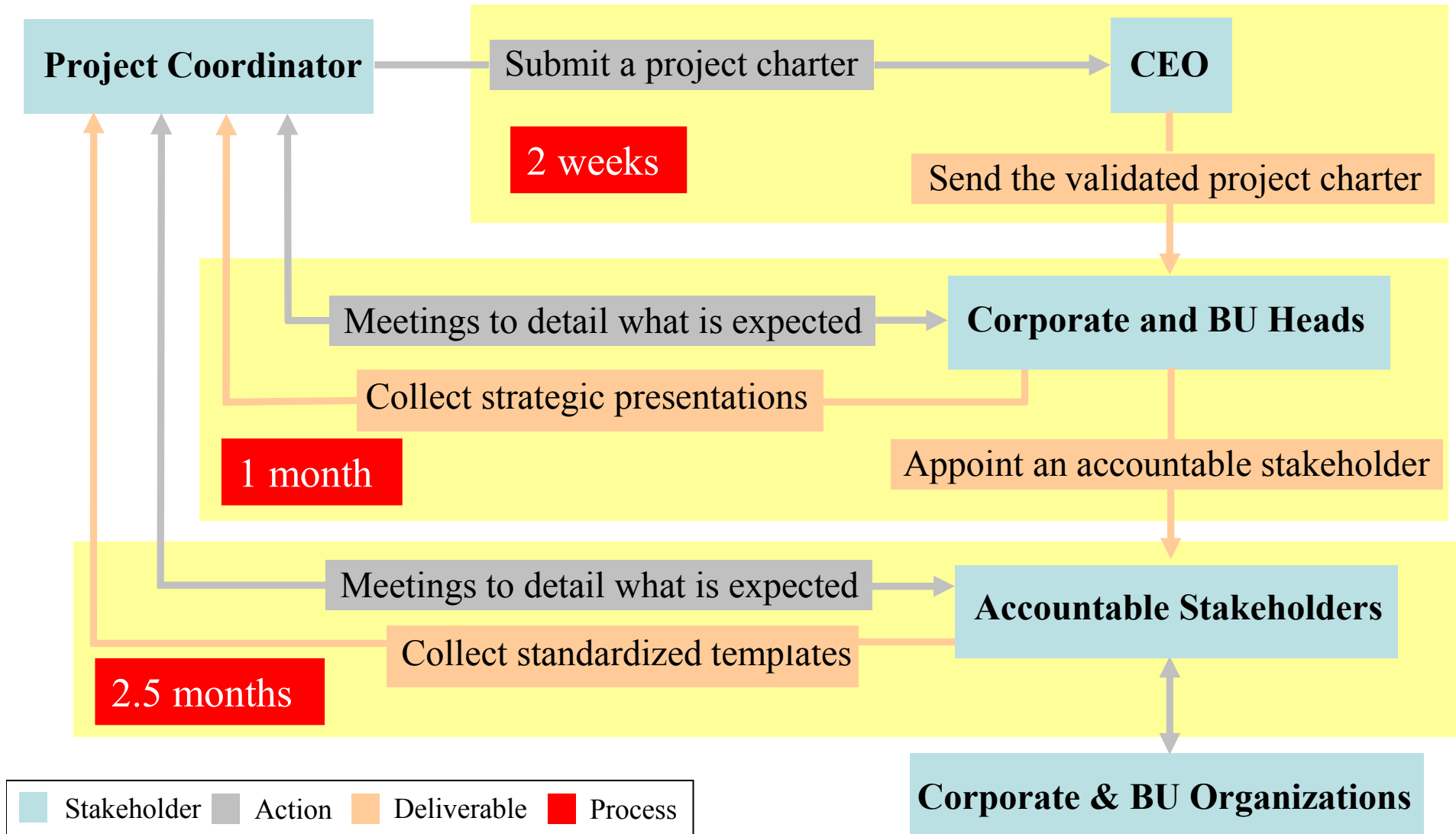
- Collect information relative to Strategy and R&D activities

		Type of information		
		Documents	Standardized Templates	
			Qualitative	Quantitative
Providers of information	Corporate	Strategic Presentations	Corporate R&D Key Descriptors	
	Business Units		Project Key Descriptors	

Develop a Unified R&D Organization Vision (3/3)

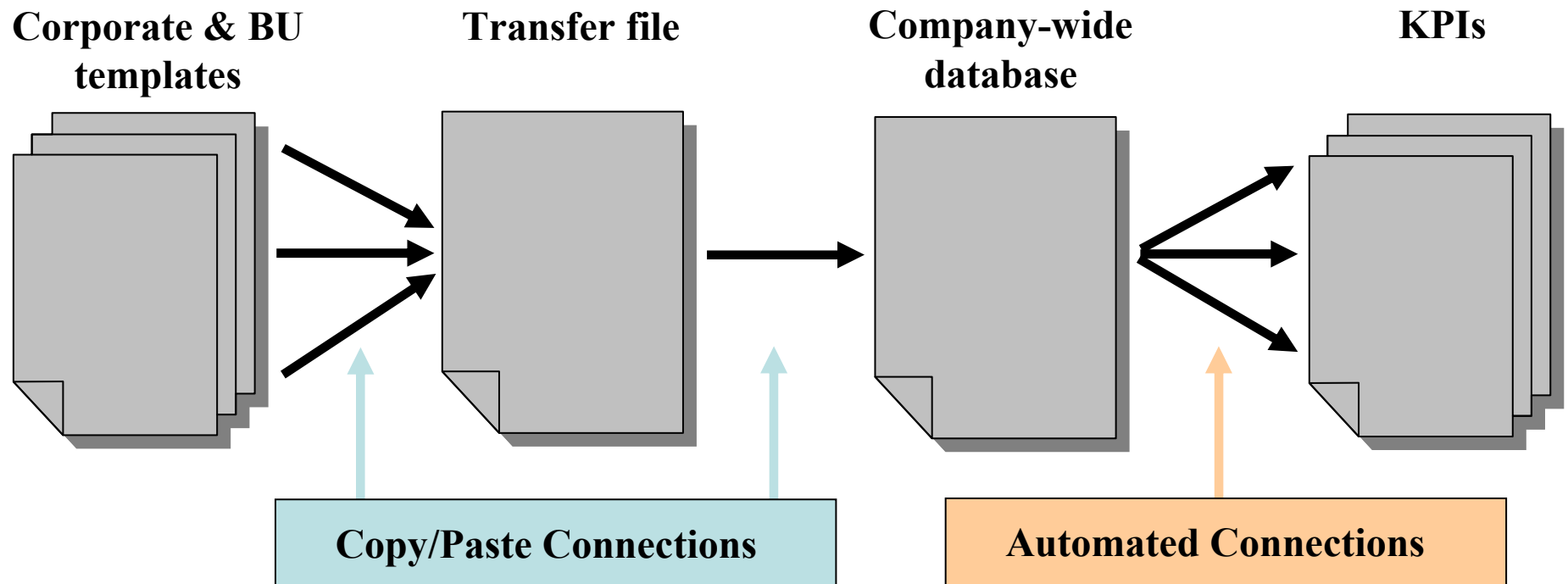
- Strategic presentations:
 - Internal: strategic objectives & tactics, R&D budget settings, product roadmaps
 - External: competitive benchmarks, market shares, market place conditions
- Corporate R&D key descriptors:
 - Qualitative: R&D roadmaps, organizational structure
 - Quantitative: 5-year R&D expenditures
- Project key descriptors:
 - General: name, start/end dates, rationale, strategic objective
 - Management: phases & types (from exploratory research to maintenance project)
 - Financial: ROI, Ebit, headcount, performance measurement analysis (PV, EV, BAC...)
 - Technology: split budget and headcount according a predefined list of technologies

Implement a Company-Wide Reporting Process



Structure the R&D Project Portfolio

- A repository of strategic and qualitative Corporate R&D presentations
- A database merging quantitative Corporate R&D & Project key descriptors
- A four-step processing chain:

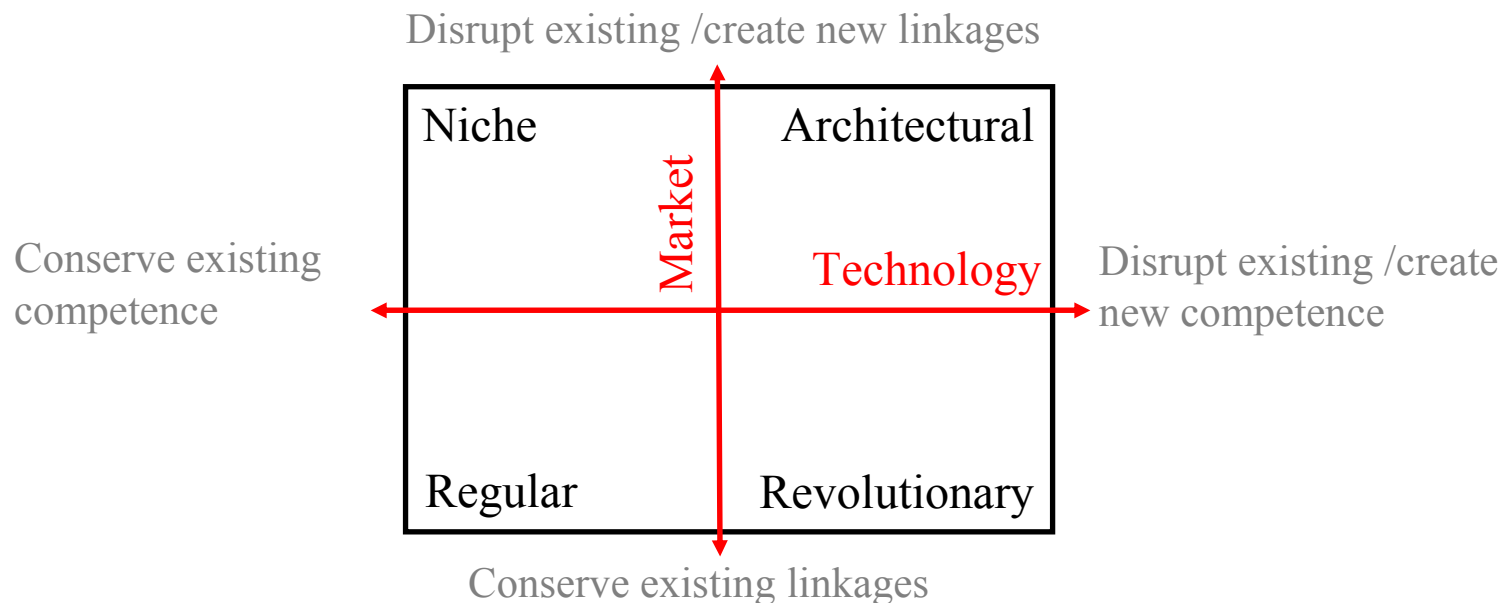


Align Project Portfolio with Strategic Portfolio (1/4)

- Four principles:
 - In a PMO approach, one admits that it exists a link between Strategy, Tactic and Projects, where:
 - Strategy is ‘what the Company want to do’,
 - Tactic is ‘how the Company proceeds’,
 - Project is ‘what the Company do according its Strategy and Tactic’.
 - Strategy and Tactic must be identified based on economic criterions to determine a strategic portfolio.
 - As Company Strategy is defined at a Corporate level and customized by each Business Unit, both Corporate and Business Unit strategic portfolio must be identified.
 - Proceed to strategic and project alignment analyses to align project portfolio with Company strategy.

Align Project Portfolio with Strategic Portfolio (2/4)

- 1st step: Identify strategies and tactics at work among:
 - Three Strategies:
 - Cost management
 - Price discrimination
 - Price differentiation
 - Each strategy can implement four Tactics:



Align Project Portfolio with Strategic Portfolio (3/4)

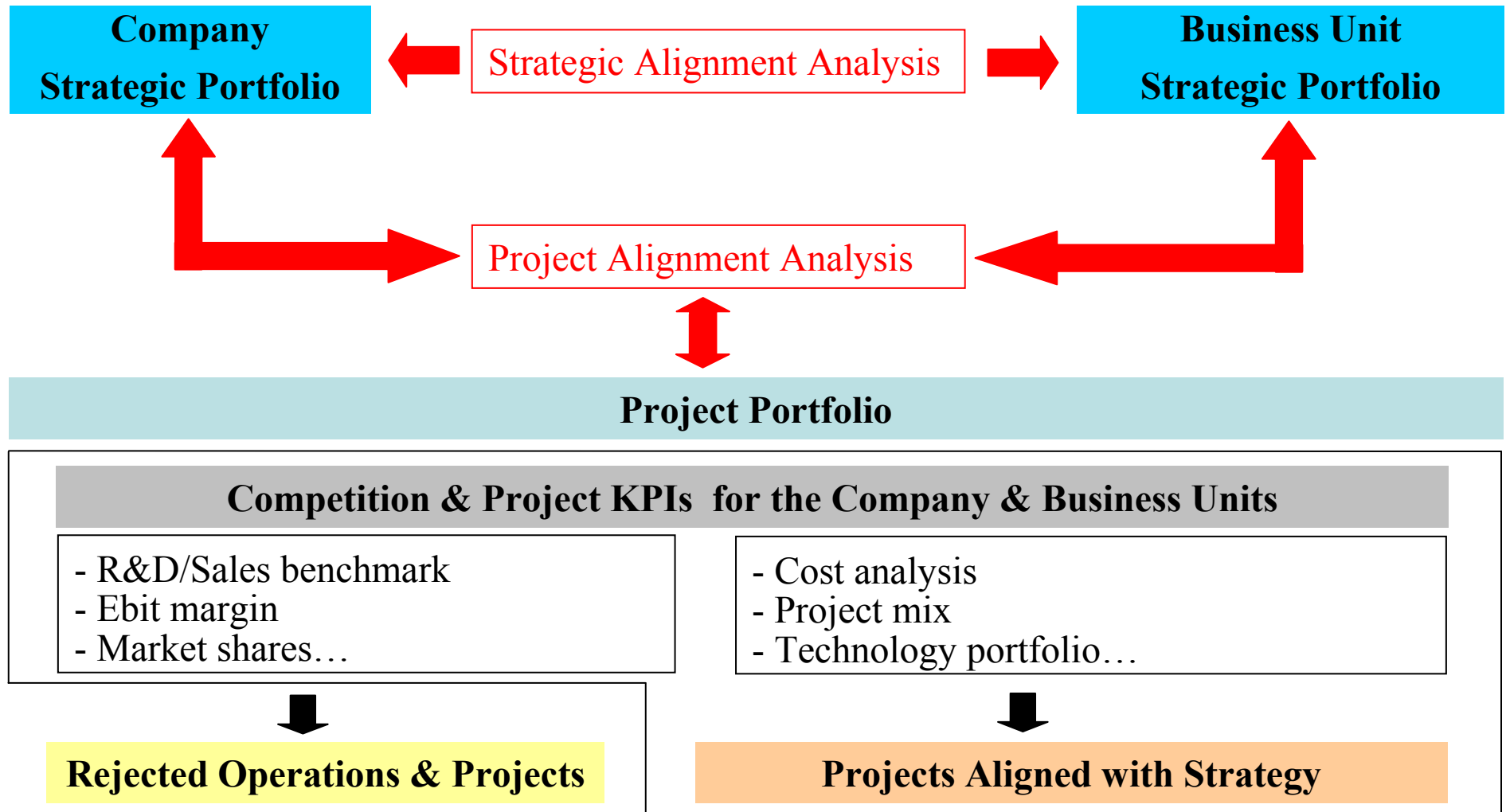
- 2nd step: Crosscheck strategies with tactics to create the strategic portfolio:

		Tactic			
		Architectural	Revolutionary	Niche	Regular
Strategy	Cost management				
	Price discrimination				
	Price differentiation				

- As Company Strategy is defined at a Corporate level and customized by each Business Units, both Corporate and Business Units strategic portfolio must be identified.

Align Project Portfolio with Strategic Portfolio (4/4)

- 3rd step: Proceed to strategic and project alignment analyses:



4. Lessons Learned

Lessons Learned (1/2)

- Return on Investment:
 - 18M€ saved over 350 M€ of R&D expenditures for 0.12M€ invested
- Competitive Benchmarks:
 - 40€ per R&D people vs 750-6000€
 - 160€ per project vs 550€
 - 4 months vs 1-2 years

| for market solutions
- Change Management:
 - Organization: no impact and no new software platform
 - Behaviors: limited to a training to use new templates
 - Reporting process: accepted by all R&D organizations
- Key Success Factors:
 - Strong commitment from the CEO
 - Cost effective, operational, and customized PMO implementation

Lessons Learned (2/2)

- Intensified Competencies:
 - Define the methodology to develop a unified vision of a R&D organization
 - Create the associated processes
 - Communicate with Executives, CFOs, CTOs, PMs
 - Customize a hand-made and an ease-to-use solution
 - Identify the Strategic Portfolio in use within a company
 - Align Project Portfolio with the Strategic Portfolio

 - And... Implement PMI's Project & Portfolio Management Standards