Value Management and the PMO: Where and When it Makes Sense

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What is value management?

There are a lot of activities and roles that have management at their core: building, traffic, project, program, customer relationship, supply chain, vendor, etc. So it should come as no surprise that Value Management is a thing. Here's where the term originated:

Back in 1988, two McKinsey consultants, Lanning and Michaels, wrote an internal paper for the firm that defined all business enterprises as value delivery systems. As a value delivery system you made money by managing value streams. They found the most successful companies added value at each point in the stream until (and sometimes after) the product or service was purchased and delivered. All businesses big and small operate this way, they argued.

> The lesson: pay attention to your value streams, and by definition, the value chains from which they flow, and success will be yours. How do you do that? By managing value. Hence the term "Value Management".

Turns out that value management is very easy to say and very hard to do. Identifying and reaching consensus on what constitutes a value stream is difficult enough. But deciding which critical points along the stream can and should be managed can require a transformational experience, along with vigorous executive support to make it happen.

There are also issues around observation and monitoring that make value management "tricky". The adage "you can't manage what you don't measure"(often wrongly attributed to Peter Drucker but still true) applies here. But who does it? What data are they collecting? What type of administrative burden does it introduce? Who gets access to the data, and when? All points of definition and negotiation.

And finally, there has to be an intentional purpose and authority for action, otherwise what's the point. Agreeing on what constitutes value and how it's measured and by who are the first steps, but useless unless meaningful and effective action is taken to improve the situation.

Fortunately, there is one value stream that is easy to identify, already has observation and monitoring negotiated and established, and is imbued with purpose and authority. It is the stream created by the outcome of the initiatives the company has decided to invest people and resources in, separate and apart from product development for external paying customers. And who is positioned to perform value management for this stream: the PMO.

Types and structures of PMOs

PMOs come in many flavours, colours and sizes. The 'P' typically stands for portfolio, project, or program. All organised collections of activities that hopefully contribute value.

PMOs can be permanent or temporary. Enterprise-level or department-sized. Specialised or general purpose. And they all have a couple of things in common.

First, when originally formed, a PMO's core purpose is to add value. Whether through process control or professional enrichment, PMOs get started to help with the challenges that accompany any organisation's ability to effectively and efficiently allocate human, physical and financial resources, specifically when it comes to staffing and executing strategic and tactical initiatives.

Also, all PMOs, no matter how small, deliver service. Broadly speaking, PMOs are formed to deliver some or all of the following services:

1. Foundation support for project initiatives in the form of templates, process guidelines (How-Tos) and training and skills development. They may also serve as resource management pools, handling resource allocation by assigning project managers (or more) to specific initiatives.
2. Strategic guidance for managing a portfolio of projects from an economic, resource allocation, regulatory or financial perspective. Using a variety of tools, strategic PMOs decide which projects get funded. And which projects to kill.

Because of the wide-ranging, complex and independent nature of services PMOs can deliver, the value they bring to any organisation depends entirely on what the PMO is chartered to do and for whom. This is critical information to know. If you are involved with a PMO, it's not just good to know its "origin story" – it's essential. And if you're thinking about starting a new PMO, creating an engaging and compelling origin story is a great place to start.

Don't know your PMO's charter? It might be dangerous to assume you know what it is authorised to do, what it actually does and the influence it has. Finding those things out may not be easy, especially if the PMO has been around long enough to be institutionalised. But if you are going to learn where the PMO sits in relation to its value stream, nothing is more important to understand.

As you develop a clear picture of where the PMO adds value to initiative outcomes, and for whom, you will begin to see where in the value stream it sits. And knowing where the PMO is positioned in the stream will naturally point to what value it can enhance or improve. To do that accurately requires determining value in its various forms.

Determining value in context

While it's difficult to imagine what providing too much value would look like, the signs of providing too little value are all too apparent. Decreasing or disappearing sales. Declining or absent adoption rates. Headcount and budget cuts. Of course there are a myriad of other reasons why these trends may be happening, but one thing is for sure - somewhere, maybe in multiple places, value was lost.

Like beauty, value is in the eye of the beholder. This is another way of saying that determining value depends on context. Not just the situational context; things like scope, focus and timeframe. But the context formed from the perspectives of the people making the valuation: the customers. And not just the final customers or end users. This applies to all the stakeholders in the value stream, especially those directly up or down stream from, in this case, the PMO.

So if value is contextual (and multi-dimensional too) what's the best way to determine what value to focus on? How can you be sure you're looking at the correct metrics and interpreting them in the right way? Here's a hint: study how product managers operate to see working examples of how this is done.

Product managers, often with help from other parts of the business, continuously evaluate what's important to the customers who will buy the product or service they are managing. They know what value their customers expect. And within the context of their value streams, they pull the necessary levers and twist the appropriate knobs to minimally deliver that value to the customer.

When you take those customer-targeted product management methods and apply them to all the customers the PMO serves, a number of pictures will emerge. Unless you've already performed this exercise, chances are the pictures will have holes in them. This is to be expected. Those holes could very well be gaps where value may be leaking from the stream. Or they could represent previously ignored or unknown customers who are under-served and thus not receiving the value they expect.

Regardless, the pictures should uncover where value resides, who is receiving it (or not) and what form it takes. Value in context. Once you know this, appropriate action to add or increase value can be planned and executed.

Should you start a separate VMO (Value Management Office)?

Your entity already has one or more PMOs, why on earth would a new organisation need to be created around value management? What part of the business would sponsor such a thing? Who would staff it? What value would *it* add? Just as with PMO's themselves, the answer lies in context.

For example: on very large programs a temporary VMO could be stood up with a charter to perform ongoing analysis of the project portfolios of division-level entities and report the findings to the board of directors. What specifically the BOD would be looking for, how they intend to calculate value and what action they would take given the VMO's findings become the VMO's own value proposition.

For smaller enterprises, the necessity for an independent Value Management Office is probably unrealistic. Convincing an executive (or more likely, a group of executives) to sponsor (read: fund) resources to manage value, before establishing that value management is a worthwhile activity is not unlike Sisyphus and the stone, the stone of course being VM.

However, adding a value management discussion into the portfolio evaluation or project proposal process is never a bad idea. It starts people thinking about value and how it's determined, without having to dedicate additional money and resources.

Discussions around value help formulate strategies – answering questions about the benefits of using the value-forward perspective of a product manager as a mental model.

They also should lead to a reexamination of the data and metrics currently used to assess how the PMO is performing, which will hopefully strengthen the PMO's role and perhaps eliminate the collection and reporting of unnecessary or unused data.

On the other hand, if you think the PMO has a bad rep and could get a boost from a less rigid and broader name, there is always re-branding. Including the word "value" in your organisation's title automatically communicates a purpose; think of the connotations around the word "quality".

But be forewarned: if the PMO is not already delivering strategic services, promoting a value focus through a name change may not be initially accepted. Put another way: make sure the PMO can deliver value management if that's what being advertised. As was mentioned earlier, delivering an effective value management service relies on understanding the points at which value is being generated. That starts with a change in mindset and some basic skills.

Skills and Mindsets for Articulating Value

Sometimes the value of a single project or a portfolio of initiatives is not readily apparent or requires time in order to be realised. One of the best ways to determine both hidden and obvious value is to adopt a Product-focused mindset. What does that mean?

A product-focused mindset looks at value through the eyes of the customer. The customer doesn't think about what it costs to make or deliver what they're buying, but they do think about the price they will pay and the quality they expect. And price and quality are placeholders for time, money or sacrifice, and feature or function. In other words, how valuable is it to them.

This is a good time to remember that the definition of "customer" is not limited to the person who ultimately swipes or taps their credit card or signs the purchase order. Customers exist at every point in the value stream where an exchange is made. So it's important to flex that mindset and identify where those points are and their matching customers before starting to articulate value.

As previously mentioned, it's helpful to learn how product managers get to the truth surrounding how they determine what's of value to their customers. The internet provides an overwhelming amount of information on this topic. But if you are short on time (or patience), there is a way to accelerate or jumpstart this activity: training.

SoftEd has a number of content offerings centred on using product-centric approaches to managing projects. Each one is applicable to determining how a value management approach might be used in your organisation.

Conclusion

Thinking about PMOs and how value management might elevate their importance and standing in any organisation is a good thing. Just make sure the groundwork has been firmly laid before jumping in with both feet. Odds are it won't be easy, or fast. But the outcome could mean a new way of looking at where and how your organisation directs its resources. And a better way deciding what initiatives truly deserve to move forward and which ones should not be started in the first place.

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