



## **PMO: Smooth disruption through Change Management**

Sustainable Development

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## CONTENTS

Abstract.....	3
Introduction .....	3
Details of the paper.....	4
<b>NEED FOR A PMO .....</b>	<b>4</b>
<b>TYPES OF PMO.....</b>	<b>5</b>
<b>SETTING UP OF PMO.....</b>	<b>6</b>
<b>PMO MATURITY ASSESSMENT .....</b>	<b>7</b>
<b>ORGANIZATIONAL CHANGE MANAGEMENT .....</b>	<b>8</b>
Case study: 7-eleven's acquisition of Strasburger Enterprises .....	10
<b>INTRODUCTION .....</b>	<b>10</b>
<b>IMPACT OF THE ACQUISITION .....</b>	<b>11</b>
<b>MANAGING STRATEGIC CHANGE ACROSS THE ORGANIZATION .....</b>	<b>11</b>
<b>ROLE OF THE PMO .....</b>	<b>12</b>
<b>OUTCOME OF THE ACQUISITION .....</b>	<b>14</b>
Conclusion .....	14
<b>KEY TAKEAWAYS .....</b>	<b>15</b>
References .....	15

## ABSTRACT

As C.S. Lewis says, *“It may be hard for an egg to turn into a bird: it would be a jolly sight harder for it to learn to fly while remaining an egg”*, the World would not have been what it is today, had it not undergone a change. Change is the only constant thing.

Organizations celebrating their centenaries have clearly demonstrated that they have been able to do so mainly by Embracing Change, disrupting their existing systems and transforming for the better.

Organizational transformation is just impossible without incorporating Change. A Change is almost synonymous with Disruption. A central player enabling this transformation, incorporating Change with minimal disruption is the Project Management Office (PMO). Be it tactical, operational or a strategic PMO, managing change across their sphere of influence becomes critical for the PMO.

The cause for disruption due to change spans across a broad spectrum, from technical challenges to the emotional response of individuals, teams and organizations. Managing teams from a state of Denial to a state of Acceptance demands extraordinary skills of a PMO. Only a mature PMO can successfully steer through these turbulences, embracing disruptions all through.

This paper focuses on PMO as an instrument towards embracing disruptions, thereby ensuring sustainable development across the organization, along with a case study. As Gandhiji says, *“Be the change you wish to see in the world”*, this paper intends to open the minds of the audience towards embracing Change and thereby transform their organizations from *“Good to Great”!*

## INTRODUCTION

*From the age of Darwin, it has been proven, that only those who can transform themselves, embracing the disruptions around them, survive; be it human beings or organizations. Digital transformation, rapidly changing business environment, tight budgets plus the need to deliver Value are all driving intense and disruptive changes across organizations.*

*Managing such changes so as to ensure these disruptions do not erupt the entire system needs a robust and mature organization. The Project Management Office, the PMO in short, architects project management enabling organizations to embrace these disruptions, thus helping them attain or sustain the leadership position.*

*In a **Supportive** role, the PMO supports project managers by way of providing templates, managing PMIS, sharing best practices and providing necessary training to enhance project management capability across the organization.*

As a **Controlling PMO**, they provide frameworks, setup governance across projects, ensure conformance, roll out tools, processes and standards across projects. They guide project managers in taking corrective actions, as and when necessary.

A **Directive PMO**, on the other hand, controls the projects by directly managing them. The governance framework is strong with greater command on processes and policies.

From a **tactical PMO**, hand-holding new project managers to a **strategic PMO**, driving policies, processes and organization-wide initiatives, the PMO plays a vital role in steering the organization to the leadership position.

This paper focuses on the Enterprise PMO, a strategic role across the organization, driving transformational changes with minimal disruption to the existing practices. A case study of the acquisition of Strasburger Enterprises, a unit of Mobil Oil, by 7-Eleven in Australia provides a real-life scenario of how a PMO has been instrumental in architecting project management activities of the acquisition so as to embrace this disruption and thus steering the organization to find a place in the top 50 retailers across the world.

## DETAILS OF THE PAPER

### NEED FOR A PMO

Let us consider the first day of our life as a Project Manager, the day we rose from the role of a Team Leader or a Technical Leader to a Project Manager. Oh, my! The excitement on one side combined with the fears of managing the team, the client, the project objectives ... the list is endless. How I wish there was someone to guide me on this new role, mentor me, support me and help me perform this role with ease? Yes, over time, we get over these fears, learning the hard way.

Having proved myself a successful project manager, I have now grown into a Program Manager. Now I have different challenges. Business benefits matter to me. Multiple projects to be managed successfully and more so, simultaneously. Oh God! Can someone help me develop a common framework across these projects, help setup a governance framework, a process for a good reporting system to my leadership? Again, an endless list appears. Yes, as a true professional, I manage to succeed in delivering my "program" realizing great business benefits.

I have now grown as a Leader responsible for transforming my Organization to the Leadership position. Who do I look up to now? Who can understand my Organization's Vision, my business strategy, develop organization initiatives and drive these initiatives to transform my organization? Is there someone to manage these changes with minimal disruption?

Yes, it is these challenges that gave rise to a new entity in the Organization, the **Project Management Office**, the **PMO** in short.

Technically, **PMO** is a structure to standardize project-related governance processes and facilitate sharing of resources, methodologies, tools, and techniques across the unit or organization.

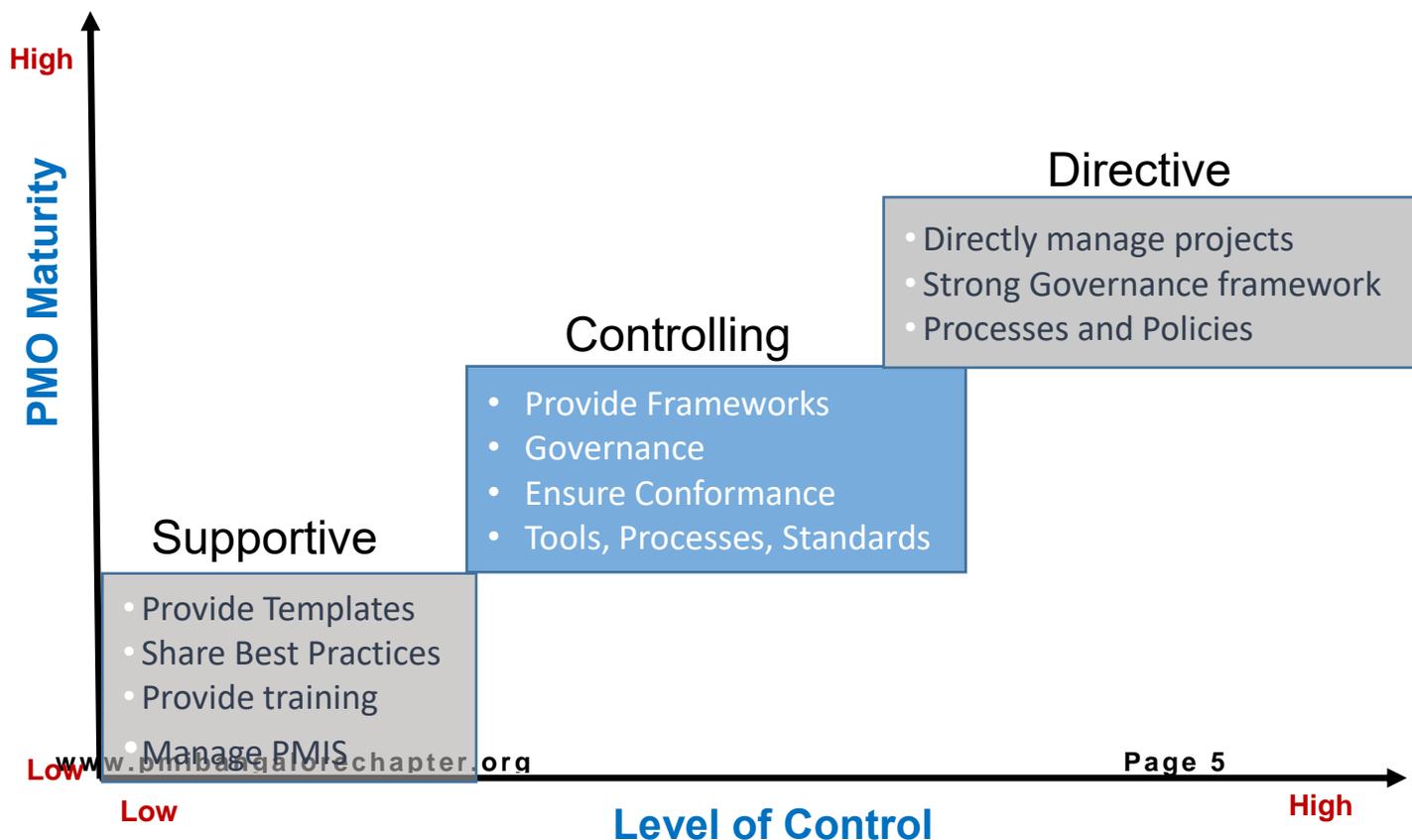
### TYPES OF PMO

As mentioned earlier, putting it in a simple manner, a PMO could play a **Supportive** role, where the PMO guides project managers by providing templates, offering trainings, sharing best practices and lessons learned from other projects, etc. The PMO acts as a mentor to project managers guiding them through the project management practices. The level of control on the projects is low.

At the next level, the PMO could be a **Controlling PMO**, where the PMO starts exerting some control over the projects. They define frameworks, setup Governance, ensure compliance to processes, standards and methodologies. They also define the standards, metrics, tools and processes. They exert some level of control on the projects. Non-conformance is considered quite seriously and action(s) initiated to address the same.

The third type of PMO is the **Directive PMO**, where the PMO directly manages the projects. They have high command on processes, tools and methodologies; and establish a strong governance framework across the Unit or organization. Their level of control on projects is high. They are the decision makers and project managers abide by their decision.

While these three types appear to be distinct, they are quite inter-dependent and at times, overlapping too. It is quite common to see the PMO organization itself starting off as a Supportive PMO and steadily growing as a Directive PMO. Even as the maturity of the organization increases, the PMO could move from Supportive to a Directive role. Figure 1 below shows the types of PMO and their alignment with organizational maturity.



Having understood these types of PMO, how do I know which PMO best suits my needs? Table 1 below provides a guideline to choose the right type of PMO. Depending on the need of the organization as well as the maturity of the PMO, organization could decide on the most appropriate type of PMO.

Supporting PMO	Controlling PMO	Directive PMO
Lack of project management methodologies, tools and procedures across the organization	Moderate level of project management capability across the organization	Organization has high level of project management maturity
Inadequate project management skills with Project Managers	Project managers are knowledgeable about PM standards, tools, etc.	Well established processes to monitor project progress exist
Inadequate training programs to keep project managers abreast with project management tools and methodologies	The organization is familiar with handling multidisciplinary projects.	Structured reporting systems exist
	Organization is adept at implementing Project management standards and compliance practices	Well-defined strong governance system exists

Table 1: Types of PMO

## SETTING UP OF PMO

Having understood the need for a PMO and the right type of PMO, let's now see how to setup the PMO. This paper focuses on Organization-wide PMO, or the **Enterprise PMO**.

Key factors to be considered to setup an Enterprise PMO are:

1. **Strategic Alignment:** As the PMO interacts closely with the executive management team, they play an active role in strategic planning and execution activities. PMO becomes a partner in organizational strategic planning.
2. **Shift focus towards Business Agility:** In order to stay ahead of competition, PMO must be able to seize new opportunities, simultaneously controlling risks. To achieve this, PMO should be capable of a shift in the mindset of the complete organization from tactical operations to strategic changes and adapt accordingly.

3. **Drive business, deliver Value:** PMO plays a key role in prioritizing and allocating projects. As such, their decisions drive business results and deliver Value which prove to be crucial as market differentiators. Successful project delivery then becomes the norm.
4. **Enable Organizational Change:** As Charles Darwin says, “It is not the strongest of the species, nor the most intelligent that survives, but the one most adaptable to change”, we have clearly seen that it is only those organizations which have embraced change and transformed accordingly that have stood the test of time. PMOs have been successful in helping organizations initiate new transformational initiatives, embrace these changes and sustain the business challenges.
5. **Strive for Excellence:** As Philip Kotler says, “Poor firms ignore their competitors, average firms copy their competitors, winning firms lead their competitors”, to gain and retain the leadership position cannot be achieved by just meeting the project objectives and delivering to the client’s satisfaction. PMOs continuously strive for excellence, going that extra mile to deliver Business Value and exceed client’s expectation. They are key to enhance the brand image of the organization.

**PMO MATURITY ASSESSMENT**

While organizations entrust great responsibility on PMOs, we should also be able to assess the capability of the PMO itself. How do we do so?

A 6-point scale is generally used to assess the maturity of the PMO. Table 2 below describes these 6 levels.

Level	Description
0 – Undefined	A PMO doesn’t exist, or exists in a very minor, invisible capacity.
1 – Ad-Hoc	Some PMO functions are performed on a single-project basis, a project office. No unified practices across the organization.
2 – Managed	A PMO exists, carrying out partial support functions, with no governance or guidance roles.
3 – Defined	The PMO represents a central project management governance and control function.
4 – Measured	The PMO monitors and reports on the project management practices maturity all over the organization.
5 – Optimized	The PMO takes initiatives in enhancing and improving the organizational project management maturity over the three dimensions of project, program, and portfolio management.

Picture courtesy: <https://www.onewayforward.com/resources/PMO%20Maturity%20Assessment.pdf>

Table 2: PMO Maturity Levels

The maturity level is assessed across five main domains and hence the overall maturity level.

Focus Area	Level Assessed* (0 – 5)
Enhancing the Project management capability and competency across the Organization	
Strong Governance framework to track project performance	
Control on Project management activities	
Transformational initiatives driven through Strategic Planning	
Knowledge Management, sharing of best practices and lessons learnt	
<b>Overall PMO Maturity</b>	

\*as per Table 2 above

The type of PMO could depend on its maturity level. A high-level mapping would be as shown below in Table 3.

Type of PMO	Supportive	Controlling	Directive
PMO Maturity*	Level 1, 2	Level 3	Level 4, 5

It is important for the organization also to be mature enough to ensure good performance of the PMO. The functioning of the PMO could fail if PMO is at a high maturity level while the organization is not mature enough to support the PMO; or the organization could be highly mature while the PMO is not mature enough to drive the initiatives. These factors need to be considered to design the right PMO.

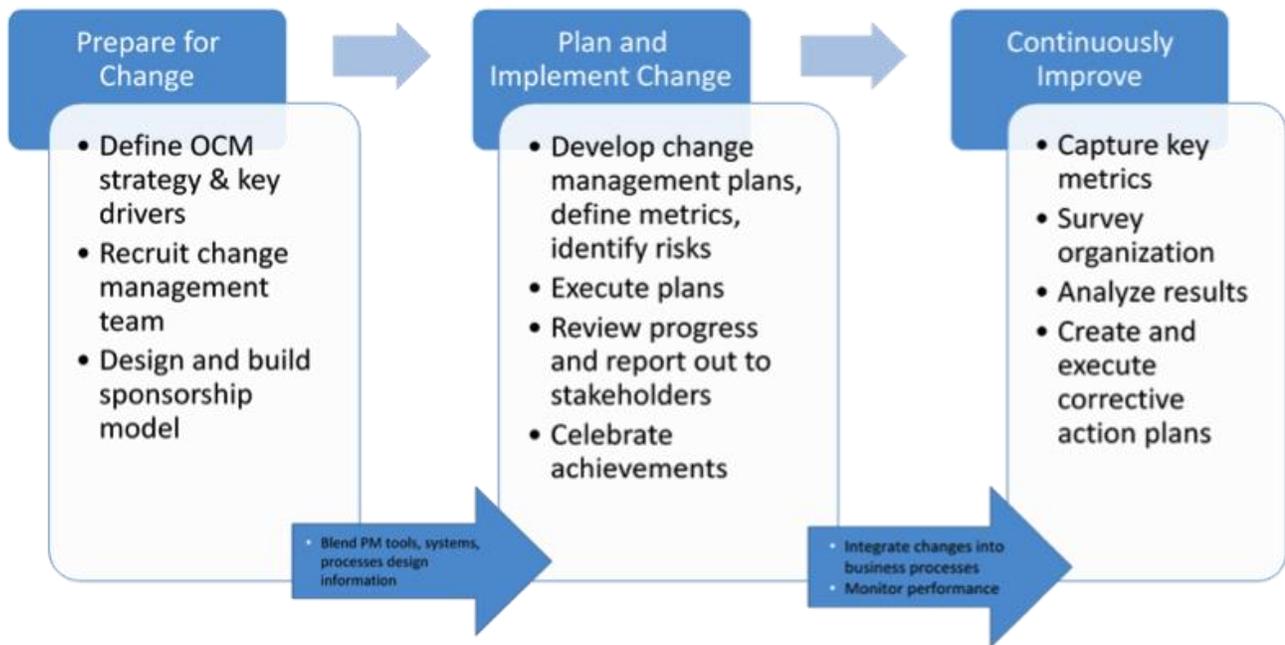
## ORGANIZATIONAL CHANGE MANAGEMENT

As we all know, change management is a systematic approach to dealing with the transition or transformation of an organization's goals, processes or technologies. The purpose of change management is to implement strategies for effecting change, controlling change and helping people adapt to change. An Enterprise PMO acts as a great catalyst to drive Organizational changes.

Major steps involved in Change management are as follows:

- Prepare for Change
- Plan and implement Change
- Continuously Improve

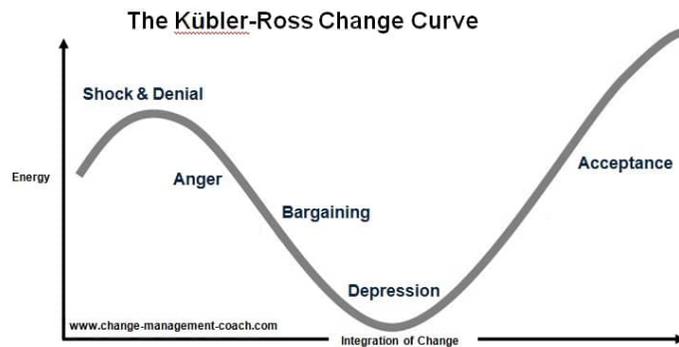
Figure 2 shown below explains the activities involved in each of these activities.



Picture Courtesy: <https://tensix.com/consulting-services/pmo-implementation/pmo-organization-change-management/>

Figure 2: Steps involved in driving Organizational Change Management

As a PMO, it does not suffice to manage technical and operational aspects of driving the changes across the organization. We need to be sensitive to emotional changes each and every stakeholder would be going through. The Kubler-Ross change curve provided in Figure 3 below explains this clearly. Understanding the emotions of the stakeholders helps the PMO to be sensitive to these emotions and act accordingly.



Picture Courtesy: <https://www.change-management-coach.com/kubler-ross.html>

Figure 4: Kubler-Ross Change Curve

Let us now take a real-life scenario of the acquisition of Strasburger Enterprises, a unit of Mobil Oil, by 7-Eleven in Australia. This case study shows how PMOs play a very important role in Organizational Transformation.

## CASE STUDY: 7-ELEVEN'S ACQUISITION OF STRASBURGER ENTERPRISES

### INTRODUCTION

7-Eleven is one among the top 50 retailers across the world. In Australia, 7-Eleven is a leading convenience retailer operating more than 650 stores. These stores are owned by franchisees who take care of store operations, manage inventory, resource management and other activities while the US based head office handles accounting, branding, supply chain management, real estate and other such activities. To remain competitive in this ever-changing industry, 7-Eleven Australia is constantly striving to develop strategies towards expanding their business and increase their market-share.

In 2010, 7-Eleven Australia acquires Strasburger Enterprises (Properties), a subsidiary of Mobil Oil. This acquisition results in 7-Eleven taking over all the 295 outlets and their operations, along with all employees of Strasburger Enterprises.

This case study explains how 7-Eleven managed this strategic change through an efficient PMO. An effective change management process developed and implemented by the PMO helped 7-Eleven manage this change smoothly with minimal disruption to their system and the stakeholders.

## IMPACT OF THE ACQUISITION

Acquiring Strasburger Enterprises was not an easy task for 7-Eleven. Addition of the Strasburger outlets saw a 62% increase in the number of stores for 7-Eleven. Number of transactions increased by 75% while the sales started seeing a growth of more than 50%. With this acquisition, 7-Eleven was well positioned to be the third largest company in Australia.

Integration on such a massive scale was not only complex, but equally challenging too. Speed of execution was extremely important. Equally important was stakeholder management. Emotional disturbances among customers and employees was a sensitive issue and had to be handled in a mature way. At this point of time, 7-Eleven decided to setup a PMO whose primary responsibility was to manage all aspects of this acquisition smoothly.

## MANAGING STRATEGIC CHANGE ACROSS THE ORGANIZATION

Managing a major acquisition like this was a herculean task for the PMO. The greatest challenge, as is common with any change, is the resistance to change. As seen by Kubler-Ross Change curve above, stakeholders were in a state of shock and had their own fears of the new organization. Operational changes across various departments like HR, Finance, Supply Chain, etc. had to be managed.

The PMO was quick to understand the need of the hour. First thing they did was to put up a change management process in place. The change management process comprised of three main phases, namely:

- Plan for the Change
- Execute the Change
- Sustain the Change

The planning phase set common goals across the organization, clear objectives for the stakeholders, a framework for implementation which included all operational activities with well-defined timelines.

27<sup>th</sup> May, 2010 was the day the acquisition was announced. The PMO now had to execute the change as per the plan. Communication went out to all stakeholders indicating the seven key objectives, which were:

1. Achieving business as usual as quickly as possible, minimising change for the consumer.
2. Maintenance and eventual enhancement of 7-Eleven brand.
3. Driving quick wins and synergies as soon as possible after completion.

4. Best of both; leveraging the right team and taking best processes and systems across both businesses.
5. Creating one culture and avoiding an 'us and them' attitude.
6. Managing the costs of integration including operational expenditure and capital expenditure and ensuring benefits are still achieved.
7. Communicating effectively, in a timely manner with all stakeholders and employees.

New franchisees were trained on the company's systems and processes. Existing franchisees were given the responsibility of additional stores to reduce training time. An internal support system, known as the **Franchisee Matrix**, was developed which helped track store performance along with an automated system for reordering stock combined with an effective intranet-based communication system. Franchisees could compare their KPIs to benchmark against similar ones in the industry. This provided opportunities for franchisees to implement success strategies used in more profitable stores to improve their own performance.

Real time reporting of sales and profitability data was a great feature of the *Franchisee Matrix* system. Performance of the Stores were measured against ten KPIs, which comprised of financial as well as non-financial metrics. As part of *Sustaining the Change*, 7-Eleven focused on continuous improvement, analysing the strengths and weaknesses of each store. An *Individual Store Development Plan* captured the gaps in performance and accordingly develop a plan through requisite training and support to address the same.

## ROLE OF THE PMO

The primary responsibility of the PMO was to develop a Master plan of the acquisition along with the tactical applications. The PMO was governed by a Joint Steering Committee comprising of senior executives from both the organizations. The Joint Steering Committee reported directly to the 7-Eleven Australia Steering Committee. 16 workstreams were identified for various divisions and operations. In a **Supportive role**, the PMO supported these workstreams with templates, tools and processes so as to help them carry out the activities related to integration of both organizations. The PMO itself managed all communication, acting as a middle layer between the supervisory steering committee and the executing bodies of the workstreams.

In a **Consultative role**, the PMO developed a framework to handle dependencies among these workstreams. The PMO also managed resource allocation (technical, physical or human) across these workstreams.

The key aspect of the PMO was to manage this strategic change with minimal disruption to the existing systems. The PMO was sensitive to the fact that people are resistant to change and this has to be managed very well. As such, defining a principle around this was very important. Thus, having one of the key principles as, *“Creating one culture and avoiding an ‘us and them’ attitude”*, became a game changer in bringing both teams together. Also, setting up the Joint Steering Committee with members from both organizations, not only helped collaborate but also brought in high transparency into the system, thereby enhancing the trust of the employees.

The PMO also put up a strong governance in place. Key members from each workstream were entrusted with the responsibility of managing activities related to the acquisition within their workstream. Weekly meetings were setup with the workstreams to track the activities against the milestones and discuss issues and risks associated with the workstreams. These activities were then reviewed with the Steering Committee.

The next greatest challenge for the PMO was “rebranding” the Mobil/Quix stores. This meant converting these stores to the new operational system along with the traditional 7-Eleven look. In line with the core branding strategy of 7-Eleven, one of the key principles was well formulated as, *“Achieving business as usual as quickly as possible, minimising change for the consumer”*. As such, the PMO initially operated a number of co-branded stores. Later, on a trial basis, they converted just a handful of sites to the new 7-Eleven stores. It was found that once the stores were fully converted, although initial setbacks did occur, the company saw significant growth in sales and increased profitability. The lessons learned through this trial round were applied and the company decided to convert the remaining stores in a phased manner. The company was able to convert more than 100 stores within a period of one year. Figure 3 below shows the transformation of the stores outlook after the acquisition.

Old Store before acquisition



New Store after acquisition



Figure 3: The new look of the stores after acquisition

The refurbished stores with the new 7-Eleven stores look, with better lighting and more spacious aisles combined with customer-centric friendly staff saw a significant improvement in customer satisfaction, thereby leading to increased sales.

## OUTCOME OF THE ACQUISITION

Thus, incorporating strategic changes with minimal disruption through an efficient PMO, the 7-Eleven company has consistently retained its position among the top 50 retailers across the world. The success of this acquisition soon led to 7-Eleven getting into an agreement with Mobil as its sole fuel supplier too. 7-Eleven has also demonstrated how the PMO has been successful in architecting project management to embrace this disruption and help 7-Eleven sustain its leadership position.

## CONCLUSION

The importance of PMO cannot be described in words, but can only be experienced by organizations striving to be a leader in the industry. However, statistical figures are now available to prove the importance of PMO in an organization.

- ❖ Number of organizations having a PMO has steadily increased over the past few years, and the trend is also showing a steep increase year on year. Percentage of organizations with PMO has grown from 47% in 2000 to 85% in 2016.
- ❖ Number of Project managers reporting to PMOs have also been increasing over the past few years; 42% in 2012 to 52% in 2016.
- ❖ 95% of organizations with revenue greater than \$1B have dedicated PMO
- ❖ 30% of organizations without PMO plan to implement one within next one year

- ❖ 49% of PMOs report directly to C-level executives

It can be clearly seen, from the figures mentioned above, PMO has to be an integral part to drive the success of an organization. Success of an organization is only possible through transformational changes, which can be effectively managed by an efficient PMO.

## KEY TAKEAWAYS

Having understood the importance of the PMO and its significance in driving organizational transformation, am I ready to setup a new PMO, or enable my PMO to move to higher levels of maturity, if one exists? A set of points to be borne in mind for leaders to support and drive the PMO are as follows:

- PMO plays a strategic role in the success of the organization.
- Depending on the maturity of my organization and the PMO, I could decide on a Supportive PMO or a Controlling PMO or a Directive PMO.
- It is possible to start off as a Supportive PMO and gradually grow as a Controlling PMO to a Directive PMO
- Support from the executive management is critical for the PMO to succeed. Clarity of responsibilities along with requisite Authority is absolutely required.
- Many organizations have seen PMOs fail too. If the organization is highly mature and the PMO is not mature enough to drive the initiatives, OR, the PMO is highly mature and organization is not mature enough to support such a PMO, it could lead to failure of the PMO. Mapping of the organizational capabilities with the PMO functionality helps define the right type of PMO.
- Transformation is key to stay ahead of competition and PMO is key to drive such transformation.

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