Evolving PMOs in an Enterprise Agile World

The shift to enterprise agile and continuous delivery models appears even more inevitable for organizations to survive in the digital business era. PMO leaders must embrace this shift now, exchanging some top-down control for feedback and learning to enable agility.

Overview

Impacts

- Program management offices (PMOs) must shift from a control mentality to one of collaborative enablement as the use of agile becomes a business imperative.

- The shift from focusing on skilled individuals to focusing on high-performing teams will alter, but not eliminate, conventional resource planning and management practices.

- Meaningful value metrics are necessary feedback to teams and product owners to adapt investments to constantly changing markets.

Recommendations

To transform PMOs to support agile at scale, program and portfolio management (PPM) leaders, specifically PMO leaders, should:

- Enable continuous business outcome delivery and rapid response to bottom-up feedback by replacing top-down practices and controls with collaborative leadership.

- Use resources effectively by allowing funded product managers to orchestrate their dedicated teams while PMOs focus on delivering nondedicated and scarce resources rapidly when necessary.

- Proactively prepare to rebalance resources across product investments informed by tangible and traceable value metrics.
Introduction

Use of agile in organizations continues to scale. Many organizations have adopted at least one agile scaling framework. PMO leaders must understand agile proliferation because many projects in portfolios have application development components, and, in many instances, projects are becoming products. Further, we’re seeing more organizations shifting to managing business capabilities as products with agile to drive innovation and competitive advantage. Agile itself warrants changes in PPM thinking and action. As agile increases in use, organizations often adopt one or more enterprise agile frameworks to enable dependency management and better coordination of effort. These frameworks, although imperfect, can serve as useful foundations to coordinate broader use of agile in enterprises.

The adoption of agile and the use of enterprise agile frameworks can vary by organization. All PMO leaders, however, must understand the impact of agile on the enterprise as well as the capabilities and limitations of enterprise agile frameworks. While neither enterprise agile nor the frameworks obviate PMOs, they mandate that PMOs change their thinking, behaviors and activities. Early in the transition, PMOs must reformulate their objectives, change resource management approaches, and redesign their value-added activities (see Figure 1).
Figure 1. Impacts and Top Recommendation for Evolving PMOs

**Impact Appraisal**

<table>
<thead>
<tr>
<th>Impacts</th>
<th>Top Recommendations</th>
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<tr>
<td>PMOs must shift from command and control to collaborative enablement.</td>
<td>• Remove top-down project-level controls when equivalent feedback mechanisms exist.</td>
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<td></td>
<td>• Enable cross-team collaboration to drive consistent use of agile principles and practices across the enterprise.</td>
</tr>
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<td>The shift from individuals to teams will alter but not eliminate conventional resource management.</td>
<td>• Enable units of teams to be orchestrated by release train engineers.</td>
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<td>• Enable rapid deployment of non dedicated resources when necessary.</td>
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<td>Meaningful value metrics are necessary feedback to adapt investments to a constantly changing landscape.</td>
<td>• Complement measures of financial value with tangible metrics that maintain traceability to goals.</td>
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<td>• Prepare for rebalancing across portfolios with quantitative value metrics to adapt to environment changes.</td>
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Source: Gartner 72476_C

**Impacts and Recommendations**

**PMOs Will Have to Shift From a Control Mindset to Collaborative Enablement**

**Shift the PMO Mindset**

Traditional PMOs impose top-down controls, such as phase gates, to manage risk. Agile teams learn from customer feedback, received at regular intervals, to recalibrate their effort on products, which serves to manage risk during delivery. Most agile software development teams use sprints that occur every two to three weeks, empowering these teams to regularly align with customer needs. This feedback and learning mechanism marginalizes some top-down controls, such as phase gates — at least during development. Thus, PMO leaders must largely back off controlling agile efforts during development, allowing bottom-up feedback to replace top-down control for managing risk. For many PMOs leaders, as well as senior executives, this will require a change in mindset.
With agile teams, traditional PMO functions are replaced with new disciplines and roles, reflecting a shift from command and control toward empowering teams to adapt to customer feedback. For example, day-to-day resource management is handled through dedicated teams and a system such as Kanban, allowing teams to select prioritized work that can be completed within a sprint. Project managers are replaced by Scrum Masters. Also, program managers may be replaced by or coupled with release train engineers. Many organizations use enterprise PMOs (EPMOs) to provide a broader, organizational view of effort to enable better coordination. These EPMOs may assist with initial funding, cross-effort dependency management, and even periodic cross-effort validation and rebalancing.

Use Enterprise Agile Frameworks Pragmatically

Agile principles prescribe dedicated teams. As agile scales throughout the organization, the number of agile teams will grow, resulting in coordination challenges. As the number of teams increases, it’s common to see these teams start to collide. These collisions serve as a trigger to look for coordinating mechanisms, one of which is enterprise agile frameworks. There are a host of these frameworks available, including:

- Scaled Agile Framework (SAFe)
- Customized Scrum of Scrums
- The Spotify model
- Disciplined Agile Delivery (DAD)
- Large-Scale Scrum (LeSS)
- Nexus

These frameworks generally provide common language for roles, deliverables and effort. For more information on enterprise agile frameworks, see Market Guide for Enterprise Agile Frameworks.
These frameworks, while useful, require some degree of configuration. Furthermore, some organizations may need more than one framework. For example, an organization using agile for both traditional IT and digital business may find SAFe more appropriate for traditional business, but the Spotify model more appropriate for digital business. Aside from selection and tailoring, these frameworks change over time. Also, for most organizations, moving to agile is a gradual shift, meaning one or more frameworks must coexist with traditional top-down PPM methods. PMO leaders must enable enterprise agile framework evaluation selection, configuration, evolution and integration.

Enable Collaboration With Appropriate Collaboration Centers

To enable proper adaptation of frameworks and to share best practices, many if not most advocate regular collaboration, often through communities of practice or competency centers. Agile prescribes high-performing dedicated teams rapidly delivering toward a vision, which, while ideal for manifesting a specific vision, creates less-than-ideal conditions for cross-team collaboration. This presents opportunities for PMOs to provide value to agile teams as organizations scale agile. One value proposition is enabling cross-team collaboration by coordinating and maintaining communities of practice or managing centers of excellence to drive the use and evolution of best practices. Another is enabling cross-affinity group coordination to manage dependencies that occur between projects, products or product lines.

Adopt Agile PMO Principles

As your organization evolves, the PMO must also evolve its governing approach to enable team collaboration and move away from command and control. Table 1 provides a sample set of guiding principles to adopt when evolving your PMO to enable enterprise agile.
Table 1: Agile PMO Principles

<table>
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<td>Continue to provide visibility to the status of the portfolio in terms of business capabilities and outcomes that will be delivered, including interdependencies.</td>
<td>Extend your community of practice, or create a competency center, to engage agile practitioners.</td>
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<td>Stop prioritizing lower-level team work. This is the role of the product owner.</td>
<td>Change your way of gathering this information by collaborating with product owners and Scrum Masters, ideally using existing tools to avoid extra work.</td>
<td>Change your processes, roles and responsibilities to reflect the new way of working.</td>
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<td>Change your terminology on dashboards to align with agile.</td>
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Source: Gartner

**Recommendations:**

- Jettison top-down project-level controls when there are equivalent bottom-up feedback mechanisms, such as daily stand-ups and sprint reviews, to address risks around changing requirements and priorities.
- Establish mechanisms, such as COPs and COEs, to enable cross-team collaboration.
- Drive the coordinated use of agile principles and practices across the enterprise.
The Shift From Focusing on Skilled Individuals to Focusing on High-Performing Teams Will Alter but Not Eliminate Resource Management

Conceptually, with agile, the unit of measurement for resources is the team. Dedicated cross-functional teams work collaboratively to manifest a vision. As the use of agile increases in organizations, it’s common to embrace a product paradigm, assigning product managers to enable team orchestration. Organizations will likely reach an agile saturation point — a point where all teams are allocated to products. If demand for new products, projects and services remains constant, this is tenable. However, all signs suggest demand will continue to increase, even during a pandemic, creating an untenable situation. Thus, PMOs should also monitor the performance and value of agile teams to support the redeployments of teams if necessary. As the redeployment of resources usually comes with a redeployment of budget to a given product, the responsibility of the PMO varies depending upon the type of PMO. If it’s an EPMO or strategy realization office (SRO) with a budget, then it would work with the engineering function to redeploy resources by changing the product budget. If it’s a PMO managing the budget, then the IT PMO would reallocate and reorganize teams. It’s also reasonable to expect PMOs to play a role in monitoring for sunk cost fallacy and entitlement bias — the dynamics that drive teams to continue to sprint and Scrum even if the value delivered is lower than other potential opportunities.

Although dedicated cross-functional teams are ideal, they are not always the norm. Although time slicing resources is an anti-pattern to agilists, sometimes it’s unavoidable. There are times when teams briefly need specific skills (such as database design) and can not cost-justify them as full-time dedicated resources. There are also situations where highly skilled specialists are in short supply and keen demand. For example, there is a worldwide shortage of cybersecurity experts.

Currently, best practice is to assign such a hot-skilled resource to no more than three agile teams and only when necessary. As agile scales up, however, this becomes more challenging because the supply of such highly skilled resources doesn’t appear to be increasing at the pace at which agile is increasing in usage. PMOs are well positioned to identify bottleneck resources and work with HR or sourcing to resolve them. In Harvard Business Review’s Agile at Scale, the authors acknowledge the resource challenge of scaling agile and recommend cyclical inventorying of teams and capabilities to align them with demand. This is a process PMOs are familiar with and often have tools to support.

Recommendations:
Enable units of teams to be orchestrated by product managers, product line managers or through release train engineers.

Enable rapid deployment of nondedicated resources when necessary.

Complement Measures of Financial Value With Tangible Metrics That Maintain Traceability to Goals

When evolving to enterprise agile, the focus of metrics should shift from focusing on fixed requirements, benefits and schedule to focusing on enabling agility, improving productivity, and increasing customer satisfaction. Product managers need these types of metrics to evolve product roadmaps. These metrics, however, may challenge senior executives. In many successful early adopters, PMOs played a role in socializing different metrics to senior executives. Thus, PMOs must gain support and agreement from senior leaders on using different metrics for ongoing monitoring and renewing funding, particularly as organizations evolve and scale. Mapping goals and objectives to initiatives and their outcomes, as illustrated in Figure 2, is a useful approach in this endeavor. In terms of socializing different metrics and gaining senior leadership support and agreement, taking a visual approach conveys the concept more effectively than a paragraph of text. Providing a graphical illustration of how the outcomes of initiatives link to goals and objectives will reduce resistance around the use of new metrics.
Figure 2. Traceability from Goals to Initiatives — Improving Customer Experience Example

**Traceability From Goals to Initiatives**
Improving Customer Experience Example

- **Goal**: Increase customer satisfaction by x% by the end of the fourth quarter

- **Activities**
  - Increase the reliability of mobile app features
  - Increase first-contact resolution for call center/field agents
  - Launch a customer rewards program

- **Measures**
  - Percentage availability of mobile app
  - Percentage first-contact resolution — call center
  - Percentage first-contact resolution — field agents
  - Percentage completion of rewards program
  - Number of seconds per transaction

- **Initiatives**
  - Program
  - Project
  - Product
  - Project
  - Project

Source: Gartner
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As agile scales up in enterprises, they need to address practices that balance priorities and investments with benefit realization practices. With dedicated teams as a foundational agile principle, agile efforts may eventually consume all budgeted resources. New ideas will come along outside of funding cycles. If there is adequate growth and profitability, off-funding-cycle innovators can and will likely get funding. If, however, there is inadequate growth or profitability, resources will have to come from somewhere to fund innovation. If there is inadequate growth or profitability, new ideas probably deserve at least consideration for funding and resources, as existing efforts aren't driving growth or profitability to fund the new ideas. The big question will be, “From where do we get these resources?” Current approaches to enterprise agile make minimal to no provisions for this dynamic. Some enterprise agile frameworks advocate relatively traditional funding approaches, such as business cases with ROIs to approve funding. Most don’t make provisions for reducing or eliminating funding at the portfolio-of-portfolios level; yet, for many organizations this is inevitable. It behooves PMOs to prepare for this dynamic by identifying and instituting quantitative benefits derived from agile efforts. Without this, at some point, securing ongoing funding or even reducing funding will likely be relegated solely to politics.

There appears to be agreement that business value is a primary enterprise agile objective, but there is no universal agreement on how to measure it.

When tough decisions need to be made, organizations that have a solid understanding of what’s really valuable and necessary will be able to make much better decisions than those who don’t.

This reinforces the usefulness of identifying and mapping the tangible metrics that will be impacted by initiatives, and the goals and objectives they support.

Figure 3 provides the most frequently used metrics to measure portfolio health, based upon the enterprise’s stage of digital maturity. Those who are scaling agile are likely doing so to support scaling of digital business. The scenario described previously would likely occur in digitally mature organizations — those in the Scale and Harvest column. The most common metrics used by digitally mature organizations to measure portfolio health, are, in fact, financial metrics, so they are likely worth considering at some point as your organization scales and matures digitally.
Figure 3. Metrics Used to Measure Portfolio Health Based Upon the Enterprise’s Stage of Digital Maturity

Metrics Used to Measure Portfolio Health Based Upon the Enterprise’s Stage of Digital Maturity

We believe most organizations will still reserve some funding for truly strategic investments that lack reliably calculable financial returns. We also believe nondiscretionary investments that simply must be made will be funded with minimal financial analysis. However, at some point, if it hasn’t happened yet, there will be a period of heightened financial scrutiny over a large swath of investments.

Recommendations:

- Complement measures of financial value with tangible metrics, such as customer impact and outcome metrics, that maintain traceability to goals.
- Prepare for the eventual rebalancing of resources across product portfolios with quantitative value metrics to adapt to environment changes.

$\textbf{Value Metrics}$: These metrics are characterized by their high relevance to business leaders and their objectives.

<table>
<thead>
<tr>
<th>Metrics</th>
<th>Overall (n = 309)</th>
<th>Desire and Design (n = 107)</th>
<th>Deliver (n = 101)</th>
<th>Scale and Harvest (n = 101)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer impact metrics (e.g., customer satisfaction level and Net Promoter Score)</td>
<td>56%</td>
<td>61%</td>
<td>53%</td>
<td>53%</td>
</tr>
<tr>
<td>Financial metrics (ROI, NPV, IRR and payback period)</td>
<td>54%</td>
<td>51%</td>
<td>40%</td>
<td>72%</td>
</tr>
<tr>
<td>Outcome metrics (e.g., business value delivered, user adoption, and sales or revenue impact)</td>
<td>52%</td>
<td>50%</td>
<td>58%</td>
<td>49%</td>
</tr>
<tr>
<td>Cost metrics (e.g., benefit and cost variance, estimated vs. actual spending)</td>
<td>51%</td>
<td>56%</td>
<td>42%</td>
<td>54%</td>
</tr>
<tr>
<td>Risk metrics (e.g., risk scores, level of interdependencies and user change load)</td>
<td>47%</td>
<td>46%</td>
<td>40%</td>
<td>54%</td>
</tr>
<tr>
<td>Operational efficiency metrics (e.g., time and cost savings, increase in productivity)</td>
<td>46%</td>
<td>48%</td>
<td>45%</td>
<td>46%</td>
</tr>
<tr>
<td>Portfolio distribution metrics (e.g., target vs. actual spend across investment categories such as Run, Grow and Transform or Discretionary vs. Nondiscretionary)</td>
<td>38%</td>
<td>30%</td>
<td>32%</td>
<td>52%</td>
</tr>
<tr>
<td>Delivery team metrics (e.g., team productivity, team happiness or morale and team stability)</td>
<td>27%</td>
<td>28%</td>
<td>22%</td>
<td>31%</td>
</tr>
<tr>
<td>Delivery and release metrics (e.g., iteration burnout, committed vs. completed stories, and planned versus actual release date)</td>
<td>19%</td>
<td>22%</td>
<td>12%</td>
<td>24%</td>
</tr>
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$n = 309$ ; Total, Excluding “Don’t know”

Source: 2020 Gartner Portfolio Management in the Digital Business

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Evidence

1 The 2019 Gartner Agile in the Enterprise Survey was conducted via an online survey from 3 June 2019 to 25 June 2019 with 130 Gartner Research Circle Members. When participants were asked which best describes agile development in their organization, 87% of respondents used agile for at least some of their application development, 30% used agile for most of their application development (50% or more), and 16% of the participants used agile for all of their application development.

2 The 2019 Gartner Agile in the Enterprise Survey was conducted via an online survey from 3 June 2019 to 25 June 2019 with 130 Gartner Research Circle Members. When participants were asked what best describes the status of each enterprise agile framework within their respective organizations, 63% already implemented at least one enterprise agile framework.

3 The 2020 Gartner Portfolio Management in the Digital Business Survey was conducted via an online survey between October 2020 and December 2020 among 310 respondents in North America, EMEA and APAC, across industries, functions and companies with $500 million or more annual revenue. The primary objective of this research was to determine markers of effective portfolio management that enable business agility and drive digital business outcomes. Respondents were screened for managing (i.e., involved in resource allocation, funding and prioritization decisions) a portfolio of information technology and/or digital initiatives or external customer-facing information technology or data products or services within their organization.

Document Revision History

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Recommended by the Authors

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How PMO and PPM Roles Will Change in the Digital Business

Market Guide for Enterprise Agile Frameworks

The 6-Principle Framework for Mastering a Business-Agile Mindset

Ignition Guide to Creating a Project Management Community of Practice

The Recipe for Enterprise Agile Success Has Adaptive Program Management Ingredients

How PPM Can Coordinate Resource Teams as Agile Transformation Evolves

Use the Right Metrics in the Right Way for Enterprise Agile Delivery

Use Zero-Based Prioritization to Refocus Portfolios on Strategic Business Initiatives

Align Projects, Products and Outcome Metrics to Business Goals

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Source: Gartner
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**Research**
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Learn how PMOs can build strategy-related PPM capabilities.

**Webinar**
Leverage Strategic Portfolio Management to Enable Business Agility
Discover how CIOs and IT leaders can use 3 key SPM attributes to scale and harvest digital business investments.

**Article**
3 Steps to Start Lean Portfolio Management
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