KPMG

Achieving strategic priorities through portfolio delivery

How the Modern Delivery Office navigates traditional governance and funding environments in your journey towards agility

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FUELLING PROSPERITY

We passionately believe that the flow-on effect from focusing on helping **fuel the prosperity** of our clients significantly contributes to ensuring that our communities, and ultimately our country and all New Zealanders, will enjoy a more prosperous future.

Many organisations have started implementing Agile as a means to respond more quickly to disruption and sudden changes in the market. Some have started using components of Agile in parts of their organisation while others are implementing it on an Enterprise level. While "going Agile" can deliver a range of benefits, we often observe that these are not fully realised and momentum is lost as the organisation struggles to marry existing governance structures and funding cycles with the different ways of working that Agile brings.

Some organisations have successfully implemented Agile across their business in a transformational shift, however this is not the reality for most. Instead, most organisations must work within existing governance processes, system wide funding cycles and regulatory frameworks which are not immediately suited to going Agile. Alternatively, some parts of the organisation, or the parties you deal with externally, may simply not be ready for such a change.

The good news is that it is still possible to improve agility within these constraints – and actually a mix of existing delivery and Agile approaches makes the most sense in many organisations – integrating Agile into existing governance structures and funding cycles rather than trying to change all parts of the organisation.

WHEN DOES IT MAKE SENSE TO GO AGILE?

An Agile approach is best deployed when:

— **There is high uncertainty**
When requirements are not known and there is low predictability, Agile enables a series of quick adjustments as more becomes known.

— **There is high novelty**
If something has never been done before, trying to predict the "correct" way can be an exercise in futility. Failing fast and learning quickly enables quicker pivots of direction and allows for emergent approaches.

— **The pace of change is quick**
When conditions are changing frequently, Agile provides a means for an organisation to respond more quickly.

— **There is an urgency to get a product out - whether to market or internally - as quickly as possible**
Agile operates on the principle of releasing a product as soon as it is viable rather than perfect (the Minimum Viable Product), and shortens the time taken to get a product to market.

KPMG believes organisations of the future need to flex between Agile and Waterfall in a seamless manner.

The challenges of going Agile

Going Agile has many advantages, yet it is by no means a simple exercise to implement in an organisation – especially if it has not been set up for Agile right from the beginning.

In our experience the most common challenges organisations face when moving towards Agile are:

Governance and Reporting
Existing governance structures are not inherently set up to fit with Agile's emphasis on working in an iterative manner. Board meetings occur in a cycle of two to three months, while reports usually require information that is more typical of Waterfall than Agile (e.g. roadmaps, progress of completion, current spend versus budget). In some cases, low visibility on what Agile teams are doing causes senior management to lose confidence and the transformation either stalls or becomes restricted to only small areas of the organisation.

Funding
Traditional funding cycles do not fit into Agile. These happen at specific points in a financial year and are based on an expected total cost for that year, where most large programmes are multi-year. The traditional cycles leave little to no room for the frequent variation and the cost of the changes in scope and features expected in an Agile way of working.

Culture and Communications
It's undeniable that Agile is a major shift in how people work with, relate to and communicate with one another, from top to bottom. Agile introduces new concepts, new language and new ways of doing things that people need to understand and get used to. Agile transformations fail when organisations try to implement it without changing the culture that is used to hierarchical and traditional ways of working.

Regulatory Compliance
When an industry is heavily regulated the cost of not getting it right the first time is very high. This is also true for government where external guidance and requirements govern how they deliver projects and execute work (e.g. Treasury guidance). This need for compliance forces certainty in the effectiveness of the method chosen and leaves little room for trial and error. Additionally, regulatory and statutory reporting cycles are not typically set up to fit into Agile.

EXISTING APPROACHES WORK TOO!

With all the buzz around Agile, it is easy to forget how effective existing approaches to product development and projects (such as Waterfall) can be.

Advantages of Waterfall
— Intuitive and easy to understand.
— Many organisations already operate in this manner.
— Provides an idea of the expected cost and timeline.
— Easy to measure progress towards an end goal as there are fixed milestones with acceptance criteria.
— Prioritises thorough planning and oversight and lends itself naturally to governance and reporting requirements.
— Easy to align with funding and reporting cycles.

Challenges of Waterfall
— Relies on accuracy of planning, assumptions made and requirements determined at the beginning.
— Slower, formal approach to change the scope if requirements change.
— In development situations testing tends to happen at the end of a phase so defects may be discovered late.
— Not well suited to technology elements of projects where changes and trade-offs are often required regularly.

Waterfall still has its place in the future. As a way of working, it is suited best when:
— There is a need for high consistency, reliability and reproducibility e.g. assembly of parts.
— The cost of failing or non-compliance is too high e.g. constructing a bridge, statutory reporting.

HOW ARE POPULAR METHODOLOGIES ADAPTING?

Well-known project and programme accreditors are providing new offerings in response to demand to deliver in a more responsive and flexible manner. PRINCE has launched their 'PRINCE2 Agile' framework while the Project Management Institute offers the 'PMI Agile Certified Practitioner' certification.

PRINCE2 Agile
— Blends existing PRINCE2 methodology with Agile Business Consortium's AgilePM framework.
— Requires a prior project management certification.

PMI-Agile Certified Practitioner (PMI-ACP)
— Separate certification that covers many 'pure' Agile approaches such as Scrum, Kanban, Lean and eXtreme Programming (XP).
— Requirements for certification are streamlined for holders of existing project and programme management certifications.

These methodologies provide an avenue for organisations with a traditional delivery environment and culture to move towards Agile.

What are your options for going Agile?

There are two broad approaches to make the shift to Agile successfully. An organisation should consciously select its approach to be able to set up clear governance and processes to manage and control its journey.

a. Organisation-wide agility

If an organisation is wholly committed to Agile, leadership must transform all aspects of the business. This means transforming planning and budgeting cycles, decision-making processes and operations and most importantly how leadership directs and behaves. Typically, this means moving away from a traditional top-to-bottom hierarchy, removing bureaucracy, breaking down silos and reducing prescriptive work instructions. Instead, it focuses the organisation around a network of small teams with high levels of accountability and discretion – with leadership providing direction and facilitating action – and an environment where change happens rapidly and resources can flex accordingly. This approach is often appropriate and more prevalent in organisations whose core business is digital or high-tech. Internationally Spotify and Boeing, and locally Spark, are examples of organisations that have made or are on the journey to organisation-wide agility.

b. A hybrid model

A mixture of agile and traditional approaches, with awareness of the varied needs of different delivery projects. "Traditional" project management is not going to die; instead most organisations will operate in a hybrid environment in the coming years. This means that organisations will retain waterfall delivery methods for some domains such as large infrastructure projects but also adopt Agile for domains which are highly dynamic and have immediate customer demands such as sales, marketing, product development and IT.

To support a mixed group of delivery methodologies, we believe that the delivery office (often the Programme Management Office or PMO) has a critical role to play. The success of an organisation's change portfolio in a hybrid model can come down to the effectiveness of this delivery office. This function will drive reporting and consistency across different methodologies, and ensure both governance and management have the confidence in delivery teams fulfilling their mandates.

To succeed the PMO needs to transition itself into a Modern Delivery Office (MDO).
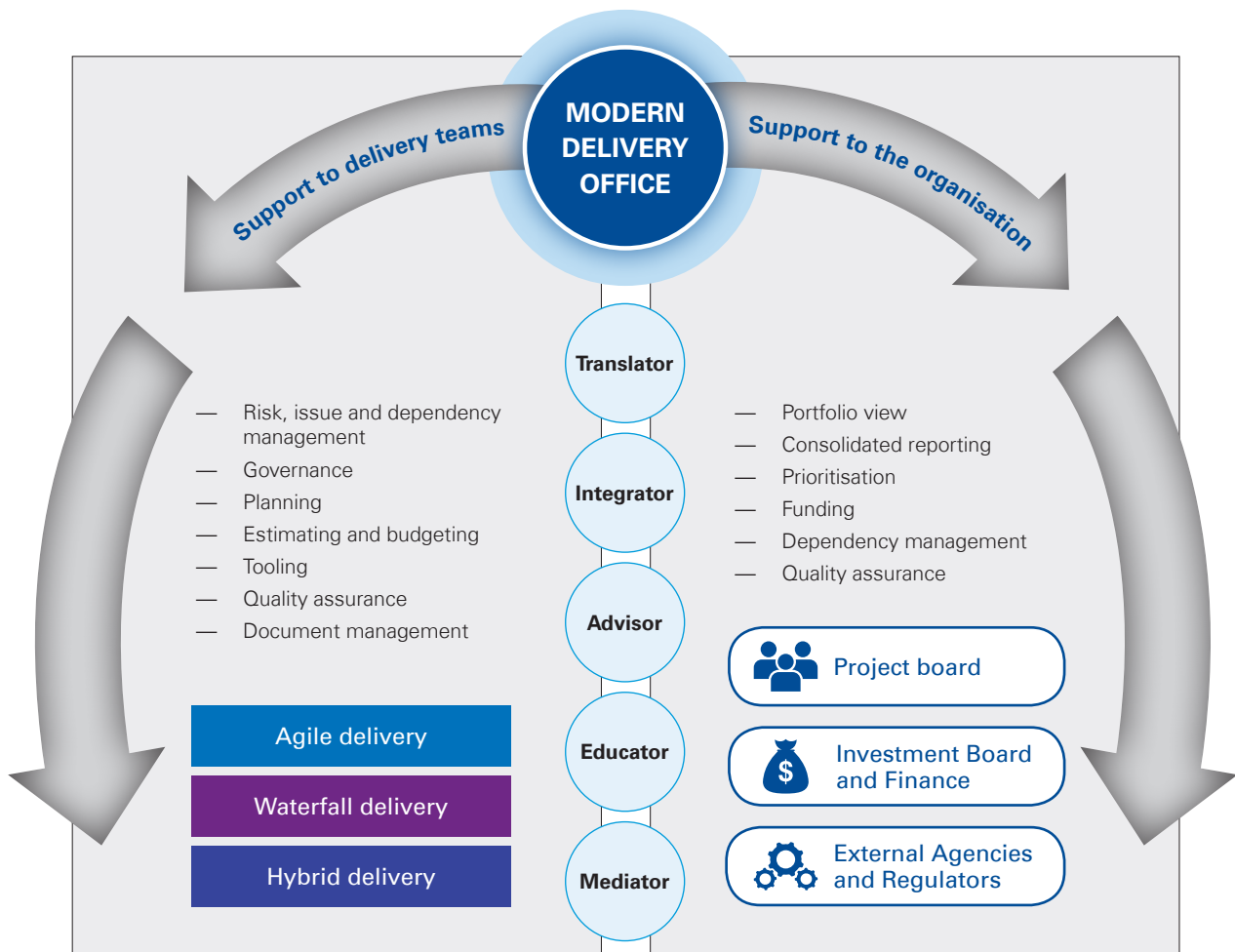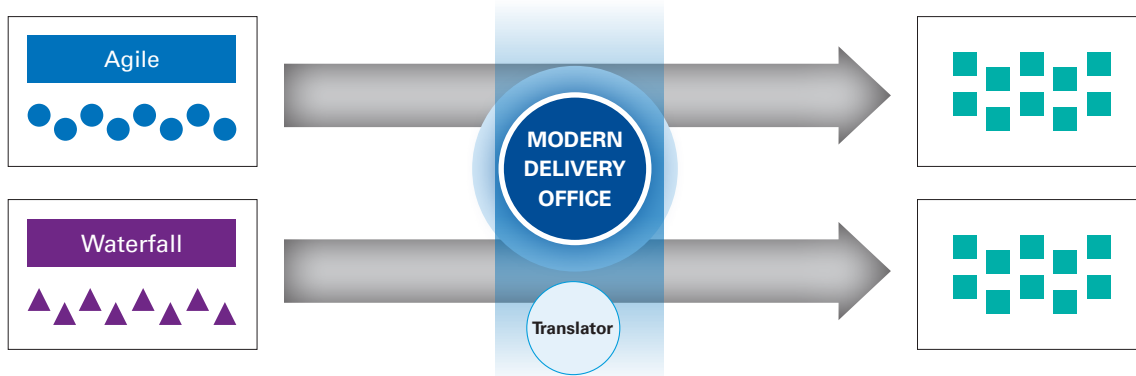
The Modern Delivery Office

Figure 1: The Modern Delivery Office (MDO)

In transitioning to a hybrid model, a PMO needs to pivot from being a 'controller' to being a new function that plays the role of a 'translator', 'integrator' and 'advisor'. This new function – which we call the Modern Delivery Office (MDO) – must be intelligent to the needs of the Agile delivery community and sensitive to the needs of governing boards, support functions such as Finance, and external bodies such as regulators. The MDO needs to be conversant in the language of Agile, PRINCE2, MSP and other delivery methodologies used across the business whilst also talking the language of management.

Translator — The information demands from leadership and regulators are not expected to adapt to Agile quickly. The MDO will translate metrics, plans and other management information from the Agile world to the management world.

Agile

MODERN DELIVERY OFFICE
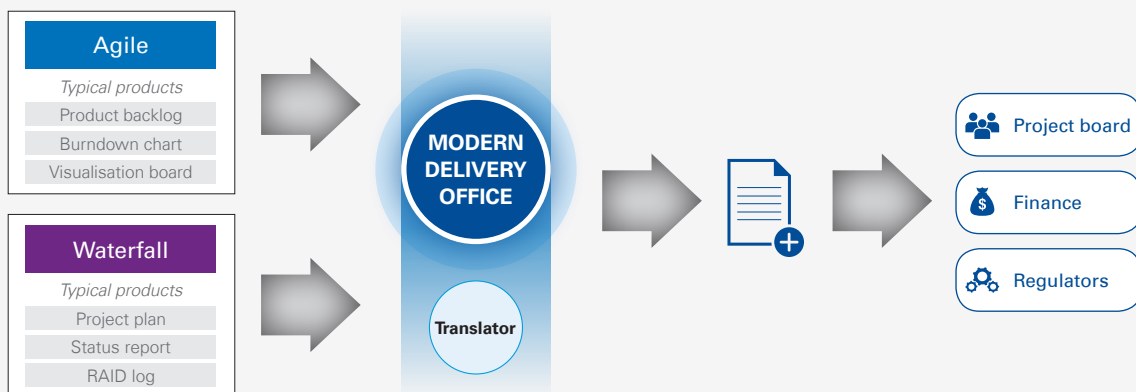
Translator

Waterfall

Delivery teams create artefacts that enable them to deliver their objectives

The Modern Delivery Office is able to take that information and translate it into consistent products that delivery stakeholders understand

Figure 2: The MDO in action as a Translator

Example

An example of this function is reporting. An Agile team works in sprints, with tasks and actions captured in product and sprint backlogs and progress captured in burndown charts that are updated on a daily basis (as opposed to a weekly or monthly basis). Management teams are not often well-versed in this sort of information and the MDO plays a vital role in translating the work and progress of an Agile team into information that is both understandable and meaningful to management teams.

Agile
Typical products
Product backlog
Burndown chart
Visualisation board

Waterfall
Typical products
Project plan
Status report
RAID log

MODERN DELIVERY OFFICE

Translator

Project board
Finance
Regulators

Delivery teams create management information to track progress

The Modern Delivery Office receives and translates different reporting methods

Consolidated reports and management information are produced

Recipients of reporting can interpret reports easily and make informed decisions

Figure 3: How the MDO enables reporting

Integrator

The MDO integrates the plans, progress and work being carried out by Agile and waterfall teams into a consolidated, overarching portfolio view, enabling leadership to make strategic decisions about the direction of the organisation.
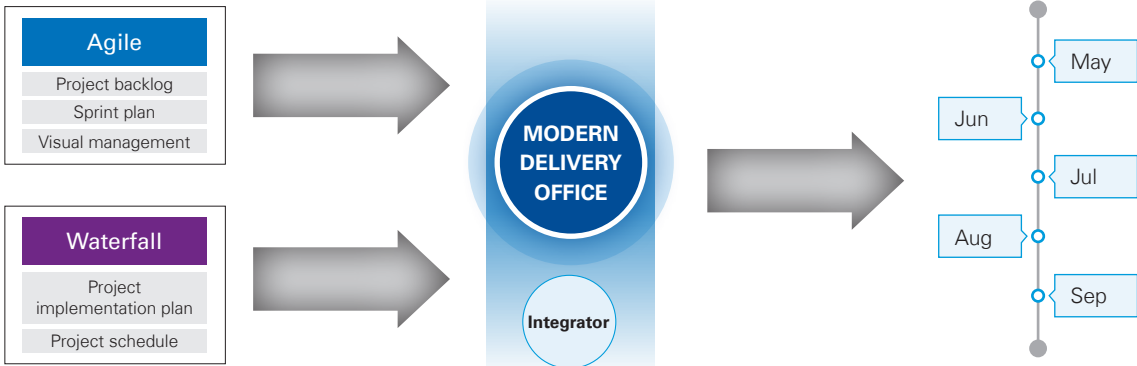
Delivery teams create plans showing how and when they will deliver outputs

The Modern Delivery Office integrates the plans to create a portfolio roadmap and overlays organisation strategic objectives

The portfolio roadmap helps stakeholders understand the portfolio implications of the investment

Figure 4: The MDO in action as an Integrator

Advisor

The MDO works with both Agile and waterfall teams to help them organise and present their outputs in a way that fits into organisational requirements and structures and enables better communication with support functions as well as with each other.
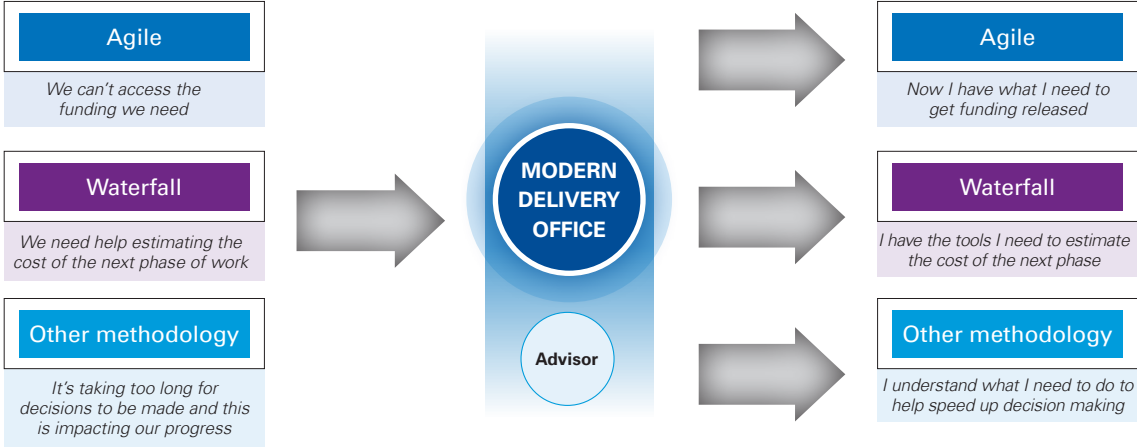

Figure 5: The MDO in action as an Advisor

Educator

Mediator

In some cases the MDO also takes on the role of '**educator**' and '**mediator**', educating senior leadership and board members on Agile (and why some of their information needs may be difficult to meet) and bringing board members and Agile teams together. The mediator role brokers prioritisation activities and de-conflicts planned and unplanned work demands. By balancing wider organisational activities ('BAU') with planned delivery initiatives, the MDO can support the achievement of changing organisation priorities.

Figure 6: The MDO's role as Educator and Mediator

DOESN'T MY PMO ALREADY PLAY THIS ROLE?

Organisations that we work with have often already made changes to their PMO to accommodate Agile but they have not seen the results they are looking for. Our experience teaches us that often the PMO's role, capability and behaviours have not changed radically enough to support a hybrid delivery approach.

Traditionally, a PMO's core role is to standardise project outputs across the whole organisation and enforce a single methodology. The PMO focuses on creating a centre of excellence and advice for:

— Project planning

— Estimating and budgeting

— Coordinating governance and controls

— Delivery tooling

— Reporting

— Risk and Issue management

— Dependency management

— Quality assurance

— Document management

A PMO traditionally aims to standardise the approach to these areas across the organisation and control processes to access funding, decision-making and leadership. Frequently these processes will be designed to work alongside traditional project and programme frameworks, which creates problems when delivery teams are working in Agile. Agile teams feel blocked and constrained by the 'bureaucracy' of the PMO, whilst the PMO fails to understand why the Agile teams cannot provide the standard information required to release decisions and funding.

To alleviate this tension, the PMO needs new capabilities to add value to Agile delivery (as opposed to being a blocker). It needs to flex between traditional and Agile needs, processes and governance.

How KPMG can help

While simple in concept, setting up the Modern Delivery Office can be challenging especially in a culture that is used to a traditional PMO approach. At KPMG, we can help you:

— Understand the parts of your organisation that are most suited for going Agile, and those where the existing approach is optimal.

— Design the MDO and how it will interface between Agile teams, Waterfall teams and the governance layer.

— Build the 'touchpoints' that become the non-negotiables that delivery and project teams need to deliver on and which the MDO interprets for the organisation.

— Test the construct to ensure it works for your organisation and make rapid adjustments as needed.

— Adopt the MDO at scale.

— Sustain the MDO by providing your people with the processes, tools and skills to keep it running.

Where you already have a PMO, we work with this function to evolve it towards the MDO philosophy.

PILOT

Develop prototype MDO design and pilot on a candidate project for Agile. Incorporate lessons learned into the next MDO iteration.

01

UNDERSTAND

Assess the existing change portfolio and the PMO touch points today. Identify which delivery initiatives are candidates for Agile.

04

SUSTAIN

Monitor the results of the new MDO, review, learn and adapt to continuously improve.

02

DESIGN AND TEST

Design how the MDO will interact with agile projects and governance in the future.

03

ADOPT

Support and train your MDO on processes, tools and behaviours. Create the environment for change.

Continue to deliver change whilst transforming the Modern Delivery Office

CASE STUDY
Oranga Tamariki - Ministry for Children

⚠ **The challenge**

Oranga Tamariki - Ministry for Children (MCOT) was formed as part of a bold overhaul of New Zealand's existing care and protection, and youth justice systems. The challenge to stand-up a new government agency of 4,000 staff out of multiple separate organisations over a 15 month period required a transformation project to be mobilised at speed in order to meet the cabinet mandated and publicly communicated commencement day of April 1, 2017.

Ensuring successful outcomes meant the transformation needed to be informed by an intensive, robust review of the whole system that took into account views of children, young people, whānau, social workers, NGOs, Māori and Pacific communities. Each stakeholder needed to be engaged differently, ranging from the set-up of representative working groups, to co-design workshops, one-to-one engagement, presentations and secondment of experts into the programme itself.

In addition, due to the size, complexity and visibility of the programme, extensive engagement with Treasury, GCIO and Audit NZ was required throughout the programme.

This transformation project was categorised as a 'Major Project' by the NZ Government and as such was monitored by The Treasury and reported on in the Major Projects Performance Report (MPP). The following is an extract from the report:

"…The IIC Programme is delivering to expected milestones and is well-run. The establishment of the organisation is a complex activity and has been consistently well managed. The IIC Programme governance, planning and management is strong. We consider that you can have confidence that the programme is well positioned…"

The transformation project was led by Jack Carroll, KPMG National Managing Partner:

"…The scale of the change and short time frame to implement meant we needed to hit the ground running. Utilising the Modern Delivery Office framework meant we didn't need to take time and energy implementing a standard approach across each of the 40+ individual projects making up the programme. Instead each project could use the approach they were familiar with and worked well for them. The MDO ensured their outputs and updates were translated into a language that governance, external agencies and Ministers understood so we could successfully get decisions and funding released in the time frames we needed…"

What we did

A change of this scale in the specified time frame required the input of many organisations and individuals, each bringing a specialist skill-set. Experts from numerous public agencies and NGO's across the Social Services sector, staff from the existing agencies, private sector partners (national and international) and individual contractors formed a project team led by a Project Director from KPMG. KPMG managed the project through the formation of a Modern Delivery Office (MDO). The MDO structured the programme into workstreams all led by experts in that area.

These experts brought their own methodologies and approaches to their workstream but interacted with the MDO using 'touchpoints' designed by the MDO. Methodologies and approaches brought by partners included MSP, PRINCE2, Agile and Design Thinking. The MDO was able to interpret and collate the touchpoints into the right information required to interact with internal programme governance, external agencies (such as Treasury and Audit NZ) and Ministers.

Associate Director of the transformation Project, Claire Falck, appreciated the pragmatic approach taken by the Modern Delivery Office:

"…We needed a range of specialists to successfully stand up the new organisation in a tight time frame. We didn't want to arbitrate between different methodologies or debate who has the best approach. With the KPMG led Modern Delivery Office successfully translating all the approaches into the one programme view I was always confident on how the programme was progressing in order to successfully manage multiple stakeholder demands…"

What we learnt

— The traditional PMO model of standardisation is not dynamic or fast enough for a transformation project where numerous parties need to collaborate.

— Time is wasted when parties rigidly apply their approach/methodology as the 'only way' – dynamic flexibility is required to transform and needs to be a pre-requisite when finding partners.

— The time taken to change existing governance functions and funding cycles requires an extensive Change Management approach, especially where external regulators are key stakeholders are involved. Creating the translation function negates the need for full organisational change.

— Multiple approaches at the delivery level can co-exist as long as a strong translation, integration and advisory function is consciously designed and implemented that enables governance and regulatory functions to receive the information they need to make decisions and release funding.

How this applies to your organisation

Your organisation may be implementing change on a larger or smaller scale than that faced by MCOT but the lessons remain the same:

— You don't have to change the whole organisation or enforce a certain approach/ methodology – instead blend existing mechanisms that work well in your environment.

— Actively select what aspects of Agile ways of working will benefit you, integrate with existing approaches that still work.

— Utilise inputs from multiple parties using multiple delivery approaches that work, don't waste energy on trying to standardise.

— Where you have to work within the existing governance and regulatory environment don't fight it – use your MDO to translate between delivery and governance.

The key is ensuring you have a function that seamlessly manages the touchpoints – the MDO.

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