EXPERT SERIES

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Improving Organizational Productivity with a Project Office

by, Kent Crawford, PMP

The contract may be a work of art but if the processes that support project delivery aren't in place, failure awaits.

PROJECT MANAGEMENT HAS BEEN AROUND FOR DECADES–some may argue for centuries–but there's been a tremendous resurgence in interest in the discipline in the last three to five years. The reason: Information technology, information services, and new product development organizations have "discovered" project management. A traditional part of the toolkit for construction and large government projects, project management now sparks interest wherever compressing time-to-market cycles is an issue–in other words, throughout the modern marketplace. As industries work hard to compress product lifecycles, to reduce costs, and to improve the quality of their deliverables, they are increasingly turning to project management.

Thus, the extensively practiced and researched discipline of project control systems and schedule development have now come to find a home in less traditional areas, such as high-tech industries, where organizations are under increasing pressure to utilize R&D funds more efficiently. There's been a shift of focus toward the business side of delivering high–tech products and services: a focus on the process and the business of managing projects.

With this microscope turned on the business side of IT projects comes the bad news: most of them are just not managed very well. In all fairness, project success rates in other industries may not be that great either, but they have not been subjected to the intense scrutiny that technology projects have been, for the simple reason that high-tech is the biggest wealth-creating sector in the economy this deacade–Nasdaq corrections notwithstanding. Most of us are familiar with the reports of The Standish Group International Inc., a research firm in Dennis, Mass., which has been tracking IT project failure rates since 1993. Its latest survey indicates that 46% of IT projects were over budget and overdue, while 28% failed altogether. Another of its studies cites even grimmer success rates: only 24% of IT projects undertaken by Fortune 500 companies will be completed successfully.

What's the problem? Largely it lies in the fact that IT organizations have been training technologists to manage projects and hoping–with the emphasis on hoping–they will be successful. Unfortunately, they have not usually chosen people with the business acumen and training necessary to effectively manage and deliver complex, sophisticated projects. But it isn't the people, primarily, who are the problem: it's the lack of processes. Many organizations don't have adequate project management processes in place so that those who are expected to run the projects can deliver repeatable and successful results. *Infoweek* magazine put it succinctly in their August, 1996 issue: "The major cause of project failure is not the specifics of what went wrong but rather the lack of procedures, methodology, and standards for managing the project."

Here's an analogy that may shed some light on the problem: Imagine an organization without a financial system in place: they go to the local business school and hire a new accounting graduate to come in and set up a comprehensive financial and accounting system for the organization. The accountant has the fundamental training, but he is expected to perform accounting, financial, and analysis

unctions with basically no process or procedure in place: no general ledger numbers established, no end of month closeout procedures, no standard forms or templates. Even after these are established, there's no repeatable process because there's no documentation to convey information to others who might be doing similar work. So the accountant is faced with a clean sheet of paper and must establish a financial system with little or no basis. Even going to the textbooks will not help that person run the financial systems, do the payroll accounting, record the account payables, do the follow-up on receivables, collect receivables, process the income taxes and so forth.

The plight of project managers in most organizations is quite similar. The project manager who is asked to manage a project with no methodology, no procedure, no process to support them is going to be very challenged to keep that project under control. This is the largest determining factor why projects are failing so miserably across all industries.

What to do? Most organizations believe that their solution to problems in managing projects can be found by investing in project management software and/or training. Yet a look back at our accounting systems analogy will tell you that software and training alone do not make a sound organizational system for managing anything. While appropriate software and adequately trained personnel are certainly importance pieces of the puzzle, these pieces must be implemented within some sort of process framework: and that framework is the Project Office.

How important is a Project Office to the success of an organization that makes its living from major or multiple projects? In 1999, industry analyst firm the Gartner Group warned that, through 2004, information services (IS) organizations that establish enterprise standards for project management, *including a Project Office with suitable governance*, will experience half the major project cost overruns, delays, and cancellations of those that do not.

Project Office Essentials

Not all Project Offices are created equal, although almost any form of PO will jumpstart incremental process improvements in organizations that have nothing at all in place. Basically, a PO is an "office"- either physical or virtual-staffed by project management professionals who serve their organization's project management needs. It also serves as an organizational center for project management excellence. A PO may exist at any one of three levels in the organization–or may exist at all three levels concurrently.

Level 1: The project control office. This is an office that typically handles large, complex projects (such as a Y2K project). It's specifically focused on one project, but that one project is so large and so complex that it requires multiple schedules, which may need to integrate into an overall program schedule. It may have multiple project managers who are each independently responsible for an individual project schedule and as those schedules, their associated resource requirements, and their associated costs are all integrated into an overall program schedule, one program manager or a master project manager is responsible for integrating all of the schedules the resource requirements and the costs to ensure that the program as a whole meets its deadlines, milestones, and deliverables.

Level 2: Divisional project office. At the divisional level, a PO may still be required to provide support for individual projects but it's challenge is to integrate a large number of multiple projects of varying

sizes, from small short-term initiatives that require two resources to multi-month or multi-year initiatives that require dozens of resources, large dollar amounts, and complex integration of technologies. The value of the Level 2 PO is in beginning, at an organizational level, to integrate resources, because it's at the organizational level that resource control begins to play a much higher value role in the payback of a project management system. At Level 1 or the individual project level, applying the discipline of project management creates significant value to the project because it begins to build repeatability–the project schedule, the project plan, become communication tools among the team members as well as within and among the organizational leadership. At Level 2 and higher, the PO serves that function but it also begins to provide a much higher level of efficiency in managing resources across projects. Where there are multiple projects vying for a systems designer, the Level 2 PO has project management systems established to deconflict that competing need for a common resource and identify the relative priorities of projects, such that the higher priority projects receive the resources they need and lower priority projects are either delayed or canceled. A Level 2 PO allows an organization to determine when resource shortages exist and to have enough information at their fingertips to make decisions on whether to hire or contract additional resources.

Level 3: Corporate project office. Many organizations have cross-divisional project needs. An IT organization may be leading a development project but have requirements for inputs from other business units such as sales and marketing and production units. All this needs to be integrated or in many cases there will be resource conflicts between divisional units. At the corporate level, the PO serves to deconflict that need for competing resources and also look, corporately, at areas where there may be common resources that could be used across the corporation. For example, mechanical engineers may exist in multiple divisions in the corporation, and the corporate-level PO would enable tracking of these cross-organizaion resources. A corporate PO also plays in important role in the management of the enterprise's project portfolio, allowing executive management to get the big picture of all project activity across the enterprise from a central source.

Launching a Project Office. There are six primary components to any Project Office:

- *Project Support:* There's a significant element of project management that requires project planning, project scheduling, cost control, administration, controls, and other detailed technical tasks–what we call the science of project management. But a much more important segment of the project manager's his or her work that deals with the art of project management–areas like leadership, negotiation, motivation, teambuilding, facilitation, analysis, project chartering, incentive creation and the like. To provide the appropriate level of technical support for project managers so that they can focus on the things at which they can have the greater impact is an important role for the PO.
- *Processes, Standards and Methodologies:* The PO is also the keeper of process, standards, and methodologies. It serves as a central library on these issues. Configuration control and change control should be managed at the PO level.
- *Training:* The PO should also be center of focus for project manager and team training, keeping a focus on the competency areas, to evaluate and sustain high levels of competent project managers and to refine and tailor the training as necessary.

- *Consulting and Mentoring:* The PO should provide support to other parts of the organization that may need to manage projects themselves and provide counseling and coaching for the staff involved in those projects. This component also provides an audit function for existing and ongoing projects to determine how effectively the project management process is being utilized and deployed within the organization.
- *Project Managers:* A stable of capable and qualified project managers can perform anything from large, complex sophisticated technology projects, to smaller short-term projects: they are worth keeping on hand and creating a career path for these times of resource shortage throughout the marketplace.
- *Software Tools:* The PO centralizes the establishment and maintenance of project-related software tools. With that also comes establishing and maintaining project management software standards, which will push the organization into establishing common coding structures so that project schedules can be integrated and rolled up for management level resource, cost and schedule reporting.

Staffing the Project Office. Is the Project Office to play the central role in guiding project management in the organization? If so, staffing is complex. The Project Office director position within the organization should be equivalent to that of a high-level functional manager–even a VP, in some cases. The PO director at this level is supported by large numbers of professional associates and administrative personnel.

Has the Project Office been established to serve a support and facilitation role? In this case, office staff may be composed of an experienced project director, a few professional associates with project management skills, and a clerical specialist to handle office functions. The chief function of this simple configuration may be to operate in ad hoc fashion to address project management issues within the organization as they arise.

If the Project Office is equivalent to a project team, the project manager is also the Project Office leader, and full/part–time team members form the office staff.

Some of the positions and titles we have seen within POs include: Project Office director, project manager, project mentor, project controller, project planner, methodology expert, librarian/documentation specialist, administrative support coordinator, communications coordinator, issue resolution and change control coordinator, risk management coordinator, and software guru.

Deploying the Project Office

Where to start? The best way to win converts for the PO method of managing projects is by adding value and getting results as quickly as you possibly can. Here are seven tips for success:

1. Rein in runaway projects
2. Assist project start–ups and establish estimating and risk management processes
3. Review and manage the project portfolio
4. Conduct project reviews and audits
5. Organize and manage the resource pool

6. Identify and develop project managers
7. Establish and enforce a project management environment.

Each one of these points is the subject of an article in itself, so we'll just take an in–depth look at the first item: reining in runaway projects. After all, according to Standish Group principal Jim Johnson, the improvements that have been made in project failure rates over the past few years are in large part due to organizations learning how to control, even to stop, projects that are in trouble (*PM Network*, Sept. 1998).

How do you know when a project is in trouble? There are a number of tip-offs. When you become aware of a project in which displays:

- Inadequate project planning
- No client objectives or project objectives
- Faulty task management
- Poor reporting and communications
- Insufficient documentation
- Abrupt scheduling changes
- Project disorganization
- Muddled business objectives
- Extreme complexity

The project in which team members display low morale, with top performers leaving; whose deliverables are consistently late, which is over budget, or seems to have uncontrolled scope is in trouble. Likewise, if the project team continually has to request more details; is in continual meetings; knows it's in trouble but has no plan for recovery– immediate intervention is required. Where should the project office start, once the runaway and failing projects have been identified? First, focus only on the highest-priority projects: these can be identified by examining the business case and identifying the tangible and intangible benefits to be derived from project completion. This is a process the organization must master in order to succeed at project portfolio management, anyway: the selection and prioritization of projects is a key function of higher-level POs. Once the highest-priority projects have been identified, initiate this seven-step project recovery program:

1. Assess the problems
2. Develop an action plan to address them
3. Get commitment to work the action plan from the stakeholders–team members, executive management, and other stakeholders, including suppliers and subcontractors.
4. Set project standards. The Guide to the Project Management Body of Knowledge (PMI, 1996) provides the most widely known standard for managing individual projects.
5. Provide coaching and mentoring to the project staff
6. Be sure knowledge transfer is taking place in all recovery interactions to avoid future problems.
7. Conduct reinforcement reviews.

The inclusion of all stakeholders cannot be overstressed. While the project manager is interested in *this* project being successful, other stakeholders are interested in the long-range implications of delivering the project as well as in short–range success. And a project cannot be successful within the context of an organization whose long-term business needs are not being met. Thus, stakeholders external to the project–subcontractors, users, government agencies, and the like– should have a significant interest in and focus on how projects are managed.

Benefits of a Project Office. As project management is institutionalized within an organization by means of a PO, many important benefits–some easier to measure than others–begin to accrue to the organization. First, the PO, by providing a career path for project managers in which careers can be developed and maintained around competency standards, helps the organization to stem the "brain drain" that many companies are experiencing in these times of tight labor markets. This preservation of an organization's intellectual capital is just one way the PO adds value to an organization.

The culture shift that takes place as an organization begins to increasingly focus on projects can bring improvements in performance in many areas, notably time–to–market, reduced project failures, improved communication across the enterprise, and the initiation of a project portfolio management system.

Focus on project management from the executive level will bring a new emphasis on cost and quality, on project prioritization, and a closer convergence of strategic planning with project execution: on delivering the right things–and doing it on time, on budget, and up to quality standards.

Sidebar 1:

Key Elements to Deploying Project Management Effectively

1. **Repeatability** is established by effective deployment of procedures, methods and standards within the organization, in order that project teams and project managers as well as organizational managers, supervisors and executives all understand exactly what's required of them from an accountability and authority standpoint.
2. **Executive involvement.** Senior executives in an organization must be involved with the decisionmaking around ongoing development, execution, control and closeout of projects. They have a key role to play in the management of the overall corporate project portfolio, which is managed through decisions to continue, extend and resolve issues surrounding effective project execution.
3. Development of professionals is carried out through the development of competency models, training, and assessment to ensure that project managers are effectively carrying out their duties.

The Project Office assists an organization in establishing and maintaining systems that support all three of these elements.

Sidebar 2:

Assessing the Need in Your Organization

How do organizations know they need help with project management? PM Solutions, Inc. uses the Health Check™, a system of interviews and questionnaires with results compared to an eight–stage project management maturity model, to analyze an organization's project management in 12 key areas:

- o Scope
- o Human Resources
- o Risk
- o Cost
- o Project Integration
- o Management Oversight
- o Time
- o Communications
- o Quality
- o Procurement
- o Project Office
- o Professional Development

The first nine of these areas are drawn from PMI's *Guide to the Project Management Body of Knowledge*. The Health Check rates an organization's level of maturity in each area against a model based on the Software Engineering Institute's Capability Maturity Model for software development projects, but expanded to reflect project management needs across a wide variety of project types.

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