Establishing a Successful PMO

The Key is in Delivering Value, Fast
In 1998, Tom Peters said companies should projectize, and pronounced the logic of managing by projects to be “unstoppable.” It seems he was right.
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For over a decade, we have been witnessing a dramatic upsurge in the visibility and status of project management within organizations. Improved project management practices have led to increased responsibility, and at each new level of responsibility project management has risen to the challenge. Organizations have moved from doing a less-than-adequate job of managing projects on an individual basis to creating the organizational synergy around projects that adds value, dependably and repeatably. The need for this synergy has been — and continues to be — the pain point driving the startling growth in the number and responsibilities of PMOs (see Figure 1).

The PMO, whether structured as a Center of Excellence, Project Support Office, Program Management Office, or Strategic Project Office, provides a home base for project managers and project management. It makes it possible for organizations to conceptualize, plan, execute, close out, and archive all its projects in a systematic manner. It allows companies to make rational resource forecasts and budgets and to know which activities add value and which merely drain resources.

But establishing a PMO is no panacea; like any organizational improvement initiative, the implementation can take off or stumble. Given that a majority of organizations are now investing in PMOs, how can we structure and implement them to ensure that they deliver the value that these times demand?

The PMO Value Proposition

Many organizations jumped onto the project management bandwagon without fully thinking through their initiative. Often they approached bringing project management into their organization by implementing software tools or launching a training program. The frequent failure of such one-dimensional approaches has shown that implementing project management is a multi-faceted initiative that involves a combination of processes, skills building, enabling tools, as well as organizational change agents. Success requires the management, coordination, and sponsorship of a PMO — ideally one that is seated at the strategic, enterprise level.

Yet merely establishing a PMO isn’t enough. According to research by PM Solutions on *The State of the PMO*, it is primarily mature, enterprise-wide PMOs that clearly demonstrate business success. In our award-winning book, *The Strategic Project Office*, now in its second edition, we have offered an implementation strategy for PMOs based on research, practice, and experience, which is summarized in this paper. Laying a solid groundwork gives the organization a head start towards developing the mature PMO practices that lead to business success.
There are three basic value themes that run through case studies of the best PMOs, as represented by the winners and finalists of the PMO of the Year® competitions over the past eight years:

1. Preventing and/or recovering project failures by applying best-practice project management methods
2. Aligning projects with strategy/executing strategic initiatives (projects or programs)
3. Improving business outcomes by appropriately hiring, training, and developing project personnel.

**Why Projects Fail … And How the PMO Can Help**

Research on troubled projects by PM Solutions showed that over 40% of projects performed by the surveyed organizations were troubled — an average of $30 million of projects at risk per organization. So the question is not “Will our projects run into problems?” but “How can our organizational structure minimize project problems and help troubled projects recoup effectively?”

Some root causes of failure on which establishing a PMO can have a direct impact include:

- A lack of enterprise-wide multi-project planning and control skills and tools means that projects are worked on individually, but overall company priorities aren’t necessarily supported.

- Projects are not actively and realistically tracked and managed throughout execution. Thus change, kill, or recover decisions are not made early enough.

- Most organizations promote proficient technicians instead of developing needed project management skills, raising a crop of project managers who are administrative in outlook — reactive managers who merely report trouble after it has occurred, rather than being able to take responsibility for outcomes and act to resolve problems.

- Executive support for/understanding of projects is lacking in many organizations, and there is a high correlation between lack of strong project sponsorship and failure.

Luckily, many of the best practices for preventing failure are also directly related to PMOs:

- Projects must be carried out in a standard, published way, with a project methodology that sets planning and control standards, review points, the nature and frequency of project management meetings, and change control procedures. A PMO is a repository for best practices in planning, estimating, risk assessment, scope containment, skills tracking, and time and project reporting, providing consistency in project performance.

- Project managers must be competent: able to define requirements, estimate resources and schedule their delivery, budget and manage costs, motivate teams, resolve conflicts, negotiate external resources, manage contracts, and assess and reduce risks. Such project managers are grown in an environment that trains, mentors, and rewards them based on performance in projects — an environment best created under the oversight of a PMO.

- Critical dates must be monitored via enterprise time-tracking. This is a necessity for larger projects, multi-project environments, and dispersed project teams. Enterprise-wide software implementation and multi-project oversight cannot be well managed except by a PMO.
Project portfolio management — the systematic selection, prioritization, and evaluation of projects across the enterprise — can only be deployed effectively through a centralized infrastructure facilitated by a PMO.

Enterprises must harvest lessons learned and identify reuse opportunities in order to lay the groundwork for future success. The PMO functions as a knowledge management center for project, program, and strategy management.

The PMO as Strategy Execution Office

As an organizational center for the management of the project portfolio, a PMO can provide the structural support for an organization’s strategy execution process. Corporate strategy affects the choice of organizational structures; likewise, organizational structures are important to the execution of corporate strategy. In our Strategy & Projects research, a number of best practices for the effective execution of strategy were identified. These included:

- The company has an organizational structure (strategic project office, office of strategy management, strategic steering committee, etc.) that is responsible for managing strategy execution.
- Project management is clearly established and embedded within the organization’s business management structure.
- Information about strategy and projects flows freely between business units facilitating strategy execution.

These strategic functions are increasingly expected of PMOs; so much so that Gartner analyst Audrey Apfel predicted in 2011 that the future of the PMO is as the “Office of Strategy Execution.”

A PMO can also play a key role in another best practice: making a focus on strategy execution an important part of the organization’s culture.

The PMO as Resource Manager: Optimizing Human Capital

A PMO serves as an organizational center for project management excellence and must be staffed by leaders who are recognized as both experts in the discipline of project management and savvy business leaders. In addition to supporting current leaders, the PMO can prepare tomorrow’s organizational leaders by taking charge of the development of professional project managers and project support staff.

Initially, the PMO must aggressively implement a strategy for getting top-flight project managers in place — hiring or contracting new project managers and, at the same time, developing promising personnel within the organization. Coordinating both the efforts and the development of project managers from diverse sources is a critical role for the PMO.

Project managers report to the mature PMO, which maintains a database of information on the organization’s project managers, including their project management, business, and technical skill sets, capabilities, specialties, and experience. New projects can be staffed using this information, while project managers between full-time assignments work on special projects such as developing new processes, methodologies, techniques, templates, and capabilities. A highly competent project manager is too valuable to be idle just because he or she is between projects. This infrastructure development aspect of the PMO allows the organization to derive full value from a project manager’s expertise and experience as well as avoid the high cost of turnover.

One of the biggest challenges in most organizations is that they have subject matter experts (technology gurus in IT organizations; clinical experts in pharmaceutical R&D organizations), but few professional project managers skilled in the disciplines of project management (planning, scheduling, communicating to uncover problems, resolving and removing problems, reworking the project and communicating with stakeholders to meet objectives).
The PMO is the center of focus for project manager and team training and development. It identifies competencies needed by high-performance project managers and for executive awareness and team member participation. The PMO participates (typically with a specialized project management training vendor) in tailoring standardized courses around the culture and methodologies that apply to the organization specifically.

The development of promising project managers into high-performance project managers is yet another critical step. Such professional development includes training, but begins with establishing a project management career path, identifying project manager competencies, then hiring for those competencies, creating performance metrics that reward project managers for the right behaviors.

The mature PMO carries a full complement of project support staff, which provides a dual project management career track within the organization, allowing individuals to specialize in the “science” of project management (scheduling, controlling, software) and free up project managers to perform the managerial and facilitative functions.

In our Resource Management Challenges research, we found that, although few organizations are mature in their practice of resource management, those companies with a fully staffed PMO performed better across a range of organizational performance metrics, from financial performance to customer satisfaction. The roles and career progressions in such a PMO are fully discussed in our book, Optimizing Human Capital with a Strategic Project Office.

Staff development and training is a key way for PMOs to add value to the organization. This was demonstrated by the finding, in the State of the PMO 2016, that high-performing organizations were more than twice as likely to have training programs in place.

Planning the PMO

The Structure of the PMO

The organizational structure of the PMO reflects the organization’s complexity and needs. Understanding what PMO structure is right for your company is critical, since you must align your goals for the PMO with the appropriate structure to avoid wasting time by implementing PMO capabilities that are either too advanced or too simplistic for your needs.

For example, at the enterprise level, the PMO serves as a repository for the standards, processes, and methodologies that improve individual project performance in all divisions. It also serves to deconflict competition for resources and identify common resources that could be used across the enterprise. More importantly, the enterprise-wide PMO allows the organization to manage its entire collection of projects as one or more interrelated portfolios. Executive management can get the big picture of all project activity across the enterprise from a central source — the PMO; project priority can be judged according to a standard set of criteria, and projects can at last fulfill their promise as agents of enterprise strategy.

The important thing to take away from this discussion is that it is a mistake to charter an enterprise-wide PMO and task it with remaking the organization, at the same time saddling the effort with inexperienced people and a low level of influence in the organization. Yet this common error dooms many PMOs from the beginning. Decide what your goals are and position and staff the PMO accordingly.
The Functions of a PMO

There are several primary components to any PMO that grow in capability and complexity as the PMO takes on more strategic responsibilities. In addition to overseeing the training, development, and management of project managers and support staff — and taking charge of portfolio management, there are an array of additional functions related to project management and strategy execution that a mature PMO may engage in (see Figure 2).

Our recent research, *The State of the PMO 2016*, shows that as PMOs grow in influence and capability they are entrusted with more and higher-level strategic functions.

Implementing the PMO

**Deliver Value, Fast**

The best way to win support for the PMO is by adding value as quickly as possible. There are two approaches to take to demonstrate the immediate value of the PMO: short-term initiatives and mentoring.

Short-term initiatives provide solutions to the immediate concerns of key stakeholders. These are items that can be implemented quickly and that address top-priority organizational concerns. (For a list of example short-term initiatives, see page 8).

In conjunction with the short-term initiatives, mentoring — assisting less-experienced project personnel to perform better — is an excellent way to provide immediate project management value to projects that are in need of support.

At the same time, continue to work toward longer-term objectives related to changing organizational culture and adapting the organization to a new way of doing business.
Assess Your Organization and Establish a PMO Strategy

Define the PMO and determine your immediate concerns and long-term objectives. As appropriate, start with an assessment of your current capabilities, goals, and objectives. Don’t simply assess for the benefit of developing a numerical ranking, but instead to clearly understand your project management strengths and weaknesses and map those against organizational goals. The result of an assessment should be a clearly prioritized action plan that identifies the time, cost, and resources required to get to the next level. PM Solutions’ Project Management Maturity Model drills down to an actionable level of detail that can be particularly helpful in developing objective and productive assessments and implementation plans.

One strategic decision that may need to be addressed early on is the choice to either acquire outsourced project management resources — planners, controllers, project mentors, project managers, or even the entire PMO staff — from outside the enterprise. This contract staff can be one way to get moving quickly with experienced personnel and can be a long-term strategy or a transitional feature of the project management initiative.

The State of the PMO 2016 showed that the use of contracted resources continues to play an important part in PMO strategy (see Figure 3). PMOs from larger firms, IT divisions, and high-performing organizations are more likely to use contracted resources.

Deploy Short and Long-Term Initiatives

Armed with an implementation plan that maps to an organization’s goals, the startup of the implementation project is activated. With expectations of results high, it is important to plan both short and long-term activities — to show immediate results and to lay an essential foundation for continuing success. Some examples of short-term initiatives are:

» Creating an inventory of your projects (new product development, information technology, business enhancements, etc.)
» Preparing an executive dashboard, showing the status of all active projects
» Establishing summary project report structures and project success metrics
» Establishing an initial communications program

Percentage of Best-in-Class PMOs that Use Contracted Resources to Manage the PMO

Figure 3

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<thead>
<tr>
<th>Year</th>
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<tbody>
<tr>
<td>2014</td>
<td>43%</td>
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<td>2016</td>
<td>67%</td>
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» Establishing initial training sessions and informal education sessions
» Establishing support for new projects and projects in need
» Conducting project planning or project control workshops
» Providing hands-on support (planning or project management) for troubled or critical projects
» Providing templates for recurring project activities.

Some examples of longer-term initiatives include:
» Developing and deploying a project management methodology
» Developing and deploying a professional development program
» Building a portfolio management and governance capability
» Identifying and deploying a centralized information management system
» Developing and deploying a long-range communications program
» Integrating resource optimization into the project and portfolio segments
» Developing and deploying a culture change program
» Developing a career progression program
» Developing an organizational strategy to support project management.

One long-term initiative that should be implemented immediately is a measurement program. Without knowing the baseline of the organization’s performance on projects prior to the project management improvements, the PMO will be challenged to demonstrate the value derived from the investments.

Manage the Change
An organization’s culture represents what people believe about their work, each other, and management. It includes the formal business rules, unwritten but understood processes, and the organization’s beliefs and practices around decision-making, management style, communications, rewards, customer relationships, quality, and employee involvement. Obviously, creating change in such a pervasive system requires a systematic approach.

Change management incorporates communication, training, and rewards into a process that helps an organization move from a current state to some desired future state through effective change processes. To lead an organization through change, the individuals managing the change process must focus on three critical change variables:
» Understanding the organization’s past experiences with change
» Gauging and developing strategies to overcome resistance to change
» Managing specific cultural issues that may impact change.

The Executive Role
Because a PMO initiative changes the way people work, the sponsoring executive leadership must plan for and support the kind of activity necessary to change the behavior of the people in the organization. The specific activities may vary from company to company based on their culture, but the executives’ role in this process is pivotal. Executives need to value the new process and show it by being:
» Vocal in their support of the process
» Vigilant in carrying out the new process, and
» Visible in their support of the process.
Support and Improve

When the PMO is in full operation, it supports the organization’s projects from a tactical and a strategic perspective, conducting day-to-day activities, refining project management activities, and expanding its involvement in the operations of the organization where appropriate. Training and other initiatives continue under the direction of the PMO.

Key stakeholders provide feedback on the PMO’s efforts, and activities are continually refined as part of a quality management program. Portfolio management becomes more sophisticated as more project metrics are collected. A lessons-learned library, benchmarking, best practices collection, and other knowledge management activities are hallmarks of the mature PMO.

Conclusion

The bottom line: You will be able to accurately predict and manage the time, quality, and cost of your projects. Some signs that projects are well under control:

» Established project scope statements are agreed on and worked in partnership with business and project performance groups

» Projects are managed in an ongoing fashion, with up-to-date and realistic time, cost, and scope projections

» A decision-making process exists for addressing and resolving project conflicts

» Project schedules have accurate estimates that are not constantly revised

» Top management understands project management basics

» Activity-based costing systems and project management training programs are in place.

Implementing a PMO is not simple. Success comes from accurately understanding the magnitude of the initiative, and from planning and working to that scale.

References


Note: PM Solutions Research was formerly known as the Center for Business Practices.
Is merely establishing a PMO enough?

PMOs are increasingly being entrusted with major strategic responsibilities. Is your PMO structured to ensure it delivers the value that these times demand? We regularly work with clients to deploy a new PMO, operate a PMO, or optimize and enhance an existing PMO to meet a set of evolving challenges, functions, and services.

Visit www.pmsolutions.com to learn more about how we can help you apply the appropriate processes and structure to manage initiatives more effectively.