Getting Started With a Project Management Office (PMO)

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Table of Contents

Executive Summary

Challenge

Today, IT organizations spend a large amount of their time delivering projects. While success rates have improved to approximately 34 percent, 15 percent of all projects still fail and 51 percent are somehow "challenged," according to research from the Standish Group. There are many reasons why IT projects fail — many of which can be attributed to a lack of visibility into long-term project needs. Without proper visibility, organizations are unable to see what is needed six months, three months, or even two months down the road, resulting in poorly constructed project plans that do not capture critical dependencies, including assigning project resources and key milestones.

Opportunity

This paper, the first in a four-part series from CA, contains practical insights and best practices for better IT project delivery. This paper discusses ways of moving from an ad-hoc approach to a more effective process by implementing a project management office (PMO). The focus is on determining the state of your company's existing IT efforts, confirm the overall business goals and create a roadmap that brings together the necessary people, processes and technologies to achieve them. Then will you be able to establish a PMO that ensures efficient and cost-effective project execution and delivery.

Benefits

While developing a software process improvement program can be costly, studies have shown that the resulting benefits of improved time-to-market, productivity and software quality far outweigh the initial investment costs. Establishing a PMO is the first step towards improving:

- Project, program and portfolio management best practices
- Time-to-market acceleration
- Quality of your IT initiatives in a cost-effective manner

SECTION 1

Getting Started with a PMO

Determining Your Organization's Needs

The first step to establishing a PMO is to determine your organization's IT needs. Start by examining the key processes in the areas of project, portfolio and program management as defined, for example, by the Project Management Institute's (PMI's) PPM/PMO framework. This framework has three levels of work (project, program and portfolio), each of which are broken down into 12 process groups (e.g., project initiation, project planning). The process groups consist of 92 processes in total, and these processes relate to the management of nine knowledge areas (e.g., scope, cost, time and resources). Examples of PMI processes/components include a project charter, project plan, work breakdown schedules and cost estimate.

You must also determine what type of management office best suits your needs (project, program or portfolio). In some cases, all three might be necessary but in order to help decide what is right for your organization, each is defined below.

- A Project Management Office oversees a temporary effort with a definite starting and ending point. The Project Management Office helps development teams finish projects on time and on budget through the use of established best practices, while ensuring the finished project or product meet stakeholder requirements.
- A Program Management Office oversees a collection of projects or portfolios that, when managed together, often provide greater benefits than if they were managed separately (for example, a compliance initiative or cost reduction initiative). A Program Management Office is typically tasked with providing an optimal mix of resources and achieving economies of scale.
- A Portfolio Management Office oversees a collection of projects aligned to meet specific business objectives. For example, a retailer needs to reach out to 5 million new customers via the Internet. In this case, a portfolio could consist of e-commerce initiatives that support the common strategic initiatives related to establishing a Web presence. Key objectives of a portfolio management office include aligning portfolios of projects and services to business goals and managing risk exposure to the business.

To determine what management office best suits your needs, analyze the importance to your organization of each PMI process. For example, if your immediate issue is to improve project success rates, then consider starting with a project management office. If your immediate issue is the need to understand where your IT dollars are being spent, consider starting with a portfolio management office. The results of your needs analysis will guide you in determining which of the three offices are most suitable for your organization. It is also important to note that while the project and program offices are typically established first, there is no real predefined order you need to follow.

Determine Your Organizational Maturity

The PMO needs to demonstrate clear and tangible value in a relatively short period of time. It is important, therefore, to set up a process that quickly measures the PMO value to the enterprise. To do this, a baseline must be established. Steps to establishing a baseline include:

- Assess your organization's capabilities against industry-standard best practices, such as those defined by the PMI's PPM/PMO framework.

- Record your level of maturity in each of these process areas using a capability scale from 1 – 4 (active, efficient, responsive and business driven). These maturity levels will be detailed more in the second whitepaper, "Evolving the Maturity Level of Your PMO".

Once the maturity level has been measured against the most important PMI processes, develop a "target" maturity level (again using the 1 – 4 scale for each process area) so your progress can be quantified.

If the organization is at a lower level of maturity, there may be little or no accurate data available from which to establish a baseline. In many cases, organizations simply do not know how much it costs to complete a project. If this is true in your situation, there are ways to overcome a possible lack of information. For instance, you can seek out historical data points, such as the length of projects and the number of developers who worked on these projects, to help extrapolate a cost estimate and a baseline from which to measure future successes.

Simply measuring total project cost may make it difficult to do an "apples to apples" comparison. However, there are ways of normalizing data so that such a comparison can be made. For example, the following metrics will provide a more accurate representation from which to compare costs between projects:

- Cost per use case
- Cost per function point
- Cost per thousand lines of code (KLOC)

Other quality metrics which may be measurable at baseline include:

- Resource utilization (percent of a developer's time utilized/optimized)
- Defect rates

Establish a Measurement Plan

As mentioned above, it is important to measure the positive impact the PMO is having on the organization. This will ensure that the PMO maintains the executive sponsorship it needs to effect organizational change. For this reason, the PMO should institute a measurement plan that defines key metrics for determining the organization's progress against the established baseline.

If you used a maturity analysis based upon the PMI framework to establish your baseline, use this same maturity model to measure your progress at periodic intervals. Some of the measurements cited above, such as '$ per use case' and '$ per function point', should also be measured to gauge progress and calculate ROI.

Develop a PMO Rollout Plan

Next you must develop a rollout plan for establishing your PMO. A high performing PMO does not take form overnight and requires a phased approach, as shown below, to ensure incremental value.

SECTION 2

Implementing a PMO Into Your Organization

Three Steps to Successfully Implement PMO

While there is no preset order for executing against this plan, below are some suggestions on how to best implement a PMO into your organization:

STEP ONE Implement the PMO Staff and Determine Reporting Structure

The PMO is the CIO's "eyes and ears," it is the body that the CIO relies upon to make sure the organization is addressing the right needs and that budget is being applied towards initiatives that will sustain and grow the business. If project management is relegated to a lower-level in the management hierarchy, the PMO won't have the authority to enforce best practices, gain the respect of practitioners, and ultimately, it won't achieve the potential impact of a well-positioned PMO.

The three offices within the PMO have specific roles. For instance, the Project Management Office should include a process mentor to promote and foster best practices. This individual will provide mentoring and training, as well as review deliverables and manage the overall infrastructure. This person also plays a key governance role by spot-checking deliverables and ensuring guidelines are being followed. Project managers typically report directly to the PMO.

A key resource in the Portfolio Management Office is the Business Relationship Manager (BRM), whose responsibilities include brokering communications between IT and the organization. The Portfolio Management Office typically reports to the CIO and CFO, but it is still important to maintain a relationship with the Project Management Office because the constituent projects in each portfolio will be managed there.

The Program Manager is tasked with understanding the dependencies between key tactics and milestones within the various projects that comprise a program. This individual is therefore responsible for realizing the collective benefit of the program, which cannot be done if the projects are managed separately.

STEP TWO Develop a Simple Repository or "Library" of PMO Materials

The next step is to develop a simple repository or "library" of PMO materials (e.g. project plan templates, project charter templates and workflow diagrams). This library will eventually become the "process encyclopedia" for the organization.

Specific library items to consider for each type of office include:

- Project Management Project templates, skills database, project performance dashboard/ health monitor
- Program Management Program management plan template, work breakdown structure template, communications plan
- Portfolio Management Strategic initiatives (CIO or CFO-based), alignment category for project mapping, risk factors for each project's business case (i.e. where was it initiated) and value to the business/projected costs (ROI and payback)

STEP THREE Select Technology to Automate and Enforce Your PMO Processes

Step three involves selecting the appropriate technology to automate and enforce your PMO processes from project request and resource planning through delivery. This technology should be equipped to support a variety of features, such as idea management and project initiation. For instance, when someone has an idea for a new project, that individual will be prompted to enter the idea into a solution which can then automate a workflow to ensure that all the right steps occur before that project gets funded. This is an important process to any IT governance initiative. Other features to request in a PPM solution include portfolio management, planning and balancing, electronic timekeeping, project-level IT cost tracking, and project "health" dashboards and status reports.

One example of such a solution is CA Clarity™ Project and Portfolio Management (PPM), a best-in-class solution that supports established PPM processes and automates the collection of data necessary to make informed project, program and portfolio management decisions. CA Clarity PPM offers a number of features that are critical to streamlining your PPM processes, including the ability to:

- Create new projects based upon pre-defined project templates
- Automate the project gating process to ensure that the appropriate analysis and approvals are gathered prior to funding the initiative;
- View and forecast resource availability to avoid bottlenecks on key resources, such as architects;
- View a portfolio dashboard, which summarizes key portfolio management decision-making criteria;
- Optimize a portfolio based on user-defined criteria such as ROI, risk and cost;
- Present a real-time project dashboard highlighting key status indicators such as cost variance, schedule variance, and late critical path items;
- Track an individual's time at the project or task level; and
- Provide a document management system for sharing key project deliverables.

Execute Rollout Plan

Once the rollout plan is in place and stakeholder agreement has been secured, it is time to execute. One key execution strategy is to show value within a relatively short period of time (usually about 90 days). This strategy will solidify the PMO's position as a "trusted advisor" to the CIO and executive management team. Early ROI will also ensure that the PMO gets the resources it needs to fully execute the rollout plan and it will attract early adopters who can be showcased as process leaders.

How do you show value early on in the execution process? One idea is to "start narrow and deep," i.e. focus on projects that are deemed to be most critical and processes that will provide value to all levels of IT management.

"Accelerator" options achieve a quick ROI in the execution phase. PPM tools typically have an "accelerator" feature, which provides the ability to get the user up and running very quickly by leveraging a pre-configured set of templates and reporting options. This quick start installation can be evolved over time as more specific requirements are developed.

CA Clarity PPM, for instance, offers tools designed to quickly achieve measurable benefits and realize an early ROI. This is an initial deployment that includes installation, basic configuration of pre-defined PMO accelerator content (ie: dashboards, portlets, and reports), data load and user briefings.

As is the case with implementing any new process, there are a number of pitfalls which can have an adverse affect on a PMO rollout. Below are some key areas to think about before embarking on the roll out, as well as advice for mitigating risks.

CULTURAL BUY-IN This is especially crucial at the project and application manager levels. At the beginning of the PMO process, there is usually a small decrease in productivity followed by an increase in project completion time after the implementation is complete. During the initial slow down it is important to have champions that understand this dynamic and who are willing to accept a temporary drop in productivity in exchange for faster implementations in the future. Buy-in at the executive level is also paramount. Make it a point to understand key stakeholder wants and needs, and address them early in the rollout. This could be as simple as building a portlet which displays a simple project inventory.

The value of transparency must be well understood. Project managers need to understand the importance of raising issues early so that course corrections can be made before timelines, quality and/or cost are put at risk. Project managers need to understand the benefits of a centralized PPM repository or 'single system of record', such as CA Clarity PPM, which will alert project managers to potential problems while corrective action can still be taken.

A rewards system also helps to ensure organization buy-in. Ideally, performance and best practice consistency should be tied to incentive-based compensation and individual's career goals. Posting project status reports in a highly visible area also goes a long way towards changing behavior — peer pressure can be a powerful tool.

TRAINING It is a challenge rolling out new processes across dozens of business units and thousands of users. Establish training and mentoring programs to ensure best practices are consistently followed after training is completed.

COMMUNICATION PLAN Communicating success is as important to sustaining PMO momentum as the process that goes into creating one. Develop a comprehensive communications plan that ensures successes are being highlighted across all the stakeholder audiences.

SECTION 3

Benefits of Establishing a PMO

The First Step to Improve Quality and Time-to-Market

Many companies have already recognized the benefits of establishing a process improvement effort. The relationship between an organization's process maturity level and its productivity has been studied extensively. While developing a software process improvement program can be costly, studies have shown that the resulting benefits of improved time-to-market, productivity and software quality far outweigh the initial investment costs.

Establishing a PMO is the first step to improving your project, program and portfolio management best practices so you can accelerate time-to-market and increase the quality of your IT initiatives in a cost-effective manner.

SECTION 4

Conclusion

CA can help, and is committed to your success. CA Services specializes in designing, implementing and optimizing PMO solutions to help you achieve the efficient IT performance that drives superior business results through a five-step, rapid time-to-value approach that delivers results quickly and incrementally. CA also offers a variety of professional services packages to help implement a PMO rollout and reduce risk.

SECTION 5

Recommended Reference Material

- Project Management Institute (PMI)
- Project Management Body of Knowledge (PMBOK)
- PMI standards for Portfolio Management and Program Management
- WWW.PMI.ORG

SECTION 6

About the Author

George Hunte is a Solutions Manager in the IT Governance practice of CA. Hunte develops service solutions that focus on customer satisfaction, developing intellectual capital and expanding the capabilities of the CA delivery team in the PPM space.

Hunte has over 14 years of experience in software engineering. Most recently, he spent six and a half years at IBM/Rational as a senior software engineering specialist for the software development lifecycle management space in both a pre-sales and post-sales capacity.

Hunte holds a B.S. in Electrical Engineering from Rutgers University, and an M.S in Electrical Engineering from Stevens Institute of Technology.

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