

PMO Setup and Operationalisation

A. What is the business need for PMO?

Large Corporates undertake and run multiple Projects. The issues faced by them in this context can pertain to querying if :

- a) Are right Projects aligned to organizational strategy only get selected?
- b) Are we deploying the limited resources available, only in critical Projects?
- c) Are robust Project selection and governance processes in place?
- d) Are the Project processes we deploy reliable and structured?
- e) Is there a Project review process in place- to assess the healthcheck of ongoing Projects and provide Early Warning signals?
- f) How we know which Projects are going on fine and which require management intervention?
- g) Is there a mechanism to abstract the good Project lessons and institutionalize them as a System?
- h) How does the Project team get upskilled towards executing Projects more effectively?
- i) How do we assess the Post-Project performance?
- j) Are too many Projects getting 'cancelled' or 'abandoned' midway?
- k) Are the benefit realization metrics in the organization effective?

These are typical issues being faced by large Companies - as they evolve in their maturity in handling Projects, across diverse verticals. Standardization of processes, tools and templates across the enterprise, assisting easier decision-making is another key requirement of such Companies.

It should be noted that PMOs started in 1990s typically were vested with the responsibility of managing large 'programs' - like Y2K conversion, ERP implementation and so forth and there was a distinct bias towards IT projects in the commencement. But current PMOs manage IT and non-IT Projects alike.

B. What is a PMO?

A Project Management Office (or a Program Management Office - as it is called in some connotations) is a Centralized structure to assist the organizations in selecting Projects, executing them effectively and closing them. The need for such a structure arose - mainly in organisations which :

- > Undertake a large number of Projects in different verticals and want to synergise their PM practices across the enterprise
- > Seek to set up 'Best practices' for guidance and coaching their Project Managers
- > Seek to have a 'Dashboard' metrics system to identify Projects which are going well and the ones which are not.

C. What is the composition of the PMO?

The PMO is a standing structure and usually headed by a Senior Manager - who may be termed as a 'PMO Head'. It is usually staffed by Project managers, Researchers and technical specialists like Configuration Librarian etc. If the PMO is also responsible for implementation and administration of the Tools - concerned Subject matter specialists also join in.

More often than not, the standing structure of PMO is assisted by a virtual team of members -

consisting of PMO Champion/Sponsor, Senior Managers, SBU Heads and others - to assist in decision making - especially in Project selection and qualification and to take follow-up decisions based on Project tracking and controlling.

Apart from these, other stakeholders can include the Organizational Head, a PMO Advisory Board, external vendors etc. The members of the PMO Advisory board need to be culturally having alignment to organizational ethos and insight into the vision and mission of the organization.

D. How to Set up the PMO?

For organizations requiring to setup a PMO - the following route map may be useful.

1. Take an inventory of all ongoing Projects. This includes the assessment of complete Project history, the Project stakeholders, their current status, benefits expected and realized, future projections and so forth. Since every Project expends money, it is essential that all Projects are put into the inventory- maybe business unitwise. A subclassification of Projects as per investments and timelines may be useful for second level assessments.
2. Based on the inventory - make an initial assessment under multiple heads. These heads may broadly be classified in a two dimensional structure - X axis denoting the organizational importance attached to the Projects - such as of High/Medium/ Low importance and the Y axis corresponding to the current Project status - if it is likely to be Successful (within defined parameters) as with High/ Medium/ Low probability. As in every case, the PMO should consult the key stakeholders in defining the metrics and classifying the Projects. Projects interdependent on each other - either internally and with external Projects should be represented appropriately.
3. The risks and resource requirements for major Projects are assessed. This step is all the more important for Critical Projects. This assessment also looks at redeployment possibilities across Projects - to maximize the overall Project portfolio value to the organization
4. The concerned Project managers and other stakeholders should be kept in loop throughout the assessment process. It ought to be made clear to them that the overall risk rating is in their benefits.
5. The PMO should be staffed by Senior Project managers and sufficient authority should be vested therein. The Project managers should be accountable to the PMO for Project progress reporting and assessment

E. How to Operationalise the PMO?

1. The PMO should track the status of Projects for a defined time-point - say 3-4 months - to gain familiarity with the risks facing the Projects and their status. The very tracking system imparts a sense of discipline and continuity. This tracking process also brings forth the gaps in existing PM competency and tracking levels.
2. The PMO can take the assistance of Tools for Project status tracking. There are a number of Tools available for this purpose- starting from MS-Project/ EPM (Enterprisewide Project management) version. However, it should be borne in mind that the Tools afford assistance for decision taking and cannot be solely be taken an end to a mean.
3. The PMO should be able to assess the current contribution of processes to the Project success and be able to suggest/ institute robust processes/ templates for Project execution and

tracking. This could be the amongst the first value add proposition of the PMOs. However, care should be taken to ensure not to disturb the current structure too radically, as it may dislocate the ongoing Projects. This process will also define metrics for Progress tracking and reporting.

4. The PMO can be a single repository for getting the current Project status, resource allocation and also administer the Configuration Management system- if need be. The PMO can also assist the Quality team in deployment of the QMS- if needed. A PM Helpdesk type of initiative will also go a long way in this respect, to gain the support of Project Managers.

5. After the PMO gains familiarity with the Project environment and obtains the confidence of the Project managers and the Top management alike, it can venture into its strategic role - of qualification and selection of Projects. The selection criteria are based on agreed parameters - such as Project's strategic importance, risk-return profile, expected timelines for benefit realization, organizational capacity development and so forth. This in a way, the best contribution which can be made by the PMO for the organisation.

6. The PMO can also be vested with the responsibility of Organisational Project governance processes. These procedures enable Proper Project selection, proper tracking and closure of Projects whose risk factors have exceeded organizational thresholds and adhering to societal/regulatory norms concerned.

7. The PMO should set up metrics for assessment of its internal ROI. Typically the metrics which can be used to measure the performance of the PMO can include - costs saved by instituting proper PM processes, benefits of completing Projects successfully, costs saved by not taking risky projects and not 'reinventing the wheel' for Project processes for every Project.

8. As time passes by, the PMO becomes integral to the organizational structure and a discipline is enforced for proper selection and implementation of right projects and also setup a roadmap for organizational capacity enhancement, internal balancing of Projects taking into account benefits and risk-return portfolios.

9. It may be possible to have multi-tiered PMOs- to screen Projects of various SBUs and investments. However, a centralized PMO can enable better inculcation of uniform processes and procedures- atleast in its early stages.

10. One of the key issues in PMO is of facilitating Performance Excellence. PMOs can continuously research and benchmark practices which can be adopted in the current organisation. In this way, the PMO also becomes the 'clearinghouse' for 'Best practices'.

F. Timelines for Operationalisation of PMOs

The timelines will be critically dependent on multiple parameters - such as the size of the organisation, Projects it wants to control and the organizational culture. Typically the PMOs should be able to show a payback period of less than a year and should be able to portray positive results from second year onwards.

It is absolutely necessary that the PMOs operate in tandem with the Project managers. Typically PMOs are facilitating organisations and they are not micromanaging Projects. PMOs should be able to provide real guidance to the PMs and the Top management and win their comfort levels. They should not degenerate into 'Project progress reporting offices' or 'Project Management Overheads' - which add to another layer of bureaucracy.

G. PMO Lifecycle Models

Many researchers have highlighted a Lifecycle model approach for the PMO. Alternative models are possible- what is described herein is one such model.

Typically most of the PMOs start as 'Consultative PMOs' - rendering coaching, mentoring and support roles for the PMs. In this role, the PMOs can be supportive for the PMs for

- > Institution of Tools, Templates and processes
- > Training and Mentoring
- > Client Service / Account Management (in some cases)

In this model, the PMOs usually have no control on Project funding, resource allocation etc.

As they mature, PMOs can evolve into 'Supportive PMOs', wherein they could get more powers to enforce the processes, tools and templates relating to the Projects. However, the autonomy of the PMs is still retained and it may call for delicate role balancing - so as not to 'ruffle feathers' and keep the morale high in the organisation.

Subsequently PMOs evolve into 'Transformational PMOs', wherein they play a role in selecting Projects, benchmark and institutionalize Enterprisewide 'Best practices'. PMOs herein can institute new ways of thinking, develop new metrics and business-aligned processes to reach higher performance standards. The roles of innovation and Knowledge Management become very critical here and these PMOs enable organisations to get transformed as 'Knowledge driven organisations'. The tools should accordingly support benchmarking, evolution and tracking of metrics and capability maturity assessment of the organization.

As assessed by top management experts, Corporate Strategy is increasingly becoming viewed as Portfolio Management, with application of concepts like Portfolio Grid, Balanced Scorecard and so forth. The end objective of this is to enhance the capability of the organisations to survive in tough business conditions and sustain operations.

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H. Cost/ Benefits envisaged by implementing the PMO

Most of the benefits, which can come by instituting, have been articulated in previous paragraphs.

In a nutshell, PMOs enable, inter-alia:

1. Providing a correct status of the ongoing Projects and prioritizing them
2. Enhancing communication across key stakeholders concerning the progress status, progress and forecasts
(Adoption of techniques like Earned Value techniques may be useful here)
3. Continuous assessment of Project risks and enabling the adoption of corresponding Risk response measures
4. Enabling proper resource utilization across the organisation
5. Institution of predictable, repeatable processes for Project Management excellence and quality deployment.
6. Development of a Top management sanctioned and prioritized Enterprise Project portfolio for resource deployment and execution
7. Drive higher value out of PM trainings and tools deployment

8. Give visibility to Senior Management on how the resources have been allocated and are performing

One of the key benefit metric could be - # of Projects in the organisation * Average team size * Average

Hourly rate (internally imputed or externally billed) * Estimate of hours saved per person - because of

PMO Intervention. Admittedly these measures require intensive data points- from 'As-is' and 'To-be' processes. Some of the studies done by the leading groups indicate that the Project success rates have increased for the Projects supported/ tracked by the PMO, alongwith increased employee productivity, lower costs and increased external customer satisfaction.

The cost factors to be reckoned include the PMO organisation setup and running costs and the Project management 'intervention' related costs.

Looking at Project Management Institute (PMI)'s perspective of Knowledge areas- the PMOs can assist the organisations in:

- > Project initiation: Ensuring only the right Projects having alignment to the Business case are selected
- > Project startup facilitation: Assistance in Project Charter preparation, Project Team formation, Project processes selection and Tools initialization
- > Scope Management: Ensuring the Project aligns to the defined scope and changes are properly controlled
- > Schedule and Cost Management: Ensuring the Project gets the right resources, right priority is allocated to the Projects
- > Communications management and Metrics tracking: Dashboard reporting formats institutionalized
- > Project interface facilitation: Rarely do Projects arise in isolation in an organisation. It is necessary for the PMO to identify the boundaries of any new Project and interlinkages with other Projects- while developing Project management plans and give guidance to Project manager accordingly.
- > Resource Management: Assisting the PMs in getting the right resources from functional departments and also in vendor selection/ contract negotiation
- > Technology management: Especially if the Project involves use of Tools, the PMO can facilitate version control, providing upgrades as necessary, Project data protection, Disaster recovery Management, Project Continuity Planning etc.
- > PM Competency Development: By maintaining a centralized skillset of PMs and assisting in their competency development/ Performance assessment/ Organisational capability enhancement.
- > Alignment to legal and statutory reporting requirements etc.

It is better for the PMO to focus on 'Low hanging' benefits to gain confidence of key stakeholders.

Another key benefits of the PMO is to track the key strategies of the Top Management into completion- through associated Projects. Change Management is a critical prerequisite for successful functioning of the PMO, in these Projects. Thus mega PMO implementation Projects become intertwined with Organisational Change Projects- especially on initiatives like Process Reengineering or Mergers/Acquisitions.

Few representative metrics to measure PMO benefits can include:

- > % of Projects adopting PMO defined processes
- > % of new Project managers trained in PMO defined processes
- > % of Projects - where 'Due Diligence' and Project qualification were done by the PMO

> Extent of PMO defined 'Best practices' institutionalised

I. Challenges facing the PMO and their possible remedial measures

1. The Top Management commitment is very crucial to set up and 'incubate' the PMO in the initial phase.

The expectations of the PMO become enhanced as time passes by and disenchantments can occur, which needed to be smoothened.

2. The PMO head and the other staff selected should be seasoned Project managers, winning the confidence of PMs and be tactful. Sufficient authority should be vested in them- so that the Project managers provide necessary status reporting as needed and be able to induct the 'good processes'

3. The PMO needs to be funded appropriately- as it undertakes both 'development and governance' roles.

The funding can come from functional organisations- who get benefits by the Projects they undertake.

4. PMOs themselves should be subject to 'Change control' processes. However, these change control processes should be Performance enablers - rather than as constraining factors.

In a nutshell, lack of authority from the top and lack of support from PMs are major stumbling blocks for a new PMO. As the number of Projects tracked increases, the workload of PMO also increases. Finding the right caliber of personnel to be a part of PMO and ensuring career growth are other key challenges facing the top management.

It has also been seen that PMOs who are just set up for monitoring of Projects do not gain sufficient visibility or adequate funding. Typically, the pressure should come from Top management or external forces to improve the productivity of Projects or from internal drive to do things better.

It is also important that the PMO does not get into 'turf wars' with functional and/or Project managers and getting 'sucked' into organizational politics. Project Managers should not be seeing PMOs as structures increasing bureaucracy, hindering Project progress or initiatives, taking away the credit or create 'power struggles'.

It is also been seen that some PMOs degenerate into 'Cost Centers' and amongst the first to be pruned while in difficult times, by the organisations. This uncertainty can hold back best of the talent from being a part of the PMO.

Its indeed a delicate role, but if handled properly with sufficient authority, the PMOs can indeed be a great facilitator for successful Project management. The top management has to own the PMO and the Project prioritization for sustained success.