Revitalizing Project Efforts With a PMO

A case study for the CAPM® Certification Course.

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Introduction

A niche market software development organization with a 25-year history of delivering services in the healthcare industry is focused on providing mission-critical software to managed care providers and long-term health care facilities. The software is an end-to-end product that handles everything from admissions to prescriptions, tracking the level of care, billing insurance, and Medicare. The organization had been the leader in the marketplace but recently saw a decline in its customer base and an increased number of new competitors entering the market with innovative technology, improved features, and better performance.

Challenges

As the software has grown, it has increased in complexity, with multiple historical workarounds and patches clogging the performance. The application is a combination of tools and legacy applications that have been developed, leaving no common architecture for expansion, scalability, or efficient upgrades. Therefore, every new feature, bug fix, and modification to the application has resulted in a complex initiative with high risk and expanded difficulty.

Upgrade efforts have traditionally faced extensive challenges, with features constantly changing, little to no thought of integration, and poor-quality processes. In addition, upgrades face schedule issues, cost overruns, extensive risks, and ongoing defect lists that are not resolved.

The current software development effort is being managed from a functional perspective, with a separate product owner devising the features and functionality to be included in efforts. Product owners report directly to the Executive Leadership Team (ELT). The application development group receives directives from the ELT and is not able to contribute to decision making for schedule, scope, cost, or feature set.

Finally, the software provider does not have a project management process for handling its customer orders, and software development initiatives are managed by the Product Development team.

Solution

The first step in approaching this issue is to create a Project Management Office directly responsible for implementing and managing a project management process with each initiative. A PMO created with a direct line of communications with the Executive Leadership Team and a matrix-based reporting structure for the software development and quality processes facilitates an internal organization that has both the authority and communication channels to implement a project management process.

The project management process can be standardized. The PMO can set out best practices, procedures, policies, and processes for every project to follow. In addition, with centralized implementation of project management, the PMO can begin the socialization and communication processes necessary to ensure that the organization understands both the value of project management as well as the responsibilities that all team members have in contributing to project success.

A matrix reporting structure within the Applications Development group means that the PMO will have the ability to balance resources across project efforts and ensure that the right resources are assigned at the right time to achieve project success.

The centralized nature of the PMO will facilitate project reporting across all projects. Combining this with communication channels established ensures that project progress, status, risks, issues, and budgetary considerations can be communicated in a timely and effective manner to the appropriate organizational leaders.

The PMO provides the following advantages:

1. Direct Access to Leadership
   While projects may communicate with a project sponsor on the leadership team, the PMO will be able to consolidate all projects into a single deliverable and address resources, risks, budget, and schedules at the enterprise level. Centralizing these aspects ensures an accurate picture of the current project status at the enterprise level and can take advantage of economies of scale, elimination of redundancy, and coordination of scheduling efforts.

2. Support Group for Projects
   A PMO has the ability to guide, mentor, and implement standards around project management, increasing the potential for consistent and repeatable success for all projects. Supporting projects includes the adoption of single template versions, consistent communications, and education for all managers in effective leadership approaches for their efforts. In addition, the PMO has the ability to see across projects and can balance out resource utilization and provide additional organizational process assets to the project efforts.

3. Defined Project Management Process
   A single defined Project Management process decreases the amount of time and effort project managers must invest in setting up their projects, trains external stakeholders on what to expect, and overcomes objections to process as process is implemented once rather than for each and every project. Project Managers can be left with the flexibility to tailor their approaches within the framework, but mandated standard compliance ensures that minimum standards are enforced.

4. Centralized Project Governance and Reporting
   Centralized governance and reporting ensures that the PMO has accurate and up-to-date information on every project. Consistent reporting overcomes issues around project status interpretation, the potential for hidden information, and the communication of consistent accurate information in standard form. This ensures that leadership teams have a clear

understanding of the data and facilitates roll-up of individual projects into larger overall status.

5. Continuous Improvement Process
   Implementing Project Management is only a first step. The PMBoK stresses the need for tailoring the process to the effort and the organization. Every project has specific needs, challenges, and obstacles. A PMO will introduce a core set of processes to ensure the greatest amount of success, and each project will tailor its approach to increase chances of success. Following a continuous improvement effort (Deming) encourages review, analysis, and modification to process on a scheduled and repetitive basis, with a primary focus on tailoring approaches to best suit the needs of the organization and the initiatives undertaken. Learning from the past ensures that issues are not repeated across projects.

Approach

Implementing a PMO is a multi-step process with focus on all stakeholders of the effort. Employees, management, functional teams, customers, and HR-related processes will all be impacted. In addition, the deployment of best practices, standards, and governance models can be more than a bit overwhelming to teams that are already overworked.

To successfully implement a PMO,

1. Define organizational structure
   While a matrix organization consolidates functional areas and project management into a single organizational structure, every group will have variations on the model that are either based on company culture, industry, or experience. Creating a group that provides analytics on project performance and reports directly to the head of the PMO may facilitate the achievement of economies of scale and may "violate" the purest definition of matrix. Decisions like this are generally achieved with discussion of

advantages and disadvantages with a critical eye toward the reporting chain and operational directions from management.

2. Communicate structure up and down the command chain
   Once the structure is defined, there remains a need for socializing it and communicating it across all management levels. Discussions on the organizational structure, prior to implementation, will facilitate the identification of cultural or individual issues that can potentially be overcome with modifications to the structure. Through this interactive dialogue, the structure is enhanced prior to roll-out.

   In addition, a matrix organization provides multiple reporting channels. A team member may report to both a functional manager as well as one, or many, project managers. Project related work and performance is managed the project manager(s), and career-related issues are addressed by the functional manager. Education, overall performance, career growth, salary, etc., are generally managed by the functional manager as they are a "permanent" management chain to the employee.

3. Implement matrix-based management with functional areas

Matrix Org Chart Template
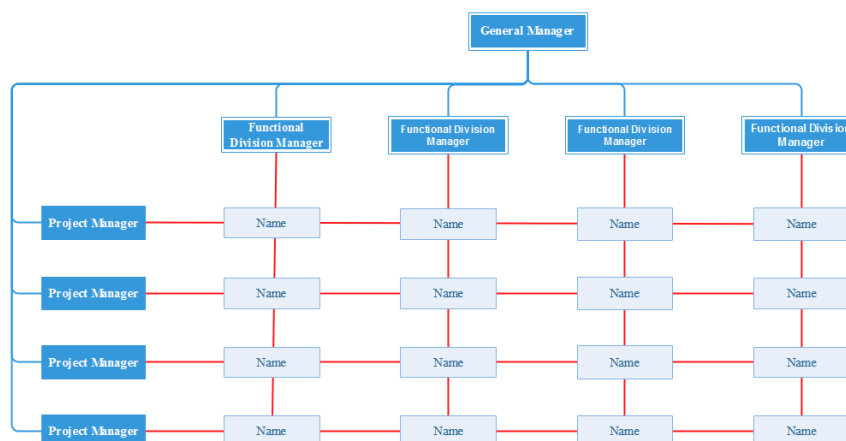
4. Perform GAP Analysis and prioritize process

Prior to identifying the process roll-out schedule, the PMO management team should evaluate the current organizational landscape to determine cultural, communications, and authority-driven issues with the historical performance of initiatives. Change Management may become a priority if past experience has been that executives would consistently shift project scope or objectives without corresponding changes to schedule, cost, and quality. On the other hand, procurement may be decreased significantly in priority if the organization does not do any formal procurement activities.

Performing this GAP analysis facilitates the identification of a "quick win" process that can be rolled out easily, resulting in immediate positive impact on the project efforts. In addition, processes can be tailored and rolled out through improvement cycles, focusing resources on those areas with the greatest pain points.

5. Continuous improvement process
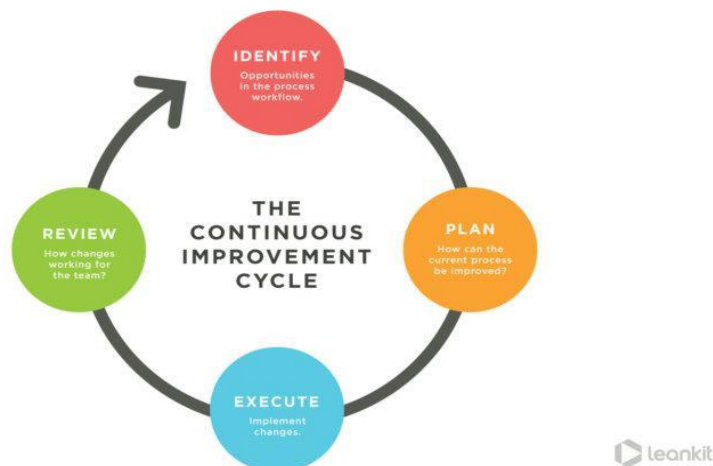
Following a continuous improvement cycle (Plan, Do, Check, Act) is a proven technique to ensure that process is not mandated without resulting tailoring and customization to meet the desired goals. The continuous improvement cycle avoids unnecessary process steps and ensures that each process is optimized for the greatest performance and positive impact on project success.

Final Outcome

By recognizing the internal challenges in the organization and correlating issues with root cause analysis, it becomes readily apparent that implementing best practices for project management will have a tremendous impact on project success. In addition, the current organizational structure, with Product Management reporting to the Executive Leadership Team and Applications Development reporting to Product Management, creates an untenable working relationship with no clear escalation path when requests cannot be accomplished by the development teams. Implementing the PMO will place an organizational structure around efforts that can directly interact with the Executive Leadership Team and operate on a peer level with the Product Management group.

Yet the overall impact of a new organizational structure, reporting chains, and new process and project management governance is bound to have negative impacts on teams and on projects. Therefore, leveraging a progressive elaboration strategy of identification, socialization, customization, and implementation in smaller pieces ensures that team members are not cut out of decision making, have a clear understanding of the direction of the organization, can gain information prior to organizational shifts, and contribute to the implementation of new processes.

Most importantly, the implementation of standard project management processes through continuous improvement cycles increases the overall success factors for projects and will have an immediate impact on success factors for all initiatives. Balancing resources across projects, identifying and eliminating redundant tasks, and learning from past mistakes increases the overall ability of projects to be responsive, accurate, effective, and on-time.

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