



Book The Program Management Office Advantage

A Powerful and Centralized Way for Organizations to Manage Projects

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Recommendation

A “Program Management Office” (PMO) helps an organization decide which projects it should fund and establishes proven project management procedures and processes. It also ensures that project managers adhere to controls. Management consultants Lia Tjahjana and Paul Dwyer and associate management professor Mohsin Habib discuss the PMO’s benefits and explain why your company might want a PMO and how to establish it. To illustrate PMOs at work, the authors present a case history based on an actual organization and walk readers through the various PMO considerations. Although the presentation is relatively dry, *BooksInShort* recommends this comprehensive guidebook because it carefully spells out what project managers and senior executives need to know about PMOs and how they work.

Take-Aways

- Many organizations use “Program Management Offices” (PMOs) to coordinate multiple projects and to link between project offices and senior management.
- To determine whether a PMO is a viable option for your firm, conduct a cost-benefit analysis. PMOs offer numerous advantages:
- They help corporate leaders decide which potential projects to fund.
- They serve two sets of internal customers: project managers and business leaders.
- PMOs handle all the resources a project requires, and they select external vendors.
- PMOs communicate information regarding projects to all organizational stakeholders, from senior management to project participants.
- Organizing and preserving project data for future activities is also the PMO’s duty.
- PMOs must ensure that the project workforce is prepared and has adequate training.
- To identify if a project is running efficiently and profitably, PMOs conduct project audits.
- PMOs monitor the progress of projects by collecting, analyzing and reporting information for senior management.

Summary

Coordinated Project Management

Most companies have multiple projects underway simultaneously, but as they pump human, financial and material resources into so many endeavors, how do they ensure that each one directly supports company objectives? Many firms with 10, 20, 100 or more projects running concurrently establish “Program Management Offices” (PMOs) to assign resources, manage processes, monitor progress and ensure that each project accomplishes its objectives. A PMO is “an operation center that...governs and supports projects from initiation to completion...[and improves] an organization’s project management capabilities.” It is the umbrella supervising and

coordinating agency serving as a liaison between project managers and senior corporate management.

“Success in any company relies on the information exchanges among managers, employees, customers, suppliers and other stakeholders.”

The project management field formally defines a “project” as “a structured process established to deliver specific outputs within applicable constraints (time, cost and quality) while taking into consideration elements such as risk and resources.” A “program” manages multiple projects, and a “portfolio” is a “collection of programs.” Each project relies on a “project office” to handle its administrative functions, and the PMO coordinates the functions of these offices.

“IT organizations that establish enterprise standards for project management...will experience half the major project cost overruns, delays and cancellations of those that fail to do so.”

PMOs work at different levels and handle different responsibilities, depending on the needs of the firm. At Level 1, PMOs serve a limited administration function, communicating between senior business leaders and various project offices. At Level 2, PMOs play a more active role and can act independently to enhance project management throughout the organization. At Level 3, PMOs function strategically to improve the firm’s competitive posture. Companies work best when PMOs operate at Level 3.

“Typically, the larger the organization, the greater the need is for a PMO.”

A top-flight PMO offers numerous services, from resource allocation to standardized project performance management and monitoring. At this level, the PMO provides the ideal flow of information and a quick path for problem solving. Its general job description includes coordinating training, project planning and execution, “scope management (extent of work),” risk management, time management, quality control, budget, communication, human resources and all procedures. One of the PMO’s umbrella responsibilities is to standardize and enhance project procedures and systems. The PMO administrator communicates with project managers to secure project status reports and to supply the project managers with PMO information and guidelines.

“Having a PMO in the organization is not a one-size-fits-all approach.”

The PMO should give senior management a global and comparative view of all projects and provide routes to rapid problem solving. PMOs are supposed to reduce project start-up time, improve reporting, facilitate “knowledge harvesting” and maximize business performance. Typical PMO activities include:

“Customer Management”

The PMO serves all internal clients on the business side and the project side. For the business operation, PMOs should ensure that customers get the best possible projects. On the project side, internal project management customers need the right data and resources to deliver the planned results. Superior customer relationship management (CRM) is a meaningful PMO goal, so PMOs should adopt a “customer-centric approach.” CRM depends on responsiveness, follow-up and communication. PMO staffers must understand who their clients are and what they need. They should seek feedback from clients and facilitate their smooth interface with the company.

“Vendor Management”

PMOs are responsible for selecting the best external vendors, establishing and implementing vendor guidelines, and deploying them efficiently. The PMO must account for each step of the process, from making sure vendors are qualified to monitoring their compliance with quality standards, budgets and performance expectations.

“Communication Management”

The PMO must provide appropriate information to all organizational stakeholders, from senior management to project participants. As the central hub for project management, the PMO must communicate upward to senior management, downward to project offices and “across and outward” to vendors, suppliers and other business units.

“Project Office Management”

Each project’s independent office plays a pivotal management role. Project offices must employ best practices, gather all essential information, and supply the required logistical and financial reporting to the PMO. The PMO, in turn, supports project offices and coordinates with them to ensure that their project managers get all the resources and data they need.

“Project Knowledge Management”

The PMO should organize and preserve project data and make it available for future activities. Employee turnover can result in knowledge gaps within an organization. Through its knowledge management activities, PMOs can limit these shortfalls by operating like a library. PMOs collect and maintain project information, including sponsoring documents, cost estimates, training manuals and procedures, as well as project management textbooks and other external information.

“Project Management Training”

The PMO must prepare the project workforce or make sure that others prepare it. Each training area requires an investment of money, time, personnel and other resources. Define the purpose of training in terms of building competitive strength, helping staffers develop and providing the company with skilled staffers. Align your training methods with your employees’ needs.

“Project Resource Management”

The PMO coordinates all the employees, tools, space and logistics that a project requires. One of the PMO's most crucial tasks is managing and allocating all resources, including funding, personnel, technical assets, "subject matter experts" and support services, such as information technology. PMOs choose, buy, work with, disperse and evaluate the performance of various resources. Often, resource management depends on specialized software and requires sophisticated analysis. Sound resource management maximizes productivity and minimizes cost.

“Project Selection”

The PMO should inform senior management about possible projects and assist in deciding which projects to fund and which ones to either delay or drop. PMOs must know how to determine whether a project will help the organization achieve its strategic goals. Most firms consider numerous proposals and need an effective project selection model. They can use a qualitative model that relies on such criteria as “poor, good and excellent,” or a quantitative model that assigns numerical values to various standards.

“Taking a customer-oriented approach as opposed to a strict project or product orientation may require a paradigm shift.”

“Controlling Project Progress” Once the firm selects its projects, PMOs must maintain the projects' momentum and progress. “Gateway reviews” help determine if individual projects are ready for new levels of activity. Steps in the review process include having sponsors sign necessary approvals, obtaining budgetary authorization and ensuring that projects meet their milestones and have all the needed resources. The gateway review involves five separate “gates”:

1. **“Concept”** – Review all project initiatives.
2. **“Design”** – Create plans for individual projects.
3. **“Development”** – Projects begin.
4. **“Implementation”** – Utilize each “project's deliverables.”
5. **“Finalization”** – Integrate project benefits throughout the organization.

“Program Monitoring and Control”

PMOs stay on top of projects by collecting, analyzing and reporting information for senior management. Project monitoring includes:

- **“Information collection”** – PMOs gather project managers' status reports on expenditures, the project's progress, and so on.
- **“Program status update”** – A PMO analyst updates status information for each project, using “the program repository,” which provides an overview of all projects.
- **“Program status review”** – PMOs analyze all projects in the company's portfolio via special metrics concerning budgets, schedules and resources. If a project has a steering committee, that group also receives this information.
- **“Program status reporting”** – Information should include all financial data, outstanding issues, project rankings and the project summary information.
- **“Program control”** – PMOs detail projects in trouble, determine why they are off track and work to resolve any issues.

“Project Audits”

The project audit consists of three elements:

1. Determine if project managers are using the correct processes and practices.
2. Coach project managers to achieve the best results.
3. Upon project completion, conduct an audit that supplies feedback.

“No one has yet been born a project or program manager. They may have the aptitude, but hand them the tools without training, and all you will have is a collection of tools.”

PMOs usually turn to automated solutions to facilitate management, the flow of information, the decision-making process and overall coordination. Generally, PMOs use commercial software packages that handle “time and expense tracking, cost and revenue tracking, workforce planning, project planning, project process planning and project analytics.” The cost of such software can range from “hundreds to millions of dollars.” Whether your organization builds or buys its software, establishing the right software engine for your PMO is a substantial undertaking.

“Careers Within a PMO”

PMOs are still relatively new, as are formal career tracks within PMOs. Carefully vet the individual your organization chooses to lead your PMO. The manager of a PMO should have strong “project and business skills,” but an accomplished project manager may not turn out to be a strong PMO leader. Each PMO staffer should possess the same basic skill set as the PMO manager and should have IT knowledge. The PMO analyst, a pivotal staff member, helps develop and implement the PMO's procedures.

Do You Need a PMO?

Clearly, PMOs can assume multiple responsibilities and confer substantial organizational benefits, but they need senior management support to be effective. To determine if your firm can justify a PMO and provide the requisite resources and executive backing, perform a cost-benefit analysis. List all the projected direct and indirect costs, including opportunity costs, which are potential lost profits resulting from investing in a PMO rather than another moneymaking activity. Weigh all expenses against the benefits a PMO can deliver, and assign accurate monetary values to as many benefits as possible.

“Introducing a new approach to an organization requires buy-in from all stakeholders to ensure a successful execution of the change plan.”

If you decide to go ahead, you will have a full agenda as you develop strategic, operational and risk management plans for your PMO and detail its scope, budget and processes. Plan how your PMO will work as a liaison with all your business units and project managers. Beyond crucial senior management backing, a PMO also requires a formal charter that outlines its “objectives, funding sources, roles and authority, and so on.”

“The bottom line of a PMO’s existence is to improve the standard of services provided by project managers to the rest of the organization.”

Expect your PMO to provide “the right decision-making mechanisms, structure, processes and control” for your projects and thus help your company meet its goals, increase its profits and keep pace with your competition.

About the Authors

Lia Tjahjana is a project management expert. **Paul Dwyer** has been a project manager for more than 10 years. **Mohsin Habib** is an associate professor of management at the University of Massachusetts, Boston.
